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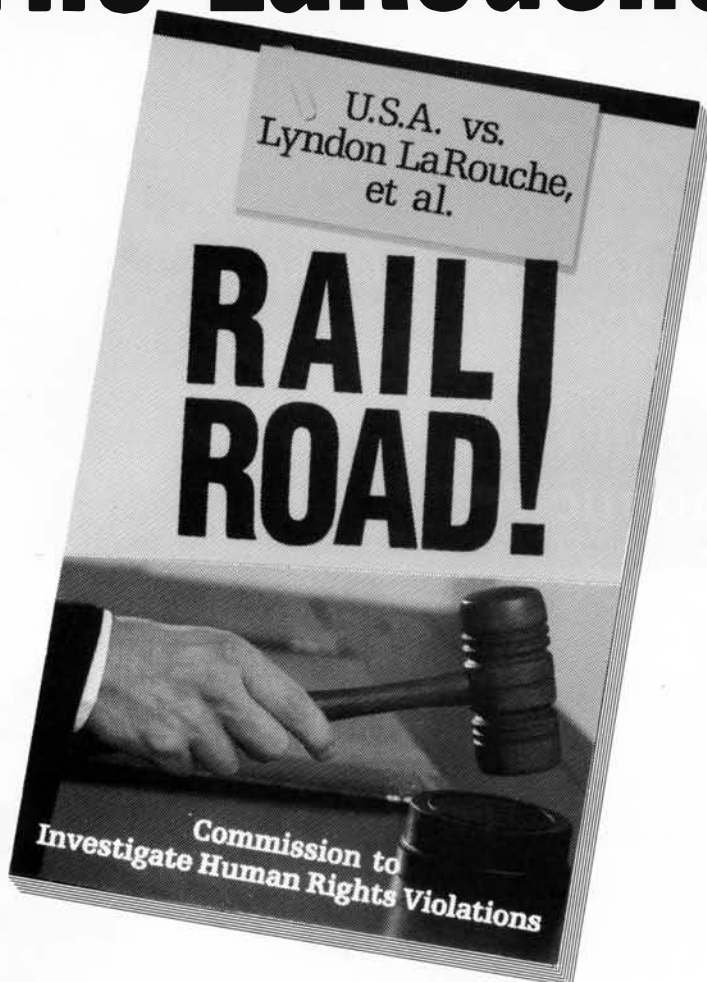
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From the Editor

I invite you to open this issue to the map which appears on the centerfold spread of pages 36-37. It shows the future of Europe under the development program inspired by Lyndon LaRouche and provides a visual reference for the current inflection point in the process of world history. It accompanies an excerpt of a new Special Report being issued in German by our colleagues in Wiesbaden, at EIR Nachrichtenagentur.

The future of us all pivots around the question of whether LaRouche's plan for a European economic powerhouse, centered around a united Germany, can be implemented rapidly enough to stop the process of disintegration which has advanced so far elsewhere.

There are mighty foes of this hope, which would bring the rule of the "superpowers," the U.S.S.R. and the Anglo-Americans, to an end. One of their weapons is assassination. The attempt on the life of another architect of German reunification, vice minister Neusel (see p. 44) indicates that such forces have not been declawed by any means.

However, the *International* lead section, pp. 40-45, reports on events unfolding in Italy which are about to expose the hidden tracks of an international drugs, arms, and murder business that stretches from Moscow to Langley. Italian President Cossiga's demand for an inquiry into the charges aired recently on Italian television by former Central Intelligence Agency employees, *and all but blacked out of the non-Italian media*, could spell new troubles for Lt. Col. Oliver North, at precisely the moment the "Project Democracy" operative has apparently gotten off the hook for his past crimes (p. 60).

There can be no separating the issue of Germany's and Europe's future from that of freedom for America's greatest living thinker, Lyndon LaRouche, and his six colleagues who were framed up and sent to federal prison for political organizing in January 1989. As our cover story suggests, this issue is much on the minds of Europeans, for whom the horror of 40+ years of communist dictatorship and imprisonment of political opponents is a vivid reality. Helga Zepp-LaRouche's campaign in the all-German elections this year (see p. 29), and Lyndon LaRouche's congressional campaign in the United States are bringing that fight forcefully before the constituents of a fast-growing, worldwide Resistance movement.

Nora Hamerman

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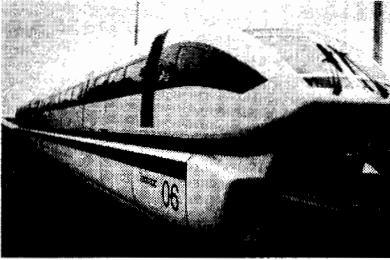
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This time, statistical fakery just won't work

by Chris White

The U.S. government has been caught lying again. This time, it is the newly released official revision of the Gross National Product data series. And this time, it looks as if the lies are going to backfire. Depression reality has caught up with those who insist that statistical manipulation and fakery can forever delay their day of reckoning.

The new set of lies were announced July 27 by the unfortunate Commerce Department. GNP, the supposed major indicator of economic activity, was said to have grown by 1.2% in the second quarter of 1990, by 1.7% in the first quarter of the year, and by 0.3% in the fourth quarter of 1989.

The numbers to be released were reportedly finalized at a meeting held the evening before, attended by Treasury Secretary Nicholas Brady, Commerce Secretary Robert Mosbacher, two sub-officials from the Commerce Department, and according to some, White House Chief of Staff John Sununu. Participants were said to have been provided with two sets of figures: one, the set that was released; the other set indicating that second-quarter growth was only 0.2%, first-quarter growth was 0.7%, and fourth-quarter 1989 growth stayed at 0.3%.

The lower numbers would meet the prevailing definition of a recession. The higher ones were chosen in order to avoid the political and financial fallout that would ensue if the President, fresh from reversing his "no new taxes" pledge, were to admit to the public that he had been presiding over a deepening recession.

The release has set off a storm of international outrage. This time the fakery appears to have gone too far. The reason has nothing to do with the quality of government statistics. It has to do with the growing contrast between the official lies, and the reality of the U.S. sinking ever deeper into bankruptcy

and depression. The word is out internationally that the U.S. economy is a basket case and that its bankrupt banking system cannot be saved. Around the world, as inside the United States, since the President moved his lips, the reality of the collapsing U.S. economy has moved to center stage.

Before the release of the revised figures, word was beginning to make the rounds that even the government's own indicators such as personal disposable income, consumer sales, housing starts, and housing sales, were showing that the country had been in a recession since the fourth quarter of 1989. The GNP numbers, especially the revision of the data for the second quarter, were expected to conform to what the government had earlier

This wasn't secret. Preview of the release has set off a storm of controversy, for what had been covered up for so long by all the lies about the "longest sustained period of economic expansion in U.S. history," can be covered up no more.

George won't admit it

The news was broken by Lazard Frères' crusty old curmudgeon Eliot Janeway, in a column written for the *Hartford Courant*, and reprinted July 19 in the *International Herald Tribune*. Janeway wrote: "There is no way the GNP can be propped up to show gains—not just for the latest quarter but for at least the last two quarters. . . . The political consequences of such a disclosure would be momentous. Sooner or later, Mr. Bush's lips are bound to open again and form a new phrase. If he ever admits to having presided over a recession, with the Treasury borrowing \$300 billion a year, he will land in big trouble. The economic consequences are less momentous. To declare officially that a recession has arrived is mere-

ly to say out loud what most people already know.”

Janeway's report was echoed July 20 by analyst John Crudele, in a column published by Rupert Murdoch's *New York Post*. What Janeway and Crudele were writing in public, others were saying in private. This time, the monkey was under scrutiny as he put his hand into the trap.

What did they do? It was decided to put back into the calculations a “fudge factor” developed by Bureau of Labor Statistics in the mid-1980s, to account for the supposed creation of small businesses during the Reagan-Bush “recovery.” BLS employment estimates are the basis for earnings estimates that are the basis for sales estimates. Change the employment estimates, and all derived series are changed. The “fudge factor” added about 1%, or \$10 billion a quarter, or 100,000 jobs to the GNP count, no matter whether they existed or not. By 1989, it had produced such great discrepancies that it was eliminated. Now, for the first and second quarters of this year it has been put back in again, in order to keep what they call “growth” above the magic 1% marker.

What does it all mean? Well, first of all, forget the mumbo-jumbo about the economists' definition of a recession. The GNP doesn't actually measure whether the economy is moving up or down. It is the net of all the sales transactions in the economy, and as such it treats economic activity—payments incurred for production of wealth, in the form of wages, investment, and purchases of raw materials—on an equal footing with administrative and institutional forms of overhead, such as sales and government, and with outright waste, such as casino gambling, and the other wild things that go on these days. Nor is the cancerous spread of debt service and usury, which affect all the pricings that are counted, separated out.

Since debt and speculation have actually been the only areas of growth over the last years, the continued expansion of the GNP, to well over \$5 trillion, has provided an insane commentary on continued looting and collapse. Living standards were devastated as GNP grew. Productive capacity was plunged back to the levels of the early 1960s, and GNP still grew. Imports accounted for more than 20% of internal consumption, and GNP kept growing.

Eight-year depression

Contrary to the government's lies, and the economists' dictionary definition, the United States is actually in a full-blown economic depression, and has been since 1981-82, when then-Federal Reserve chairman Paul Volcker's high interest rate policy (begun in 1979) bankrupted the economy.

What happened during the last three quarters that would bring the coverup to an end? That takes us back to September and October 1989. On Sept. 15, 1989, the Canadian junk-bond pirate Robert Campeau (a creature of the Reichmann family, owners of the Olympia and York real estate conglomerate, and associates of the Bronfmans and Henry Kissinger) defaulted on debt incurred during his U.S. takeover raids.

Then, on Oct. 13, the stock market went into a 200-point nosedive.

What LaRouche said

Back in September 1989, political prisoner Lyndon LaRouche identified the Campeau default as marking the beginning of a deflationary spiral, which would accelerate, unstoppably, generating a shock wave of collapse. LaRouche then warned Bush, Federal Reserve chairman Alan Greenspan, and everyone else, that it were better to take the collapse then, and not try to paper things over again, for the subsequent collapse would be worse than anything avoided last fall.

LaRouche was right then, as he was in May and June 1987, when he predicted the stock market crash of Oct. 12, 1987, and as he had been before, in October 1979, when he predicted what the consequences of Volcker's high interest rate measures would be.

The lies of “the Reagan recovery” have functioned for so long, because people believed insanely in the power of money. We stopped creating wealth, through useful work, long before Volcker's depression hit bottom in the winter of 1981-82. Farmers were wiped out, but “that's okay, we buy our food from a supermarket.” Whole industries were destroyed, as a bubble of debt and speculation which reached \$21 trillion was built up on the looted wreckage of what 25 years before had been a functioning economy.

The crash of September-October 1989 brought all that to an end. The debt and bankruptcy could no longer be supported. But Bush and his backers insisted they would keep things under control. Others still want to know, “When's the crash going to occur?” Well, it already did—a long time ago. Why so much unemployment? Because there is a depression. Why so much homelessness? Because there is a depression. Why so many bankruptcies, closings, and liquidations? Because there is a depression.

Since October, we've been told everything is fine, haven't we? There's no problem with the banking system that throwing a few sleazy thrift executives, lawyers, accountants, and appraisers into jail won't fix. There's no problem with the federal budget that another round of draconian austerity won't put straight. After all, the longest-running expansion of our history is continuing. This presidential rhetoric is about to go the same way as the campaign pledge “Read my lips, no new taxes”—not because of any government statistics, but because that is the way the world is.

And since last year, too, the 15% national collapse in housing construction, the 16% collapse in auto, the wreckage of the aerospace and defense industries, and the official so-called stagnation in personal income, have fouled up the government's machinery for statistical fakery. The coverup is about to come to an end. And that means the issue of straightening out the real problems, is going to come to the top of the agenda.

Poland must defend her national economic interests

Mathis Bortner, past president of Solidarnosc-Côte d'Azur, is today president of the cultural group, Association pour la promotion des techniques d'expression France-Pologne. Although he has lived in France since childhood, he regularly returns to his native Poland. Following his most recent visit, he was interviewed by Emmanuel Grenier in Paris in July.

EIR: How is the situation in Poland evolving, in your judgment, compared to your last visit in December?

Bortner: I was able to meet with an enormous number of Polish figures, but I am not going to cite them all, since I think that what will most interest your readers is the tenor of the discussion I was able to have with Lech Walesa, because it inverts the perspective that the Western press is giving on the Polish political situation.

I note that, for the first time in a long time, Walesa is really defending Poland's interests. I do not mean that he was not defending them before; to the contrary: I have always been a friend and a supporter of his action.

EIR: Walesa is much attacked in France: They call him power-thirsty, say he has "a big head," etc. What is your evaluation of this?

Bortner: First, let's remember that Walesa wanted to gain the trust of the least compromised Polish Communists; he wanted to count on their loyalty and their competence. But, competence exists from one time to another, but loyalty never exists, and that is moreover a general fact in communist countries. Today the situation is completely blocked: It must be recalled that the Polish Diet is still 65% Communist and that it expedites all the laws in its favor. People say that Poland is making great strides; that's true to some degree: The country has made advances in economic and political liberalization. But what people forget to say is that these laws have only profited the Nomenklatura, i.e., the only ones who have the means to invest. How can anyone imagine that ordinary Poles, non-party members, who used to earn an average salary of \$10-15 a month, could invest? Hence, all the laws created for the people are benefiting ex-CP members who had piled up the wealth that lets them invest today.

Remember that all the chief business officers, all the

prosecutors, are still or were members of the Communist Party. The Polish workers are stymied: unemployment is everyone's worst fear and they won't revolt.

EIR: It is true that there is a tendency to forget and to think that Poland is a country freed from communist dictatorship. From what you are saying, this is not the case. As in Romania and Bulgaria, will it still be the Communists who hold the reins of power?

Bortner: Exactly. And I think this has to be reiterated indefatigably, because the media are succeeding in making it completely forgotten.

EIR: In our last discussion, you were saying that Walesa was more interested in politics than economics. Today you say that he is taking a new interest in the Polish economy. What motivated this change?

Bortner: First, let's recall that Walesa has been the surety for all those who are today in power. All the members of the government draw their legitimacy from the struggle of Solidarnosc and from the direction that Walesa took it in. He had placed his trust in this government and in the so-called economic experts who were advising it. Today, he realizes that this government's policy is leading Poland to catastrophe. I personally had submitted to him in October 1989 a 17-page memorandum written by Jacques Cheminade [chairman of the French Schiller Institute—ed.]. Today, he regrets not having followed this orientation! "That was a mistake," he told me!

The ultra-liberal policy followed by the government favors the foreign investors and the ex-Communists, but not at all the people. The erstwhile Communist business managers have become today's chief executives; the conditions of these "privatizations" are moreover extremely curious, in the sense that the buyers would only take possession of the assets so long as the Polish state remained "owner" of the liabilities. The government is also reviewing all the acquisitions of Polish corporate partnerships, since there have been huge scandals.

EIR: So, what is Walesa's strategy in the face of this Com-

munist power? Is it on this politico-economic question that the break with Mazowiecki came about?

Bortner: It must be first said that, in Poland, Walesa is held responsible for everything that happens. The disastrous economic situation is attributed to him in general. He therefore wants to draw a line between himself and what the government does; he wants in some way to withdraw his surety. First of all, he has refused the label of Solidarnosc to the private magazine of Adam Michnik, *Gazeta Wyborcza*, because it does not express the opinion of the union but of a group of a few men. Then he refused the Solidarnosc label to the government. Solidarnosc is a union which has done extraordinary things in the past. Now the government is working, but it is following a non-nationalist policy, and hence, Walesa is drawing a line there. He thinks today, that only growth will be able to save this country. I think that he is now entirely favorable to a growth of the "physical economy" such as is described in your publication.

Walesa wants to become President of the Republic in order to dissolve the Polish Diet and bring about free elections in order to get the Communists out of power for good. All that the Western papers have retailed on Walesa's supposed thirst for power does not hold up for anyone who has been near this man, who dreams only about retiring.

EIR: What is your evaluation of Mazowiecki?

Bortner: I would say that he is an honest man and sincere with himself. I do not want to condemn him even if he is a former leader of Pax Christi, for several four-year terms. He used to run operations against the Catholic Church and would in that capacity decide the choice of priests. He was a Communist Party member and was one of the directors of the "service for religious activities" and the editor of a pro-government Christian review. Since then, he has completely changed and I have heard much good in various circles. The problem is that he is not an economist.

EIR: And what do you think of Michnik and of [Bronislaw] Geremek, who are very strongly going up against Walesa?

Bortner: I am firmly convinced that these are people who seek to apply the plan to loot Poland by the IMF. This policy leads to a typical Keynesian crisis: Production has tumbled by 40%, the business profits by 50-80% depending on the sector, and the standard of living has dropped by 50-60%.

EIR: Under these conditions, how does Walesa see the future?

Bortner: I asked him that question; I asked him above all if he saw it as peaceful. Like Father Jankowski, he fears civil war. Jankowski has not excluded "Romania-style violence." The fact that the government listens to nothing about the popular needs, that austerity was imposed without any absolute necessity, all this means that we could see a civil war in the country. The recent increases in electricity (100%) and

gasoline (110%) are creating the conditions for an explosion.

EIR: What other important meetings did you have?

Bortner: The most important seem to be those with Marian Rajski, Edmund Krasowski, and Andrzej Gwiazda. This last, at whose home I spent seven hours, was one of the founding members of Solidarnosc. He had been excluded by Walesa for "political radicalism," i.e., he opposed all compromise with the communist power. I tried to reconcile them, but it is hard because the press does everything to separate them. Still, Walesa stated to me about Gwiazda, that he was the smartest man in the whole opposition.

Since the works of Marian Rajski and the January 1990 publication of *Comecon, The Black Hole in the Polish Economy* by my friend Edmund Krasowski, a deputy from Elblag, it has been proven that this institution has as its major objective to keep Poland (and its other member-countries) in a state of financial and economic subjugation, permitting the systematic looting of these nations as the prey of the Soviet Union, "de facto owner" of these satellite-countries. Marian Rajski calculated the pillage of Poland to the *scarcely believable figure of \$12 billion annually*, of which \$9 billion is to the profit of the U.S.S.R. During the Five Year Plan of 1955, the volume of transactions between Poland and the U.S.S.R. and the other Comecon countries was already 68% of the total GNP of Poland. In 1987, only 11% of Polish production was consumed inside Poland. Nothing has come close to explaining where the 89% of the rest of Polish production went! In 1989, there was still 70% missing! One could believe that the looting will cease with the government born of Solidarnosc. . . . Not at all! For 1991-95, the U.S.S.R. has demanded that Poland turn over 6.8 billion rubles' worth of consumer products. The negotiators have signed for 6.8 billion "transferable" rubles, knowing perfectly well that this amount cannot be provided. Thus, Poland remains under the Soviet economic boot and under the reign of the ruble, for which no one up to now has been able to figure an exchange rate. Such economic mistakes are piling up: The Poland-U.S.S.R. trade accords provide that, to "improve trade between the two countries," the Polish government would finance trade—to a total of 1.6 billion rubles—at an exchange rate of 1 ruble to 1,000 zlotys rather than 2,100. In May 1989, trade between the two countries was already reaching 3 billion rubles. At this rate, by year-end an excess of 4 billion rubles over the projected figure can be foreseen. This would be more than Poland's cumulative fictitious debt toward the U.S.S.R.

To fight the mechanisms that misdirect national economic capacity is a simple act of defense against a real act of war against almost the whole Polish population. It took four years for the Communists to destroy Poland's pre-war productive system and to appropriate all the means of production and distribution. It will take much more to reverse this situation, but the potentials for Poland's regeneration are prodigious.

International banks running credit blockade against Colombia

by José Restrepo

The International Monetary Fund, the private banks, and the Bush administration are conducting a credit blockade against Colombia, with the intent of forcing the incoming government of President-elect César Gaviria Trujillo to abandon all further efforts at waging a war on drugs, and instead to impose economic measures that would effectively destroy the country's industry and agriculture.

Among the conditionalities to which any further credit concessions to Colombia are tied are:

- that Colombia dismantle its import barriers, part of the Bush plan to convert Ibero-America into a "free-trade zone";
- that the Colombian government eliminate subsidies to public services, especially electricity;
- that the state sector be privatized;
- that Colombia attract flight capital and foreign investment through elimination of exchange controls and with tax amnesties that would give illicit drug revenues a place to come home to.

By dismantling production, plunging the population into poverty, and surrendering the national patrimony to foreign capital, these measures would make short shrift of Colombia's independent ability to prosecute a serious war against the cocaine cartels.

Bank blackmail

The banks have already treated Colombia to a foretaste of what would follow were President Gaviria to reject their "advice."

The Gaviria government has set the highly conservative goal of winning approval over the next four years for \$3.672 billion in new credits—\$1 billion less than it will have to pay in debt service. However, the World Bank has already decided to suspend a disbursement of \$75 million, part of a \$300 million credit granted in 1987 to state sector electrical companies. A July report from the Comptroller General's office in Colombia has called attention to the fact that \$700 million negotiated with international private banks more than a year ago has yet to arrive.

Most seriously affected by the banks' credit cutoff is the electrical sector. If it fails to receive \$380 million in fresh funds this year, it could be forced to suspend all its investment

projects. Under current conditions, such disinvestment could trigger serious rationing problems in the coming year. Nonetheless, the World Bank, as the country's leading creditor, has been upping pressure continuously over the past four years for *shrinking* the sector's investment program. Its reasoning? The sector is "over-dimensioned," and the country has no need for further electricity.

The World Bank is also urging a 65% increase in electricity rates to "save" \$400 million—and ensure debt repayment. Such rate hikes would effectively terminate energy supply to the poorest sectors of the population.

The 'opening' to foreign takeover

The outgoing government of President Virgilio Barco, in agreement with Gaviria, has already elected to apply the banks' conditionalities, especially the so-called *apertura* (opening) to foreign imports, but "drop by drop," under the illusion that the credit blockade can thereby be breached and the banks' assault slowed a little. However, the national economy is being destroyed—"drop by drop."

On July 2, the Barco government announced that it had suspended its longstanding policy of affording cargo preference to Colombian flag ships, a policy which will shrink revenues by an estimated \$60 million next year. Said the vice president of Colombia's merchant marine, Carlos Guillermo Aragón, "The government has issued a decree that changes an entire policy of maritime transport suddenly, without discussion or preparing us. Guidelines for maritime transport have been used frivolously to show international financial authorities the government's will to change." He also noted that the majority of the world's nations have highly protected merchant marines, in comparison with Colombia's. In fact, he added, all the coal shipments out of Colombia's Cerrejón mines were strictly carried on U.S. flag ships.

Under the new policy of *apertura*, the Colombian bankers' association Asobancaria issued a call on July 23 for opening up the financial markets to foreign capital, through special tax and other incentives. Asobancaria President Carlos Caballero Arguez argued that this would stimulate the capitalization and modernization of Colombia's business sector, and pointed to the cases of Germany and Switzerland,

where the majority of private company stocks are in the hands of the banks. It was through precisely such measures, taken in 1974, that then-President Alfonso López Michelsen and his finance minister, Rodrigo Botero Montoya, gave the cocaine cartels their financial "foot in the door" into the legal economy.

In addition to the electricity sector and the faltering railroad system, other state-controlled sectors of the economy are in the sights of the privatization fanatics. *Semana* magazine reported that the Gaviria government plans to privatize Colombia's ports, since their functioning is key to the success of the "opening." Aspects of the state's social security institution are also said to be on the chopping block. The real plum would be the state-run oil company, Ecopetrol. Colombia has vast untapped reserves of gas and oil which the banks have long sought to get their hands on, but Ecopetrol will have to go through several more ratchets of decapitalization before it becomes as vulnerable to takeover as the electricity sector under World Bank manipulations.

In early 1990, the Barco government announced its *apertura* and began to free various import categories of tariffs and other restrictions. It announced that within four years, a total freeing of foreign trade would be complete—just as the banks demand. On July 24, four hundred product categories were placed on the free import list, and several others on the import prohibition list are now authorized as well.

The National Industrialists Association (ANDI) has repeatedly denounced the *apertura* as a threat to domestic production. Rather than an opening for imports, which would undermine domestic production, says ANDI, the country needs an opportunity for exports and a plan to modernize industry and infrastructure so that the national economy can compete abroad. Even the German company Siemens has warned that the architects of the opening did not take into account the differences in scale between the Colombian economy and the industrialized countries.

Colombia's agricultural associations have been even more vehement regarding the government's plan to allow unrestricted agricultural imports. The Cattle and Agriculture Studies Center (CEGA) charged July 9 that "the most probable overall effect of the *apertura* in the agricultural sector will be recessive." A study issued by CEGA warned that the free import of fishmeal, soy, and rice will cause a collapse in the prices of those products on the domestic market, "seriously affecting our growers."

Due to lack of credits to maintain the electrical sector, the government has been forced to decapitalize such prosperous state companies as Ecopetrol and the national communications company Telecom. Both have been forced to hand their profits over to a special fund for paying the electrical sector's debts, instead of reinvesting in their own maintenance and expansion.

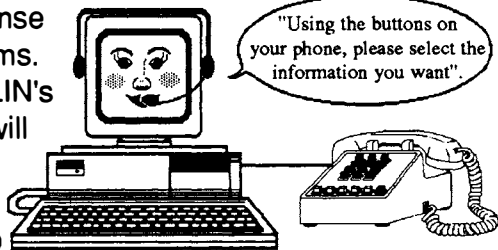
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An IMF trap

The effect of the banks' pressures on Colombia will be to bankrupt the country, making the economy easy pickings for the drug cartels. Even the initial freeing of imports will mean a loss of \$114 million in 1990 tax revenues, according to the daily *El Espectador*. Further, as more and more tariff barriers to foreign imports are lifted, the central bank will have to release more foreign exchange to Colombian importers. In less than six months, \$2.5 billion worth of international reserves will disappear from central bank coffers. This exhaustion of reserves would lead the country into a serious exchange crisis, likely forcing it to turn to the International Monetary Fund (IMF) and its "contingency loans."

Despite the objections of productive sectors of the economy, the country's creditors are forcefully arguing that Colombia must facilitate a repatriation of capital abroad, which, according to the banks, could reach as much as \$18 billion. To accomplish this, they argue for an end to exchange controls and for "more attractive" conditions, such as an exchange and tax amnesty which would allow uncontrolled amounts of capital into the country. The banks, of course, do not address the likelihood that most of this capital would be drug money.

Policies come under fire

Resistance to these policies is growing. The July 3 editorial of the daily *El Espectador*, which speaks for an important sector of the political elites which has resisted the inroads of the drug trade, criticized the Bush "Enterprise for the Americas," the free-trade plan which dovetails with the *apertura*: "In truth, one doesn't actually know what the U.S. President is proposing with his initiative, and whether it means an opening for our products, or a new means of tying our interests to those of the superpower."

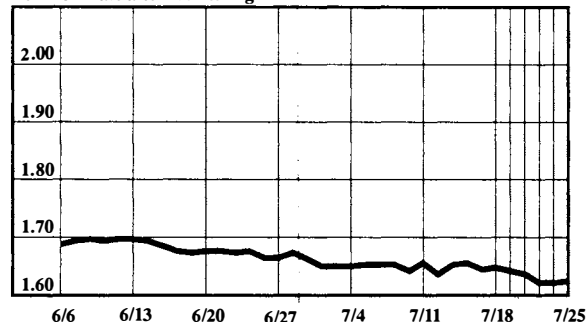
Economic analyst Fernando Plata Uricoechea wrote July 8 in *El Espectador* that the only thing President Bush wants to accomplish with his initiative is for Latin America to buy U.S. products. The Latin American market, the economist explained, was lost to the United States "because of the foreign debt crisis, which deprived us of foreign exchange to continue buying, which in turn caused 1 million unemployed."

Although Gaviria has thus far shown himself a willing junior partner to the Bush scheme, he is apparently a cautious man as well. He has expressed serious interest in developing new trade relations with Europe and Japan, economies on the upswing, especially under the impetus of German reunification. According to the July 19 daily *El Tiempo*, Gaviria "outlined with the Ecuadorean head of state an original plan for integration, outside of the OAS [Organization of American States], of the Latin American countries. It excludes the United States and Canada, to be able to speak more calmly with the new partners that have appeared on the economic panorama—Europe and Japan. The idea is original. In principle, it could be seen as a new and subtle challenge to North America."

Currency Rates

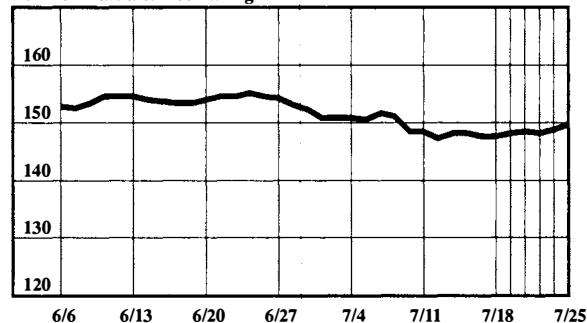
The dollar in deutschemarks

New York late afternoon fixing



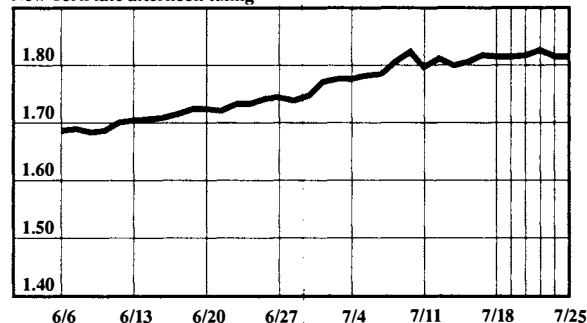
The dollar in yen

New York late afternoon fixing



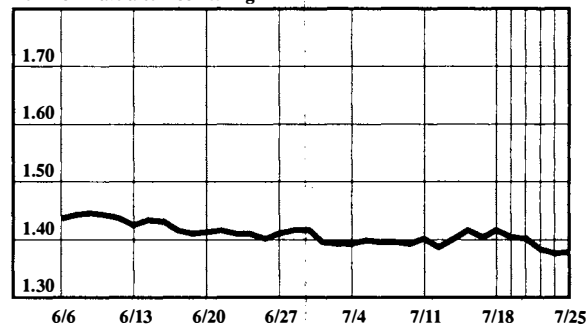
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



Menem delivers Argentina's sovereignty on a platter

by Cynthia R. Rush

Argentina's nationalist Army leader Col. Mohamed Ali Seineldín told an interviewer for the newspaper *Ultima Edición* in early July, that at the heart of Argentina's current crisis was a "moral, rather than an economic" problem. Adding that what most worries people "is the loss of the moral and material quality of life, hunger, unemployment, and the feeling of insecurity," Seineldín admonished that "only by once again recovering public morality, can we attain sovereignty; only nations whose leaders are corrupt, lose their sovereignty."

President Carlos Menem appears bent on proving the correctness of Seineldín's assertion. The nation is suffering from record unemployment and decline in production, and ever more visible poverty. Yet Menem is proceeding with the monetarist economic policies dictated to him by the International Monetary Fund (IMF), and giving up what little sovereignty the country still enjoys to please the Bush administration. Plagued by a series of corruption scandals, growing social unrest and strikes, Menem nonetheless recently predicted that when George Bush visits the country in September, the American President will be "astonished" at the government's achievements.

Achievements? The Argentine statistical agency, INDEC, reported in July that unemployment in greater Buenos Aires, which accounts for nearly half the nation's work force, is at the highest level in history. Of the 4.5 million people in this region who are capable of working, 8.8% are unemployed, while another 8.4% are underemployed. As the daily *Clarín* noted on July 18, were it not for the fact that thousands of skilled Argentines have left the country in recent years in search of jobs abroad, and that another half-million people have dropped out of the statistics altogether, the figures would be much higher. Between May 1989 and May 1990, unemployment increased overall by 15%, and in sectors such as construction, the increase was as high as 65%.

Export everything, import nothing

The unemployment rate makes clear that the country's productive apparatus is rapidly shrinking. Menem is attempt-

ing to quickly sell off state-sector companies to foreign creditors and private interests, but the government's commitment to strict austerity guarantees that no new job opportunities will open up in the private sector to employ those who will lose their state-sector jobs. The government has pointed to its \$4.1 billion trade surplus for the first half of 1990 as proof of its successful economic policy. However, the fact that the \$1.8 billion figure for imports during that period is the lowest in the last 10 years, particularly for the most productive types of economic activity, demonstrates the depth of internal recession. The contraction in areas such as manufacturing is reflected by a 17.9% drop in imports of capital goods parts; imports of raw materials and intermediate goods dropped by 18.5%, in comparison to the same period a year ago.

The \$5.9 billion export figure is the highest in a decade, representing a 25% increase over the same period of 1989; but exports are largely of primary products with very little value added, which generate very little employment or economic activity. Between January and June of this year, exports of primary products increased by 66.4%, for the first time surpassing manufacturing exports. The high overall export level is not the result of greater production, but of large surpluses due to the shrinkage of internal demand and purchasing power.

A commentary in the July 18 *Clarín* noted that if a similar trade surplus were achieved for the second half of the year, the government "could meet commitments with foreign creditors, allowing it to service the country's \$60 billion foreign debt." This would be done at the expense of industry, however, "which can't buy inputs, or repair machinery." Despite these facts, Finance Minister Antonio Erman González is following the advice given by International Monetary Fund director Michel Camdessus, when the latter visited Buenos Aires in June. To achieve stability, Camdessus said at that time, "a permanent adjustment of the economy is necessary." A high-level source at the Finance Ministry told *Clarín* that, in order to avoid a new surge of inflation, the government will not allow wage increases, and will intensify "fiscal adjustment," while it attempts to accelerate the "opening up"

of the economy as demanded by foreign bankers. Inflation for the month of July is expected to be at least 14%.

'Porno-liberalism'?

Public opinion polls in Argentina still claim that Menem and his policies enjoy support. But a number of scandals directly related to the implementation of economic policy, and the public's response to them, show otherwise. When Menem's estranged wife, Zulema Yoma de Menem, publicly attacked the government's austerity policies and vowed to reveal corruption among the President's closest circle of advisers, the President had her ousted from his official residence. Popular opinion rallied to her defense, particularly responding to her warning that the country was "going to the devil" because of the government's economic policies.

Other scandals, such as the recent uproar over the unexplained deaths of 32 psychiatric patients at the Moyano Hospital for Women, have also shaken the government. The popular undersecretary of health, Matilde Menéndez, refused to be scapegoated for the deaths and revealed that, in the name of fiscal austerity, the Finance Ministry had taken control of the budget out of the hands of Health Ministry officials who should have had authority to allocate funds for food and medication.

Menem is in real trouble with the latest scandal, involving the head of the state telephone company ENTEL, María Julia Alsogaray. Pictures of the semi-nude 47-year-old daughter of the ultra-conservative Alvaro Alsogaray, a follower of Austrian quack economist Friedrich von Hayek, appeared recently on the front cover of the local news magazine *Noticias* and were promptly reproduced in every major newspaper in Ibero-America. In defending her new "image," María Julia, whose family boasts of its staunch Catholicism, whined that "if I let loose, it's because I learned from Carlos Menem, for whom I have enormous affection. I care for him very, very much." Having not quite enough rope to hang herself with, she added, that she and the President were "like two mules, who complement and need each other."

The photo episode followed by a few weeks the completion of a deal in which Citibank and the Spanish telephone company Telefónica offered \$5 billion in debt-swap offers for ENTEL. The deal is a total giveaway to creditors and investors, because it allows them to arrange their \$5 billion in debt relief by purchasing discounted Argentine debt paper on the secondary market—at 13 cents on the dollar—and exchange this for equity in ENTEL. Thus, even with a \$214 million cash payment to the government, they pay far less than \$5 billion for the whole deal. Nonetheless, Menem and Miss Alsogaray praised the giveaway as a major achievement and proof of the privatization process's successful beginning.

Opponents of Menem's economic policies have lost no time in attacking them, following Alsogaray's "letting loose" incident. One deputy charged that María Julia "privatizes state-run companies with the same frivolity with which she

appears in these photographs. . . . But the price of that frivolity is being paid by the man in the street, who suffers from this crisis." Former Radical Party deputy Lucí Alberti charged that if Menem and María Julia deal with each other like "mules . . . then the government is in the hands of hybrids" and "decadents."

From Venezuela, where the government of Carlos Andrés Pérez is embarked on the same kind of IMF policy as that applied by Menem, columnist Rafael Poleo wrote in the July 23 *El Nuevo País* that the "state mission" of the oligarchic Miss Alsogaray, who he described as suffering from "the Joan Collins syndrome," was to "distribute pieces of public property" among her high-society friends. "Do you believe that these 'things' that have befallen we Latin Americans, can really be called governments?" Poleo asked.

Argentina's working people aren't amused by these developments or by the unprecedented poverty afflicting them. Despite the Finance Ministry's insistence that it will not permit wage increases, over 700,000 workers are currently engaged in some strike activity in demand for better wages. The 350,000-strong Union of Metal Workers (UOM), which has already staged two 48-hour strikes in July, is reportedly planning an all-out general strike before the end of July over its demand for a 37% across-the-board wage increase. Other unions, such as teachers, construction workers, and bank workers, are also engaged in wage negotiations and are likely to strike as well.

No help from Bush

Menem, mistakenly, thinks that the relationship he has cultivated with the Bush administration will bail him out of problems at home brought about by his harsh austerity program. Washington policymakers, such as the Treasury Department's David Mulford, have admitted publicly that no new money will be forthcoming in Bush's recently announced "Enterprise for the Americas" plan to create a hemispheric free-trade zone. Menem nonetheless continues to gush over the fact that relations with the United States are at an "all-time high" and that Bush will be so pleased with the government's reform of the state sector and economic liberalization, that he will provide some major assistance.

In the framework of the Bush proposal, on July 5-6, Menem met with his Brazilian counterpart, Fernando Collor de Mello, to discuss how to integrate the two nations' economies, as a first step toward achieving the integration of the Southern Cone nations, desired by the U.S. State Department. The two Presidents decided to send their respective foreign ministers on a joint trip to Washington in early August, to discuss how to further advance the region's incorporation into Bush's free-trade scheme. The July 17 *Clarín* reported that this trip will "facilitate the insertion of the Southern Cone into Bush's free trade proposal made last month, which should integrate the hemisphere from Alaska to Tierra del Fuego."

'Mad cow' disease fuels meat phobia

Medical evidence indicates no danger to consumers from the new disease, which may derive from a "species jump."

The latest round in the ongoing campaign against meat eating opened with a flurry of publicity about "mad cow disease" which causes cows to stagger, fall, and even become violent, before they die of destruction of the brain. It has killed more than 14,000 cattle in Great Britain since it began in 1985. Several countries, including the United States and Russia, have banned imports of British beef.

The bans resulted from fears that people who ate contaminated meat might risk catching the disease, though there is no evidence for such a risk. A few European countries that temporarily banned import of British beef have lifted those bans.

The disease resembles a sheep disease called scrapie, believed to be caused by a "slow virus" similar to the one responsible for two rare human brain diseases, kuru and Creutzfeldt-Jakob disease. The infectious agent is called an "unconventional virus" and apparently lacks genetic material, unlike other viruses which contain either DNA or RNA. These "unconventional viruses," or Prions, grow extremely slowly and are difficult to isolate.

Kuru caused an outbreak of degenerative brain disease in Papua, New Guinea. In 1959, D. Carlton Gajdusek, of the National Institute of Neurological Disorders and Stroke, discovered that the disease spread among women and children who ceremonially ate the brains of dead relatives while preparing the bodies for burial.

Kuru, Creutzfeldt-Jakob disease,

and scrapie cause slowly progressive degeneration of the brain. At death, the brain shows multiple small holes, giving it the appearance of a sponge. This appearance led to the term spongiform encephalopathy as a description of the finding. The similar appearance of the brain and the long course of the disease suggest a relation between scrapie and bovine spongiform encephalopathy (BSE), the technical name for "mad cattle disease."

The British believe the cattle got the disease from eating a protein supplement made from sheep "renderings"—the waste products left over from butchered sheep. The government banned the use of the feed in 1988, but it can take years for the disease to appear in cattle.

BSE intrigued Dr. John Seale of Great Britain, who has made a study of new infectious disease epidemics and is interested in the transfer of an infection from one species of animal to another, so-called "species jumps."

In the July-August 1989 issue of *21st Century Science & Technology*, Seale wrote that BSE "has appeared since 1985 on more than 1,000 farms scattered throughout Britain as an entirely new disease of cattle that has not been reported from other parts of the world. It is uniformly fatal and caused by an atypical virus similar to those that cause scrapie in sheep and kuru and Creutzfeldt-Jakob disease in humans. The epizootic has the characteristics of a cross-species transfer of a new, slow virus disease originating from a single source.

"It has been suggested that the out-

break may have been caused by feeding cattle with scrapie-contaminated bone meal prepared from the carcasses of sheep. This is similar to the suggestion that the spongiform encephalopathy of mink, which appeared 40 years ago, had its origins in the feeding of carcasses to mink on commercial mink farms. However 18,000 sheep in Britain were infected with the scrapie virus in 1935, when it accidentally contaminated a batch of louping ill vaccine, and most experimental cross-species transfers of these atypical viruses have been achieved only by inoculation. Precisely how this virus jumped from sheep to cattle is still not known, but clearly it is related to human actions."

Several epidemiologic studies in Europe found no relation between scrapie infections in sheep and human disease, despite the fact that sheep and goats, which also get scrapie, have been going to market for more than 200 years. There is also no correlation between scrapie and the incidence of Creutzfeldt-Jakob disease.

No cases of BSE have been diagnosed outside Britain as yet. But the National Renderers Association and the American Protein Producers Industry recommended in December 1989 that feed producers no longer use sheep products in cattle feed.

Commenting on the consequences of an outbreak of the disease in the U.S., an article in the June 26, 1990 *Washington Post* stated that "a large part of the cost would be consumer's fears that the beef was not safe. As [Gary] Cowan [of the National Cattlemen's Association] said: 'It would be a catastrophe economically. The real threat is consumer perception.' . . .

"In Britain, consumers rejected government pronouncements that the beef was safe, and more than 1,000 schools have dropped home-grown meat from their menus."

Russia wants Western oil technology

Soviet oil production is starved of investments and rapidly declining, but changes under way could boost production.

The difficulties of the world's largest petroleum producing country, the Soviet Union, have received a lot of high-profile coverage in Western media. But there are some aspects of that situation which should also be reckoned into the calculus.

First the gloom. The Soviet oil sector is a mess. Partial decontrol of the state-run oil supply and equipment industries more than a year ago allowed the factories to sell a major share of output to whomever they chose, at what price they could get. But the price the state allowed the State Petroleum Ministry to pay its vendors was fixed by Moscow, as was the price of its oil. Supplies to the oil sector in recent months have become chaotic as a result. Poor housing for workers in the severe living conditions in the Siberian fields, which contain some 60% of current Soviet production, have created labor and morale problems. Forest fires sweeping the huge Tyumen oil fields didn't help matters any. Old wells have started to deplete output, while new fields are far smaller and deeper than the giant fields of Tyumen, which absorbed the enormous Soviet oil investment gamble of the past 20 years.

According to official Soviet data, Soviet crude oil production fell 2.5% in 1989 to 12.2 million barrels per day (mbd), still a far cry above the 9.2 mbd rate in the U.S. that year, but a worrisome trend since oil and gas exports account for some 66-70% of all U.S.S.R. hard currency earnings. In recent days, Moscow has notified Czechoslovakia, Hungary, Poland, and other former Eastern European

clients, that they must pay in dollars or find other crude, leading Western media to expect the worst.

Soviet oil has problems which make one's hair stand on end. Pipelines rushed into operation in the 1980s under pressure to meet the Five-Year Plan or reap Western price earnings, have predictably begun exploding or otherwise collapsing, most notable and tragic being the June 1989 Urals rail disaster, when a natural gas pipeline exploded as two trains were passing, killing 190.

However, some little-noticed changes could create a "revolution" in U.S.S.R. energy supply in a far shorter time than many Western commentators realize.

The Soviet Union holds what are reckoned to be some of the world's largest pools of untapped petroleum, known in the industry as "elephants," at least 77 billion barrels, according to one U.S. geological calculation. The problem is to get it out of the ground in the most efficient and least costly way. Moscow knows that Western oil multinationals have something they need—state of the art oil geophysics and production technology.

In late May, the Soviet Ministry of Oil and Gas Industry lifted a decades-long policy and gave France's Elf Aquitaine sole right to explore for oil on some 13,000 square miles of promising unexplored area in Kazakhstan north of the Caspian Sea. Twelve days later, Chevron announced it had signed a contract to study feasibility of co-development of the huge Tenghiz field, "probably the single largest field discovered in the last decade," ac-

ording to Chevron's Richard Matzke, perhaps holding as much as 25 billion barrels of oil. That's two-and-a-half times the size of Alaska's entire Prudhoe Bay field.

Under terms of the Chevron-Moscow Protocol of Intentions, the study could lead to a joint 50-50 venture to develop the Tenghiz field with the Soviet partner firm, Tengizneftgaz, on 23,140 square kilometers in the northeast Caspian Sea region. Depending on how quickly things proceed, Western experts estimate oil production from the new development could begin flowing in less than two years, a welcome prospect for beleaguered Russian energy supplies.

But Moscow isn't putting all its eggs in Chevron's basket. Royal Dutch Shell recently sent a high-level technical team to discuss major joint venture deals, and British Petroleum is in serious talks as well as Amoco. Further, in April of this year, the Soviets asked for Japanese help in developing offshore fields off the coast of the Soviet island of Sakhalin north of Japan. That project was first signed in 1974 but was scrapped because of the ensuing world oil "glut" and political frictions between Moscow and Tokyo.

The Russians are now dangling the huge untapped oil reservoirs at such places as Tenghiz and demanding that Western joint venture partners show their "good faith" by helping to solve considerable problems in maintaining production in older fields, known as "enhanced recovery." Until very recently, the Russians simply paid little heed to such problems. Now, in a joint venture between Shell and Canada's Fracmaster Corp., Tyumen fields run by Ugansneftgaz have begun to increase production levels as a result of the advanced enhanced recovery technology.

Business up in arms over Bush plan

U.S. free trade prescriptions for Panama's economy "mean death for private enterprise," say businessmen.

This damned economic plan seems to have been drafted by Martians after an all-night party smoking marijuana," was the reaction of Dulcideo González to the so-called National Strategy for Economic Development and Modernization just imposed on the U.S.-installed government of Panama by the Bush administration.

González, no wild-eyed radical, is the staunchly pro-American, former head of Panama's National Council of Private Enterprise (CONEP), whose ranks provided most of the support for the anti-Noriega "Civic Crusade" set up by Project Democracy, the same gang that brought you Oliver North's Iran-Contra follies.

"This is suicide for private enterprise," said González about the plan, demanded by Bush in exchange for \$420 million in U.S. economic aid. The plan demands that Panama privatize state companies, do away with the labor code, eliminate price controls, and drop protective tariffs for industry and agriculture. This will destroy the economy, complained Panama's Industrialist Union (SIP) on July 18.

As did González's CONEP, many SIP members once welcomed U.S. intervention, believing it portended an era of unlimited economic prosperity. Their rude awakening should serve as an object lesson for other nations of Ibero-America now embracing the "free market" revolution being promoted by Bush, with the connivance of the hemisphere's governments.

The problem with the National Strategy for Economic Development and Modernization, said the SIP, "is

that it starts from the assumption that Panama is expensive, a fact which it erroneously claims is due to inefficient industrial and agricultural sectors, which supposedly enjoy excessive protection."

It added that "both in form and content," the economic plan "has an extraordinary resemblance to the Structural Adjustment Plans of the World Bank and the International Monetary Fund, which former regimes attempted to impose on the country with fatal results for our economy." This was a reference to former World Bank executive Nicolás Ardito Barletta, who was forced to resign as President of Panama in 1985 because of mass resistance to his austerity programs designed by the IMF and the World Bank.

Panama's second Vice President Guillermo "Billy" Ford, a banker linked to drug money-laundering institutions who is also the minister of planning and finance in the U.S.-installed ruling troika of President Guillermo Endara, chastised the critics of the plan for having "an IMF complex." Ford was one of the signers of the agreement with U.S. ambassador Dean Hinton, the American proconsul in Panama, to release the economic aid in exchange for liberalizing the economy. The agreement explicitly states that Panama must settle its arrears with its international creditors and accept IMF conditionalities to get the first \$243.8 million in U.S. aid.

Of that money, \$130 million will go immediately to Panama's foreign creditors. The remainder will be doled out in three installments based on Pan-

ama's good behavior.

The funds are simply not enough to cover the billions of dollars in damage to Panama's economy caused by two years of U.S. economic warfare prior to the invasion, nor the damage caused by the invasion itself. Some 35% of the labor force is unemployed, and in Colón, the country's second-largest city, half the people are out of work. And, as a source of revenue, "the canal is maxed out," says John Dawson the U.S. embassy chief economic expert, according to the July 30 *U.S. News & World Report*.

According to the magazine, much of Panama's disastrous situation can be blamed on the fact that the government installed by Bush's invasion, is made up of "a bunch of *rabiblanco*s, or white-tails, members of the oligarchy who have never managed to establish a meaningful rapport with poor Panamanians." That view is correct, but also disingenuous, for it absolves the U.S. of responsibility for problems caused by the invasion and the meddling of Project Democracy.

As the article notes, "weakening the labor laws hardly seems like the best way for the *rabiblanco*s to reach out to day-wage workers." But this is the policy being forced by Bush on its Panamanian rulers.

There is also a racist, Calvinist, "white man's burden" conception behind this shifting of all the blame onto the *comprador* puppets. This is made clear in another article in the July 30 *U.S. News & World Report* which examines the problems facing the governments of three countries victimized by Project Democracy: Nicaragua, the Philippines, and Panama. Their fundamental problem, it says, is that they share a culture of "Spanish colonialism and Catholicism" and "a conviction verging on the religious that Uncle Sam will always make things right."

Business Briefs

Soviet Economy

Revive nuclear now, scientists say

Top-level Soviet nuclear physicists and representatives of the nuclear power industry have issued an urgent appeal to President Mikhail Gorbachov, to the Supreme Soviet, and to all the Soviet republics warning that the backlash against nuclear energy in the U.S.S.R. had reduced the industry to total disarray, and calling on the government to revive nuclear power before the energy grid collapses.

Participants revealed that design and construction of nuclear generating capacity totaling more than 100,000 megawatts, the equivalent of some 50 medium-sized stations, had been halted because of public protests and pickets against nuclear construction in several parts of the country. There has also been a collapse in recruitment into atomic engineering which could force some plants to be closed for lack of qualified operators, they warned.

The scientists warned that discontinuing nuclearplant construction across the U.S.S.R. "results in direct losses worth billions of rubles, a figure that could multiply many times in the future. Highly qualified collectives are falling apart, the enrollment of gifted young people in higher schools is falling off. . . . If the situation does not change soon, the need may arise to shut down nuclear power plants, leaving entire regions of the country without power supplies."

S&Ls

Deregulation the culprit, says Hollings

Sen. Ernest "Fritz" Hollings (D-S.C.) blamed free trade ideologues and deregulation for the collapse of the savings and loan industry, in a speech to the National Press Club on July 12.

"The Keating Five are not guilty of doing anything I wouldn't have done myself if asked to . . . they intervened on behalf of a constituent," Hollings said. "Once you deregulate

. . . of course you are going to have failures. . . . You complain about fraud? They were just doing what you told them to . . . you told them there were no rules . . . what do you expect."

Hollings quoted Henry Clay and Alexander Hamilton at length on the need for a policy favoring manufacturing. "Everyone else in the world has grasped this truth. It is high time we did too. If our government can't meet the competition, then industry will move to a government that can. The cry of free trade and setting of the example by the United States will leave us denuded.

"The international banks like Chase and Citicorp that finance the multinationals joined in the 'free trade' chorus to ensure the payment of their loans. And they moved further to amplify free trade orthodoxy through the Trilateral Commission and a raft of subsidized academic institutions and think tanks.

"Of course, the major retailers receiving a greater markup from imports joined in the tune, 'Free trade, free trade.' And newspapers, receiving some 80% of their revenues from retail advertisers, gladly parrot the party line spewing out of Wall Street." But, said Hollings, quoting Henry Clay, free trade "never has existed. And never will."

New Republic columnist Robert Kuttner also said in the July 23 *Business Week*, "make no mistake: Partisanship aside, the S&L mess was brought to you by deregulation." There is no such thing as "free market" banking, he said, since the "business of banking is intimately tied to the government. . . . Banks are not exactly creatures of the free market."

Infrastructure

Europeans seek to build Texas rail system

Two European-American consortiums are seeking to build a Texas rail system linking Dallas, Houston, and San Antonio.

A French consortium, Texas TGV, and a German-based consortium, Texas High Speed Rail Joint Venture, have each paid a \$100,000 fee to the Texas High Speed Rail Authority

to cover the cost of reviewing their proposals, which have to be submitted in detail by February 1991. Both groups have teamed up with American firms and plan on going with current technologies. The French team wants to build a system modeled on the TGV "Atlantique" while the Germans propose using the ICE, according to the July 20 *Houston Chronicle*.

"It would be amazing to me if Texas opted for a 19th-century technology rather than 21st century," said U.S. Rep. Robert Mrazek, (D-N.Y.) "And it would be a mistake."

Pragmatists in Texas, who want to go ahead with the conventional technology of TGV or ICE, say it is cheaper, faster, proven, quicker to construct, and claim magnetically levitated technology is not yet ready for practical application.

Leveraged Buyouts

Revco sale may be a fraudulent conveyance

Revco, the U.S. drugstore chain, was so short of capital at the time it was acquired through a \$1.3 billion leveraged buyout, that it was virtually insolvent, a preliminary finding by a U.S. bankruptcy court has found.

The investors who acquired Revco put up only \$18.9 million in cash, financing the rest of the deal with bank loans and \$800 million in junk bonds; the company failed less than two years after the takeover. If the failed company gained no value from the debt burden the buyout investors saddled it with, the July 18 *Financial Times* reported, then the deal amounts to a "fraudulent conveyance" and Revco's creditors may have grounds to sue the investment bankers, accountants, lawyers, and other parties involved in the deal. The investment banker in the Revco case was Salomon Brothers.

"My research suggests . . . that highly aggressive leveraged buyout deals may create significant fraudulent conveyancing risks," said Brooklyn bankruptcy law professor Barry Zaretsky, who is conducting the Revco investigation for the court.

Energy

Indonesians say nuclear is the only alternative

Indonesian Mines and Energy Minister Ginandjar Kartasmits said the increased need for electrical power by industries in Java and the limited availability of other power sources has made the use of nuclear power essential.

Kartasmits's comments came after the recent signing of an agreement to build Indonesia's first nuclear power plant. Companies from Japan, Europe, and the U.S. have submitted proposals to build the plant.

By 2015, people on the northern coast of Java alone will consume about 27,000 megawatts of energy, while the capacity generated by water, geothermal activity, natural gas, and coal will reach only about 20,000 megawatts in that year, according to officials quoted in the *Bangkok Post*.

Africa

Chirac urges debt reduction, customs union

In order to reestablish economic growth in Africa, Paris Mayor Jacques Chirac insisted to the International Association of Mayors meeting in Tunis, Tunisia, on July 17, creditor nations must do whatever is possible to reduce the debt of African nations.

Chirac detailed the reasons for the current economic crisis in Africa: 1) the prices of "raw materials" which continue to be set "in an unjust manner" by other than the producing countries; 2) the accumulation of foreign debt of a total of 1.4 trillion francs; 3) the disengagement of private investors from Africa.

Chirac denounced the reductions in public aid to Africa from the advanced sector countries, in particular the U.S. and Japan, whose total aid is less than 0.15% and 0.25% of their GNP, respectively. He said the International Monetary Fund (IMF) and World Bank should increase their aid while the debt totals are un-

pegged from currency fluctuations.

Chirac said more has to be done to maintain private investors who have been fleeing Africa for the past few years. "Africa needs four or five customs unions" which would offer the type of security to private investors they are now getting with the new Union of Great Maghreb in North Africa, he said.

"There are those who speak abstractly of humanrights," said Chirac, "while the first human right is that of being nourished and healthy."

Cold Fusion

New results announced, witchhunt condemned

New cold fusion results were announced by Dr. Fritz Will, director of the National Cold Fusion Institute, at a press conference in Salt Lake City, Utah, on July 19. Among the developments announced were a neutron physics experiment at the University of Osaka, Japan, which has uniquely determined the energy spectrum of neutrons emitted during the deuterium loading of palladium electrodes in lithium deuteride, thereby confirming cold fusion.

Will also announced that neutron bursts and significant tritium generation have also been demonstrated on deuterium gas-loaded tritium chips at the Bhabha Atomic Research Center in India.

Will condemned the witchhunt against cold fusion researchers. "The unproductive controversy continues in the United States . . . fueled by a small number of vocal nuclear physicists, and a few others. Unethical and unprofessional methods are now being employed by these few in an almost desperate attempt to prevent scientists from pursuing the exploration of these new scientific phenomena: Positive results on cold fusion have been suppressed at several universities; young professors have been warned that they would not receive tenure unless they would disassociate themselves from cold fusion; pressure has been applied on sponsors of cold fusion work to withhold or cut research grants for cold fusion," he said.

● **APPLE GROWERS** in Canada are in a severe crisis following the Free Trade Agreement with the U.S. and the recommendation of a British Columbia royal commission that all subsidies to growers be ended. David Hobson, vice president of the B.C. Fruit Growers' Association, believes the industry will collapse 75-80% over the next 2-3 years.

● **OIL IMPORTS** by the United States reached 52.3% during June, according to the American Petroleum Institute, shattering all previous records. "Falling domestic crude oil production has become the main force at work in expanding the gap between domestic supply and demand," the API said.

● **THESEABROOK**, New Hampshire, nuclear power plant reached full operating power (1,150 MW) on July 19, providing electricity for more than a million homes.

● **AIDS WILL INFECT** every third housewife in Bombay, India by 1995, Dr. A.S. Paintal, director general of the Indian Council of Medical Research, has warned. Paintal said something has to be done on a war-footing to prevent this disaster.

● **DIAZINON** became the first pesticide to be banned because of "risks to birds" when Environmental Protection Agency administrator William K. Reilly issued a final order July 19 banning its use on golf courses and sod farms. A judge had ruled in January 1988 that the benefits of its continued use outweighed the risks to birds, but an Appeals Court put the decision back in the hands of the EPA.

● **BANK OF MELBOURNE**, one of several Australian building societies which have been converted to commercial banks, had to distribute extra cash to its branches on July 17 as depositors lined up for "the second day of a run on the bank," the July 18 *Financial Times* reported.

U.S. electric reliability heads for Third World levels

The “creeping deterioration” of the American electric power system is reaching the point where serious shortages and even rationing are on the agenda. Marsha Freeman reports.

In its 1989 assessment of the reliability of electric power in the United States, the North American Electric Reliability Council (NERC) warns that in the near future, American cities could look like Buenos Aires, Argentina. In that city of 11 million inhabitants, electricity is rationed. Since 1988, neighborhoods have been scheduled for periods of rolling blackouts. People organize their daily activities according to when elevators, factories, and the subways are running. Street lights have been dimmed, and work hours cut.

The NERC report describes how food shopping is done there on a daily basis, since unreliable electric power has made home refrigeration a thing of the past. This situation has long existed in the major cities of the Third World such as New Delhi, India as they have struggled to industrialize. Reliable electric power is a prerequisite for and hallmark of economic health and industrial development.

The once-proud and unrivaled reliable, inexpensive, and growing electricity generation and supply system in the United States is quickly devolving toward that of a “lesser developed” nation. Even through depression and wars, the American people have never before experienced significant shortages of electric power.

This situation, which NERC describes as a “creeping deterioration” of reliability, was not produced overnight. Unfortunately, neither can it be solved overnight.

Turning point in 1988

The reliability of the U.S. electricity generating and transmission system has been slowly deteriorating since the mid-1980s, as the rate of addition of new capacity slowed to a snail’s pace. But the extreme weather during the summer

of 1988 brought into stark relief the consequences of abandoning capital investment in U.S. infrastructure.

The electric utilities made it through the record heat and drought of that summer two years ago with a minimum of noticeable disruption to customers by instituting voltage reductions, appeals to the public for conservation, and by interrupting industrial customers. In the Mid-Continent Area Power Pool region, which includes all or part of Iowa, Minnesota, Nebraska, North Dakota, Illinois, Michigan, Montana, South Dakota, and Wisconsin, interruptible customers were cut off 22 times! **Figure 1** shows the nine NERC regions.

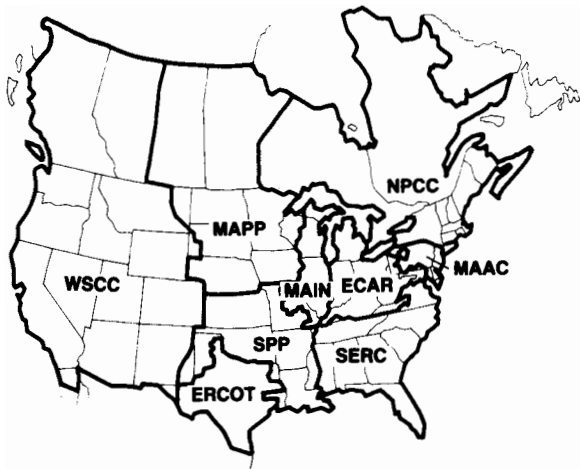
In most parts of the United States, there was none of the supposed “excess capacity”—which regulators and zero-growth malthusians complain about—available to meet the record peak demand. More widespread 5% voltage reductions, or “brownouts,” and outright power blackouts were avoided, not because the utilities had enough reserve capacity, but because they took measures to *reduce demand* by more than 2,500 MW.

Emergency operating procedures, which were required in the summer of 1988, are implemented only after all available generating sources have been called upon, and after all contractually interruptible customer demands have been cut off, according to NERC’s 1989 “Reliability Assessment.” These procedures include public appeals for voluntary reduction, voltage reductions, and utility-controlled load-shedding.

NERC explains that these options are the alternative to “widespread uncontrolled disturbances.” They point out that “there is concern that some of these procedures formerly relegated to system operators for alleviating system emergen-

FIGURE 1

Regions of the North American Electric Reliability Council



ECAR
East Central Area Reliability
Coordination Agreement

ERCOT
Electric Reliability Council of
Texas

MAAC
Mid-Atlantic Area Council

MAIN
Mid-America Interconnected
Network

MAPP
Mid-Continent Area Power Pool

NPCC
Northeast Power Coordinating
Council

SERC
Southeastern Electric Reliability
Council

SPP
Southwest Power Pool

WSCC
Western Systems Coordinating
Council

Source: NERC

cies, are beginning to be used as long-range system planning options to reduce the need for new facilities. . . . These actions will eventually degrade system reliability as there will be less system flexibility to handle emergencies.”

The margin of reserve capacity has shrunk dramatically and to such an extent, that the Northeast, parts of New York, and the Mid-Atlantic region can only keep the delicate electric generation and transmission system stable by instituting various austerity measures, to convince or even, increasingly, to coerce customers to cut demand. As an example, starting in January 1992, Consolidated Edison in New York City will be legally required to penalize customers who use electricity during peak demand hours, by *doubling* their rates. To continue to pay the “normal” rate, which is already double that of other parts of the country because of the use of imported oil, residents will have to cook, wash clothes and dishes, and use other appliances after 10 o’clock at night!

NERC projects that by 1998, 2.8% of peak demand will be under direct interruptible utility control, compared to

2.2% last year. That is, a larger share of electric power will become unreliable, being unavailable in peak demand periods. By 1997, debt-strapped utilities hope to reduce demand through this load management (read: austerity) by nearly 17,000 MW, avoiding the construction of approximately 17 new baseload power plants.

The electric generation industry, like agriculture, *must* maintain a margin of reserve, because such weather-dependent economic activity must be prepared for extremes in weather. But unlike agricultural products, electricity cannot be produced in a period of low demand and “stockpiled” for later use. At the level of today’s technology, it must be produced and delivered instantaneously, on demand.

At least a 20% reserve margin, or capacity above expected demand, has been considered prudent, not only for unexpected weather extremes, but also for unscheduled power plant outages (breakdowns) and “acts of nature,” such as electromagnetic storms, hurricanes, earthquakes, tornadoes, and the like.

Growing strains on the system

During the 1970s, electric utilities were building large baseload facilities, which were increasingly nuclear, trying to catch up to the increased demand from the previous decade, which had been spurred by the Kennedy-era industrial revitalization led by the aerospace and defense industries. During the 1960s, electricity growth peaked at 7% per year, and due to the lag time to get new facilities on line, it was not until the early 1970s that construction began to catch up to that growth, bringing the reserve margin back up to prudent levels.

But the economic shocks of the 1971 financial crisis, when the dollar was taken off the gold standard, the 1973 oil cutoff from the Middle East, and, finally, Federal Reserve chairman Paul Volcker’s crippling interest rate hike of October 1979 and a second oil crisis that same year, put a halt to any real economic growth. Peak electricity growth fell to less than 2% per year between 1980 and 1985, and total electricity consumption actually declined in absolute kilowatt hours for the first time in history, in 1982.

The consumer credit explosion and increased “economic activity” largely in the service, commercial, and financial sectors in the past five years, did result in a resuscitation of the electricity growth rate. Between 1985 and 1988, electricity peak demand grew by an average of 3.3% per year. But due to the downturn in demand starting in the mid-1970s, and attacks on nuclear power by the burgeoning environmentalist movement, 100 nuclear plants were canceled, mothballed, or deferred. Financial and environmental warfare against the electric industry had also made it nearly impossible to build new coal-fired capacity, and 80 baseload coal plants were canceled. The industry was turning toward cannibalizing the generating and transmission capacity it had spent decades building and putting on line.

The blackout that crippled New York

The economic disruption to an industrial society due to unreliable electric power is now on the agenda, and has been experienced twice by millions of New Yorkers. Though the blackouts in 1965 and 1977 were caused by a combination of equipment failures and natural disasters such as lightning strikes, and not an overall lack of capacity, the effect of unscheduled shortage-produced blackouts would be similar.

In a June 1990 report, "Physical Vulnerability of Electric Systems to Natural Disasters and Sabotage," the congressional Office of Technology Assessment describes the impact of the 1965 New York City blackout on transportation:

The 1965 Northeast blackout occurred at 5:30 p.m. . . . and lasted for 13 hours. The worst potential hazard was in the air, where at peak hours between 5:00 and 9:00 p.m. some 200 planes from all over the world were headed to New York's Kennedy Airport. . . . Luckily, it was a clear night, and pilots would see the other planes over the darkened cities. . . . Kennedy was shut down for 12 hours.

In 1965, 630 subway trains in transit ground to a halt, trapping 800,000 passengers. Under the East River, 350 passengers had to slog to safety through mud, water, and rats. In the middle of the Williamsburg Bridge, 1,700 passengers were suspended in two trains swaying in the wind. It took police 5 hours to help everyone across a precarious 11-inch-wide catwalk running 35 feet from the tracks to the bridge's roadway. A total of 2,000 trapped passengers preferred to wait it out, including 60 who spent 14 hours in a stalled train under the East River.

Thousands of people were trapped in stalled elevators. In at least three skyscrapers, rescue workers had to break through walls to get to elevators and release 75 passengers. Elevator failure resulted in the only two deaths attributable to the 1965 blackout: one person fell down a flight of stairs and hit his head, and another died of a heart attack after climbing up 10 flights of stairs.

Traffic lights failed and main arteries snarled. At unlighted intersections, countless volunteers took over the job of directing traffic. Hundreds of drivers ran out of gas as they waited for traffic to clear, only to find that service station pumps cannot work without electricity.

TABLE 1

Demand for power exceeds forecasts

1998 summer peak demand growth over 1987, compared to forecast

Region	Growth over forecast
ECAR	10.5%
ERCOT	2.2%
MAAC	8.9%
MAIN	11.6%
MAPP	9.9%
NPCC	4.9%
SERC	3.1%
SPP	3.5%
WSCC	5.0%
National average	6.6%

Source: North American Electric Reliability Council

During the summer of 1988, it became painfully clear that the utilities' projections of growth in demand, which were still based on the depression-level performance of the early 1980s, were now being superseded. Four out of the nine NERC regions registered peak demand that summer, *more than 8% above* what had been projected (Table 1). Regions reached peak demands that summer which had not been projected to occur until the mid-1990s.

Company managers crossed their fingers, and hoped that the heat and drought of 1988, which had produced a rate of growth in demand for power more than double the preceding years, was an aberration in an otherwise lackluster electricity demand growth rate. The only way utilities knew they could get away with not building new baseload capacity, was if the real economy continued to stagnate.

Supply system is 'under siege'

During the winter of 1989, the Southeast and Mid-Atlantic regions of NERC were forced to reduce their peak demand through load management, voltage reductions, and the interruption of industrial customers. According to the U.S. Department of Energy report "Annual Outlook for U.S. Electric Power 1990," released on June 14 of this year, peak demand in Florida was 13% higher than the year before, and would have been 16 gigawatts (GW) and not just the 14 GW recorded, if all of the demand had been met. Since it could not be met, Florida Power and Light instituted rolling blackouts. The winter peak recorded had not been projected to occur until 1995.

Across the nation, the 1989 summer peak demand was .03% higher than projected, but the brutally cold December in the South pushed winter peaks up to a whopping 7.7% above forecasts. It was becoming clear that annual growth of consumption was once again on the rise.

In its 1989 Annual Report, NERC declares that the "bulk

electric supply system is under siege." "It is not the growth in demand itself that presents the challenge, but the loss of flexibility to respond to that growth." Many forecasts are performed to try to project how demand and capacity availability will match up over the 1990s, but "all have one thing in common: a shortfall in electricity supply."

The summer of 1989 was not extraordinary in terms of the weather, yet demand continued to grow. Indeed, it has been estimated that during the brutally hot and dry summer of 1988, only half of the increase in peak demand was due to the weather. The continued growth in consumption from just the minimal increase in economic activity and from population growth, resulted in the fact that 9 out of the 12 utilities in the MAIN (Mid-America Interconnected Network) region exceeded their forecast peak demand, with the region as a whole averaging 2.8% over forecast.

The net energy for load for the nation in 1989 exceeded both the 1988 figure and what had been forecast. This figure is the annual electrical energy needed to serve customers, which includes the losses in the transmission of power.

Reality outstrips the forecasts

Because of the financial, regulatory, and environmental attacks on the electric utility industry over the past two decades, it has become nearly suicidal for utilities to plan the construction of baseload power plants. As a result, utilities are hoping, and predicting, that energy load will grow at a likely unreasonably low 2.1% average per year, for the period of 1990-99. Summer peak demand is projected to grow at an annual average of 2% over that period, and winter peak, at 2.1%. These projections are *less than half* what the actual growth rate has been in the past three years.

In its "Reliability Assessment" report, NERC points out that, "while aggregate utility plans will support the *forecast* growth in peak demand, this report identifies a widespread trend of actual peak demands consistently exceeding forecasts. If this trend continues, supply deficiencies are *likely by the early 1990s, in the eastern half of the U.S. and Canada*" (emphasis added). This is a most remarkable statement, underlining the seriousness of the problem. The report points out that "several geographic areas of the electric reliability system are at serious risk."

Of interest in this regard, is the Department of Energy's report, "U.S. Energy 1980-1988," released nearly two years ago. It states, "The severe penalties that have been imposed on some utilities for building what eventually proved to be excess capacity [!] can only encourage utilities to underestimate future demand, resulting in shortages and loss of economic growth."

Following this somewhat twisted admission of reality, the report proceeds to deny the severity of the problem: "Although DoE projections show an increasing gap between electricity supply and demand, such a gap will never occur. We will not awaken one morning to face a national blackout

or to find that the U.S. needs 100 new electric power plants. The real danger is that the projected demand will not materialize—that economic growth will abate in those regions of the country where reserve margins are rapidly shrinking and future supplies are not ensured."

The report states that economic growth in New England is threatened by an inadequate power supply. While this is surely true, it is simply *not* the case that widespread power shortages will be avoided because demand will diminish from the industrial sector. It is not the industrial sector that has been leading the growth in electricity demand, but the residential, and secondarily, commercial sectors.

The gap between capacity and demand is widening every day. While it is not really possible to accurately project at what rate electricity demand will grow, it is knowable how much additional capacity will be available to come on line. If a baseload power plant is not already under construction by now, it will not be available until virtually the turn of the century. Even the increasingly popular small combustion turbine units for peak power take three years to put on line. Shortfalls in electric capacity cannot be remedied overnight.

Every year, NERC compiles from the electric utilities the projections of capacity additions for the succeeding 10 years, and the ability of the utilities to meet demand. Increasingly, these projections have depended upon assumptions which are unrealistic, such as low growth rates, non-utility capacity additions, and "conservation."

For the first time, forecasts of how to meet demand to the turn of the century now rely on significant expected reduction of demand. It would be comparable to the auto industry announcing that although its production of cars will not grow, it will meet the demand of the American consumer by convincing people that they only need one car per family.

In its 1989 "Reliability Assessment" report, NERC presents the picture in **Figure 2**, projecting that 72.2 GW (gigawatts, or thousand megawatts) of new capacity will be added to the electric grid by 1998. The report predicts that a modest 6.6 MW of capacity will be retired during the same time period. This will be a gross underestimate if utilities have to meet the new, more stringent standards contained in the amendments to the Clean Air Act. One hundred and seven existing coal-burning power plants will be out of compliance with the standard of this law.

NERC estimates that 12,600 MW of coal-fired capacity could be permanently removed from service due to premature retirements, deratings, increased power used by the plants for the scrubbers, and anticipated poor availability of some plants that are retrofitted with emission controls, and, therefore, break down more frequently. This 12,600 MW of coal capacity *removed* from the system should be compared to the planned *addition* of coal-burning power plants totaling 13,500 MW over the next decade, which would barely balance the losses.

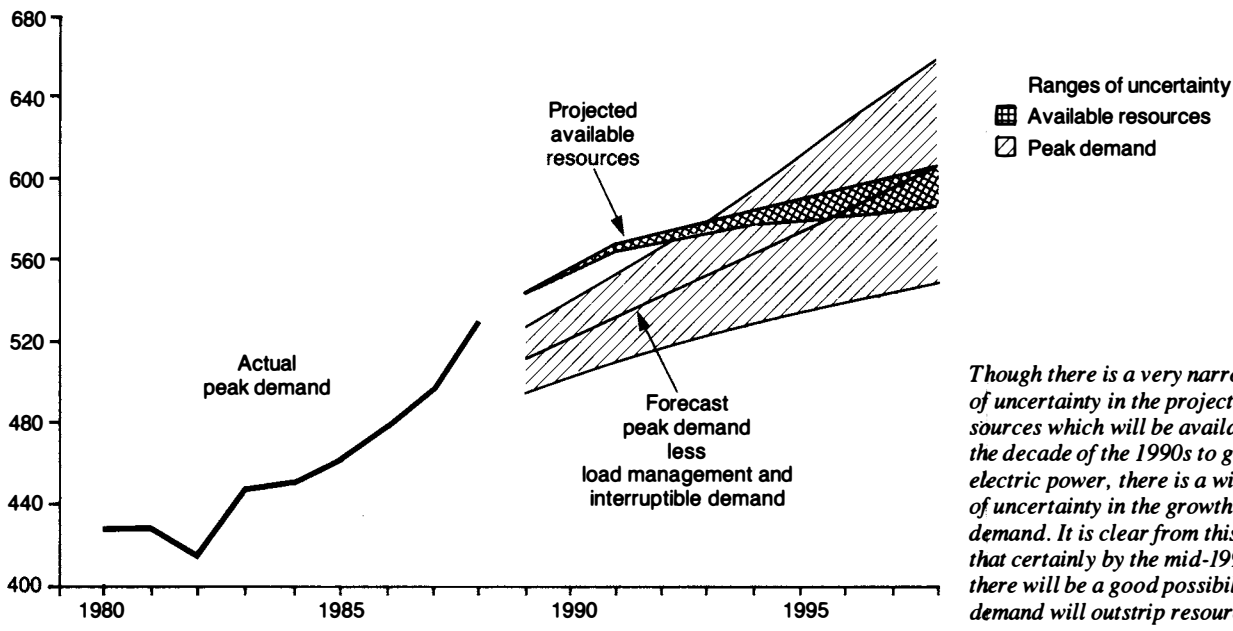
Even if every plant planned were brought into service,

FIGURE 2

Can electric utilities keep up with demand?

Ranges of uncertainty for peak demand and projected available resources (1989-98 forecast)

Thousands of MW (summer)



Source: NERC

Though there is a very narrow band of uncertainty in the projected resources which will be available over the decade of the 1990s to generate electric power, there is a wide band of uncertainty in the growth of peak demand. It is clear from this graph that certainly by the mid-1990s, there will be a good possibility that demand will outstrip resources.

there is little chance the new capacity would meet requirements. But NERC reports that as of September 1989, a startling 63% of the projected 72.2 GW of new capacity was *not yet even under construction*. Two years ago, about 40% of planned new capacity for the next decade was not yet under construction. This should caution the reader to be very wary of the projected available resources shown on the graph.

While it is true that much of the new capacity will be relatively small oil and gas combustion turbines which can theoretically be put on line in about three years, the units not yet under construction will certainly not be available to alleviate supply shortfalls before the mid-1990s, even in the best-case scenario.

Of the utility additions which are 100 MW or larger, 29.7% are not yet under construction. Of these 27,500 MW, 2,100 MW have projected in-service dates of 1993 or earlier, which means they will not be available when forecast. As well, 10,500 MW of planned non-utility generating units scheduled for 1993 are not yet under construction, and will, therefore, not meet their projected schedule. This means that the crunch in electricity supply will not be put off to the second half of this decade, as the graph would indicate, but will accelerate over the next three years. Overall, only 26.7 GW of capacity are currently under construction, out of the 72.2 GW projected to be on line by 1998. For the capacity that is actually being built, a NERC survey indicates that

1998 planned capacity additions could easily be reduced by 7,400 MW, or 14% of the total, due to delays.

'Substantial uncertainty' about demand

In its 1989 "Reliability Assessment," NERC points out that demand forecasts have been consistently lower than actual demand by a significant percentage, and that the actual peaks have been outside the range considered to be 80% probable.

In addition to overestimates of the availability of new capacity, the forecast peak demand line in Figure 2 includes assumed reduction of demand through "load management," which is customer load under the direct control of the utility which can be interrupted, and "demand management," which includes incentives for voluntary cutbacks. NERC cautions that "inconsistent demand response has already been observed in experimental and pilot load management programs," so this figure includes "substantial uncertainty."

NERC projects that load management programs in 1997 are supposed to cut demand by 16,800 MW. This is an increase of 29% over the 1988 "Reliability Assessment" projection of load management savings. So, while there is no more indication this year that these austerity efforts will yield more savings than there was last year, the projected savings have been increased nearly 30%. Otherwise, the gap between growth in demand versus supply would look even worse.

The graph indicates that there is a range of uncertainty in the 10-year projections. If available resources end up on the low side, and peak demand grows faster than the projected unreasonably low 2% per year, the supply and demand lines cross over in 1992, not 1997. This is more likely to be the situation we are facing.

Because 1988 actual electricity demand was so much higher than what had been forecast, and significant growth continued in 1989, the utilities have recently taken another look at their long-range projections. In the year which elapsed between the 1988 and 1989 projections, for example, the amount of capacity expected to be on line in 1997, increased by over 17,000 MW.

In June, NERC published an advance release of its 1990 "Electricity Supply and Demand" report, which is customarily released in October. The report states that although there are no major differences in the projected annual growth rates in net energy and peak demand compared to last year's projections, the absolute values of peak demand projections in each year are about 1.8% higher than those made last year. This is because the peak was so much higher than the forecast starting in 1988, that the utilities would be forecasting lower demand than has already been achieved, if they did not start from a higher number!

Figure 3 illustrates the gap between forecast peak demand and reality. Many of the NERC regions had to re-do forecasts after the 1988 summer peaks, because the situation had changed. In the ECAR region, for example, the 1988 projection was not increased in terms of rate of growth, but the line starts at a higher point, in the revised 1989 forecast.

It is also clear that even in the revised forecasts for the four regions pictured here, none extrapolates the actual rate of growth from 1986-88 into the future; but that could well be the real picture, with the resultant gap between capacity and demand, to the turn of the century.

The impact on needed capacity from relatively small changes in average growth in demand projections, is shown in Figure 4. At the lowest rate of growth in the graph, currently planned capacity additions would be at least in the ballpark, because the demand at 1.2% per year would require about 58 GW of additional capacity by the year 1999, and 72.2 GW are theoretically planned. But at the NERC-projected 2.7% per year, lowered to about 1.8% through austerity measures, about 80 GW will be needed and though 72.2 GW are theoretically planned, some of the threats to these units actually being built have been discussed above.

At an average annual growth rate of 2.7%, which is at the upper limit of the 80% probability bandwidth in NERC's projections, but still considerably lower than the 3.3% average rate of growth of the past three years, nearly 200 GW of additional capacity would need to be on line, by the turn of the century. That is equivalent to more than 200 large, baseload plants. Because of the increased peak demand growth rate in the recent years, which was not, and really could not be,

predicted, there is now a 50-50 chance that the peak demand growth rate will actually exceed the upper limit 2.7% rate, which had been considered only a 10% probability until last year.

The NERC 1990 report "Electricity Supply and Demand" projects an average 2.1% growth in net energy load, and a 2% per year growth in summer peak—both extremely low. But capacity resources are projected to grow only at an average 1.4% per year to meet summer peak demand. Capacity margins are projected, therefore, to fall from an average 22% this year, to 17.8% in 1999. As NERC has stated, considering regional differences, in the next three years, the eastern half of the United States could be under threat of shortages.

Clearly, the picture only worsens as the close of this century draws near, as there is little baseload capacity under construction now to come on line at that time.

Return to nuclear

It has begun to occur to planners that not only will new baseload power plants have to be built, but the dozens of gigawatts of nuclear capacity which were abandoned since the early 1970s, cannot afford to be sitting in mothballs, when the power is desperately needed.

Harold Finger, who heads the U.S. Council for Energy Awareness, pointed out in a speech in November 1989, that in 1988, nuclear power plants produced 527 billion kilowatt hours of electricity, "substantially more than all our electricity supply 32 years ago when the first civilian nuclear energy plant went on line."

At the Nuclear Energy Forum conference last November, Richard J. Slember, vice president and general manager of Westinghouse's energy systems business unit, stated that there was "once again a real option" for nuclear energy. He reported that utilities had expressed interest in his company's AP-600 light water nuclear reactor design, and that "creative financing" options were being discussed.

These include Westinghouse assuming the financial risks of construction, construction by independent (non-utility) power companies, and possibly government participation. In addition to the 600 MW advanced Westinghouse design, the small General Electric breeder design (PRISM) and the General Atomics modular high temperature gas cooled reactor could be available to utilities over the next few years, to restart the addition of baseload nuclear power to the grid.

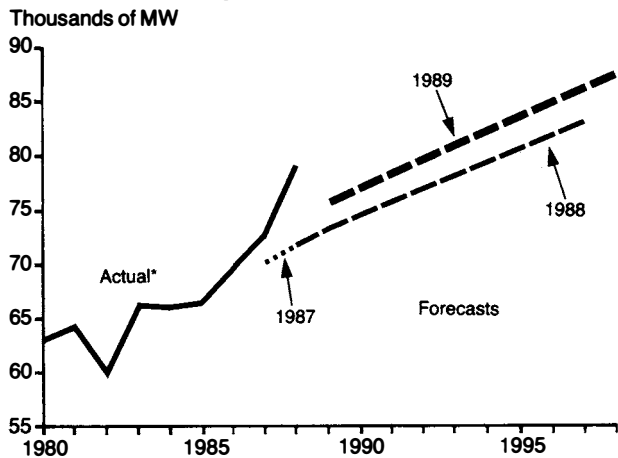
In addition, according to an article by John Sillin and John Jackson in a November 1989 issue of *Public Utilities Fortnightly*, there are nine nuclear power plants which are already at least 25% complete, and could provide over 10 GW of electric capacity if they were finished and brought on line. These are listed in Table 2. The deferred plants hold construction licenses, have completed engineering and design work, and, in some cases, the major equipment and materials required to complete them are still on order.

As an example, the two Washington Public Power Supply

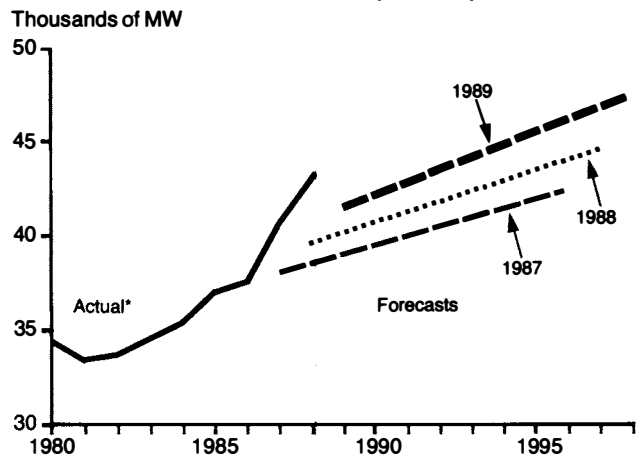
FIGURE 3

Actual versus forecast summer peak demands for several NERC regions

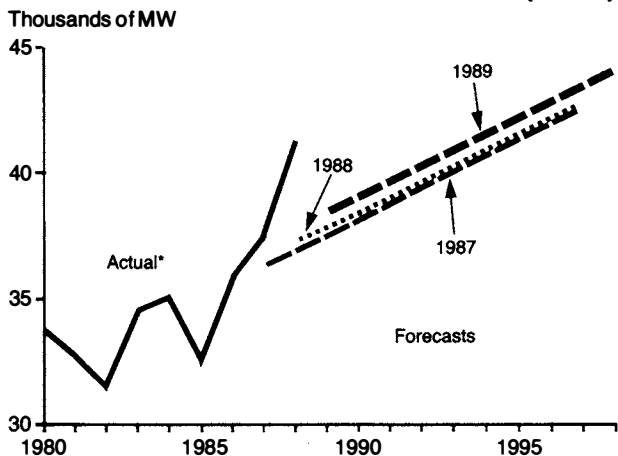
East Central Area Reliability Coordination Agreement (ECAR)



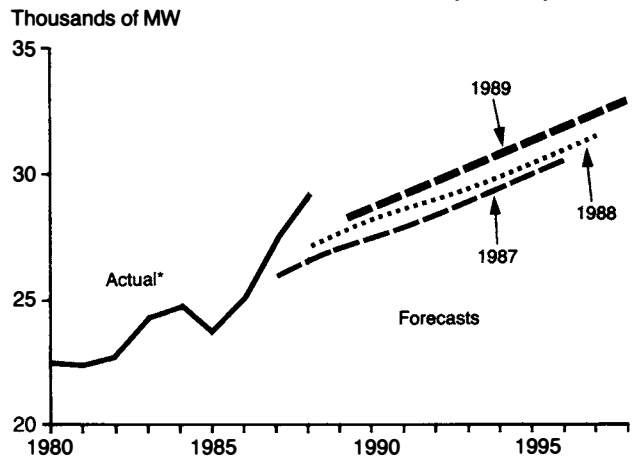
Mid-Atlantic Area Council (MAAC)



Mid-America Interconnected Network (MAIN)



Mid-Continent Area Power Pool (MAPP)



*Not adjusted for weather or operator-controlled demand reductions.

Source: NERC

After the extraordinary growth in peak demand during 1988, many NERC regions revised upward their projected growth rate through the end of this century. As is clear from these graphs, however, none of the revised projections compare in magnitude with the actual growth rates experienced over the past three years, and therefore, they may prove to be very conservative.

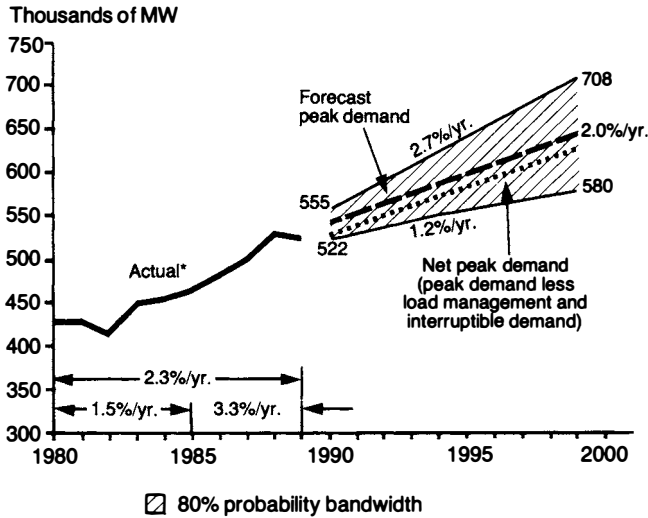
System (WPPSS) units were mothballed in 1982—the year electricity consumption collapsed into negative growth for the first time in history. WPPSS 1, which is two-thirds complete, is maintained at a cost of \$5 million per year.

In 1981, the Philadelphia Electric Company halted construction work on the Limerick 2 nuclear plant because of financial constraints. Following the completion of an audit by the state utility commission, the utility restarted construction in February 1986. It was completed on time, \$300 mil-

lion below the cost cap that had been placed on it by the Public Utilities Commission, and received low-power testing permission from the Nuclear Regulatory Commission a year ago. The South Texas Project and Millstone 3 plant also restarted construction after a hiatus.

There are many obstacles standing in the way of any utility being willing to order a new nuclear plant. A May 1989 study by the accounting firm Touche Ross and Co., and Science Concepts, Inc., under contract to the Department of

FIGURE 4
1990-99 projections for summer peak demand



*Unadjusted for operator-controlled demand reductions, emergency operating procedures, or weather.

Source: NERC

The sensitivity of needed new capacity to changes in growth rates is seen in this graph. A still-modest 2.7% per year average annual growth rate in summer peak demand, which is lower than that experienced on average over the past few years, would require nearly 280 GW of new capacity on line.

Energy, concluded that the attempt by the Nuclear Regulatory Commission to remove obstacles to building new nuclear plants, through changes in its rule-making, "is not sufficient to create a climate conducive to an investment in a new nuclear power plant absent congressional endorsement of the policies."

Though President Reagan, and also President Bush, have protested that they are really for the development of nuclear power, neither made the necessary changes in financial and economic policy to make such a revival possible.

EIR warned of what would happen back in 1981, after President Reagan had made a televised announcement of an optimistic new program to revive nuclear power, following the debacle of the Carter years (*EIR*, Nov. 3, 1981, "Reagan's nuclear policy: Can the U.S. make it work?"). "There were two crucial omissions in the President's statement," we wrote. "The first is the urgent and necessary development of thermonuclear fusion power. The second is the matter of financing: There cannot be any revival of American nuclear power resources without ending the usury that has swept the land at the instigation of Paul Volcker's Federal Reserve Board."

Instead of heeding our warning, as we shall show in a future article, Reagan and Bush—like Jimmy Carter before

TABLE 2
Construction status of deferred nuclear units

Unit	Size (MW)	Owner or lead utility	Construction completed
Bellefonte 1	1213	Tennessee Valley Authority	87%
Bellefonte 2	1213	Tennessee Valley Authority	58%
Grand Gulf 2	1250	Entergy Company	33%
Seabrook 2	1150	Public Service Company of New Hampshire	25%
Perry 2	1205	Centerior Corporation	57%
Watts Bar 1	1177	Tennessee Valley Authority	100%
Watts Bar 2	1177	Tennessee Valley Authority	86%
WPPSS 1	1250	Washington Public Power Supply System	63%
WPPSS 3	1240	Washington Public Power Supply System	76%

Source: U.S. Council for Energy Awareness

them—pursued such policies as deregulation, which *accelerated* the collapse of reliable electric power. In the October 1988 Department of Energy report, "U.S. Energy Policy 1980-1988," the statement is made that, "competition in electric power production should be increased. This would stimulate the flow of investment capital into new generating capacity, promote greater diversity and efficiency in sources of generating capacity, and improve the overall efficiency of the industry." This did not occur. As with the deregulation of the trucking, airlines, banking, and telecommunications industries, the opposite occurred.

As a sidelight, one benefit of the increased "competition" in the industry, and elimination of tax incentives for uneconomical projects in 1985, is that the "renewable" energy sources, such as small-scale hydroelectric and burning trash and animal waste, could not compete. Federal R&D support for these renewable "technologies" has fallen by 82% since 1980, and since 1985, one-third of the companies involved in renewable energy have dropped out of sight.

Nuclear power provides approximately 20% of the nation's electrical energy. As incredible as it may seem, current projections indicate that by the turn of the century, because mainly small, quick-start natural gas peaking units will be built, nonrenewable and precious chemical resources will provide more power than nuclear, assuming supplies and transport can support this growth. Natural gas would become second only to coal as the fuel for electricity, over this current decade, as 60% of the new capacity will be fueled by gas.

The reliability of U.S. electric power has already been seriously compromised by the hostility to economic growth which has characterized the policies of the past 15 years. Without a quick turnaround, Americans will indeed find themselves living in an underdeveloped country.

LaRouche's freedom seen in Europe as key to future

by Hartmut Cramer

All over Europe, during the third week of July, culminating on Friday, July 20, with the 46th anniversary of the failed coup attempt against Hitler by the German resistance led by Count Stauffenberg, public manifestations were dedicated to the American political prisoner Lyndon LaRouche. LaRouche, framed up and imprisoned in the United States for being an outspoken opponent of the Anglo-American-Soviet condominium, is the inspirer of the "Productive Triangle" program which promises to become the fulcrum of an economic and cultural renaissance, as German unity becomes reality.

Joining these activities, which were generally led by the Schiller Institutes, was the "Freiheitsaktion Bayern" (Freedom Action of Bavaria), the German resistance group which in 1945 managed to throw the Nazis out of Munich and hand over the city to the American troops. They explained in a statement issued July 20: "Because of their yearning for freedom and the readiness to enter the fight personally, the former head of the then German resistance, Count Stauffenberg, and the American freedom fighter Lyndon LaRouche are joined together, as if by a spiritual bridge." The statement was distributed at the University of Munich, at the very spot where the members of the "White Rose" in 1943 put out their leaflets, reminding students of the legacy of this anti-Nazi resistance group led by Leibniz biographer Professor Huber and his students Sophie and Hans Scholl, all later executed by the Gestapo.

The huge banner unfurled before the university read: "July 20, International Day of Action of Anti-Bolshevik, Anti-Fascist Resistance—Freedom for LaRouche." The response of a young professor who had spent time in the United States, was typical: "America going towards judicial fascism? Yes, that I fear is true. Just look at the recent decisions by the Supreme Court, especially on the execution of the death penalty against minors and mentally retarded. We Europeans can't understand that. It is barbaric, there is no other word."

Rallies were also held in front of the American radio stations Radio Liberty and Radio Free Europe, where a banner with the slogan "Broccoli is good for the brain—LaRouche says: Eat it, George" drew smiles, especially from the Eastern European exiles.



Dean Andronikidis
"Freedom for LaRouche" rally in Frankfurt, the West German financial center, on July 20, 1990.

LaRouche case at Berlin commemoration

In Berlin, the first-ever all-German memorial service was held in the Bendlerblock, where Stauffenberg and his co-conspirators were executed on July 20, 1944. "Freedom for LaRouche—1945: End of Nazi dictatorship—1990: End of communist dictatorship—When will human rights be respected in the U.S.A.?" read the banner across the street which greeted the 500 prominent guests, among them Sabine Bergmann-Pohl, the president of the East German Parliament, Richard Stücklen, the vice-president of the West German Parliament, the two mayors of the city of Berlin, many East and West German ministers, and the heads of the various religious communities in Berlin, among them West Berlin Jewish leader Heinz Galinski.

All the participants accepted the leaflet which detailed the "LaRouche case," the violation of human rights in the United States—and LaRouche's economic program. In Berlin, LaRouche is especially remembered for his surprising forecast made in this city on Oct. 12, 1988: that the Soviet empire faced an imminent economic breakdown crisis, which would open up the prospect of not only freeing East European countries like Poland, Czechoslovakia, and Hungary from the yoke of communism, but also make possible the reunification of Germany. At that time, his statement was considered by almost everyone to be "outrageous," "futuristic," or "crazy," but now, not even two years later, it has become a wonderful reality, and is almost history.

In Paris, hundreds of posters on the theme, "In America, Too, There Are Political Prisoners," summarizing the LaRouche frameup, were put up early in the morning in the

universities and other buildings, but also at much frequented places like Place de la Concorde, across from the U.S. embassy, and Place de l'Opéra. Thousands of leaflets were distributed at key places. At the Quai d'Orsay, site of the French Foreign Ministry, where Lyndon LaRouche is well known, the reactions were sharply polarized.

In Rome, rush-hour drivers saw giant banners reading "Liberty for LaRouche" stretched over some of the main traffic arteries running into the Italian capital. In Milan, a rally took place in front of the press building, and all the national and international press of Italy's financial center were briefed on the "LaRouche case," and what the present Bush administration policy of political repression portends for Europe.

The German Schiller Institute held a rally and meeting in Hambach, near the famous Hambach Castle, where Polish, French, and German patriots had met in 1832 in order to free the core of Europe from the dictatorship imposed upon it by the Holy Alliance under the leadership of the British oligarchy which had manipulated Russia and Austria to be its "mainland sword," and kept continental Europe's "balance of power" always in favor of the British. An afternoon rally was followed by a public meeting with farmers, who are rebelling against the suicidal policies of the European Community's bureaucracy and particularly like LaRouche's "Food for Peace" initiative, and his proposal to go back to parity prices in order to save and support family farms.

Great interest in LaRouche's economics

An even better sense on how fast and far LaRouche's political ideas have spread in Europe, is given by the many

"Productive Triangle" seminars held all over Europe in recent weeks, especially in Germany, at the very center of the Paris-Berlin-Vienna "Productive Triangle" LaRouche proposed. At these seminars, LaRouche's ingenious idea of making the Triangle the economic core of Europe, the locomotive of the entire world economy, and thereby rescuing the crisis-ridden continents and countries, including the United States, from misery, was intensely discussed by bankers, managers, and industrial planners.

At a July 18 seminar in Frankfurt, the financial center of Germany's booming industry, some twenty spokesmen of the area's financial and industrial circles wanted to learn about the difference between the "free market economy" of Adam Smith, which, "as everybody here can see, turned Great Britain into a scrapheap," and the Leibnizian policy of "physical economy," called the "American System" by one of its founders, the German economist Friedrich List, and today represented by Lyndon LaRouche. Discussion quickly turned to the issue of how to finance the Triangle.

The next day at a seminar in Essen, in Europe's Ruhr region industrial heartland, 18 people, mainly representing the nuclear industry, bombarded Michael Liebig, executive director of the West German EIR Nachrichtenagentur, with questions like: "What exactly does LaRouche mean by energy density, what by relative potential population density, and what does he understand by physical economy?" One representative of a nuclear company said at the end, "Thank you so much for this discussion. I almost had given up hope on the development of nuclear energy, because our population in recent years has been organized to be against it. But with such an exciting program for world development like LaRouche's, I am confident we can win over the population. I really believe now that nuclear energy has a future. After all, how else could we feed 5 billion people?"

In fact, the return of public rationality on the nuclear issue is already appearing. In a city near Cologne, where Interatom, one of the German producers of nuclear power plants is located, enraged citizens publicly supported young students who campaigned for nuclear energy against some unwashed Greenies, by simply telling them, "If you can't argue rationally on this issue, why don't you shut up or just leave?"—a scene which for a decade has been unheard of in Germany, given the level of media propaganda against science. The argument that "we can't feed the world population without developing nuclear energy," which LaRouche has become famous for (and, by certain circles, also hated) since the 1970s, is now being used more and more. Karlheinz Kaske, the top manager of Germany's giant Siemens conglomerate, stated on July 7 in a London press conference, "The world population at the turn of the century will probably reach about 10 billion people, who can only be fed by using nuclear energy."

At other seminars on LaRouche's "Productive Triangle," like the one in the historic city of Dresden, East Germany,

site of the Friedrich List Transportation University, or those in the French cities of Paris, Lyon, and Strasbourg, the same excitement was encountered: whether it was a discussion of how one of the Triangle's "spiral arms" could reach out to Africa, to develop an entire continent considered to be almost lost, as presented to the large African communities in Paris and Lyon; or on how to develop Eastern Europe and especially Poland, as discussed in Strasbourg, the site of the European Parliament. There, Marian Apostol, the deputy secretary general of the Friends of Poland society of the European Parliament, was one of the main speakers.

The battle for Berlin

That Berlin will become the capital of the united Germany nobody seriously doubts. The big question is, what role the German capital will play in international politics.

Will Berlin become a hive of arrangements to carve up the world in a U.S.-U.S.S.R. "condominium," a new playground for the Anglo-American oligarchical forces, where the potentials of united Germany and continental Europe can be checked? This would be the aim, for example, of a Berlin as the center of the soon-to-be-installed Helsinki (CSCE) process, designed to smother European nations' sovereignty through a "security system" totally controlled by the two superpowers. Or, will Berlin instead become the center of a force for the good in the world, as designed by Gottfried Wilhelm Leibniz about 300 years ago?

Helga Zepp-LaRouche, wife of political prisoner Lyndon LaRouche, and chairman of the international advisory board of the Schiller Institutes, took the initiative on this question on July 19. In her capacity as the head of the electoral slate of Patriots for Germany, a political party running in the all-German elections in December, she issued a call to get back to the "grand design" of Leibniz, and build up Berlin as the spiritual center of a new, just world economic order (see next page). Her call was published as a leaflet, the first 100,000 of which are being distributed all over Germany as of this writing. With full sovereignty at last within reach, Germans are eager to grapple with the future, and in this political, and even more cultural vacuum, Lyndon LaRouche's ideas in general, and Helga Zepp-LaRouche's ideas for the future of the German capital in particular, are seen as a welcome contribution for discussion.

It did not take the LaRouches' opponents long to feel the need to reply on this issue. In the *International Herald Tribune* of July 25, the Berlin director of the Aspen Institute, a key Anglo-American think tank, David Anderson, called for Berlin to be ready to deal with a "new wave of tourism," and "have a role in various existing or future European institutions." But above all, he argued, "We could also envisage a key role for Berlin in the security arrangements that will emerge as the two big military alliances begin to wither," and, he added, "Berlin could host the headquarters of the multilateral body."

Sovereign Germany: core of a new, just world economic order!

by Helga Zepp-LaRouche

Mrs. Zepp-LaRouche, chairman of the Patriots for Germany party, issued the following campaign statement on July 18.



Isn't it almost a miracle? Only eight months after the peaceful revolution in the German Democratic Republic, not only have we Germans achieved reunification, but Germany will become a fully sovereign nation. The outcome of the recent meeting between Chancellor Helmut Kohl and Soviet President Mikhail Gorbachov is excellent, and initiates a new epoch in German history. We Germans are indeed experiencing our stellar hour. We are enormously lucky, and along with that luck has grown our responsibility to develop Germany into a force for good in the world.

Great Britain's Prime Minister Margaret Thatcher has made a fool out of herself, and the only thing she has accomplished, has been to bring to light the true thinking of the Anglo-American elite about Germany. And even if this thinking was naturally not expressed so openly at the recent summit of the seven big industrial powers in Houston, it is quite clear that the German government was not supported there in its attempts to pursue German interests. And it is also obvious that Gorbachov finally had enough, when the United States and Great Britain—whose economies, as a result of the application of the so-called economic theories of Adam Smith, are nothing but a scrap-heap—tried to force on him the same insane International Monetary Fund conditionalities which they implemented in Poland.

Quite simply put, Germany, thanks to its partial application of the economic theory of Friedrich List, has achieved considerable economic power, and really can help the Soviet Union to overcome its huge consumer goods crisis. And since Gorbachov has agreed to the full sovereignty of a united Germany and to its right to freely choose which alliance it wants to belong to, the realistic prospect is now emerging for entirely overcoming, within three to four years, the unnatural state of affairs whereby some 1 million foreign troops are stationed on German soil.

It is truly a great moment for us, and provided we do the right thing now, Germany as a nation faces a brilliant future. But all justified joy should not deceive us into thinking that the danger is over. The Soviet Union is a huge empire which is currently going through a life-and-death crisis, and neither the military nor the KGB have dismantled their apparatus.

While in the East, it is the heritage of Dostoevsky which endangers us, on the Anglo-American side, we must be wary of the revival of Nietzsche, clothed as pagan eco-fascism.

Stoking the economic locomotive

It is all the more important that the identity of a future sovereign Germany be conceived of positively and full of hope. Germany, the heart of Europe, must be the locomotive which raises the economic development of the whole of Europe to a qualitatively new level. The program of the "Productive Triangle," proposed by the U.S. economic scientist Lyndon LaRouche, is the crucial key to this. A high-speed rail system will not only connect the Paris-Berlin-Vienna triangle, but, simultaneously, will enclose a region with the greatest immediate growth potential, as far as industrial and labor capacities are concerned. The rapid expansion of infrastructure and, especially of a productive *Mittelstand* [small and medium-sized producers] in industry and agriculture can initiate a new economic miracle here, which, through new industrial corridors, will soon be able to reach the whole of Eastern Europe, the not-so-developed regions of Western Europe, and also the Soviet Union.

If we are to build up such a network of magnetically levitated trains, then in a few years, from Germany we can reach Kiev or Istanbul, Lisbon, Prague or the Adriatic coast, Milan or Stockholm in only a few hours. Europe will move closer together, and all its parts will become our home. From Lubeck and Rostock we will be able to travel comfortably by speedboats to Gdansk, the Baltic harbors and Kaliningrad, as well as to Denmark and Sweden.

If we proceed now to develop this great economic expanse, which constitutes a market of 500 million people, then many years of enormous economic growth lie ahead of us; a double-digit growth rate can then be achieved on a lasting basis. This prospect will have positive effects not only with respect to economic growth. Already today, we can see a happy strengthening of rationality among Europeans. The perception is growing that nuclear power is absolutely necessary if the tasks ahead of us are to be accomplished. Concrete development projects are being widely talked about with an enthusiasm that we have only seen before now in debates on this subject in the developing sector.

The great expanse of Europe, with the "Productive Triangle" as its core, will make possible such a great increase in productivity and in the output of capital goods, that it will

function as the locomotive for the world economy—not only for the infrastructure and industrial development of the East, but above all for the development of the Southern Hemisphere. Our answer to this question of whether we will finally develop the countries of the so-called Third World, will decide ultimately whether or not we meet the great moral challenge of the twentieth century. We Germans right now are really fortune's favorite of history, and even though a large part of our situation can be attributed to our own efforts, there are also other factors which have favored us, without our merit. But we Germans can live up to our historical potential only if we refuse to be self-satisfied, and instead contribute to the development of those to whom fate has been less kind. We owe our prosperity to a large degree to the application of the economic theory of Friedrich List, and the developing countries must have the very same chance to attain it.

Berlin as a center of hope

It has to become the identity of a sovereign Germany, that it is the place from which emanates the practical realization of a new, just world economic order. What were more appropriate than for our future capital, Berlin—whose architectural plan must be shaped by a coherent concept—to represent this idea? Berlin as center of planning for a new world eco-

nomie order. If we raise such an idea into a program, then nobody of consequence will begrudge us the favor of this hour, and German unity will become the bearer of hope for billions of people in the world.

From an architectural standpoint, Berlin should be shaped according to the great concepts of the universal thinker Gottfried Leibniz, who worked and lived there for many years. The founder of the academy of sciences, Leibniz dreamed of a favored Europe which would determine which of its member-nations develops which part of the world. France, for example, should develop Africa, Germany the East, and so forth. In a similar and much more urgent way, this is the task of Europe today, and this orientation could be expressed in Berlin by the shaping of certain parts of this city. One quarter, for instance, could stress the aspect of Berlin as the "door to the East," whose museums, libraries, scientific research centers, and similar institutions present the cooperation between Leibniz and Peter the Great for the tasks of the future. Other quarters could be dedicated to the development of Asia, Latin America, and Africa.

The capital city of Berlin, so conceived, would have an enormous pedagogical effect for students coming there from around the world. It is up to us to use Germany's new freedom to contribute to the moral education of the individual.

Make July 20, 1994 into a European Memorial Day

From a statement by Helga Zepp-LaRouche, leading candidate of the Patriots for Germany for the all-German parliament.

Four years from now, July 20, 1994 will mark the fiftieth anniversary of the attempted assassination of Hitler. I hereby propose that the time between now and then be used to investigate still more precisely the actual circumstances of that event, to publish the results, and to honor the heroes of July 20 by declaring a European memorial day.

What is at issue here, is not simply the fact that the men of July 20 were heroes and stood for principles which we must uphold for all time. Rather, more intensive research and discussion of the German Resistance is particularly important today, in view of the irrational—and exceedingly dishonest—tirades of British politicians and the Anglo-American media against Germany. . . .

It is a fact, documented by many records which have been published in the last years, that the Anglo-Americans not only denied support to the various resistance groups

which repeatedly emerged in the last years of the Nazi regime, but even betrayed some of these people to the Gestapo, whenever the Resistance attempted to establish contact with the Allies via Berne, Istanbul, or London. It is a fact, that the Anglo-Americans refused to support the Resistance group of July 20, and thereby contributed to prolonging the war by ten months.

When in 1945, after the end of World War II, a British parliamentarian raised the question in Parliament, of why the British government had not supported the German Resistance, the official reply was that if Britain had done so, forces would have been brought to power whose policies were much less in Great Britain's interest than those of Adolf Hitler. . . .

There is much more at stake than merely discovering the truth of our history. Discussion of the real background to Naziism is all the more necessary, because the unjustified Anglo-American attacks against Germany come at a time when the economy of continental Europe, and especially of Germany, holds great responsibility for the industrial development of Eastern Europe, and represents the only source of help for overcoming the dangerous economic crisis of the Soviet Union. . . .

If the British should decide at some time in the future to enter into the civilized world, we Germans will generously show them how to develop an economy.

The economic geography of Europe's 'Productive Triangle'

The following is a special advance release from a forthcoming Special Report in German, published by EIR Nachrichtenagentur:

Europe's future infrastructure will have the form of a dense "core region" centered on the Paris-Berlin-Vienna triangle, with "spiral arms" extending throughout the rest of Europe, into North Africa and the U.S.S.R.

The central region is a curvilinear triangle with corners at Paris, Berlin, and Vienna (Figure 1). The sides of this triangle are at the same time great infrastructural axes of rapid freight and passenger transport. The northern side runs from Paris through the steel region around Charleroi, through the Ruhr region of Germany via Braunschweig to Berlin. The southern side runs from Paris through the Metz-Nancy-Saarbrücken region, via Stuttgart-Munich to Vienna. The eastern side of the triangle runs from Vienna through Prague and northern Bohemia, via Dresden to Berlin.

This central triangle has an area of approximately 320,000 square kilometers—very nearly the area of Japan. It already has the greatest density of industrial infrastructure, and the greatest average level of education and culture, of any major region of the world. It includes the densest and most productive areas of northeast France, Belgium, the Federal Republic of Germany, the German Democratic Republic, western Czechoslovakia, and northern Austria.

Approximately 92 million people reside in the central triangle today, with a mean population density of 288 persons per square kilometer. Half of these 92 million already live in 10 great industrial regions or within a 50-kilometer radius of major infrastructural axes linking those nodes. These 10 industrial nodes, which generally combine two or more urban centers inside a radius 25-50 kilometers, on the model of the Ruhr region, are shown in Table 1.

The densification of infrastructure within the central triangle creates entire corridors and nodal regions of development (see map, Figure 2, on pp. 36-37). Along these corridors, ideal conditions are generated for the emergence of new cities, such as a new "Cusa City" to be built on the present West German-East German border, at the convergence of the corridors linking the Ruhr and Rhine-Main regions with Leipzig-Zwickau-Dresden.

Spinning off from this central triangle, are great infrastructure corridors linking it to the entirety of Europe:

To the east:

- A. The axis Paris-Berlin-Warsaw, with branches into
1. Ukraine (Kiev-Kharkov);

2. Belorussia to Minsk, and through to Moscow;
3. Lithuania, Latvia, and Estonia, through to Leningrad.

B. An arm sweeping from the area Chemnitz-Dresden-Prague in a thick strip along the Polish-Czech border through Wrocław to the triangle Katowice-Ostrava-Krakow and from there into Ukraine.

To the southeast:

C. An arm along the Danube, connected to the Rhine via the Rhine-Main-Danube canal and running through Linz, Vienna, Budapest, into Yugoslavia, Romania through to the Black Sea.

D. An arm running from the southeastern side of the core region (Munich-Vienna) through Croatia and Slovenia (Ljubljana and Zagreb) to Sofia and Istanbul, carrying much of the flow of freight from central Europe into the Middle East.

To the south:

E. Flows from the core region into Italy, extending down the length of that country over a new bridge to Sicily, and from there to Northern Africa. The flows into Italy are:

- from Vienna via Klagenfurt and Trieste into Padua;
- from Munich via Innsbruck and the Brenner Pass (with a new tunnel) to Brescia;
- along the Rhine down to Basel via Lugano to Milan;
- from Metz-Nancy to Lyon via Grenoble into Turin;
- additional approaches under study (see below).

F. In France, from Lille (Pas de Calais) to Metz-Nancy and Strasbourg-Mulhouse, into the Lyon region, down to Avignon-Marseilles, and then via Montpellier down into Spain, from Barcelona to Tarifa with connection over the

TABLE 1
Projected population of Europe's ten main industrial nodes for the year 2000 (millions)

Paris region	8
Lille-Charleroi	3
Ruhr	10
Metz-Nancy-Saarbrücken	1.5
Rhine-Main-Neckar	2.5
Stuttgart region	2
Munich region	2
Berlin region	4
Leipzig-Zwickau-Dresden	3.5
Vienna-Bratislava	2
Prague-Plzeň-northern Bohemia	3
Total	41.5

Strait of Gibraltar to Tangier in Northern Africa.

To the southwest:

G. Paris to Bordeaux, and into Spain via Zaragoza to Madrid.

To the west and northwest:

H. From the north of the Triangle through the Channel Tunnel via Dover to Great Britain.

I. Paris-Le Havre.

J. From the Ruhr region along the Rhine to Rotterdam.

To the north:

K. From the Ruhr and Berlin via Hamburg, through a new system of tunnels and bridges to Copenhagen and into southern Sweden.

These "spiral arms" cover an area of approximately 1,070,000 square kilometers, about three times that of the core region. Taken together, the system of core and spiral arms contains a population approximately equal to that of the United States—but on one-seventh the land area! Like a giant spiral galaxy, this system, with its outreaching arms of economic development, accesses a market of more than half a billion persons.

Triangle dictated by economic geography

If we conceive of an integrated infrastructure system as analogous to a great river system, then the "river bed" is defined by the regions of greatest density of population and economic activity. It is here that the greatest flow is concentrated—in passenger-kilometers, in ton-kilometers of freight, and in kilowatt-hours of energy production and consumption. We must examine the potential flow-density both per capita and per square kilometer, both in terms of values

reached prior to the imposition of "post-industrial" policies in the mid-1970s, and in terms of what can be projected into the next century.

The core area of the European infrastructure system is unambiguously identified as a curvilinear triangle between Paris, Berlin, and Vienna. This dense area of population and economic activity has well-defined boundaries in all directions. It is bounded:

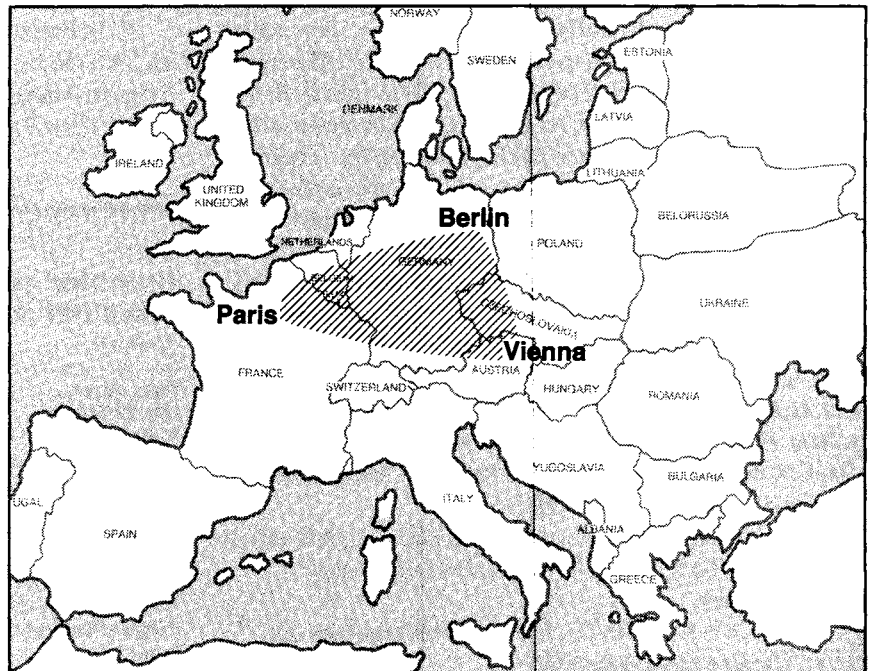
- to the north, by the much lower density of Schleswig-Holstein, and Scandinavia and northern East Germany;
- to the south, by the barrier formed by the Alps;
- to the east, by the lower density of Poland and eastern Czechoslovakia, and the Carpathian Mountains;
- to the west, by the lower density of southwestern France.

The impact of these geographical and economic bounding conditions is to concentrate the flow of activity to and from the core region into well-defined corridors or channels. These latter are the "spiral arms." Thus, inside the core area, infrastructure takes the form of a *dense network*. Outside that area, the infrastructure is also a network, but the density of flow is oriented along major *axes* or *spiral arms*.

East-west development corridors

Few, if any, of the many voices discussing the reunification of Germany and of Eastern and Western Europe have realized the far-reaching implications this will have on the organization of Europe's economy. An entirely new structure of movement of goods, energy, and people will come into being, with the east-west direction growing in importance relative to the present predominantly north-south direction

FIGURE 1
The European Productive Triangle



of flow in Germany and France in particular. Although the Triangle region represents a single, dense flow of goods, materials, and persons, three major east-west axes will predominate: a northern Paris-Berlin-Warsaw axis, a "middle corridor" which can be roughly identified as comprising Paris-Frankfurt-Leipzig-Krakow, and a southern Paris-Strasbourg-Munich-Vienna axis with a continuation to Budapest. Finally, in the southeastern direction, we have the Danube axis connecting the Rhine region with the Black Sea through Austria, Hungary, Yugoslavia, and Romania.

Within Germany a new "central corridor" must be developed, running from the Rhine region, from the Ruhr to Rhine-Main-Neckar, to the region between Leipzig, Dresden, and the Prague-northern Bohemia region of Czechoslovakia. This corridor passes through the geographical center of the new, reunified Germany, the region spanned by Kassel, Fulda, and Erfurt. This region will develop one of the highest densities of transport flow in all of Europe. In the larger context, this flow-strip runs from northeastern France into the Polish industrial areas of Wrocław and Katowice-Krakow, and thence down into the most densely populated regions of Ukraine, through to the industrial center of Donetsk.

To the north of this central corridor, we have the axis identified by the future high-speed rail line from Paris to Warsaw. It runs from Paris, to the industrial area of Lille-Charleroi, Brussels, Cologne, through the eastern Ruhr region to Hanover, from there to Berlin, Poznań, and Warsaw. When the Paris-Lille-Cologne TGV (*Train à grande vitesse*) line is continued through to Warsaw in this way, a trip from Paris-Warsaw will take only 3.5 hours.

The southern axis runs from Paris to Metz-Nancy-Strasbourg to Munich, Linz, and Vienna-Bratislava, with a continuation to Budapest.

A. The northern axis

Paris-Berlin-Warsaw, with branches to Kiev, Moscow, and Leningrad.

The reconstruction of Poland is key to consolidating a peaceful and prosperous Europe. Of the Eastern European nations, Poland has by far the largest population and land area. With its 37 million inhabitants, it represents the main reservoir of labor power for Europe.

A top priority is to improve the lines from the Federal Republic of Germany through the German Democratic Republic into Poland. The line from Berlin to Warsaw via Frankfurt an der Oder was supposed to have been fully electrified by December 1989. Berlin, however, has been a bottleneck, owing to the poor condition of the eastern side of the "Outer Ring" around that city. Whereas West Berlin has for 40 years been principally only a terminus for some 15 million tons of rail freight from West Germany every year, in the context of a reunified Germany, and even more so of the Triangle, Berlin will once again become one of Europe's major transport hubs. Large investment is required

for intermodal transport facilities, which should employ the most advanced technology in anticipation for very heavy flows.

The high-speed lines into the Soviet Union will bring the three largest cities—Leningrad, Moscow and Kiev—to within a half-day's train journey from Paris. The "Express Maglev" will have the following typical departure schedule:

Leave	8:00	Paris
	8:30	Lille
	9:10	Cologne
	9:45	Hanover
	10:20	Berlin
	10:55	Poznań
	11:30	Warsaw
	12:20	Vilnius
	12:40	Minsk
	13:15	Leningrad
Arrive	14:15	Moscow

It will be possible to have breakfast in Paris, traverse north-central Europe, and arrive in Leningrad in time for lunch!

By contrast, a train journey today from Berlin to Leningrad takes 9 hours, Hanover to Warsaw 15 hours, and Berlin to Moscow 30.5 hours. The following schedule is typical:

Leave	3:10	Hanover
	8:31	Berlin
	18:20	Warsaw
Arrive	14:46	<i>next day</i> Moscow

B. The central axis

Cologne/Frankfurt-Erfurt-Dresden-(Prague)-Krakow, with continuation into Ukraine.

This is the key axis for an "economic miracle" in the eastern side of the Triangle. It reestablishes the flow from both the Ruhr region and the Rhine-Main region into central Germany, and further to the northern Czechoslovakian and Silesian industrial regions. From there, it follows a corridor of high population density, along the Dnestr River into the heart of Ukraine. It is most instructive to view this corridor from the standpoint of its farthest point, Ukraine.

Of all the nations and regions contained in the disintegrating Soviet empire, Ukraine has by far the greatest economic potential. With 51 million inhabitants, it has a population density of 84/km², ten times that of Russia and much higher also than that of European Russia. It has a tremendous natural water infrastructure (Black Sea and Dnepr River); unlike most of the U.S.S.R.'s waterways, these are open the whole year, with the exception of a few parts of the Dnepr which freeze over once in a while. Historically, the earliest manufacturing centers, around Kharkov, date back to the ninth and tenth centuries, when there existed a triangular alliance

between the Hohenstaufen dynasty, the Paleologue rulers of Byzantium, and the princes of Kiev. As with Germany, the reconstruction of Ukraine as one of the world's leading industrial nations is therefore the key to rebuilding the entire vast region of the former Soviet empire.

Within Ukraine, there is a natural axis from the Black Sea to Kiev (population 2.4 million, third largest city in the U.S.S.R.) on the Dnepr, a major industrial axis. From the Black Sea there is a connection to the Danube, and by way of that river through the Rhine-Danube Canal all the way to the Atlantic. The other route to the West, of course, is through the Bosphorus into the Mediterranean.

The "Maglev Express" line will run with the following typical schedule:

Leave	8:00	Paris
	8:45	Metz/Nancy Airport
	9:15	Frankfurt Airport
	9:55	Leipzig
	10:40	Wrocław
	11:15	Krakow
	11:55	Lvov
Arrive	12:50	Kiev

The current rail travel time from Paris to Frankfurt is about 6 hours.

C. The Danube arm

With the completion of the Rhine-Main-Danube Canal, Europe gains an inland waterway connection from the North Sea all the way to the Black Sea. All 2,860 kilometers of the Danube, from the Rhine-Main-Danube Canal to the Black Sea, are fully navigable by Europa-class barges. Ironically, for some time, much doubt was expressed over whether it would even be worthwhile to complete the Main-Danube connection, given the relatively low traffic on the Danube. In the context of the Productive Triangle, however, the Danube takes on the importance of a development axis. It links the Ruhr/Rhine/Main/Neckar region—with the world's greatest concentration of industrial activity—to a huge potential market, vast mineral wealth, and a chain of urban-industrial areas (including new ones) which will blossom along this axis. Running down from the North Sea, this "chain of pearls" now linked together includes: Rotterdam, Düsseldorf, Essen, Dortmund, Cologne, Basel, Strasbourg, Karlsruhe (also direct link to Vienna), Mannheim, Frankfurt, Würzburg, Nuremberg, Regensburg, Linz, Vienna, Bratislava, Győr, Budapest, Novi Sad, Belgrade, Ruse, Galați.

The key to developing the Danube region is to install "nuplex" centers along the river—centers which combine advanced nuclear power-generation with urban-industrial complexes, and which include harbor facilities.

Flowing into the Danube corridor from the north is the

Berlin-Dresden-Prague-Vienna corridor, one of the sides of the core Triangle, which will develop as a main axis of flow of goods and passengers. The "Maglev Express" line will have the following typical schedule:

Leave	8:00	Berlin
	8:30	Dresden
	8:50	Prague
	9:20	Brno
	9:40	Vienna
	10:10	Graz
	10:15	Budapest
Arrive	10:30	Zagreb

D. The southeastern arm into the Middle East

Munich/Vienna-Ljubljana/Zagreb-Sofia-Istanbul.

The fall of the Shah of Iran and installation of the insane Ayatollah Khomeini, the Iraq-Iran war, the spread of Islamic fundamentalism—all these developments include an element of deliberate economic warfare against the kind of development partnership between Europe and the Third World which was exemplified by the old Baghdad railroad project, and, in the 1970s, by the Iran-West German nuclear energy cooperation. The Triangle policy implies a return to those historical impulses. In that context, modernizing the rail connections from central Europe into Turkey is a crucial step.

Even now, with the freight traffic into the Middle East a tiny fraction of what it would have become without the destabilization of Iran, there is a chronic transport bottleneck on the main route leading through Yugoslavia through Bulgaria. Practically the entire freight tonnage is moved by truck on highways that are in part entirely inadequate for such heavy traffic. The Trans-Yugoslav Highway from Munich to Salzburg-Zagreb-Belgrade is scheduled to be completed by 1995; it is now two-thirds finished. As useful as this project is, it does not come near to solving the problem. The only solution is efficient high-speed rail freight. That means a total overhaul of the rail systems of Yugoslavia and Bulgaria, which suffer from technical obsolescence and a nearly complete lack of modern intermodal facilities.

Austria is already undertaking a major extension of its railroad system into the south, with emphasis on two lines. The first, the Trauern line, runs from Munich, Salzburg, and Villach to Ljubljana and Zagreb. The second line runs from Regensburg via Linz and Graz to Zagreb. Here begins the unfinished Trans-Yugoslav east-west line going to Belgrade and into Greece. Both railroad lines through Austria are formerly one-track lines, and are currently being made into two-track lines. At the same time, a large container terminal will be completed in Villach in 1990, and another is planned in Graz to handle the expected increase in freight to and through Yugoslavia.

Besides the Trans-Yugoslav rail project, there is a plan to complete the bits and pieces of rail lines between Belgrade,

TABLE 2

Northern Italy has Europe's densest population

	Population (millions)	Population density (Inhabitants per km ²)
Lombardy	9	373
Liguria	1.8	332
Veneto	4.4	235
Emilia-Romagna	4	178
Piedmont	4.5	175
Friuli-Venezia Giulia	1.2	157
Total northern Italy	26.214	218

Budapest, Vienna, and Nuremberg into a two-track line. All these measures, useful in and of themselves, will be inadequate to meet the present and future requirements of the region.

E. The Italian arm

Northern Italy-Mezzogiorno-Sicily-North Africa.

Outside the core area of the triangle, Northern Italy is the largest and densest industrial region in all of Europe (see **Table 2**).

This region is one of the world's leading centers of modern machine tool production and export, second in Western Europe only to West Germany. Besides machine tools, it is a major capital goods exporter to the developing nations, with strong historical connections to Africa and Ibero-America. The industry is centered in the Turin-Brescia-Genoa "triangle" with Milan in the middle. This is the industrial region which makes Italy the fourth greatest industrial nation in Europe in terms of volume of production.

A crucial bottleneck for the European economy is access to northern Italy through the Alps. Freight traffic between Germany and northern Italy is continually increasing. Already, the main railroad connection along the Rhine axis from Basel through the St. Gotthard Tunnel is technically overloaded, and the Italian railroad is unable to take more traffic arriving through the Gotthard. None of the present lines—the Gotthard and the Luetschberg-Simplon line in the West, and the Brenner Pass to the East—is adequate for rapid freight transport. The backup of traffic through the Alps has a negative effect on the entire freight flow in Germany. This bottleneck is forcing an increasing portion of goods to take a long and expensive detour via France or Austria. Since both Switzerland and Austria are, understandably, rebelling against the heavy truck traffic through their countries, any additional freight must be carried mostly by rail. Hence, the importance of the project to build an additional rail connection via a tunnel on the Splügen line. This tunnel would be

accessed from Basel.

The Italian spiral arm, which splits into two filaments running along Italy's eastern and western coasts, will provide the solution to the chronic underdevelopment of Italy's Mezzogiorno, with its major population concentrations in Campania (5 million population, 400 persons/km² with Naples and Palermo) and Apulia (3.6 million population, 200 persons/km²).

Crucial to the industrial revival of the Mezzogiorno is to install "pearl chains" of nuclear power stations and improved power distribution facilities along the eastern and western filaments, paralleling the fast freight system.

Access to Sicily (5 million population, 190 persons/km²) will be improved by realization of a long-planned bridge connection to the mainland. Sicily will become one of the busiest economic centers in Europe, the stepping-stone to Northern Africa. Already, plans exist for a "freight pipeline," which can carry sealed freight containers along with oil, from the tip of Sicily across the Straits of Sicily to Tunisia. There has also been discussion of a tunnel from Sicily to Tunisia—a far more ambitious project, but one which deserves serious study.

A southern "Maglev Express" line will run with the following typical schedule:

Leave	8:00	Berlin
	8:20	Leipzig
	8:55	Nuremberg
	9:15	Stuttgart
	9:45	Basel
	11:00	Milan
	11:35	Florence
	12:05	Rome
	12:35	Naples
	13:40	Messina
Arrive	14:10	Palermo

Compare this with a typical current rail schedule:

Leave	5:53	Stuttgart
	16:28	Bologna
	22:56	Naples
Arrive	8:58	Palermo

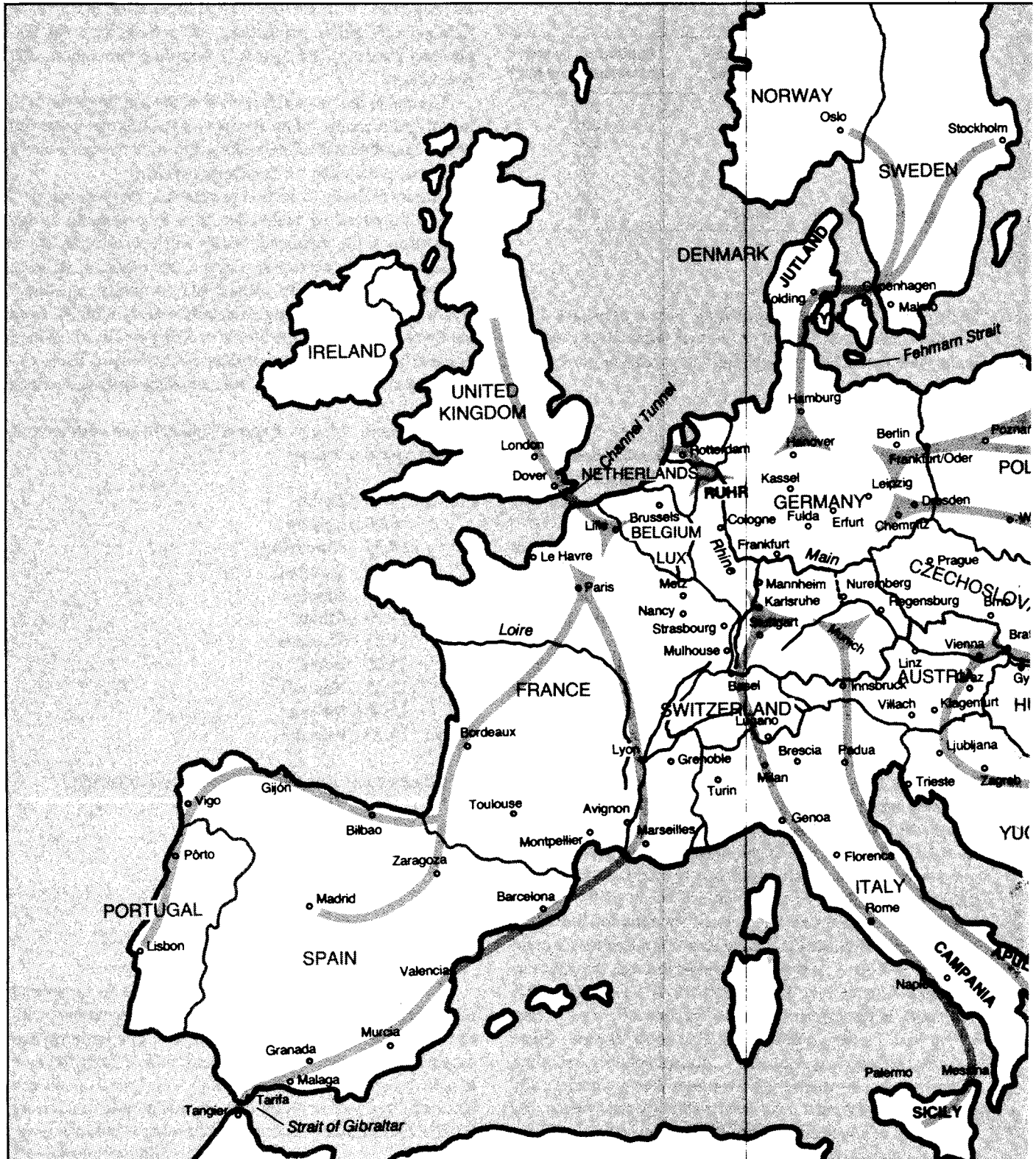
F. The Marseilles-Gibraltar arm

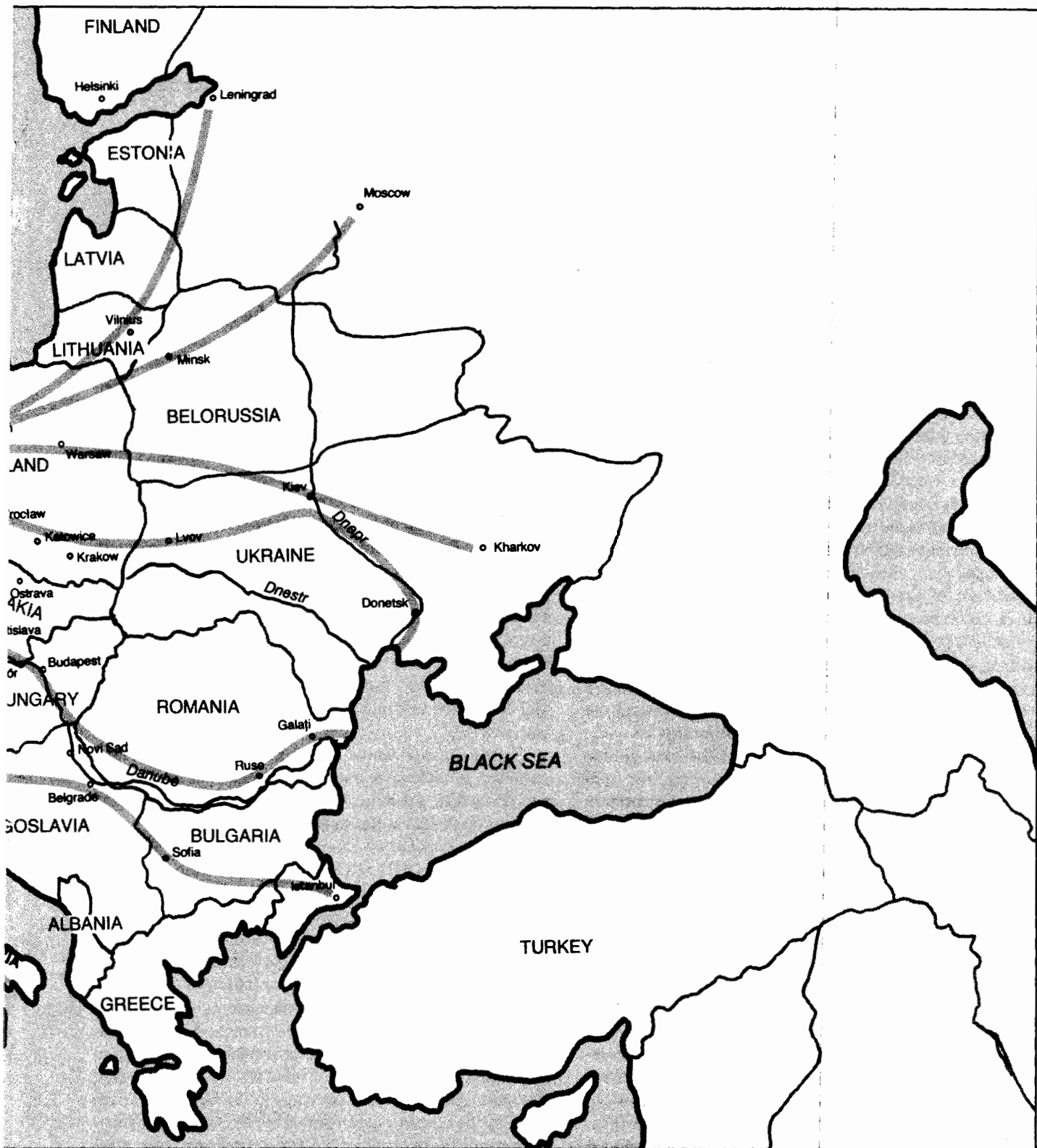
Lille-Marseilles-Barcelona-Tarifa-Tangier.

France plays a unique role in Europe, with its special relation to Africa and the rest of the developing nations, with its nuclear capability, its remarkable scientific tradition and capability. But, the French economy suffers from the lack of a well-developed, export-oriented *Mittelstand* (small and medium-sized industry), on top of a low population density (103/km²). The entire central strip of France is virtually emp-

continued on page 38

FIGURE 2
 'Spiral arms' of the 'European galaxy'





continued from page 35

ty, with about two-thirds of the land area populated at less than 80/km². France would do well with double its present population. New technologies should give France the capability to better use its own raw materials, given that for the first time in her history, France possesses a truly abundant energy resource: nuclear power.

A crucial condition for France's future development is to reindustrialize the Alsace-Lorraine region on the basis of nuclear energy and a range of new high-technology industries. The authorities in Metz are proposing nuclear-based hydrogen production and development of hydrogen technology as a major area for the future. To this should be added industries producing high-temperature ceramics and other new materials. A further precondition for development of the whole eastern side of France is a long-overdue reconstruction of the historic canal system, which goes back to the work of Jean-Baptiste Colbert (1619-83), and even earlier.

The main transport axis today is Lille-Paris-Lyon-Marseilles, which forms part of a loop continuing from Marseilles to Toulouse and Bordeaux, and, from there, back to Paris. Revival of the Metz region will tend to strengthen the flow of activity from Lille down to Metz/Nancy, and directly down to Lyon and Marseilles, without going through Paris. Revival of the inland waterways will strengthen the flow through the interior, from Nantes along the Loire into the Lyon area. This would be a gain to the overall layout of the French economy, which is too much bound to the single hub of Paris.

Another plan, already in progress, is to develop an international airport near Metz, which would relieve the congestion of the airspace around both the Frankfurt and the Charles de Gaulle/Orly airports of Paris. This new airport, lying approximately midway between Paris and Frankfurt, will be linked by fast rail to both cities in such a way that passengers to either would arrive in the city centers at approximately the same time as if they had landed at the existing airports.

The further continuation of the north-south axes of flow in France leads into Spain along three branches: one from Toulouse via Zaragoza to Madrid; one along the northern coast from Bordeaux to Bilbao, Gijón-Oviedo, Vigo, Pôrto, and Lisbon; one along the southern coast from Marseilles to Barcelona, Valencia, Murcia, Granada, Málaga, and down to the Strait of Gibraltar. These coastal strips are relatively densely populated compared to the interior of Spain, which suffers even more than France from lack of population. Large-scale water projects are needed to reclaim the desertified regions around Madrid, once highly fertile lands, and to repopulate them.

Last May, the Moroccan transportation minister, Mohamed Kabbaj, opened a conference of 300 international experts to discuss plans for a bridge or tunnel connection from Europe to North Africa via the Strait of Gibraltar. Moroccan Prime Minister Laraki stated that the project would boost economic relations between the European Community and the

Arab Maghreb Union linking Algeria, Libya, Mauritania, Morocco, and Tunisia. It would also open up Europe to Western Africa by means of a road network between Tangiers in north Morocco and Lagos in Nigeria. Feasibility studies place the cost at \$5-10 billion. Morocco, Algeria, and Tunisia together have a population of more than 50 million (Morocco, 23 million; Algeria, 21 million; Tunisia, 7 million), concentrated at nearly Western European density along the coast.

G. The southwestern arm

Paris-Bordeaux-Zaragoza-Madrid.

Spain's decision to build TGV lines from Madrid is a crucial step forward. To link Spain to the "economic miracle" of the Triangle, it is crucial that its rail system be rebuilt on standard gauge. This will open up Spain's industrial potential and make it a stepping-stone to Northern Africa.

H. The Channel Tunnel and the role of Britain

The continuing controversies in England concerning the Channel Tunnel and related infrastructural facilities will largely decide the fate of that country. Without a strong infrastructural connection to the Triangle, there is virtually no hope that the United Kingdom will emerge from its present economic morass. The stubborn stupidity of many of Britain's policymakers was underlined recently when Prime Minister Margaret Thatcher declared that her government was "not in the business of financing European railroads." At the same time, Prince Philip and Prince Charles's increasingly fanatical advocacy of radical ecologism reflects a clear strategy to try to bottle up the potential of continental Europe, and a reunified Germany in particular, through a new mobilization of the "green" movement. Perhaps the shock of watching Europe adopt the Productive Triangle will finally prompt British policymakers to drop their commitment to post-industrial decay, and link into it, on the motto: "If you can't beat 'em, join 'em!"

Such a decision would unlock the tremendous potential embodied in such advanced research centers as the Harwell nuclear facility, the military laboratory at Aldermaston, the laser fusion facility at Rutherford-Appleton Laboratory, and the world's largest experimental fusion reactor, the Joint European Torus (JET) at Culham, in the British aerospace industry, along with some advanced biophysics research. This scientific and technological potential cannot be sustained indefinitely in the face of an overall erosion of Britain's industrial infrastructure. Conversely, if Britain were to feed her advanced technology into a "new industrial revolution" on the island, based on reviving independent, medium-sized high-tech industry, she would have nothing to fear from continental Europe. The precondition for such a revival is to thoroughly modernize Britain's infrastructure, and to attach that improved internal infrastructure to the European Triangle. Like the economy of the United States, the British economy has sunk below the point at which a purely internal revival

could be achieved, without massive imports of investment goods from the outside.

I.-J. The Le Havre and Rotterdam ports

The most urgent priority for Europe's harbors is to install new semi-automatic and automatic transfer facilities permitting more efficient intermodal transfer of freight between ship, truck, and rail-maglev. Unfortunately, plans made in the 1960s to introduce standardized, fully compatible containers, were not realized. Today, we have a chaotic situation with containers of every possible size, with the particular problem that seaborne containers tend to be too large for direct loading onto ground transportation. This has led to a thriving business for companies that unpack one size of container and repack the contents into other size containers—an exercise contrary to the whole purpose of introducing the containers in the first place! The proposal put forward here is to impose absolute standardization for all freight to be moved on the fast freight system of the Productive Triangle, and to use the new system as the norm for gradually cleaning up the mess of the rest of Europe's freight transport.

In this context, special emphasis must be placed on the largest of all ports, Rotterdam, which suffers greatly from lack of adequate rail connections, and from hopeless overloading of roads leading to and from Rotterdam through Holland. What is obviously required is a complete redesign of the harbor area, with emphasis on ultramodern transfer facilities between ship and rail-maglev, downgrading the relative importance of long-haul trucking. The task is to greatly increase the effective "power density" of harbor facilities, i.e., the throughput capacity in tons per hour per unit harbor area.

It should be noted that Europe's harbors and shipbuilding facilities, in particular, are the natural locations for assembly-line production of "floating factories." These include nuclear power plants, desalination plants, and fertilizer and other chemical plants constructed atop floating platforms for easy transport and installation at coastal and off-coastal sites in the developing sector. Westinghouse began work on such a facility in Florida, only to be shut down when world economic growth collapsed in the late 1970s. Now is the time to revive these concepts.

K. The Scandinavian spiral arm

Water crossings and long transport distances now separate Scandinavia's 23 million inhabitants from the core region of the Triangle. The passenger rail links from Hamburg have the following typical times: Hamburg-Copenhagen, 5 hours; Hamburg-Stockholm, 14 hours; Hamburg-Oslo, 15 hours; Hamburg-Helsinki, 30 hours.

The main bottleneck is the lack of a direct land connection from central northern Europe to Sweden. Three great bridge-tunnel projects in Denmark can solve this, opening a new era in the history of the region. The first is already under construction: a combination bridge and tunnel linking the

island of Fyn—which is already connected to the European mainland by a bridge to Jutland—with the island of Sjaelland where Copenhagen is located. This 23-kilometer-long "Great Belt Connection" includes a suspension bridge with a span of 2 kilometers, the longest in Europe. The train connection will be completed in 1993, and the road lanes will be opened in 1996. The project cost is estimated at \$2.9 billion and will employ a total of 15,000 man-years of construction labor. Once completed, it will permit automobile, truck, and rail traffic to run from Hamburg via Kolding on Jutland through to Copenhagen.

The second great project is a proposed bridge-tunnel connection from Copenhagen across the Øresund to the city of Malmö in Sweden. The total length of 17.6 kilometers is to consist of a 2,000-meter tunnel from Kastrup (the southern suburb of Copenhagen, where the International Airport is located) to an artificial island south of Sydholm; the rest of the span is a combination of low and high bridges over to the Swedish mainland. If approved this year, the project could be completed by 1997. It would cost an estimated \$2.1 billion and would employ 3,700 construction workers for six years.

The third project is a 23.6-kilometer rail and highway tunnel from Puttgarten in Germany over the Fehmarn Strait to Rødby on the Danish island of Lolland. It would largely replace the present ferry line between those two locations. If approved this year, the Fehmarn Strait tunnel could be completed by 1998 at an estimated cost of \$1.9 billion. It would employ about 2,000 construction workers. Since Lolland is already connected to Sjaelland by rail and road bridges, this tunnel would provide a direct traffic link from Hamburg to Copenhagen. High-speed passenger trains could then make the Hamburg-Copenhagen run in two hours or less.

The package of the Øresund bridge-tunnel and Fehmarn tunnel has been baptized under the name "Scanlink," and is being promoted by the European Round Table of Industrialists as a high-priority project. The Japanese are reportedly interested in financing part of it, and there is considerable support from northern Germany, which would greatly profit from easier access to the Scandinavian market. But, in the context of the Triangle, all these considerations are thrust into a much bigger strategic dimension.

The most important thing about the Scandinavian spiral arm is the remarkable scientific and technological potential embodied in its population, among the highest per capita in the entire world. This potential is exemplified by the way in which Sweden, a nation of only 8.3 million inhabitants, developed its own autonomous nuclear reactor industry.

Recent developments in the Baltic states and the U.S.S.R. add a crucial strategic dimension to the Scandinavian arm. Latvia, Lithuania, and Estonia have always been closer culturally and economically to Scandinavia and Western Europe, than they ever were to Russia. Together, the Scandinavian arm and the axis from Berlin via Warsaw to the Baltic states will be crucial to the rebirth of those states.

Italy to probe CIA ties to Palme murder

by Leonardo Servadio and Mark Burdman

Developments in Italy during the week of July 23 have raised new questions about the potential involvement of the Iran-Contra mob around Lt. Col. Oliver North, in both the assassination of Swedish Prime Minister Olof Palme and the ensuing coverup. What is emerging in Italy points to that side of the North crowd's misdeeds which has never been brought before an American court and investigated by any U.S. commission.

The tumult in Italy was already brewing since early June, but it became a controversy of international proportions, when the magazine *Panorama* revealed on July 23, that President Francesco Cossiga had sent a letter to Prime Minister Giulio Andreotti on July 5, after having reviewed the content of interviews conducted by Italian state television TG1 journalist Ennio Remondino with former CIA agents Richard Brenneke and Ibrahim Razin. Cossiga wrote that statements contained in the broadcasts were so serious that the government was obliged to look into them immediately, and "if the government were to think that the information had any basis, I think that it should inform the judiciary authority and the Parliamentary Commission on Massacres and, at the level of the bilateral relations, the relevant authorities in the U.S.A. and in Sweden." Otherwise, wrote Cossiga, the journalists who published the information without previously thoroughly checking its validity, should be punished in a most rigorous way.

In late June-early July, the interviews with Brenneke and Razin were broadcast in four parts by TG1. The most explosive element of what they said, was that three days before Swedish Prime Minister Olof Palme was assassinated, Licio Gelli, Grand Master of the Propaganda 2 (P-2) Freemasonic lodge, had sent a telegram to Republican Party representative Philip Guarino, an intimate of George Bush, announcing that "the Swedish tree will be felled." In his

sequence, Razin claimed that the text of the telegram exists in the archives of the National Security Agency, and that the FBI has opened an investigation into this. Razin added that he knew of the existence of such a telegram from a high representative of the American mafia, and that Palme was assassinated because he knew about the illegal weapons trade in connection with the Iran-Iraq war. As Brenneke put it, Palme had become a "fly in the ointment" for those responsible for the dirty doings.

Brenneke, in one of his TV sequences, asserted that the P-2 lodge was involved in such a trade. According to Razin, the arms trade was an integral part of agreements reached at the time of the 1980 election campaign between representatives of the Republican ticket of Ronald Reagan and George Bush, and Iranian representatives: The Iranians would guarantee not to release the American hostages before the election was over, so that President Carter would not get the benefit. In exchange, the Republicans allegedly promised to send weapons to Iran after winning the elections. Brenneke said that Gelli was present at the October 1980 meeting in Paris where U.S. and Iranian representatives discussed the whole operation. He also asserted that George Bush, then candidate for the U.S. vice presidency, took part in October 1980 arms-to-Iran discussions in Paris, although not necessarily in the same discussions as Gelli.

Speaking about the CIA-Propaganda-2 contacts, Brenneke said in the interview: "We used the assistance of these people to let money and drugs go in and out of the U.S.A., and to let drugs and money go in and out of Italy. We used them to create situations favorable to the explosion of terrorism in Italy and other European countries at the beginning of the 1970s." Brenneke added that the CIA had financed P-2 to the tune of \$1-10 million a month, conducted through



Stuart Lewis



EIRNS



Stuart Lewis

Left: Read George Bush's lips as he stands behind his Italian counterpart, Francesco Cossiga, at the White House in October 1989. Cossiga is now seeking an official inquiry into charges that implicate Bush, recently aired on Italian TV. Center: The late Swedish Premier Olof Palme, whose February 1986 assassination is now alleged to be tied to the CIA through funding of the P-2 masonic lodge. Right: Giulio Andreotti, whose government is charged with conducting the investigation.

foreign-based corporations.

If what Brenneke said is found to be true, it would prove that the CIA, the P-2, and the KGB were working together to run weapons, dope, and destabilizations internationally, given that the KGB involvement in such activities has been amply proven. It would be proven that Palme was killed by the same crowd that ran the Iran-Contra operation and that slandered Lyndon LaRouche's political associates as a cover-up for their own dirty dealings. In statements issued July 24 and 25, Virginia 10th District congressional candidate LaRouche identified that this crowd is best known as "Project Democracy," a sub-unit of the U.S. government's National Endowment for Democracy that works closely with the Anti-Defamation League, NBC News, and elements of the U.S. Department of Justice, and FBI, in the operation to have LaRouche and several associates framed up and imprisoned. This Project Democracy apparatus works with powerful forces in Israel and Great Britain.

The Brenneke and Razin statements are not by themselves what is causing tremors internationally, but rather the fact that the President of Italy has urgently demanded that the government clear up the truth of the Palme-Propaganda-2-CIA matter, of the contention that the CIA financed terrorism in Italy, and the matter of U.S. President Bush's name having been raised. Once the fact of Cossiga's letter was made public, the shock effects went way beyond Italy. Many of the newspapers that had jumped on the "LaRouche behind killing of Palme" disinformation in the March 1986 period—such as the *Wiesbadener Kurier* in West Germany and the *Times* in Britain—were now publishing prominent stories featuring in the headlines, the mooted CIA-Propaganda-2 connection to the murder of Palme. On July 24, almost all of the nationally read newspapers in West Germany, and much of the major regional press, were highlighting the story, and

it was also getting wide coverage in Sweden and other countries in Europe.

CIA officials have meanwhile furiously denied all the allegations, and have claimed that Brenneke was never in the CIA's employ. But as the Italian daily *Il Giorno* of July 24 underlined, the CIA usually refrains from taking an official position in such circumstances. If they do so now, there must be something really big afoot.

Some signals to Washington

In Italy itself, the two Italian magistrates who are investigating the P-2 affair, Francesco Monastero and Elisabetta Cesqui, want to hear testimony from Brenneke and Razin. According to Italian press reports, the two magistrates also want to investigate corporations based in Belgium, Switzerland, and the U.S. that Brenneke said the CIA had used as a channel to finance the P-2 lodge. In the hands of the magistrates are documents which Brenneke gave to journalist Remondino, which are said to include evidence of the connections between the CIA and the lodge.

Meanwhile, P-2 Grand Master Gelli is so distraught, that he has instructed his lawyer to sue Italian state television for billions of liras.

But as seen from Italy, these investigations and legal fights are only part of a broader picture, in which many dark truths are coming to the light of day. Beyond this, they indicate a significant strategic re-thinking going on from inside Italy.

In the days in which the interviews with Razin and Brenneke were broadcast, the Italian press was full of articles concerning the proofs, which are starting to come out in the open, regarding the ties between Eastern secret services and the international terrorism that was unleashed against all the Western European countries, but in particular against Italy

and Germany, during the 1970s. It had just come out that the renowned terrorist "Carlos" was protected by East bloc secret services.

"We want to understand if the terrorists, with the help of the O07s from the East, wanted to stop the process of change in the Communist Party," said Christian Democratic Secretary Arnaldo Forlani, while in Hungary at the end of June. Forlani was referring to the assassination of his party's chairman Aldo Moro, perpetrated by the Red Brigades in June 1978, three months after he was kidnaped. Moro had been working to bring the Italian Communist Party out of Moscow's political control, and for bringing Italy out of the political control of the two superpowers. What might unite the cases of Moro and Palme is that, in different ways, they both were an obstacle to the superpowers' global power-sharing plans.

In this context, the fact that the interviews of Brenneke and Razin came out just as all the media were starting to expose the connections of terrorism with the KGB and the Eastern intelligence services, led some people, especially from Italy's Socialist and Liberal parties, to say that the interviews conducted by Remondino were a smokescreen raised by the Communists in order to divert attention from the Communist role in protecting and steering international terrorism.

In reality, if what Brenneke and Razin stated in their interviews proves true, the picture that would emerge would not necessarily contradict the information concerning the Communist connections to terrorism: rather, it might complete them and provide a wider and more precise picture, bringing to the light a dark world where Eastern and Western secret operations were run for maintaining the status quo against political forces striving for national emancipation. Were this the case, it would be quite coherent that revelations such as those of Razin and Brenneke come up at a time when the "equilibrium of Yalta" is being shaken.

President Cossiga's letter to Prime Minister Andreotti was written July 5: right after the broadcasts, and just as Andreotti was about to leave for the London NATO summit. In the days before that summit, there were some provocative signs that the Italian political elite had decided to open up a new era in its relations with the U.S. In June 27 testimony before an Italian parliamentary commission investigating the circumstances of the shooting down of an Italian airliner over Ustica 10 years ago, Adm. Fulvio Martini, the head of Italian military intelligence, was asked about Libya's role in that affair. In response, he noted that Libya's relations with many countries operated in a "gray zone." For example, he pointed out, the presidential campaign of George Bush received money from Libya indirectly, through royalties paid by Qaddafi into Texas oil companies which supported Bush. Martini's charge of a Bush-Qaddafi link made headlines at the time. He could not have said it, without agreement from senior figures in the Italian political establishment.

This was a foretaste of the issues that erupted at the Houston Group of Seven summit on July 9-11. There, it became obvious that significant tensions have emerged between continental Europe and the Anglo-American world, with talk of trade war on everyone's lips. No doubt, the whole skein of Martini's statements, the TG1 interviews, and the Cossiga letter, side by side with the exposés of East bloc sponsorship of terrorism, reflects the potential for Italy to shift into a new European orientation in the period ahead. That Italy holds the presidency of the European Community until the end of this year, makes this entire matter all the more important.

Documentation

President Cossiga's letter

What follows is a translation of the letter sent on July 3 by Italian President Francesco Cossiga to the head of the government, Giulio Andreotti, as it appeared in all major Italian press on July 26:

I believe that it is my duty to call your attention to the reports broadcast on TG1 June 28 and 30, and on July 1 and 2, following advance releases put out by the RAI through ANSA [news service]. In these broadcasts, produced by a TG1 journalist, a number of persons have been interviewed, including persons who asserted they had been agents of the Central Intelligence Agency (CIA). The information broadcast in these programs requires, in my judgment, careful evaluation by the Italian government, particularly in consideration of the particular "credibility" that such information has for public opinion in our country and foreign countries, with possible involvement of the responsibility of our government, because it is not credible outside of our country, although true, that a public radio and television service can exist which is not directly responsible to the government or to the parliament. The gravity of the information put in circulation, consists above all in the statement that the terrorism of the 1970s was "ignited" in Italy by the CIA through the P-2 Masonic lodge.

Second, in the asserted participation of the P-2 Masonic lodge, and thus, of Italian citizens, in the "plot" which would have been planned by the CIA to assassinate Olof Palme, then prime minister of the Swedish kingdom. Third, also very serious, is the attribution of responsibility for these criminal actions, in which the P-2 Masonic lodge would have participated, to high level personalities of North American political and institutional life, including the then-representative of the Republican Party, and today the President of an allied and friendly country, the United States of America,

George Bush.

If the government should think that such information had any foundation, I believe that it must inform the judiciary authorities and the parliamentary commission on atrocities, and on the level of bilateral relations, the competent authorities in the U.S.A. and the Kingdom of Sweden.

If, on the other hand, the government, after careful evaluation, were to conclude that the information broadcast by the RAI-TV is false or even recklessly provocative, I think that the government should inform the judiciary authorities of possible penal law violations and undertake necessary measures to find out the managers and personnel of the national TV center responsible.

I would be grateful if you could keep me informed on the initiatives undertaken by the government.

What Brenneke said

Excerpts from the TG1 interview with ex-CIA agent Richard Brenneke, translated from the Italian transcript. The interviewer is Ennio Remondino.

Q: Do you know the P-2 directly?

Brenneke: Naturally I have known the P-2 since 1969 and I had deals with the P-2 in Europe since that time and I had contact with it also recently, till the beginning of the 1980s. The U.S. government sent money to P-2. In some periods the sum was about \$10 million a month.

Q: For what purpose?

Brenneke: The CIA money for the P-2 had several aims. One of them was terrorism. Another aim was to get P-2's help to smuggle dope into the U.S.A. from other countries. We used them to create situations favorable to the explosion of terrorism in Italy and in other European countries at the beginning of the 1970s.

Q: Excuse me, but your statements are very serious. You say that the P-2 was a creation, the financial and organizational arm of the CIA to destabilize, to run cover operations in Europe?

Brenneke: There is no doubt. The P-2 since the beginning of the 1970s was used for the dope traffic, for destabilization in a covert way. It was done secretly to keep people from knowing about the involvement of the U.S. government. In many cases it was done directly through the offices of the CIA in Rome and in some other cases through CIA centers in other countries.

Q: In what operations was the P-2 (as an extension of the CIA) involved?

Brenneke: The P-2 was involved in the operation for which

I ended up in court, that is the delay in the liberation of the American hostages in Iran in 1980. Members of P-2 participated in the operation and even attended meetings in Paris and other European cities. The same people were involved in the arms smuggling into Iran which took place after these meetings while there was still an embargo against Iran. The P-2 collaborated with agencies of the American government in sending weapons to Iran after the meeting of 1980.

Q: Do you know Gelli personally?

Brenneke: I met him for the first time in 1969-70 and the subject of the discussion was the financing of his organization. I met him several times in the 1970s. I met him in Paris in October 1980 on an important occasion: There was a meeting. . . .

Q: "October Surprise". . .

Brenneke: "October surprise." The aim of the meeting was to organize the freedom of the hostages after, not before, the elections. The meeting was important because there were Mr. Casey, who later became the head of the CIA, at that time manager of the Reagan-Bush electoral campaign and Donald Gregg, who became ambassador to South Korea and at that time worked for the CIA and the National Security Council. At the meeting I attended Bush was not there, but Bush was. . . .

Q: President Bush?

Brenneke: The present President Bush was at that time a vice presidential candidate. From the information I had, I know that Bush was in Paris in the same days for meetings dealing with the freedom of the hostages and the payment of a ransom for their freedom. Gelli took part in these meetings. I do not know if he attended the same meetings with Bush but he definitely attended the same meetings I attended.

Q: Do you have documentation to prove these very serious accusations?

Brenneke: My accusations are very serious and I would not do it without evidence. . . . Some of these documents were given to the court on the occasion of the trial against me. They are still in the trial record. Some documents I gave to members of the inquiry commission of the U.S. Congress. . . .

Razin's TV statements

Excerpts of the interchange between Ibrahim Razin and RAI journalist Ennio Remondino, as translated from the Italian transcript:

Q: Can you give us more details on the telegram from the

Bonn official survives assassination attempt

A senior Bonn government official luckily survived a terrorist bomb attack on the morning of July 27, while on his way from the Bonn-Cologne highway to the Interior Ministry where he works. The official, Assistant Interior Minister Hans Neusel, was hit by the bomb in his car but only slightly injured.

The bomb was of the same type used in the terrorist assassination of Deutsche Bank chairman Alfred Herrhausen late last year: a laser-triggered remote-controlled shaped charge bomb made of concentrated commercial explosive.

Police say that Neusel survived the attack because he was driving the car himself (his driver being on vacation) and was therefore not hit by the full thrust of the bomb on the driver's seat. If he had sat on one of the other seats, he would most certainly have been killed instantly.

A letter pointing to Red Army Faction ("Baader-Meinhof gang") authorship behind the attack was found close to the site of detonation. Neusel has been on the terrorist target list for some time, because he is in charge of overseeing anti-terrorism activities at the ministry.

Since the overthrow of the Communist dictatorship in East Germany, massive information has come to light showing that the East German secret police, the Stasi, were steering and protecting the Baader-Meinhof terrorists for years. Herrhausen was killed last November only days after Chancellor Helmut Kohl, to whom he was a close economic adviser, announced a 10-point plan for economic reunification of the two Germanys which was widely perceived as a harbinger of the end of dominion by the superpower "condominium."

P-2 announcing the assassination of the Swedish leader Olof Palme?

Razin: During summer 1985 I interrogated a very important leader of the American mafia, whose name I cannot mention, who told me that such a telegram was sent from Gelli to Philip Guarino, at that time one of the most outstanding members of the Republican circle around Bush.

Q: Do you have any precise indication about the existence

of the telegram?

Razin: At present the FBI has opened an inquiry on this story. The existence of the telegram is also indicated by the archives of the National Security Agency.

Q: From where was this telegram sent precisely and who got it?

Razin: It left with the signature of Licio Gelli and was addressed to Philip Guarino. It was sent from South America, from one of the southernmost regions of Brazil. According to the most reliable information it was sent by a man called Ortolani on behalf of Licio Gelli or in any case on Gelli's instructions.

Q: What was the exact text of the telegram?

Razin: The telegram said: "Tell our friend that the Swedish palm will be felled."

Q: Why would the Italian P-2 have been involved, interested in the assassination of Palme?

Razin: Sweden was one of the main protagonists of the illegal weapons traffic at the time of the Iran-Iraq war when Palme was prime minister and thus Palme was surely aware of what was happening.

Q: And P-2 was part of this operation?

Razin: Yes, P-2 was at the center, one of the main participants in the illegal arms traffic, which was connected to the drug traffic from the outset. P-2 also made a substantial contribution to the recycling of large amounts of money used for this arms and drugs traffic from one country to another.

Q: And what about the CIA-P-2 relations?

Razin: Suffice it to see how the P-2 was involved with Banco Ambrosiano and with Michele Sindona and how the CIA was involved with them in several financial manipulations. For example, in the United States the big scandal involving the S&L banks is big news. The Texas state prosecutor has found evidence of CIA involvement in the bankruptcy of many of these banks which used illegal funds for their operations. The man who knows a lot about this is Richard Brenneke, a former CIA agent from Oregon.

Q: Do you have more details which could help to clarify why Palme was assassinated?

Razin: I am sure that there are documents on this but it is a different story to see if they are going to come out into the open. I can give you some other collateral details. For example, a week before Palme's death, an agent named Michael Townley was in Stockholm. Townley was involved in the assassination of the Chilean Orlando Letelier, some years ago in Washington. Townley was a political dirty tricks specialist. . . . It is a definite fact that the weapons traffic had a lot to do [with Palme's death.]

Palme murder used to frame LaRouche

by Göran Haglund

The very persons and institutions who were the quickest to exploit the Feb. 28, 1986 murder of Swedish Premier Olof Palme in a veritable vendetta against their foremost political opponent, American statesman and economist Lyndon H. LaRouche, Jr., now find themselves in the spotlight of international attention concerning their own role in the chain of events leading to Palme's death. The order issued on July 5 by Italian President Francesco Cossiga for an investigation of the role of the Central Intelligence Agency (CIA) and prominent Americans along with the Freemasonic lodge "Propaganda 2" in "igniting" terrorism in Italy and participating in the plot to kill Palme, opens a track leading directly to the so-called "Get LaRouche" task force of the American political establishment, a U.S. Department of Justice-centered group of judges, prosecutors, journalists, and political activists unified by their hysterical hatred of LaRouche and his policies.

Acting on cue from their Soviet partners, it was this unwholesome coalition of LaRouche's enemies who in the days, weeks, and months after Palme's murder, championed the thesis that LaRouche, either personally or through his political associates in Sweden, somehow "stood behind" the assassination. And, since even the slightest piece of circumstantial evidence was lacking, a virtual magic box of dirty tricks and lies was conjured up to "prove" the case. No sooner had the echo of the shots that late February evening reverberated from downtown Stockholm throughout a world caught by surprise and shock, than the campaign to blame LaRouche for the assassination was moving at full speed.

Arbatov points finger at LaRouche

On the morning of March 1, within hours after news media had carried the first headlines on the spectacular political murder, Soviet Central Committee member Georgi Arbatov, chief of the U.S.-Canada Institute, offered a ready-made explanation of the event, as broadcast by Radio Moscow from the ongoing 27th Party Congress of the Soviet Communist Party (CPSU). "I do not know who killed Palme," Arbatov intoned, "but I know all too well who hated him. . . . I saw demonstrations against him by fascist hooligans, inflammatory articles, and provocations. Reaction loathed Palme."

In the course of the following days, TASS, *Izvestia*, and other Soviet disinformation organs filled in the picture by explicitly pointing the finger at LaRouche and his Swedish affiliates by name, characterizing them as "reactionaries," "fascists," and "militarists," who propose that "Sweden join NATO."

By March 3, the first explicit Western press mention of LaRouche and associates by name in a Danish newspaper, *Ekstra Bladet*, was escalated day by day into a full international media hurricane by mid-March. On March 18 in the U.S., NBC Nightly News broadcast an item alleging a connection between LaRouche and a "suspect" arrested one week previously by Swedish police. The Anti-Defamation League's (ADL) Fact Finding Division head Irwin Suall was interviewed as a specialist on LaRouche—whom he identified as a neo-Nazi—certifying that an associate of LaRouche's would be capable of committing such an assassination.

While its hostility toward LaRouche dated back at least to 1977, when LaRouche had initiated an in-depth investigation of the international drug trade, leading to the publication of the best-selling book *Dope, Inc.*, the organized crime-linked ADL, up to its neck in dirty tricks run jointly with Soviet intelligence agencies against common enemies in the West, played a prominent role in the "Get LaRouche" task force, using the Palme murder as a pretext.

'Violence prone' label key to frameup

On March 18, the same day as NBC broadcast its interview with Suall, two LaRouche Democrats, Janice Hart and Mark Fairchild, won the nominations for secretary of state and lieutenant governor in the Illinois state Democratic Party primary elections—a major setback and threat to the goals of the "Get LaRouche" task force, the work of which now had to be upgraded and escalated significantly. At a meeting of the American Society of Newspaper Publishers in Washington, D.C. on April 11, 1986, Arbatov charged that "LaRouche is a fascist," and characterized the Illinois victories of Hart and Fairchild a month earlier as "very disturbing. . . . This is an event which should not be overlooked, it could be very serious."

Coordinating with the Swedish police investigation into the Palme murder, directed by Stockholm Chief of Police Hans Holmér, a fanatic LaRouche hater, the U.S. FBI and Department of Justice "Get LaRouche" task force were all too eager to heed Arbatov's warning. While failing ultimately to pin the Palme murder on LaRouche or his associates, they scored a complete success in covering up the real authorship of the assassination.

The investigation ordered by President Cossiga, if carried out scrupulously and unhindered by U.S. interference, might demonstrate that those who ran the coverup of the Palme assassination, and the effort to blame it all on LaRouche, were also chief actors in the plot resulting in the assassination itself.

ADL attacks Poland, Catholic Church

by Joseph Brewda

The successful July 15-16 meeting between Soviet President Mikhail Gorbachov and West German Chancellor Helmut Kohl, which makes German reunification a virtual certainty, has had another, lesser known result. The Anti-Defamation League of B'nai B'rith (ADL) and World Jewish Congress have accelerated a dirty campaign accusing the Polish branch of the Roman Catholic Church and the Solidarnosc faction associated with Lech Walesa, of being anti-Semitic.

The strategy of destabilizing the emerging democracies of Eastern Europe through slanderous accusations of anti-Semitism, was announced by World Jewish Congress (WJC) president Edgar Bronfman at a meeting of the WJC in Berlin last fall. Bronfman, a longtime friend of deposed East German dictator Erich Honecker, has served as a key intermediary between the Soviet, American, and Israeli governments, including on efforts to undermine ongoing democratization developments in Eastern Europe.

Elements of this ADL/WJC campaign include the following:

- On July 19, ADL operative and marijuana legalization advocate Alan Dershowitz denounced the resurgence of "Polish anti-Semitism" in a letter to the editor to the *New York Times*. The basis of Dershowitz's attack was Solidarity leader Lech Walesa's denunciation of the current Polish government of Solidarnosc factional leader and Polish Prime Minister Tadeusz Mazowiecki, for its imposition of austerity policies dictated by the International Monetary Fund. Dershowitz reported that Walesa had cited a "band of intellectuals" as responsible for this policy. Dershowitz claimed that whenever Walesa uses the term "intellectual," he really means "Jew." Dershowitz claimed that Jozef Cardinal Glemp, the Primate of the Roman Catholic Church in Poland, is also "anti-Semitic" for the same reasons. Dershowitz insisted that the terms "intellectual," "pluralist," and "people devoid of Christian ethics," when used to ridicule the current Polish advocates of austerity, are "anti-Semitic."

This is a standard ADL technique, identical to the ADL's accusation that *EIR* founding editor Lyndon LaRouche is "anti-Semitic" for reporting that the U.S. and British banking system has become largely dependent on drug money laun-

dering. ADL-funded LaRouche-hater Dennis King has likewise claimed that whenever LaRouche uses the word "spiral," he really means "swastika."

Dershowitz ranted, "My recent visits to Poland leave little doubt in my mind that anti-Semitism is on the rise in Poland and that the Walesa forces are pandering to its deep roots in Polish society." What does he mean by this? He claims that "every Polish Primate since the war" has made anti-Semitic statements comparable to those supposedly made by Walesa.

Back in the spring of 1989, the ADL and World Jewish Congress began a slander campaign against the Roman Catholic Church and the Polish government for authorizing the construction of a convent adjacent to the former concentration camp at Auschwitz. The construction of the convent, which was intended to mourn the dead, was anti-Semitic, the ADL and WJC claimed. Polish Primate Glemp, who is close to the Pope, was the target of the attack.

- On July 19, Georgie Anne Geyer, a syndicated journalist in ADL circles, denounced Walesa in the *Washington Times*. Walesa, she claimed, was "getting in the way of progress." The reason? He "derides and disdains Solidarity's intellectuals." In so doing, she added, "he slides back into what Solidarity always was: a Roman Catholic communitarian and socialist movement . . . not by any measure a Western-style union." This Roman Catholic world view is a "return to the old chauvinisms," she claimed.

- On July 16, when the content of the then on-going Gorbachov-Kohl talks was already known in establishment circles, the *Washington Post* carried a front-page scare-story entitled "Anti-Jewish bias rising in Poland." The article centers on remarks of Warsaw's chief rabbi, Menachem Joskowicz, warning of the alleged threat. Joskowicz, an Israeli citizen, was flown to Poland in 1989 under Bronfman's patronage.

Gorbachov attacked over reunification

Gorbachov's acceptance of German reunification may mean a shift in Anglo-American and ADL policy toward the embattled Soviet dictator. One day after the conclusion of the talks, Secretary of State James Baker announced that the Bush administration would be opening up dialogue with the anti-Gorbachov Soviet opposition, including new Russian Republic President Boris Yeltsin. When Yeltsin was in the United States last spring, the administration's view of Gorbachov was rosier, and Bush refused to meet Yeltsin.

On July 11, *Washington Times* columnist Arnold Beichman, a protégé of former Anglo-American intelligence operative and ADL controller Sidney Hook, indicated the direction things were going. The article argued that Gorbachov is not doing enough to combat growing anti-Semitism in Russia. Beichman condemned Gorbachov for reportedly refusing to condemn anti-Semitism, while praising Boris Yeltsin who has taken a position "sharply in contrast."

Why certain British elites hate Germany

by Mark Burdman

Conor Cruise O'Brien, the more-Anglo-than-thou Irish commentator who initiated the lying propaganda campaign in the British press soon after the opening of the Berlin Wall, to the effect that a unified Germany will become a threatening "Fourth Reich," seems to have a soft spot in his heart for a real fascist regime: Ion Iliescu's dictatorship in Romania. On July 21, British influential Jessica Douglas-Home charged in a column in the *Daily Telegraph* of London, that O'Brien was among the leading apologists in Britain for Iliescu, going so far as to defend Iliescu's deployment of miners to beat up demonstrators in Bucharest.

Douglas-Home stressed that Iliescu is utilizing propaganda themes and methods reminiscent of such 1930s fascist Romanian groups as the League of the Archangel Michael. Not only is Iliescu willing to encourage Romanians to seek scapegoats among gypsies and Hungarians for the country's problems, but he is "like Hitler" in his talk of "outside forces" threatening Romania and Europe, she said.

While O'Brien, Britain's recently ousted Minister of Trade and Industry Nicholas Ridley, and their ilk put out nonsense about an emergent German "Fourth Reich," the fact is that Romanian elites have believed that Romania would be the "Fourth Rome," following the collapse of the "Third Rome" in Moscow. The late dictator Nicolae Ceausescu certainly believed that myth (Romania="Roman-ia"). Iliescu has done absolutely nothing to impede, and has likely even encouraged, the activities of an overtly racist-chauvinist group called *Vatra Romanesca*, which has grown into a mass-based organization since Ceausescu's execution in December 1989.

'We prefer Hitler'

Insofar as Germany and the Germans are concerned, O'Brien and his co-thinkers are now admitting what their real policy is: to weaken the positive sides of German culture and economic policy, and to *encourage Nazi-like irrationalism*, so that Germany becomes less of a threat to British control and manipulation in Europe.

On July 20—the anniversary of the failed assassination attempt against Hitler by German resistance figures in 1944—O'Brien authored his latest diatribe, warning that "the domineering component in the German character" is being linked to "those other habits which have put Germany

ahead," such as being hard-working, enterprising, and so on. This is occurring in the context of a new "explosion of national pride that must accompany reunification." And what is the real danger? "The German national character is no worse than those of other nations; indeed, in many ways it is better (if we agree to treat the 12 years of the Third Reich as an absolute aberration). But the ways in which it is better make it exceptionally dangerous when its domineering tendency gets out of hand."

O'Brien is enunciating precisely the justification that leading British circles, typified by Winston Churchill and the mandarins of the British Foreign Office, gave for not supporting the German anti-Hitler resistance during the Second World War. In essence, that 1940s British view—stated publicly on more than one occasion—was, "We prefer Hitler to the available alternatives."

O'Brien's soul-mate Peregrine Worsthorne took matters one step further in his lead editorial for the *Sunday Telegraph* July 22. Worsthorne cited his stepfather Montagu Norman, the evil, late head of the Bank of England, as an authority for the view that Germany is more dangerous to Britain when Germans are good than when Germans are evil. Stated Worsthorne: "My stepfather, Montagu Norman, who as Governor of the Bank of England had done so much to help the German economy after the First World War, lived just long enough to see the earliest beginnings of the German economic miracle after the Second World War. Norman was a profound admirer and ill-weather friend of Germany, which made me all the more surprised to hear him say, shortly before his death: 'I always knew we would beat the bad Germans; but I wish I could be so sure that we will do as well against the good Germans.'"

The truth is that it was Norman himself who ensured that "the bad Germans" were put into power. He and his banker friends in the orbit of the Brown Brothers Harriman bank, were instrumental in bringing Adolf Hitler to power. As for Norman's "help to Germany after the First World War," that must refer to his having sponsored Nazi Economics Minister Hjalmar Schacht's rise to power.

"Forty years later it is all too clear what he meant," Worsthorne went on. "So long as the Germans relied upon the vicious side of their national character to bring them European supremacy, Britain would always prove their match. What a different story it would be if they learnt the wisdom to tap their virtues instead. How right Norman has proved to be. . . . The burden of Germany's virtues might bear down upon Britain even more heavily than the burden of Germany's vices.

"In the course of doing good, Germany will make just as many enemies as ever it did in the course of doing harm, and America may well be one of the enemies, as might be Russia. Sooner or later, it is going to be balance of power politics all over again. This could be the opportunity for Britain, which knows about the balance of power."

Anglican primate paints God 'green'

by Kathleen Klenetsky

The selection of a radical environmentalist as the new Archbishop of Canterbury signals that the drive to "paganize" the West's mainstream religions by turning them into nature-worshipping cults—as demanded by Britain's Prince Philip in a public statement last May—has really taken off.

The Right Reverend George Carey, who was named on July 25 to succeed Archbishop Robert Runcie as head of the Church of England and who will formally take up his new duties next year, is sure to accelerate the "greening" of the various member churches of the Anglican Communion, and to throw the considerable weight of his new position behind similar efforts in other denominations as well.

Known as the "Green Bishop" because of his strong environmentalist bias, Carey has declared that "God is green." He shares the decidedly anti-Christian view that mankind is a canker on the face of the Earth. He told a meeting sponsored by the British Green Party that, "In nature, predator numbers are always fewer than their prey, but the human species is unique in attaining such a high density, that the structure of our environment is in danger of breaking down under the huge punishment."

In other locations, Carey has insisted that society, and especially Christians, aren't "doing enough" about the ecology. "We are not aware of the crisis we have in this world; the ecocide, the biocide we are creating—we must face up to that," he has said. "One-third of the population consumes two-thirds of the world's resources. The Christian and caring humanist cannot remain unconcerned. We are predators. We are consumers on a scale to which history gives no precedent."

Christ was not a cockroach

Carey's appointment intersects a concerted effort now under way within nearly every Western religion to introduce the belief that man holds no special place in Creation, that he is fundamentally equivalent to a rat or a cockroach.

To describe such a belief as heresy is an understatement. The foundation stone of the Judeo-Christian tradition is that God made *man*—not cows, not rocks—in His image. Christianity is based on the belief that God became *man*—not an

animal or other creature—through His son, Jesus Christ, in order to redeem *mankind*—not the plant world.

Anyone who claims that the opposite is true—that man is on a par with the rest of the created world—is denying the most basic aspect of Christianity. Yet, this is exactly what is now going on, in the name of making Christianity more "sensitive" to ecological concerns.

Back in May, Washington, D.C. was the host to a major conference on "religion and ecology," where Prince Philip praised paganism for its "ecological pragmatism" while criticizing the "revealed religions" for weaning people away from nature worship.

World Council of Churches pushes genocide

At the same time Philip was spouting this nonsense, an advisory commission to the World Council of Churches (WCC) was meeting in Malaysia to draft a document geared toward instituting such "ecological pragmatism" within its 300-odd member churches.

The commission was directed by Gerald Barney, the head of the Jimmy Carter administration's notorious Global 2000 program, which called for halving the world's population, and included representatives of several denominations, among them the Russian Orthodox Church, along with Dr. Elizabeth Rae of the North American Conference on Religion and Ecology—the group to which Prince Philip made his pro-pagan declaration.

The commission's document echoes the Prince in several key respects. Its overarching theme is that man's anthropocentric view of the universe has resulted in an ecological catastrophe, which can only be corrected by putting people in their place. "We not only reject a view in which the cosmos does not share in the sacred and in which humans are not part of nature," it says. "We also repudiate hard lines drawn between animate and inanimate, and human and non-human."

The document, which will be presented to the WCC's seventh assembly next year in Canberra, Australia, charges that "Human activity is slowly closing down the life-support systems of the planet. . . . Something is terribly and dangerously wrong with our relationship to the Earth." One of the things the document holds to be "dangerously wrong," is the growth in human population. "Throughout the world, however, there are limits to the numbers of humans that can be supported by the non-human parts of creation," it states. And, while paying lip service to the needs of the poor, the document's wholehearted endorsement of so-called sustainable development (i.e., economies based on primitive forms of agriculture and industry) will condemn millions of these poor to early death.

Like Philip, the document blames Christianity, because it "has held and encouraged a theology of mastery and domination." As an antidote to Christianity's nasty influence, it recommends giving much greater sway to the cultures of "indig-

enous people,” because their pantheistic beliefs “can contribute to finding ways of living that respect and do not over-burden eco-systems.”

When they say ‘God,’ they mean ‘Isis’

In another frontal assault on Christian doctrine, the document suggests a radical redefinition of the Holy Trinity, calling for identifying the Holy Spirit as the “feminine aspect of God.” This effectively substitutes the pagan version of the Trinity—Isis-Horus-Osiris—for that of the Christian one. Indeed, Barney told one journalist that he was very much influenced by the book *Models of God* by theologian Sallie McFague, which holds that “new metaphors” of God that are more “relevant” to the environmentalist push are needed. She recommends that God be seen not as Father, Son, and Holy Spirit, but as “friend, mother, and lover.”

In its implementation section, the statement urges the WCC’s Canberra meeting to “draw up and implement a Universal Declaration of Human Obligations Towards Nature.” Such a declaration would require, for example, beefing up the United Nations to enforce environmentalist restrictions, and instituting “a set of legal principles and recommendations regarding environmental protection and sustainable development.”

The WCC member churches, meanwhile, should “develop, review and reinterpret as necessary all teachings, hymns, doctrines, confessions and liturgies to ensure that they reflect new theological and ethical insights into human responsibilities for the care and preservation of creation” and “the stewardship of human fertility.”

But even prior to the Canberra meeting, key Protestant churches are working out statements on the ecology. For instance, commissioners to the 202nd General Assembly of the Presbyterian Church this spring endorsed a document entitled “Restoring Creation: For Ecology and Justice,” which bears a marked similarity to the WCC statement. That is no coincidence, since Gerald Barney consulted with the Presbyterian’s eco-justice task force. The document is full of talk about “global warming” and the “greenhouse effect,” the “population explosion,” and the importance of “sustainable development,” and calls for a new ethic of “earth-keeping.”

Here again, the real villain is man, especially his insistence that he holds a unique place in Creation, by virtue of his special relationship to the Creator. “We have noted already,” says the document, “that the crisis of our time compels us to transcend the traditional, strictly anthropocentric understanding of justice. The neighbors that claim respect and concern include our nonhuman companions. The human community depends upon the biotic. Nature’s systems are vulnerable. Earth is oppressed along with people. Social systems cannot be justified if they are not sustainable. We may still speak of justice when thinking mainly about people, but justice is a subset of eco-justice.”

Britain courts the butchers of Beijing

by Mary M. Burdman

Great Britain broke ranks with the European Community and sent a cabinet officer, Francis Maude, who was Foreign Office Minister for Hong Kong, to visit Beijing on July 24. The United States and Japan are the only other advanced industrialized nations to have sent such high-level officials to Communist China after the June 4, 1989 massacre in Tiananmen Square. Britain claims that the importance of Sino-British negotiations over Hong Kong, which will revert from British colonial rule to Chinese sovereignty in 1997, give it the right to ignore the EC ban on ministerial contact with China.

The visit is being made at the worst possible time for Hong Kong’s 6 million Chinese citizens. It coincides with the debate over a proposed Bill of Rights for the city after 1997 in Hong Kong’s Legislative Council—a measure which Beijing wants to quash. At the same time, a show trial is being run in Hong Kong against a group of democracy protesters, charged with violating some archaic ordinances by using bullhorns and collecting money.

Prime Minister Margaret Thatcher had the temerity to promote Maude to a new post—finance secretary to the Treasury—on the eve of his trip. Beijing will play Maude’s visit up to the hilt, as a sign of “acceptance” by the world, veteran BBC Beijing correspondent Simon Long stated July 23. Prime Minister Li Peng had just had a meeting with former Australian Prime Minister Gough Whitlam, whom Li told, “The clouds of attempting to isolate China are dispersing as more and more countries are responding to China’s sincere desire for friendly coexistence.”

Before leaving for China, Maude said he would raise the issue of human rights violations there, but both he and the P.R.C. leadership know that is not to be taken seriously, since he also stated before he left Britain, “There have been good moves in China and we should respond to them.” China will make its usual assertions about its national sovereignty, and that will be the end of the matter. “Improved atmospherics” over Hong Kong is the only issue.

Atmospherics have already improved significantly with the American side. The mayor of Shanghai, Zhu Rongji, completed a tour of the United States in mid-July, and was most pleasantly surprised by the warmth of his delegation’s reception, the pro-Beijing newspaper *Wen Wei Po* reported July 12. Zhu was received by members of Congress and State

Department Deputy Secretaries Lawrence Eagleburger and Robert Kimmit in Washington, and told the press July 12, "It was generally agreed to make efforts to deepen mutual understanding and to resume and develop good relations between China and the U.S.A." Zhu announced that he would invite some of his new acquaintances from Congress to Shanghai, to discuss human rights.

Red carpet treatment

Not to be outdone, Maude called for the restoration of "warm and cooperative" British relations with China. He told the BBC in an interview that the European ban on soft loans to China "exists by consensus. A number of us think that the time has come to start relaxing those measures, but we won't until we have a consensus." Resumption of military aid, however, is still "a long way down the road," he conceded.

The Chinese responded in kind. Maude was honored with a meeting with Prime Minister Li Peng on July 25, a meeting that still had not been confirmed in the last days before his trip. There are reports that Maude was preparing the way for a visit to Beijing by Foreign Minister Douglas Hurd before the end of the year. This would be most significant. Hurd has played a critical role for decades in shaping Britain's policy in support of the Chinese Communists. Hurd, who speaks Mandarin fluently, is a product of that nest of British communists, Trinity College, Cambridge University.

China's Deputy Foreign Minister Tian Zengpei toasted Maude at a banquet July 24, where he said that despite "twists and turns" in Sino-British relations over the past year, he hoped the visit would "mark the start of a good working relationship between us." The two sides, Tian said, "share much common ground."

Show trials in Hong Kong

Part of their "common ground" is making sure that the growing democracy movement in Hong Kong is kept firmly repressed. The colonial government has called for "guilty" verdicts against five protesters who were staging peaceful sit-ins last February, demanding elections in the colony before 1997. Under the British administration, there are no elections in Hong Kong. The protestors are members of the new United Democrats Party, which includes Hong Kong Alliance leader Lee Wing Tat. The charges are based on ordinances from 1900 and 1933, which have never been applied in this way before. After the Alliance brought up to 1 million Hong Kong citizens onto the streets last year, Beijing became very nervous and demanded that Britain crack down on "subversives" in the colony. Britain has assured the Beijing leaders that it will comply.

Even the leading British dailies are disgusted with the show. The *Times* denounced the "Appeasement in Peking" in its editorial July 24, and the *Independent* the next day denounced the British government's "disgraceful inclination to cringe before the geriatric murderers who now rule China."

ASEAN hits U.S. turnabout on Cambodia

by Linda de Hoyos

The foreign ministers of the non-communist nations of Southeast Asia which gathered July 20 at the conference of the Association of Southeast Asian Nations (ASEAN) have registered their protests to Secretary of State James Baker that the United States has abruptly altered its policy on the Cambodian conflict.

In a move designed to distance itself from a military victory of the Khmer Rouge in Cambodia, the Bush administration announced July 15 that it would no longer recognize the tripartite coalition that includes the Khmer Rouge as the legitimate representative of Cambodia at the United Nations. Baker, who announced the shift from Paris where he was meeting Soviet Foreign Minister Eduard Shevardnadze, said the United States would also initiate dialogue with Vietnam—which backs the Hun Sen government of Phnom Penh in Cambodia—to seek a political settlement to the 11-year Cambodian conflict. "We want to do all we can to prevent the return of the Khmer Rouge to power," Baker said.

But ASEAN foreign ministers are pointing out that the U.S. about-face will not bring about a settlement, and without a settlement—forged quickly—the Khmer Rouge will take power in Phnom Penh. In the past month, the Khmer Rouge, led by the genocidalist Pol Pot and equipped and funded by the People's Republic of China, has made steady gains on the battlefield (see map).

As *EIR* reported in its July 6 issue, ("Khmer Rouge on the March"), the Bush administration handed the Khmer Rouge the opportunity to press ahead militarily when it blew up the talks in Tokyo among the Cambodian factions in early July. At that time, Assistant Secretary of State Richard Solomon demanded that the Khmer Rouge be kept out of the peace process—after the Khmer Rouge had already signed a ceasefire agreement put together by then Thai Defense Minister Chavalit Yongchaiyuth. The U.S. "hard line" on the Khmer Rouge gave its representative Khieu Samphan the perfect excuse to rip up the agreement, with the U.S.-backed KPNLF following suit.

ASEAN leaders are making clear that they believe the latest U.S. maneuvers amount to the same provocative actions which get no result in the reality of conflict resolution. "My preliminary conclusion is that it is not helpful to the ASEAN process searching for a peaceful solution to Cambodia," stated Singapore Foreign Minister Wong Kan Seng. "I

can't figure out how, by asking the Cambodia coalition to vacate their seat in the U.N., it will help to stop the Khmer Rouge from returning to power."

Indonesian Foreign Minister Ala Alatas, whose country has taken the lead in attempting to bring about negotiations among the four Cambodian factions, indicated how the U.S. about-face has specifically gummed up the works: "Indonesia was on the verge of organizing another informal regional meeting in Jakarta to aim at reconvening the Paris conference, but suddenly the U.S. switched policy."

U.S. 'realpolitik'

ASEAN, and the world, have a right to wonder if the U.S. rejection of the coalition's diplomatic credentials is a sincere step toward peace.

First, the fact of the matter is that under current military conditions on the ground, a "peace process" that excludes the Khmer Rouge is doomed to failure, as it gives the Khmer Rouge free rein to press ahead on the battlefield. It is hard to imagine that the State Department planners are not aware of this reality.

Second, although news reports state that the decision to withdraw diplomatic support from the coalition was being forced upon the Bush administration by growing opposition to the Cambodia policy coming from the Congress, the decision appears to be part of U.S. geopolitiking with the superpowers—the same game that kept Cambodia at war for the

last 20 years.

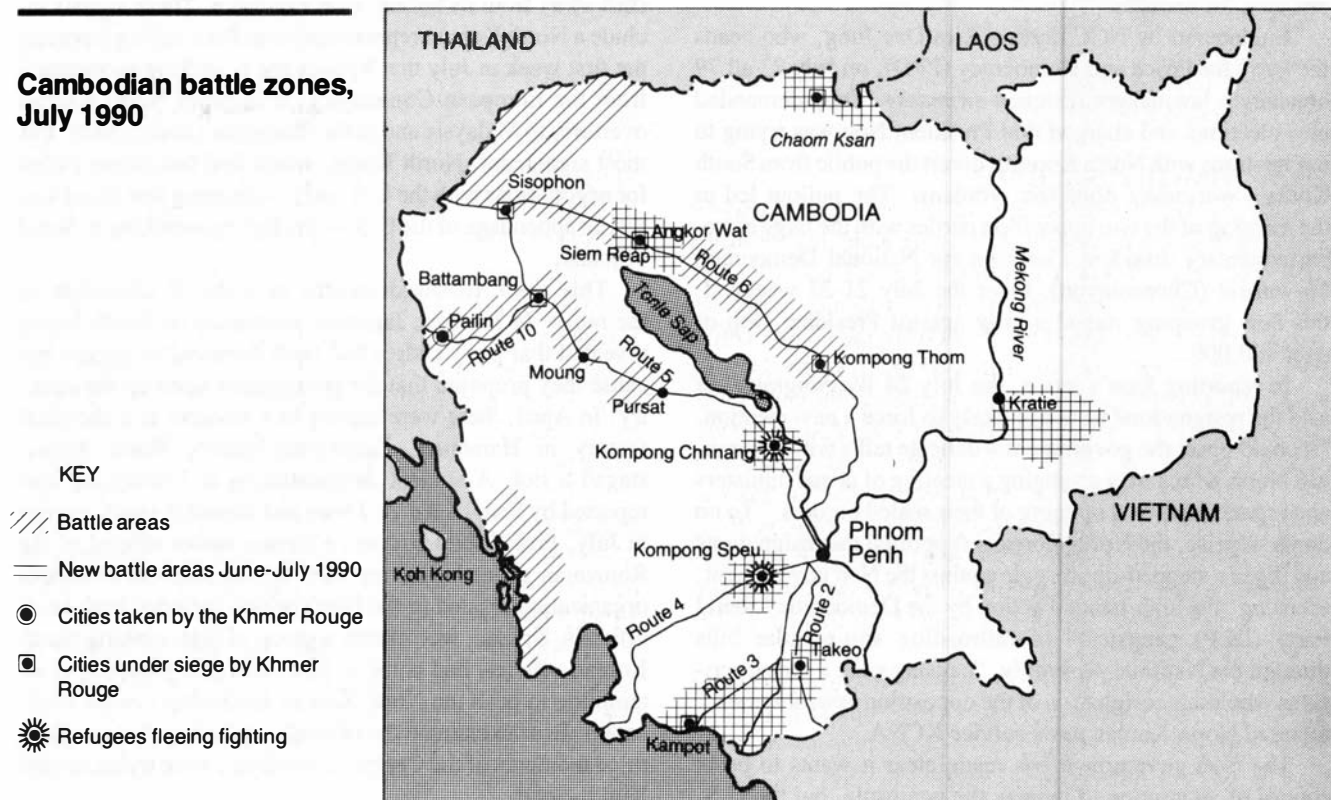
Baker's announcement came after consultation with the Soviet Union, France, and Britain, according to Paris sources cited in the British press. But Baker and company never bothered to discuss the possible implications of the U.S. move with those regional powers attempting to find a solution to the problem—especially Japan and the ASEAN countries. "Collectively the ASEAN countries were astonished," said Philippines Foreign Minister Raul Manglapus in Jakarta.

Third, U.S. aid to the "non-communist" forces of the coalition inevitably finds its way to the Khmer Rouge, since, the CIA admitted for the first time this week, the coalition armies share the same supply line. Although Baker says the U.S. has now withdrawn its recognition of the coalition, he said the U.S. will continue to supply the "non-communist" forces for the war against Phnom Penh. In short, the U.S. will continue to supply the Khmer Rouge!

At the very least, the U.S. turn is acting to prolong the war—a policy that will likely bring eventual victory to the Khmer Rouge, as the Phnom Penh government is exhausted and financially depleted, with U.S.S.R. aid dwindling fast.

Another possibility is that among the superpowers, which have used the Cambodian nation as their cannon fodder for the last 20 years, Cambodia has been ceded to the Khmer Rouge—that is, Beijing—in return for the United States' allowing an end to the international trade embargo of Vietnam.

Cambodian battle zones, July 1990



Two Koreas move a step closer despite attempts to stop them

by Lydia Cherry

The two Koreas July 26 officially scheduled the first meetings between their prime ministers since the peninsula was divided 40 years ago. The two sides will meet in Seoul Sept. 4-7 to discuss cooperation and the easing of political and military confrontation. A second round of talks will be held in the North Korean capital Pyongyang on Oct. 16-19. In signing the accord, North Korea granted tacit recognition to the legitimacy of the Seoul government which it had denied since 1948. The news is to be credited to the Noh Tae Woo government's tireless "Northern" diplomacy, first elaborated in October 1988.

The two sides have moved this far despite South Korea's "Made in the U.S.A." radical opposition. The parliamentary opposition and extra-parliamentary dissident coalition have been functioning as a wrecking operation to block the fragile communication between the two governments, despite the fact that South Korea's National Council of Churches (NCC)-connected opposition has touted reunification as its number-one goal for decades.

Engineered by NCC darling Kim Dae Jung, who heads the Party for Peace and Democracy (PPD), on July 23 all 79 opposition lawmakers resigned *en masse*. They demanded new elections and charged that President Noh was trying to use relations with North Korea to divert the public from South Korea's worsening domestic problems. The pullout led to the merging of the two opposition parties with the large extra-parliamentary dissident Coalition for National Democratic Movement (Chonminyon). Over the July 21-22 weekend, this new grouping staged a rally against President Noh of over 400,000.

In reporting Kim's move, the July 24 *Washington Post* said the resignations were not likely to force a new election. "It could upset the government's delicate talks with communist North Korea over arranging a meeting of prime ministers and organizing a trial opening of their sealed borders." To no one's surprise, the North Koreans supported the resignations and urged a stepped-up struggle against the Noh government, accusing "the high-handed action by the Democratic Liberal Party (DLP) gangsters" of railroading anti-popular bills through the National Assembly, "causing such a serious crisis as wholesale resignation of the opposition assemblymen," reported North Korean news service KCNA.

The Noh government has made clear it wants to be in control of attempting to reunify the peninsula, but the U.S.

continually attempts to subvert the process. An indication of this surfaced in a seminar on disarmament at Stanford University the first week in July. Seoul is insistent that arms control is a low priority, but the Stanford conference—attended by State Department officials, U.S. "back-channel" academics, and representatives from North and South Korea—focused on the North's demand for arms control.

Portending more trouble from the U.S. was news released July 24 that Henry Kissinger has just been asked to mediate between the Republic of Korea and the People's Republic of China regarding the "normalization" of Korean-P.R.C. relations. According to the Korean Cultural Broadcast Co., Kissinger has accepted South Korean President Noh's request to travel to Beijing after the Asian Games this fall and will meet with Deng Xiaoping.

North Korea preparing a shift?

There are indications that North Korea is preparing to shift away from its hermit-style existence. These signals include a North Korean representative in Paris telling reporters the first week in July that Pyongyang is seeking recognition from the European Community. It includes North Korean overtures to Malaysia and to the Philippines during May. But most significant, North Korea, which had heretofore called for negotiations with the U.S. only—charging that Seoul was just an appendage of the U.S.—finally began talking to Seoul officials.

This crack followed months of leaks of dissention in the ranks. In January, Japanese specialists on North Korea revealed that party cadres had been demoted or purged because they proposed that the government open up the country. In April, there were reports that workers at a chemical factory in Hamhung, Hamkyong-Namto, North Korea, staged a riot. A student demonstration in Pyongyang was reported by Seoul's *Korea Times* and Japanese press. Earlier in July, Prof. Silvio Brucan, a former senior official of the Romanian government, reported that an anti-establishment organization existed in the North which included high-level officials. Brucan, who claims a group of high-ranking North Korean officials had come to him, said this grouping is attempting to push the North Korean leadership toward unification. Brucan claimed the officials, including three unidentified members of the Central Committee, were trying to oust Kim Il-Sung.

Prof. Nakajima Mineo, who this spring was in Pyongyang leading a delegation of the Japan Association of International Relations, told *EIR* of the growing economic ties between North Korea and Taiwan. "While in Pyongyang—I'm very interested in Taiwan's economic development so I several times mentioned the possibility of making close economic ties with Taiwan, and the North Korean side, they were very much interested." He explained that heretofore, there were no diplomatic or economic ties between the two countries, and though diplomatic ties may be far away, since his discussion with officials from the North, "a commercial group from Taiwan has visited Pyongyang "via Hong Kong, and there already exists some trade between Taipei and Pyongyang. This will be increased." Professor Nakajima thinks this is "crucial."

North Korea is attempting to increase the availability of consumer items, but scant reliable information is available on North Korea's economy. On June 27, Japan's External Trade Organization released a report claiming that the North's external trade is rapidly tapering off. Exports to its 33 major trading partners dropped 6.6% to \$1.56 billion last year, while imports fell 12.1% to \$2.52 billion. North Korea's trade with the Soviet Union, its largest trading partner, dropped 9.6%—the first decline in six years. Even its trade with China edged down 2.8% to \$562 million.

Fearing a bloodbath, Seoul moves slowly

South Korean officials are convinced that reunification can't be done the same way as in Germany. Prime Minister Kang Yong-hun told press in Paris July 18 that "Circumstances in South and North Korea make it difficult for us to follow the German example, which means one side's assimilation of the other." South Korea prefers "changes amid order" in North Korea over the kind of revolution that swept Eastern Europe, South Korean news service YONHAP reported.

Dr. Kong Dan-Oh, with the Rand Corp., thinks that if a revolution comes in North Korea it will not be peaceful, like Czechoslovakia, but bloody, like Romania. "Seoul does not want to see the people who are its own race suffer a bloodbath like Romania. It is proceeding carefully," she told *EIR*.

Indicative of the shift, according to Professor Oh, is that the type of people now defecting over the Demilitarized Zone (DMZ) are no longer quasi-criminal elements, but are now from "establishment circles, the educated technocrats—those who have assessed what the trend is." She noted the defectors are regularly debriefed in Seoul and that Korea's more recent tendency, to try to keep the dialogue going, is because of greater knowledge of what exists on the other side of the DMZ. The fact that at least 1,700 North Korean students were brought home from Eastern European countries after the turmoil had already peaked, Oh suggested, will increase in significance.

Another reading is that the previously staunch pro-Kim

Il-Sung organization of Koreans living in Japan, the General Association of Korean Residents of Japan (Chongnyon), split this spring, and half are now calling for Kim's ouster. A great deal of money goes into North Korea from the Koreans in Japan, and a one-time senior official of Chongnyon, Ha Su-to, issued a call July 16 to cut off all money to Pyongyang to expedite the process of the fall of the Northern regime. Denying charges that he is now tied to South Korea "or anyone else," Ha Su-to charged that the Japanese government fears a unified Korea would become too strong and would pose an economic challenge.

Though echoed in the South Korean government, Ha Su-to's assertion is doubtful, since Japan is gearing up the entire Asian-Pacific region economically. A clearer statement could be made regarding the U.S. elites who see in the process of Korean reunification a potential rerun of that which took place in Germany, culminating in the German-Soviet agreements of July 15-16.

Soviet-South Korea talks on reunification have many similarities to the German situation. In the Korean case, much like the German, discussions between Soviet and South Korean leaders, industrialists, and businessmen, have centered on economic deals. South Korea's Hyundai Group is pushing ahead with the construction of a large-scale gas pipeline linking Siberia with South Korea via North Korea, first announced April 7 by Seoul Domestic Service. The President of Hyundai is reported by the Korean news service explaining the plan: "He indicated that the construction of a pipeline from Siberia to our country via North Korea also would greatly benefit North Korea, which suffers from a shortage of electric power. Chong Chu-yong, president of Hyundai, said it is highly possible that under certain circumstances the construction of the natural gas pipeline may be initiated before political issues between South and North Korea are resolved."

Also in March, South Korean and Soviet industrialists hammered out the optimal economic hookup between the two countries. They concluded, according to Seoul newspaper *Hanguk Ilbo* on March 28: "It is known that the Soviet Union has encountered difficulties in utilizing the technology of its advanced frontier industry (space science and basic materials industries) in manufacturing and producing commodities. Therefore, what is a most urgent problem for the Soviet Union today is to graft its science and technology with our production technology. The Soviet side's offer to exchange technology cannot but arouse our interest as we have encountered difficulties in our export front due to our backward technology."

South Korea and the Soviets are now planning a tripartite economic symposium, Seoul daily *Choson Ilbo* reported July 17. The goal is "to get together and frankly exchange opinions and views on the overall economic situation with the goal of expanding economic exchanges between North and South Korea and between South Korea and the Soviet Union."

Dope, Inc. tightens grip on Pakistan

by Susan Maitra

Among other scandalous features of the Pakistani government's 1990-91 federal budget, drafted according to International Monetary Fund (IMF) specifications, is a 30% cut in funding for the nation's anti-drug effort. This comes at a time when the most conservative estimates of Pakistan's dope revenues—\$8-10 billion annually—put it at almost double the country's annual budget, equivalent to some 25% of Gross Domestic Product. As in South America, very little of the drug money comes back into Pakistan—about 5%, by one estimate—but this has already had a speculative impact in real estate and a corrosive effect in the political arena.

The latest budget is not the first blow against the anti-drug program. A series of developments during 1989 demonstrated that Prime Minister Benazir Bhutto's determination to challenge Dope, Inc.—a central plank in the electoral campaign that brought her Pakistan People's Party (PPP) to power in November 1988—was hitting rough weather.

Pakistan leaped onto the drug map in 1980 when the Khomeini revolution in Iran and the Soviet invasion of Afghanistan disrupted the "Golden Crescent" dope flow through Iran. In 10 years, Pakistan has become one of the major sources of heroin to the West. Today, the U.S. State Department's Department of International Narcotics Matters (INM) judges Afghanistan the world's second-largest opium producer after Burma, with some 800 metric tons production in 1988 and an estimated 600 metric tons in 1989. Pakistani opium production is reportedly one-third of that, but it is in Pakistan's border areas of the North West Frontier Province (NWFP) that the bulk of Golden Crescent heroin is refined; and it is through Pakistan that the refined product travels to Europe and the United States.

From virtually zero in 1980, drug addiction has mushroomed in Pakistan itself. Addicts now number more than 2 million—and 1.2 million of those are heroin addicts. As a December 1989 exposé in the Karachi magazine *Newsline* documents, Dope, Inc. thrived under the military regime of the late President Zia ul-Haq. Now, "narco-power" is capable of destabilizing any government that threatens its business.

The fate of the PPP government's crusade against the drug barons so far underlines the point. The crackdown began with fanfare around the arrest of Jaji Iqbal Baig, a notorious alleged drug baron. But within weeks Baig was released on bail, the government having failed to produce evidence against him. Pakistan Narcotics Control Board (PNCB) offi-

cialists insist the case has not been dropped, but complain that the United States, which had promised evidence against Baig, "let us down."

Is the drug war lost?

According to the government, more than 11 top heroin-trafficking suspects have been arrested, but except for two, who were extradited to the United States, the others have either been released for lack of evidence, or the cases against them have stalled.

Baig's case is indicative of the political difficulties involved. Aside from the dubious U.S. role, Baig's links to influential politicians raise a question as to the extent to which the Bhutto government may already be compromised. Bhutto's charge that the opposition had used dope money to buy defections and destabilize her government was thrown back at her in spades during the unseemly horse-trading that finally produced a PPP victory in a vote of confidence in November 1989.

It is a known fact, reports Zahid Hussain in *Newsline*, that Anwar Khattak, in prison on a drug-trafficking charge, was contacted by PPP Minister for Parliamentary Affairs Tariq Rahim for aiding in persuading four National Assembly members who had switched to the opposition, to return to the treasury benches.

Baig's case is not the only one that points to a sinister U.S. role. The effort to nab former NWFP governor and Zia ul-Haq crony Gen. Fazle Haq on dope charges was mothballed, according to one source, under direct pressure from the Americans who feared "embarrassing revelation" on their role in fostering Dope, Inc. during the Afghan war. Fazle Haq's brother is wanted by Interpol in numerous drug cases, and Pakistani anti-drug officials claimed they had more than half of the evidence needed against Fazle Haq in hand. Yet ultimately, the general was arrested on a murder charge, and the drug charges were apparently put on hold.

"Has the government already lost the war against the drug barons?" Hussain asked in *Newsline*. It is a pertinent question. The Bhutto administration insists the battle is still on and that it remains a top priority. The government plans to introduce tough new legislation in the assembly, including provisions for confiscation of assets in drug cases, and the proposal to set up a separate anti-narcotics ministry is reportedly still alive. Under an agreement with the United States, a new 500-man elite anti-drug force is being trained by PNCB and U.S. Drug Enforcement Administration officials, and should be operational soon.

This may look good on paper, but the American involvement in the anti-drug program is a double-edged sword. Take, for instance, the U.S. pressure to eradicate poppy production—surely a misplaced priority given Pakistan's crucial role as refiner and shipper of heroin. This tactic has only kept the NWFP areas destabilized, the best cover for sustained Dope, Inc. activity.

Anglo-Americans add oil to Mideast fire

by Joseph Brewda

On July 24, spokesmen for the Bush administration announced that its entire Persian Gulf Naval Task Force had begun an unscheduled "exercise" at the request of the United Arab Emirates. On the same day, a Bush spokesman issued a warning to the Iraqi government against its alleged "coercion and intimidation" of its neighbors.

The pretext for the U.S. threat is statements made by Iraqi President Saddam Hussein on July 17 accusing neighboring Kuwait of being part of a U.S.-Zionist cabal that has conspired to drive down the price of oil. Iraq is calling for a minimum price of \$25 per barrel. Since Saddam Hussein made his remarks, Iraq has deployed 30,000 troops near the Kuwaiti border.

Regional observers note that the primary motivation for Saddam Hussein's assertions is that Iraq owes the Gulf States some \$30 billion for their part in financing the Iraqi side of the destructive eight-year Iran-Iraq War. Iraq can not pay this debt, and Hussein's saber-rattling appears to be largely intended to facilitate debt negotiation. Ironically, the stage has now been set for a dramatic increase in the price of oil—a long-term Anglo-American objective, despite the Iraqi President's apparent views to the contrary.

While an inter-Arab war in the Gulf is not probable, despite the rhetoric, the Middle East region as a whole is clearly moving in the direction of war. The reason for the coming war, which will probably take the form of an Israeli assault on Jordan and Iraq, is Anglo-American manipulation.

Kissinger's 'gang of five'

In an interview with Sana Voice of Lebanon on July 10, Palestine Liberation Organization (PLO) chairman Yasser Arafat came right to the point on why there is a Middle East war danger. "Bush and Baker make good statements," the PLO chairman sarcastically noted, "but the gang of five—the pupils of Kissinger in the U.S. administration—decides what takes place in the Middle East."

Referencing the killing of Palestinians in the Israeli-occupied West Bank, Arafat added, "Those pupils of Kissinger say: 'Kill the Palestinians, but away from television cameras.'" He emphasized: "Israel is a U.S. project," therefore "the issue is not Israel, but America."

U.S. National Security Adviser Brent Scowcroft and Deputy Secretary of State Lawrence Eagleburger, both former business partners of Kissinger, are among the "gang of five" Arafat was referring to. So is State Department planning head Dennis Ross. It is not certain if Arafat was also referring to George Bush personally, who got his start in diplomacy under Kissinger's tutelage.

Regarding the current war push, Arafat analyzed, "The Israeli cabinet is a cabinet of war. . . . There are two war scenarios: A scenario of a war of positions and a scenario of a war of targets. The scenario of the war of selected targets is that of striking at targets in Libya and Iraq. The scenario of positions will be directed at south Lebanon and Jordan." Israel has launched several "actions" against Palestinian "terrorists" in south Lebanon over recent days, and the PLO's military bases there are an eventual target. Israel has a long-standing plan of overthrowing Jordanian King Hussein, and declaring Jordan to be "Palestine."

The immigration trigger

Arafat's views of the war threat were paralleled by Jordanian King Hussein in an interview on ABC's "Nightline" on July 16. Hussein warned that the trigger for the projected war is the influx of Soviet Jews into Israel. One million Soviet Jews are expected to arrive in Israel over the next 18 months, Hussein reported. "How can everyone fit in without something happening?" he asked. Rents have jumped as much as 300% in Jerusalem since January because of the huge influx, leading to a new element of instability: homelessness in Israel. Most of the immigrants will be settled in the occupied West Bank, as part of a ploy to make that occupied territory a permanent part of "Greater Israel."

As a result of the 1989 deal between the United States, Israel, and the Soviet Union, Soviet Jews are no longer allowed to emigrate to the country of their choice but are flown on direct flights to Israel. Before the deal, over 90% of these Jews chose to emigrate to the United States, to the great consternation of parts of the Israeli government.

Hussein criticized the United States for its "unwillingness and inability" to do something to correct the dangerous situation caused by this immigration policy. In order to ease the pressure, PLO representatives met with Finnish diplomats in Algeria on July 10 to plead that Soviet Jews transiting through Finnish airports be allowed to freely immigrate wherever they want.

Several days before Hussein's remarks, Gen. Colin Powell, chairman of the U.S. Joint Chiefs of Staff, toured the Mideast. While in Tel Aviv in early July, Powell ridiculed the talk of a war danger as "exaggerated." He met with Israeli officials to discuss delivering the Patriot missile defense system to Israel. European sources report that while he was Assistant National Security Adviser in the second Reagan administration, Powell had been the case officer for the project of forcing Soviet Jews to immigrate solely to Israel.

Re-educating the Russians

Germany will provide financial and investment aid, and also know-how to help the Soviets develop their economy.

The Soviet Union not only needs the capital of the Germans, their highly developed industries, refined consumer goods, and ecologically clean food products; most of all, we need them here in person among us, so they can help us through their living example to master the severe economic agenda."

This commentary in the Moscow journal *Moskovskye Novosti*, is typical of the recent change in Soviet coverage of German relations and of the German-Soviet talks West German Chancellor Helmut Kohl and President Mikhail Gorbachov held in Moscow and Stavropol July 15-16.

According to several sources, Gorbachov told Kohl he prefers the German, "social democratic form of capitalism, rather than the Manchester capitalism of Margaret Thatcher or the Chicago Boys." The term "social democratic" in this context relates to the German tradition of a strong industrial economy, plus strong but cooperative labor unions.

Gorbachov repeated his rejection of International Monetary Fund (IMF)-type conditionalities on Western aid to the U.S.S.R. in talks with Jacques Delors, the president of the European Commission, in Moscow shortly after Kohl's visit. Back in Brussels July 23, Delors declared that his talks in Moscow confirmed his view that a short-term, European Community (EC) aid package to the U.S.S.R. is "even more urgent, as long as the IMF maintains that political conditions for sizable credits are not met by the Soviets."

The fact that Delors said so in a special briefing to the West German

delegation at the EC headquarters in Brussels, indicates that the German aid will play a crucial role in the European aid package.

While riding with Kohl on a Soviet harvester near Stavropol July 16, Gorbachov told Kohl that with German assistance in the bottleneck areas of transport and storage, where 30% of every year's harvest is lost, he expects the productivity of the Soviet farm sector to double.

While concrete projects that will improve the productivity of Soviet agriculture and industry are still under discussion and may not be signed before September-October, Kohl gave Gorbachov firm assurances on a couple of economic issues of immediate importance for Moscow:

The DM5 billion credit granted to the U.S.S.R. is only the first economic assistance. Kohl reiterated to Gorbachov his plan he proposed at the Houston Group of Seven summit for a \$15-20 billion aid package, where Germany would be the main donor.

The flow of East German exports to the Soviet Union will be maintained and subsidized by Bonn to a tune of DM2.5 billion each this year and next. German payments for the cost of stationing Soviet troops will be DM1.25 billion this year and DM2.5 billion in 1991. Beyond that, Kohl promised technical assistance in the rapid withdrawal of the 380,000 Soviet troops plus 120,000 family members from East Germany, which requires several billion deutschemarks for housing them in their homeland, and for the re-education of some 50,000 officers to civilian industrial skills.

Thousands of Soviet economic

and enterprise managers and technicians are already being trained in West Germany, and the industrial expertise of some 100,000 Russian-speaking East Germans will be used to advise and help build up the U.S.S.R. economy. At Zheleznovodsk, Gorbachov said this cadre pool is the "bridge" for helping the U.S.S.R. In return, Moscow, otherwise cutting down deliveries to other East European clients, is re-prioritizing the allocation of energy and raw material exports to heavily increase the amounts being shipped to Germany.

This aid goes far beyond the sporadic, but recurrent emergency shipments from the West—butter, beef, or pork. In the longer perspective, German-Soviet relations are back to the period before World War I, when German firms like Siemens Corp. made huge direct investments in the Czarist Russian electricity supply and industrial machine park.

Indicative was a presentation given by Leonid Abalkin at a meeting of 120 German bankers and industry managers in Düsseldorf July 24, which was sponsored by the office of Axel Lebahn, the longtime head of the Deutsche Bank office in Moscow. Abalkin assured them that the planned September date for economic reform legislation, including permits and guarantees for 100% Western ownership of firms in the U.S.S.R. and freedom of corporate revenue transfer, will be kept by the Soviet government.

Abalkin declared the Soviets will not repeat the mistakes of the disastrous Polish and Hungarian deregulation campaigns (which were recommended and overseen by the IMF). As Abalkin put it, in the "re-education of the Soviet population from the old economic model to the new of market economy," his government wants assistance especially from the West Germans.

Drug legalizer named to cabinet

Colombia's incoming government is undermining its own credibility in the war on drugs.

The first four ministerial nominations of the incoming César Gaviria Trujillo government are in, and the odds are not in Colombia's favor. The most striking is that of Ernesto Samper Pizano, a former presidential contender who garnered considerably fewer votes than the narco-terrorist candidate of the recently amnestied M-19, but whose political mentor is former President and Liberal Party stringpuller Alfonso López Michelsen.

Samper, an economist by profession and avid proponent of drug legalization, was given the Development Ministry, a political porkbarrel which has leaped into prominence of late as the government liaison to George Bush's "Enterprise for the Americas" plan.

Samper's appointment is no surprise, given the deals that were struck in the aftermath of Gaviria's election last May. However, it is a shock to those Colombians who chose the anti-drug Gaviria over several better known candidates—including Samper—all of whom pledged to legalize drugs as their "solution" to the narco-terrorism ravaging the country.

The July 14 lead editorial of the anti-drug daily *El Espectador* went out of its way to sharply warn President-elect Gaviria against giving Samper the coveted Foreign Ministry to which he aspired: "One of [Samper's] defects was underlined in the past when he said it was necessary to legalize drugs. That proposal would weigh heavily against Colombia in the international sphere when it were to exhort the industrialized nations in

such forums as the U.N., OAS or EEC to collaborate in the war on drugs. His position, in this sense, is opposed to that of Gaviria."

After his appointment, Samper stated that he planned to "work closely with the Foreign Ministry in matters of international trade." Foreign Ministry appointee Luis Fernando Jaramillo, a former banker, has obligingly stated that his ministry's priority would be to "internationalize" Colombia's economic structures, an International Monetary Fund euphemism for eliminating Colombia's protective barriers and opening the economy to Bush's latest looting scheme.

Samper's influence in the Gaviria government goes far beyond his ministry post, however. The Colombian media report that Samper also controls most of the Congress as well, having placed his men into the presidencies of both the Senate and House, the vice presidency of the Senate, and the Comptroller's office. Horacio Serpa Uribe, a former communist tied closely to the pro-terrorist Amnesty International, who resigned from Barco's Interior Ministry earlier this year to manage Samper's presidential campaign, is strongly mooted for the Attorney General's post under Gaviria. All of this not only gives Samper control over internal congressional appointments, travel, and even office assignments, but also a veto capability against the Executive.

Samper's political godfather expressed his satisfaction with Gaviria's choice, describing Samper as representative of the "new style" of government he has long advocated. What

that "new style" is remains to be seen, but López's personal commitment to negotiating an amnesty for the drug cartels and delivering the Colombian economy to the bankers are known to have the sympathies of his protégé.

In addition to the Samper nomination, Gaviria has chosen one Rudolf Hommes, a regular consultant to the World Bank, as his finance minister. Hommes was also director of public credit during the 1974-78 López Michelsen administration, and was a close collaborator of then-Finance Minister Rodrigo Botero Montoya, the architect of the so-called "sinister window" at the Central Bank which took in all dollars, no questions asked. Hommes was a founder, together with Botero and María Mercedes Cuellar (a niece of López Michelsen and currently development minister under Barco), of the arch-monetarist magazine *Estrategía*.

It was under Botero and Hommes that the Colombian financial system was revamped to permit narco-dollars entry into the economy while triggering a whirlwind of speculative ventures which undermined the productive economy. Botero today is a prominent member of the Brandt Commission, the Aspen Institute, and the Inter-American Dialogue, which has gone on record promoting "selective legalization" of drugs.

Hommes's first statements as incoming finance minister were to promise "shock" methods and "belt-tightening" against public expenditure. He also pledged to alter the current Exchange Statute which has been the nemesis of the advocates of "internationalizing" the economy.

Rumors that narco-terrorist M-19 honcho Antonio Navarro Wolf would get the Health Ministry, and that López Michelsen's son, Alfonso López Caballero, would get Agriculture, remain to be confirmed.

International Intelligence

Joint NATO-Warsaw Pact 'gunboat diplomacy'?

The next two decades will witness joint NATO-Warsaw Pact "gunboat diplomacy," "neo-colonialism," and the creation of a World Central Bank that will impose "benign rule by bankers," writes former *Economist* deputy editor Norman Macrae, in a commentary published in the July 22 *Sunday Times* of London.

As *EIR* pointed out in a recent analysis of NATO's new mooted "out-of-area" deployments (*EIR*, July 20, 1990, "Malthusians reshape NATO for 'out-of-area' wars"), such gunboat diplomacy would not be "benign" as Macrae pretends, but would be aimed at smashing the sovereignty of Third World nation-states and curbing growth of non-white populations.

Macrae foresees the Third World moving into a "bloody 1789," with revolutions over poverty complicated by the fact that "many of the world's black and brown heads of state [are] tyrants." These latter could join up with nuclear-armed Middle Eastern fanatics. "When some homicidal maniac looks liable to use nuclear weapons, it will be logical for joint NATO-Warsaw Pact operations to oust him. In the gunboat years 1993-2005, I think such operations will occur. These will soon be called neo-colonialism, largely because they will be."

British paper charges U.S. with KGB methods

The U.S. justice system is more and more resembling the worst features of the Soviet KGB and of the erstwhile Stalinist East bloc police states, wrote London *Times* correspondent Charles Bremner on July 21.

Under the heading, "Smile please, you're under arrest," and sub-heading, "Echoes of the Eastern bloc are repressing the American dream," Bremner writes in the *Times*'s weekly magazine: "It may seem far-fetched to draw a parallel between the repressive Soviet state and the leader of the

free world, just as it is savoring the moment of triumph of its system over the forces of Stalinist darkness. But in a number of ways, eerie echoes of the Eastern bloc are emerging as the United States enters the nineties."

Bremner focuses on the case of Washington, D.C. Mayor Marion Barry. He expresses astonishment that while TV viewers were shown a police video of Barry in "his most private moments," yet "no one expressed any surprise that the feds should be exposing the mayor to such humiliation. The reason was simple: Surveillance video has become a powerful tool in the hands of American prosecutors. . . . The threat of video exposure is so effective that prosecutors can often extract a guilty plea in return for a promise not to broadcast."

Bremner goes on: "For anyone who has lived in the Soviet Union, the use of such techniques is chilling and familiar. In the seventies, the KGB took to video with a vengeance, using it to depict dissidents as enemies of the state. A regular fixture of the evening news was the video confession of a repentant dissident, or the grainy record of a citizen's meeting, usually in a park, with a foreign diplomat. And the world remembers the KGB's job on Andrei Sakharov, that long color film of the nuclear physicist's life in banishment, filmed undercover in 1986."

WJC's Bronfman under fire for ties to communists

Why has World Jewish Congress President Edgar Bronfman never repudiated his deals with the East German communist regime? asks Munich strategist Michael Wolffsohn, a well-known figure in the West German Jewish community, in an article published in the July 21 *Die Welt*.

Wolffsohn documents the long history of the East German communists' support for the enemies of Israel and Jews, including Palestinian and Libyan terrorist groups. For decades, the East German communist newspaper *Neues Deutschland* read like the Nazis' *Der Stürmer* propaganda rag. East German policy under Erich Honecker's regime only changed around the time of the

Bitburg affair in May 1985 (when President Reagan visited a cemetery in Bitburg, West Germany). Then it became advantageous to put West Germany on the defensive, and to use Jewish groups to East Germany's advantage—including to get most favored nation (MFN) trading status from the United States.

At that point, Bronfman, and then West German Jewish leader Heinz Galinski, were given gold "Star of Friendship" medals from the East German state. Bronfman advocated both the granting of MFN status, and a trip by Honecker to Washington.

Vietnam's General Giap in visit to Malaysia

Vietnam's relations with the members of the Association of Southeast Asian Nations are definitely on the upswing since the Vietnam withdrawal from Cambodia in September 1989, and the demise of communism in Eastern Europe. A case in point is the visit of Vietnam's Gen. Vo Nguyen Giap, the architect of Vietnam's wars against France and then the United States, to Malaysia July 4-8.

Giap was representing the Vietnamese Council of Ministers, of which he is vice-chairman. Although Giap met with Malaysian Deputy Premier Ghafar Baba Abdul, the emphasis was clearly on Malaysia's possible contributions to the decimated Vietnamese economy. Giap met with the minister of science, technology, and environment, and also the minister of primary industries.

Serbian crackdown pushes Kosovo to the brink

Mass Serbian repressions in the Yugoslav region of Kosovo are pushing the ethnic Albanian population there close to armed insurrection.

Serbia announced on July 20 unparalleled measures to crack down on the independence movement there: Criminal proceedings will be launched against the 114

Albanian members of the Kosovo parliament who had voted for Kosovo's independence from Serbia on July 2; and all of Kosovo's economic enterprises will be placed under Serbian administration, and Albanian workers who had been involved in "political strikes" will be fired.

Any attempt to enforce that second measure will guarantee an explosion. Even before Serbia announced the new measures, a statement put out by the Kosovo Albanian Democratic Alliance, which has 700,000 members—nearly the entire adult Albanian population of Kosovo—stated: "We are still searching for a peaceful political solution, but Serbia is determined to force a conflict."

In mid-July, the last of the Albanian-language media in Kosovo, the daily newspaper *Rilindja*, was closed. A week before, Albanian-language TV and radio had been shut down, after Serbian police stormed the TV and radio building, beating up the personnel in the process.

Austrian press covers railroading of LaRouche

The *Tiroler Tageszeitung*, the largest-circulation newspaper in western Austria, on July 16 prominently reported a recent speech by former U.S. Attorney General Ramsey Clark, in which Clark pointed to the judicial railroading of Lyndon LaRouche as a prime example of the destruction of justice in the United States.

Clark, who represented LaRouche in the unsuccessful appeal of his conviction on federal "conspiracy" charges, spoke on June 21 in Copenhagen, Denmark, at an event held alongside the Conference on Security and Cooperation in Europe (CSCE) (see *EIR*, June 29, 1990, "Ramsey Clark warns Europe about U.S. human rights violations").

The Austrian article, written by Innsbruck professor of law Dr. Kurt Ebert, quotes Clark to the effect that the United States is now a "plutocracy," in which money rules. The two-party system has become "a one-party system with two names," and efforts to form a third party have failed.

"You get prosecuted if you try," Clark said.

Ebert continues, "As an illustration, Clark mentioned above all the startling case of the several-times presidential candidate, systems critic, and economist Lyndon LaRouche. . . ."

"LaRouche had been sentenced after a railroad trial defying elementary principles of the state of law: 'There was no intention of having a fair trial. Above all on economic crimes that didn't exist, because this was a political movement, it was not a profit-generating activity . . . a sentencing of 15 years was imposed on a man who's 66 years old, in order to destroy a political movement.' "

Clark also cited the case of Washington, D.C. Mayor Marion Barry, among other black political leaders, who has been targeted for political prosecution.

Slum children are murdered in Brazil

Brazil's 7 million "street children" are being systematically targeted for murder in a campaign to "clean up the streets" for tourists, the *Sunday Times* of London reported July 23. Maria Therese Freire, who runs a charity for the street children, says the murders are "a most brutal form of social control by people who think of street kids as lice and talk of killing them as cleaning the streets."

Children are being killed at the rate of 1-2 per day, most of them boys ages 14-17, one supervisor of a center for the slum children reports. In the slums of northern Rio, there have been 919 assassinations in the past year, more than half of which were of children.

Businessmen whose stores are repeatedly broken into, despair at the ineffectiveness of the police. Budget cuts have ended what few rehabilitation services or job opportunities previously existed for young criminals. Therefore, they rob with impunity until they are killed by death squads hired by merchants and owners of luxury hotels along Rio's famous beaches. To preserve the zone's image of tranquility, the bodies are dumped in the slums of the north.

● **JAPANESE** Prime Minister Toshiki Kaifu may attend the Asian Games in Beijing in September, the *Japan Economic Journal* reports, citing a senior member of the ruling Liberal Democratic Party. Prime Minister Kaifu's presence would be a very big boost for Chinese prestige, in the aftermath of the Tiananmen Square massacre.

● **PERU'S** incoming President, Alberto Fujimori, has appointed an advocate of drug legalization to his cabinet. Guido Pennano will be the new minister of industry. He believes that without drug money, Peru's economy cannot survive.

● **THE PRESIDENTS** of West Germany and Czechoslovakia broke the U.S.-initiated diplomatic embargo against Austria's President Kurt Waldheim on July 26, the opening of the music festival at Salzburg, Austria. The two Presidents, Richard von Weizsäcker and Vaclav Havel, attended the ceremony as private guests, with Waldheim giving the keynote address. Waldheim has been falsely accused of being a Nazi war criminal. New revelations show he was a resistance member in fact.

● **POLAND'S** foreign minister met in Paris July 18 with the foreign ministers of the two Germanys and the four postwar Occupation powers, to eliminate the last obstacle toward German reunification and its full recovery of sovereignty: the settling of the German-Polish borders. Poland agreed to settle for a peace treaty to be signed with Germany after the reunification process is completed.

● **THE PARLIAMENTS** of Slovenia and Croatia, two Yugoslav republics, agreed on July 20 to work out, debate, and pass new constitutions that would make them totally independent by the end of this year.

Lt. Col. Oliver North: patriot or pusher?

by Carol White and Herb Quinde

On July 20, Oliver North's 1989 Iran-Contra conviction was overturned by the U.S. Court of Appeals, under the 1972 Supreme Court *Kastigar* ruling; namely, that North, who was given immunity by the U.S. Congress and gave his immunized testimony on national prime-time TV, is constitutionally protected from having that immunized testimony used against him in a criminal trial.

North's successful appeal of his conviction on *Kastigar* grounds is obviously sound law. Nevertheless, it is a fair conclusion that the congressional investigation which preceded his trial was intended to keep North from ever being punished.

In a speech at the National Press Club on July 25, Attorney General Richard Thornburgh said that his office will consider requests, such as the one recently made by Rep. William Broomfield (R-Mich.), to shut down the probe of North and company.

If Iran-Contra Special Prosecutor Lawrence Walsh finds he cannot re-try North for his role in the Iran/Contra fiasco, he has the U.S. Congress to blame, which interfered grotesquely in the Irangate probe by immunizing North and former National Security Adviser Adm. John Poindexter—over Walsh's strong protest—thereby making it almost impossible to try the two. Congress did it, for political advantage, and pretty much blew away Walsh's careful investigation and trial preparation.

North now appears to be bamboozling a number of otherwise patriotic Americans who wish to see a patriot in the White House but are unwilling to take the heat involved in supporting a real patriot like Lyndon LaRouche. North has appeal because he has a lot of positive things to say about family values, and he takes a tough stand against disarmament.

In fact, North is one of the dirtiest figures on the American political scene today. He is also dangerous: dangerous not only because he is a man who clearly believes that the ends justify the means, but because his true goals are themselves suspect.

He is dirty because even though North was made a scapegoat for operations sanctioned at a higher level, he bears responsibility for what he himself did. The excuse: "I did it for patriotic reasons," was demolished once and for all at the Nuremberg War Crimes Tribunal.

What is Project Democracy?

The combined evidence of North's own diaries, declassified documents released as a result of the numerous governmental investigations into the worst scandal of the Reagan-Bush years, and testimony in related trials around the country, is exposing the fact that the extended conspiracy which North called "Project Democracy" is a criminal enterprise of drug trafficking, gun running, and terrorist extortion.

Although the criminal syndicate is much more sinister, more degenerate, more corrupt than any Mafia or Cosa Nostra gang, it has performed a miracle of public relations by cynically wrapping itself in the American flag and calling itself Project Democracy.

One side of the latest spate of revelations, reported in recent issues of this publication, indicates that the CIA was willing to run cover for the drug runners operating on the Mexican-American border—the Camarena affair. Another brings in Israeli intelligence and involves Colombian networks from the Medellín Cartel who were and are still based in Panama. This piece of the puzzle involves Israeli intelligence agent Yair Klein, who used Panama as a staging ground for Contra deals with the Cartel. (This was the kind

of operation which General Noriega was trying to stop; his opposition ultimately led to the U.S. invasion of Panama.)

Then there are the Brenneke revelations now being investigated in Italy (see story, p. 40). On July 25, Lyndon LaRouche had the following to say, with regard to this new series of revelations:

“There are aspects of the breaking story spreading out of Italy to which we do have definite answers as opposed to those we don’t. What we have that is certain, is that in the context of the threat that Palme would expose and impair the arms trafficking by way of Israel into Iran, on Feb. 28, 1986, Palme was assassinated and an immediate effort was launched to cover up the authorship of that assassination.

“The coverup included Soviet intelligence services; it included more prominently certain Western agencies, especially those linked to Project Democracy and thus to Ollie North and to the drug and weapons trafficking involving Israeli participation.

“The issue we know, insofar as it involved Palme, was the activity in which the fake patriot, the drug running-linked, arms trafficking-linked Col. Oliver North was prominently involved as part of the social democratic Project Democracy organization.”

LaRouche’s comments, issued from his federal prison cell in Rochester, Minnesota where he is being held as a America’s foremost political prisoner, caused enough stir in Italy to be highlighted in a news story filed from Rome which appeared in the Italian-American daily *Oggi* on July 26. Reporter Salvator Arcella described LaRouche as “the controversial politician sentenced last year to 15 years in prison, but a congressional candidate for election to the House of Representatives,” and wrote that LaRouche was calling for the investigation to “be expanded to include the Soviet secret services, . . . ‘Israeli circles,’ Col. Oliver North, and international arms and drug traffickers.”

Project Democracy framed LaRouche

Indeed, Oliver North was personally involved with the multi-jurisdictional “Get LaRouche” task force, whose activities are arguably the greatest single threat to U.S. national security today. They have removed the freedom—and threatened the life—of Lyndon LaRouche, the 1976, 1980, 1984, and 1988 presidential candidate who has been the only major U.S. political figure of the last 15 years to have correctly forecast the current strategic and economic crisis, and to have prescribed the profound reversal in national policy which can solve it.

North’s recently declassified diaries, according to one expert, are replete with references to drug trafficking. Phil Mabry, identified by the *Boston Globe* as a former CIA operative who worked for North early on, told *EIR* that he personally reported the allegations of Contra drug involvement to him. Mabry also produced documents supporting his story that North had told him to monitor and keep a file on

LaRouche because he was considered “dangerous.”

If Lawrence Walsh hopes to ever get the full truth about the workings of the secret government, then an investigation of those who framed LaRouche is long overdue.

Let us take a look at Loudoun County, Virginia Sheriff’s Deputy Donald Moore, a person who in his own puffed-up court testimony says he singlehandedly conceived, motivated, and carried out the investigation that culminated in the judicial railroading of LaRouche. According to numerous published articles, including the *Washington Post*, which he proudly displays, Deputy Moore’s primary claim to fame is that he slept with Ollie North. Back during the Vietnam War, Deputy Moore not only served in the same Marine unit with North, but was a friend and confidant, sharing a bunk in the rice fields.

For some the Vietnam experience led to maturity and greater wisdom, but for others the war never ended, producing a subspecies of human garbage which became the new recruits for Project Democracy. In some circles they are known as “Rambozos,” a subculture of government officials and private citizens who out of the Iran-Contra affair created a series of private front groups, businesses, and intelligence community “interagency task forces,” to carry out their warped own political agenda.

Working under the colors of law provided by the Department of Justice, Deputy Moore also worked for a mysterious private foundation headquartered in Leesburg, Virginia known as ARGUS. The Armored Response Group United States (ARGUS) Foundation is a private paramilitary foundation which provides specialized tactical equipment to law enforcement agencies for dealing with “special crises” such as terrorism or narcotics problems, according to its own public relations. But ARGUS has been characterized by some federal law enforcement officials as a “bunch of political vigilantes.” During the 400-man assault by federal agents in October 1986 on the Leesburg, Virginia offices which publish LaRouche’s writings, ARGUS provided “tactical equipment” including an armored personnel carrier, according to the January/February 1987 issue of *Law Enforcement Technology* magazine. Intelligence sources have confirmed that ARGUS is an “off-line” creation reflective of “secret government” networks which are outgrowths of the Iran-Contra fiasco.

Loudoun County Sheriff John Isom, Deputy Moore’s nominal boss, who stated in court testimony that he assigned Moore to the “Get LaRouche” task force, was the founding vice president of ARGUS which was established in August 1985. By the summer of 1985, Leesburg, a sleepy semi-rural town an hour’s drive from Washington, which had received the “LaRouche organization” with traditional Southern hospitality, was turned on its head. Wild and dangerous rumors began to fly around accusing LaRouche and associates of everything short of the ritual killing of Christian babies. Court testimony later established that Deputy Moore and a

handful of associated “Rambozos” were behind the artificially induced hysteria. Moore testified that his expertise in psychological warfare in Vietnam had been applied to “win the hearts and minds” of the town against LaRouche. To this day, Moore is a member of a “Civil Affairs” Marine reserve unit.

In February 1985, months before the “Get LaRouche” Task Force was in full swing, Sheriff Isom testified he met with Project Democracy operative Mira Lansky Boland, nominally the director of the Washington, D. C. Fact Finding office of the Anti-Defamation League (ADL), and Sally Greenberg, another ADL operative who was an associate of Mark Rasch, one of the assistant U.S. attorneys who prosecuted LaRouche, to plan the attack on the Democratic former presidential candidate. Mira Boland, herself a former CIA employee, and the ADL played an early and important role in the “public diplomacy” side of the Iranamok affair by running a disinformation campaign in support of the Contras which was denounced at the time by leading Jewish organizations (see *EIR*, June 8, 1990, p. 60-61).

The ADL and Project Democracy

The ADL is a participating entity of Project Democracy. Carl Gershman, the head of Project Democracy’s formal governmental arm, the National Endowment for Democracy (NED), started his career as a staffer with the ADL in New York. The ADL’s neo-conservative political orientation is not its only credential for participation in Project Democracy. An affinity for associating with pro-drug lobbyists also seems to play a part. The ADL helped sponsor professional LaRouche-hater Dennis King’s career, which included writing for *High Times*, a magazine whose staff is the target of a federal grand jury investigating violation of the U.S. narcotics laws. Kenneth Bialkin, a former chairman of the ADL, was involved in representing Robert Vesco, the infamous dirty money scam artist who was the direct precursor to the complex web of Caribbean drug money-laundering institutions which includes the Medellín Cartel, and banks created by the American Institute for Free Labor Development (AIFLD), an intelligence front co-sponsored by the AFL-CIO that has figured in the Contra guns-for-drugs scandal.

Corroborating evidence of the Project Democracy conspiracy to “Get LaRouche” comes from another “Rambozo,” Col. George Olmsted, a resident of Leesburg. According to sources, Olmsted bragged that he had been recruited to a local vigilante group which was assigned by the Sheriff’s Department to have their guns ready just in case the “LaRouchites” got out of hand. Colonel Olmsted is believed by some to have been linked to the Iran-Contra mess. An entry in North’s declassified diaries records Olmsted in association with Arthur Arundel, publisher of the *Loudoun Times-Mirror*, the local weekly that regularly published scurrilous editorial attacks and slanderous “news” stories against LaRouche.

Eyewitness intelligence community sources have confirmed that Arundel, owner of a media empire, held fundraisers for Project Democracy at his Virginia estate. According to a profile issued by Arundel Communications in November 1985, Arundel was a “U.S. Marine paratroop officer” who served with “the Central Intelligence Agency in both the Korean and Vietnam Wars.” The Pentagon Papers revealed that Arundel while in Indochina was a “black propaganda” specialist.

The network of private citizens trained in “spookery” and working with law enforcement officials in a clandestine manner as if a foreign hostile country, was partially Oliver North’s idea. Under the direction of the National Security Council, in the early 1980s, the Federal Emergency Management Agency (FEMA) was upgraded. Initially, FEMA was created as an arm of government to handle natural disasters such as floods and earthquakes. It also had a mandate for “continuity of government” (COG) functions in time of war or national emergency. As part of the reorganization of FEMA, North created a network of elite bureaucrats in every department of government who in time of war or in a “national security emergency,” should the elected officials be unable to carry out their duties, would take over and run the country. The program also included deputizing some local law enforcement officials as federal “national security” officers who could provide support to federal officials who might have to respond to “insurrection” or “national unrest.”

Buster Horton, the foreman of the jury which convicted LaRouche and associates in December 1988, was one of the elite government employees, holding the same rank as North in the COG apparatus of FEMA.

Both Deputy Moore and Sheriff Isom seem not to be strangers to secret arrangements which lend themselves to abrogating the U.S. Constitution. Both originally worked for the Fairfax, Virginia Police Department, which in the 1970s was exposed by the Rockefeller Commission as having illegally cooperated in black-bag jobs, spying on dissidents, and trading equipment and information, as well as providing phony police credentials to operatives of the CIA, whose Langley headquarters are in the department’s jurisdiction.

Flotsam of a lost war

Project Democracy is one conspiracy you don’t have to be a John Birch Society member to understand.

To understand who Oliver North—and his buddy Donald Moore—really represents, one must compare him and people such as Moore with the German soldiers who followed Adolf Hitler’s banner. In both cases, they are the flotsam of a lost war—World War I and Vietnam, respectively. Men of the North and Moore type returned from Vietnam prepared to justify any atrocity in the spurious name of patriotism. They came back bitter that the Vietnam war was unpopular back home. Men like North and Moore are dangerous, in the same way that Hitler’s original following was dangerous.

Appeals court: U.S. bankruptcy action was in 'bad faith'

Federal Judge Claude Hilton on July 19 upheld Chief Bankruptcy Judge Martin V. B. Bostetter's finding that the Justice Department acted in "bad faith" when it brought an involuntary bankruptcy action against three companies associated with Lyndon H. LaRouche.

In throwing out the government's appeal, Hilton wrote, "The bankruptcy court evaluated the government's action under both an objective and a subjective standard, holding that on an objective level, the government filed the petition in bad faith." The government's action, brought on April 20, 1987, shut down the companies overnight, and appointed federal trustees "to run the businesses." However, the trustees didn't do so, causing, for the first time in U.S. history, the silencing of a national newspaper and a scientific journal. The government's illegal bankruptcy action also paved the way for the judicial frameup of LaRouche and six co-defendants, jailing them for the last year and a half.

The involuntary bankruptcy petitions were brought against Caucus Distributors, Inc., Campaigner Publications, and the Fusion Energy Foundation (FEF). Campaigner was the publisher of the newspaper *New Solidarity*, which had been in existence for 17 years and, at the time of the government's forced shutdown, had over 100,000 subscribers nationwide. FEF published the popular scientific magazine *Fusion*, which had over 120,000 subscribers at the time its doors were closed by the government's actions.

The proceedings in the case lasted over one year, and Judge Bostetter's ruling was not issued until one and a half years after the May 1988 trial of the case. Between the trial and Bostetter's October 1989 findings, the very same U.S. Attorney's office which brought the bankruptcy action proceeded to indict LaRouche and six of his associates for failure to repay loans made to these three companies. It was the government's bankrupting of these companies—an action now ruled to have been illegal—that prevented the repayment of the loans.

The government's 'constructive fraud'

Hilton's six-page memorandum and opinion, in addition to affirming the finding of "bad faith," supported Bostetter's earlier findings that the government had committed a "constructive fraud" upon the court. Hilton wrote: "The government had actual knowledge that each of the debtors had in excess of twelve creditors . . . which constituted an improper use of the involuntary bankruptcy statute and an improper invocation of the court's jurisdiction." Likewise, Hilton up-

held Bostetter's finding that bringing such an involuntary bankruptcy action against non-profit entities, such as Caucus and FEF, was in violation of the law. The "court also held that the government could not proceed against [these companies] in an involuntary proceeding, because those entities are not moneyed, business, or commercial corporations. . . . [T]here was sufficient evidence to support the court's ruling."

Cross-appeal also denied

After the government had filed its appeal, the companies filed a cross-appeal, challenging Bostetter's finding that there was not "subjective bad faith" on the part of the government, but only "objective bad faith." His ruling seemed to foreclose the companies from seeking compensatory and punitive damages from the government for its wrongful action. The cross-appeal detailed why a finding of objective bad faith was insufficient to award such damages. But the companies also argued that due to the extensive collusion between the criminal prosecution team and the civil bankruptcy team to bring about this bankruptcy for ulterior purposes, they had met the subjective standard. Hilton, however, did not agree and also dismissed the cross-appeal.

It is unknown at this time whether the government will appeal this decision. Attorneys for Caucus, Campaigner, and FEF are reviewing the judge's opinion to determine if they will appeal the denial of their cross-appeal.

ARE YOUR ELECTED OFFICIALS STILL FOOT-DRAGGING ON THE AIDS EPIDEMIC?

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Jailed associates of LaRouche denied parole

In hearings during the second week of July, political prisoners William Wertz and Edward Spannaus were denied parole. In both cases, hearing officers were shameless in admitting that their decisions were based upon the venomous filing by the "Get LaRouche" task force's darling prosecutor, Kent Robinson. Wertz and Spannaus are political associates of Lyndon LaRouche, who is running for Congress in Virginia's 10th Congressional District. They were railroaded to prison with LaRouche in a December 1988 show trial in Alexandria, Virginia. The two are each serving a five-year sentence in federal prison.

Prosecutor Robinson's submission to the Parole Commission also seeks to ensure that LaRouche, who was sentenced to 15 years in jail, is also denied parole, clearly with the intention that he not leave prison alive. LaRouche is 67 years old.

Wertz and Spannaus have stated they will take legal steps to challenge the malicious lies concocted by Robinson, which caused the Parole Board hearing officers to do the task force's bidding in denying them parole.

Political animus

The politically motivated nature of this operation to deny LaRouche, Wertz, and Spannaus parole, was given away when Robinson cited recent demands for repayment of contributions freely given by two supporters, Helen Overington and Elmer Yoder—after LaRouche, Wertz, and Spannaus were jailed—as examples of "continuing frauds" for which they are to be held accountable. The cases are part of an ongoing extortion effort, spearheaded by the Anti-Defamation League (ADL). Conspicuously, Robinson omitted to mention the case of Harriet Driver, in Ogle County, Illinois. There, after LaRouche associates, indicted on a trumped-up robbery charge, caught prosecutor Dennis Schumacher colluding unlawfully with NBC's Pat Lynch and the ADL, the charges against them were quickly dismissed.

Likewise, the political animus of the "Get LaRouche" operation was exposed by the questions asked of prisoner Wertz during his hearing. One hearing officer asked, "What policies do you support of LaRouche?" Later, in asking a legitimate parole question about what he intended to do upon release and hearing that Wertz would like to work for *New Federalist* newspaper, the officer retorted: "Isn't that associated with LaRouche?" The officer concluded the hearing by asking, "If you have any remorse, why would you go back to work for this organization?"

In light of these questions, and the fact that a different

hearing officer in the Spannaus hearing said he was bound by the pre-assessment report (which was made after Robinson's filing, and which changed Wertz and Spannaus from the lower offense severity category level of five, up to a six), it is clear that orders have come from the top to keep this railroad on track.

Appeals Court grants Ascher's petition

In a hopeful development, Virginia's intermediate Appellate Court in Richmond has granted Rochelle Ascher's petition for appeal from her 1989 conviction in Loudoun County on "securities fraud." Ascher, a nationally prominent associate of imprisoned political figure Lyndon LaRouche, was convicted on April 5, 1989 and sentenced to *86 years in prison* by a jury inflamed with prejudice against LaRouche and anyone associated with him. Her sentence was reduced to 10 years by the Court, and she is free on bond pending appeal.

There is no automatic right to an appeal in Virginia in criminal cases. The Appeals Court decides whether or not it will grant a petition for appeal and, if it does grant the appeal, decides which issues from a trial may be appealed.

The Court of Appeals certified July 25 that Ascher could appeal trial judge Carleton Penn's error in not granting a change of venue, and his error in seating a jury. The jury *voir dire* (questioning) in the Ascher case exhausted the entire jury pool for Loudoun County, as juror after juror admitted prejudice against LaRouche.

The Court of Appeals also certified an appeal on the issue of whether or not the "securities" fraud charge brought against Ascher can stand. The loans at issue in her case were loans to political causes associated with LaRouche. Judge Penn refused to let the jury consider whether or not the lenders were loaning the money to a controversial political cause for political—as opposed to "securities investment"—purposes, or to consider whether or not Ascher knew or believed that these political loans were securities. The loans for which Ascher was convicted were ruled for the first time to be securities in Virginia *after* Ascher had been indicted (in January 1987).

A reversal on this issue could affect other LaRouche friends tried for "securities fraud" in Virginia, such as Michael Billington, who was railroaded to an incredible 77-year sentence.

Nebraska grand jury protects child abuse

by an EIR Investigative Team

On July 24, the Douglas County, Nebraska grand jury investigating charges of a nationwide child abuse ring tied to the failed Franklin Federal Credit Union in Omaha (see *EIR*, July 27, 1990, p. 56), returned its findings. After reviewing extensive evidence of pedophilia compiled by the state legislature's Franklin investigating committee, including 21 hours of videotaped testimony of abuse victims which named a number of the state's most influential figures, the grand jury found that "there is no doubt, after reviewing all relevant evidence, that the story of sexual abuse, drugs, prostitution, and judicial bribery presented in the legislative videotapes is a carefully crafted hoax scripted by a person or persons with considerable knowledge of the people and institutions of Omaha."

Given that the evidence presented on the tapes by four victim-witnesses was detailed, mutually corroborating, and deemed "highly credible" by law enforcement authorities, the only "carefully crafted hoax" in this affair is the grand jury itself.

That is apparently the view of the state's citizenry: More than 90% of the calls into radio station KFAB the day after were "violently critical" of the grand jury's findings, while a TV channel 7 poll showed that, of some 3,000 Nebraskans interviewed, 2,659 were found to be "not satisfied" with it either.

Charges of coverup resound

"Coverup!" rang out in the halls of the state legislature and in letters to the editor in the state's press before the grand jury was selected, as soon as the name of chief prosecutor Judge Samuel Van Pelt was announced. Van Pelt, sometimes referred to as the "rent-a-judge," attained notoriety for his 1984 coverup of the assassination of Kairo, Nebraska political activist and farmer Arthur Kirk by a Nebraska State Police SWAT squad.

The SWAT team surrounded Kirk's farm after a notice for a civil suit was served on him by Norwest Bank. They skinned his cat alive, so the howling would draw him from his house. When he ventured out, they mowed him down in cold blood and left him to bleed to death in the yard. The SWAT team claimed Kirk had fired first; no tests were done to see if he had fired at all—an unthinkable "oversight" in

standard police procedure. Yet, Van Pelt found that the police had acted correctly.

Franklin committee under fire

Van Pelt was chosen as prosecutor by Nebraska's pedophile-saturated establishment to discredit and destroy the work of the state Senate's Franklin investigating committee, chaired by Sen. Loran Schmit. Insiders were therefore not surprised when Van Pelt's grand jury virtually ignored the committee's massive evidence of child abuse and labeled Schmit as "politically irresponsible."

Van Pelt's grand jury attacked Schmit's committee for operating "largely from a political and personal motivational base" with "several hidden agendas"; attacked the committee's chief investigator, Gary Caradori, for ostensibly whipping up scandals "to gain professionally and personally from the outcome"; and instead *indicted the Franklin committee's two chief witnesses*, 21-year-old Alisha Owen and 22-year-old Paul Bonacci, on multiple felony counts of perjury.

The figure on whom Van Pelt's grand jury spent the most effort to discredit was Franklin legislative committee chief investigator Gary Caradori, who died in a mysterious plane crash on July 17, and who was therefore, as Senator Schmit pointed out, not around to defend himself against the charges.

Van Pelt took the point in the coverup, but investigators are currently looking at the curious roles of at least two others. Jury foreman Michael Flanagan has, for the last 27 years, worked at Union Pacific Railroad; some of Union Pacific's top executives are rumored to have surfaced at the Franklin investigation as pedophiles.

Perhaps coincidentally, former Secretary of State Henry Kissinger, who has been dogged for years by rumors of his involvement in molesting young boys at New York's Carlyle Hotel, is also on Union Pacific's board of directors.

Another name which surfaced repeatedly in the tapes was that of Robert Sigler, Douglas County Assistant Attorney, who has insisted that those prominent figures recently indicted on child abuse charges, such as blueblood financier Alan Baer and Omaha *World-Herald* columnist Peter Citron, have no connection whatsoever to Franklin Credit Union.

Astoundingly, though Van Pelt's grand jury was allegedly investigating the Franklin scandal, it never even called Larry King, the kingpin of Franklin, to the stand.

Van Pelt's grand jury indicted only one prominent figure, Alan Baer, whose pedophilia was too flagrant to ignore. It dismissed numerous allegations against Omaha *World-Herald* publisher Harold Anderson. One such was the diary entry of victim-witness Paul Bonacci for April 20, 1983: "Went to a party, did it with a man who cut my leg, tied me up with rope and handcuffs, it hurt a lot and I won't do it with him again." His abuser, said Bonacci, was Harold Anderson, and the incident took place at Alan Baer's apartment.

The Anti-Defamation League and the Dostoevsky Project

by Jeffrey Steinberg

The first two articles in this series documented the role of the Anti-Defamation League of B'nai B'rith (ADL) in fostering the pagan New Age by attacking the Judeo-Christian traditions upon which the American Republic was founded. This, the final article in the series, probes the role of the ADL in a 70-year Communist International scheme to "Bolshevize" the West, and shows that the League's purported goal of "combating anti-Semitism" has quite a different underlying intent.

According to the Anti-Defamation League's own six-volume history, *Not The Work of a Day*, ADL Executive Director Ben Epstein launched an ambitious reorganization and expansion drive at the close of World War II. Throughout 1946, Epstein and a small group of ADL professional staffers who had been engaged in secret intelligence work for the British and American services during the war, conducted an internal study of how the league operated. This review came to be known among ADL activists as "The Inquisition." Working with Col. Melvin Schlesinger, an ADL national board member from Denver, Colorado, the Epstein group reorganized the national headquarters staff along military-intelligence lines, and more than doubled the number of ADL regional offices in the United States and Canada. By the time the reorganization was completed in 1947, Epstein stepped into the executive director's post; he remained there until 1979.

Those ADL do-gooders who fell prey to the Epstein-led reorganization could not possibly have realized how appropriate it was that they labeled the changing of the guard as "The Inquisition." Although the ADL had been a rotten outfit from its founding in 1913, set up as a protection arm of Jewish-surnamed organized crime in America, its early crimes would pale in comparison to the new project the league was prepared to embark on.

The ADL was about to become the covert action arm of a psychological warfare assault against the American people, first crafted at a secret meeting of the Communist International in Thuringia, Germany in 1922, and transported to American shores by the time Hitler's troops crossed into Poland. At that meeting, Cominternist Georg Lukacs dubbed the assault on the Judeo-Christian image of man "the Dostoevsky Project," after the 19th-century Russian propagandist for irrationalism.

In order to fit the prejudices of a postwar American audience, the ADL and its collaborators in the Frankfurt School referred to this project under the rubric of "the authoritarian personality." (This concept was the subject of an in-depth study in *EIR*, Nov. 18-Dec. 2, 1988, "The 'authoritarian personality': an anti-Western hoax.") They sought thereby to eradicate the commitment to scientific and technological progress then shared by the vast majority of Americans. By labeling such commitments to rationality "authoritarian," the ADL systematically played a role over succeeding decades in ushering in the New Age cultural revolution of the 1960s and beyond. Any groups or individuals who attempted to stand in its way, were to be tarred as "anti-Semites."

'Studies in Prejudice'

In 1936, the ADL entered into a joint fundraising effort with the American Jewish Committee, in which the two organizations agreed to split all contributions and revenues 50-50. That arrangement, the Joint Defense Appeal, lasted until 1963, when the ADL went its separate way, under the national chairmanship of Hollywood movie mogul and reputed mob ally Dore Schary.

While there were bitter wartime disputes between AJC officials and the ADL over the issue of how to deal with Hitler's genocide against the Jews of Germany and Central Europe, on certain projects the two agencies appear to have worked out a tight division of labor. The principal project around which the AJC-ADL collusion revolved was the American Jewish Committee's "Studies in Prejudice."

In May 1944, the AJC held a two-day conference on religious and racial prejudice, out of which evolved a half-decade study led by the Frankfurt School Comintern sociologist Max Horkheimer. By 1949, under Horkheimer's supervision, a crew of Frankfurt School refugees had produced for publication by the AJC a five-volume series of works that would form the basis for all the ADL's postwar work to undermine the Judeo-Christian outlook. Not coincidentally, at the height of the counterculture ferment of the late 1960s, the series was reprinted with a new foreword by longtime Frankfurt School hand Herbert Marcuse, by then a guru of the New Left and the patron of terrorists Angela Davis, Susan Saxe, and Abbie Hoffman.

The original five volumes included the following elements:

● Frankfurt School psychiatrists Bruno Bettelheim and Morris Janowitz published a psychological study titled *Dynamics of Prejudice*.

● Marie Jahoda and Nathan W. Ackerman, both later board members of the London Tavistock Institute, which pioneered the development of LSD-25 as a mind-altering psychedelic drug instrumental in launching the 1960s drug-rock-sex counterculture, penned a sociological study titled *Anti-Semitism and Economic Disorder*.

● Paul W. Massing, later implicated in the Noel Field and Alger Hiss Soviet espionage ring, wrote a study of anti-Semitism in pre-Hitler Weimar Germany titled *Rehearsal for Destruction*.

● Leo Lowenthal and Norbert Guterman co-authored a study on the agitational methods of pre-World War II American right-wing groups titled *Prophets of Deceit*. This study was later used by the ADL to train its own undercover agents to penetrate right-wing groups, and in some cases, to create their own sects.

The seminal work in the study was *The Authoritarian Personality*, written by Frankfurt School founder Theodor Adorno, Else Frenkel Brunswik, Daniel J. Levinson, and R. Nevitt Sanford. It set out the basic line of the entire project: that the average American's belief in a rational world, governed by the Old Testament's injunction to "be fruitful, multiply, and subdue the Earth," defined him or her as a crypto-fascist.

What the study concluded, and what the ADL subsequently put into practice, was the notion that the most clear-cut expression of this crypto-fascist tendency deep within the American psyche was anti-Semitism. The fight against anti-Semitism became the buzzword for the Frankfurt School's assault against rationalism—an assault which expressed itself concretely in the growth of the counterculture and the more recent and virulent New Age paganism.

The Thuringia meeting

The ADL's efforts to whip up "anti-Semitism" scares have always been rooted in the Frankfurt School project, first launched in the mid-1930s and then brought to fruition with the AJC Horkheimer studies. The deeper roots of that effort trace back to the Thuringia Communist International session of 1922. Chaired by Georg Lukacs, the Deputy Commissar of Culture and Education of the short-lived Hungarian Soviet Republic, the meeting's participants also included: Karl Korsch, Frankfurt University professor and German Communist Party leader; Richard Sorge, assistant director of the Frankfurt University social science department under Korsch, head of the Communist Party's secret spy cell in Frankfurt and later the head of Red Army intelligence in the Far East (where he recruited heavily from the Shanghai Jewish community); Heide Eisler, wife of the German Communist Party newspaper editor and later the wife of Paul Massing; and Karl August Witfogel, later the head of the

Institute for Pacific Relations.

Lukacs set the agenda of the secret session by pointing to the success of the Bolshevik Revolution in Russia and the failure of every attempted communist putsch in the West. He told the group that it was Russia's cultural affinity for a "messianic" collectivist identity that made it ripe for revolution. The problem with Western culture, he charged, was the image of Jesus Christ and the Old Testament belief in man's mastery over nature. Lukacs cited Fyodor Dostoevsky as the ideal revolutionary, and defined the long-term objectives of the Bolsheviks in the destruction of these Western Judeo-Christian values. Without their destruction, he correctly asserted, communist revolution is impossible.

The participants in that session went on to found the Frankfurt School, and later launched the AJC-ADL "authoritarian personality" sham.

Action projects for the New Age

As one of the ADL's first "action projects" in this context, National Director Ben Epstein launched a nasty campaign against the Catholic Church in New York City. When anti-Semitic graffiti appeared on the walls of several Jewish synagogues and Protestant churches in New York City, Epstein and the ADL staff rallied a number of leading Jewish and Protestant clergy to demand action from Mayor Fiorello LaGuardia. The thinly veiled message behind the protest was that the Catholic Church was dominated by anti-Semites like Father Coughlin of Detroit. Cardinal Spellman, the head of the New York archdiocese, fired off an angry protest, when the Schiff family-owned *New York Post* featured the ADL accusations in banner headlines.

In a number of instances, police files revealed that it was ADL officials themselves who were responsible for synagogue desecrations. According to usually reliable sources, Arnold Forster, who later served for years as the ADL's general counsel, was arrested in New York State in the early 1950s for painting swastikas on a synagogue. In another instance, during the same period, a longtime Soviet intelligence agent, Vladimir Stepankovsky, was deployed by ADL spy chief Mitchell Solomon to infiltrate the National Renaissance Party, a neo-Nazi group founded in New York City by James Madole. To the extent that Madole's group recruited any membership, it was because an ADL-linked mob figure, Mike Jelke, provided prostitutes for purposes of attracting young men to his "meetings."

Years later, the ADL played a seminal, albeit behind-the-scenes role in the fostering of the very counterculture that embodied the Dostoevsky Project. The sponsorship by the ADL of such lowlife as Dennis King and Chip Berlet, both of whom cut their teeth as "journalists" writing for the official organ of the drug lobby, *High Times* magazine, was no mere indiscretion. Rather, it typified the ADL's commitment to the spread of what Lukacs called "cultural pessimism," the very pessimism that fueled recruitment to the Nazi Party.

Family leave veto sustained in House

House members again failed in a 232-195 vote on July 25, to override President Bush's veto of legislation that would have given American workers the right to take up to 12 weeks of annual unpaid leave to care for newborn children and seriously ill family members. The House was 53 votes short of the two-thirds needed for override.

Democrats intend to make this legislation, which is already in place in most other industrialized countries, into a major issue in the election campaign this year. During his 1988 presidential campaign, Bush had endorsed the right of mothers to enjoy leave time to be with their newborn children. He says he vetoed the legislation because it required all businesses with 50 or more employees to provide the benefit.

Sen. Christopher Dodd (D-Conn.) caustically commented, "One of the first opportunities he had to live up to a campaign pledge, he walked away from it."

House Speaker Thomas Foley (D-Wash.) predicted that the family and medical leave issue will not disappear. "We're going to have this kind of legislation enacted, if not this year in this session, next year or the year after."

This was the 13th veto that Bush has issued since becoming President, none of which has been overridden by the Democratic-controlled Congress.

'Bipartisan' budget summit falls apart

The budget summit was canceled on July 26, with Democratic leaders indicating that major obstacles exist to a budget agreement.

The "bipartisan" talks have been

characterized by bitter partisan attacks, with House Republicans blaming Senate Majority Leader George Mitchell (D-Me.) as a "consistent roadblock" in the talks, and Bush blaming the "fiscal follies" of the Democrats as the reason for the deficit. By July 24, both parties had agreed to cool down the rhetoric, but differences on how to implement austerity which has been agreed upon, were too great to allow agreement to be reached at this time.

House Majority Leader Richard Gephardt (D-Mo.) said on July 24 that although he didn't know if they would be able to work out a package, they would give it the "good old college try." But after the latest cancellation of talks, chances are fading for any agreement to be reached before the summer recess.

House Budget Committee chairman Rep. Bill Frenzel (R-Minn.) commented that the summiters were "still laboring."

Austerity mongers attack 'fat cat' farmers

Austerity advocates suffered a minor setback when the House on July 25 defeated an amendment that would have excluded "rich farmers" from agricultural subsidies.

The amendment, sponsored by Reps. Richard Arney (R-Tex.) and Charles Schumer (D-N.Y.), was an attempt to reshape farm programs by a coalition of austerity-minded urban liberals and suburban conservatives. "These farmers are people who are very, very rich," said Schumer. "If they need a subsidy, everybody needs a subsidy."

Opponents of the bill successfully argued that forcing rich farmers out of subsidies could encourage overpro-

duction, lower farm prices, and result in greater payments to those farmers still in the programs. "If you take the largest farmers out of the program you no longer have a successful program," said Rep. Glenn English (D-Okla.). "The only way a farm program makes sense is if we have one that requires everyone to carry out the same tasks."

After four hours of heated debate, the amendment was defeated. "How can you accuse a former shoeshine boy from Mission, Texas, of protecting the rich and the greedy? Ridiculous!" shouted House Agriculture Committee chairman E. "Kika" de la Garza (D-Tex.) in ridiculing the nature of the debate.

On July 24, both houses of Congress had defeated farm bill amendments that would have lowered price supports for sugar. The Senate version of the sugar amendment, sponsored by Sen. Bill Bradley (D-N.J.), was defeated by a close 54-44 vote. The House version was decisively beaten 271-150.

Any version of the farm bill will nevertheless be threatened by possible austerity cuts coming out of a budget agreement. President Bush has also threatened to veto the bill if it doesn't meet the parameters of his budget guidelines.

Judiciary Committee passes thrift crime bill

The House Judiciary Committee, by a voice vote, approved the thrift anti-crime bill which calls for increased penalties and the creation of a national commission to investigate the S&L debacle.

The committee also reinstated the life-sentence provision for "S&L kingpins," a feature of the Senate bill which had previously been dropped

from the House version.

Instead of changing insane economic policies, such as deregulation, which have led to the S&L and general economic crisis, Bush and the Congress are involved in the circus of going after "S&L fraud."

The Omnibus Crime Bill was characterized by Virginia congressional candidate Lyndon LaRouche as something "which makes the Hitler administration of Germany seem a peace-loving, humanitarian organization by comparison."

Rep. Frank to get 'reprimand' for behavior

The House of Representatives voted on July 26 to reprimand Rep. Barney Frank (D-Mass.) for his actions, including fixing parking tickets, on behalf of the male prostitute, Steven Gobie.

The 408-18 vote was an implicit rejection of Republican-led efforts to impose more severe sanctions. The House Ethics Committee, equally controlled between the parties, had recommended a simple reprimand for his wrongdoing in his now-infamous relations with Gobie. The Democrats on the committee are said to have favored no more than a letter of reproof, while the Republicans were pushing for more.

House Republican Whip Rep. Newt Gingrich (R-Ga.) had wanted to censure Frank, an action that would have stripped Frank of a subcommittee chairmanship if agreed upon by a majority of the House. Rep. William Dannemeyer (R-Calif.) urged the House to expel Frank for his unethical behavior. Dannemeyer said that the Frank case was part of a "cultural war" between the "Judeo-Christian ethic" and "moral relativism."

Senate censures David Durenberger

Following the unanimous recommendation of its Ethics Committee, the Senate, in a unanimous vote of 96-0, censured Sen. David Durenberger (R-Minn.) and ordered him to pay more than \$120,000 in restitution for improper honoraria and Senate travel reimbursements.

Durenberger was the ninth Senator in the history of the U.S. Senate to be denounced or otherwise censured.

Watkins asks labs to study environment

In testimony before the Senate Energy and Natural Resources Committee on July 25, Secretary of Energy James D. Watkins called upon the three principal U.S. nuclear weapons laboratories to expand their non-military work in such areas as new energy sources, environmental problems, and industrial competitiveness.

"With peace breaking out, so to speak, and without the threat of global conflict," said Watkins, "this is the time to strengthen research" to help restore American competitiveness in civilian markets.

Panel chairman, Sen. J. Bennett Johnston (D-La.) said, "the laboratories are on the brink of major changes in the way they operate. The past emphasis on weapons research and development is no longer appropriate." The shift away from defense priorities is coupled to waging economic warfare against what is portrayed as an economic "threat" by U.S. allies in Europe and Japan.

The director of the Sandia National Laboratories in Albuquerque, New Mexico, Al Narath, said that the principal threat was now "global economic competition."

Earlier in July, Sen. Sam Nunn (D-Ga.), chairman of the Senate Armed Services Committee, in a viewpoint appearing in *Aviation Week* magazine, called for "harnessing defense to save the environment." Nunn suggested that the Defense Department make environmental cleanup a top priority, calling environmental technology "the growth industry of the next 20 years."

Garn blames budget cuts for problems at NASA

"We need budget reforms, not NASA reforms," said Sen. Jake Garn (R-Utah) at hearings of the Senate Appropriations subcommittee responsible for the space agency's budget on July 17. The hearings were called by subcommittee chairman Sen. Barbara Mikulski (D-Md.) for the purpose of an "inquiry of recent problems" in the space program, including the Hubble telescope, the Shuttle hydrogen leaks, and Space Station Freedom.

Most of the witnesses, however, took issue with the media hype about NASA's "loss of credibility." Senator Garn noted that the Senate Budget Committee gave that subcommittee \$2 billion less to spend than the comparable House Appropriations subcommittee. He also warned that the media and "some politicians" who are raising doubts about the competence of NASA, are laying the basis for "further budget cuts" which are at the root of the problem to begin with.

NASA Administrator Adm. Richard Truly noted that programs which are at the cutting edge of technology will always have "problems," and that "the government doesn't print enough money to take all the risk out of space flight."

Urban warfare could explode, says U.K. paper

Watts (Los Angeles) and other U.S. ghettos could explode in "urban warfare on a massive scale" at any time, the *Sunday Times* of London reported July 22.

Assistant Los Angeles chief of police William Rathburn told the *Sunday Times*: "If it happens again, it won't be rioting, it will be urban warfare on a massive scale. We're talking house-to-house fighting between police and gangsters armed with AK-47s, Uzis, and pump-action shotguns." Children of 14 are killers, one policeman said, describing one who has already been arrested for murder twice and "who has seen more combat than a Vietnam veteran."

A former London policeman who joined the Los Angeles force said: "It is not until the gangs go into the middle-class areas and shoot and rob someone that anyone takes any notice. They seem to want to let Watts and areas like it sink without trace." Referring to the horrible economic and social conditions where black men have less chance of reaching 40 than a man born in Bangladesh, one of the world's poorest countries, and where unemployment reaches 80%, he said "This is supposed to be America in the 1990s. . . . We might as well be in Dhaka."

The only question of whether there will be a riot is if people have the energy to attack the authorities. Black Employee Association head Clyde Johnson told the *Sunday Times*: "You have to have hope to have frustration. . . . Some people just do not feel they are part of the country any longer and therefore they don't even think of attacking the authorities."

Panama invasion compared to My Lai

U.S. military conduct in the invasion of Panama has prompted comparisons to the My Lai massacre in Vietnam from the *Washington Post*, in an article on the case of an American GI being tried for first-degree

murder of a Panamanian civilian.

"The Bryan case, and another murder case involving a U.S. soldier from Fort Ord, who allegedly shot a woman outside a brothel in Panama during an unprovoked shooting spree, have stirred painful memories of the massacre of civilians at My Lai in Vietnam more than two decades ago that tarnished the service's image and inflated anti-Vietnam War sentiment," the article read.

Former Army Airborne Col. David Hackworth was quoted saying he believes that the Bryan case, in which 1st Sgt. Robert Bryan shot a Panamanian after a grenade attack during the invasion, "really involves a question of the Army making him a scapegoat to avoid pursuing a number of alleged atrocities against civilians during the invasion."

Bush implicated in new S&L scandal

James Fail, embroiled in a savings and loan scandal, had hired former Bush legislative assistant Robert J. Thompson to secure \$1.85 billion in federal savings and loan subsidies with only \$1,000 in personal investment capital, investigative journalist Jeff Gerth reported in the July 22 *New York Times*.

Fail, who paid Thompson \$65,000 from one of the banks he took over, reportedly employed Thompson to lobby Federal Deposit Insurance Corp. chairman L. William Seidman. Gerth focuses on the close ties Thompson claimed to have with Bush, implying that this was the influence through which Fail's deal was consolidated.

As Seidman himself admits, the FDIC rushed through approval of Fail's bid, which was only 10% of what should have been asked, for the 15 failed Texas S&Ls without Fail even having filled out the proper paperwork. Missing, for example, was a form that would have shown that Fail had been indicted in Alabama years earlier for irregularities in an insurance business.

Sen. Howard Metzenbaum (D-Ohio), who is leading the Senate inquiry, calls Fail "the worst case" to emerge to date.

Brennan resignation end of Warren Court

Associate U.S. Supreme Court Justice William J. Brennan, Jr. told President Bush on July 20 that he was resigning effectively immediately due to advanced age. He is 84 and recently suffered a mild stroke, according to news reports.

The surprise resignation gives Bush the opportunity to appoint a Justice, effectively signaling the end of the Warren Court decisions protecting constitutional liberties.

On July 23, Bush named Harvard-educated Rhodes Scholar David Souter to fill the vacancy. Described by Bush as a "strict constructionist," Souter hails from New Hampshire, where he served as attorney general and was nominated to the State Supreme Court in 1983 by then-Gov. John Sununu, who subsequently advised Bush to appoint him to the federal appeals court. Sununu, as well as Sen. Warren Rudman (R-N.H.) and Attorney General Richard Thornburgh, were all reportedly involved in Bush's decision to select Souter.

U.S. admits fraudulent wetlands prosecution

Solicitor General Kenneth Starr filed a brief with the Supreme Court which admitted that the government's case against Maryland farmer John Poszgai was "quite thin" and that the brief filed by the government when the case went before the Third Circuit Court of Appeals inaccurately stated that photographs introduced during the trial proved a key legal point—that the government had jurisdiction over Poszgai's property.

Poszgai, convicted of an environmental crime of filling a "wetland," faces a three-year sentence, \$202,000 in fines, and must restore the swamp which Poszgai, a refugee from the Hungarian repression in 1956, had drained and filled in order to expand his part-time diesel repair business.

According to interpretations of the Clean Water Act introduced by the Bush adminis-

Briefly

tration, the term "wetlands" refers to any plot of soil *capable* of holding water—whether water is present in the soil or not.

Under this definition, the Environmental Protection Agency has been established as a federal zoning board, since virtually every square inch of virgin soil in the country meets this criterion—including desert areas. Land which is already developed must be reviewed by the EPA before any further improvements can be made as well.

One of the major enforcers of the new interpretations has been the legal department of the Army Corps of Engineers, which has recently reversed its orientation to make an alliance with the greens in the assault on development.

Fraud caused only 3% of S&L losses

Most of the savings and loan losses came from falling real estate values and excessive interest rates paid by sick thrifts to attract deposits, thrift consultant Bert Ely told the July 20 *Wall Street Journal*.

Ely estimates the federal government's total losses at \$147 billion, and says that only \$5 billion—3%—of those losses were caused by fraud. Ely says that the biggest chunk of losses, \$43 billion, comes from interest costs on the pre-1983 thrift losses; followed by \$28 billion in real estate-related losses; \$25 billion in pre-1983 losses; and \$14 billion to repay depositors.

Industry and government sources estimate that the government will recoup far less than \$1 billion, and economists say that government officials attribute the mess to fraud because it's easier to do that than to explain why they delayed the cleanup and added to its cost, the *Journal* said.

Gen. Monahan says SDI more urgent than ever

Gen. George Monahan, the recently retired head of the Pentagon's Strategic Defense Initiative Organization, said the SDI is more

necessary than ever because of perestroika, in a commentary in the July 19 *Los Angeles Times*.

Monahan states that the number-one reason to deploy the SDI remains the Soviet Union, which is more of a military threat than ever. "Perestroika has made the Soviet Union more dangerous" because "stability cannot be assumed," Monahan said. "We now spend more than \$5 billion a year not to grow crops. The 1991 SDI budget request is \$4.6 billion. Isn't spending money to protect ourselves a better investment?"

The Government Accounting Office released an 11-month study July 18 on the progress of SDI research. It concluded that the managers of the SDI office will not be able to give competent advice by early-1993 in respect to deployment. President Bush had said that he wanted to decide by January 1993 whether to deploy the SDI.

Auto contract talks open in Detroit

Contract talks between the United Auto Workers and General Motors opened July 18 in Detroit. The current UAW contracts with all three major auto manufacturers expire Sept. 14.

The UAW has put forward militant demands for job security and preservation of health care insurance benefits, while the "Big Three" auto companies—badly hurt by a collapsing economy and erosion of market share to foreign companies—want to slash costs at union expense. Neither side can afford a strike as the companies would suffer an even further deterioration in market share, while for the union, a strike would push companies to contract out more work to non-union companies and workers.

A strike could also severely add to the ongoing depression. But, because these contracts are seen as the pace-setter for all labor agreements this decade, there could well be a strike. Inventories in the industry are high; in the recent period, imports of Canadian-manufactured cars have risen to swell those inventories even further. That could presage that the companies—GM in particular—are girding for a strike.

● **TEXAS SHRIMPERS** are being pressured by eco-fascists to go out of business, after 31 sea turtle carcasses washed ashore in the week after shrimping season opened July 8. By July 19, five shrimp boat captains had been arrested for failing to use Turtle Excluder Devices.

● **1.3 MILLION** Americans per year are murdered through euthanasia, according to an article in the July 23 *New York Times* which promotes the use of living wills.

● **TOM HAYDEN** said that his efforts to turn California green is "the most productive four years of my own political life," in the July 12 *Chicago News and Review*. "The Big Green Initiative allows California voters to set an environmental agenda for the next 20 years."

● **ADM. JAMES WATKINS**, the Secretary of Energy, is currying favor with the environmentalists because he wants to run for the U.S. Senate, a former DoE official has said. Watkins said July 11 that a study would reveal radiation dose rates as high as 3,000 rad to residents near the Hanford, Washington, Manhattan Project site in the 1940s, but his press office told *EIR* they do not know where he got that figure.

● **U.S. JUDGE** Eugene Spellman of Miami said July 19 the Immigration and Naturalization Service has "routinely engaged in underhanded tactics in dealing with Haitians seeking asylum in this country, and has singled them out for special discriminatory treatment."

● **ELEVEN FEDERAL** agents raided the home of a North Dakota tax accountant on July 11 with guns drawn and wearing bulletproof vests, seizing records pertaining to her farmer clients. Her invalid husband and two children under 6 years old, were at home.

Editorial

Who is to blame?

At first glance, one might become seized with horror at the spectacle of 90 U.S. senators supporting the Omnibus Crime Bill. The bill appears to be a return to the Dark Ages, with its expanded definition of what constitutes a capital offense. Are we soon to come to the point where a pickpocket can be executed, by lethal injection or electrocution, for his crime?

Certainly, the bill targets political movements in the United States such as the National Rifle Association and various of the more militant farmer organizations. It will also create a climate in which the new FBI "shoot a fleeing prisoner" guidelines become even more ominous.

What must be borne in mind, however, is that the Senate was not acting in isolation, but was merely reflecting a bitter, frustrated mood in the American population.

Fury is certainly on the rise. It is estimated that about 70% of all Americans are at the point where they want to see drug offenders—i.e., drug pushers—hung. Many are also in a rage about the threat to their life-savings. *EIR* has long warned that such would come to pass—particularly from 1982 on, and most emphatically since 1984. We have documented the process which has now led to the imminent collapse of the U.S. banking system.

If people had listened to us earlier, and if they had acted on our warnings, then they would have no reason now to fear for the safety of their bank accounts and jobs.

Now, lynching is popular, because of the drug issue, and because the economic basis of existence of most of the population is vanishing. It is especially popular among those who are losing their jobs and their savings, and those who, if not their homes, are losing their equity in their homes, and who find themselves a couple of paychecks away from becoming homeless.

And so people seek a human sacrifice—someone on whom it is acceptable to vent that rage.

This profile of the popular mood is picked up by the pollsters, and election campaigns are modeled ac-

cordingly. We saw that in the last year's elections, when incumbent candidates for state office ran on their boast of the number of people who had been executed during their terms. And that is what we now see reflected in the unbelievable barbarism coming out of the Senate in the form of the new Omnibus Crime bill.

It is important to address this growing climate of barbarism. It is not sufficient to castigate those 90 senators who went on record supporting the bill; what we must address, is the flaw within the American population itself.

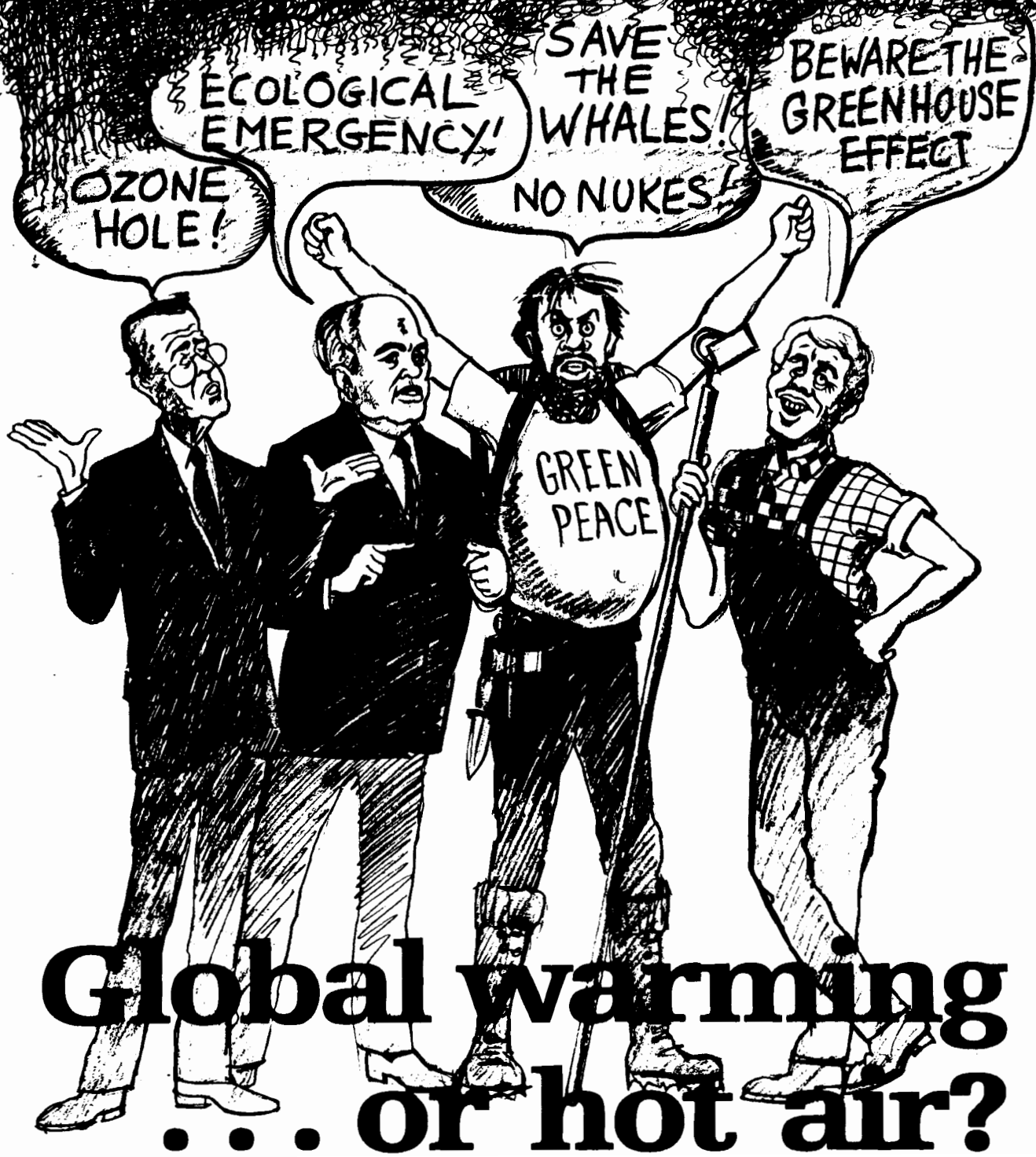
In the days of apparent prosperity, as the productive economy of the United States was being systematically gutted, most Americans were willing to accept the myth of prosperity, just as they willingly adopted other popular fashions. Many went along with the new, trendy hedonism of the "singles" culture, recreational drugs, and the works. They subscribed to the lies of the "choice" and right-to-die lobbies—because it was fashionable to do so.

And that is how a nation is destroyed. A republican system of representative government is turned into a mindless gaggle, a democracy ruled by a popular opinion which is skillfully molded and manipulated by the mass media. Then the caprices of popular opinion become a substitute for law.

Most Americans nowadays have swallowed the environmentalist myth, and have bought the fantasy of a post-industrial society. They have bought deregulation and the "flea-market" policies which have governed the United States, emphatically since Jimmy Carter installed Paul Volcker as head of the Federal Reserve.

And now, these people are threatened with destruction. If they don't look now at the way they have been manipulated, and act to reject it, then they will surely be destroyed.

This is not the time to make a scapegoat out of some immoral fool who had his hand in the till. It is more than the time for a national reckoning. It is a time to find out how we let things get into this mess, and what we must do to turn the situation around.



The environmentalists say that "industrial pollutants" are heating up the world's climate-what a hoax!

First, the evidence that such a heating is occurring is dubious; if it is occurring, what *can* be proven is that industrial emissions are not the cause. And the "remedies" proposed by George Bush, Mikhail Gorbachov, and the other "greenies" will only make things worse.

Executive Intelligence Review's Special Report, "The 'Greenhouse Effect' Hoax: A World Federalist Plot," assembles the scientific evidence, and analyzes the political purpose behind the hoax: the drive to use "ecological emergency" as the pretext to destroy the sovereignty of nations.

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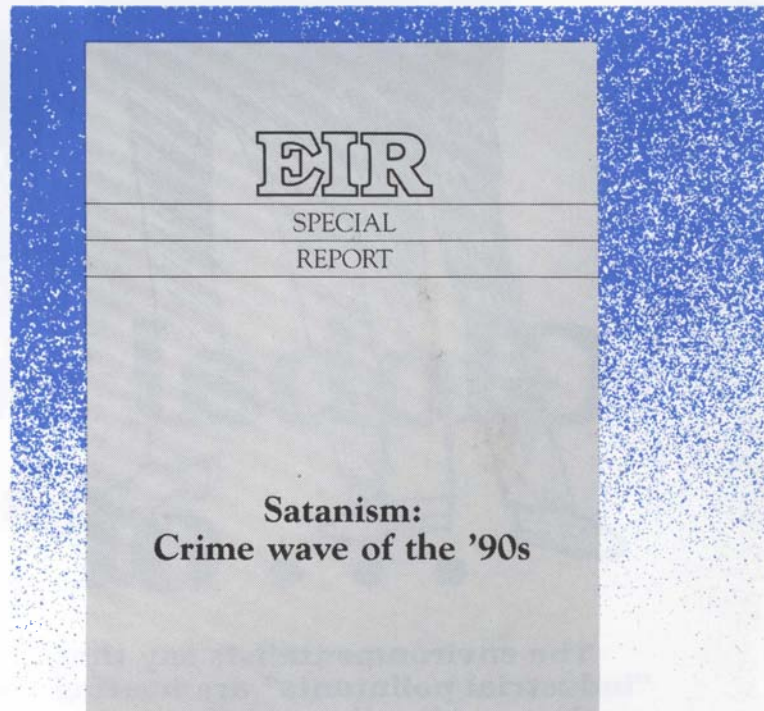
Crime Wave of the '90s

Who is right?

New York Archbishop Cardinal John O'Connor has denounced heavy metal rock as "a help to the devil" and said that "diabolically instigated violence is on the rise." (March 4, 1990)

But the Federal Bureau of Investigation's expert, Kenneth Lanning, claims: "Far more crime and child abuse has been committed in the name of God, Jesus and Mohammed than has ever been committed in the name of Satan." (June 1989)

Read the definitive study by *EIR's* investigative team, including: The Matamoros murders; Manson; the Atlanta child murders; the satanic roots of 'rock.' Plus, "The theory of the satanic personality," by Lyndon H. LaRouche, Jr. Learn the extent of the satanist epidemic, who its high-level protectors are—and why some officials want to cover it up. 154 pages.



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