

# EIR

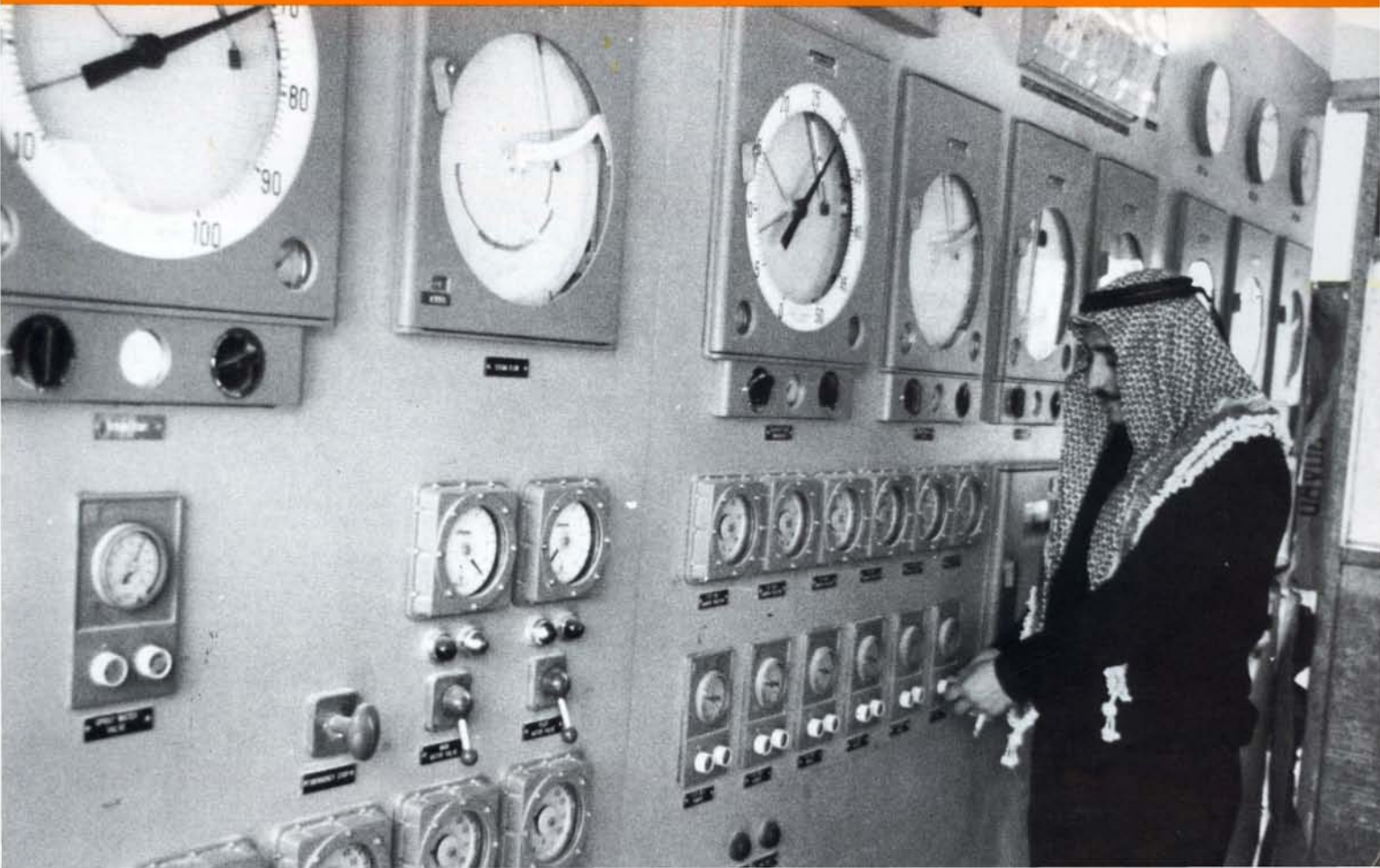
Executive Intelligence Review

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German unity set for October; could stop war  
Bush flies from reality of financial collapse  
FBI covers up satanism in Nebraska scandal

**LaRouche outlines steps to  
lasting Arab-Israeli peace**



## The Anti-Defamation League's top "fact finder" says she worked for CIA—but her credentials stretch all the way to Moscow.

Court revelations prove that Mira Lansky Boland, a key private player in the U.S. government's "Get LaRouche" task force, is part of the U.S. intelligence network which will do anything for Mikhail Gorbachov—a network which was first exposed by *EIR*.

# EIR

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## SPECIAL

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## REPORT

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### The Kalmanowitch Report:

# Moscow's Moles in the Reagan-Bush Administration

with a preface by Lyndon H. LaRouche, Jr.

On December 23, 1987, some were shocked at the news that Israeli playboy and arms trafficker Shabtai Kalmanowitch had been caught working as a top agent for the Soviet KGB. But it was no shock to Vice President George Bush's "secret government," which had just finished brainwashing President Reagan into swallowing Moscow's phony "peace" treaties.

For more than 20 years Moscow has been using the Israeli intelligence services as a conveyor-belt to place its agents high within the U.S. government. Jonathan Jay Pollard, who was caught passing U.S. secrets to Israel—secrets which ended up in Moscow—is only notable because he got caught: The man who recruited him, Uri Ra'anani, is still walking free, along with another of Ra'anani's students, Mira Lansky Boland of the ADL.

The Kalmanowitch Report tears the mask off this network, which has been involved in virtually every

dirty deal coming out of the White House, the State Department, the CIA, and the Justice Department during the Reagan-Bush tenure—from Oliver North's Iran-Contra guns-for-drugs deals, to the spreading of Soviet disinformation throughout the U.S. news media, to forcing Soviet Jews to become cannon-fodder for a genocidal war in the Middle East, to framing up the author of the Strategic Defense Initiative, Lyndon LaRouche.

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# EIR

## From the Editor

The same British planners who plunged us into two world wars are about to do it again. While peace efforts by the Vatican, and others, are still ongoing, the pace of events points toward war in the Mideast. In the *International* section pp. 34-48 and in *Economics*, pp. 4-10, we address the major facets of the Gulf crisis as we go to press, while our *Feature* presents Lyndon LaRouche's outline for the basis of an enduring peace, if British manipulations are outflanked.

An apparent irony arises because of the conjuncture of the build-up of the Anglo-American war machine in the Middle East just as—in a certain sense—the unfinished business of the Second World War comes to a conclusion with the historic reconstitution of the German nation: As of Oct. 3, there shall be one Germany, with a single President, a single head of government, and a joint parliament, for the first time since November 1932. The decision received its final ratification by the East German parliament on Aug. 24 (for the events leading up to this, see p. 49).

The confluence of this joyous historic event and the brutal threat of war, is only an apparent irony, because, of course, one of the primary motives of the British in bringing the world once again to the brink of war, has been to stop the reemergence of Germany. For the British, a reunited Germany as a republican force for world development is intolerable. "Wasp warrior" George Bush (to use *Newsweek's* label), Henry Kissinger, and the degenerate British aristocracy would much prefer total war to the threat of LaRouche's "Productive Triangle" proposal functioning as a center and stimulus for world development (see *Science & Technology*, p. 22).

The peoples of the world may be facing a bitterly hard time ahead, but we must keep before us the goal of a new renaissance of the human spirit—as typified by the victories this year of the resistance movements which have prevailed against Soviet tyranny. In that spirit, we congratulate Patriots for Germany founder Helga Zepp-LaRouche, whose birthday Aug. 25 was celebrated in the wake of the announcement of the German unity for which she has worked so well. Our next issue, dated Sept. 14, will come out following the Labor Day holiday.

*Nora Hamerman*



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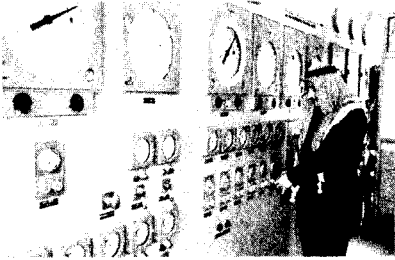
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## Dow Jones: Nation's 'top indicator' indicates nothing

by Anthony K. Wikrent

U.S. political prisoner Lyndon LaRouche said on Aug. 17, "It is apparent that this week is a crucial point of inflection in international financial markets. This is *part of*, if not *the* turning point in the economic situation, the monetary situation. . . . I indicated, in my next-to-last forecast, back in spring-early summer of 1989, that the Anglo-American markets, and the international monetary system, would go into a crisis, probably—that is, with a 95% probability—somewhere between October of 1989, and about April of 1990. In fact, it did go into such a crisis, but some of the implications of the crisis were masked in the news reporting, by virtue of the various kinds of circuit breakers put into the system. The bailout efforts with the circuit breakers masked somewhat, from the standpoint of reporting in financial markets, the degree of crisis which actually did occur during that period."

Since July 17, 1990, the day the Dow Jones Industrial Average peaked at 2,999.75 points, the world's major stock markets have dropped precipitously. The Dow has collapsed 17%, the Tokyo Nikkei 28.5%, the Frankfurt and Zurich markets about 20%, and London has slipped over 10%. The slide in the markets is obviously being precipitated by the Gulf crisis, but it had to come sooner or later, as a distorted reflection of reality: The physical economy of the United States has been in a depression since at least 1982.

How, then, have the financial markets been made to appear that such is not the case?

### The new, deregulated stock market

Unlike 30 or 40 years ago, U.S. financial markets today are dominated by large institutions, able to deploy billions of dollars into such arcane procedures as index arbitrage, and to execute trades involving tens of thousands of shares with

market values of hundreds of millions of dollars. The large brokerage houses, such as Morgan Stanley, Goldman Sachs, Salomon Brothers, or CS First Boston, have become major market makers, rather than mere agents for those desiring to sell or buy stocks; they now derive 20-40% of their profits from trading for their own accounts. These houses have developed sophisticated computer programs for "program trading," the purchase or sale of a *group* of stocks—often hundreds at one time—rather than an individual stock. During a typical day on the New York Stock Exchange, about 10% of the volume is done by program trading.

Thus, U.S. financial markets are no longer the vehicle by which capitalists raise capital by selling shares of ownership to the public. Nineteen years of financial deregulation have allowed monstrous concentrations of wealth to displace individual investors. In 1975, only 26.6% of the total shares traded on the NYSE involved transactions of 5,000 or more shares, while 42.1% of all trades involved transactions of 100 to 900 shares. By 1980, this ratio had been reversed, with 43.1% of NYSE trades involving transactions of 5,000 or more shares, while 24.7% of all trades were of transactions of 100 to 900 shares. In 1988, fully 67.6% of all NYSE trades were transactions of 5,000 or more shares, and only 13.6% were transactions of 100 to 900 shares. Morgan Stanley's computerized trading programs alone determined 3 of every 100 shares traded in the first three months of this year.

Very few individuals can afford to own, let alone trade, 5,000 or more shares of any stock traded on the NYSE. The individual investor normally trades far below 500 shares. Many trade less than 100 shares, which is known as "odd lot" trading. In 1970, odd lot trading accounted for 5.95% of all trades on the NYSE, but by 1980, it accounted for only 1.81%. In 1988, odd lot trading was just 0.65% of the NYSE

volume.

There is an essential difference between investing and trading. As the forces that dominate the stock market focused less and less on ownership of a particular company's stock, they began to focus more and more on short-term speculative gains via any number of financial manipulations. The most notorious has been index arbitrage, wherein computer programs are used to "capture" the difference in price between a "futures contract" to buy or sell certain stocks at a specified price at a specified point in the future, and the actual price at which those stocks are trading on the stock market. One of the few things that seems to make any sense when one looks at U.S. financial markets today, is the assumption of index arbitrageurs that the price of a futures contract ought to be closely related to the prices of the real stocks on which it is based.

### **A speculative bubble**

For example, on July 23, when U.S. financial markets were hit in the first half-hour of the day with heavy selling by Salomon Brothers and Goldman Sachs—supposedly on behalf of European clients—the two firms "soaked up a lot of selling pressure" by purchasing about 450 Standard and Poors 500 futures contracts at \$178,900 per contract, according to accounts by traders at the Chicago Mercantile Exchange that appeared in the *Wall Street Journal* the next day. The *Journal* noted that if Salomon and Goldman bought the contracts for their own accounts and held them until the close of trading, Salomon made \$750,000 and Goldman Sachs made \$450,000 in that one day.

The particular contract mentioned above—the S&P 500—is an index futures contract, and its very name is a good indication of why such financial futures have even less connection to reality than the stock markets. The owner of a futures contract does not own anything that has to do with any particular company. The S&P 500 futures contract is essentially a wager that the S&P 500 index, computed from the individual stock prices of 500 companies, will be at a certain level at the specified date. It is nothing more or less than elaborate gambling.

At over \$100,000 for a single contract, the futures markets are almost exclusively the preserve of large, well-funded institutions. The value of financial futures traded is now over 150% the value of the underlying stocks traded. According to Kurt Brouwer, of Brouwer and Janachowski in San Francisco, \$230 billion in equity holdings, or 10% of the NYSE, is now indexed.

### **The Wall Street lemmings**

This brings us to the absurdity of measuring the well-being of the financial markets—and the U.S. economy—by using the Dow Jones Industrial Average. Assume that traders on the floor of the NYSE are manically engaged in a market selloff. As the different traders seek desperately to unload

their holdings before "the bottom falls out," they accept lower and lower prices at which to sell. Stock prices plummet. The market indicators—such as the DJIA (which is comprised of only 30 stocks) or the S&P 500—also plummet.

Whatever has touched off the selling frenzy in New York—whether a new corporate bankruptcy or news that George Bush was force-fed broccoli by an enraged pensioner—is expected to be reflected in the behavior of the financial futures, the most popular of which are traded on the Chicago Mercantile Exchange and the Chicago Board of Trade. Remember that financial traders no longer pay much attention to individual companies. Traders now search out and seek to exploit *trends*. The bankruptcy of a single big company might start the trend of its many creditors also going bankrupt.

But what happens if, instead of collapsing, the price of financial futures contracts begins to rise? Traders in New York will look at their screens reporting such action in Chicago, and begin to fear that their selling may have been based on incorrect information or a mere rumor; that there is no new "trend."

Since the margin required to buy a financial futures contract averages only 7% compared to 50% to buy actual stock, a relatively small amount of money can create quite a large impression. It does not matter that the DJIA reflects the price movements of only 30 of the over 1,600 issues traded on the NYSE: The DJIA is a very convenient indicator of a trend. There have been repeated reports that when the markets have begun collapsing, the federal government, acting through a select group of brokerage houses, such as Morgan, Salomon, and Goldman Sachs, has purchased enough stock index futures contracts to drive up the market indicators, causing stock traders to doubt the veracity of the information on which they based their decision to sell. A new "herd mentality" is thus created, and traders await further developments rather than sell. Moreover, market authorities now impose "circuit breakers": When a particular index falls too rapidly, the relevant futures contract is simply not allowed to trade at a lower price for a period of time.

According to reports, the vehicle the government most likes to use for its forays away from the "free market" is the Major Market Index, comprised of only 20 stocks, 17 of which are on the DJIA. "It's the most convenient way to move in and out of the market fast," observed Kurt Brouwer.

If it weren't for the fact that all these gimmicks have masked the reality that the real U.S. economy has become a heap of scrap, the ease with which the herd mentality of the traders can be directed and manipulated would be merely amusing. As David Bostian, an independent Wall Street analyst, observed of the 76.74 DJIA point sell-off of Aug. 23, "It's the classic herd instinct. No one anticipated the market going down, but the Gulf crisis changed all that. They're all wondering what's going to happen next. It's an amazing phenomenon: They're paid incredible sums of money to act like a bunch of lemmings."

# LaRouche: Bush in 'flight forward' from financial collapse

*Lyndon LaRouche made the following comments on Aug. 14 regarding the policy background to the heating up of the Persian Gulf crisis. See also pages 28 and 37 for further observations by him regarding the strategic situation.*

The fact to be featured urgently, at this moment, is that Prime Minister Margaret Thatcher's Gulf caddy, President George Bush, has rushed back from the golf fields in Kennebunkport to Washington, to carry the bag for Mrs. Thatcher's military escalation in the Middle East.

The following facts are to be emphasized:

First of all, as has been made clear by press reports and also by statements from the French government, the United States and Britain, in conducting a military blockade, i.e., an act of war, have gone beyond, and thus violated, the United Nations' earlier order in this affair. They are, in a sense, doing it on their own, putatively on the prompting of the ousted Emir of Kuwait.

The French, and others, are now rushing to distance themselves from the United States on this matter, as is Moscow.

What this represents, is what is called in military science, a "flight forward" by George Bush, who is seeking, obviously, a refuge from the collapse of the U.S. economy, by a



Philip Ulanowsky

*"If somebody is to be held to blame for the conflict in the Middle East at this time, it is the British Establishment."  
—Lyndon LaRouche*

dangerous military adventure in the Middle East.

The facts are as follows.

The entirety of this particular form of conflict was initiated, not by Saddam Hussein of Iraq, but by British intelligence. The name, rank, and serial number, of the British intelligence operatives controlling the present government of Israel, and orchestrating the Arab reactions, are known. If somebody is to be held to blame for the conflict in the Middle East at this time, it is the British Establishment—particularly a section of the Establishment which includes Hollinger, Maxwell, et al., and Lord Carrington, of course: Henry Kissinger's friends.

This is extremely dangerous. It turns the Middle East into something analogous to the Balkans on the eve of World War I. George Bush is in over his head, way over his head. He has no understanding of how history works; he's working from a blind, personalist conception, seeing himself as the virtual emperor, and demanding that everyone get in line with whatever caprice he has just recently emitted from his mouth. This is dangerous; it is out of control; and, Mrs. Thatcher, apparently, is controlling George Bush every step of the way. This is a dangerous and disgusting situation.

## There is a way out

What we are going to have to do, if we wish a way out of this mess, is to come down a bit, and look at the offer which Saddam Hussein has made, or the proposal he has made, for implementing *all* of the U.N.O. resolutions, and the spirit of those resolutions outstanding, on the Middle East. That is: Israeli withdrawal from the occupied territories, including those in Lebanon; Syrian withdrawal from the occupied territories in Lebanon; and, so forth and so on, including the Iraqi occupation of Kuwait. Such a course of action, such an initiative, would tend to bring the situation in the Middle East under control, and take it down from the present point, at which it is a cockpit for potential larger war, in which it is already a cockpit of inspiration for outbursts of international terrorism, on perhaps an unprecedented scale, right now.

So, if George Bush will come to his senses, we will back down from this a bit, and go to find a Western nation to sponsor what Saddam Hussein has offered, perhaps coming from a different source than Saddam Hussein, and go to work on it, with the idea of re-orchestrating the process of developing an Arab initiative, on the Iraq and related problems—an initiative which is keynoted by the proposition: The time has come to clean up the Middle East mess. That is, Israel out of the occupied territories, including those of Lebanon; Syria out of occupied territories in Lebanon; a straightening out of the remains of the Iraq-Iran war; and Iraq's pullout from the area of Kuwait.

That would be a statesmanlike act; that would be an end to George Bush's present, highly dangerous flight forward posture.



# British Greens welcome shutdown of Middle East oil

by Mark Burdman

During June, *EIR* contributing editor Lyndon H. LaRouche issued an alert that the Mideast was rapidly heading toward war. LaRouche warned that the responsibility for planning a Mideast war lay with the British and the controllers of the environmental movement, based especially out of Britain's Cambridge and Oxford Universities. Such individuals want to shut down a good deal of the world's oil supply to bring about their new order of ecological paganism and Gaia-Mother Earth worship. In LaRouche's view, a series of controlled wars, highlighted by an Arab-Israeli war, together with planned devastation in the Third World, would also deal with what these elites see as "the population problem."

As the crisis erupts, Britain's ecologists are gleeful over the prospect that the Gulf crisis will bring about a new era of "conservation" and "sustainability." Senior British elites are equally excited that the crisis initiates a new era of North versus South conflicts, over demographic and "environmental" crises.

The former view was explicitly stated in a London *Guardian* feature Aug. 17, which began: "Do the war clouds over the Middle East have a green lining? Has Saddam Hussein done the planet a good turn by rolling his tanks into the heart of the world's premier oil-exporting region, by pushing up oil prices?" Writer Fred Pearce said British Greens had best play down their enthusiasm or else a headline in the British press could read, "Greenpeace backs butcher of Baghdad." The ecologists have to be publicly diplomatic, he asserted, but privately, "they know that any rise in the price of oil should be good for many of the Greens' dearest desires, including energy conservation and the development of cleaner sources of energy that could stave off the greenhouse effect."

Stewart Boyle, formerly of Friends of the Earth and now with the Association for the Conservation of Energy, told Pearce: "Oil does not pay its way. It produces carbon dioxide and the greenhouse effect, urban smog, benzene pollution and many other hazards. None of this is reflected in prices, so alternative cleaner fuels such as wind, wave and solar power are at a disadvantage. *Anything that can even out the playing field must be a good thing*" (emphasis added). Another ecologist, Michael Oppenheimer of Environmental Defense Fund in New York and author of a book called *Dead Heat*, told Pearce that the Iraq crisis would "jolt" the world toward a "new era" in which oil use is phased out. In Pearce's

view, such factors outweigh arguments that environmental restrictions on oil exploration and drilling be ended.

Walter Schwarz, in an Aug. 17 *Guardian* commentary, also argued that the Gulf crisis might create an opportunity for British Prime Minister Margaret Thatcher to lead the world into a "new civilization based on sustainability, freed from the myth of endless growth in a finite world." Schwarz advised Thatcher to use World War II-style "Dig for Victory" propaganda to get people to change their habits and support such things as organic farming. "The British like doing their bit, and Mrs. Thatcher is good at appealing to the patriotic instinct. She is also concerned about the threats to the climate, the environment and the ozone layer—among which cars and power stations are prominent. She knows the power of symbols and gestures," he wrote.

On June 29, a Cambridge University environmentalist had prefigured such reactions to a Mideast crisis when he told a journalist that "an oil shutdown would have a beneficial effect, since people could then get away from their unnecessary dependency on using oil. . . . I don't worry about an oil shutdown, it could be a good thing." Cambridge was then advertising itself as the best site for a new "European Environmental Agency," claiming that it had an "unrivaled network of world-class environmental institutions" centered around its new Inter-Disciplinary Environment Center.

On Aug. 19, the London *Observer* leaked a report prepared by the Inter-Governmental Panel on Climate Change. One recommendation is for an *immediate* 60-80% reduction in the use of fossil fuels in order to combat the "greenhouse effect" and the danger of "global warming." (*Observer* owner "Tiny" Rowland played a key role in fomenting the Iraq crisis, as *EIR* has documented.)

On Aug. 20, Boyle told the London *Times* that the Gulf crisis might "get the Americans off the fence" in their support for the IPCC recommendations and in implementing energy-conservation measures and reduction of use of fossil fuels in the United States.

The IPCC, which operates under the auspices of the U.N., is largely British controlled. Until now, there has been resistance in the U.S. to implementing the drastic IPCC recommendations. But now, the British think, the U.S. will have been greatly softened up.

Here enters Thatcher and links between the Gulf crisis

and the “climate change” issue. Thatcher visited a major “climate change” research institute while she was in Aspen, Colorado, over the Aug. 2-5 period when she was otherwise busy “stiffening George Bush’s resolve” against Iraq, as the British press has been phrasing it. Before the Gulf crisis erupted, her agenda had reportedly included weakening U.S. opposition to the IPCC program.

One meeting between Thatcher and Bush on the Gulf crisis occurred at the ranch of Henry Catto, U.S. ambassador to Great Britain and a longtime friend of Bush. Catto’s wife, Jessica Hobby Catto, one of the wealthiest women in the U.S., is one of the biggest patrons of the U.S. Environmental Defense Fund.

### **Sir Crispin Tickell and the global agenda**

Britain’s ambassador to the U.N., Sir Crispin Tickell, has played a pivotal role in the Iraq crisis and “climate change” diplomacy. Tickell is one of the chief architects of the U.N. Security Council resolutions and in the coordination of diplomacy among the five permanent members of the U.N. Security Council—the U.S., Soviet Union, Britain, France, and China. According to the Aug. 8 London *Times*, Tickell has hosted “historic meetings” at his residence in New York since 1987, of the five permanent-member ambassadors. Beyond this, the *Times* reported, he is a “dedicated environmentalist,” having written a book in the late 1970s entitled *Climatic Change and World Affairs*. He stressed to the *Times* the importance of “the arrival of what I call the Global Agenda, the big issues such as the environment, that cannot be dealt with in any other way. In my judgment, the U.N. now has a reasonable chance of going back to what was originally planned for it.”

Tickell is not only the chief diplomatic figure in pushing the “climate change” hoax, but has also been key in spreading the analysis that the threat to the northern countries in the coming years will arise from the migration across borders of tens of millions of so-called “environmental refugees.”

Tickell is one of Thatcher’s closest advisers on environmental matters along with James Lovelock, the author of the pagan Gaia hypothesis and recipient of the Order of the British Empire, and Sir James Goldsmith, the disreputable international financier and business associate of Lord Jacob Rothschild, whose brother “Teddy” is the *éminence grise* behind the British and continental European environmental movements. Sir Jimmy has reportedly sold Thatcher on the virtues of the neocolonialist idea of “debt-for-nature” swaps with Third World countries.

### **An invasion of Brazil?**

Sir Crispin was one of the select participants at a June 21-24 meeting of predominantly British and American policymakers held at the Ditchley Estate near Oxford, on the theme, “Elements of Change in International Relations: A Foreign Policy Agenda for the 1990s.” *Financial Times* of

London correspondent Edward Mortimer on June 26 likened that meeting to the post-World War I Versailles Conference and to the post-World War II Yalta, Dumbarton Oaks, and Bretton Woods conferences. In retrospect, it might be surmised that that meeting was the inception in Anglo-American planning for a war in the Mideast and for an era of North-South conflicts. One participant said that the key future problems facing NATO would include “the environment and population migration from the South to the North.” As Mortimer commented on the Ditchley meeting: “What worried the Europeans most was the prospect of large-scale population movements, heading toward Western Europe from East and South.” This had replaced the Russian threat as “our main preoccupation,” he said.

One of Sir Crispin’s British co-thinkers on the Ditchley Park-Trilateral Commission circuit stated privately Aug. 22, that “there was quite a lot of plausibility” in the view that future global conflicts would be “North versus South.” He said he did not rule out such future contingencies as an attack by Northern countries on Brazil over an “environmental” conflict, and stressed that the Persian Gulf crisis was important to “highlight” the emerging strategic reality.

Sir Crispin’s co-thinker, who had been in the 1960s Harold Wilson Labour Party government, said that a key problem was “rapid population growth in the Third World—more and more of them every year. The pressure on the North from the South over control of resources contains the seeds of conflict. The South has us over a barrel, they have to be made to stop doing things which are destructive to our quality of life. They have to be heavily bribed, and this could engender a real conflict.

“I’ve always thought that North-South conflicts were more important than the East-West conflicts. I’ve never believed there was really an East-West conflict in the first place. But now we have the obvious disappearance of the East-West conflict, as the Russians become more and more preoccupied with their internal problems, which might indeed be insoluble. So we can deal now with the more important conflicts, of rich and poor. And, of course, the military dimension of this problem has now been highlighted for us by Saddam Hussein,” he said.

He said that Iraq was one of 10-12 Southern countries that either had, or would have within 10 years, a nuclear capability. “Look, India and Pakistan may start dropping nuclear bombs on each other.” He stressed that “as the environmental crisis grows, and becomes more widely appreciated, there will be more strident demands for the South to do things they won’t like. They will have to be bribed, and that involves very large potential resources. Looking some way down the road, I could see an intervention into the South. It’s not too fanciful in my mind, that there could be a military act against a future government of Brazil, if that country keeps destroying another 1 million hectares of rain forest in the Amazon.”

# Brazil bows to U.S., dynamites its relationship with Iraq

*In the 1970s, Brazil's relationship with Iraq was an exemplary case of two developing countries putting together their brains and their resources to progress together. After the Baghdad government nationalized the Iraq Petroleum Company in June 1972, the Seven Sisters oil cartel thought it could force Iraq to its knees by imposing an embargo on the technology needed to develop the oilfields. The Brazilian state oil company, Petrobrás, short-circuited the cartel's plan. It discovered and brought into production a major oilfield in Iraq. Until recently, oil-rich Iraq provided oil-poor Brazil with a guaranteed flow of oil at stable prices. In exchange, food-rich Brazil provided Iraq with a guaranteed flow of foodstuffs. Thousands of Brazilian engineers and skilled workers went to Iraq to design and build the nation's railroad and road system. The Brazilians transferred their technological knowledge in many areas to new Iraqi engineers and technicians. It was perhaps the most successful example of "South-South" cooperation overcoming obstacles to development placed by the neocolonialists.*

*The following is a condensation of a memorandum prepared by EIR's Rio de Janeiro bureau, and circulated in Brazil's political, military, industrial, and church circles. It details the chronology of Brazil's succumbing to U.S. pressures to break off its relationship to Iraq, and redirecting its foreign policy to suit the designs of a superpower condominium, following the Saddam Hussein government's retaking of Kuwait.*

The immediate and unquestioning acceptance by the Brazilian government of the sanctions imposed on Iraq is a dangerous precedent which offends national sovereignty and subjects the country to the international condominium between the superpowers.

This grave precedent cannot be viewed as an isolated incident. It is but the coronation of the new Brazilian government's submitting the country to the "universalist" delirium widespread among its diplomats, by which national initiative would be subordinated to one-world government, which would rule in the name of "world peace."

In the case of the Middle East, concrete actions taken by the Brazilian government as part of its new political orienta-

tion helped to isolate Iraq in the wake of an international operation which, in recent months, left that nation without any options for survival. Brazil's attack on Iraq—a traditional ally and major economic partner—began after President Fernando Collor de Mello took office, with the shutting down of the government's trading company, Interbrás. This lucrative Petrobrás subsidiary was responsible for all foreign dealings involving petroleum, and arranged almost 70% of Brazil's trade with Iraq. In 1989, Brazil imported \$1.4 billion from Iraq and exported \$343 million.

In July, Brazil renegotiated its oil contracts with Iraq to reduce its imports by nearly 40% (some 100,000 barrels per day). One week before the current Persian Gulf conflict began, the Brazilian government began negotiating with Iran for that oil.

## U.S. pressures

International orchestration against the Brazil-Iraq partnership was quite evident before Iraq moved into Kuwait. The daily *Jornal do Brasil* reported July 31 on U.S. efforts to thwart the sale of an IBM supercomputer to EMBRAER [Brazil's successful aircraft-manufacturing company]. The argument was that it could be used in an alleged Brazilian-Iraqi nuclear missile project. Two days before, the *New York Times* published a piece by Gary Milhollin, director of the obscure Wisconsin Project on Arms Control. Milhollin warned, "There is a dense network of relations between nuclear bomb builders in Iraq and Brazil." He demanded that the U.S. government stop the supercomputer sale. Milhollin asserts that Brazil "should be party to the Nuclear Non-Proliferation Treaty, have all of its nuclear activities under international inspection, and have a nuclear trade agreement with the U.S. Brazil fails on every count."

The conflict began three days later. Brazil's first reaction was soft. In an Aug. 3 interview in the daily *Folha de São Paulo*, Petrobrás President Luiz Octavio de Motta Veiga said, "The U.S. position of suspending oil purchases from Iraq is not the same as Brazil's."

Several Brazilian dailies reported pressures by U.S. Ambassador Richard Melton. Melton asked Brazil to take tough measures against Iraq. The daily *O Estado de São Paulo*

reported Aug. 8 that President Bush had sent a written personal appeal to President Collor in which he asked him to join the trade boycott against Iraq. According to *Folha* of Aug. 12, the note offered that, "if Brazil enforces the boycott of Iraq, George Bush would intercede with Venezuela, Ecuador, Saudi Arabia, and the United Arab Emirates for them to provide the country with oil."

On Aug. 8, *O Estado* reported President Collor's statements that "our dependency regarding Iraqi petroleum imports today is much less than it was last year; it seems that we even foresaw what would happen." For his part, the secretary general to the presidency, Marcos Coimbra, a career diplomat largely responsible for the current changes in Brazil's foreign policy, confirmed that the new government, long before the beginning of the conflict, had had the intention of putting an end to Brazil's special relationship with Iraq. He was reported in *O Estado* of Aug. 12 saying, "Despite our short time in the government, we were fast enough to anticipate this crisis, promoting changes in the profile of Brazilian foreign trade with the Middle Eastern countries. We increased our purchases from Iran and we fully revised our relations with Iraq."

The Brazilian government's final position was consummated when the United Nations Security Council approved, with no opposition, an economic embargo against Iraq. In a press conference, Brazilian Foreign Minister Francisco Rezek reported that "Brazil has no reason to act separately. Our bilateral commerce with Iraq is not big enough for us to hold a unique position." He also justified Brazil's position of going along with the Security Council, "even though it is a more severe position." He did so on the argument that Iraq's invasion of Kuwait was an "unusual" episode.

### **Superpower condominium calls the shots**

Brazil's foreign policy dilemma was analyzed in a series of *O Estado* editorials July 31 to Aug. 5. The newspaper reported Foreign Minister Rezek's remarks in a July 23 speech at the Superior War College, that "while today's evident neo-détente between Washington and Moscow is being celebrated, we are still witnessing with uneasiness the superpowers' continued preference for dealing with questions relating to the world's security and strategic balance in an exclusionary bilateral manner—or, in the best of cases, through negotiations between military alliances."

*O Estado* assesses, "In the foreign minister's view, the superpowers, having divided up the world, decided that international cooperation would assure a tolerable level of poverty for the Third World." This analysis shows, on the one hand, that Itamaraty [Brazil's Foreign Ministry] is fully conscious of the world's new power axis and has even adopted the notion of a cynical superpower "condominium." On the other hand, there is a big gap between this understanding and the concrete actions it is taking in the Middle East, where Brazil has behaved in obedience to the very condominium it pur-

ports to condemn.

### **Consequences for the future**

The current Brazilian government's actions in the Middle East are undermining the foreign policy independence which Brazil has practiced over the past 15 years. Its attempt to make Brazil part of the "North" is isolating it from the countries of the South. If Brazil discards its independent policy toward Africa and the Middle East, it would tend to be confined to a role in the Western Hemisphere under the tutelage of Washington's neocolonialist approach to the region.

The Brazilian government's enthusiastic embrace of President Bush's "Enterprise for the Americas" scheme for a hemispheric free market, underscores the country's foreign policy dependency, through its new, automatic alignment with the United States, with nothing in return. The U.S. economy is in too big trouble itself to give any real help to the recovery of the Ibero-American economies. On the contrary, the Bush administration will do everything in its power to prevent other developed countries—such as Japan—from helping the subcontinent, and will keep up pressures against Brazil's economic, social, and technological development.

The U.S. government is also likely to pressure, in the name of the world condominium, against the fields in which Brazil has made impressive advances in state-of-the-art technology in recent years. Brazil's autonomous nuclear program and aerospace are two such fields. Brazil's subservient diplomacy in the Middle East conflict can be expected to elicit a new round of pressures for it to sign the Nuclear Non-Proliferation Treaty and to cut the armed forces' R&D budgets to shreds.

The breaking of Brazil's special relationship with Iraq is being seen by Anglo-American strategic planners as an excellent opportunity to dismantle Brazil's military industry and armed forces, as per instructions from the Trilateral Commission for dismantling all Ibero-American armed forces. This strategy was outlined in a document entitled *Latin America at the Crossroads: A Challenge to the Trilateral Countries*, presented to the commission's April 21-22 meeting in Washington, D.C.

President Collor's sympathetic view of the environmentalist assault against national sovereignty will only serve to give that issue greater visibility in the area of foreign relations. Debt-for-nature deals can be expected to proliferate. *Jornal do Brasil* reported Aug. 12 that environmentalist entities have formed consortia for debt-for-nature conversions run by foreign banks, in flagrant violation of Brazilian sovereignty.

To summarize, the new Brazilian foreign policy orientation could make the country pay a very high price. It subjects it to the world condominium's decisions; it renounces autonomous technological development; and it accepts foreign interference in strictly national matters.

# Mexico's AIDS mafia gets a challenge

by Mark Sonnenblick

A campaign by the Mexican Schiller Institute—a policy think tank co-founded by Helga Zepp-LaRouche—for decisive action against the spread of the AIDS virus in Mexico, has provoked sharp responses along both sides of the California border from the local representatives of the “AIDS mafia”—the same grouping which ran hysterical campaigns against two similar initiatives in California sponsored by associates of Lyndon LaRouche.

But unlike in California, the two biggest political parties in Baja California Norte are now competing over which will ride the Schiller Institute's initiative to victory. When sessions resume in September, several state legislatures may be pressed into mandating that the deadly virus be subject to the same public health standards as smallpox and other contagious diseases.

The mayor of Tecate joined with 100 other political and business leaders from Baja California Norte in signing a Schiller Institute open letter to the governor and the legislature published in the state's major dailies on Aug. 11. The letter stated that “our concern is heightened by the admission by the Health Services Coordination officials themselves that the propagation of this mortal disease is out of control and that Baja California could have between 2,460 and 5,000 infected persons.” It noted that even the World Health Organization is beginning to admit that the Schiller Institute was right five years ago when it said “contagion is not restricted to sexual means and blood transfusions, but the virus has been found in all human body secretions. . . . Thus ‘casual contact’ has begun to cause an increasing proportion of new cases. . . . This reality makes evident that prevention campaigns based on the use of condoms are more than useless, and to continue them would be criminal.”

## No rights for the HIV virus

The signers demanded AIDS be treated like other transmittible diseases, with prompt reporting and standard quarantine procedures. They demanded “building an adequate hospital center for those suffering from the disease or who are asymptomatic carriers of it, in order to provide them the human care they deserve and prevent them from being infected by opportunistic diseases or infecting others.” They also called for universal testing of local residents and of people who might be bringing the disease from California. “Human

life is priceless,” it concluded.

Just across the border on the U.S. side, the San Diego *Union* published a lengthy diatribe Aug. 11, datelined Tijuana and reflecting slanders from “AIDS activists here and in San Diego.” It complained that “a group with ties to American political extremist Lyndon H. LaRouche, Jr. has initiated an AIDS campaign in Baja California that would, in part, quarantine people suspected of being infected with the disease”—a standard falsehood used against the California AIDS initiatives.

The Schiller Institute letter had been signed by the president of the Northwest Medical Association and many other physicians. After the fur began flying, the chief epidemiologist of one Baja city met with Schiller Institute president Marivilia Carrasco. He told her, “We have checked into the situation. We completely agree with you. The problem is not the prostitutes nor the homosexuals; the problem is that the AIDS carriers are politicians, journalists, etc. . . . If we were to test, we would find there are 25,000 carriers.” He concluded, “We want to work with you.”

Carrasco then fired off a letter to the *Union's* editor, stating that its article was “dirty, and it attempts to intimidate and even to terrorize those who signed the advertisement in question. It employs the tactics used by the FBI against undesirable political groupings, such as the pro-life movement, Hispanic and Black leaders and people associated with Lyndon LaRouche.” She accused the *Union's* reporter of a gratuitous attack against “political prisoner Lyndon LaRouche, who is known in Mexico for his economic proposals on behalf of the underdeveloped countries, and for whom we have the greatest esteem, but who had nothing to do with the ad we published in Baja California.” The mayor of Tecate also stood up to the *Union* and the AIDS rights mafia and defended his continued support for the Schiller Institute's anti-AIDS policies.

## IMF policies help AIDS to spread

Since April, Dr. Berta Farfán, a physician who also represents the Schiller Institute, has been educating scores of health associations, civic groups, business executives, and labor unions throughout northern Mexico on the AIDS crisis and its implications. Marivilia Carrasco joined her there in July for non-stop radio interviews, press conferences, and forums. They have been explaining how President Carlos Salinas de Gortari's execution of economic policies dictated by the International Monetary Fund (IMF) has caused what Dr. Catalina Eibenschutz calls an “epidemiological emergency.” During the past seven years, Mexico has serviced its foreign debt at the expense of halving the health budget and halving the protein intake of the poor, Eibenschutz reports. Taken together, those conditions have led to an epidemic resurgence of deaths from previously vanquished diseases such as malaria, chicken pox, and meningitis, along with the uncontrolled spread of AIDS.



# Thailand's infrastructure bottlenecks endanger economic takeoff

by Uwe Parpart

By both physical-economic measures and financial indicators, Thailand's economic growth since 1986-87 has been dramatic, comparable only to the rapid economic takeoff of South Korea and Taiwan since the late 1960s.

Spurred by large foreign direct investment (\$5.1 billion in 1989, compared, e.g., to less than \$800 million for Brazil), mainly from Japan, and more recently also from Taiwan and other Asian newly industrialized economies, Gross Domestic Product growth has been in the double digits for the third year running. This has been led by the manufacturing sector (15% in both 1989 and 1990) and construction (19% in 1989 and 22% in 1990), with services (10% in 1989) and agriculture (4% in 1989) lagging considerably behind. Growth is sustained as well by strong domestic investment (gross domestic investment was 29.4% of GDP in 1989) and savings (gross domestic saving was 28.1% of GDP in 1989).

And both the country's external and internal financial positions are sound: The current account was in deficit by \$2.2 billion in 1989, due mainly to large capital goods imports from, and a resulting \$4.28 billion trade deficit with, Japan. Merchandise exports, however, have grown rapidly, tripling from \$7 billion in 1985 to \$21 billion in 1989, and are expected to grow by another 20% this year to \$26 billion. In addition, the large capital inflows in 1989 easily offset the current account deficit to produce a \$4 billion balance of payments surplus, and bringing international reserves to an all-time high of \$14 billion. Domestically, the budgetary surplus grew to \$600 million in the first six months of 1990, double the amount during the same period last year.

The strong performance of the Thai economy in terms of national accounts in many respects mirrors similar strengths and advances in physical-economic parameters. In the 1980s, and especially since 1985, the industrial workforce, both in absolute terms and relative to the total labor force, has increased significantly, from 1.8 million (8% of labor force) in 1980, to 4 million (13.6%) in 1989. At the same time, with the development of several heavy industries (petrochemicals, steel, glass, other chemical complexes), Thailand's industrial structure is becoming more diversified, moving away from the almost exclusive reliance on textiles, electrical and electronics assembly, and food processing of the early 1980s.

The shift in the structure of the labor force from agriculture into industry (and services), though about 60% of the

working population is still employed in agriculture, is also clearly reflected in the changing composition of exports: In 1980, primary commodities (agricultural and mineral) made up 55% of total exports, and manufactured goods 45%; by 1989, this had changed to 32% for primary commodities and 68% for manufactures. As a final, telling physical-economic parameter we record the past 10 years' growth in electricity consumption: 13,000 gigawatt hours (Gwh) or 280 kilowatt hours (Kwh) per person in 1980, 31,000 Gwh or 555 Kwh per person in 1989, with total consumption doubling between 1983 and 1989, and an average rate of increase of 15% over the past three years. Note, however, that even with such respectable recent electricity consumption increases, Thailand's per capita consumption still remains at less than one-fourth that of South Korea.

## The down-side: infrastructure bottlenecks

In a recent, well-publicized speech, Paron Isarasena, president of Siam Cement Group, Thailand's largest industrial conglomerate, sharply warned the government that debilitating infrastructure problems in the transport, communications, and energy sectors had gone unattended for far too long, and continued failure to implement big infrastructure projects was becoming a major threat to further industrial development and economic growth.

"All of these problems have been widely discussed, but little has been done to turn talk into action . . . the problems remain unresolved, causing a slowdown in foreign investment in our country. Some manufacturing concerns are now finding alternative investment destinations in neighboring countries like Malaysia," Isarasena said.

Bangkok's traffic jams are legendary, and a recent Japan International Cooperation Agency (JICA) study came to the conclusion that over the coming decade-and-a-half, a staggering \$10 billion would have to be spent on city traffic problems just to maintain the present average traveling speed of 10 kilometers per hour! No rapid mass-transit system exists, though an elevated train ("sky-train") system is in the planning stage.

Communications, energy, and skilled manpower problems are just as immediate. Toward the end of this year's dry season in late April, Thailand's electricity reserve, the margin of dependable capacity over actual consumption,

dropped to only 6%, compared to a standard safe 16% level. The Electricity Generating Authority of Thailand (EGAT), which controls the bulk of the country's 8,000 megawatt (Mw) installed capacity, had underestimated dry season consumption by 13%. Three new 100 Mw natural gas-fired power units will come on line before the end of this year, but will hardly make a dent in the power problems, when an added 1,000-1,200 Mw annually is required to keep up with present demand growth.

Skilled manpower problems, including especially an acute lack of scientists (other than social) and engineers (a deficit of several thousand per year), are the legacy of an educational system which had never planned for—and, one suspects, never wished for—rapid industrialization and economic takeoff. In 1986, while enrollment in primary education (through grade 6) was 99% of the 6-11 age group, enrollment of 12- to 17-year-olds in secondary education was still a very low 29%, and is estimated to remain below 40% at present (South Korea was at 96% in 1986). Tertiary education enrollment now stands at a rather high 25%, but this figure is misleading, because the bulk of college-level students attend so-called “open universities” with questionable educational standards. And as late as 1985, for example, Thailand's oldest and most prestigious institution of higher learning, Chulalongkorn University, was able to enroll only a handful of undergraduates in its physics program, and only three years ago awarded its first doctoral degree in physics.

Infrastructure and manpower problems aside, regional economic development and associated income disparities define Thailand's most serious longer-term development problem. Most of the past several years' rapid industrial development has occurred in the already highly congested Bangkok metropolitan area (10 million people of a total of 56 million for the entire nation) and in the central region, leaving especially the impoverished northeastern region and the south—including the predominantly Muslim provinces bordering on Malaysia—further and further behind. Large-scale infrastructure, industrial, and agro-industrial development projects for these regions, e.g., the Pa Mong dam (Mekong River) project on the Thai-Lao border with a 10,000 Mw electric and vast irrigation potential, and the Kra Canal project for the southern Thai peninsula, which would readily alleviate regional development disparities and create alternative growth centers away from Bangkok, have long been on the drawing board, but still appear far from implementation. For southern seaboard development, a land bridge across the upper south is now being studied.

### Government attempts to cope

When the present Thai government of Prime Minister Chatichai Choonhavan, a loose coalition of business interests and the military, came to power as the result of the August 1988 general elections, the Thai economic—or rather, business—miracle was already well under way, based initially

on little more than favorable world market prices for Thai agricultural commodities and a tourist and hotel construction boom. That even the proverbial luck of the Thais—drought conditions in China, for example, when Thailand produced bumper rice crops—would not sustain such an economic brush fire, was clear enough.

Already in 1988, however, sizeable amounts of Japanese capital had begun flowing into the country, reaching a level of close to \$1 billion in 1988, up from only \$48 million in 1985. Between 1987-89, Japanese companies submitted 823 investment projects for approval of promotional privileges to the Thai Board of Investment (BOI). Simultaneously, Thailand became the beneficiary of several hundreds of millions of dollars in Japanese official development assistance. Numerous Japanese projects, mainly in the manufacturing sector, which started coming on line in 1988, added depth to the economic takeoff, and luckily for Prime Minister Chatichai, added popular appeal to his government, which most political observers had expected to last six months at best.

The country's infrastructure, however, was ill-prepared for the sudden economic boom, and the government at first did little but replace a few old bricks by new ones to cope with the developing crisis. It behaved, commented a foreign observer, like the suddenly prosperous Chinese shop owner who will cram three times the number of employees and machines into his typical 4×8-meter downstairs shop, string

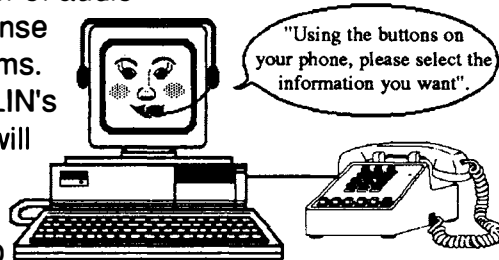
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a few new electrical wires, and hope for the best. Bad times, after all, may come back again as quickly as the arrival of the present good times.

Belatedly, however, and under a good deal of Japanese and other foreign investors' prodding, the government now appears ready to believe in its own and the country's economic success and to initiate urgently needed larger infrastructure and manpower development undertakings. Japan's ambassador to Bangkok, Hisahiko Okazaki, stated in a recent interview that the Thai economy might grow to three times its present size by the end of the century, and that the Japanese government is prepared to assist with the required infrastructure buildup. Still, the bulk of the necessary development financing will have to come out of the government budget, and budgetary provisions for fiscal year 1990 compared to FY1989, show substantial increases in relevant categories. For example: science and technology was up 247%, to a total of \$125 million; transport and communications was up 40%, to a total of \$830 million; education was up 25%, to a total of \$2.45 billion; and the Eastern Seaboard Development Project (including development of two deep-sea ports) was up 99%, to a total of \$56 million.

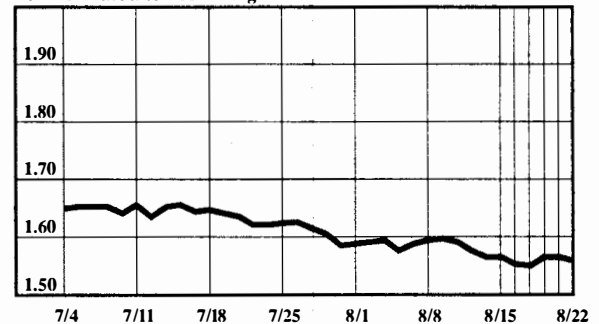
The most urgent and simultaneously most controversial infrastructure development area remains energy. Installed electricity generating capacity will have to double between 1990 and 1995—to about 15,000 Mw—to keep up even with conservative demand forecasts. Since the early 1980s, Thailand has rapidly developed its lignite resources in the north and several natural gas fields in the Gulf of Thailand to save on imported oil for electricity generation. But much as the country's hydroelectric potential (not counting the vast Mekong potential), these resources, natural gas in particular, are now reaching the limit of their further exploitation for energy development with the eastern seaboard petrochemical complexes coming on line. Ironically, between 1976 and 1988, Thailand spent over \$3 billion on oil imports for electricity generation. Had these funds been applied to nuclear energy development as planned in the early 1970s, much of the country's present electricity needs could now be supplied by nuclear power plants. Today, in the southern, eastern, and central regions, nuclear power remains the only long-term answer, while in the north, pending agreement with Burma, the 6-7,000 Mw Salween River hydroelectric project could be developed for joint Thai-Burmese use. For the northeast, pending—and perhaps as part of—settlement of the Indochina conflict, the Pa Mong dam would solve the region's energy problems well into the next century.

Earlier this year, officials of the prime minister's office, of the Office of Atomic Energy for Peace (OAE), and of EGAT began to urge nuclear energy development. In June, EGAT announced plans for a public relations campaign to promote understanding of nuclear power. With Indonesia already having drawn up plans for 10 nuclear power stations throughout the country, Thailand may soon follow suit.

## Currency Rates

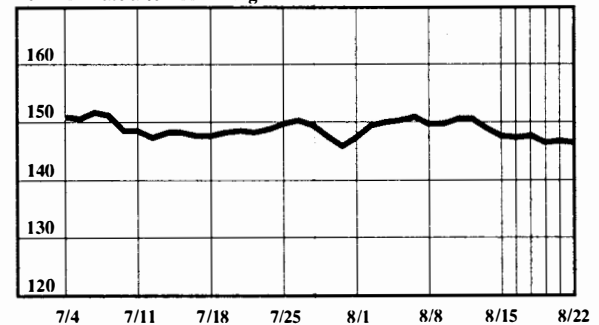
### The dollar in deutschemarks

New York late afternoon fixing



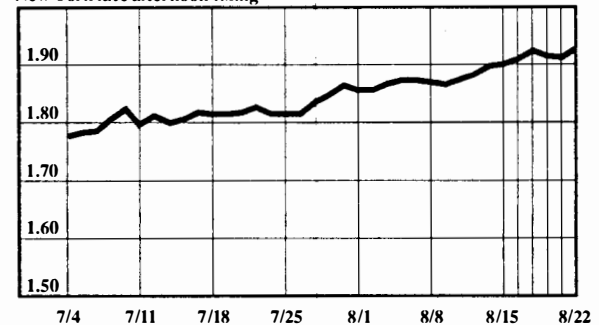
### The dollar in yen

New York late afternoon fixing



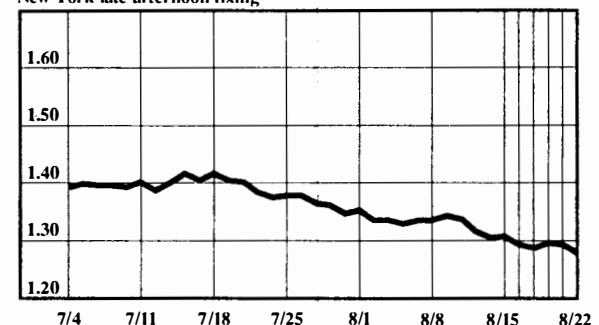
### The British pound in dollars

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing



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## Book Review

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# Argentine foreign minister attacks mercantilism, defends grain cartels

by Florín Doro

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### **La Argentina que pudo ser; los costos de la represión económica**

by Domingo Cavallo, Roberto Domenech and Yair Mundlak

Buenos Aires, Ediciones Manantial S.R.L., 1989  
160 pages

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Domingo Cavallo, the lead author of this mercifully brief econometric analysis of the Argentine economy from 1913-1984, is today that country's foreign minister. Yet he and his co-authors have produced a policy statement—*The Argentina That Could Have Been; The Costs of Economic Repression*—in favor, not of their nation, but of the giant international grain cartels which, for decades, have looted the Argentine economy dry.

Cavallo et al.'s argument is unabashed. Protectionism, exchange controls, and government spending have been bad for Argentina, "repressive." (This is where the book gets its not-very-subtle subtitle from). What is needed, they say, is the standard British liberal fare, an "open economy and fiscal discipline," which will favor the agricultural exporting sector above all:

"It is known in Argentina, when there is prosperity in the agricultural sector, the rest of the economy also benefits. . . . The improvement in agricultural prices is translated into an improvement in the rate of return in the sector, and this leads to higher levels of investment in the entire private sector of the economy."

A sort of Argentine version of the old saw, "What's good for General Motors, is good for the United States."

The policy conclusion which the authors derive from this analysis is that Argentina would have fared far better than it did, if, after 1930, it had fully pursued its "agricultural vocation"—i.e., abandoned industrially oriented inward growth of the economy in favor of remaining a semi-colonial agro-exporter. Cavallo and associates reserve particular ven-

om for the 1945-55 nationalist government of Gen. Juan Perón, complaining that he imposed "strong restrictions on foreign trade" (protectionism), "frequent limitations on the international movements of capital" (capital and exchange controls), and "very expansionary fiscal policies" (dirigist government spending). This led to an unfortunate "strategy of inward development," when it would have been better to have "an economy more integrated with the world markets." Cavallo et al. use their model to "demonstrate" that Perón could have achieved higher growth rates—if he had only cut real wages by nearly 10% per year!

There is a special irony to this. Cavallo is foreign minister in the nominally *Peronist* government of President Carlos Menem, who has, in fact, adopted policies quite similar to those proposed by Cavallo, over the growing objections and hostility of the very Peronist base which elected him. Furthermore, the Cavallo book is clearly designed to intervene in this Argentine economic policy debate, and in the related one raging throughout all of Ibero-America, between the policies of British liberalism à la the International Monetary Fund and those of a growth-oriented mercantilism.

The authors are much more comfortable with the policies imposed on Argentina in the early 1970s by Finance Minister (and Rockefeller intimate) José Martínez de Hoz. They praise Martínez de Hoz's "attempt to open up the economy" internationally, but criticize him for not imposing tighter domestic credit and government spending policies: "An economic opening accompanied with fiscal and monetary discipline would have allowed output to expand to a 10% higher level."

### **Econometric foolishness**

How do the authors reach their erudite conclusions?

Their "analytic framework" is as follows:

- 1) The economy's overall and sectoral *growth rates* are determined by investment decisions taken.
- 2) *Investment decisions* are primarily a result of the relative sectoral prices of wages and capital.
- 3) The key determinant of these *sectoral prices* is the "real exchange rate," which reflects the parity between the

Argentine currency and the dollar.

4) The *real exchange rate* is determined, in turn, by government policy decisions, in particular:

- a) protective trade tariffs;
- b) the exchange rate and controls on it; and
- c) government spending.

This framework is then employed in a relatively standard econometric model, which suffers from all of the flaws that underlie such British liberal economic theory.

● A classically nonsensical *production function* is employed, which is premised on fixed, linear input-output relations which exclude what is actually the fundamental driver of all economic development: deliberate technological change. The authors write, "A production function relates output with amounts of productive resources and technologies employed to obtain it. . . . The choice of technology is dictated by the economic conditions. . . . Argentina is a taker of technology."

● The *demand function* is equally garbage, complete with "marginal propensities to consume" which are "exogenously" determined. As the authors confess in their own words: "Private consumption and investment are determined through models which follow conventional theoretical approaches." Under this approach, "net exports emerge as a residual" after consumption and investment are posited—no mention of the fact that Argentina has been driven to export madly *at the expense* of consumption and investment in order to pay its foreign debt.

● And then, of course, there is plain, old *fudging*, to make the results fit the desired policy conclusions. For example, Cavallo et al. note that in one hypothetical model run, it was arbitrarily "supposed" that "these policies" (the ones they argue should have been implemented) "also avoided the financial crises of 1931-32 and of 1981-82, and the periods of deflation and very high inflation."

### Looting through foreign debt

As incompetent and boring as what this book does say, what it leaves *unsaid* is even worse: There is *no* mention of Argentina's gigantic foreign debt, nor of the devastating amount of wealth extracted from the country in the form of debt service over the past 15-20 years. There is *no* mention of the upwards of \$20 billion in outright capital flight which was also looted from Argentina in this period. There is no mention of IMF-imposed austerity policies, which have dismembered the country's once-strong industrial sector. In fact, anticipating the argument enunciated by the Trilateral Commission in its March 1990 report on Ibero-America, the book argues explicitly that Argentina's economic woes "should be attributed to misguided internal policies, rather than to the influence of adverse external conditions."

What the thoughtful reader is left with, is the nagging question of just who or what is behind Cavallo and friends' apologetics. The book's prologue informs us that the study

was funded by Cavallo's own Mediterranean Foundation, the International Food Policy Research Institute (IFPRI), and the CINDE. The Washington, D.C.-based IFPRI, is one of the grain cartels' leading think-tanks, advocating policies to "manage"—not eliminate—hunger, disease, and poverty. IFPRI insists, for example, that nations not be *permitted* to enact national food self-sufficiency programs based on national production, but must rely instead on the world "free market" for their food supplies.

And a glance at the bibliography reveals that most of Cavallo's earlier studies on the Argentine economy were, appropriately, published by the IMF's sister institution, the World Bank.

Finally, our attention is drawn to the following analysis of the Ibero-American economies as a whole: The causes of Ibero-America's economic crisis do not lie in external factors, but rather in "long-festered flaws in the region's economic institutions and its whole conceptual and policy approach to the question of development. . . . The roots of dysfunction lie deep within the region, its governments and its development policies . . . [and can be] traced from the mercantilist practices of their former colonial rulers."

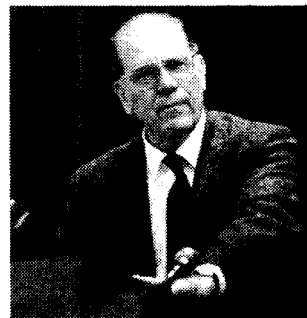
If this sounds like a quote taken from the Cavallo book, well it might. But it is actually taken from the March 1990 report on Ibero-America published by—the Trilateral Commission.

*'From the prison in which the politician's career expires, the influence of the statesman is raised toward the summits of his life's providential course. Since Solon, the Socratic method has become the mark of the great Western statesman. Without the reemergence of that leadership, our imperiled civilization will not survive this century's waning years.'*

—Lyndon H. LaRouche, Jr.

## IN DEFENSE OF COMMON SENSE

by Lyndon H. LaRouche, Jr.



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## Different reactions, same crisis

*The economies of both Pakistan and India stand to suffer greatly from the crisis in the Persian Gulf.*

**T**he very different responses of India and Pakistan to the Gulf crisis were predictable. Pakistan jumped onto the Bush bandwagon, sensing the chance to regain "front-line" status it had lost when the superpowers shut down the Afghan war; the Pakistanis even arrogated to themselves a vanguard role brokering a new Saudi-Iran-U.S.-Pakistan axis in the Gulf. India, meanwhile, has sought levers to defuse the crisis and a U.N. forum for its resolution. But the two feuding neighbors have one thing in common: For both, the Gulf crisis is delivering a severe economic blow.

From the outset, New Delhi has been acutely attuned to the economic implications of the crisis. Iraq and Kuwait supply fully 40% of India's oil and petroleum product imports. More than the disruption of supply, the rise in oil prices threatens to destroy India's precarious balance of payments position. Each dollar increase in the price of crude, costs the country \$240 million. As of Aug. 15, India's import bill had already ballooned by some \$1.2 billion.

An Aug. 9 report in one of the major business dailies here, that India has entered into an "arrangement" with the International Monetary Fund (IMF), whereby \$600 million will be made available for balance of payments support, points to the seriousness of the situation. Though officials here refuse to confirm or deny the report, the truth will come out next month when Finance Minister Madhu Dandavate meets with IMF officials in Washington.

Next month too, a review team

from Moody's, the American credit-rating agency, will visit India to find out first-hand whether the country's debt-servicing capacity has been eroded, and whether government measures are sufficient to restore the trade balance. On Aug. 1, Moody's announced it was placing the ratings for two Indian government organizations—the State Bank of India and the Industrial Credit and Investment Corporation of India—under "watch."

The two had previously been given high ratings by both Moody's and Standard and Poors. Other Indian organizations have so far faced no difficulty raising funds from the international capital markets, though spreads on Indian loans in the Eurobond market and on Indian paper in the secondary market have gone up.

But as of early August, India's foreign exchange reserves were down to a mere 42 days' import cover—less than the previous low of 1980, when India took a \$5 billion loan from the IMF—and alarm bells went off. The country's import bill can only rise, and export performance for the first quarter of 1990-91 has fallen short of target.

The potential for a payments crunch has been apparent for some time. In July, the World Bank reported that India's external debt, exclusive of obligations to the IMF, was projected to be \$70 billion for 1990, and \$77 billion for 1991. This is "peanuts" considering that India is a nation of 800 million people, but what makes it troublesome is the fact that from 1985 to 1990 India's debt service ratio

has jumped from 21.9 to 29.2.

A classic debt-trap dynamic is at work. With debt rising faster than total inflow of funds, net financial transfers to India, which were \$1 billion in 1985, became negative in 1986, marginally positive in 1987, and negative again in 1988. Most of India's debt is long-term. But recently, a rapid build-up of short-term borrowing has occurred, both commercially and in the form of non-resident Indian deposits, which jumped from nothing in 1985 to some \$10 billion today. This has eased the liquidity position, but at the cost of mounting interest charges, and thus increased dependence on short-term funds.

Pakistan, which has been paying out some \$1.5 billion annually for oil imports, all from the Gulf, stands to have its import bill doubled if the price reaches \$30 per barrel or more. This will certainly derail the IMF adjustment program, imposed under a four-year agreement made in 1988.

On Aug. 20 the first of six IMF teams arrived to begin their review of Pakistan's compliance. Under the agreement, development investment has been slashed and taxes doubled, but the IMF targets have not been met. One report from Pakistan speculates, however, that the Bush administration may order the IMF to go easy, given Pakistan's cooperation in the Persian Gulf.

But such a reprieve will not raise the foreign exchange needed to cover the oil bill. Pakistan's trade regime is rigid, with imports high and exports limited to raw agricultural commodities and textiles whose demand is relatively fixed. Moreover, the nearly \$2 billion in foreign exchange earnings Pakistan enjoys in the form of remittances from Pakistani laborers employed in the Middle East may be choked off under conditions of war in the region.

## Big jump in demand for food stamps

*Instead of working to produce more food, the Bush administration is hunting for "welfare fraud."*

An August report by the U.S. Department of Agriculture shows that the demand for food stamps has jumped up sharply since last year, directly in line with the worsening economic depression. Though this was predictable, the Bush administration grossly undercalculated the numbers involved. In addition, the USDA has nixed programs to increase food output, and instead pursued programs to seek out food stamp "fraud."

The USDA's fraud hunt is a parody of the many Department of Justice entrapment operations, involving months-long sting scenarios to entrap someone misusing food stamps. This would be merely amusing, were it not for the fact that millions of people are going ill-fed, suffering indignity and hunger.

From May 1989 to May 1990, at least 44 states have reported increases in people asking for food stamp help. Some states have up to 50% more requests. At present about 20 million people are on the food stamp rolls—the highest number since 1985. The administration projected there would be 18.1 million.

Much of the increase comes as a direct result of the administration-mandated cuts in the defense industry. New Hampshire is an example: There was a 54% rise in food stamp use in the state from June 1989 to June 1990, and a 38% increase in the state's welfare rolls.

The New Hampshire supervisor of the programs attributed this impoverishment to a slowdown in the state's economy, including a decline in the defense industry. "In many cases, people have gone from working full

time to working part time and have experienced a big decrease in income," the spokesman said.

The Agriculture Department report shows this, in terms of the connection of the increased use of food stamps with the growth of the main federal-state welfare program, Aid to Families With Dependent Children (AFCD).

The states with the largest increase in food stamp use over the past year include: New Hampshire, 54%; Nevada, 26%; Florida, 19%; and Texas, 16%.

There are similar increases in welfare rolls: Kentucky, 17%; Connecticut, 16%; and Texas and Nevada, 15%.

Congress has had to scramble to even keep up with authorizations to pay for the additional food stamp use. President Bush originally asked for \$13.3 billion for an expected 18.1 million people. Congress voted \$14.8 billion, but then found that amount was insufficient, and in May, provided \$1.2 billion more.

For the next fiscal year, which begins Oct. 1, the House of Representatives has voted \$18.1 billion for food stamps. The Senate has yet to approve an amount. As more layoffs and job terminations are announced daily, the \$18.1 billion seems inevitably too small.

The occasion for the newly released report on the increase in need for food aid, is that Congress became alarmed at the escalating cost of food stamps, and commissioned the USDA to produce an explanation. While the report carried the official line that unemployment has been relatively stable, the USDA had to admit that "many states are showing signs of

economic slowdown that are not reflected in national economic indicators."

There have been many similar reports to Congress over the past year about the increasing need for food. In August 1989, the USDA announced that it no longer would supply dried milk powder and cheese for the national school lunch program, since government stocks for this purpose were depleted. Local school authorities have had to scramble, and to raise lunch prices, in an attempt to make do.

Earlier this fiscal year, resources ran out for the food aid for those in the Women, Infants and Children Program, which has had significant impact in reducing morbidity in the young, by providing supplemental foods (juice, peanut butter, dairy products). After the administration and Congress were burned in the media by state officials, money for the program was advanced—but from next year's fiscal budget.

The USDA, meanwhile, instead of dealing with the obvious task of assisting farmers to mobilize to grow more food, instead is conducting raids to prevent food stamp fraud. Each month the USDA issues press releases on recent arrests.

A top feature of Bush's original 1990 farm bill proposal was a plan to set up an anti-fraud team to swoop down on misuse of food stamps. A new pilot program has been authorized in the final farm bill, which calls for a person in need of food aid to have his or her name listed in a Big Brother computer program. Then, instead of receiving food stamp coupons, the person will have to obtain food at a designated supermarket, and file through a designated check-out line, where a clerk will check off approved food aid items against the person's account in the computer.

## Campeau rides again

*The stormy shareholders meeting in Toronto seemed to presage the blowup of the commercial real estate market.*

The financial woes of speculator Robert Campeau have become front-page news again in Canada's financial press, after a prolonged publicity respite. The occasion was Campeau Corp.'s annual shareholders meeting in Toronto on July 30. As expected, press reports focused mainly on the shareholders' wrath against the 66-year-old Campeau.

In Canada and in the United States, the Campeau name has been associated with excess and greed. In the United States the name was also linked, in some circles, with hostile foreign takeovers. In Canada, before Campeau Corp.'s shares plunged from \$16 a year ago to \$1.50 today, the name evoked the image of the "local boy makes good in the big-time U.S. free-trade market."

Such popular perceptions are part of the camouflage that lets the looting continue. Typical was the comment of William Kennedy, the corporate secretary and general counsel of Campeau Corp., before he directed all press questions to a company publicist: "Look, I know you guys hate us."

Quite the contrary. The financial press, with few exceptions, has covered up for the Campeaus, their investment bankers, and especially for the politicians who have legislated the policies which have wrecked both the U.S. and Canadian productive economies, by praising the "geniuses" behind creative financing, and the "ethics" of the free-enterprise economy.

Since some of Campeau's earlier investments were in racetracks, it is fitting to describe the man as the front-runner for Canadian-British "fixers"

of the race to carve up and cartelize what's left of the U.S. economy. Early in the race Campeau was told to run as fast as he could, on the shaky legs of LBOs and junk bonds provided him, from one retail chain to another, in a desperate attempt to garner the cash flows fast enough to make payments to the gangsters who bankrolled the pyramiding operation. The gangsters, knowing all along that Campeau would finish in Chapter 11 bankruptcy, covered all their bets.

Last Sept. 15, Robert Campeau defaulted on a \$401 million repayment to First Boston Corp. That spark blew up \$200 billion junk bond market in the U.S. On Sept. 18, Toronto's Reichmann brothers, whose hot money real estate firm Olympia and York, is still the biggest landlord in Manhattan, extended emergency funds totaling \$250 million to help Campeau Corp. pay for immediate debts, mostly to suppliers. That proved not enough to keep debt-strapped retailers like Federated and Allied Department Stores from having to file for Chapter 11 bankruptcy.

Campeau's U.S. holding company, Federated Department Stores Inc., reported losses of \$30.6 million for the five weeks ending July 7. The other Cincinnati-based retailer in the Campeau empire, Allied Stores Corp., posted a loss of \$18.6 million for that period.

The present strategy, as elaborated by Campeau at the shareholders meeting, was to sell off at least two-thirds of Campeau Corp.'s real estate portfolio in order to pay down its \$13.3 billion (U.S.) debt and bail out

its U.S. retail division from Chapter 11 bankruptcy protection. The proposal was withdrawn by Robert Campeau, without a vote, when National Bank of Canada, which is both a major creditor and a major shareholder, unexpectedly withdrew its support.

"Bob was told that if he quietly and gracefully retired, we would go along with his plan, but he wouldn't go for it," an unidentified lender confided to Toronto's *Globe and Mail*.

Robert Campeau had to admit that it may have been "premature" to ask for shareholders' approval without a signed agreement from Campeau Corp.'s two largest lenders—E.J. DeBartolo, the Ohio shopping mall magnate, and Olympia and York Developments Inc.—that they would not force Campeau Corp. into bankruptcy court.

"It is our hope that, once our real estate sales are completed, we will be in a position to assist in the restructuring in the United States. That is the only place that we can really create values for the shareholders," claimed an embattled Mr. Campeau.

But lenders have been growing impatient with delays in the plan to sell off the corporation's real estate holdings. They blame Campeau personally for the meager \$194 million raised so far this year.

This is not just a case of lenders and shareholders trying to get some money back faster by pushing aside a man stubbornly "hanging on for dear life." The depressed values of commercial real estate are such that Robert Campeau could not possibly raise the \$11.4 billion required to meet payments on this secured portion of his total debt. To officially admit of such incapacity could be enough to trigger the explosion of the commercial real estate market—estimated to be two orders of magnitude larger than the junk bond market.

# Business Briefs

## Environmentalism

### Vulcanologist declares war on ozone fraud

Haroun Tazief, one of the world's leading vulcanologists, stated on French radio Aug. 17 that he has decided to "wage war" against the "ozone hole" fraud because the French government is reserving grants almost exclusively to scientists dedicated to confirming these hoaxes.

Tazief said the ozone scare was a "pure invention" and that there was absolutely "no risk" to humans.

The chemical multinationals stand to make billions of dollars out of banning of chlorofluorocarbons (CFCs), he said, which is why they are perpetrating the ozone hole scare.

## Banking

### Spanish banks agree to fight money laundering

The Spanish Private Bankers Association (AEB) and the Spanish Savings Banks Confederation (CECA) agreed to fight drug money laundering at a meeting in late July in Madrid.

The measures include special monitoring of transactions from fiscal paradises; accounts opened for a specific purpose will be closely watched; no accounts can be opened nor strongboxes rented without all signatories being known to the bank; no operations of over a million pesetas will be carried without the operator being identified; banks will not inform their clients of investigations being carried out by the police or magistrates on clients' financial activities when they relate to organized crime or narcotics.

"Now, all we need is a good sniffing nose, because given the volume of the operations, finding out which ones are suspect will not be easy," CECA head Juan José Pinto told the press.

Shortly after the meeting, the Spanish and British Interior Ministers met in Madrid, ostensibly to discuss the fact that Gibraltar, a fiscal paradise, is in breach of every one of the measures proposed by the Spanish banks.

## Technology

### Panel urges U.S. develop supercomputer

The National Commission on Superconductivity, in a report sent to President Bush Aug. 7, said that it should be possible to develop a computer capable of performing a million billion operations per second using superconductors, the *New York Times* reported. The fastest supercomputers today perform about a billion operations per second.

The commission also recommends focusing research efforts on development of high-temperature superconducting wire that would be suitable for motors, magnets, and generators.

The report cites high interest rates and unfavorable tax policy as making it difficult for American companies to undertake superconductor projects, but it fails to recommend increasing federal funding, which it claims is adequate.

The report also fails to recommend a project in magnetically levitated trains. According to David McCall, the commission chairman, transportation experts should decide whether superconducting railroads make economic sense.

## Health

### FDA approves drug to reduce infant mortality

The Food and Drug Administration has approved a new drug that will reduce both the severity and the number of deaths from respiratory distress syndrome (RDS), the most common cause of death and disability among premature infants.

Since 1986, more than 4,400 infants have been involved in clinical trials with the synthetic lung surfactant, with 10,000 more infants receiving it since 1989 in more than 400 hospitals nationally.

Exosurf Neonatal replaces the lung surfactant which premature infants are unable to produce and which is needed to maintain lung inflation and prevent lung collapse. The freeze-

dried powder is reconstituted at the bedside, creating a foamy liquid which is then administered through the child's ventilator tube. Children with RDS are usually placed on ventilators which force oxygen into the lungs, often for months, until the infants can breathe on their own. This usually results in damage to the lungs.

The drug, invented by Dr. John Clements of the University of California and manufactured by Burroughs Wellcome Co., is used as a preventive treatment in infants born under three pounds. As a single preventative dose in infants born weighing between 1.1 and 3 lbs., the drug reduced deaths by 50%. As a rescue treatment in infants with established RDS, within 24 hours of birth, it reduced death by 66%.

## Labor

### Housing costs gouging U.S. living standards

More than one-third of all Americans pay so much for housing that they do not have enough money remaining for other necessities like adequate food, clothing, and medical care, according to a study written by Michael E. Stone of the University of Massachusetts at Boston and released by the labor-linked Economic Policy Institute in early August.

The study found that between 1970 and 1987, median rents increased 26% while median incomes dropped 13%. Stone contests both the federal government's standard for defining poverty, which hasn't been revised in 25 years, and the standard approach for studying housing affordability. He finds that the practice of using a benchmark figure of 25% or 30% of income to determine reasonable housing costs is highly misleading, as some families can reasonably afford that portion or more, while larger families of low income can afford less, and in many cases, nothing at all, given other needs.

Stone found that as of 1987, the "shelter poor" in the U.S. included 42% of all renters, 22% of all homeowners, and a full 80% of renter households with incomes between \$10,000 and \$30,000 a year. The gap between what poor families paid for housing in 1987 and

what Stone's formula says they could afford totaled \$92 billion.

Another study, issued by Harvard's Center for Housing Studies, found that the percentage of blacks financially unable to buy homes in the U.S. has remained unchanged in the last 30 years. Only 3.5% of blacks and 16.9% of whites who rent in the U.S. are able to afford to buy a home.

## Infrastructure

### Japan announces project to stop Sahara spread

Japan is planning to launch an \$11 billion multinational project over the next 30 years to curb the spread of the Sahara Desert, the Aug. 9 *Journal of Commerce* reported.

The plan will include a 2,100-mile "greenery defense belt" stretching from Lake Chad to the Senegal River, to halt the desert's southward advance. Water from the Niger River would be used to irrigate farmlands and forests now threatened by the encroaching desert. The project is expected to cover parts of Niger, Chad, Cameroon, Nigeria, Mali, Guinea, Senegal, Burkina Faso, and Benin. Officials of the Agriculture, Forestry and Fisheries Ministry have been studying the project since 1985 and expect to complete their research by next March.

"Success of this massive project," said one Japanese official, "would enable the special green belt to produce sufficient food each year to feed up to 40 million people."

Japan plans to call upon the United States, European nations, and the U.N. to help with the task.

## Science

### Hubble space telescope makes first discovery

The first images received from the Hubble telescope Aug. 13 gave astronomers a close look at a star cluster in a galaxy which is described as a "starnursery." Thirty years ago, astronomers

assumed a bright spot in the "30 Doradus" nebula was one gigantic star. Improvements in ground-based observations in the 1980s revealed that there were 27 individual stars in this bright spot.

The Hubble images, which were computer enhanced to remove the fuzziness caused by the mirror flaw, showed at least 60 individual stars being born. These stars were not seen in the heavens by ancient civilizations, Ed Weiler from NASA explained. "It's almost like the 1950s baby boom in the United States."

Astronomer Rick White from the Space Telescope Institute in Baltimore stated that these first images show "that computer restoration is going to be a powerful tool" in efforts to overcome the flaw. The Hubble images were 10 times as sharp as the average ground-based images.

## AIDS

### Science journal echoes EIR on virus spread

A study released by the *Journal of Science* reports on "startling" findings about the spread of AIDS in the West African nation of Ivory Coast, where the disease has become the leading cause of death among men and the second leading cause of death among women in the capital city of Abidjan.

"These are startling data," said James Chin, chief of surveillance, forecasting, and impact assessment at the World Health Organization's (WHO) Global AIDS program. "This is West Africa. We should not have expected, at this point in time, that high a mortality attributed to HIV."

Chin said that AIDS is already the leading cause of death in most Central African cities. "Our projections are that by the early 1990s, in some of these cities, AIDS will double the total adult mortality rate," he said.

The researchers were shocked by the findings, because Ivory Coast is one of the wealthier countries in Africa, and does not have the grinding poverty which afflicts the nations currently being wiped out by the disease.

Blood testing of samples of all deceased in Abidjan showed 41% of the males and 32% of females testing positive for the virus.

## Briefly

● **RED CHINA** will provide a small nuclear reactor to Iran for "research and experimental" purposes, according to a report published in the *Middle East Economic Digest*. The reactor is expected to be built at the Atomic Energy Organization of Iran's research center in Isfahan.

● **INDIA** formally offered to export nuclear technology and nuclear products in June when Dr. P.K. Iyengar, chairman of India's Atomic Energy Commission, presented a list of items to the IAEA in Vienna. The list covers nine items under facilities, processes, products, and equipment.

● **AIDS NOW AFFLICTS** twice the number of persons in Latin America as three years ago, reported Anne Marie Kimball, the regional adviser to the Pan American Health Organization, speaking at a PAHO regional conference.

● **THE NETHERLANDS** will provide a 40% subsidy to increase windmill power from 40 to 1,000 megawatts by the year 2000, Reuters reported Aug. 13. The cost of the electricity is 8.5¢ per kilowatt hour, compared to 4¢ for conventionally generated power. The 1,000 MW target can only be counted upon to provide 200 MW of power due to wind unreliability.

● **TEXACO** signed a deal with the Soviet Union for development and production of oil reserves, the Aug. 16 *Washington Post* reported. Texaco will focus on developing reserves in the Timan-Pechora region near the Arctic Circle.

● **NEARLY ONE-THIRD** of the U.S. 1.5 million homeless are veterans, reports Sumner Garte of the Department of Veteran Affairs in Chicago. Adolescents are living on the streets at a much younger age than a few years ago, the Aug. 16 *Los Angeles Times* reported. A fourth of the homeless youths surveyed in the Hollywood, California area are reported to be in poor health.



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## High-speed railroads will transform Europe's economy

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*If the "laws of the market" continue to be followed in European transport, the result will be chaos. The LaRouche plan for a Productive Triangle shows a better way out. Part I of a series.*

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*In our Feature cover story on Aug. 3, we presented an advance release of a detailed study of a European development program that was first enunciated by U.S. political prisoner Lyndon LaRouche, in the context of the reunification of Germany. LaRouche's program is centered around a high-speed rail network running from Paris to Berlin to Vienna, the political and industrial heartland of Europe. The triangle's "spiral arms" would feed into the major centers of Western Europe and extend through the newly liberated nations of Eastern Europe into the Soviet Union.*

*This central triangle has an area very nearly that 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.*

*The full report is produced by EIR Nachrichtenagentur in Wiesbaden, Germany, and in English translation is titled, "The Paris-Berlin-Vienna Productive Triangle: A European Economic Miracle as the Motor for the World Economy." This chapter of the Special Report was written by Ralf Schauerhammer and translated by John Chambliss.*

The development of short- and long-distance transportation in Western Europe in the past decades has followed the "laws of the market" and the interplay of power of various local

and national interest groups. The overall European context was hardly considered or dealt with. The consequence is increasing traffic chaos. Even to laymen, the problem is becoming increasingly clear, as—during enforced time for reflection in the freeway congestion, or while in a holding pattern over an airport—they bitterly realize that the predicted increases in truck and air traffic within the framework of Europe '92 will probably cause only one thing: a complete collapse of the transportation system.

The political upheavals in East Europe offer the great opportunity that the abolition of the artificial traffic barriers along the Iron Curtain and the related reopening of major lines of traffic in an East-West direction, will also lead to a fundamentally new orientation for transportation policy and technology. In this connection, politicians of all parties emphasize that the errors of recent years must not be repeated in the construction of transportation infrastructure; if asked exactly how the situation is to be improved, however, they have no clear answers. The causes of the errors are not even known.

The decisive point that must be recognized is the following: Investments in infrastructure cannot be subject to the laws of the market; they follow the far more fundamental principles of the physical economy, which precede the market and create the preconditions for market events in the first place.

The fact that the market fails here does not mean, of course, that arbitrary dirigist measures can be seized upon,

as is done nowadays in ostensible or real "protection of the environment." We do not mean, for example, the "dirigistic" obstruction of truck traffic through unnecessary taxes, in order to redirect freight transportation onto the railroads, without correcting the faulty development of railroads that is partly responsible for the broad expansion of truck traffic in the first place.

To be able to judge the present state of Western European transportation system in general and the condition of the various transportation systems that are usually considered to be "competing," we must primarily consider superhighways, major arterial roads, rail lines, canals, in addition to the runways and airport terminals that have been built in the last decades. The crucial measure of any transportation system is not the transportation performance achieved in ton-miles, but rather the improvement of the route network, just as in agriculture the continual improvement of soil quality is more important than the harvest quantities aimed for, and just as expert industrialists pay primary attention to the improvement of production facilities and the qualifications of the workers.

If we take the figures from the Federal Republic of Germany as an example of the construction of the route network, we see that the network of superhighways has more than doubled since 1970. The rail network of the federal railroad, on the other hand, has been reduced by 10% in the last 20 years. This and the railroad's inadequate technical and organizational standards contributed to the fact that truck transportation is increasing 5% faster each year than the construction of the superhighway network. Air traffic would probably even double within the next 10 years, if the absolute performance limit of flight safety systems did not preclude that.

To do as is usually done, and explain these structural shifts to road and air travel by means of market mechanisms, is to confuse cause and effect. Look at the case of municipal traffic development. For decades, as many broad streets and ring-roads were built as possible, so that the automobile became more attractive and municipal road construction did not lag behind the increasing use of personal automobiles. Meanwhile, city builders and traffic planners deliberately blocked street traffic with pedestrian zones, traffic islands, bicycle routes, and so forth. Even if they went to the other extreme in many places and blocked more than necessary, this process is correct in principle. What was recognized was that, otherwise, the spatial structure of every city would come to approximate that of Los Angeles. The "street auto" traffic system, exactly like any other traffic system, organizes space into a quite definite structure. The selection and combination of different means of transportation of an economy is a geometrical problem. What is important is to develop an optimal residential and productive structure. That cannot be attained through the market of competing systems, but rather demands a "grand design," in the optimization of which market

incentives can be helpful.

### **Free travel versus the free market**

We are confronted here with an ideological problem that constantly leads to short-term solutions which, in the long term, only worsen the situation. With regard to collaborating socialist-style planned economies, we in the West are inclined to recognize this ideological problem, but the dogma of the so-called free market is not examined closely. Additionally, the much-promoted "market-economy orientation" of railroads itself has decisively contributed to the undervaluation of investments in this area of infrastructure.

The laws of the free market, combined with blind trust in systems analysis methods, lead to the "right solutions," but to the wrong problems. Let us take one of the glossy brochures on the condition of transportation, furnished with various numerical tabulations—precisely printed out by a computer to many decimal places and equipped with colorful graphics—and examine which of the fundamental assumptions made are relevant, that is, in a way that they will also be true in 30-50 years, a period that is only a heartbeat in the development of infrastructure. It is not a matter of accidentally correct assumptions, but rather those that are correctly established methodologically. We quickly recognize that, thus considered, cost-price relations, taxes, crude oil prices, and so forth are relatively irrelevant, and merely create a bogus impression of precision. We recognize also that it is essential that we think in terms of the concepts of technology for the answers to the relevant questions—not in the sense of individual technical procedures, but rather in the sense of a total economic process of renewal that continually builds on itself. This was exactly the way that the "father of the German railroad," Friedrich List, formed national-economic judgments.

Systems analysis studies, on the other hand, fundamentally contradict the idea of actual entrepreneurial freedom. Such studies maintain their validity only if the economic process is in fact subject to the restraints that correspond to the model. The wealth of economic inventiveness that is lost in the process is not, for the most part, recognized, since it is strangled by "system decisions" and can never come to light. Rather than producing studies of this sort, we should investigate which technologies possess the greatest potential for further development with regard to the most important parameters, and then find out what limitations emerge with their use, that is, what "discipline" is appropriate for the individual user in the overall economic system. Once that is done, we can be confident that "the market" will take care of the exploitation of the optimal system, quite without any computer analyses. We will see an instructive example in the next few years in the case of the West German national railroad, the Bundesbahn, where the incompetence of the method criticized here, of linear systems analysis and misunderstood market analysis, can be recognized. Instead of solv-

ing the most important problem of the national railroad, a network of track preserved since the last century, by means of investments in a qualitatively new transportation technology, they trusted their managerial wisdom, which quickly recognized that many side routes are uneconomical because of low utilization. A better economic result should be produced by closing down the side routes and concentrating on the profitable main lines. But in the short or long run, this trimming down of the network will certainly lead to a reduction in the utilization of the still profitable principal lines. Consistently, we could continue with the closing down of the principal lines, and would then have solved the "railway problem"—on paper at least. Even if things don't go quite that far, the "competitive position" of rail as opposed to other transportation carriers is made worse, not improved. This example shows that the highly praised methods of systems analysis are not suitable to plan an optimal traffic network for a national economy.

### **A new 'European Fast Train Corporation'**

The transportation planning task before us is obvious. The economic development in Europe made possible by the opening up of East and West must be exploited to build up an integrated traffic network. The backbone of this system will be a modern traffic network based on rail, to which the road network will be oriented, because rail opens up the surface area. The traffic must be connected "upward to the sky," through an optimized, worldwide air traffic system.

This modern rail network must consist of two components that are technically different and should be sharply separated organizationally. One component is the conventional rail network, which must be supplemented with high-velocity lines. The transportation lines between East and West, which were cut back or completely eliminated as a result of the division of Europe, must be reactivated as quickly as possible. All the new high-speed routes of this network must be laid out with regard for long-term development of mixed traffic, that is, in order that both passenger and freight trains can operate simultaneously.

The second component that will be dominant in the long term is a magnetically levitated rail system that is to be newly created.

Passenger traffic between the centers of the "Productive Triangle" should principally take place on high-speed trains. In the first phase, passenger and freight transportation will occur simultaneously, for most routes, along the same tracks. To the extent that rapid freight traffic increases, passenger traffic will be transferred to the magnetically levitated rail routes, making possible an expanded capacity of high-speed routes for freight traffic. In this way, "traffic pipelines" will increasingly come into existence along which magnetic levitation, high-speed transportation, and even expressways will run, spatially close together, but individually optimized for different transportation purposes. On the most important

routes (for example, the connections of Berlin-Frankfurt am Main, Berlin-Dresden, Berlin-Hamburg, and Berlin-Munich), construction of the magnetic levitation routes should be begun immediately.

A European Fast Train Corporation, in which the railroads of the various nations as well as the various national air lines and private firms will hold stock, should be founded for establishing organization and international coordination. Additionally, an agency must be created that provides for uniform standards for magnetic levitation technology and cooperates with the appropriate institutions on other continents, particularly with Japan. This European Fast Train Corporation will have the job of building up a rail transportation system with those six nodal points that were named earlier in the discussion of program priorities [see *EIR*, Aug. 3, 1990, "The economic geography of Europe's 'Productive Triangle,' "]. Additionally, a unified rate system must be created that encompasses rail traffic and road traffic and that, through appropriate taxation, takes into consideration the real national economic costs of the different traffic carriers—including realistic appropriations for road costs, accident costs, environmental costs, and so forth.

### **Parameters of the traffic system**

The importance of the present, generally underrated, railborne traffic will become clear by looking at the the fundamental parameters of the traffic system. Traffic and transportation change along with technological development. What remains invariant, is the job of transporting a certain volume and weight as economically as possible over the necessary distance.

The fundamental reference points for evaluation of the efficiency of a transportation system are therefore, in the first approximation, the number of ton-kilometers produced, as well as the ton-kilometers produced per hour in the entire economy. Second, transportation costs per ton-kilometer will decide the economically favorable choice of individual means of transportation and, related to the average costs, of the economy of the transportation system. In the assessment of costs per ton-kilometer, however, the rates to be established could be misleading. For example, after deregulation of air traffic in the United States, the cost for ton-kilometers of air freight apparently sank, but increased in terms of the national economy.

A further crucial parameter concerns the traffic network of the various systems, not only the rail network, but also the road network, the pipeline network, and so forth. The spatial density of the route network and the temporal density of the connections operating on it are the leading measure for the quality of a given traffic system. The corresponding values for the connected network of all systems together yield a measure for the flexibility of the national economy as a whole. Traffic routes that are per se productive and well laid out, but that are not connected into a network, are

significantly less efficient than an interconnected network, even if the individual routes of this network are apparently unproductive. A good example for this is the construction phase of the German rail network in which the massive increases in transportation did not occur as a function of the construction of new routes, but rather precisely in the years around 1850, when the most important routes were joined together.

If the "market" cannot make the qualitative decision on traffic infrastructure, the question arises: According to what criteria are investments in infrastructure made, and according to what fundamental principles must traffic be organized? Elsewhere in this report, the fundamental principles of physical economy are explained with which these questions can be answered. It will suffice here to consider the most important parameters for the different components of the traffic system. These parameters are the technical and organizational boundary conditions for the density functions previously referred to.

### Area use and traffic density

For the area use of different modes of traffic, a series of factors must be considered that will simultaneously show us where the inherent advantages and disadvantages of each mode of traffic are. For the general comparison, we cite figures from the Bundesbahn for comparison of area for a 300 km route:

**Freeway:** 1,172 square meters per person; (calculating a highway 37.5 meters wide, 300 km long, with  $2 \times 2,400$  cars per hour in both directions, and two passengers per car);

**Airport:** 1,020 square meters per person; (using the example of Munich II,  $13.87 \text{ km}^2$ , 34 flights per hour, each with 200 passengers on two runways for takeoffs and landings);

**ICE train:** 469 square meters per person; (12.2 meters wide and 300 km long for  $2 \times 6$  trains, with 650 passengers each, in both directions);

**Transrapid maglev:** 355 square meters per person; (11.8 meters wide and 300 km long for  $2 \times 6$  trains, each with 830 passengers each, in both directions).

The calculations contain an error, because it is obvious that, for airports, the area needed for operations buildings and terminals must be added in, while for surface transportation, only the road itself is included. This mistake is not serious, however, since for surface transportation, the operations buildings takes up a very small portion of the total area. Additionally, this error is more than overridden by another one, insofar as the calculations obviously do not take into consideration that two airports are needed for one flight—namely, one for takeoff and one for landing, and that the area needed for the aircraft must therefore be doubled. Here, it is, of course, true that the average calculated area needed for air traffic decreases with greater flight distances. Finally, the



*The Patriots for Germany election poster for the first all-German elections. The headline reads "Peace means development." Beneath the depiction of the Paris-Berlin-Vienna railroad triangle appears, "The Productive Triangle, locomotive for the world economy."*

assumed vehicle density given for personal automobile traffic is considerably above the average traffic density on the West German superhighways. The area use of personal autos is thus, in reality, larger than given in this example.

Despite all objections that we might raise, this simple example of calculation by the Bundesbahn brings out a crucial advantage of rail traffic: The small area use, which most importantly enables a strong concentration in crowded regions and therefore higher traffic density. It may be surprising that air traffic comes off so badly here. Area use in crowded regions is, in fact, the major defect of air traffic and not its high use of energy, as many assume. For example, someone who takes a plane for his vacation or a business trip, consuming approximately 70 kilowatt-hours (kWh) per 100 person-kilometers, uses less energy than someone who travels by car, which on the average uses 100 kWh per person-kilometer. The problem with the increase in air traffic is that the total area use of air traffic is necessarily incurred only in the immediate vicinity of populated regions. Airfields are the bottleneck; they obstruct the concentration of air traffic. Previously, this was not so conspicuous, since air traffic in Europe overall involved only a quite small portion of total traffic, and because, in areas where air traffic is particularly strong, such as in the United States, this concentration problem is not so clearly obvious where there is lower average population-density.

The advantage of air traffic is high-speed transportation. In the coming decades, air traffic will be able to use this

advantage only if passengers and air express goods are brought to large airports in "symbiosis" with fast train systems and, most importantly, with maglev rail systems, in which the airports are located far enough from crowded centers that expansions necessary in two or three decades can be undertaken.

The large area use of trucks is recognized, and comes most clearly to light in city traffic. Without productive and heavily subsidized short-distance transport systems, automobile traffic today in crowded centers would have already collapsed. The example of Los Angeles documents, conversely, that without short-distance transport systems, the increase of auto traffic takes up so much space for roads and parking to the point that a further concentration is impossible. At that point, more auto traffic leads to longer roads. Only an area-dense means of transportation can help us out of this vicious circle.

It would be shortsighted, however, if the attempt were made to reduce the high proportion of auto traffic in European cities primarily by legal and bureaucratic prescriptions, for which ideological justifications can be given. The alternative can only be to improve the traffic system and make it cheaper, more flexible, and more efficient for the economy. The crucial parameter for a concentration and increase of area density is the route performance of a means of transportation.

### **Route performance is central**

If we consider concentration, that is, performance per route, and flexibility, rail is superior to road transport in route performance. Taking off from the total traffic density on the superhighways today, approximately 2,000 tons per hour can flow over a superhighway section if each truck can be loaded on the average with 10 tons. That is no problem for the train since this amount could be transported on a single long freight train. Today, the limit of efficiency is approximately 12 trains per track per hour, and, that is, in fact, because of the operational system, virtually independent of the velocity of the trains. If we assume, as with truck transportation, an average velocity of 75 km per hour, then the railroad has available a productivity limit that is higher than the highway by a factor greater than 10, given today's operational technology. Through use of modern operational technologies and methods for conducting trains, route performance per track can be multiplied even further.

### **Transportation time and network density**

If the advantage of higher density through concentration is not to be lost again, certain demands will be made on the switching and loading technologies. Even today, the longer switching and waiting times are the crucial disadvantage of rail in comparison to truck transportation. Goods on the train "wait" an average of 80% of their transportation time on the right connection or are switched around in various ways; the actual travel time is only 20%. That has misled even so-

called experts into making the senseless argument that the increase of transportation velocity on the route network of the rail is quite pointless economically since the overall transportation time will not be significantly improved. In reality, this proportion shows that the operational and switching technology is not even appropriate for today's transportation velocities.

The growing proportion of individualized travel is primarily connected with the fact that the advantage of technically realizable higher productivity densities of rail-borne systems is not realized, because the network density is low and is concentrated too much on the highly productive main arterials. "The train is twice as fast as the car," the railroad company asserts, and everyone wonders why citizens insist on driving cars. Why indeed—the reason is faulty network density. Twice as fast as the automobile, that is calculated perhaps on inter-city routes from one large city to another. But if we add a further short-trip connection, the time calculation is no longer valid—above all if the trip out or back does not take place at peak hours and longer waiting times are added for the connecting train. The calculation also hardly works if the trip first begins with an drive to the rail station in the center of town, where the car is supposed to be left in the nonexistent parking lot at the station. There is no way to get around having a spatially tight network with the least number of transfer points and trains in tight temporal succession for long- as well as short-distance travel.

A further problem of network density and concentration is the simultaneous conveyance of passengers and freight, that is, of vehicles of very different speeds on the same network. This dynamic can be studied quite well by the layman on the uphill areas of the freeway when slow truck traffic gets in the way of fast passenger autos, and often even widening the road from two to three lanes cannot prevent both traffic streams from being joined together, much to the regret of the automobile drivers. On the railroads of Western Europe, freight and passenger traffic take place on the same network, and are separated only by the fact that freight is chiefly moved at night, and otherwise, passenger traffic has the priority. With increasing speeds in passenger travel, it is, however, becoming increasingly difficult to fit slow freight trains into the travel schedule, and a separation of the passenger and freight traffic systems will necessarily ensue. In France, this separation has been consistently done with the TGV high-speed train, whose routes are only laid out for passenger traffic.

The concept of a rail-borne transportation system being a "rolling warehouse" for industry also speaks in favor of this separation. The warehouse provides a buffer inventory, which is necessary because of delays in the control of production processes. The warehouse must compensate for fluctuation in production or for operational breakdowns or disruptions. The more rapidly management reacts, that is, the quicker the necessary raw materials or replacement parts

arrive, the less the inventory need be. Mass is replaced with velocity. Especially with finished goods, replacement machines, and repair parts, which cannot be continuously transported, rapid transportation is important. This can only be attained by rail if the system is optimized for freight.

### **Travel dynamics**

Travel dynamics, even more than the highest velocity, is crucial if we are concerned with creating the tightest possible network with the least possible number of transfer points. Inside our "Productive Triangle" important stopping points are separated on the average by 130 km; however, often the distance is only 80 km, and occasionally only 60 km. If we wish to travel rapidly and nevertheless build a tightly meshed network where the passenger does not have to change to the local train, moving at high speed will not suffice. The time necessary for acceleration and deceleration takes on a great importance.

This can be shown by means of system data from the Intercity Express (ICE) and Transrapid maglev (source: Traffic Committee of the German Bundestag, January 1990). Let us assume that both trains run between stops at their maximum velocities, that is, the ICE at 300 kmh and Transrapid at 500 kmh. Transrapid reaches the velocity of 300 kmh in less than 2 minutes over an acceleration distance of 5.1 km, while the ICE needs almost 9.5 minutes and a distance of 30 km. A stop after 80 km or even 60 km would drastically increase the overall high velocity travel time of the ICE. Transrapid has a significantly more flexible travel dynamic. Over a distance of 160 km, and for these acceleration values and at a constant speed of 300 kmh, the ICE requires something more than 36 minutes. Transrapid covers this distance in 35½ minutes despite requiring 5 minutes and half the distance to come to a stop.

### **Demands on the future traffic system**

In summary, the following fundamental demands will be placed on a future transport system:

- 1) It must be an area-dense system that allows high concentration. With the technologies developed today, that means a strong emphasis on rail-borne traffic.
- 2) The travel velocities must be high enough that enough time is available for concentration, that is, for transfers or switching or reloading, that the overall travel time is shorter than with direct individual travel.
- 3) Passenger and freight traffic must be separated in high-speed areas.
- 4) Data processing and a high level of organization must make it possible to operate the rail-borne system with flexible schedules.

### **A high-speed rail system for Europe**

The development of rail-borne transport has been systematically neglected in Europe for decades. This area is an

excellent example of an error that today dominates all the national economies of Europe. Erroneously, there is talk of economic development that is fairly solid, while, in reality, the innovations appropriate to necessary technological progress are lacking. European railroads have, in contrast to other economic areas, one advantage: They already have gone through the "rude awakening" that must necessarily follow such a phase of incomplete innovation. In the meantime, the recognition has been made that, in Europe, the railroad, in contrast to other transportation systems, rapidly loses its attractiveness and can only remain "capable of surviving by offering something qualitatively new."

In the early 1970s, people began to seriously reflect on the problem, and finally seized on a concept that had already been realized in Japan in the Shinkansen trains: the concept of "high-speed trains."

In Italy, they responded in 1970 by beginning construction on the "Direttissima" from Rome to Florence (with the opening of the route estimated as 1990); in France, the beginning of construction of the TGV from Paris to Lyons came in 1976, which has since become famous.

In Germany, we went to work carefully and painstakingly, and in the 1980s seriously began the construction of high-speed routes. In the meantime, of the 27,000 km network of the German Bundesbahn, 610 km could be traveled at speeds of 200 kmh. Concentration recently has been on the "intercity concept," in which there is little investment in new roads; rather, the schedules of passenger traffic are brought into harmony with those of short-haul traffic. That this perfectly obvious idea was celebrated with great fanfare as a new "concept" proves what level the railroad management was on.

Throughout Europe, there is a similar picture. The International Railroad Union (UIC) did produce a "Guide for European Railroads of the Future," in which, in the framework of the European Community, agreement was made on "pan-European arterials," but in the 10 years since, virtually nothing has happened. As of now in Europe, the various signal systems, operational systems, and electrical systems are obstacles, and make the economical deployment of the railroad on a Europe-wide scale more difficult. The attempt is being made to overcome the limitations created by the four important electrical train systems of 15 kV at 16.33 Hz, 25 kV at 50 Hz, 3 kV DC, and 1.5 DC with multi-system locomotives. A still greater barrier is presented by the differences in the different railroads' safety and operational systems. In the last 15 years, the volume of truck traffic that crosses national borders has increased by a factor of 10 while rail transport has stagnated, and that despite the fact that average transportation distances are optimal for train transportation. For this development, various explanations and reasons can be put forward, but however we twist and turn, this development is and will remain a documentation of the incompetence of European railroad managers.



## A peace plan in the true interests of Arab and Israeli

by Lyndon H. LaRouche, Jr.

*Virginia congressional candidate LaRouche made the remarks transcribed here on Aug. 21, speaking from prison in Rochester, Minnesota.*

Immediately, the present war in the Middle East is a direct reflection of a British intelligence control over Israel, and orchestration of the situation in the Arab world. The Arab world as a whole was manipulated, together with Israel. Saddam Hussein, and Iraq as a whole, were put into a corner, where they had no choice but to react in a certain way, and when they reacted in a certain way, they were put into a corner again, and forced to react accordingly.

The essence of the matter, as every patriotic Arab knows, and many such patriotic spokesmen have said, is the British have worked successfully, over decades, to ensure that the Arabs were prevented from using revenues from petroleum, for economic and related development, of the Arab population as a whole.

However, let's look at another aspect of this. Let's assume that this British policy were defeated, as it must be, if there's ever to be peace in the Middle East.

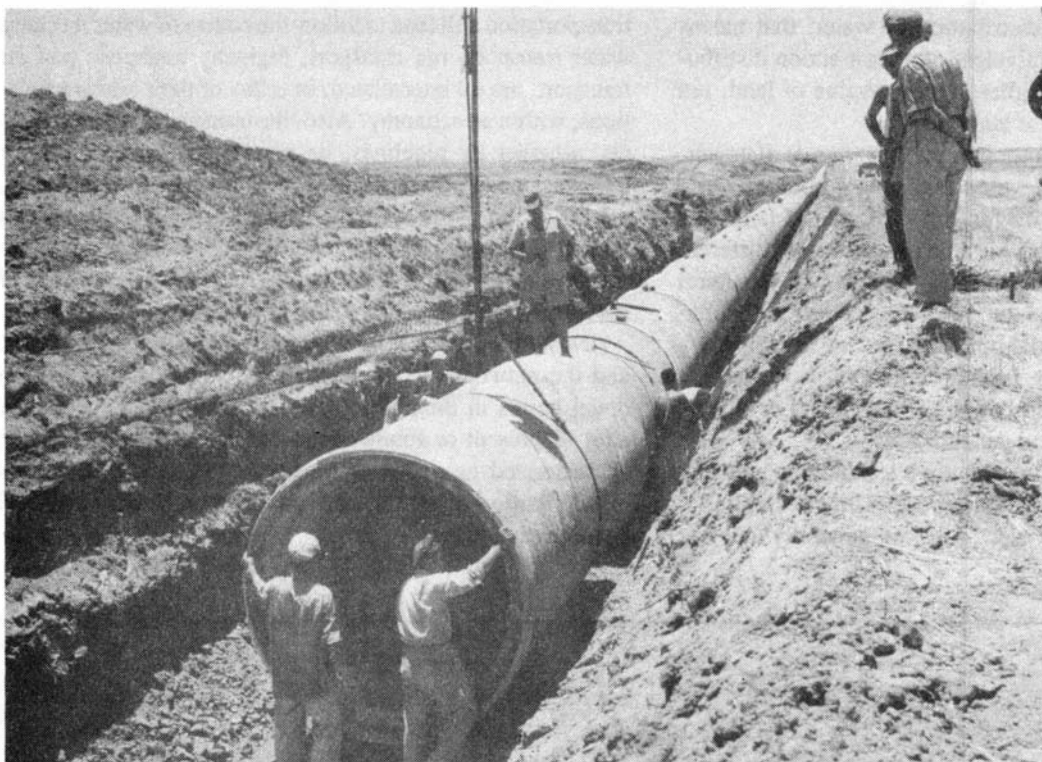
What do we do?

Well, we have to correct some errors which are fairly popular, among, respectively, Arab and Israeli populations in the Middle East. And, we must structure, at the same time, a general policy plan of development which is the foundation for such peace.

For years, our proposals for economic development, have been repeatedly brushed aside, with the advice that a political settlement must come first, and then an economic cooperation for general development of the region, might become possible.

### **There is no purely 'political' solution**

We have repeatedly said, and rightly so, that that line of argument is wrong, and even dangerously absurd. The simple reason is, that without a policy of



United Nations

*Without a policy of economic development, Arabs and Israelis have no basis for a political peace settlement. But Israeli technology can help make the deserts bloom. This irrigation project in Israel was constructed to pipe water from the River Yarkon to the Negev Desert.*

economic development, the Arabs and Israelis *have no common basis for political agreement: no common interest.*

It is only as the Israeli—not as a Zionist, but as an Israeli—finds his or her interest to be the economic development of Israel, as a nation (not as an arms exporter, not as a participant in drug trades, not as an exporter of illegal or black diamonds, but as a producer of vegetables, machine tools, technology, and so forth), and the Arab similarly, that both have a fundamental, common interest in the progressive development of the fertility and fecundity of the land of the entire region. On that basis, for the sake of those respective and common economic interests, a political settlement is possible. Without that element, the idea of political settlement is an old fool's coughing into the wind.

On the Arab side, we have found the most common and most powerful corrupting ideological influence, supplied by the British, to divert many Arabs away from their true self-interest, is the British indoctrination of Arabs, in the physiocratic doctrine: that the exploitation of a natural resource, oil, was the proper present and future destiny of the Arabs forever, that economic development was not necessary; and thus, the British have cultivated certain, shall we call them, physiocratic tendencies among Arabs, and have manipulated Arabs, by virtue of these physiocratic tendencies, which have treated technology as something which is simply imported, at choice and at pleasure, out of the proceeds of petroleum sales abroad.

We must replace these physiocratic ideas with the notion

of the exchange of petroleum for technology, technology to uplift the individual Arab, technology to increase the fecundity, and fertility, of every square kilometer of Arab soil, in terms of agricultural and industrial, and hence, also, infrastructural potential. I indicate below some guiding principles, which properly govern any sound economic development plan.

### **The tactics of economic geography**

First, let's look broadly at the tactics, which we might call the tactics of economic geography.

One could define the proper approach to development of the Middle East, if no persons lived there presently, as if, for example, we were planning the settling of Mars: an uninhabited planet, by aid of artificial environment, and so forth. We could define the future cities, the future topography of Mars, from the standpoint of its geography, and a few principles of topology.

The primary considerations, which we would bear in mind for the Middle East, presuming nobody lived there, but we were going to settle people there, would be water, power, transportation, and the location of urban centers.

Now, it doesn't mean you have to have the water there. You simply have to know you need the water. And, you have to decide on the proper courses by which the water will be transported, or distributed, one might say (we're talking about fresh water, of course), such as to make the average square kilometer of land most fertile, or most fecund. That

doesn't mean a uniform distribution of water; that means what we might call the equivalent of a least-action distribution of water, to get the highest average value of land, not the highest uniform value of land.

We also know that we require a certain amount of power, per square kilometer, to develop that square kilometer to a certain level of productivity for various kinds of land-use, such as reserve land, wilderness land (those are two different kinds of land uses); pastureland, as opposed to agricultural land in agriculture; forest land; land use for private habitation; land use for commercial functions; or land use for heavy or light industrial functions. In each of these cases, we require a somewhat different density of power supplied, per hectare or per square kilometer, and per capita.

Then, transportation: We require a least-action pathway of transportation, in terms of ton-miles per hour, essentially, or as one parameter, to be used. And, we generally find that

transportation will tend to follow the course of water, because water transport, rail transport, highway transport, and air transport, are all interrelated, in terms of their relative functions, within an economy. Also, the transportation of materials, whether by pipelines, or transportation of power, or transmission of power, all tend to follow most conveniently, a least-action pathway, which tends to bring these various modes of movement into a convergence, along certain lines of movement, just as water is moved along certain lines of movement. And, these two, and water, tend to converge.

Now, the network of water flows and transport flows, and the network of required energy flows, defines certain nodal points in the entire landscape, which are the proper sites of present or future urban centers. Urban centers are characterized as nodes of transportation, and also, nodes of distribution of power, that's the way a healthy physical economy functions.

## LaRouche: 'A Leibnizian approach to city design'

*On April 28, 1981, Lyndon LaRouche submitted a proposal to the Organization of African Unity as a supplement to the OAU's then recently released "Lagos Plan of Action." LaRouche's proposal was entitled: "Stop Club of Rome Genocide in Africa!" Almost a decade later, Africa is a dying continent, and U.S. President George Bush and British Prime Minister Margaret Thatcher are leading their nations into a strategic debacle likely to devastate not only the Middle East and Africa, but the industrialized West as well. It is long overdue for the kind of Leibnizian development programs advocated by LaRouche to be adopted by the international community.*

*The following excerpt is from the chapter of LaRouche's report entitled "A Leibnizian Approach to City Design."*

The designing and building of even a single new city designed to house 250,000 persons is a costly investment. Implicitly, we are indicating the early development of a string of new cities throughout the region of an African "common market," each city with the *capacity* to sustain a population of from 100,000 to more than 2 million persons. This is indeed, a most costly investment!

Is it therefore too costly an investment to be considered for Africa at this time? On the contrary, *the savings of costs made possible with such cities are savings which relatively poor nations, such as African nations, cannot afford to defer.*

Let us review some of the kinds of savings of cost a modern city provides, and then indicate the reasons a new city is a far less costly investment than efforts to repair an old city.

The most obvious cost-saving provided by a modern city is the advantages provided by the density per square mile of inhabitants. . . .

### The city is a cultural center

The core of the new city must be an educational complex. On all other points, our purpose here is to outline a sufficient number of the principal considerations to be included in city design so that the general conception of the design-problem is communicated.

The very center of the city—at least the *functional center* of the city—must be a complex of *pedagogical museums, libraries, and cultural centers* associated with the activities of those museums and libraries. All urban life should be organized around this complex of museums, associated parks, and teaching and research institutions. Naturally, this should include the leading medical services-research center of the entire region of the city and its surroundings.

Let us now contemplate the following hypothetical specifications for our new cities. The hypothetical criteria used for purposes of illustrating the concept here are the result of informed insight into certain of the leading problems of city-design, but are otherwise arbitrary assump-

## Bringing the Dead Sea to life

I'll just give one example of what this leads to, in the Middle East.

It has been long discussed, that there should be a canal cut from the Mediterranean, to the Dead Sea, and that the water flow from the Mediterranean to the Dead Sea, would improve that area, particularly if we lined the canal with a number of nuclear plants. And, the nuclear plants do not merely use distilled water, distilled or processed from the salt water flowing in, for their own functions, but they are generally producers of water.

Now, in some parts, we have a very high cost, in the Middle East, for water. And, we can produce water, with the aid of high temperature gas cooled nuclear reactors (HTGRs), much, much cheaper, at a fraction of what it costs to deliver presently. And, since water is the main bottleneck for development in the region, the supply of water by the

optimal method, that is, taking advantage of high temperature nuclear reactors, is the best means of supplying this.

So, we have a course. This water course, from the Mediterranean and Dead Sea, becomes an industrial pathway; it becomes, for purposes of economy, also an area of urban development—of industries, and some agriculture in the area close to the water—more efficient—and so forth and so on. And, that is the sort of thing one has in mind.

Now, let's go to a second topic, under the same thing.

## The natural European Triangle

Let's take the example of the Triangle in Europe, the Triangle defined by sort of a spherical Triangle, from Paris to Berlin: Paris to Vienna, and up from Vienna, by way of Prague and Dresden, to Berlin.

This is an area of the greatest concentration of productive population density, industrial energy density, and so forth,

tions for purposes of illustration. The purpose of this interpolated exercise is to outline the scope and implications of the policymaking involved.

Let us assume that we have defined two categories of urban centers. The first is a city in the proper sense of the term's conventional usage: a population center including residential, industrial, commercial, and educational centers. The second is an industrial city, linked in each case to the labor force of one or more nearby cities of the first category. The link is provided chiefly by a combination of high-density, high-speed passenger rapid-transit services and freight service.

For cities of the first category, let us assume that we have prescribed that each city will be designed to expand its number of inhabitants to a predetermined maximum population, that the allowed city-designs provide for maximum populations of only the following scales: 100,000; 200,000; 300,000; 500,000; 800,000; 1,300,000; 2,100,000.

Let us also presume that we have prescribed that there will be no urban extension into the countryside beyond the prescribed limits of a new city's design. Each will be an urban "island" which is surrounded by (chiefly) modern agricultural fields and forests, and connected to only the most proximate other cities by rail and major highways. So, industrial cities will be set off by intermediating rural area from the relevant regular cities.

Let us assume that we have varied the designs of cities somewhat to take into account the fact that one may be situated on a seacoast, with a harbor; another may be on a navigable inland waterway; another may be landbound.

If it became desirable to have an urban concentration whose population exceeded 2,100,000 inhabitants in ca-

capacity, we would place another or two of the specified varieties of new cities proximate to one another, linking them by a dense-traffic, high-speed mass-transit system, as a means of integrating the populations' functioning.

It is not hypothetical to propose that most of our new cities would be situated at either a seacoast, a navigable inland waterway, or an artificial waterway (such as a canal). For the present, and the foreseeable future, the advantages of cost of water-borne bulk and other heavy freight are so considerable that this cost-factor must be observed in all possible cases. This is not merely a matter of the freight traffic in and out of a functioning city. The building of a city is itself a massive problem of logistics. Otherwise, access to large supplies of water for commercial as well a population use is a major economic consideration. Therefore, in building an inland city in a site removed from major "natural" water courses, the construction of canals to that city to provide an additional mode of transportation of freight, as well as a conduiting of water supplies to the city and its surrounding agriculture (perhaps), is desirable. . . .

To the extent that the rate of progress of technology is limited . . . the modern industrial nation's economy's greatest problem is a *shortage of people!* Without employable productive labor, to transform the wealth represented by capital stocks into still-greater wealth, the profits of the exporting nations would tend to collapse. To have that added productive labor, that productive labor must be created by households of a corresponding larger population. Of course, the people contributed to the labor-force by those households must also be developed to competence in the levels of technology the invested capital stocks represent.



in Europe. But, that's not accidental. This was all laid out, more than 1,200 years ago, from the time of Charlemagne, the development of Europe, along its natural course, defined then in terms partly of waterways, and canal systems linking these waterways, which gave an impetus to this sort of direction. Naturally, the *Ostmark*, Vienna, became a center: a center of development, on the Danube. Similarly, Prague, eventually, became a center. Similarly, Brandenburg, and Berlin, as part of that Mark, became a center. And so, over the course of centuries, geography, and the process of development, pivoted upon Paris, or Charlemagne's Paris, to be more precise, has determined the economic history of Europe, or the economic outlines, with which the economic history of Europe would flow.

So, what we have, in the Triangle today, is not some accidental phenomenon, or an arbitrary one; but, a very natural one. Similarly, we find that when we define what we've called the spiral arms, radiating from the Triangle, we find that these spiral arms are defined in a natural and historical way; and, so forth and so on.

And, what we are doing, is taking advantage of that fact, to recognize, as I said before, that if we were dealing with the settling of Mars, the geography of Mars, and the kind of considerations which I've just indicated above, would tell us where to plan the future cities of Mars, even before the first person had landed on that planet.

### The essential principle

Third, the essential principle, underlying this, is the relationship of man to nature. Man is unlike any other creature, in that man's relationship to nature is defined by the potential for creative reason in man.

By creative reason we mean specifically, the powers of the discovery, which are associated with the discovery of valid, new scientific principles—valid, new principles of natural science. We also mean principles of discovery, creativity, as they're associated with the classical forms of art. But it's sufficient, for our purposes here, to identify, essentially, the notion of scientific and technological progress.

Man's history—essentially, his successful history of survival—is determined by the exercise of this power of scientific creative reason: the ability of man to generate, to transmit, and to assimilate efficiently, advances, or lessening of imperfection, in man's knowledge of the principles of nature.

The result of this, is an increase in population density, or potential population density, which means, that in terms of production of the material means of survival, and development of man's condition, that is, we might call it an improving standard of living, that the productive power of the average individual has increased, in physical terms, in terms of technology, and physical production. So, we have an increase, per capita, in man's power over nature. At the same time, this per capita power is reflected in man's power per hectare, per square kilometer, over nature. The power to

produce, is correlated with the consumption of power, in the way the form of which power expresses itself, per production and life. And thus, we see, that the relations we describe the geographical relations, water, power, transportation, and the location of urban centers, and so forth, reflect a deeper principle, the principle of man's relationship to nature, a relationship which is determined by the essential distinction which sets man apart from, and above, all the beasts: the powers of creative reason.

One must be informed in this proceeding, in constructing a proper plan of development, by reference to the method which I've employed in my own work, such as, for example, I reference construction on the basis of the Lagos Plan of Action, which I did some years back, and other plans of development, or as we have done in terms of plans for the development of Argentina, or the Ibero-American Common Market as a whole: partial, but indicative of the method to be used, or what I've done, in defining the development plan for the Pacific-Indian Ocean Basin, as a whole.

This method, is a method which I have learned from Leibniz. And, it's rather important to emphasize, as a matter of practical consideration, that I learned this method first between the ages of 14 and 16, in choosing Leibniz over all other leading philosophers of France, and Germany, and England, of the period of the seventeenth and eighteenth centuries.

This relationship to Leibniz was deepened from the age of 16 on, by my undertaking to defend Leibniz against the principles of the anti-Leibnizian, Immanuel Kant. My work in economic geography, and physical economy, began essentially at the age of 25 on, in recognizing the essential fallacy, the bestialization of man, inherent in Professor Norbert Wiener's notion of information theory. That the attempt to apply that notion of information theory, to man, as somehow corresponding to the nature of human intelligence, or intelligent behavior, was bestiality, and I recognized that as being *coherent* with the fallacy of Kant, in Kant's attack on Leibniz.

And thus, I have mastered the Leibnizian-Socratic method, in these ways, mastered it from a very early age in adolescence, the age of the secondary years, where the formative development of the intellect occurs, rather than in university, it occurs in the so-called secondary school age years. And therefore, I had mastered this method at the time most propitious for any person who wishes to master it; and thus, I have a certain excellence, a rather unique excellence, by virtue of others neglecting to do the same thing. And thus, one must say, that in undertaking this kind of approach which I've indicated above, one must reference my work.

I would especially recommend a study of the elementary considerations of my method, which is available now in a short book, *In Defense of Common Sense*, 1989, and reference also to a series of studies complementing that, and treating some more advanced problems relevant to economics, among other things, called *Project A*.

# German technology is key to Mideast peace

by Helga Zepp-LaRouche

*Helga Zepp-LaRouche heads the candidates' ticket for the all-German elections for the Patriots for Germany party. She issued this statement on Aug. 14.*

The restraint being shown by the West German government in its refusal so far to take part in the "multinational task force" in the Persian Gulf, is particularly welcome in light of the current war hysteria which, with each passing day, has been reaching ever greater depths of insanity. That insanity is summed up by one Peregrine Worsthorne—the same journalist who some months ago conjured up the ogre of a "Fourth Reich" in connection with German reunification. Worsthorne now absurdly claims that Germany's objections to participating in Middle East war preparations, somehow represent a threat to world peace!

Bonn's restraint is commendable, not only because further escalation of the Gulf crisis should be prevented, but also because, as has become obvious in the meantime, London and Washington would like as many European countries as possible to take part in the military buildup, so as to camouflage the "Anglo-American character" of this whole operation—as British Foreign Minister Douglas Hurd candidly pointed out some days ago.

## Anglo-Americans threaten war

It should be clear to any reasonable person that heating up the Gulf crisis, above all through the military blockade envisioned by London and Washington, threatens to escalate the situation to full-scale war; some are already thinking out loud about using tactical nuclear weapons. Yet it should not be missed, either, that strategic targets of this crisis are those highly industrialized states, which, like Germany and Japan, are very vulnerable to the "oil weapon." These countries, as Director of Central Intelligence William Webster has stated repeatedly in recent months, are among the "economic adversaries" of Washington which the CIA must "watch carefully."

By heating up the Gulf crisis, London and Washington want to kill several birds with one stone: They want, first, to divert attention from the bankruptcy of the Anglo-American economy; second, to economically blackmail Germany and continental Europe; and, third, to expand NATO's operational sphere to the South, in order to settle the "North-South conflict" militarily, in the best colonialist tradition, up to the point of unleashing the "population wars" that the extreme

hard core among the Anglo-Americans has long been demanding.

## How Germany can win the peace

Chancellor Kohl should do more than just oppose such an insane policy. First, he should take up my proposal, and tell the German population the full truth about the impending threat. The German Federal Intelligence Office certainly knows the details required to fill out the picture only roughly sketched here, and present it in such a way that every voter can grasp it.

Second, Mr. Kohl should take the initiative of presenting his own Middle East peace plan, thereby regaining momentum in international politics. Germany not only has a vital interest in stabilizing this region, so important for securing world peace, but also—unlike Great Britain and the U.S.A., for example—has the means to *win the peace* in this region through economic and scientific development. The development of the Middle East is part of the concept, developed by my husband Lyndon LaRouche, for a Paris-Berlin-Vienna "Productive Triangle," whose "spiral arms," aided by high-speed rail links, especially those using magnetic levitation techniques, connect the entire Middle East with the major economic centers in continental Europe via Turkey and the Balkans.

Bonn should offer all countries in the Middle East the benefits of German technology, "to make the deserts bloom." By using German nuclear technology, the detrimental, oil-based monolithic economy can be overcome, so that flourishing agricultural and industrial centers can be created. Besides "nuplexes"—the integrated agro-industrial nuclear complexes already developed in the 1960s—large installations to desalinate seawater should be used. They can be built here in Germany, shipped to the Middle East as "floating plants," and installed and operated cheaply along the coasts.

In line with the "Productive Triangle," Bonn should offer to build up modern efficient infrastructure in the areas of transport, administration, and energy, as well as in the education and health sectors, in all countries in the Middle East. In short, the German government should offer to help with precisely that policy which has been criminally neglected over the last decades: The much-discussed petrodollars, still floating around in huge amounts, should be used for the quickest possible economic development of the entire region, and not be used to play around speculating in real estate or on the New York and London stock exchanges or squandered in the gambling casinos of Monte Carlo and Las Vegas.

Pope Paul VI's statement, "Development Is the Name for Peace," is more relevant today than ever, and especially in this region. Nothing is more appropriate to help realize this principle, than for Germany to use its newly won sovereignty, and, with a Middle East peace initiative of its own, to give an example of how it may contribute to the good in the world.



## Bush is biggest obstacle to Gulf peace accord

by Joseph Brewda

A negotiated peace settlement in the Persian Gulf crisis is still possible at the moment of this writing (on Aug. 29), if President Bush takes the opportunity provided by ongoing diplomatic efforts. On Aug. 25, former United Nations Secretary General and current Austrian President Kurt Waldheim traveled to Baghdad, where he reported that he was told "very clearly" by Iraqi President Saddam Hussein that Iraq wants a negotiated settlement. The projected trip of current U.N. Secretary General Javier Pérez de Cuéllar to Iraq in the first week of September, as a followup to Waldheim's, is intended to allow for an Iraqi pullout from Kuwait under U.N., rather than U.S., direction, thereby allowing Iraq a face-saving measure.

Since Iraq otherwise faces saturation bombing and devastation of the sort that the Anglo-Americans used against Dresden in World War II, Saddam Hussein's reported statements are entirely credible.

In another last-minute diplomatic effort, French Foreign Minister Roland Dumas and Soviet Foreign Minister Eduard Shevardnadze issued a joint declaration on Aug. 26 which called for "collective action to settle the crisis politically." According to Radio Moscow, the two states are concerned with the "burning necessity" of initiating efforts to "settle other conflicts in the Middle East, the Palestinian problem prominently included among them," in the context of finding a solution to the Gulf crisis.

Saddam Hussein had previously proposed on Aug. 12 that all regional territorial disputes be solved comprehensively and according to the same principle. His proposal would establish a framework for negotiations regarding not only the Iraqi occupation of Kuwait, but also the Syrian occupation of Lebanon and the Israeli occupation of parts of Egypt, Jordan, Syria, and Lebanon. Arab reaction to Saddam Hus-

sein's initiative was largely supportive, especially as Israel has been illegally occupying Arab lands for over 23 years, with the backing of the United States. President Bush immediately rejected the proposal out of hand, and has similarly ridiculed Pérez de Cuéllar's efforts as having "no prospect" of "being fruitful."

### Balance of power politics

Since neither the Bush administration, nor the Thatcher regime which advises it, wants peace, what do they want? One obvious Anglo-American objective, the seizure of the region's oilfields, is already being proclaimed by British and American spokesmen.

Writing in the pro-Thatcher London *Daily Express* on Aug. 28, commentator Robert Kilroy-Silk states that the West must "plan for a long stay" in the Gulf. "Some will castigate an occupation as being neo-colonialism, or imperialism. Let them. . . . There is the harsh fact that the Western life-style, prosperity, stability, and civilization depend on the free flow of Gulf oil—oil that is Western, not Arab. It was discovered, extracted, exploited, and developed by the West. . . . Someone has to be the top dog, and it had better be us." The destruction of OPEC is also high on the U.S. administration's list (see article, page 36).

Similarly, on Aug. 14, *Washington Post* columnist Robert Samuelson insisted that the Bush intervention should not be a "passing episode," but "we should be in the Gulf for decades."

As part of this plan, some Anglo-American strategists envision the elimination of Iraq as a sovereign nation, and not merely the elimination of Saddam Hussein as its head of state. According to one proposal floated by Helena Cobban of Georgetown University's Center for Strategic and Interna-

tional Studies (CSIS) in the *Washington Post* on Aug. 26, Iraq would be divided up between neighboring Iran, Turkey, and Syria.

The creation of a Kurdish entity, composed of the minority Kurdish population of northern Iraq, is also an option. Already, U.S. agencies have been in touch with Kurdish insurgents, both through negotiations in Damascus, and through sponsoring the trip of Kurdish terrorist leader Jalal Talbani to the United States.

Iraq is not the only Arab country in the region targeted for destruction. Already, Bush administration mouthpieces are arguing that the Arab states had better become "democratic," which in U.S. government jargon means subservient to the U.S. State Department. Writing in the *New York Times* on Aug. 26, reporter David Ignatius, a frequent U.S. intelligence conduit, asserts that "in the coming new Gulf order, we must help the Arab world join the global democratic revolution." "The key," he states, "is to link the campaign against Saddam to a broader struggle for democracy in the Arab world." Since none of the emirates and kingdoms that Bush is now supporting could be considered "democratic" in anyone's book, it is clear that the future demise of these regimes is already being prepared.

The planned U.S. occupation of the Gulf is also designed to aid Anglo-American pressure against the oil-dependent Europeans and Japanese. Since a September 1989 speech of CIA director William Webster in Los Angeles, the Bush administration has been publicly committed to reorganize its intelligence priorities to confront Japanese and European economic competition, rather than the Soviet Union. U.S. occupation of the Middle East oilfields places such states under the U.S. thumb. Referencing the possible use of this economic blackmail, CSIS strategist Edward Luttwak gloated in the pages of the British *Independent* on Aug. 28 that "non-participating Europeans and Japanese might wish that they had not been abed" when the Anglo-Americans, alone, seized the oilfields.

Japanese sources report that the general evaluation in Tokyo is that the timing of the U.S. military move was also determined by the impending collapse of the U.S. financial markets. Without a military emergency, they say, neither Bush or Thatcher could survive. Japan has been virtually single-handed in bailing out the U.S. dollar and bond market. U.S. de facto control of the region that produces all of Japan's oil represents powerful blackmail against the Japanese, to continue to comply with Washington's bidding. Similarly, the Anglo-Americans hope to use their planned control over Gulf oil to keep a soon-to-be-unified Germany compliant with their demands.

### **NATO 'out-of-area' deployments**

Closely related to the Anglo-American plan to occupy the Gulf, is the establishment of a precedent for NATO "out-of-area" deployments, potentially directed against any nation in

the Southern Hemisphere opposed to Anglo-American policies. If the United States uses nuclear or chemical weapons against Iraq, or otherwise massively bombs Iraq's population centers, this threat of out-of-area deployments against Third World states becomes terrifying indeed. Already, British imperial planners are discussing potential military action against Brazil for "destroying the Amazon," as the next phase of the "North versus South" war that began with the assault on Iraq.

Almost two months before the Aug. 2 Iraqi invasion of Kuwait, the British began a major campaign to prepare for restructuring NATO for these out-of-area deployments.

On June 7, Margaret Thatcher told NATO foreign ministers meeting in Turnberry, Scotland, that NATO should recast itself, from its current defense focus toward the East, to a new concentration on potential threats from flashpoints such as the Middle East. She voiced concern over the spread of sophisticated military technology to Middle Eastern countries, in an obvious reference to Iraq.

Then, on June 10, the *Sunday Times* of London published a lead editorial insisting that NATO must be reshaped to fight "Islamic fundamentalism." On June 21, Britain's permanent representative to NATO, Sir Michael Alexander, spoke before the U.K. government-patronized Royal United Services Institute, and declared that NATO was still "very much in business," particularly because of threats from the South, including from the southern flank of the alliance in the Mediterranean area, from North Africa, and from the Middle East. He said NATO could be faced in the coming years with "precise" threats from the South, including a possible attack from a "specific country."

Such propaganda helped prepare for the July 5-6 NATO heads of state summit, whose secret agenda item—out-of-area deployments—was pushed by the Anglo-Americans. One senior NATO consultant told this news service on July 6 that the "real agenda" focused on "increasing tension and rearmament in a number of countries, in North Africa, the Middle East including Palestine, and Asia through, increasingly, to Southeast Asia. . . . There are new dangers from new directions. We are shifting from an exclusive focus on the East-West conflict, to a situation of risk coming eventually or potentially from all directions."

Various European states were already alarmed over the direction that NATO "restructuring" was taking, as evidenced on July 11, when the French daily *Le Monde* reported statements from Robert Pontillon, an intimate of French President François Mitterrand who had just been elected president of the Assembly of the West European Union. Pontillon declared that it was "inadmissible that at the time when President Bush has already twice, without consulting the European allies, announced a cutback in U.S. commitments to NATO, that he is demanding an extension of activities of NATO to out-of-area domains." Pontillon asserted that the "external interests" of Europe are "not identical with those of the United States."

# Oil grab seeks to wipe out OPEC

by Joseph Brewda

Among the motives for Margaret Thatcher and George Bush's planned bloody adventure against Iraq, is a long-standing Anglo-American plan to control the oil production of the Persian Gulf, and to completely destroy the Organization of Petroleum Exporting Countries (OPEC). The Anglo-Americans reason that through their planned military occupation of the Gulf, and, consequently, their control of most of the world's oil, they are well situated to dictate terms to an otherwise independent Western Europe and Japan. CIA director William Webster publicly defined the economically competitive Western Europe and Japan as the United States' main enemy, as far back as September 1989. The supposed "end of the Cold War" negotiated at the December 1989 Malta Bush-Gorbachov summit, accelerated the U.S. assault against its traditional allies.

According to unconfirmed reports, King Hussein of Jordan bluntly told key editors of Jordan's press upon his return to Amman after meeting with Bush in Washington, D.C. on Aug. 15, that America's "main targets" are oil-dependent Japan and Europe, as well as the destruction of the Arab states.

## U.S. occupation policy

The U.S. administration has the following policy toward oil production, well-placed sources in the Middle East and Washington say:

First, Saudi Arabia will immediately make up for most of the 4-5 million barrels of oil a day previously produced by Iraq and Kuwait. At first, the Saudi monarchy had proposed that other members of OPEC also increase production to fill the gap. But when other member states balked at this demand, the Saudis announced that they would do the job themselves, at least at the level of 2-3 million barrels a day. That unilateral decision makes a mockery of what remains of OPEC.

Second, the profits from this increased production will go to prop up the U.S. economy. The 2-3 million extra barrels per day that the Saudis are expected to produce, will give Saudi Arabia an additional \$70 million or so in profits a day. These profits will be delivered to the United States, in part as "payment" for the "protection" provided by U.S. forces now occupying their country. Saudi Arabia will also provide

all refined petroleum products needed by U.S. forces, such as jet fuel and gasoline, free of charge.

Moreover, Saudi Arabia has already secretly agreed to pay for the U.S. deployment, which costs some \$500 million a month. The agreement was struck during U.S. Defense Secretary Richard Cheney's first visit to Saudi Arabia shortly following the Iraqi invasion of Kuwait. At the same time, the Bush administration is demanding that the Japanese and Europeans also fork over the cash for the occupation. The Saudis have also agreed to pay compensation to the U.S. troops that are expected to die or be maimed in Bush's mad adventure.

There are also unconfirmed reports, coming out of Jordan, that the Saudis and other Gulf states have additionally agreed to provide the United States some 20% of the entire region's oil output at long-term preferential prices. Europe and Japan, meanwhile, will be forced to buy petroleum at the ever-increasing "free-market" price. Before the crisis broke, oil was \$14 a barrel. As of Aug. 24, the price had zoomed to \$31. If the U.S. bombs Iraq, which seems likely, and if Kuwaiti and Saudi oil fields are hit in response, the price of oil could go as high as \$50-60 a barrel.

According to another scheme that the Bush administration is proposing, the oil reserves of the Gulf, being so vital to the world's economy, should fall under "international trusteeship" protected by U.S. forces, or possibly some United Nations force.

U.S. forces are never intended to leave Saudi Arabia, whatever the outcome of the current crisis. Cheney stated on Aug. 17 that U.S. forces might be in the Saudi kingdom for two years. In reality, as many Arabs sadly note, Saudi Arabia is now a mere colony of the United States, with less status and control over its own affairs than even the Philippines.

To further enforce the destruction of OPEC, which had defended its member states at least to some degree, the Bush administration is applying massive pressure on Mexico and Venezuela to produce vastly more oil than their OPEC quotas allow. In effect, the oil reserves of these states, now defined as of strategic importance to the U.S., will fall under U.S. control.

Simultaneous with these maneuvers, Bechtel, Texaco, and Chevron corporations have all struck new agreements with the Soviet Union to greatly expand its oil and natural gas exports. The U.S.S.R. Union is potentially one of the world's largest petroleum exporters, and petroleum is already one of the Soviets' major sources of foreign exchange.

Yet another feature of the Anglo-Americans' looting scheme is its seizure of Kuwaiti assets abroad, purportedly to defend these assets from Iraq. Kuwait has some \$100-150 billion in foreign assets, primarily in Britain and the United States, including large blocks of stock in British Petroleum and other oil firms. No one expects that either the Kuwaiti royal family, or whatever government ultimately controls that oil-rich state, will ever get its money back.

# LaRouche: 'Could be worse than Sarajevo'

*Lyndon LaRouche had the following comments to make on the unfolding Middle East conflict on Aug. 16. His statement was transcribed from remarks he made by telephone from the federal facility in Rochester, Minnesota, where he has become the nation's most celebrated political prisoner.*

The report from London goes somewhat as follows: "We, of British Petroleum, are prepared to fight the enemy on the air, on the sea, and in the desert, until the last drop of American blood is shed."

We all know who that is, but it may have been, for all we know, Margaret Thatcher. In any case, the word today seems to be, and I find it highly credible, because of the sources and because of the specific kinds of points these sources make, that the Anglo-Americans—i.e., American blood steered by British brains, if you know what I mean—will be going into Iraq, and possibly something earlier against King Hussein of Jordan, by between the first and the middle of September, approximately.

There are a lot of typically American features to this deployment, the famous American *Erdgeist* which are called "snafus." They come from all kinds of places: the ground, the trees, the rocks, the sky—they're all over the place; but even barring snafus, which seem to be all over the place, they're often in command. You can tell a snafu: It wears either a colonel's eagles or a star or two. Four-star snafus are to be expected these days. This bunch of idiots is headed for a war.

The interesting thing, when I say the Anglo-Americans—and I cite the interests of British Petroleum in a kind of post-graveyard neo-Winston Churchill deployment—is that this thing was indeed set up and conceived by the British. What's conceived here is to train the Americans to conduct "splendid little wars, you know," on behalf of the mother country. The mother country being, in this case Shakti or the Whore of Babylon. That's what we're headed for.

This has to be laid out—not as a prediction; we can't predict anything. There are major diplomatic moves. We would hope that by emphasizing this as our bit in the process, that previously brought to bear, we would prevent a very stupid thing from happening. Nonetheless, we have to fore-

cast that that is the direction in which preparations are moving, for a capability between the first and middle of September approximately, at which point the general in whom George Bush places the greatest confidence, four-star General Snafu, will unleash some kind of a war against Iraq of the type we saw in the Malvinas—which the British call the Falklands, the illiterates call the Falklands—Grenada, Panama, and now this "splendid little operation" in the sands of the desert out there athwart Kuwait.

## The economy is collapsing

What the devil do these idiots think will happen to the price of petroleum under these circumstances? And if petroleum should go up, nothing would be a geyser in petroleum, except the price. What happens then to the related price of gold? And what does such a rise of oil and gold signify, respecting the values of the British and U.S. economies?

The U.S. and British economies are ready for the scrap-heap. Britain can stand it, because in Britain, they don't care about people or the domestic economy. Britain is, today, merely a place in which to situate the City of London and Buckingham Palace. Otherwise, Britain doesn't count. It just runs the world, sort of like the Venice of the North. The U.S. doesn't function, except to the degree it has muscle, because we don't have much in the way of brains in Washington. We have to function on brawn. Good old popular brawn! No brains! And what happens when our brawn goes? Our economy is collapsing. What happens to the economy, if the price of petroleum goes to \$40 to \$50 to \$60 or even higher per barrel? With the U.S. dollar collapsing in the way it is, as a signal of which direction we're going in?

Somebody must awaken to reality. The problem here is that George Bush and company, in Washington, are besieged and occupied by a flight from reality, a flight forward from reality. They believe that somehow this war is going to carry them away from the reach of a financial crisis at home. They don't understand the situation. They don't understand, because they don't wish to understand; in net effect, they are hysterically determined not to understand.

So, barring calmer heads' intervention, or the intervention of events, such as a collapse of the U.S. markets beforehand, we may expect a dirty operation in the Middle East by mid-September, approximately. That's a general forecast of one aspect of this thing. We must hope, however, that something *does* intervene to prevent that from happening. We must hope that some of these diplomatic initiatives will be successful. And we must contribute our warnings of the consequences, to emphasize the point that "you'd better find another way, buddy, rather than that bloody business/bloody sand operation" which some people have planned.

You unleash something that cannot be stopped. A U.S. attack on Iraqi forces, of the type seemingly now in progress, would be worse than Sarajevo. You think the world is under control? See it come apart fast, in the wake of that.

# Kissinger's hand in the dirty little colonial war in the Gulf

by Scott Thompson

Henry Kissinger sat at Richard Nixon's right hand and personally directed the bombing of Cambodia two decades ago. Today, his clone Brent Scowcroft occupies the same position in George Bush's National Security Council, and if Kissinger gets his way he will propel us into World War III.

It might appear that Kissinger is taking a back seat in world politics today. In reality, his global influence-peddling firm, Kissinger Associates, Inc., gave bad economic "advice" to Iraqi President Saddam Hussein which helped precipitate Iraq's invasion of Kuwait, while the British-controlled press with which Kissinger is associated published wild charges that Saddam was the "new Hitler" and that war was inevitable. Meanwhile, Kissinger's protégés are in the inner councils of the Bush administration, where they have been overseeing the massive deployment of American GIs to fight Kissinger's dirty little "colonial war" in the Gulf.

On Aug. 19, self-admitted British agent Kissinger wrote a syndicated column entitled "The game has just begun: We have crossed the Rubicon, and time is not on our side," which appeared in press around the world. In this piece, Kissinger joined the chorus of Prime Minister Margaret Thatcher, who triggered President Bush's "flight forward" deployment of forces into the Persian Gulf, by calling for pre-emptive strikes against Baghdad.

Kissinger's so-called expertise on the Middle East is based on what the British call the "Great Game." This "game" combines balance-of-power geopolitics with cultural warfare, such as that which vectored British-inspired Islamic fundamentalism against Iraq, and had more generally followed the plans of British Arab Bureau member Bernard Lewis. The "Bernard Lewis Plan" underlies former National Security Adviser Zbigniew Brzezinski's so-called "Arc of Crisis" which pitted each against all in tribal and ethnic warfare—including Muslim versus the British "Marcher Lord" state of Israel—to deny the emergence of strong nation-states in the region. The point, as Webster Tarpley makes clear in his article in the Aug. 17 *EIR* entitled "The Persian Gulf: British lake," was to combine geopolitical goals like "control of sea-lanes" with the desire to loot raw materials from the

powerless. Already, these policies, as implemented by Kissinger, have triggered two oil-price spirals.

In his article, Kissinger draws a parallel between the President's decision to send massive forces to the Persian Gulf and Julius Caesar's act of crossing the Rubicon River that won him the Roman Empire. So-called British "game-masters" of Kissinger's geopolitical stripe have long drawn parallels between their imperial designs and various attempted recreations of the Roman Empire. Kissinger's comparison of President Bush to Julius Caesar is consistent with Kissinger's life-long effort to recreate Castlereagh and Metternich's Holy Alliance. Although the foremost goal of the Holy Alliance was to stop a spread of the American Revolution, Kissinger has consistently argued that America must forget its republican revolutionary origins to swagger around the world as an imperial power. The U.S. would survive by looting smaller nations of raw materials subdued in such dirty little colonial wars, rather than through disseminating scientific and technological progress.

## Crossing the Rubicon

In his column, Kissinger makes clear that by "crossing the Rubicon" the U.S. is to become a permanent "stabilizing" force in the Middle East. And, as many other Anglo-Israeli sources have done of late, he calls for immediate military escalation:

"A sharp and short crisis is far more in the interest of all concerned with moderation than a long siege. . . . The United States stands to lose the most from a long siege—whatever the relative immediate economic impact on Europe and Japan. An ignominious withdrawal . . . would end America's stabilizing role in the Middle East. . . .

"The United States . . . simply cannot afford to lose. If it should be concluded that sanctions are too uncertain and diplomacy unavailing, the United States will need to consider a surgical and progressive destruction of Iraq's military assets—especially since an outcome that leaves Saddam Hussein in place and his military machine unimpaired might turn out to be only an interlude between aggressions. . . .

It is important to understand that America has crossed its Rubicon. All . . . should subordinate whatever tactical misgivings they may have to standing behind the only policy that can now succeed.”

It seems Kissinger’s solution is to bomb Baghdad back to the stone age regardless of human or economic concerns.

### **Economic warfare**

As *EIR*’s cover story on Aug. 17 showed, Saddam Hussein’s decision to invade Kuwait was the culmination of a process that involved intensive profiling. An external financial squeeze, accompanied by a shutoff of credit for reconstruction from the Iran-Iraq war and of food imports, had been combined with media depiction of him as being out of control. Clearly Saddam Hussein was getting some poor “advice” from certain Westerners.

One candidate for such “advice” would be Alan Stoga, the senior economist at Kissinger Associates. Stoga joined Kissinger Associates while he was serving as a consultant to Dr. K’s National Bipartisan Commission on Central America in 1983. A major focus of the Kissinger Commission was how to get Ibero-American countries to accept genocidal levels of austerity while maintaining debt service payments to prop up Anglo-American banks, through Project Democracy counterinsurgency.

Stoga had previously directed the country-risk department of the First National Bank of Chicago, where he worked under A. Robert Abboud. After a brief stint as Armand Hammer’s deputy at Occidental Petroleum, Abboud is today chairman of the United States-Iraq Business Forum and of First City Bancorporation of Texas. Stoga traveled with Abboud and representatives of the oil multinationals and other member firms of the U.S.-Iraq Business Forum to Baghdad in June 1989. It now appears that Stoga played an insider role in the Anglo-American economic warfare that placed Saddam Hussein into the corner from which the logical reaction was to invade Kuwait.

This economic warfare denied Iraq credit for reconstruction and food. It was unleashed after Saddam Hussein rejected requests by Stoga, Abboud, and others to let the Six Sister oil companies develop major new oil finds that had boosted Iraqi reserves to number two in the world. It was fostered by wild charges through press outlets, like Canada’s Hollinger Corp., on whose board Kissinger sits, and by Britain’s affiliated Pearson PLC, that Saddam was using these reconstruction credits to prepare for war. There was not a shred of evidence.

Stoga followed Kissinger’s call for a preemptive strike with an article on Aug. 22, which was exclusive to the *Christian Science Monitor*, entitled “Long siege of Iraq would be worst scenario for the West.” In his piece, Stoga echoes Henry, writing “that the worst scenario for the West would be a drawn-out economic and military siege of Iraq.” Next, Stoga argues for more economic warfare against Iraq: “Sad-

dam Hussein is not invulnerable. His economy is in shambles, badly damaged by a decade of mismanagement and war. He has too much debt and too little money. His country imports three-quarters of its food and will be badly squeezed by the blockade.” Thus, Stoga supports the Bush administration policy of using “food as a weapon,” which, because the first victims of starvation are the ill, elderly, and children, is the moral equivalent of biochemical warfare.

Stoga is perfectly clear that the “vital interests” that sent U.S. troops to the Mideast are oil, not morality: “If Saddam realizes his ambitions, Iraq would gain effective control of oil prices and, thus, of a world economy which still runs on oil.” Stoga concludes by saying that the main lesson of the crisis so far is that as East-West conflict declines, the U.S. must be prepared for global North-South conflict: “The cold war may be ending, but regional conflicts will persist. This may be . . . a more, rather than less, dangerous world.” He adds: “The Middle East is inherently unstable. . . . Under such circumstances, the U.S. and its allies cannot afford to disengage from the area.” Apparently, Stoga foresees occupation of the Middle East.

### **Two birds in the bush**

Although Kissinger was forced to resign from the President’s Foreign Intelligence Advisory Board (PFIAB) last January because of conflict-of-interest scandals arising from his role in Kissinger Associates, he is not an outside “kibbitzer” in the present crisis. Gen. Brent Scowcroft, who was Kissinger’s deputy at the National Security Council (NSC) and later vice chairman of Kissinger Associates, is now President Bush’s National Security Adviser. Scowcroft has reportedly stopped dozing off from boredom at the NSC recently, to egg on President Bush’s “flight forward” syndrome in the implementation of “Operation Desert Shield.”

Scowcroft has learned from Kissinger that Iraq’s major crime is its lack of geopolitical significance. He assisted Kissinger in several anti-Iraq actions, including:

- In 1974, Kissinger joined forces with Israel to threaten Iraq during the “Black September” crisis in Jordan, where Palestine Liberation Organization members had been slaughtered. The crisis ostensibly arose when “Palestinian terrorists” tried to kill Jordan’s King Hussein and hijacked several planes. But U.S. intelligence sources have demonstrated that Kissinger’s NSC manufactured those terrorists together with British intelligence.

- In the same year, Kissinger encouraged a Kurdish separatist uprising against Baghdad, that forced Iraq to mount a bloody crackdown. Kurdish terrorism has been directed against Baghdad and the world ever since.

- In 1973-1974, through lies spread as he shuttled from one Mideast capital to the next, Kissinger triggered the first oil hoax, and through his conscious failure to resolve the Arab-Israeli conflict, he sowed the seeds for the 1978-1979 second oil shock. The rapid jump in oil prices—from \$3 to



\$12 per barrel in the first go-round—beggared “developing countries,” but sent a stream of “petrodollars” to Anglo-American banks and oil multinationals that postponed financial collapse for a decade.

● In 1987, Kissinger denounced the Reagan administration’s “tilt to Iraq” in the Iran-Iraq War, including the reflagging of Kuwaiti ships and their protection by the U.S. Navy. Thus, Kissinger continued to favor Iran, despite its being run by Islamic fundamentalists “made in Britain.”

Beyond Scowcroft, Deputy Secretary of State Lawrence Eagleburger had been president of Kissinger Associates before being appointed to his Bush administration post. As President Bush indicated in his Aug. 23 news conference, Eagleburger has major responsibility for lining up diplomatic support for the Anglo-American Gulf adventure.

### Henry Kissinger: British agent

When the corpses of America’s youth begin to come home, it is important to know that the man who helped rig this crisis has admitted to being the agent of a foreign power. On May 10, 1982, in a speech entitled “Reflections on a Partnership” given at the Royal Institute of International Affairs at Chatham House in London, Henry Kissinger revealed he had been a British agent while holding high office:

“The British were so matter-of-factly helpful that they became a participant in internal American deliberations, to a degree probably never before practiced between sovereign nations. In my period in office, the British played a seminal part in certain American bilateral negotiations with the Soviet Union—indeed, they helped draft the key document. In my White House incarnation then, I kept the British Foreign Office better informed and more closely engaged than I did the American State Department. . . . In my negotiations over Rhodesia I worked from a British draft with British spelling even when I did not fully grasp the distinction between a working paper and a Cabinet-approved document.”

Part of this speech projects a growth of North-South conflict, where U.S. muscle would enforce British imperial designs as is taking place today in the Gulf. First, however, Kissinger says that Britain had to overcome American antipathy to balance-of-power doctrine:

“Americans from Franklin Roosevelt onward believed that the United States, with its ‘revolutionary’ heritage, was the natural ally of people struggling against colonialism; we could win the allegiance of these new nations by opposing and occasionally undermining our European allies in the areas of their colonial dominance. Churchill, of course, resisted these American pressures. . . . In this context, the experience of Suez is instructive. . . . Our humiliation of Britain and France over Suez was a shattering blow to these countries’ role as world powers. It accelerated their shedding of international responsibilities, some of the consequences of which we saw in succeeding decades when reality forced us to step into their shoes—in the Persian Gulf, to take one

notable example. Suez thus added enormously to America’s burdens.”

In conclusion, Kissinger said that in future North-South conflicts, the U.S. must never again undermine Britain’s “vital concerns” as it had done at Suez.

### Castlereagh versus republicanism

For Kissinger and his British controllers, the system that they would like to recreate for global North-South conflict is similar to the Holy Alliance. Kissinger was indoctrinated in this model by his Harvard professor, William Yandell Elliott, who had been an American member of the Cecil family’s Round Table movement. Elliott openly espoused American membership in an English-speaking commonwealth after World War II where the darker-skinned races were to be ruled by Anglo-Saxons. Kissinger’s thesis was later published as a book, *A World Restored: Metternich, Castlereagh and the Problems of Peace 1812-1822*.

In his book, Kissinger makes no bones about the fact that when he says a “world restored,” he means to restore the oligarchic system before the American Revolution. “It was clear,” writes Kissinger of 1812 when Britain invaded the United States, “that there were new forces loose in the world clamoring for popular participation in government. But it seemed equally evident that these forces had been responsible for a quarter-century of turmoil.” Of Kissinger’s two heroes whom he believes saved the world from American-style revolution, the more important is Britain’s Castlereagh, who had been a protégé of William Pitt the Younger, when the latter combatted the American Revolution. Pitt was an agent of the British East India Co., which was a paradigm for Adam Smith-style raw materials looting schemes, and which gave birth to the Tory families who sided with Britain in the American Revolution.

Writes Kissinger of Castlereagh’s design:

“That Europe rescued stability from seeming chaos was primarily the result of the work of two great men: of Castlereagh, the British Foreign Secretary, who negotiated the international settlement, and of Austria’s minister, Metternich, who legitimized it. . . . Because Britain was threatened only if Europe fell under the domination of a single power, Castlereagh was primarily concerned with constructing a balance of forces. Because the balance of power only limits the scope of aggression but does not prevent it, Metternich sought to buttress the equilibrium by developing a doctrine of legitimacy. . . . Each failed as he succeeded. . . . Their achievements were not inconsiderable: a period of peace lasting almost a hundred years, a stability so pervasive that it may have contributed to disaster.”

Yes, even Kissinger acknowledges that the seeds of World War I and World War II lie in Castlereagh’s policies: A lesson all should learn now that British “moles” like Kissinger are propelling the U.S. into a dirty little colonial war that may hold the seeds of World War III.

# War hysteria built by Anglo-Americans

*The British war propaganda machine is beating the drums for early U.S. military action against Iraq. Here are a few selections.*

### Great Britain

George Bush has to launch a dramatic military action fast against Iraq, or he will risk looking like a new Jimmy Carter, wrote Andrew Sullivan, correspondent for the Hollinger Corporation's *Daily Telegraph* on Aug. 15. "Unless there is a swift and decisive defeat of Iraq, Mr. Bush's options are gloomy. The way out, if there is one, is to seize upon the current mood of clarity and capitalize on it. . . . It is quite clear that nothing less than the outright defeat of Saddam can secure the West's interests in the region. An attack carries enormous risks, but so too does the policy of mere wait and see."

The *Sunday Telegraph* of Aug. 19 argued, "The American force is, quite simply, too large to be purely defensive and not yet heavily armed or large enough to take on the Iraqi army in a desert slogging-match. In this simple fact lies President Bush's current dilemma. . . . The West now has a short-lived opportunity to launch air strikes against Iraq's chemical weapons plants, nuclear facilities and military installations before the arrival in the area of Western civilians."

Bush has no more than a month or two to do something militarily dramatic against Iraq, since after that time the political tide in the U.S. could turn decisively against him, a senior British defense adviser told *EIR* on Aug. 14. "It's difficult for America to keep in this position for long. It's a matter of politics. Bush now has everybody in the so-called 'body politic' with him. But that can only last 1-2 months. With 50,000 men, four aircraft strike fleets, and the latest in air power all over there, if Bush does nothing now, he'll have real problems. Bush has got to get the temperature up fast. He can't just sit there. . . . If I were a Machiavellian, I would provide a reason, from Saddam Hussein's side, for a sting against him. It could be the matter of ill-treatment of hostages. I'm talking about maybe creating a pretext, or better yet, have it created for you. He hasn't got full control over his army, there are a number of lapses. . . . Once there is evidence of mistreatment of hostages, maybe a rape or

something, there could be a preemptive strike, like the one against Qaddafi in 1986, except this time for real."

The July 10, 1990 issue of the newsletter *Special Office Brief*, written by British intelligence operative Duke de Grantmesnil, Kenneth De Courcy, states that confrontation involving Iraq is certain to occur. The danger, according to De Courcy, arises from "the assistance of imprudent German and French concerns" that meant that Iraq "not only now has a lethal chemical warfare outfit, but missile guidance systems." "By 1995," he adds, "Iraq will be able to exterminate Israel altogether—to Russian applause." After praising Israel's raid upon Iraqi nuclear facilities nine years ago, De Courcy says that the Atlantic Powers could win the conflict with Iraq "only if they were ready to threaten use of major nuclear devices which if used in or near the Gulf would render a large part of the oil-producing areas uninhabitable for at least 25,000 years."

Israel, De Courcy says, will neither allow a Palestinian state to be created with "all the Iraqi lethal kit," nor will it "sit back until 1995 awaiting extermination." "It is therefore on the platform of Palestine and at the gates of Jerusalem," De Courcy concludes, "that the present epoch will face its ultimate drama. We can prepare for it but not now avoid it."

### Israel

The Aug. 12 *Jerusalem Post*, under the headline, "Sharon to Americans: Blast Iraqis immediately," reported statements by Israel's Housing Minister Ariel Sharon to Israel Radio, warning that an economic blockade of Iraq would not deter Saddam Hussein, and that its effect would dissipate in time. "Soon we shall see pictures of hungry Iraqi babies and children on television, the demand will grow to bring home the troops, the hostage problem will grow acute, and America's partners will tire of the long wait in the desert. If action is necessary—then now is the time for swift military action. The more time passes, the more the world will grow accustomed to the idea that Kuwait is part of Iraq and it will become more difficult to get the Iraqis out."

Science Minister Yuval Ne'eman, speaking at a terrorism conference in Jerusalem, declared that Israel's bombing raid against Iraq's nuclear power plant nine years ago prevented the threat of nuclear weapons being used by Iraq against the American forces now in Saudi Arabia.

Italy's Aug. 18 *Corriere della Sera* was told by Foreign Minister David Levy that the West should "not lose time with Saddam Hussein, give him an ultimatum and then move." He continued, "If we give him space, then the leaders of the Arab countries will become afraid of being accused of having become 'collaborators of the imperialists.' . . . The West must set a deadline, it does not matter which one—October, November—and after this one must act. Who dreams about peace, must be prepared for war, otherwise why has this big armada been sent to the Mideast? One must not behave like the Americans in Lebanon."

# Gulf crisis used to target Third World

by Mary M. Burdman

Former Iranian President Abolhassan Banisadr warned, in an interview in the Aug. 19 Milan daily *Avvenire*, that the current Persian Gulf crisis is initiating a new era of wars by the United States and allied nations against the populations of the Third World. "I would like Bush to speak openly, since he, too, like Saddam [Hussein], speaks in an ambiguous way. I do not know whether he represents the American political tendency which contemplates the 'necessity' of imposing war on the Third World, to exterminate populations which have become too cumbersome," Banisadr said. "It is the theory which says: Now the East-West conflict has ended, we must begin the North-South confrontation. It is the theory of Zbigniew Brzezinski and of many others."

This warning was echoed by former U.S. Attorney General Ramsey Clark in an interview with the same paper on Aug. 22, and is the Anglo-American intentions behind the British-manipulated Gulf crisis.

Economic war against the Third World is *already happening* in the Iraq crisis. The blockade by the United States and Britain includes food and medicine. In addition to the 17 million people of Iraq and the 800,000 of Kuwait, there are around 3 million people in Iraq and Kuwait, most of them "imported labor" from Egypt, Palestine, and the nations of the Indian subcontinent, threatened with starvation and sickness by the blockade.

This use of the "food weapon" is part of 20 years of Anglo-American policy toward the developing sector. Commodity prices have collapsed and debt has ballooned since the 1970s. The rise in oil prices will be disastrous for the indebted nations of the Third World, but the devastation wrought by the Gulf blockade will not end there. These impoverished nations, unable to survive their debt burdens and energy import costs by exporting commodities, have become more dependent on the export of human labor. Since the late 1960s, and especially since the oil crisis of 1973, the nations of the Third World have been exporting tens of thousands of workers—men and women—to Kuwait and other oil-producing nations and have become increasingly dependent on the remittances from these workers for foreign exchange to survive.

These nations cannot afford to airlift their workers out of the Gulf. Egypt is sending buses, and India ships, but this will take weeks. Indian and Pakistani workers who have fled report that those left are in a desperate situation, facing an acute lack of food and water. As one British national who

escaped Kuwait explained, Westerners were generally well off and had the means to store food in their homes, most of the Asians did not. Since the invasion came on Aug. 2, many have not been paid since last month. One report said 3,000 Pakistanis were stranded on the Kuwait-Saudi border and could starve if not helped.

Many workers are employed in the oilfields or on construction projects, but thousands more are women working as maids, secretaries, and at other "service" jobs for a pittance. Conditions were so bad for Sri Lankan women working as domestics in Kuwait, that the government in Colombo had banned more women workers from going there. But almost 80,000 are already in Kuwait, and now are stranded without food or money. Many were just left behind by Kuwaiti employers who fled to Saudi Arabia.

## The Anglo-American food weapon

There is an outcry against the use of the food weapon against these people. The London-based Palestinian daily *al-Quds al-Arabi* wrote the week of Aug. 20, "Those shedding tears over the Western citizens—and they include Arabs, unfortunately—forget or ignore the fact that there are more than 17 million Iraqi Arabs and 3 million other Arabs and foreigners who are exposed to the rise of death from starvation or illness in the current battle." Cairo's semi-official daily *al-Gumhuriyah* wrote, "Starving a population is a crime against humanity however one tries to conceal it behind a veil of international law. To punish populations for the mistakes of their rulers is rejected in principle by all covenants."

Sri Lanka is an example of the plight of these nations. In Colombo, Sri Lanka Aug. 9, Ranjan Wijeratne, Minister of Plantation Industries, rejected the U.N. Security Council resolution for mandatory sanctions against Iraq. Desperately poor Sri Lanka cannot afford to stop exporting tea to Iraq, which normally buys 20% of its crop, its biggest source of foreign exchange. "If the United Nations gives foreign exchange for our tea we will stop selling," Wijeratne stated. "We are a poor country. Sanctions are for the rich." A Sri Lankan embassy spokesman in Riyadh, Saudi Arabia announced that Sri Lanka is dependent upon remittances from its workers in the Gulf for 40% of its foreign exchange income. Repatriating its nationals, even if this civil war-devastated country could afford the transport, would hurt what remains of its economy. Labor Minister G.M. Premachandra was in the region Aug. 18, seeking help for the workers.

Egypt is also being hit hard. Some 150,000 Egyptians were in Kuwait and 800,000 in Iraq at the time of the invasion Aug. 2. Most of the 70,000 refugees who have crossed into Jordan from Iraq are Egyptians, and their presence in Jordan is already causing an acute crisis. Disturbances are reported among the stranded Egyptian workers; Cairo is totally unable to cope with the crisis. The fate of the Palestinians—300,000 in Iraq and 170,000 in Kuwait—will be far worse if the food war continues.

The U.S. arrogance toward the Third World is shown by its demand that India, which is trying to air- and sea-lift emergency supplies to its 185,000 nationals stranded in the Gulf, "guarantee" that the supplies do not fall into Iraqi hands. The U.S. is believed to have agreed "in principle" to the shipments, the British daily *Guardian* reported Aug. 22, after talks between Indian Foreign Minister I.K. Gujral and U.S. Secretary of State James Baker in Washington. Indian officials called the U.S. demand for guarantees "totally unreasonable."

Indians who fled to Jordan report that if no help arrives in a week, their compatriots still in Kuwait could starve. India asserted that the plight of its citizens is so bad in the Gulf that the U.S. simply could not block attempts to assist them. India is reportedly readying an evacuation fleet of military and commercial vessels, but the evacuation would still take weeks.

### **Demands for U.N. aid**

India, which gets about 40% of its oil from Iraq and could lose 5-5.5 million tons of crude oil supplies due to the sanctions, has already asked for U.N. aid. On Aug. 3, India's foreign exchange reserves fell below the level allowed by the Finance Ministry of 500 million rupees, the *Hindustan Times* reported Aug. 11. The Petroleum Ministry has determined that India will need an additional 310 million rupees to tide it over during the Gulf crisis.

Indian Minister of State for External Affairs Hari Kishore Singh on Aug. 10 called on U.N. Secretary General Pérez de Cuellar to help developing sector nations get through the current economic crisis with the help of the U.N.'s lending institutions. Singh pointed out that provision for aid in the case of economic deprivation resulting from U.N.-ordered sanctions is provided for in the U.N. Charter. "Many projects, particularly construction projects in Iraq, will be delayed or suspended. Exports to Iraq have to be suspended. India, like many other countries, is going to be affected. The U.N. has an obligation to help these countries," he said.

Philippines President Corazon Aquino has "reserved the right" to apply U.N. sanctions against Iraq with "our own national interest" in mind. "Our first concern is the safety and well-being of the hundreds of thousands of Filipinos who are working in the Middle East and who are, by doing so, helping our economy here," Foreign Secretary Raul Manglapus said Aug. 20. There are 350,000 workers from the Philippines in Saudi Arabia, about 5,000 in Iraq, and 90,000 in Kuwait—half of them women.

Remittances from these workers is vital for the Philippines, which owes \$26 billion in debt. About \$1.3 billion a year is deposited in banks, but total about \$3 billion. On Aug. 17, National Economic Development Authority Director General Cayetano Paderanga announced that the Philippines had cut its GNP growth estimate by a full point—to 3.8%—due to the oil price increases.

## **Asian leaders not keen on Mideast war**

by Lydia Cherry

British and U.S. efforts to pull Asian leaders along with their war buildup in the Persian Gulf have not been a big success. Reticence has been the rule, regardless of whether the country in question stands to gain financially from the crisis, such as Indonesia and possibly Malaysia, because of their oil reserves, or to lose, as is the case of the vast majority of Asian countries.

India and Indonesia, the two largest Muslim countries in the world, refused to have their troops embroiled in the war effort, and India has been adamant about its opposition to unilateral armed action. India's opposition Congress Party is on record saying that the moves of the U.S. and its allies could well "plunge the world into catastrophe," Delhi Domestic Service reported Aug. 18.

Indonesia initially said it would continue trading with Iraq despite the U.N. embargo, but by Aug. 12, Indonesia's leaders apparently became convinced that they had no choice but to "comply with the U.N. resolution, and for this Indonesia has to bear the risk," as Mines and Energy Minister Ginanjar explained. President Suharto has still not condemned the Iraqi invasion of Kuwait.

Malaysia responded similarly that it would not send troops. "We do not side with any country. Our position is that we are with Islam," said a spokesman. He noted that Iraq and Iran had also requested Malaysia's support when they were at war. "Malaysia will not support these wars between Muslims."

### **Pressure on Japan and Korea**

British and U.S. policymakers are incensed that Japan and South Korea are refusing to play the roles assigned to them. "The Japanese government, which claims so often to want to take a leadership role in world affairs, continues to dither over how to handle the Gulf crisis, even though most other industrial nations have already made substantial commitments of men and money to the effort," wrote Britain's *Financial Times* Aug. 23. Former U.S. Defense Secretary Harold Brown was quoted by the *Wall Street Journal*, that talk is increasing in Washington, D.C. "about simply charging Tokyo for the U.S. military services." President Bush had to telephone Japanese Prime Minister Toshiki Kaifu twice "just to get Japan to announce its support of the U.N. trade embargo against Iraq," the *Washington Times* reported.

Japan was the country most involved in rebuilding Iraq's

war-ravaged economy, and the powerful Ministry of International Trade and Industry (MITI) opposed the economic embargo of the country. Much like Germany, Japan is seeking to counter the criticism of its inaction by offering aid to Arabs and others to help offset the losses they are suffering from the crisis. Government spokesman Taizo Watanabe on Aug. 17 acknowledged the "unprecedented" pressure on Japan, a country dependent on the Mideast for 70% of its oil. He noted the complexities involved in the expectation that Japan could politically amend its Constitution, imposed by the occupying Allied powers, so that Japan's self-defense forces could be sent overseas. There is not even agreement among the various factions in the ruling party on acting as the "piggy bank" for the Anglo-American war effort, despite the fact that both Margaret Thatcher and George Bush have personally leaned on Prime Minister Kaifu to play that role. As ruling party factions debated, the Japanese bureaucracy moved quickly to come up with extra supplies to help offset the oil losses resulting from the embargo.

The U.S. State Department's Richard Solomon was in Seoul the week of Aug. 13 to strong-arm South Korea to go along with Washington's policy against Iraq. The overriding theme of Solomon's conversations was that Korea must join in sanctions (which it eventually did). "We do not understand the U.S. request," a Seoul official said Aug. 14. "We may decide to give up our economic interests in the two countries [Iraq and Kuwait], but it is difficult to instantly accept the U.S. demand when the security of 1,300 Koreans is at stake." Asked if Korea was requested to join in the multinational operation to blockade the Gulf, the same official was quoted, "The U.S. would not ask that. If it did, we would reject it out of hand."

Solomon's second "message" to Seoul was U.S. concern over the expansion of the economic contacts between South Korea and the Soviet Union—contacts initiated by Seoul as part of its diplomacy to reunify the Korean Peninsula. Speaking frankly in response to U.S. criticism of Seoul's inaction in the Gulf crisis, President Noh Tae Woo was quoted by the *Korea Herald* Aug. 21: "We are not in a position to offer military support for the sanctions. We are facing a more urgent task of firmly establishing peace and security on the Korean Peninsula."

### **Emergency in Taiwan**

There are rumors in Taiwan that Iraq has decided to purchase non-strategic materials from the Republic of China. The Taipei government denied the reports Aug. 17, but the government spokesman made clear that if Iraq makes a business deal with a Taiwan businessman, that is private business outside the control of the ministry. Taiwan depends on the Mideast for the 31% of its energy that comes from oil. Fuel has now been rationed, and plans for a fourth nuclear plant in the country by 1998, delayed since 1983 by environmental resistance, have been dusted off.

## **Turkey squeezed in strategic vise**

by Joseph Brewda

The announcement by Turkish President Turgut Özal on Aug. 23 that his government was "reconsidering" its previous rejection of a U.S. demand to provide soldiers to supplement U.S. forces in the Persian Gulf, has grave implications for Turkey's future. Speaking on the MacNeil-Lehrer Newshour on the Public Broadcasting System, Özal said that it might be in the "best interests of Turkey" to deploy the troops, despite the fact that Turkey "would like to have good relations with the rest of the Arab countries." In fact, as Özal well knows, to have Turkey seen as complicit in the colonial oppression of Arab states that it once ruled as the Ottoman Empire, would be one of the worst disasters that could befall his state.

That Anglo-American planners long had their sights on Turkey as a key supplier of NATO "out-of-area deployments" has long been apparent. In fact, some Turks quip that that phrase really means, "Turks killing Arabs." Yet while the Anglo-Americans are not adverse to having Turks die for their adventures, they will never accept Turkey's longstanding ambition to be considered a European state. Last spring, the British spearheaded the racially motivated rejection of Turkey's application to join the European Community, with the argument that the swarthy Turks have a high birth rate.

### **The oil lifeline is cut**

Turkish compliance with other key Bush demands has already wreaked havoc. Through U.S. pressure, Turkey has closed down the Iraq oil pipeline through its country, which had pumped 1.3 million barrels, or 50%, of Iraqi oil a day. Turkey did not merely receive \$300,000 a day in user fees from Iraq for this service; it also had a guarantee whereby it could draw as much oil from the pipeline as it needed to supply its own needs, and could purchase that oil through barter trade rather than hard-earned foreign currency. Now Turkey will have to purchase foreign oil with cash. Turkish agreement to embargo goods to Iraq has already led to high unemployment among transport workers.

From a strictly military point of view, Turkey could suffer grave damage by Iraqi forces if the Turkish military enters on the side of the Anglo-Americans. The Turks are concerned that the recently completed Ataturk Dam, which the Anglo-Americans had always opposed because it would dramatically increase Turkish food production, would be one Iraqi target.

## Bush administration dumps Turkey

Shortly after the December 1989 Bush-Gorbachov summit which established the terms of the "post-Cold War world," the United States made clear to Turkey that it was no longer required as a U.S. ally. On Feb. 7, U.S. Defense Secretary Richard Cheney released elements of a new classified defense policy guidance which ceded Iran—and by implication Turkey—to the Soviet sphere of influence, saying that the entire region was no longer defensible. The language reminded observers of that used by then Secretary of State Dean Acheson about Korea, immediately prior to the Korean War. The new doctrine was issued in the same period that the Bush administration openly blessed the Soviet invasion of the Soviet republic of Azerbaijan, a Turkish-speaking state bordering Turkish territory.

In the same period, the Anglo-Americans launched a new campaign to destabilize Turkey, including sparking ethnic riots against Turks in Greek Thrace beginning in January. The assassination of Turkish bar association president and prominent leftist Mumamar Aksoy that month, kicked off a new period of political assassinations of Turkish citizens. On top of that, the British intelligence-controlled Kurdish PKK terrorist organization held a press conference in Cyprus on Jan. 29 announcing a new campaign against Turkey.

In March, the United States signed a defense cooperation agreement with the new Greek government, a government

believed to have been put in power by U.S. intelligence services. The agreement provided for U.S. military assistance to Greece, a member of NATO, in the event of a war with Turkey, also a NATO member.

At the same time, the Bush administration initiated an intentionally provocative campaign to formally condemn the Turkish state for genocide against Armenians allegedly conducted during World War I by the Ottoman Empire. Despite the fact that the U.S. Senate rejected one declaration, Bush signed his own condemnation in April. The campaign predictably inflamed Turkish passions against the United States, which the Bush administration was not adverse to, and led some Turks to assume that the United States was preparing the internal climate for a new U.S.-directed military coup.

The "alternative" to this pressure had already been made clear at a "Friends of Turkey" meeting held in Washington, D.C. on Feb. 1, at which a Bush spokesman, retired U.S. Gen. James Vaught, proposed that Turkey accept U.S. ground troops on its soil. Turkey had always heatedly opposed such proposals in the past, because of its bitter memory of European occupation of its territories following World War I. Turkey also knew such troop presence would implicitly redefine Turkey as an Anglo-American military satrap against the Arabs. That redefinition of Turkey's role is now being implemented.

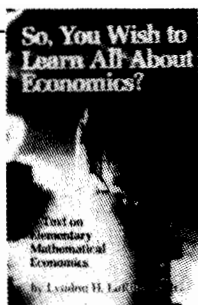
# So, You Wish to Learn All About Economics?

by Lyndon H. LaRouche, Jr.

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# China exploits crisis to target Taiwan

by Mary M. Burdman

Although the Iraq-Kuwait crisis is forcing Beijing to shuffle between its fears of offending the United States and pretensions of leading the Third World, the Chinese Communist leadership is doing all it can to benefit from the crisis. Since China and Saudi Arabia established relations on July 21, Chinese Prime Minister Li Peng has been on a diplomatic offensive which he called a "complete success": a nine-day tour to Indonesia (where diplomatic relations were reestablished after a 25-year rift) and to Singapore and Thailand. The "complete success" of Li's visit is doubtful, but there is no question about the offensive. Its immediate target is Taiwan.

Taiwan President Li Teng-hui's assessment of Saudi Arabia's shift in relations to the mainland was blunt: "This fully shows that the Chinese Communists are anxious to subjugate us. . . . Their purpose is to seize Taiwan."

The reason for this is simple enough. China's State Statistical Bureau report of July 31 called the "industrial and economic situation as a whole still rather grim. . . . There is still not the basis for the industrial economy to develop continuously, steadily, and harmoniously, nor is it time for it to develop in full swing." Government spending has gone up 16.4% in the first seven months of the year, primarily in massive subsidies trying to keep the bankrupt state sector industries going.

Hence, despite Li Peng's invoking of the "Bandung spirit" during his visit to Indonesia—referring to the 1955 founding meeting of the Non-Aligned Movement in Bandung, Indonesia—promised technology deals with the United States caused Li to assure Kuwaiti Foreign Minister Sheik Sabah al-Sabah in Beijing on Aug. 22 that China would abstain rather than veto the proposed U.N. Security Council resolution to allow military enforcement of the embargo against Iraq.

## Muted success

The trip, which the Chinese press hailed as "historic," had its limitations, however. The Memorandum of Understanding issued by Indonesia and the P.R.C. on Aug. 8 had an embarrassment for China: It emphasized that China has no claim to sovereignty over Chinese now living in Indonesia. Overseas Chinese families, with great wealth at their command, are a primary target of Beijing's foreign policy.

In Singapore, Li called the reestablishment of full official relations between China and Singapore "an inevitable historical development" that should take place "at an early date."

Singapore Prime Minister Lee Kuan Yew responded that Singapore hopes to establish relations with China "in the next few months." However, Li Peng conceded that China would not object to Singapore continuing to train its military in Taiwan, because of lack of space on Singapore island.

In discussions in Bangkok Aug. 13, Li Peng softened China's hardline position of support for the genocidal Khmer Rouge in Cambodia, by "strongly endorsing" the Security Council position. Li pledged to halt all arms supplies to the Khmer Rouge, now on a military offensive—of course, after the formation of a Supreme National Council of the four Cambodian factions as an interim authority until general elections.

But all this relative warmth toward Southeast Asia does not bode well for Taiwan, which has been more and more surrounded and isolated by mainland China.

There was a sobering note during Li Peng's visit to Singapore. During talks Aug. 11, Lee Kuan Yew called the international situation "extremely delicate." He said: "The old balance is no longer in existence. It is hard to say when a new balance can be reached. The problem is, how is it possible to proceed from the present balance to the future balance without a regional war?"

## 'Arc of Crisis' spreads eastward

Senior military analysts in Europe have warned that the "Arc of Crisis" is spreading eastward from the Persian Gulf. In Hong Kong, the magazine *Ming Pao* wrote Aug. 13: "Recently, two events prompted Taiwan authorities to review relations between the two sides of the strait, and Taiwan's 'mainland fever' may be thus cooled down somewhat. The first event was the establishment of diplomatic relations between Saudi Arabia and China. . . . The second event was Iraq's aggression against Kuwait. Iraq's size of territory, population, and military strength were all much greater than Kuwait's, but Kuwait was much richer than Iraq. This was quite similar to the differences between China and Taiwan."

The article emphasized that Taiwan must consider its investment policy in the mainland in the light of Kuwaiti and Saudi attempts to appease Iraq by large investments. Hong Kong's offers of foreign exchange to the mainland did not postpone Beijing's desire to absorb Hong Kong.

On Aug. 9, Radio Beijing broadcast its "sympathy" to Taiwan for its "current economic predicament" due to the Gulf crisis. Taiwan depends heavily on imports for oil and raw materials, Radio Beijing stated, and "it is devoid of feelings of security for long-range political and economic development." The efforts of the Taiwan government to cool down trade relations with the mainland are "regrettable," Radio Beijing said. The broadcast called on Taiwan to establish trade relations "so that the economies on the two sides of the strait can supplement each other and achieve common development to resist hardships and pressure coming from abroad."

# Soviets shift military strategy; relationship to Germany emphasized

by Konstantin George

The Soviet Union is responding to the Anglo-American plunge toward war in the Persian Gulf with both a short-term policy for the immediate crisis, and a simultaneous strategic military shift to deal with the "Pandora's box" of wars and crises now threatening to erupt over the coming months.

Moscow's short-term policy is exemplified by a blitz of last-minute mediation diplomacy to prevent or at least postpone an attack on Iraq by London and Washington. More significantly, the Soviet leadership is positioning itself, based on the Anglo-American commitment to early war in the Gulf, and is devising a strategy for the first half of the 1990s.

This Soviet view of the global situation was presented by President Mikhail Gorbachov in an Aug. 17 speech to officers and troops on maneuvers in the Odessa Military District. The speech, possibly the most important foreign policy statement he has made to date, was reprinted in full in the Aug. 19 *Pravda*, *Izvestia*, and the military daily, *Krasnaya Zvezda*. But its most important parts received no coverage in the Western news media.

## Soviet diplomacy over the Gulf

Before turning to that speech, a review is in order of the array of Soviet moves to stop or put off war commenced immediately after the Odessa speech.

On Aug. 20, Iraqi Deputy Prime Minister and Revolutionary Council member Sadoun Hammadi arrived in Moscow for two days of urgent talks, labeled by Moscow as "consultations," with Foreign Minister Eduard Shevardnadze, Deputy Prime Minister Igor Belousov, who is in charge of the Soviet government task force working out the withdrawal of Soviet citizens from Iraq and Kuwait, and Prime Minister Nikolai Ryzhkov. Aware that time was running out before the Anglo-Americans began hostilities, the Soviet military daily *Krasnaya Zvezda* carried a Gulf crisis commentary on Aug. 19, ominously entitled "On the Brink of War." "One careless step . . . is separating the world from a new war in the Middle East," it warned. The blame for the new war was placed squarely on Britain and the U.S.A.: "Some hot-heads support carrying out a preventive strike against the Iraqi forces." That same day, all Soviet press carried front-page pictures, of a type never seen before, of President Gorbachov in the Odessa Military District, with

Defense Minister Marshal Dmitri Yazov at his side, reviewing and talking to the troops.

Both Shevardnadze and Ryzhkov told Hammadi, as reported by TASS Aug. 21, that the only way to avoid early war was for Iraq to comply with the U.N. Security Council resolutions and withdraw its forces from Kuwait and end the annexation. Ryzhkov was quoted as "having insisted on the peaceful recreation of the relations" as they had existed "prior to Aug. 2," i.e., before Iraq had invaded Kuwait. A press briefing by Soviet Foreign Ministry spokesman Yuri Gremitskikh stressed the same point, that Hammadi had been told "in all clarity" that "the only honorable way out of the crisis" was for Iraq to comply with the U.N. Security Council resolutions and allow foreigners to leave the country.

On Aug. 21-22, as Hammadi was leaving Moscow, special envoy Prince Bandar bin Sultan, Saudi ambassador to Washington, arrived in Moscow for urgent talks with Shevardnadze and Ryzhkov. In the midst of these talks, Shevardnadze rushed to meet U.S. Ambassador Jack Matlock to pass on a letter to U.S. Secretary of State James Baker only hours before Bush began his Kennebunkport session with Defense Secretary Richard Cheney and the Joint Chiefs of Staff. After Matlock, Shevardnadze saw the Egyptian ambassador, and then resumed talks with Prince Bandar.

While all these Moscow talks were going non-stop, Soviet Foreign Ministry special Middle East envoy Mikhail Sitenko was touring the Arab world, feverishly trying to put together a joint Soviet-Arab mediation effort that could at least postpone the outbreak of war in the Gulf.

On Aug. 22, Moscow, apparently convinced, following the Bush speech in Kennebunkport, that war was close and that all Soviet appeals to the U.S.A. had fallen on deaf ears, stepped up pressure on Iraq to withdraw from Kuwait as the only means, given the U.S. attitude, of stopping war. Ryzhkov issued a decree to all Soviet ministries to cease all financial and economic activities with Iraq.

The Ryzhkov decree was followed by a joint statement issued by Yuri Gremitskikh, for the Foreign Ministry, and by a spokesman for the Soviet Defense Ministry, that the Soviet Union will send no more military advisers to Iraq; that the current number of Soviet "military experts," whom Moscow vehemently denied are advisers, stands at only 193,

and that these will be withdrawn and not replaced as their contract terms end.

The Soviet Defense Ministry was responding to a hysterical barrage in leading Western newspapers, such as the British *Daily Telegraph*, which alleged that Russia has "3,000-4,000 military advisers" in Iraq. In fact, the 193 remaining represent less than 10% of the original total of some 3,000 present in Iraq as recently as 1987.

This joint statement also introduced the next plank in Moscow's attempt to buy more time before war erupts. The two spokesmen disclosed that the evacuation of all Soviet citizens from Kuwait had been completed, and that the evacuation of the 9,000 Soviet citizens remaining in Iraq is to commence Aug. 26. The unspoken hope was that Washington would at least refrain from military action while Soviet citizens were being evacuated, and thus put off military action until September.

On Aug. 23, Moscow announced that its Mideast special envoy, Sitenko, would be arriving Aug. 24 in Baghdad. Here again, the hope was that with Sitenko in Baghdad, the United States would refrain from attacking.

### **Odessa speech: a turning point**

The Gorbachov speech to officers and men of the Odessa Military District announced a strategic shift in Soviet policy to deal with the North-South wars in the 1990s that a Gulf war would unleash. Only a tiny portion of the speech, where he condemned Iraq's invasion and occupation of Kuwait as "creating a dangerous chain reaction for the entire world" and for having committed a "breach of trust" against the Soviet Union, was reported in Western media.

Gorbachov, however, stressed in the strongest terms that only the Arab states themselves, their "regional organizations," and/or the U.N. had the right to impose a solution. Thus, he indirectly, but emphatically, attacked any Anglo-American-led unilateral move.

Gorbachov, with Marshal Yazov standing beside him, announced that a "military reform" had "already begun" to change the structure of the Soviet Armed Forces to deal with the 1990s prospect of wars along the entire southern periphery of the Soviet Union, given that because of "the deep, positive changes in Europe," the "Cold War has subsided." He introduced this section of his speech by saying, "We are heading toward a new quality of mutually connected military policies of governments, out of which will be decided, to a certain degree, whether there will be a world war." Gorbachov was giving the perspective of danger over the medium term, as was made clear in a following passage: "The immediate danger of war being conducted against the Soviet Union has gone. At the same time this does not mean we don't have to have powerful, modern military forces."

Gorbachov asked rhetorically what the new restructuring means, giving a prompt answer: "For this we need up-to-date facts to evaluate the military doctrine and military activities

of the U.S.A., other NATO countries, Japan, China, Iran, Pakistan, India, Arab states, Israel, and countries of South-east Asia. . . . We have to know exactly the plans of these countries" in developing their military forces "during the 1990s, and from that we have to define the tasks and goals for securing the defense of the U.S.S.R."

He stressed that the answers to these questions will determine the size of the Soviet Armed Forces and the strategic direction of their deployment.

The fact that this speech has received no attention in the West underscores the future danger of miscalculation by the Anglo-Americans. While Gorbachov was clearly ruling out any knee-jerk military response to war in the Gulf, he was stating that Moscow would not hesitate to defend its vital interests, to use military forces in wars, begun by others, in the developing sector close to home.

Gorbachov emphasized this point in the concluding part of his speech where he announced that "in September" (and given the imminent pre-war situation in the Gulf, one can assume he meant Sept. 1 at the latest), the Soviet Defense Council, which he leads as Commander-in-Chief, would be in constant session to "evaluate and discuss all questions of military activities and structures of the Armed Forces." Gorbachov's stress of the "renewed role of the Council," gave away a sense that there is a vast increase in the military's influence on policymaking.

Marshal Yazov's speech in Odessa, printed in *Krasnaya Zvezda* Aug. 19 alongside Gorbachov's, directly blamed the United States for the hot spots erupting or about to erupt: "We don't have the right to become weak. On the planet are not only remaining, but appearing new hot spots, which under certain conditions can turn into a global conflict. Today, such a point appears in the region of the Middle East. And, one should not forget Grenada and Panama."

### **Germany: key to war avoidance**

The Gorbachov speech made it clear that the Soviet leader views the new cooperative relationship with a united Germany as the key to war avoidance. He announced that "On the European continent, as I have already said, are taking place deep, positive changes." Gorbachov stressed the unification of Germany and "our positive attitude towards this." He added: "We are looking with optimism at the future of German-Soviet relations . . . [to] have normal, good-neighborly relations with this great nation in the interests of the people of both countries, of Europe, and of the whole world."

No other country was singled out for such total praise. The new relationship with Germany was clearly presented as the war avoidance counterpoint to the deadly perils emanating in the Gulf and future hot spots.

These statements also disclose the most crucial component of the new Soviet strategy. Anglo-American attempts to sabotage the new relationship to Germany will mean crossing a trip-wire.

# German unification, set for October, could prevent new world war

by Rainer Apel

The vote Aug. 22 of more than two-thirds of the East German parliament, to merge its state with the state of West Germany on Oct. 3, was a historic move. Not only did it help to accelerate and thereby consolidate the momentum for German economic and political unification, but it also contributed an important element to the solution of the grave crises in the former East bloc and the Middle East.

Both crisis spots can only be pacified by a strategy of sound economic development, of defining joint interests in peace for the conflicting parties and currents in the respective regions. In the Mideast, a return of politics to the task of developing the basic transport and energy infrastructure, improving water management and increasing the acreage of arable land, of building new cities and populate the desert regions, is even more urgent than ever.

The main source of recovery for the Mideast is the same European industrial powerhouse that is the source of hope also for Eastern Europe and the U.S.S.R.: those regions in the central Productive Triangle that is roughly situated between the three cities of Paris, Vienna, and Berlin. Not only for the Arab nations, but also for the Israelis who have been under the firm control of British banking interests since 1948, a liberation from the dictates of various financier groups in London and in New York, and maneuvering room for industrial and agricultural development, can only be achieved in close cooperation with the economies of Central Europe that are predominantly based on capital goods production, energy, and transport infrastructure development.

The combination of the two formerly separate German economies, even though the process may be turbulent under the current world crisis conditions, will create a bridgehead of sound industrial production in Europe being at the disposal not only of East Germany, Eastern Europe and the Soviet Union, but also the regions of the Mediterranean and the Mideast in the coming few years.

## Moscow talks open the doors

The key catalyst in this most recent development, which brings German unification much closer than conceived of only a few weeks ago, was a step forward on the part of the Soviet Union. On Aug. 17, the two foreign ministers of West

Germany and the Soviet Union, Hans-Dietrich Genscher and Eduard Shevardnadze, met in Moscow for six hours, and agreed that the entire schedule of international and bilateral talks on the German unity issue should be significantly sped up. Shevardnadze told Genscher the Soviets have no objections against a unification of Germany in the period after the next (and tentatively, last) "two-plus-four" talks in Moscow on Sept. 12 and before the all-German elections for parliament on Dec. 2.

Genscher announced from Moscow that the two West German ministers of economics and finance, Helmut Haussmann and Theodor Waigel, would come to Moscow the week after to work out further details of the planned Comprehensive Treaty on German-Soviet Cooperation. The treaty will be prepared for signature in September, shortly after the conclusion of the "two-plus-four" talks. Waigel left Bonn for Moscow on Aug. 23, and Haussmann followed the next day. Waigel's agenda included draft proposals for a number of bilateral German-Soviet agreements, such as:

- A budgetary allocation, denominated in deutschemarks, to cover the stationing costs of 380,000 Soviet soldiers and 220,000 Soviet civilians in East Germany to bridge the period until their final withdrawal.
- A stable exchange rate for Soviet soldiers in East Germany, enabling them to turn their rubles into deutschemarks for a decent income above present poverty levels.
- A special budget to fund a German share in a large-scale program for homebuilding in the western parts of the U.S.S.R., to be offered to returning Soviet soldiers from East Germany and to civilians. Eventually, a special program will put rail routes from Germany into the U.S.S.R. into shape, in order to gain the ability to speed up the withdrawal by intensified military transports eastwards.
- German budgetary and credit support to East German firms which rely on stable export relations to the U.S.S.R., in return for Soviet price guarantees for exports of natural gas, crude oil, and coal to East Germany.
- Elements of a long-term credit frame for future economic cooperation between the united Germany and the Soviet Union.

Haussmann's agenda concentrated on aspects of pre-

ferred investments in the U.S.S.R., especially in crude oil and raw materials exploration, production, and marketing.

### Alternatives to Mideast oil

The energy aspect is directly related to the outbreak of the crisis in the Persian Gulf, which did not come unanticipated to energy experts in Germany. Already at the end of June, the West German oil exploration firm Deminex signed a contract with the Soviet government on opening up crude oil reserves in three regions—the Tatar S.S.R., the Volgograd region, and West Turkmenistan.

This is the first deal signed between a West German energy firm and a Soviet partner in the exploration sector. So far, only the East Germans had invested in the opening up of new gas and oil fields in the U.S.S.R. A spokesman of Deminex told *EIR* a few days after the contract was signed, that the company is currently also testing the ground for an engagement in the ailing, run-down Siberian oilfields of Tyumen, where large-scale investments in modern oil-producing technology are urgent to keep the production output at present levels, and eventually to even increase it over the next few years.

On Aug. 2, immediately after the Iraqi military advance into Kuwait, another spokesman of the German oil industry sector told *EIR*, "The Iraqi intervention underlines the need to look for other, safer oil-producing regions." The spokesman hinted at potential, increased German investments in the Soviet Union. "As a matter of fact," he said, "the statistics show that it is not the Mideast which is the world's number-one oil producer, nor is it the United States, but rather the U.S.S.R. The point is just that the U.S.S.R. consumes by far most of its oil itself, and only a minor portion is exported. . . . But this could be changed, of course, in a matter of a few years. Investment requirements are huge, however, because the equipment is incredibly run down and outdated. . . . I think that in the next decade, Soviet oil fields will become more prominent. The Mideast won't play that dominant role anymore in the future, for obvious reasons."

The British news media have in the meantime launched a massive propaganda against Western investments in the Soviet oil sector as allegedly being a "loss." Apparently, London does not like a shift of capital investments away from Mideast and North Sea oilfields that are under firm control of British interests.

### Paralysis overcome in East Berlin

The Mideast crisis also contributed directly to the recent reshuffles in the government and at various top adviser posts in East Germany. On Aug. 16, East German Prime Minister Lothar de Maiziere decided to put an end to the protracted coalition crisis and political-economic paralysis in the country, and fired four cabinet ministers, two of them belonging to the rebellious and obstructionist Social Democrats. This provoked the Social Democrats into a second walkout, and

## German Patriots launch vote campaign

At a packed meeting in Düsseldorf, West Germany on Aug. 12, Helga Zepp-LaRouche, chairman of the Patriots for Germany party, kicked off the party's campaign to be seated in the first all-German parliament of reunited Germany. The party will be fielding a slate of 13 candidates for the elections, which will take place on Dec. 2.

Although the Patriots for Germany party is dwarfed in size by the ruling Christian Democratic Union and the opposition Social Democratic Party, it has the advantage of being the only party in today's tumultuous German political scene, which is not mired in pragmatic maneuvering and posturing for the best "position" in reunified Germany. Instead, even before the revolutionary changes in November 1989, the Patriots have been focusing on the role which Germany can and must play as an economic and cultural powerhouse which can lead Europe in changing the world's present course into economic depression and social cultural chaos, and war. In the exciting days of early last November when the Berlin Wall came crashing down, members of the Patriots movement were the first to raise Lyndon LaRouche's call for making reunified Germany's capital Berlin into one corner of a great European "Productive Triangle" which could bring about unheard-of rates of economic growth—a program which is now under discussion in many European capitals.

### Helmut Kohl's three omissions

In her address to the conference, and in the party program drafted by her—which was adopted unanimously by the delegates—Mrs. Zepp-LaRouche sternly warned

the withdrawal of their five other cabinet ministers from the government coalition on Aug. 19.

On Aug. 20, Reiner Gohlke, the head of the East German State Holding, which was established six months ago to oversee the re-privatization and modernization of the former 8,000 state sector industrial firms but which has been accused with disastrous inaction, resigned from his post. Gohlke had been unable to crack the obstructionism from the side of the many ex-officials of the overthrown communist regime that were seated in the offices of the Holding, and so his resignation was considered overdue.

Immediately after Gohlke's resignation, Chancellor Helmut Kohl had an emergency session in Bonn with the vice chairman of the Holding, Detlev Rohwedder. Their agenda



that given the grave economic crisis in the United States and the Soviet Union, a very special responsibility rests on the shoulders of West German Chancellor Helmut Kohl, to accelerate the political momentum which made German reunification possible, and to guide German efforts toward the very concrete tasks ahead. Specifically, Mrs. Zepp-LaRouche pointed out three potentially fatal omissions which the chancellor has made, and which he must rectify immediately:

First, Helmut Kohl has not had the courage to tell German citizens the truth about how grave matters are on both the domestic and international fronts. "The political class in Bonn," she said, "though well-meaning, thinks that [telling the truth] would complicate matters during the elections, and it suffers from the illusion that Germany is an 'island of the blessed,' whose unity and development can be accomplished no matter what happens in the outside world." Her party platform continues the point: "Therein lies one of the chief motivations for my candidacy and that of the other candidates of the Patriots for Germany: We promise that over the coming months we will to the best of our understanding, tell the truth about the strategic situation, and about questions which are actually motivating leading circles"—such as those British circles which have manipulated the world into a new Mideast conflagration.

Second, Chancellor Kohl and his staff have been unable or unwilling to publicly endorse, and then to begin to implement, Lyndon LaRouche's "Productive Triangle" program—an omission which has already led to many problems in East Germany which could have been avoided, such as the current mass unemployment, discontent, and popular anger, and the resulting threat of social chaos. "It is the job of the Patriots to massively intervene into the ongoing German election campaign and the erupting mass strike wave in East Germany with LaRouche's program,

and to *force* it upon the German government—if possible, even before the elections," Mrs. Zepp-LaRouche stated.

The Patriots' platform elaborates: "It is obvious that such a program can never be realized through so-called 'free market' economy. Rather, it requires a conscious decision on the part of Europe's governments, which must make this program their own. If these governments provide the political and economic framework, then an appropriate combination of public and private initiatives can take over its execution in detail. That, of course, means . . . a total rejection of every form of monetarism in the tradition of Adam Smith and of the motto 'buy cheap and sell dear.' The British and American economies are a terrifying example of where 'Thatcherism' and 'Reaganomics' lead to."

### **A cultural renaissance**

Chancellor Kohl's third and most crucial omission, Mrs. Zepp-LaRouche stated, is his failure to understand the urgent need to bring about a renaissance of classical culture, on the model of the Italian Renaissance and the Weimar classical resurgence during the time of the American Revolution. "Real progress and unity of Germany and Europe," she warned, "can only occur if the very values of humanity are being defended, preserved, and strengthened—i.e., the Christian values, with man being cast in the image of God. That is the real fight, which has lasted through the millennia, and which now has come to a head: the fight between Christianity and paganism. And if we don't win this fight, humanity is lost."

As part of that fight, Mrs. Zepp-LaRouche said that the Patriots will assist in holding a great number of cultural events and festivals which can "bring in all people, and can transmit this culture," in the spirit of Beethoven's Ninth Symphony, which has already played such an important role in the defeat of tyranny in Europe.

prominently included talks on the Mideast situation, as was leaked two days later. Shortly after that Bonn meeting, Rohwedder was appointed new head of the State Holding.

Rohwedder, a former assistant cabinet minister in Bonn before 1982, has been heading the Hoesch steel corporation in Dortmund since then, and was appointed vice chairman of the East German State Holding on July 1, when German monetary union was put into effect. He is said to have a better way with Kohl than Gohlke ever had. The chancellor apparently wanted to have someone of his best confidence at that crucial post, in view of events that may result from the crisis in the Persian Gulf. Moreover, the promotion of Rohwedder, a member of the moderate wing of the opposition West German Social Democrats, was read in Bonn as a

concession to them in return for their agreement to the new all-German election law, which the eastern Social Democrats finally approved in the parliament in East Berlin on Aug. 22. This ended a weeks-long controversy between Christian and Social Democrats that had paralyzed most of the political debate and led to a state of almost total indecision in Bonn and East Berlin.

### **Economic initiative launched, finally**

The surprising reshuffle at the Holding had immediate positive effects on decisions concerning the future of energy supply in East Germany. Crucial contracts that had been blocked for months, were unfrozen, as Rohwedder authorized the sale of 75% of the shares of the former East German



utilities sector to the three leading utility giants of West Germany, Preussen-Elektra, RWE, and Bayernwerke. Investments of close to DM2 billion will be made by the three companies in the ailing, largely lignite-coal-dependent energy sector of East Germany.

The Holding decision carried the characteristics of an emergency crisis measure, which came virtually at the last minute. Indeed, a secured supply of electricity for the industry and heating energy to the households of East Germany is a key precondition for rapid economic recovery. The signal that this obstacle is removed, will find the appropriate response among West German industrial firms.

Another long-delayed emergency measure was launched on Aug. 22, when the East German government—now a Christian Democratic minority government following the walkout of the Social Democrats—decided to launch a special DM1.5 billion credit program for state-controlled investments in transport infrastructure, electrification of rail routes, railroad track building, and highway construction.

In Bonn, Economics Minister Haussmann announced a special a new program of government incentives to firms that invest in East Germany. The program will extend the previous West German incentives for investments in the border zone to East Germany, consisting of a government-funded credit adding 23% to an invested sum, to all of East Germany over the next five years. The credit line provides a grace period of 10 or more years, at reduced interest rates. The incentives program, which also retroactively covers all investments made in the East since German monetary union on July 1, was scheduled to go into effect on Aug. 29.

Haussmann explained that the program is specifically designed to support the founding and stabilizing of middle-sized firms—the so-called *Mittelstand*. He also announced that another DM1 billion annually will be made available over the next five years to smaller firms involved in infrastructure projects on the municipal level in East Germany.

If more of these type of decisions are launched over the next few weeks, it is guaranteed that the process of German reunification will not, as certain Anglo-American financier circles hope, end in an economic and social disaster, but rather will consolidate the economic buildup of the East German and other East European ex-socialist economies. Along with certain central projects of industrial cooperation between united Germany and the Soviet Union, the most worrisome aspects of the crisis in the former East bloc can be removed before the end of this year, and first steps to also pacify the crisis spots south of Europe can be launched over the same period.

Once that is done, continental Europe can counter much more efficiently the various ploys unleashed by Anglo-American banking interests, and can thus contribute to averting the danger of a new, immensely destructive period of international warfare.

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# U.S. talks 'democracy' but seeks dictators

by Cynthia R. Rush

The Bush administration is prepared to install dictatorships throughout Ibero-America for the purpose of guaranteeing continued application of International Monetary Fund (IMF) austerity policies. While the U.S. may prefer military dictatorships, the Trilateral Commission's policy of dismantling the institution of the armed forces in Ibero-America has been so effective, that this may not be possible. Another option, as recently discussed by former Assistant Secretary of State for Latin American Affairs in the Reagan administration, Elliott Abrams, is to have "strong governments" impose policies of "economic adjustment," enforced through repressive measures and the elimination of constitutional guarantees and human rights.

In an interview published Aug. 19 in the Buenos Aires daily *El Cronista Comercial*, Abrams declared that in order to implement economic austerity, "a very strong government is needed—not necessarily a dictatorial one. Pinochet is an example of how the Army can impose sacrifice. The other way is to do it with a strong, popularly elected President, like [Venezuela's] Carlos Andrés Pérez or [Argentina's] Carlos Menem."

## Grab for resources

The existence of military or civilian dictatorships in the Western Hemisphere will facilitate implementation of another aspect of U.S. policy—grabbing the continent's resources. Up until the recent "privatization" binge carried out by debtor nations at the behest of foreign creditors, these resources were controlled and protected from foreign takeover by state-sector companies. Now, most of the continent's governments are giving them away.

In the same *Cronista* interview, Abrams expressed the hope that the current Mideast conflict would have at least one positive outcome, "that people will pay more attention to the development of oil and gas resources in the Western Hemisphere. Argentina is a good example of this. It should be clear to us Americans that we should seek other sources of oil, outside of the Mideast."

Norman Bailey, a former U.S. National Security Council staffer and an economic adviser to the Venezuelan government, offered a similar proposal in an article in the Aug. 19 *Los Angeles Times*. The Mideast crisis, Bailey said, should be seen as an opportunity to grab Ibero-America's natural

resources. "Mexico and Venezuela are not the only oil-rich countries in Latin America. Ecuador, Colombia, Peru, and Argentina have large untapped reserves. If opened to full production, the energy supplies of Latin America could become the bulwark of the industrialized world." Bailey called for the creation of an Inter-American Energy Community, which he said would "naturally complement" George Bush's plan to establish free-trade zones in Ibero-America, reduce foreign debt, and attract foreign investment. In an Aug. 14 press conference in Caracas, Pérez echoed Bailey's proposal, emphasizing that there must be sufficient petroleum in the Hemisphere's natural deposits "that can be exploited at any point to meet any emergency."

## Smashing the resistance

Abrams has coined the phrase "armored democracies" to characterize the style of government he thinks is optimal for Ibero-America. Regimes of this type are necessary, in the U.S. view, to smash trade union, nationalist military, and political opposition to foreign looting of these economies. Hence, Abrams singled out of Argentina and Venezuela as appropriate models, although he might have added Mexico, where President Salinas de Gortari has just rammed a law through the Senate making it a crime, punishable by fines and jail, for anyone to "dishonestly" question electoral results. The legitimacy of Salinas' presidency remains a question to this day, given the massive fraud of his 1988 election.

Carlos Menem in Argentina and Pérez in Venezuela are fully prepared to utilize security forces to enforce the IMF's austerity policies. Menem, who is facing an August inflation rate of over 15% and growing economic dislocation, recently told a television interviewer that "I will not vacillate in decreeing a state of siege, on a limited or general basis, and if necessary, martial law" to repress popular protest over his policies. In the provinces, where anger over the government's economic plan is intense, Menem is contemplating a federal takeover of those provincial governments which have been unable to smash strikes of provincial employees.

Aware that resistance to Menem's policies is growing, the Bush administration is pressing him to forge an alliance with his opponent in last year's presidential election, Córdoba Governor Eduardo Angeloz, a staunch monetarist. Foreign creditors believe such an alliance would make the government more viable and perhaps help to control social protest. If this fails, Menem is in trouble. The Army, most of whose ranks oppose the government's austerity policies, cannot be relied on to repress a hungry population. That leaves another more extreme, but not unthinkable option, offered by a foreign banker in Buenos Aires, reported in the Aug. 17 *El Informador Público*: "If we can't rely on a viable political alternative, or even on the ability to repress disturbances, the failure of [Menem's] economic plan could force the U.S. to go to the extreme of intervening militarily in Argentina."

# United States fomenting 'Shining Path' genocidalist takeover of Peru

by Gretchen Small

The Anglo-American financial elite has declared, in so many words, that it intends to eliminate the nation of Peru from the world map. Less than a month after Alberto Fujimori assumed the presidency, conclusive evidence has been gathered that the means by which Anglo-American policymakers intend to accomplish that hideous goal, is by bringing to power the Shining Path killers, the Peruvian allies of Pol Pot's Khmer Rouge in Kampuchea.

Citibank chairman John Reed pronounced the bankers' death sentence on Peru as President Fujimori assumed office on July 28. "If you look at a map of the world economy, you'll see that there are countries that have disappeared. . . . Peru and Bolivia will disappear. The Soviet Union had better watch out, because it could disappear," Reed told *Veja* magazine during a visit to Brazil at the end of July. Any country which opts for confrontation with its international creditors will face this treatment, Reed threatened. It has happened before in history, he noted. After World War II, the nation of Burma "disappeared. . . . It was a rich country, like Brazil."

Reed repeated that message insistently during his trip to Brazil. Peru, like Nigeria, dared suspend interest payments on their debts, and they "have been wiped off the face of the map by the world economy," he told *Jornal do Brasil* in an interview published on Aug. 1.

Twice in the past two decades, Peruvian governments have rebelled against strangulation of their nation by international usury. Each failed, but the governments of Gen. Juan Alvarado Velasco (1969-75) and Alan García (1985-90) attempted to catalyze other developing nations into joining Peru in an effort to force the industrialized nations to transform the international monetary system from a tool of looting, into a force for development.

The military and Catholic Church in Peru provided the institutional backbone for these efforts. For that reason, the Anglo-American establishment has decided that those institutions must be crushed.

## Fomenting 'Indian' rebellions

No more efficient instrument than Shining Path could exist to accomplish this goal. Like the Khmer Rouge—which the Bush administration supports with arms—Shining Path has declared Western civilization, and urban life itself, to be the oppressor to be eradicated from the nation. Teachers, agrarian extension agents, mayors, anyone with some learn-

ing and authority in the areas taken over by Shining Path, have become targets of bestial assassinations.

For the past year, the central premise of Ibero-American studies undertaken by think tanks serving the Anglo-American Establishment has been that Ibero-America is inexorably entering, in the words of David Ronfeldt of the Rand Corp., a "new Dark Age [in which] violence and chaos" reign. Numerous analysts have dismissed Peru as a nation of the "least hope."

The premise is not an idle prediction. The Summer 1990 edition of the *Wilson Quarterly*, published by the Woodrow Wilson Center, details how the Anglo-American Establishment intends for the mass spread of the kind of bestial "Indian" ideology espoused by Shining Path to be the driving force pushing Ibero-America into darkness.

The issue is dedicated to "Latin America's Indian Question." The editors declare racial conflict to have been the determining feature of Ibero-America's past history, and that the region can expect to be transformed into a battlefield between the races. "Indian studies" must now focus all "scholarly" work being carried out in the U.S. on Ibero-America, the magazine argues. Any nation which defies this racist view "will ignore the Indian question only at their peril," the editorial threatens.

The editors make no attempt to hide that their advocacy of this so-called racial issue is, in fact, a declaration of war against Ibero-America's Catholic culture. The Catholic Church plans to celebrate the upcoming 500th anniversary of the discovery of the Americas in 1492 as the introduction of Christianity to the New World. The *Wilson Quarterly* demands the anniversary be celebrated as "the 500th year of Indian resistance" against Spanish culture.

Who are these fanatics? The Woodrow Wilson Center is one of the bankers' top think tanks for Ibero-American policy. Citibank's John Reed sits on its board, along with Secretary of State James A. Baker III and Max M. Kampelman, honorary chairman of organized crime's lobby, the Anti-Defamation League. Dwayne O. Andreas, chairman of the grain cartel's Archer Daniels Midland company, is the vice chairman of its board of trustees.

The Inter-American Dialogue, the Establishment's informal leadership body for the Americas, was founded at the Woodrow Wilson Center; Sol Linowitz, co-chairman of the Dialogue since its founding, sits on the Center's "Wilson

Council.”

### Unabashed racism gone mad

The *Quarterly* dedicates its lead article to Peru. Author Peter Klären, director of Latin America Studies at George Washington University in Washington, D.C., states that Peru's economic crisis has served the purpose of ensuring the military will never wish to return to power; economic devastation, he writes, has been the “salvation” of Peru.

Klären's main thesis is that the Spanish conquest was evil because it led to *changes* in the backward and imperial Incan culture, society, and economy. He protests the “brutal subjugation” of the Indians by such means, for example, as the “hispanization” of Andean agriculture, where new food products, such as grains and meat, were introduced into the diet of the region as substitutes for “traditional tubers, maize and fruits.” He complains that the Spanish introduced a monetary economy, replacing “the Incaic concept of reciprocity and redistribution,” a euphemism for the Incan imperial state.

Klären expresses outrage that persons of Indian birth have become integrated into modern life in Peru, and that the Spanish allowed mixing of the races. One legacy of the Spanish colonization, he moans, has been “the conversion of Indian peasants into miners and city dwellers . . . this, combined with racial mixing, created an ever-growing *mestizo* problem. . . . Today, only 45% of Peru's population is Indian.”

Klären carries this racist outlook to say that Shining Path's war against civilization is the continuation of “500 years of Indian resistance.” He acknowledges that Shining Path—which he claims has 5,000-7,000 fighters and is “probably the wealthiest guerrilla movement in modern history,” collecting “perhaps \$30 million” in war-taxes each year from the Colombian drug traffickers controlling Peru's coca growing—represents “murderous fanaticism,” but justifies this rebellion as against the Conquest.

“Andean history is full of desperate Indian peasant uprisings,” he writes. “Seeking support of the Indian masses, Shining Path leaders today are not so very different from those creole rebels of the past. . . . They seek to harness the grievances of the Indian proletariat and dispossessed peasants to their own political agenda.”

### In Brazil, the real agenda revealed

An article on “Brazil's Significant Minority” in the *Quarterly* states more directly how the so-called “Indian” question is being used to achieve the priority objective of the Wilson crowd: the destruction of the military in Ibero-America. David Maybury-Lewis, the author, is a British-trained anthropologist who uses his teaching post at Harvard as a base for operations against numerous developing sector countries. Maybury-Lewis may surpass Klären in sheer racism and advocacy of primitivism over Christian civilization.

He argues that *assimilation* of Indians into national development must be stopped, that Brazil's melting-pot identity

must be replaced by a notion of man determined by race, to be codified in the constitution. If he were successful, not only would Brazil's few Indians never leave the Stone Age culture in which they currently barely survive, but *all* of Brazil's people would be driven back into the “Indians' way of doing things.”

Discussion of the “Indian question” is nothing but a “pretext, or cover, for discussing the military's development program,” he states bluntly. He complains that the military has become synonymous with development projects and nation building, and he denounces them for the “uninhibited development programs pushed by the generals during their 20-year rule,” “unbridled frontier expansion,” and “grandiose development policies.”

### State Department policy

The question is, is it Bush administration policy to bring Shining Path to power in Peru?

For at least two decades, successive U.S. administrations have carried out the policies demanded by bankers such as Reed. It is also incontestable that, according to official documents published by the State Department, a primary objective of U.S. policy has been to weaken the Catholic Church and the military in the region, in the name of securing “democracy.”

Also, the associate dean of Latin American studies at the State Department's Foreign Service Institute throughout most of the 1980s, David Scott Palmer, was a Shining Path “specialist” who has compared Shining Path's fighting in Ayacucho today to Simón Bolívar's final battle against the Spanish crown in 1824. Palmer, still an official adviser to the Bush administration on Peruvian matters, told a seminar at the National Defense University in April 1984 that it is “conceivable . . . that the Battle of Ayacucho in the 1980s may acquire the same significance for the ‘liberation’ of the marginalized of Latin America that the Battle of Ayacucho of 1824 did in the struggle for independence from Spain.”

Finally, the two thrusts of Bush administration policy toward Peru can lead to no other result. First, is its insistence that Peru's government adopt an economic “shock” policy, leaving millions with a caloric intake as low as that in the Nazi concentration camps. What the president of the Economists' Association in Peru, Manuel Lajo, termed “genocide,” the State Department hailed in a telegram: “The United States congratulates President Fujimori for having acted courageously to reestablish the stability of the Peruvian economy.”

The Bush administration also insists U.S. special forces should lead combat against Shining Path in the jungle areas where drug traffickers have established their operations. No more effective cover could be provided to Shining Path as a nationalist resistance movement against foreign troops sent by a government universally viewed as responsible for a policy of economic genocide.

# Poland's 'public' and 'private' faces

*Jacques Cheminade, president of the Schiller Institute in France, reports on his recent visit to Poland. Excerpted from an article in Nouvelle Solidarité.*

"Walesa acts like an emperor, king, and despot"; "A series of resignations from Solidarnosc"; "Government explodes"; "Reconciliation between the worker from Gdansk and the intellectual from Warsaw": In reading the Western press, one imagines Poland torn by political in-fighting and chaos. The image more or less insidiously communicated is that of a country naturally inept at democracy, where the ambition to rule over one's former brother-in-arms is the secret code. Since the policy of the Mazowiecki government—spiced with austerity and democracy—is defined as the only possible policy, any attempt to raise questions must of necessity be guided by the simple desire to become caliph in place of the caliph. What's worse, we are deluged with a "sociology of the Polish people," according to which the Poles would be more at ease with a good hand of cards than beside a machine, and would be fascinated by the charisma of an anti-communist, not-too-bright political fixer of a strongman who is also more or less consciously anti-Semitic.

Having just returned from Poland, what guides me in the writing of this article is the intention not only to reestablish the truth, but also to incite readers to stand beside their cousins who continue to be so courageous in the face of a history that, since the end of the 18th century, persists in tearing them apart.

The first thing that strikes the visitor arriving in Poland, by Poznań, by Gdansk, or by Warsaw, is the reconstruction effort. In spite of terrible experiences, the weakened living conditions, the ravages and looting of the regime, an entire people has strived over years to give priority to beautifying their houses. Often the charm doesn't manifest itself except in the center of town: The outskirts remain leprous, and the new towns, of the Stalowa Wola type, are an insult to the pleasure of living; but the effort, having been constrained to be concentrated and limited by circumstances, is all the more moving.

This internal life is, no doubt, with the dual support of their family and their Church, what the Poles have best been able to preserve under their hardhats. Any in-depth uplifting of the country must be based on this, on the alternative that it sought constantly to constitute and which Solidarnosc has

represented in the form of an organized movement. However, this internal family life has been affected by the conditions that the regime has created. The search for a place to live, often leading to marital arrangements, the quest for "deals" to survive, the job carried out in a social setting defined by cronyism and opportunism: so many external assaults that have degraded the sense of individual dignity, of respect for others, at least in the public arena.

Hence the major problem of Poland is found in this rupture between the "private" (family, culture, religion) and the "public" (the state, business, institutions). Toward the one, there is sentiment, affection, profound engagement; toward the other, distrust, refusal, detachment. Poland's real liberation will only come to pass, in depth, when the first of these worlds meets the other, when the feeling nourished and expressed in the first will be accomplished in the form of reason in the second.

The work carried out by resistance heroes Jan Uminski, Henryk Jankowski, Jerzy Popieluszko, and Stanislaw Gadowski—not to mention Father Malkowski—must still find its "lay" expression in the political universe. Only then, can the connection be reestablished with the national history, with that "Golden Age" of the Jagiellonian kings, in which the participation of the Polish people in the affairs of civic government—via a parliamentary system and respect for human rights—will encounter the accomplishments in Polish internal life under the form of the artistic creations of the Renaissance that one can again find today in Kochanowski, Modrzewski, and Gomulka, or in the architecture in Krakow.

If, with the 1989 liberation, there had been a corresponding period of enthusiasm, of economic construction, of grand designs, of the presence of intellectuals beside the people, of clear and firm denunciation of the oppressors, everything would have been possible very fast. Unexpected resources would thereby have been liberated in Poland.

Instead, Poland had the Balcerowicz Plan. The intellectuals who came to power had only an austerity plan that entailed a 40% drop in the living standard to offer. What is more, they did not speak clearly to the people.

## TV and radio still controlled

A simple example: Upon the death of Father Uminski, Polish television blocked, at least at first, a report on his life, and on the ceremonies surrounding his burial. But here was a hero—a modest one—of contemporary Poland. Doesn't this deliberate blackout suggest that some old *Nomenklatura* remains encrusted in all the institutions of power, and in particular in the heart of the Polish radio and television broadcasting network?

It's true that Jan Drawicz, the network's current president, was in the opposition since the 1970s. But his early studies in Moscow, his participation in the communist power, in the internal debates among the "elite" from the 1960s to the 1980s, have made him incapable of hearing the real Poland. It turns out, too, that the television directors of the *ancien régime* formed their own limited partnership, and rent out their equipment—using their special connections—at outrageous prices to the public institution that just yesterday they were part of. These "well-connected" directors make up the face of Poland that Western networks deal with.

The case of Balcerowicz is similar: a onetime student at the Marxist university was taken in by the free market debauchery of Harvard, the same school as Jeffrey Sachs. So he has put into place a "market" policy—a market created before the products exist—imposing terrible sacrifices on the Polish people. Needless to say, this policy has nothing to do with the "social economy of the market" which allowed the postwar "German miracle," based on a progressive cancellation of the debt and on the mobilization of productive investment to equip the country under the Marshall Plan. In Poland, Balcerowicz's policy consists of squeezing payment out of those who have already paid. We know, since the report to the Polish parliament by Edmund Krasowski, the deputy from Elblag, that Comecon has looted Poland of several billions of dollars per year. While the National Bank of Poland would value the ruble at \$.50, the Bank for Economic Cooperation of Comecon would set it at \$1.50. The dollar bought by Poland in the free currency zones, in the West, thereby costs Poland three and a half times more than the equivalent calculated in the clearing houses with the Comecon countries. That is, equipment imported by Poland in order to re-export products to the U.S.S.R., or Western products incorporated directly into Polish export goods (e.g., the Marconi radars bought in Italy and installed on ships sold to the U.S.S.R.), were operations entailing heavy losses—a veritable organized system for "hijacking" hard currency. When you know that Polish trade with the U.S.S.R., in rubles, has increased by 20% per year on average since 1974, and that during this same period Poland sharply increased its purchases in the West (and hence became indebted by \$40 billion), you can see clearly that the "circuit" has been closed. So, the government of Poland, under the pressure from Western governments, has been unable to find any solution, today—other than to make the Polish people pay once again!

Hence, when Lech Walesa founds the Union of the Center and calls for the *Nomenklatura* to be put aside, a firmer financial policy vis-à-vis the Western banks and International Monetary Fund, and 100% elections to the Polish parliament (in those to the 1989 Round Table, only 35% of the seats were filled by election, one too often forgets, and the former "Nomenklaturists" still occupy nearly all administrative command posts), can anyone find fault in that? When he defends the dairy producers and Polish farmers who demonstrate, the Western press treats him disdainfully as a "populist" and the Mazowiecki government sends in muscle-bound police forces to clear out the ministry offices. The reality, I've been able to establish over and over on-site, is that Balcerowicz and his friends are trying to make the peasants pay for the austerity. At Lezansk, in the southeast, the peasant gets paid 220-250 zlotys for a liter of milk. The same liter is resold at the market in the same town for nearly 900 zlotys—without even having been treated or pasteurized. Elsewhere, the average price paid to the producer for a liter is 300-400 zlotys. Four hundred zlotys, the maximum established farm price, is about 4 cents!

Certainly, Mr. Walesa has presidential ambitions, and it is up to the Poles to judge if they will follow him. To support, reasonably and with prudence, as he has done, the strikers, the farmers, or the railroad workers is not, however, in itself a mortal sin, an initiative that would place the regime in peril. After all, is Mr. Walesa not the president of a union?

Everyone, under these conditions, is forced to survive by increasing his income through some wheeling and dealing (the famous round trip to Berlin to buy and resell a few poor goods represents between one and ten months' wages!) and by reselling the hard currency stashed away yesterday to compensate for the loss in buying power today. This "cushion" of hard currency (it is estimated at several billion dollars, between \$5 and 10 billion without doubt) ought to have been the precious resource for investments to "take off," and not the "forced expenditure" made to compensate for a deterioration of living conditions.

The risk is that—faced with paralysis and neglect by the Western countries, and the drop in living standards—the *Nomenklaturists* will sow trouble. The "Untouchables" are making a comeback: in three-piece suits on one side, privatizing to their advantage, and in work clothes on the other, leading strikes such as at Slupsk, in their "strongholds."

Former U.S. National Security Adviser Zbigniew Brzezinski appears, pontificating as is his wont, over Polish television, which generously opened its doors to him, leading some to say that "the American might well seek to become President of his former country." Brzezinski sought to blow on the embers of the past in encouraging Poland to mistrust the "Greater Germany." The objective is, evidently, to isolate Poland, preventing it from becoming a pillar in the Europe that is being built and which Brzezinski and his friends fear.



# International Intelligence

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## ***Moscow's Falin hails German reunification***

Soviet foreign policy adviser on Germany Valentin Falin, a former ambassador to Bonn, hailed German unity as portending for Europe "the most constructive era in its existence."

In an interview with *Pravda* published Aug. 20, Falin declared that with unification, Germany will "return to a qualitatively new level in world politics," then added: "If everything proceeds as the Germans have pledged, and the entire potential of this powerful state is used for the good of mankind, if from German soil, only peace and never again war is launched, thus will Europe, with the German question solved on this basis, enter into the most constructive era of its existence."

Falin added, "The last war in Europe has already occurred. It was called the Cold War, but was in reality the Third World War."

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## ***'Greenhouse effect' exposed as a fraud***

A few dissident voices in Britain are expressing alarm about the environmentalists' "greenhouse effect" and "global warming" hoaxes. These voices represent a potentially important flank against the mainstream of British policy associated with the Thatcher government.

On Aug. 12, Britain's Channel 4 television ran a feature entitled "The Greenhouse Conspiracy," which exposed the "greenhouse effect/global warming" issue as a fraud, concocted or encouraged in significant part by researchers eager to get research grants by coming up with new "disasters." The show has already produced howls of protest from scientists associated with the Inter-Governmental Panel on Climate Change, the World Meteorological Office, and related groups, with various scientists reportedly considering taking libel actions against the show.

The broadcast was put together by Hilary Lawson, who authored a two-page feature in the *Sunday Times* of London Aug. 12, under the title, "Conspiracy in the air?" Lawson poked fun at those Britons who are susceptible to believing in "global warming" because of the recent heat wave in the U.K.: "Publicity given to the greenhouse effect encourages us to explain every baking day as a consequence of global warming.

... There is only one problem: the mounting evidence that it is not true."

Lawson wrote that certain scientists in need of research funds, especially in areas like climatology, have attracted backing by predicting an apocalypse. He notes: "Fifteen years ago, the apocalypse was not global warming but global cooling. Many scientists who are now championing global warming were, just over a decade ago, predicting a forthcoming ice age."

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## ***U.S., Britain to 'put the lid' on Lockerbie***

The intent of the Bush and Thatcher governments to work with Hafez al-Assad's Syria against Iraq will mean putting the lid on the Lockerbie air disaster of 1988, Britain's *Private Eye* magazine reports. The British government had once publicly boasted that it knew that a gang of Middle East terrorists based in Syria had planted the bomb that blew up the Pan Am jet; but now, Thatcher and Bush agreed to "put the shutters up over Lockerbie," and when one British minister tried to get a public judicial inquiry going, he was "quickly snubbed by Thatcher."

According to the magazine, one reason for this "strange silence" is that the Syrian terrorists were either being used by Western intelligence, or were running drugs via civilian airlines, or both. "Now, however, a new dimension is added to the need for silence. The Syrian gang named repeatedly by the newspapers is known to be close to the Syrian government. The strategy of the British and American governments in the Gulf is to isolate Iraq's Saddam Hussein from other Arab leaders and, in this matter, President Assad of Syria is crucial and equivocal. He

is less easy to 'bend' than, say, the Saudi monarchy or Mubarak of Egypt, and diplomatic relations with him (abruptly cut off only recently) must be restored and fostered. One result will be that as a fatal accident inquiry starts in Scotland, the families of the Lockerbie victims will be kept even more bleakly in the dark."

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## ***Soup kitchens are opened in Bulgaria***

The first soup kitchens since World War II have opened in the Bulgarian capital of Sofia, testifying to the severity of what Bulgarians are calling the worst socio-economic crisis in the country's modern history.

The soup kitchens were opened in mid-August by Bulgaria's independent trade unions, as one desperate response to the country's worst food shortages since the war, and, as trade union leaders are stressing, "in preparation for what will be a hard winter." The only food available in the state shops of Sofia is butter, margarine, and bread. All other food items are procurable only on the private or the black market, at very high prices.

This crisis has forced the Bulgarian Socialist Party (the "former" Communist Party) to oust President Petar Mladenov of the BSP in July, and on Aug. 1 install Zhelyu Zhelev of the Opposition Union of Democratic Forces as Bulgaria's new President. The opening up of an all-party government of "national unity" is seen as the only possibility of postponing a political explosion with unpredictable consequences. The Aug. 1 parliamentary vote chose the former interior minister and chief of the General Staff, Gen. Atanas Semerdjiev, as vice president.

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## ***Ariel Sharon makes Nazi-like demands***

Israeli Housing Minister Ariel Sharon has called for the immediate expulsion from the Israeli occupied territories and Jerusalem of Arabs who have been linked to the Intifada

## Briefly

(Palestinian uprising). Sharon spoke at a meeting of the Likud party's defense and foreign affairs committee in mid-August, according to the *Jerusalem Post*.

"We must order the Army to liquidate [the Intifada] . . . not to calm it down," he said, "not to moderate it, not to make things tolerable so that life can go on—but just one word, 'liquidate,' and deport the leadership." Sharon said that he had the names of 150 Palestinians, mostly living in Jerusalem, who are guiding the uprising. He has been calling for their deportation for two and half years. "Whoever cannot do the job should step down," Sharon told the committee.

In response to Sharon's "liquidation" call, Knesset member Yossi Sarid denounced him for "dangerously and cynically exploiting blood and pain in his usual ugly and reprehensible way," by "pouring oil on the fire to curry favor with the mob gone wild, when supreme responsibility was called for from the country's leadership."

### **Catholic paper exposes Prince Philip's kookery**

"Like all greenies, the Duke of Edinburgh hates man above all, and he would like him to disappear or to be drastically reduced," wrote Vittorio Missori in the newspaper of the Italian Catholic Bishops Conference paper *Avvenire* on Aug. 12. Missori is a respected Vatican theologian and historian close to the group of Cardinal Ratzinger.

About Prince Philip, the president of the World Wide Fund for Nature, Messori writes: "The WWF, the most powerful and richest environmentalist organization in the world, was created by Prince Philip, the husband of the British queen, and by Prince Bernhard of Holland. Within its leadership there are some among the most important oilmen, industrialists, and financiers on the planet. Prince Philip is a very peculiar person, for years in a fight with Edward Duke of Kent, to take over the most prestigious and influential Masonic post of all continents: that of Grand Master of the Grand Mother Lodge of England. After the fight was won by the Duke of Kent, Philip, while

remaining a very high and active dignitary of Masonry, combined this 'cover' engagement with the more open one of the WWF."

Concerning Philip's hatred for the human race, Messori quotes his statement to the German press agency DPA on Aug. 8, 1988: "If I were to be born again, I would like to be a deadly virus, to help in the solution of the overpopulation problem." Messori comments: "In fact, the prince has often repeated that the true ecological problem is the fact that in the Third World there are more births than deaths."

### **Lebanese troops deployed to Iraq?**

According to a source linked to the Lebanese Forces, Gen. Michel Aoun has dispatched a token contingent of Lebanese Army troops to Iraq as a show of support for Saddam Hussein. The source characterized the move as a significant departure from the general's recent apparent accommodation with Syrian President Hafez al-Assad and the Syrian occupation forces in Lebanon.

Following the Arab League summit early in August, where Syria gave its support to the U.S. deployment of military forces into Saudi Arabia, Aoun reportedly tilted back to his earlier cooperation with Saddam Hussein. The token troop deployment was, if the source report is accurate, a symbol of that policy shift. Other Lebanese sources have denied the Army mission to Baghdad.

The Lebanese Forces, under Dr. Samir Geagea, are the Christian faction battling with Aoun's forces in East Beirut and surrounding areas. They have reportedly adopted a low-key position in the Gulf crisis. The Forces' leaders reportedly reason that if the U.S. forces an Iraqi withdrawal from Kuwait, this will represent an important precedent for demanding a Syrian pull-out from Lebanon. On the other hand, if Saddam Hussein survives the showdown, Syria's President Assad will be weakened within the Arab world and unable to consolidate his power grab for Lebanon. Significant pro-Iraqi popular upsurges have already been reported in Syria.

● **THE AFGHAN** mujahideen are beginning to feel the pinch on the tightened supply of arms to their forces, according to the Pakistan daily *The Muslim*. "The stocks of Stinger missiles had been exhausted and the very few that might have been left with them were being used very sparingly." The failure of the mujahideen to capture Jalalabad after protracted warfare and the failure of the Tanai coup have also advanced demoralization with the ranks.

● **A CRUCIAL ASPECT** in the duping of Iraq's Saddam Hussein to launch his invasion of Kuwait was the arrival in Iraq several months ago of senior members of the Stasi, the former East German intelligence service, according to a European analyst. He referred to them as part of the "camarilla" of former Stasi chief Markus Wolf. They are reportedly active in psychological warfare activities, including setting up radio stations that broadcast warnings to U.S. troops that they are facing "another Vietnam."

● **ARGENTINE** Foreign Minister Domingo Cavallo announced Aug. 16 that exiled Kuwaiti Emir Jeber Ahmed Sabah has requested that Argentina send naval forces to help with the blockade of Iraq. Although the Emir made a similar request to other Ibero-American countries, only Argentina gave a positive response. President Carlos Menem is slavishly supporting the Anglo-Americans, who set up Argentina and then smashed it in the Malvinas War eight years ago.

● **AN ISRAELI ARAB** member of the Israeli Knesset, Abdel Wahab Darawshe, has offered to mediate between Iraq and Israel, and praised Iraqi President Saddam Hussein's diplomatic initiative for linking the various occupations in the region as "a good and serious basis for negotiation." Darawshe left the Israeli Labour Party soon after the start of the Palestinian Intifada, to form a new Arab Democratic Party.

# Will Bush invoke emergency government-by-decree?

by Kathleen Klenetsky

Will President Bush use the pretext of the Persian Gulf crisis to invoke emergency domestic powers, so that he can impose wartime controls over U.S. economic and political life? Although administration officials are refusing to comment on the possibility that the President might resort to the sweeping emergency measures available to him in a national security crisis, there is growing evidence that such a contingency is definitely in the works.

One especially compelling factor leading to that conclusion, is the reason that Bush opted for such a lunatic response to the Mideast eruption in the first place. Faced with a series of economic crises—ranging from the savings and loan mess to the real estate collapse—which were destroying the “recovery” myth once and for all, the President was desperate to find some means of diverting Americans’ attention away from economic matters. Iraq’s move against Kuwait could not have come at a more opportune moment.

But there is an even more ominous factor involved. Bush and his backers need a police state of the kind emergency powers could create, if they are to push through the draconian austerity measures which they intend to use as the depression worsens. Seizures of banks and industry, wage controls, tax hikes, anti-strike measures, controls on political opposition—these would be extremely difficult, if not impossible, for Bush to implement, without the smokescreen of his jingoistic adventure in the Middle East.

There is little question that the Bush team is chafing at the bit to invoke emergency powers. A well-placed European source, with ties to Helmut Schmidt’s Inter-Action Council, confided to a journalist that Bush is definitely inclined to use the Gulf crisis to establish statutory emergency powers to deal with the financial-economic and other crises. Bush’s “political future is on the block,” he said. “He must do some-

thing. To put it simply, he’s using the situation to alleviate his internal problems.”

Noting that the U.S. has “vast experience” in emergency rule, going back to World War II, the same source said, “It would just be a matter of reactivating those mechanisms” to “deal with economic and financial situations, probably in the direction of some kind of re-regulation by fiat, or at least a much strengthened role for the state in the economy, to streamline the whole thing.” He added, “One thing I certainly see coming is emergency taxation. The point is, we’re entering into a totally different domain, which is completely different than not being at war. You have to ask whether Bush is doing this all because of the U.S. internal problems, or is he just capitalizing on the fallout from the crisis? Now, everthing is possible: war economy, a war financial-emergency situation, in other words, a war system put into place.”

Already, the *Wall Street Journal* is demanding that the President declare a national emergency to deal with the domestic side of the crisis, and sentiment on Capitol Hill is becoming increasingly rabid. “Joe Six-Pack is finally going to learn that he can’t have cheap energy forever,” ranted one House Energy Committee staffer in a discussion with a journalist. “We’re going to have to go to \$3-4 per gallon gasoline. Sure, poor people and the middle class are going to suffer, but what do you want? We can’t have cheap cocaine and gasoline for the masses, if it means sending your brother to war.”

## ‘Emergency’ police state?

Administration officials have adamantly refused to comment on the possibility that the President will invoke emergency measures, because, as one White House staffer put it, “he wants to avoid creating the impression that the crisis is

worse than it is." A bureaucratic stone wall has been thrown up to prevent any information about what is being done from reaching the public. Yet there is little question that the administration emergency structure went into high gear as soon as the crisis struck. "There's a tremendous amount of contingency planning taking place," confirmed one oil industry analyst, "but no one wants to talk about it."

Should Bush decide to utilize emergency powers, there is virtually no limit to what he can do. "The President has a broad range of emergency powers available to him in a crisis," a White House spokesman confirmed.

These powers derive from a huge body of legislation, executive orders, and national security directives that has been put together over the last 40 years. Among the most important of these are the 1950 Defense Production Act—which gives the President sweeping powers in a national security crisis—and Executive Order 12656. The latter, entitled "Assignment of Emergency Preparedness Responsibilities," was signed by President Reagan on Nov. 18, 1988—a little more than a week after George Bush won the presidential elections.

EO 12656 is a chilling blueprint for a bloodless coup against constitutional government. Among its provisions are ones mandating the Department of Justice to carry out the following measures in times of national emergency: "Coordinate contingency planning for national security emergency law enforcement activities that are beyond the capabilities of State and local agencies; Develop national security emergency plans for regulation of immigration, regulation of nationals of enemy countries, and plans to implement laws for the control of persons entering or leaving the United States; Develop intergovernmental and interagency law enforcement plans to respond to civil disturbances that may result in a national security emergency or that occur during such an emergency; Support the Secretary of the Treasury in developing plans to control the movement of property entering and leaving the United States. . . ."

### **FEMA's technocratic dictatorship**

Preparations for an "emergency" police state were put into high gear with the Carter administration. In 1979, Carter issued Presidential Review Memorandum 32, which created the Federal Emergency Management Agency, the secretive structure that coordinates all government emergency planning and preparedness, and reports directly to the National Security Council. Far from being a legitimate and long overdue serious attempt at civil defense, FEMA was conceived as a means of replacing constitutional government with a technocratic dictatorship.

FEMA has a group of 100 individuals positioned throughout the government bureaucracy—a sort of emergency government in the wings—known as the "continuity of government" structure. Among its members during the 1980s was Oliver North of "Project Democracy"—the apparatus identi-

fied by Sen. David Boren (D-Okla.) as the "parallel government" behind the Iran-Contra affair.

Plans for FEMA were drawn up by another key Project Democracy figure, Samuel Huntington, while working at the NSC. Huntington was the lead author of the 1975 Trilateral Commission report "The Crisis of Democracy," which called for slapping restrictions on democracy, because the world was entering an era of limited economic growth. "A government which lacks authority and which is committed to substantial domestic programs will have little ability, short of a cataclysmic crisis, to impose on its people the sacrifices which may be necessary," Huntington wrote. "We have come to recognize that there are potentially desirable limits to economic growth. There are also potentially desirable limits to the indefinite extension of political democracy."

There has been a noticeable increase in FEMA activity since the Bush team took office. Less than a year ago, for example, FEMA adopted emergency planning program called "graduated mobilization response" (GMR) Options, which, according to a FEMA official, "gives us the option of a phased civil emergency mobilization. In other words, we now have a series of options in between the two extremes of no mobilization, and all-out mobilization."

A recent report issued by Congress's Office of Technology Assessment says that GMR "provides a framework for mobilization planning in three incremental steps: planning and preparation, crisis management, and national emergency/war." In January 1990, a Defense Mobilization Order was issued, "which defines GMR, provides policy guidance, and further establishes a system for developing and implementing mobilization actions that are responsive to a wide range of national security threats and warnings."

Over the last months, a new FEMA command structure, dominated by Bush's old pals in the intelligence community, has been put in place. On Aug. 4, the Senate confirmed Wallace E. Stickney as the new FEMA director. Stickney was the Commissioner of Transportation of New Hampshire under Gov. John Sununu. He had earlier served as an Interior Department bureaucrat.

FEMA's new deputy director, confirmed in May, is Jerry Jennings. Jennings's background includes nearly a decade of White House service as an adviser to the President's assistant for national security affairs under four administrations, beginning in 1973. Prior to that, he worked for the CIA in the Far East (1965-68), and for the FBI, where he specialized in drugs.

Under Jennings in the FEMA command structure is Antonio Lopez, a retired Air Force colonel, who was sworn in as associate director for national preparedness programs on Nov. 21, 1989. Lopez retired from the Air Force after 27 years in 1982, and was involved in international corporate operations in Latin America. In 1988 he was deputy director of research for the George Bush for President and the Bush-Quayle campaign committees.

# LaRouche campaign reshapes U.S. politics

by H. Graham Lowry

In the midst of extreme, deepening crisis for the United States, the strategic and economic thinking of political prisoner Lyndon LaRouche is breaking through the rubble of bankrupt policies in election campaigns from coast to coast. Under the banner of his own November challenge as an independent Democrat from Virginia's 10th Congressional District, LaRouche candidates are contending for a host of federal, state, and local offices in Democratic primary elections remaining to be held in half a dozen states in September.

Voters in Massachusetts, New York, Maryland, Wisconsin, Minnesota, and Washington will be casting their ballots for LaRouche candidates for offices ranging from the U.S. Senate and House to governor and state legislator. Following the strong showings in primaries held earlier in August—when two congressional candidates campaigning for LaRouche's ideas received over 40% of the vote in Missouri, and another in Michigan won outright with nearly 60%—no political analyst worth his salt could fail to note that a sea-change is under way. The driving force is LaRouche's extraordinary campaign, waged from jail in Minnesota, and deepened in Virginia by the statewide candidacy for U.S. Senate of his longtime associate Nancy Spannaus, also on the November ballot as an independent Democrat.

## LaRouche's analysis vindicated

LaRouche's unique competence to guide the nation to recovery was recently demonstrated again in a half-hour television program, broadcast from the nation's capital Aug. 15 and Aug. 19 to viewers throughout the metropolitan area. Featuring an address from his 1988 presidential campaign, the program presented his analysis of why the world economy and financial system were headed for collapse—and the measures required to get out of the mess and return to the path of progress. The paid political broadcast concluded with a statement updating the current political, strategic, and economic situation, by Nancy Spannaus.

Events have plainly vindicated LaRouche's 1988 forecast, whether Washington's current policymakers like it or not; and his campaign workers report that the voters are listening more and more closely to the daily barrage of analy-

ses and policy statements LaRouche broadcasts as campaign spots on WTOP radio, Washington's all-news station. George Bush's British-rigged military adventure in the Middle East, a potential trigger for general war more dangerous than the Sarajevo incident of 1914, has been the subject of a steady stream of LaRouche's statements, including a campaign leaflet distributed in 80,000 copies throughout the greater Washington area.

Spannaus recently completed a three-week campaign swing through rural Virginia, where many areas are reeling from the ruinous farm policies imposed over the last decade, and from a new onslaught of insane environmentalist restrictions. Whether addressing these constituencies, or the Newport News Central Labor Council in Virginia's vital naval and shipbuilding center, Spannaus is stirring up discussion of LaRouche's solutions to the depression that is no longer just around the corner. "Governor Wilder's announcement of a projected \$1.4 billion state budget deficit, should begin to wake up Virginians," Spannaus is telling her audiences. "The depression that I, and congressional candidate Lyndon LaRouche have been warning of, is here with a vengeance."

## Dirty tricks against Spannaus campaign

The "Bush Democrats" currently controlling the party in Virginia are showing signs of greater desperation over the possibility that, under conditions of rapidly worsening crises, Spannaus could unseat her Senate opponent, Republican incumbent John Warner. As Spannaus pointed out in one of her regular radio ads, her campaign is the target of a "Project Democracy" dirty tricks operation designed to make it appear as though Warner is running unopposed.

The most glaring examples have involved the *Washington Post*, WTOP radio, and the Virginia AFL-CIO. Both the *Post* and WTOP have run major features on the Virginia Senate race which claim that Warner has no one running against him. While the *Post* ran a small correction in a subsequent issue, WTOP has so far refused to recant its disinformation. More astounding is the fact that the Virginia AFL-CIO decided to black out Spannaus's campaign at its convention in Norfolk, Aug. 16 and 17. Held under the title "Democracy in the 1990s," the convention nonetheless prevented Spannaus from even renting a table at the event, where the body was to make its election endorsements.

Leading the blackout is the man slated to become the next president of the state AFL-CIO, Danny LeBlanc. LeBlanc was on hand when Spannaus visited the state offices on Aug. 9, seeking an answer to her written request to appear at the convention. LeBlanc refused to talk to her, and threatened to call the police and have her arrested for trespassing.

As Spannaus replied in an open letter to the AFL-CIO convention, "Danny LeBlanc is acting like a scared agent of the Anti-Defamation League—and stabbing the labor movement in the back. If you don't like what the Bush Republicans are up to, you had better do something about it soon!"



Jerry Beisky



Jerry Beisky



EIRNS

Top left and right: Senatorial candidate Nancy Spannaus and supporters campaigning at the Norfolk Naval Shipyard in Virginia. Bottom left: Congressional candidate Ned Norris counters the environmentalists' "spotted owl" propaganda, in Kelso, Washington. Bottom right: A LaRouche for Justice campaign rally near the Department of Justice in Washington, D.C.



Stuart Lewis



# New scandals close in on Thornburgh

by Jeffrey Steinberg and Steven Komm

On Aug. 22, Henry G. Barr, the former executive assistant to Attorney General Richard Thornburgh, entered a not guilty plea before a federal judge in Scranton, Pennsylvania to a four-count indictment that charges him with cocaine use and perjury. A 20-year associate of Thornburgh, Barr is the highest ranking federal government official ever to be indicted on drug charges.

Barr was indicted in August on the day that a federal judge in Los Angeles delivered what should be a death blow to the "Thornburgh Doctrine," when he ruled that a Justice Department (DoJ)-financed foreign kidnaping of an indicted conspirator was a violation of the national sovereignty of Mexico. In April, Thornburgh had personally authorized the Drug Enforcement Administration (DEA) to pay a team of current and former Mexican police officials over \$50,000 to kidnap Dr. Alvarez Machain from his Guadalajara, Mexico office and transport him across the border to El Paso, Texas, where the doctor was turned over to DEA agents and whisked off to Los Angeles to stand trial for the kidnaping-murder of DEA agent Enrique Camarena.

A hallmark of Thornburgh's reign has been his insistence that American police and military personnel have the right to grab foreign nationals under indictment in the U.S. without obtaining the permission or cooperation of the governments in the countries where the kidnapings are to occur. The federal court has now ruled that Thornburgh's cowboy doctrine is illegal.

In earlier periods of American history, either of these scandals would have resulted in the Attorney General's resignation and disappearance from public life. But Richard Thornburgh has refused to step down and has apparently taken draconian measures to hold on to power in the face of drug and corruption scandals that have hit a half dozen of his top aides in the past six months.

*EIR* has learned that one of the keys to Thornburgh's staying power in Washington may be his ability to keep the chairman of the Senate Judiciary Committee, Sen. Joseph Biden (D-Del.), at bay. Documents obtained from the Federal Election Commission (FEC) show that Thornburgh's law firm, Kirkpatrick and Lockhart, made a \$2,000 contribution to Biden's reelection campaign on June 27, 1990. Since 1959, Thornburgh has been a partner in the Pittsburgh office of the Washington, D.C.-headquartered firm, and has returned to the firm each time he completed government service.

Pennsylvania GOP sources have told *EIR* that Thornburgh has privately urged his friends in the state Republican

hierarchy to contribute to Biden's campaign chest, despite the fact that the Republican National Committee has mounted a serious challenge to him. One Pennsylvania politico reports that Biden was the recipient of a \$100,000 payoff from a prominent Johnstown businessman and GOP moneybag during his presidential bid in 1988. Thornburgh, according to the source, "has the goods" on Biden's under-the-table financing. Biden has been strikingly silent since Thornburgh's troubles began and has apparently blocked the appointment of a special prosecutor.

## Drug allegations hit Thornburgh family

In a televised interview following the Barr arraignment, Thornburgh attempted to distance himself from the scandal by pontificating about the administration assault against "recreational drug users." Yet, just days earlier, a DoJ press spokesman had launched into a tirade when reporters asked about allegations that Thornburgh's own son William was a target of the same grand jury probe that indicted Barr, and led to the recent conviction of another former top prosecutor under then-Governor Thornburgh, Richard Guida, as a drug dealer.

In a July letter to Sen. Arlen Specter (R-Pa.), Don Bailey, a former congressman and Pennsylvania state auditor general, charged that a number of prominent Harrisburg businessmen and state officials were caught up in the cocaine-traffic ring, but were being protected by state and federal officials. Bailey named two individuals who had allegedly used cocaine with the Attorney General's son. Bailey's information comes in part from the fact that he is currently the attorney for a Harrisburg drug dealer who had supplied some of the grand jury targets with drugs before being prosecuted and agreeing to cooperate with the federal probe.

Dan Eramian, Thornburgh's spokesman, told Associated Press: "For a number of years, Mr. Bailey has engaged in personal, vicious, reckless and unfounded allegations against a number of persons with whom he has been at odds on a personal and political basis, including Governor Thornburgh. But to spread a reckless story about a person's child is beyond all bounds of decency." Eramian did admit that the FBI probe of the William Thornburgh cocaine allegations was completed in less than 24 hours and no attempt was made to interview Bailey.

While Thornburgh and his closest advisers claim no knowledge of Barr's alleged drug use, even the pro-Thornburgh *Washington Post* admitted that Barr, while Thornburgh's liaison to all federal drug prosecutors, had shared a house with Murray Dickman, Richard Weatherbee, and Barry Stern—all Thornburgh aides caught up in scandals. Weatherbee was Governor Thornburgh's chief drug enforcement officer in Pennsylvania and is now his liaison to the DEA. And, in Harrisburg, Barr had lived with now-acting U.S. Attorney James West during the period he is accused of frequent cocaine use.

# Iranamok operations to be legalized?

by Herbert Quinde

On Aug. 3, the Senate voted up S. 2834, the bill which is the intelligence appropriations authorization for fiscal year 1991. The bill now goes to the House.

As passed, S. 2834, through bipartisan agreement, would make legal "the use of third countries or private parties outside normal U.S. government controls" to fund covert operations or carry them out on behalf of the United States, as was illegally done during the infamous Iran-Contra affair. Besides violating the basic sovereignty of the U.S. by leaving it vulnerable to manipulation by a foreign nation or well-endowed private interest, the bill would have Congress surrender its "power of the purse" and oversight function, thereby eliminating any form of checks and balances.

A Senate report prepared in order to explain the bill states that the intent of S. 2834 is not to use the "lessons of recent experience" from the disastrous Iran-Contra scandal to curb Executive branch abuses and counterproductive covert operations, but "to establish a more effective statutory framework for Executive-Legislative cooperation in the field of intelligence." The bill, in effect, would make lawful the content of the unconstitutional Reagan-Bush administration Executive Order 12333 which provided the mandate for Project Democracy, otherwise known as the "secret government," operations. The bill explicitly adopts the language of E.O. 12333 in permitting the President to use any Executive branch agency to carry out an intelligence operation, domestic or foreign. Current law gives the President the right to deploy *only* the CIA to carry out covert operations.

A hypothetical application of the law might involve, for example, U.S. complicity in the assassination of Iraqi President Saddam Hussein by a team of Syrian hitmen. According to U.S. intelligence and law enforcement sources, Syria's intelligence service, which routinely funds terrorist groups that have murdered American GIs in Europe, finances its operations through trafficking in narcotics grown in the Bekaa Valley in Lebanon. But if monies derived from poisoning America's youth can facilitate a U.S. foreign policy objective, it is considered all the better.

Unfortunately, such logic is the net wisdom gained by the nation's lawmakers from the slimy affair associated with Lt. Col. Oliver North. It comes as no surprise since the congressional investigation was a whitewash. Nonetheless,

two years later, accusations and evidence continue to mount that North and his Project Democracy cronies were knee-deep in the international narcotics trade. Now, it seems, Congress is on its way to passing legislation which would make pushing dope "legal," if it is "necessary to support the foreign policy objectives of the United States and . . . important to the national security of the United States."

## Ends justify the means

There are ample precedents during the Iran-Contra fiasco to document that the Reagan-Bush administration rationalized that the ends justify the means. During North's trial last year, documents were released that portrayed his soliciting arms from intelligence agents of the Red Chinese People's Liberation Army for the Contras. Communist China is known to export 40% of the heroin that hits the streets of U.S. urban centers each year.

Did North know what he was doing? His own diaries, recently declassified, answer in the affirmative. In entry after entry, North records in his own handwriting the evidence that his "patriotic" operatives in Central America were dealing in dope. In a Jan. 14, 1985 entry, North seems to be covering up for CIA operative John Hull. An American rancher in Costa Rica, Hull had an airfield on his property which was used to fly in arms for the Contras and fly out dope on the return trips, according to a Senate investigation. The entry reads "Rob Owen—John Hull—no drug connection—believes." Owen was one of North's bagmen to the Contras.

The Hull story was not the first time North and his co-conspirators had evidence of dirty dealings. On Sept. 26, 1984, a documented case of dope pushers financing the Contras was made available to FBI special agent George Kiszynski, of the FBI foreign counterintelligence division in Miami. Reportedly, the report was made available to North's colleague, Oliver "Buck" Revell, then the number-two official at the FBI.

Special Agent Kiszynski had been given a copy of a report by a Miami Police Department investigator who interviewed a group of anti-Castro terrorists. The report, subsequently filed as defense evidence in an Iran-Contra related court case, provided extensive details concerning narcotics trafficker Francisco Chanes.

According to the Miami Police Department report, "Subject Chanes was giving financial support to anti-Castro groups and the Nicaraguan Contra guerrillas; the monies come from narcotics transactions." The report continues by describing that two of Chanes's anti-communist dope pushers, Pedro Gil and Rolando Valdez, "are associated with an American who owns a ranch in the northern part of Costa Rica near the Nicaraguan border. The owner of the ranch is known as John Hulls [sic] and the ranch has an airstrip. In October 1983 a load of ammunition and firearms was unloaded on that airstrip."

The Senate bill would now make such actions legal.

# FBI, hysterical over EIR exposé, plans next phase of coverup

by an EIR Investigative Team

Stung by the wide circulation, in Nebraska and across the country, of *EIR*'s July 27 article, "FBI covers up child abuse, murder in Nebraska," the Federal Bureau of Investigation has broken its silence on the Franklin Credit Union child abuse scandal. On Aug. 11, Washington, D.C. FBI spokesman Carlos Fernandez had "no comment" on *EIR*'s charges; the following day, the Omaha-based head of the FBI's Nebraska-Iowa office, Charles Lontor, felt compelled to denounce the *EIR* charges at length. The Omaha *World-Herald* trumpeted his statement front-page the next morning, headlined, "Article tied to LaRouche 'nonsense,' FBI chief says."

Any comment by the FBI on such matters is unusual; but Lontor's statement, drafted on a Sunday for Monday's newspapers, betrays great agitation on the FBI's part. The Aug. 13 *World-Herald* quoted Lontor: "This material is nonsense, as any decent, informed American can readily see, and I'm shocked that, regardless of our differences of opinion, some person or persons in our community chose to talk to these people and even instigate them to write and circulate this kind of smut. . . . Let me make it clear that the reason Mr. Fernandez from FBI headquarters would not comment regarding this or any other article written by the *EIR* is because we do not wish to become involved in a futile debate with them or anyone who may choose to support their efforts."

The FBI's defensive outpouring was amplified by several days of front-page and lead editorial attacks against the *EIR* piece by the *World-Herald*, the state's leading newspaper. Longtime *World-Herald* publisher Harold Andersen has been repeatedly named in the investigation as a child abuser who burns young children with cigarettes as he performs his perversions.

Now, dramatic new information has surfaced which demonstrates how heinous the coverup by the FBI and its fellow-

traveler the *World-Herald*, really is. According to one of the victim-witnesses, whom the FBI has been working overtime to discredit, the Franklin scandal's central figure, Larry King—the 45-year-old GOP money man and singer with entrées into the highest levels of the Republican Party, including the White House—*was a participant in Satanic rituals where human babies were sacrificed*. Reports are surfacing that this victim-witness, who personally observed these rituals, has been targeted for "elimination"—i.e., murder. This would not be the first: Gary Caradori, investigator of the Franklin scandal, and Kathleen Sorensen, an outspoken parent-activist against Satanism, both of whom had told friends they feared for their lives, both met violent deaths in recent months.

## The Franklin story

To summarize the events around the collapse of Franklin: In November 1988, the Franklin Federal Community Credit Union was closed amid charges of embezzlement. Soon testimony emerged of money diversion by Franklin's executive, Republican Party fundraiser Larry King, for the purpose of maintaining a large child procurement and sexual abuse network, catering to political bigwigs. The Nebraska State Senate formed a committee to investigate the scandal, known as the Franklin committee and headed by State Sen. Loran Schmit of Bellwood.

In 1989, the Franklin committee hired private investigator Gary Caradori to work on the case. As Caradori questioned witnesses, he developed leads into the highest circles of business and politics in Nebraska, but also into leading echelons in Washington, D.C. On July 11, 1990, Caradori and his young son Andrew were killed when their small plane disintegrated in mid-air and plunged to the ground in rural Illinois.

In January 1990, former Nebraska State Sen. John De-

Camp released a public memorandum which gave the names of five prominent Nebraskans who were targets of the investigation of allegations of child abuse in the Franklin case. Among them were Harold Andersen, publisher of the *World-Herald*, and Robert Wadman, the former Omaha chief of police. Two grand juries were convened on the matter, provoked in part by the DeCamp memo. On July 24, 1990, the Douglas County grand jury, guided by prosecutor Samuel Van Pelt—known in Nebraska as a “rent-a-judge”—indicted only one of the individuals named by victims as abusers in the Franklin ring, and instead indicted two of the victims for perjury in their testimony against Wadman, Andersen, and others. The decision was widely greeted as a coverup. A federal grand jury is still sitting.

The July 27 *EIR* article documented the sordid role played by the FBI in hounding surviving witnesses to the child abuse ring, as well as its investigators. The FBI’s interference in the Franklin committee investigation included extensive harassment of Franklin legislative committee head Senator Schmit, as well as a subpoena slapped on Gary Caradori’s widow within hours of his death, for all of his files.

## The coverup

Only one official body has been trying to get to the truth of the Franklin story—the State Senate Franklin committee chaired by Senator Schmit. All other federal and state law enforcement agencies have instead participated in the coverup attempt. It was no surprise, therefore, that while the FBI’s Lontor on Aug. 12 called *EIR*’s charges “nonsense,” several days later his agents raided Schmit’s office.

The FBI’s apparent purpose in staging the raid was to find documents that would link Senator Schmit to former Sen. John DeCamp. The discovery of such documents would be no surprise, since DeCamp has been Schmit’s personal attorney for years. The FBI, however, appears intent on asserting that Schmit leaked to DeCamp the names of prominent alleged pedophiles, such as former police chief Wadman, Andersen of the *World-Herald*, columnist Peter Citron of the same newspaper, and blueblood financier Alan Baer, which supposed leaks provided the basis for DeCamp’s January 1990 memo. (Citron and Baer, have since each been indicted for child abuse.)

The *World-Herald* pushed this same insinuation about leaks in its Aug. 14 editorial, “Panel says ‘no leaks,’ but what about memo?” The charge of leaks from Schmit to DeCamp would set the stage for the two men to be indicted by the federal grand jury on the Franklin case, for “obstruction of justice.” Such an indictment is rumored to be imminent.

## The grand juries

The Douglas County grand jury pronounced on July 24 that the extensive evidence which the Senate Franklin committee had unearthed on child abuse, was merely a “carefully

crafted hoax” involving a free-lance writer named Michael Casey, whom it never even called to testify! Jury foreman Michael Flanagan has been a 27-year employee of Union Pacific Railroad; some of Union Pacific’s top executives are rumored to have surfaced in the Franklin investigation as pedophiles.

Samuel Van Pelt’s Douglas County grand jury also did not bother to question the alleged perpetrators. But it returned indictments for perjury, against the *victims* of child abuse, who had also been the chief witnesses for the Senate Franklin committee, 21-year-old Alisha Owen and 23-year-old Paul Bonacci.

The federal grand jury reportedly has moved to discredit the victim-witnesses in precisely the same manner as the Douglas jury did, by claiming that free-lancer Casey concocted the whole story and sold it to Caradori. Such a concoction would be truly impressive, since before his death, Caradori had given the Franklin Senate committee a list of 271 persons who were either witnesses to child abuse, or who had substantive leads to be followed.

Owen, who testified for Caradori on videotape for almost 14 hours with no contradictions in her story, was offered a deal by the FBI: Just say that Casey concocted the whole thing, including writing the script for her videotaped testimony, and she could “walk.” Owen not only turned down the deal, but enraged Assistant U.S. Attorney Thomas Thalken when she ripped up a grand jury “immunity agreement” and insisted on testifying without immunity—that is, with the truth as her sole defense. When it was clear she would not cooperate with the FBI coverup, FBI Special Agents Rick Culver and Mickey Mott raided Owen’s cell at a correctional facility (she is serving a sentence on a bad check charge) in an attempt to seize a pink file containing many names and dates of incidents of abuse, which she regularly referred to.

In an astounding breach of attorney-client privilege, Owen’s attorney at the time, Pamela Vuchetich, turned the file over to the FBI against Owen’s explicit instruction to the contrary. Vuchetich’s behavior implicates her in collaboration with the FBI coverup, even while still acting as Owen’s attorney. Subsequent lies by Vuchetich have been used by the *World-Herald* to beat the drums for an obstruction of justice case against Schmit and DeCamp.

The federal grand jury, like its Douglas County counterpart, is clearly treating Alisha Owen as a perpetrator, instead of a victim-witness. As she reportedly put it, “The worst three days of my life . . . were in front of the federal grand jury.” She was awakened at 5:00 a.m. the morning of her grand jury appearance, not told where she was going, wrapped in chains, driven two hours, and placed in a hallway in a cage, as if in a zoo. At 8:55 a.m., she was handed a subpoena to testify before the grand jury at 9:00.

Meanwhile, Assistant U.S. Attorney Thalken kept saying very loudly, within earshot of Owen, “If she gets up there and she doesn’t tell the truth, I’m going to charge her with

perjury.” Thalken screamed at Owen’s new attorney, Henry Rosenthal, about perjury. Since the FBI had made amply clear in numerous previous interviews that they did not believe her, the message was clear—“Tell the truth, and you will be indicted.”

### The perjury counts

The Douglas County grand jury indicted Alisha Owen on seven felony charges of perjury, and Paul Bonacci on two. At her arraignment on Aug. 8, Owen’s attorney Henry Rosenthal requested that the contents of the perjury charges should be read aloud, as is every suspect’s right. Consternation ensued in the court. Judge James Murphy ordered a recess with the apparent intent of keeping the charges from being read. When the recess was over, Rosenthal withdrew his request.

Since what Owen and Bonacci actually said will never be printed in Nebraska—or anywhere else for that matter—we print several of the perjury charges against them below. In what follows, they are being cross-examined about their videotaped testimony to Gary Caradori; every perjury count involves their allegations of abuse against prominent Nebraskans.

#### *Alisha Owen, Count III.*

*Q:* Did you see any sexual activity at this first party?

*A:* Yes, I believe it was sexual. . . .

*Q:* The fondling that involved the older men, can you describe that in more detail for me, please?

*A:* . . . there was fondling going on between Harold Andersen and the young boy, he was about 12. He had his hand on his crotch and his pants were undone.

*Q:* Who had their hands on whose crotch?

*A:* Harold Andersen was fondling the boy. . . . I saw Harold Andersen leave with a young boy, who I told you his name was Andy, and go off into one of the back bedrooms.

#### *Count VI.*

*Q:* Can you tell us, first of all, if you recall that particular incident?

*A:* Yes, I do.

*Q:* When did that happen?

*A:* That happened, I believe, March of 1984. . . .

*Q:* What did he [Robert Wadman] do with his gun?

*A:* He struck my body with it and he put it into me and told me what would happen if he pulled the trigger. . . .

*Q:* Now, as I understand it, the chief actually penetrated some part of your body with his gun?

*A:* Correct.

*Q:* He penetrated your vagina with his gun?

*A:* Yes, he did.

#### *Paul Bonacci, Count I.*

*Q:* What did you see Alisha Owen and Robert Wadman do while they were in Alan Baer’s apartment during the daylight hours of 1983?

*A:* Me and Alan Baer and Danny King were all on the couch and stuff fooling around watching some movies, and I got up to go to the bathroom, and when I went in the bathroom, I opened the door, and I saw them engaging in sexual intercourse. . . .

For her courage in testifying, Owen faces a possible 160 years in jail, Bonacci something less.

Following the Douglas County grand jury’s perjury indictments against Owen and Bonacci, another witness stepped forward to charge that grand jury prosecutor Samuel Van Pelt had offered her a ride to the grand jury the day that she was to testify. The witness apparently had testimony which would corroborate key parts of Owen’s testimony; Van Pelt made it clear in the car that the grand jury did not believe Owen. The message was clear: Back up Owen only at your peril.

It is expected that the job of prosecuting the two victim witnesses will be handed to Douglas County Attorney Ron Staskiewicz. His assistant, Robert Sigler, *has been named repeatedly by victim-witnesses as a pedophile.*

The FBI has put enormous effort into attempting to terrorize and discredit Alisha Owen, since if Owen’s charges that ex-police chief Wadman fathered her child are true, all the rest of the victim-witnesses’ testimony gains enormous credibility. Wadman is also known for his extremely close relation to former Nebraska FBI head Nick O’Hara.

Though Wadman has reportedly offered to quietly pay child support for Owen’s child without acknowledging paternity, and has in the past acted hysterically about the prospects of submitting to a blood test at the same time as Owen and her child, under carefully controlled conditions, he has just recently reversed his past behavior, and expressed his strong desire to do just that. “He’s willing to do just about anything to shut these lies up,” said Wadman’s attorney, Michael O’Brien, on Aug. 14.

This extraordinary about-face has raised suspicions among those who have followed the Franklin scandal. Said one observer, “With the stakes as high as they are in this case, it would be nothing at all to put up \$5 or \$10 million, or maybe some death threats, to fix the results of a blood test. If it is known ahead of time which lab or labs the test is going to be in, you can just about count on it being rigged. You would have to do multiple labs, at least one of which would have to be out of state, with as many unannounced as possible.” Wadman, as well as his friends at the FBI, know which Nebraska facilities have been selected for the test.

### The case of Paul Bonacci

Two out of the four key victim-witnesses videotaped by Gary Caradori recanted their stories of abuse; the two who did not, Alisha Owen and Paul Bonacci, have been indicted for perjury and face long prison sentences. For those running the coverup, such as the FBI and the Omaha Police Depart-

ment, it is essential that these two be discredited, or permanently silenced.

Paul Bonacci was drawn into the world of child abuse and prostitution at the age of 8, according to friends, through a priest the young boy trusted. Now 23 years old, from age 8 until he became a Christian in 1984 and finally left that nightmare world, Bonacci was horribly abused, which has left scars all over his body.

The attempt to discredit Bonacci's story began with his first interrogations by Omaha Police Detective Michael Hoch in 1989, who made it clear that he did not believe Bonacci and that he was friends with several of the prominent alleged pedophiles Bonacci named. When the Omaha police arrested Bonacci on Nov. 19, 1989 and charged him with abusing a minor, they confiscated several of his diaries which chronicled years of abuse against him. These diaries have now disappeared.

The Douglas County grand jury charged that the child abuse allegations were a "carefully orchestrated hoax." Yet Bonacci, whose story corroborated Alisha Owen's, had neither seen nor talked to Owen since mid-1987, until they both appeared before the grand jury. He also named his abusers years before the Franklin case, and has witnesses to back that up.

Bonacci recently has pointed to some of what the Franklin coverup is trying to hide. He recounted that Franklin kingpin and Republican Party impresario Larry King was present at Satanic rituals where babies were sacrificed, at least one of which was held at "the Triangle" in a wooded area in Sarpi County in approximately December of 1980. "I witnessed a sacrifice of a human baby boy," Bonacci said, "Everyone was chanting and it was a yearly ritual around the time of Christ's birth to pervert the blood of Christ. They used a dagger and cut the boy and filled a cup with his blood and mixed urine in it and forced all of us to drink from the cup and chant 'Satan is Lord Lucifer our King, Realm of darkness come now empower us your slaves.' Then they all began to chant some weird sounds and I got scared and was threatened I'd become the next sacrifice if I told anyone about it. . . . I did see [Alan] Baer take part in Satanic activity on several occasions."

Clearly, testimony of this nature is enough to get him killed. Bonacci responds, "I'm a 23-year-old man who loves God and wants to do the right thing to prevent other children from being abused. I am against anyone harming a child in any way. I'm only wanting to see the men stopped from hurting others. They can kill me. I'm ready to die for what's right. If by my death I can prevent a child from being abused, I'd do it."

### **The next victims of the coverup?**

Gary Caradori used to tell the victim-witnesses who trusted him, among them Paul Bonacci, that he would die for them if necessary. Before he died, Caradori had developed

powerful new evidence on both the Satanic side of the Franklin story, and its Washington, D.C. connections. In October 1989, Kathleen Sorensen, a foster parent who investigated Satanism in Nebraska after her adopted children began gradually revealing what they had been subjected to, died in a mysterious car crash, which one expert on Satanism termed a probable "Satanic contract suicide." Just before her death, Sorensen told her Christian friends that she was "under intense attack" and asked them to "please pray for me."

Bonacci has been beaten several times in Omaha and Lincoln jails. Alan Baer reportedly deployed an inmate at the Lincoln Diagnostic and Evaluation Center, one Bently "Goldie" Buchner, to threaten Bonacci not to talk. More recently, there were reports of a \$250,000 "open" contract on Bonacci's life, put out by Baer.

Bonacci's new lawyer, John DeCamp, a central figure in the Franklin case ever since his bombshell January 1990 memo which "named the names," has also been threatened. Information which surfaced in the wake of Caradori's death, indicated DeCamp was targeted for assassination around the same time as Caradori, a danger confirmed by sources in the U.S. intelligence community.

Asked about rumors of death threats against him, DeCamp replied that he had been contacted by "someone of the highest credibility who believed in his mind, and had excellent reason for doing so, that I am in great danger." "The only thing I am certain of," said DeCamp, "is that the whole truth is not being told on Franklin. Everything I have done is to try and get out the truth of this matter. I am concerned about institutions of government and whether or not they are doing their job. When there is no confidence, there is no government, then you have chaos."

On the role of the *World-Herald* in the Franklin affair, DeCamp continued, "At first I thought the *World-Herald* might be sincerely misled by some of the personalities involved. I no longer believe that. I am absolutely convinced they are on a program of deliberate deception. Why? I don't know. I know they are printing things they *know* are not true."

As for the chairman of the legislature's Franklin committee, Sen. Loran Schmit, a gallows-humor question is being passed around the state house: "Hey, who wants to go out and start Schmit's car tonight?" It has been made clear to Schmit that he will be destroyed, at minimum financially or physically if necessary, if he proceeds with the Franklin investigation. The FBI has been harassing Schmit, as they did Caradori before his death, for some time. If Schmit were killed, say in a car crash where it would appear that he had been drinking, that would likely be the end of the Franklin investigation.

It is time that citizens of Nebraska, as well as elsewhere, speak out forcefully against the crimes under way against those committed to uncovering the truth of the Franklin affair.



# National News

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## Animal rights activists handed setback by jury

A Nevada jury awarded \$4.2 million in damages to Las Vegas performer Bobby Berosini Aug. 11 in his lawsuit against People for the Ethical Treatment of Animals, a rabid animal-rights group.

A PETA supporter had secretly filmed Berosini disciplining the orangutangs that are part of his stage show. It then circulated the film to animal rights groups and the national media, and activists then picketed Berosini's show.

Philip Hirschkop, PETA's lawyer, said he would appeal. "He'll never see a penny of that money," he huffed. Hirschkop, an anti-LaRouche activist in Virginia, called Nevada "the most political state" he ever litigated in.

"Thank you, America," said Berosini, a native of Czechoslovakia, reported the Aug. 13 *Washington Times*.

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## SDI head Cooper rebuffs New York Times

Strategic Defense Initiative Organization head Henry Cooper, in a letter to the editor on Aug. 9, corrects lies printed by the *New York Times* in a July 31 editorial characterizing President Bush as being "imprudent" in seeking a 1993 decision to proceed to deployment of strategic defense.

Cooper states that whether that decision can be made then depends not upon the state of the technology, but "upon Congress's providing adequate funding and permitting me the flexibility to direct a program of 'adequate' testing." The *Times*'s claim that testing to date has had no relevance ignores the advances in military and civilian technologies thus far, he said.

Cooper restates that the testing the SDI Office has designed does not violate the ABM Treaty, and that the idea that the Treaty is the "ultimate guarantee" of U.S. security ignores the fact that the Treaty will not protect the U.S. from an actual nuclear attack.

Cooper also characterizes a recent report from the General Accounting Office as "fundamentally flawed," as it claims that Bush won't have adequate information to make a decision to deploy in 1993. The GAO did not solicit comments from the Defense Department for the report, Cooper states, but prepared it for Rep. John Conyers (D-Mich.), a critic of the SDI.

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## Bush opposes defense industrial policy

The Bush administration will oppose any attempts to garner federal support to convert closing aerospace and defense facilities to civilian production, which has been proposed by congressmen whose districts face severe effects of defense budget cuts, according to *Aviation Week* of the week of Aug. 6.

An upcoming administration report states that though the cuts in defense spending could result in 26,000 to 74,000 jobs lost in each of the next 3-10 years, it claims local communities will be able to deal with the dislocation.

As an example of a successful "conversion" from defense to civilian production, the report cites Kaman Aerospace, which is now making guitars. Undoubtedly, one "growth" area for these high-tech companies will be environmental "protection."

The article reminds readers that the White House got into a similar tussle with the Congress over federal support for advanced technology when Defense Advanced Research Projects Agency head Craig Fields was canned for investing government R&D funds in a small company to maintain U.S. leadership in the electronics industry.

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## Reporter provokes investigation of Gallo

The National Institutes of Health (NIH) has opened an investigation into the methodology and research activities of Robert Gallo, according to the Aug. 18 *Washington Post*.

The accusations involve evidence, discovered partly through Freedom of Information Act material provided to *Chicago Tribune* reporter John Crewdson, which shows that Gallo deliberately contaminated blood samples in his laboratories with HIV virus isolated by French researcher Luc Montagnier. The issue was the subject of a rancorous lawsuit which resulted in a settlement wherein the scientists shared responsibility for discovering the virus. Crewdson has revealed that the actions of Gallo and his laboratory might have been deliberate, and these revelations have prompted Rep. John Dingell (D-Mich.) to launch an investigation into the NIH labs.

The investigation has divided the scientific community, since some fear it will stymie what little useful work might have come out of the NIH. "In an ideal world where a scientist is working on an epidemic involving millions of people, one might consider that historical questions be left for a time until the epidemic is over," said biologist Howard Temin, a Nobel laureate who teaches at the University of Wisconsin. "But of course, that is not the way things are done in our society."

The controversy underscores the murderous implications of the suppression of honest researchers in the scientific community, who have been ostracized for resisting the official coverups being coordinated by the establishment labs and scientists.

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## Thrift official attacks political targeting

Stanley E. Adams Jr., the former owner of the now-defunct Lamar Savings of Texas who was named Aug. 7 in a 14-count indictment by a federal grand jury in Austin, Texas, attacked the government, saying he was being "used as a political scapegoat."

"The blame for this tragedy should be laid where it belongs—at the doorstep of the Reagan administration," Adams said. "These indictments against me are part of what has become a political issue and little more. The Democrats want to blame the Republicans, and the Republicans want to blame the Democrats. And I, and other honest businessmen like me, have been caught

## Briefly

● **PAUL VOLCKER** is being pushed to head the national commission to investigate the savings and loan crisis, according to the Aug. 17 *Wall Street Journal*. Volcker's high-interest rate policies as head of the Federal Reserve started the S&Ls' troubles.

● **THE MOUNTAIN States Legal Foundation** has demanded that the terrorist-ecologist group Earth First! be taken off a government working group setting policy for the George Washington National Forest in Virginia. "Putting Earth First! on a . . . group to decide forest service policy is like having the Islamic Jihad at a meeting on air safety," said William Perry Pendley, president of Mountain States.

● **THE INTERNATIONAL Association of Machinists and Aerospace Workers** will be lobbying Congress for President Bush's Space Exploration Initiative, the Moon-Mars program zeroed out of the FY91 NASA budget request, the Aug. 13 *Aviation Week* reported. The United Auto Workers may also join the effort.

● **A SKADDEN ARPS** lawyer, whose firm is the top law firm involved in takeovers and mergers of U.S. industries, and an insider trading ring involved in more than two dozen cases, have been indicted, the Aug. 10 *Wall Street Journal* reported.

● **FEDERAL BANKRUPTCY** Judge Burton Lifland ruled Aug. 14 that Eastern Airlines could impose temporary 20% salary and benefit cuts on pilots, as a form of emergency relief, to prevent the airline's immediate liquidation.

● **AJC PUSHES PEYOTE** legalization. American Jewish Congress executive director Henry Siegman, according to an AP wire, criticized the U.S. Supreme Court decision allowing states to ban the use of Peyote, a hallucinogenic drug, in worship by the Native American Church.

in the middle."

Adams' lawyer, Henry Novak, said his client is the victim of a double standard under which the government allowed certain S&L practices in the early 1980s, but now calls them fraud. Novak said that Lamar's transactions were legitimate, but prosecutors are now applying new "theories of criminality" to what was once standard S&L practice.

Adams said that, had he not been forced out by Federal Savings and Loan Insurance Corp. in December 1985, he could have rescued the thrift. Decisions made by management installed by FSLIC after Adams was ousted led to a rapid depletion of capital, resulting in a decision by regulators to shut down the thrift in May 1988, at a cost of over \$1.2 billion to taxpayers.

### ABA votes to reverse pro-abortion stand

The policy-making body of the American Bar Association (ABA) voted 200-188 Aug. 8 to reverse its unprecedented pro-abortion stance taken at the behest of Planned Parenthood last February.

Besides those opposed to abortion, many members felt the ABA has no right to become an advocate for a political issue which jeopardizes the ABA Commission on the Federal Judiciary which evaluates the qualifications of Supreme Court nominees.

Since the vote last February where the House of Delegates, which represents less than a tenth of the 360,000 ABA members, voted 238-106 for abortion, more than 1500 members resigned outright and it was thought that some 20,000 to 30,000 members would resign or refuse to renew their membership in August. "Pro-choicers . . . ran roughshod over people's deep religious and moral beliefs," said Darrell Jordan, president of the Texas State Bar.

On July 31, the governing body of the AFL-CIO decided to remain "neutral" on the issue of abortion. The vote came six months after AFL-CIO President Lane Kirkland appointed a 14-member special committee of mainly abortion-on-demand supporters to decide if the federation should adopt a pro-abortion resolution.

### EPA extraterritoriality doctrine wins round

The Endangered Species Act applies not just to wildlife within the United States, but to plants and animals anywhere in the world if they are threatened by projects funded by the U.S. government, according to a ruling handed down by a three-judge panel of the Eighth Circuit Court of Appeals on Aug. 14.

The court ruled in favor of Defenders of Wildlife, which had challenged Interior Department regulations regarding reporting requirements on projects being constructed overseas. The ruling does not affect private organizations that carry out projects abroad independent of federal programs. But environmentalists said those groups could still be subject to civil suit under the Endangered Species Act.

### FBI targets South Carolina legislators

An FBI sting artist has been employed to attempt to entrap more than 15 legislators in South Carolina. The sting involved FBI informant Ron Cobb allegedly handing legislators stacks of \$100 bills in exchange for securing their vote to back a parimutuel betting bill in front of video cameras.

The FBI operation coincided with a separate series of state and federal criminal investigations involving a major public utility, the state Highway Department, the Highway Patrol, the state aeronautics commission, and a junior state legislator, according to the Aug. 12 *Washington Post*. The *Post* opines that the FBI sting may strengthen the position of GOP Gov. Carroll A. Campbell, Jr.

So far, at least 16 legislators have acknowledged that they have either been subpoenaed by the grand jury or contacted by FBI agents, including two who have been formally notified they were targets of the FBI sting. Five of the 16 are Republicans. Cobb has since disappeared and is believed to be in the Federal Witness Protection Program.

# *Good-bye, environmentalism*

The extraordinary U.S. war mobilization has brought one note of sanity to the fore: More and more Americans are speaking out against the insanity over U.S. politics of the past decade and more of environmentalist hegemony.

The United States is facing the consequences of the restriction of oil production due to a number of environmentalist regulations already in place. One is the prohibition of drilling in large sections of Alaska, which have been turned into national wilderness areas. Then there is the recent prohibition, ratified by President Bush, against offshore oil drilling, and the restrictions against the use of tankers to transport oil off the coast of California. Oil refiners are forced to adhere to a variety of regulations purportedly intended to render the combustion of petroleum products less polluting of the atmosphere. With the passage of the new Clean Air Act, if Bush signs it, these measures will be far more restrictive, raising the price of oil and reducing the flow of the refined product.

Whatever happens in the Middle East, nothing is going to stop the great financial collapse already in progress—what we are already seeing as the Great Depression of 1990. Bills such as the amended Clean Air Act will accelerate the current collapse by imposing an unbearable tax upon basic industry and even many sections of the service economy. The mooted figure of an immediate loss of 750,000 jobs upon implementation of the new provisions of the act, is an underestimate by a long shot.

The United States is going to require a major recovery program, and fast. Near the top of the agenda is going to be power sources. Whatever happens to the oil fields in the Middle East, we're going to require a great deal more power inside the United States, generated inside the United States, and not just from petroleum.

At the time of the great oil hoax in 1972, during the Carter administration, the government wasted billions of dollars in support of alternative energy sources—solar power, windmills, development of ethanol and

methanol fuels as an alternative to gasoline, and so on.

Of course, the real non-polluting alternative to burning petrochemicals is nuclear energy, and, not too far down the road, fusion power. The environmentalist Carter administration was opposed to both. While President Reagan ostensibly supported nuclear power, his economic policies were the final straw in the collapse of a nuclear industry which had been bankrupted by being forced to meet more and more regulations which stretched out the time of construction, and then approval, and operation of plants.

The Shoreham and Seabrook plants are classic instances of this ruinous policy. While Seabrook is now finally operational, overcoming a decade of obstacles put in its path, the newly completed Shoreham nuclear plant has been put on the scrapheap by the government of New York Gov. Mario Cuomo, for no reason other than accommodation to the prejudices of the environmentalist lobby.

One lesson of the impending shortage of oil and the accompanying high prices which we will be paying for, is the lunacy of allowing environmentalists to set energy policy. The United States desperately needs massive sources of clean energy, and we are already seeing many disparate forces—not least the supporters of Lyndon LaRouche, but also many others who might have opposed LaRouche's policy under normal conditions, and who are now joining with him to say: "We must have enough power to keep the United States afloat, and recover economically. And that means a lot of safe nuclear plants."

This will be just one step toward economic sanity; but it is an important one.

We must have, in the Congress, a new force, a new leadership, or at least a new pole of leadership, which represents competence in designing a scientifically sound energy program and an economic recovery program. That competence must be based on successful forecasting and analysis of the problem, which too many people, in the Congress and elsewhere, have been denying for much too long.

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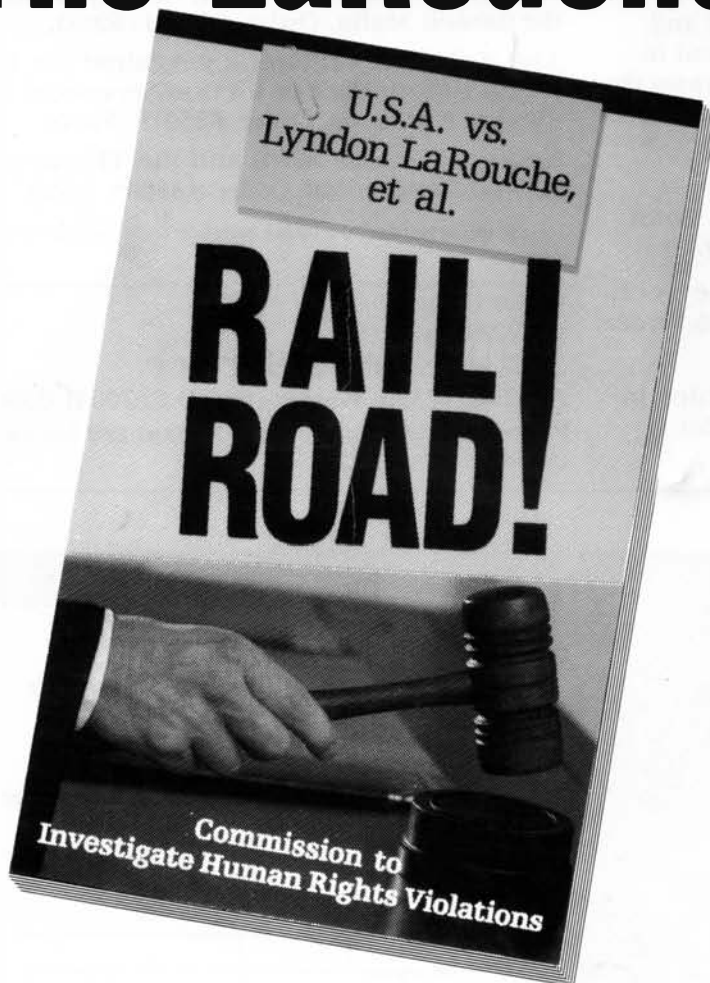
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