

# EIR

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U.N. 'perm five' dictate new world order  
'Beethoven's Ninth has united us all'  
Holocaust in Panama returns to haunt Bush

## A risky game: Thatcher's Gulf war targets Germany



**Satanism is a criminal conspiracy, but it is also a political movement which bridges the separation between extremists on the left and those on the right. This report is your defense against it.**

# SATANISM

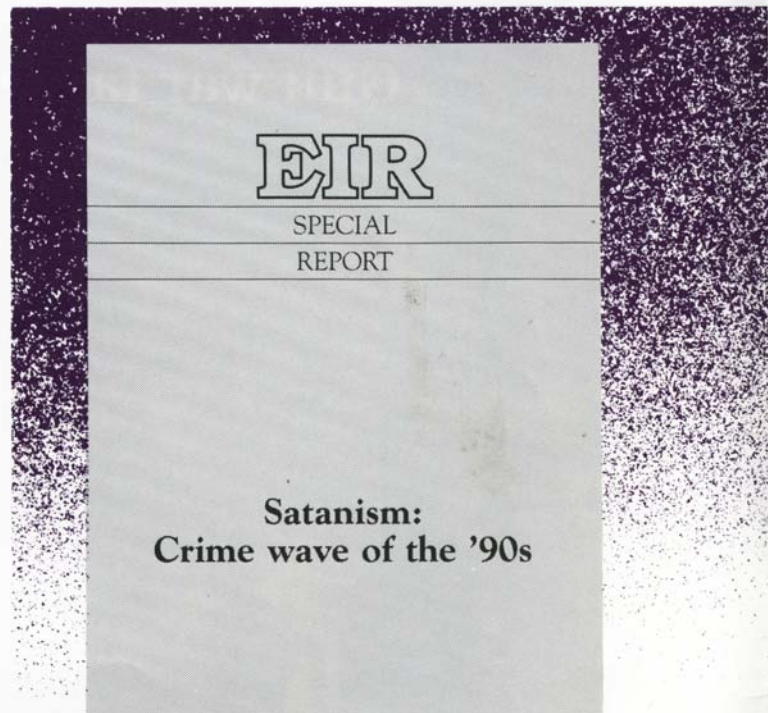
## Crime Wave of the '90s

### *Who is right?*

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## From the Editor

Not two months ago, in our cover story "How British strings pull the Middle East conflict," Webster Tarpley warned that the British were steering the Gulf crisis toward a one-world government. Writing now on p. 34 from the United Nations General Assembly in New York, Tarpley delivers a chilling account, backed up by quotations that speak all too clearly for themselves, of the fast pace by which that "one-world" conspiracy is achieving its aims.

Whether there is a war in the short term in the Persian Gulf—as seems increasingly likely; and whether that war explodes into a worldwide conflict by miscalculation, as in 1914; the machinations of the U.N. Security Council's "perm five" will lead the world to war. As Tarpley puts it, "The very idea of five permanent members excluding all others from real power is repugnant and unworkable, and this entire supernational system ought to be junked. The U.N. can be useful as a talk shop and as a venue for negotiations, but it cannot be allowed to violate the sovereignty of nation states."

This week's *Feature* describes the U.S. side of this ugly process: how Margaret Thatcher is steering Bush's drive against Japan and Germany, the allies whose economic strength and potential is the one hope for peace. While the media holds up the faces of dark-skinned Third World leaders (always described as "dictators," of course) for hatred, the fair-haired Margaret Thatcher qualifies as a far greater enemy of the human race.

Our other theme is a joyful one. Indeed it is the reason for the evil agitation of the Anglo-Americans and their allies in the Soviet "Trust," notably Mr. Shevardnadze. On Oct. 3, we rejoiced with the citizens of newly reunified Germany in the birth of the German republic, a holiday to be remembered universally for centuries to come, because it marked the defeat of the most infamous modern police state—the German "Democratic Republic." That 20th-century Sparta was brought to an end by a wave of cultural optimism whose theme song was the "Ode to Joy" of Schiller and Beethoven (pp. 42 and 63). In the same week Germany was united, the man who prophesied these events in 1988, Lyndon LaRouche, was brought closer to his long-overdue release from unjust imprisonment, by a Justice Department decision that amounts to admitting his innocence (p. 62).

*Nora Hamerman*

# EIR Contents

## Interviews

- 45 Audroné Vainiunaite and Donatas Katkus**  
Two members of the Vilnius Quartet from Lithuania tell how their nation became united around the ideas and works of Ludwig van Beethoven.

## Book Reviews

- 13 House of Morgan: the bank that 'ate' the United States**  
*The House of Morgan: an American banking dynasty and the rise of modern finance*, by Ron Chernow.
- 56 The British art of framing up innocents**  
*A conspiracy of crowns: the true story of the Duke of Windsor and the murder of Sir Harry Oakes*, by Alfred de Marigny with Mickey Herskowitz.

## Departments

- 17 Andean Report**  
Citizens resist "Fujishock."
- 57 Dateline Mexico**  
A Trilateral oil grab.
- 72 Editorial**  
Build a political anti-war movement.

## Science & Technology

- 20 Reflections on the cost of water and Mideast peace**  
Man's increasing mastery over nature has always gone hand in hand with increasing per capita throughput and use of fresh water. With modern technology, there is no intrinsic limit on that throughput, even for desert areas. The issue of cost is a red herring; so what are we waiting for? Jonathan Tennenbaum presents the necessary concepts.

## Economics

- 4 Budget agreement calls for new taxes, grim austerity**  
With his budget package, President Bush is faithfully carrying out the dictates of the usurers of the International Monetary Fund who are doing to the United States what they have already done to the Third World.
- 6 'Lancet' for triage of Third World babies**  
Leave it to the British oligarchy to come up with a new "final solution" to eliminate non-white children from the planet.
- 7 Industrial giants of Japan and Germany link up for mega-projects**  
They're telling the Anglo-American "post-industrialists" to go take a walk.
- 9 U.S. electric power supply in doubt**  
Part II of a two-part analysis.
- 12 Currency Rates**
- 15 Banking**  
Bankers getting hysterical.
- 16 Agriculture**  
Yeutter and Hills want blood.
- 18 Business Briefs**

## Feature



— Stuart K. Lewis

Britain's Margaret Thatcher convinced President Bush that her Persian Gulf strategy would put in their place the "uppity" Germans, who, along with the Japanese, are challenging Anglo-American claims to world dominance.

### 26 **Mideast crisis: Thatcher targets German unity**

The no-shows of Bush, Thatcher, and Mitterrand at the Oct. 3 German reunification ceremonies symbolize the decaying Anglo-American Establishment's deep hostility toward the emergence of non-usurious economic superpowers such as Germany and Japan. Why are Bush and Thatcher acting even worse than Gorbachov? **Documentation:** "Kraut-bashing" in the Anglo-American media.

### 30 **Banning technology for the Third World**

### 31 **Congress to authorize covert operations against U.S. allies**

There won't be any more Contragates—Congress is making it legal!

### 33 **U.S. spites itself in Airbus fight**

A case study in "free market" insanity.

## International

### 34 **U.N. 'perm five' dictate the new world order**

The five permanent members of the United National Security Council are putting teeth into their mystical right to dictate a one-worldist policy to everybody else.

**Documentation:** Excerpts from speeches at the U.N. General Assembly.

### 39 **Soviet general warns of world war**

### 40 **Third World leaders and press in backlash against Gulf adventure**

### 42 **Germany reunited as one sovereign nation; faces greater world role**

### 48 **Baker feeds Lebanese to Syrian butchers**

### 49 **Indian government bungling aggravates religious disorder, economic turmoil**

### 51 **Pakistan's elections under U.S. shadow**

### 53 **Collor imposes green agenda on Brazil**

The new President would destroy Brazil's economy for a junior-partner seat in the one-world condominium.

### 54 **Colombian terrorists get olive branch**

### 55 **Yugoslavia heads for dismemberment**

### 58 **International Intelligence**

## National

### 60 **Holocaust in Panama returns to haunt Bush**

The U.S. massacre of 5,000 to 7,000 Panamanians was known to *EIR* readers ten months ago. But now the story of Bush's coverup is out everywhere.

### 62 **Early release expected for LaRouche, co-defendants in Alexandria railroad.**

The three companies illegally shut down in 1987 by the "Get LaRouche" task force will be seeking \$40-60 million in compensatory damages.

### 63 **U.S. states, cities welcome German unity**

### 64 **Will George Bush's Mideast war be his political undoing?**

**Documentation:** Congressional candidate Lyndon LaRouche says we should have listened to Gen. Douglas MacArthur's warnings.

### 67 **From Cold War to economic warfare**

The "Old Boys" of U.S. intelligence got together in northern Virginia.

### 68 **Congressional Closeup**

### 70 **National News**

## Budget agreement calls for new taxes, grim austerity

by William Jones

Five months of rancorous budget negotiations between the White House and Congress ended in an all-night session on Sept. 29 and a compromise budget package, just in time to avoid the Gramm-Rudman-Hollings sequester—the automatic, across the board cuts in the federal budget—scheduled to go into effect on Oct. 1. The agreement was achieved after President Bush agreed to drop his demand for a capital gains tax cut and consented to raising taxes, thus renegeing on one of his “solemn” campaign promises.

Immediately after the agreement was announced on Sept. 30, the Congress passed, and President Bush quickly signed, a continuing resolution which suspended the sequestration until Oct. 5. By that time the White House and congressional leaders hoped they will have convinced their colleagues to pass the budget proposal. But early Oct. 5, the House of Representatives voted it down 257-179 in a vote that cut across party lines. Congressional offices are reporting that public opposition to the package is overwhelming. Texas congressional offices are reporting calls running as high as 90% against the package.

If President Bush thought he could get away from his economic debacle by his military deployment to the Persian Gulf, he isn't succeeding. The magnitude of the budget crisis is staggering. The budget package claims to create a savings of \$40 billion for fiscal year 1991, while this year's gap between federal income and spending is projected to be a record \$253.6 billion—an estimate which grows by \$20-30 billion with each new projection every few weeks. The claim that the package would lead to \$500 billion of deficit reduction over the next five years is not taken seriously.

These projections are based on the ludicrous assumption by White House economists of a 1% growth for the U.S. economy this year, followed by a 4% growth rate next year. The primary assumption is “no recession,” although more commentators are echoing the warnings of economist and

Virginia congressional candidate Lyndon LaRouche that the U.S. economy is in a major depression.

### **Bush ushers in IMF austerity**

The package is confirmation that the U.S. economy is being subjected to the conditionalities and austerity policies of the supranational International Monetary Fund (IMF). The budget agreement followed on the heels of the IMF's regular September meeting in Washington, D.C., at which IMF managing director Michel Camdessus publicly acknowledged that the United States and other nations were beginning to let the IMF play a more central role in their economies. The IMF was first welcomed into the United States to play such a role by then Treasury Secretary of State James Baker in a speech he delivered to an IMF meeting in April 1985. President Bush, at the just concluded IMF meeting, similarly called on the IMF and World Bank to join with the U.N. in taking a greater leadership role in his “new world order.”

The austerity demanded by the budget package will accelerate the shut-down of the U.S. economy. The so-called luxury tax on gasoline is a case in point which will hit the transportation sector and the poor and middle class especially, making it an increasing hardship for people to get to and from work. After imposing an oil embargo on the world with his Gulf deployment which has driven up oil prices, Bush is now adding a tax hike. The tax on gasoline will go up 5¢ per gallon on Dec. 1, another 2¢ on Jan. 1, and an additional 5¢ in July 1991.

There are also so-called sin taxes on cigarettes and alcohol, with the 16¢ tax on six-packs of beer rising to 36¢, and rising 22¢ on a fifth of wine.

### **Medicare benefits savaged**

Budget negotiators ripped heavily into Medicare. The heaviest cuts of any domestic program, and the largest por-

tion of the savings made by the new budget proposal will be made by cutting anticipated Medicare spending by a whopping \$59.9 billion. Negotiators claimed they left Social Security benefits intact, but obfuscated the fact that as Medicare premiums go up, Social Security checks decrease.

Among the Medicare cuts, reimbursements to hospitals for the costs of capital investments would be cut by 15%, extra payments for interns and residents would be cut, as would rates paid to doctors in radiology, anesthesiology, and procedures that Medicare deems to be "overpriced." Medicare patients would also have to pay 20% of the cost of clinical laboratory tests. Medicaid will now only pay for drugs from manufacturers who charge the lowest price for that particular drug based on the sale price of the particular drug to any bulk purchaser in the state. The budget agreement also doubled the deductible—the amount beneficiaries must pay before receiving benefits—to \$150, up from \$75, in three increments: a rise to \$100 in 1991, \$125 in 1992 and \$150 thereafter. The budget pact also raises the premiums recipients must pay in order to cover 30% of the cost of the program, up from 25%.

These cuts will hit particularly the elderly, the poor, and disabled Americans who are the main recipients of Medicare payments. As one bitter critic put it, the government wants "one eighth of the population to pay for one half of the cuts." The House Ways and Means Committee issued a study on Oct. 2 which showed that the average taxpayer among the poorest fifth of all taxpayers would have after-tax income reduced by 2%, while the after-tax income of the average taxpayer in the richest one-fifth would be reduced by only 0.9%.

Farmers are also hard hit by the budget package, which reduces farm support payments by \$13 billion. This will require major structural revisions in crop subsidies paid for cotton, wheat, corn, rice, and other grains. The conference committee for the Farm Bill has two choices: either lower the prices paid to farmers for their crops or shrink the acreage eligible for farm benefits.

Student loans were cut by \$2 billion. Some \$4.6 billion was garnered by delaying the payment of unemployment insurance. The agreement would also cut \$180 billion from defense spending, although the costs of the operations in the Persian Gulf, estimated at \$11.5 billion for the year, would not be included in the spending limit. The nuclear industry was the target of \$1.6 billion in increased fees to be paid to the Nuclear Regulatory Commission.

## **Taxpayers are rebelling**

But the budget package has already elicited protest from nervous congressmen—all 435 Members of the House and one-third of the Senate face reelection this year. They see the angry anti-Washington mood in their districts. Republicans, who have been riding the coattails of the President's "no new taxes" pledge, are especially nervous. The Bush agreement

on the package has made him out to be a fraud, and voters are ready to take their revenge in the November elections. But the negative reaction to the package is bipartisan. "It's Beirut over there," commented one Democratic aide on the atmosphere on Capitol Hill.

Immediately after the agreement, the White House and congressional leaders began intense lobbying on Oct. 1 to get the package through Congress. President Bush invited Republicans to the White House to convince them of the need of the package. Many of them remain unconvinced.

Rep. Newt Gingrich (R-Ga.), the Republican House Whip, characterized the package as an anti-growth prescription for recession. Rep. Hank Brown (R-Colo.) called the plan a "fraud," saying "the estimates are so flakey I don't think it's much to hang your hat on." Rep. Chuck Douglas (R-N.H.) called the agreement "the fiscal equivalent of Yalta." Rep. Dana Rohrabacher (R-Calif.) characterized it as "the road to recession." Rep. Marge Roukema (R-N.J.) commented bitterly, "If they're savaging Medicare, it's going nowhere. Deficit reduction on the back of the elderly sick? This is madness."

Democrats are refusing to support the package unless more than 50% of the Republicans in both houses vote for the package. In spite of White House efforts, there will be considerable GOP opposition in the House. In a press conference on Oct. 3, Gingrich said that his office had received hundreds of calls and that 83% of the people who had called were opposed to the budget. In comments on the floor on Oct. 2, Rep. Dan Burton (R-Ind.) said that with the budget, "each American household will have to spend an additional \$140 a year to heat and keep electricity in their homes because of that energy tax, and the gas tax is going to cost each American household, on average, another \$20 a year in expenditures because of the gas tax."

None of these congressmen wants to go into the November elections with that kind of albatross around their necks.

The possibility of defeat of the package was so serious that President Bush was forced to give a nationally televised address to the nation on the evening of Oct. 2—arranged on seven hours' notice—warning of the consequences of not accepting the budget pact. "If we fail to enact this agreement," said Bush, "our economy will falter, markets may tumble, recession will follow."

Bush hopes that by publicly appealing for support for the package, he will provide cover for Republican congressmen to vote for it in the name of party loyalty. If the Republicans cannot produce at least 89 votes for it in the House, the package could be doomed. Gingrich admits that with the weight of the White House behind it, they may be able to produce those votes. But a resolution on the budget scheduled to be voted on by the House on Oct. 4 was delayed for fear that the package would be defeated. Some Democrats secretly hope, however, that Republican defections will kill the plan so they don't have to. "Let them screw it up," one said.

# 'Lancet' for triage of Third World babies

by Mary M. Burdman

The British Establishment's latest atrocity was published in *The Lancet*, the most prestigious medical journal in Britain, on Sept. 15. In an article by Dr. Maurice King of the Department of Public Health Medicine at the University of Leeds and in its lead editorial, entitled "Nothing is unthinkable," *The Lancet* has published and endorsed an assertion that there should be no public health program to save the lives of children in developing-sector countries who are dying of such easily curable diseases as diarrhea, because the human population has put such a strain on the "ecosystem" that these children are going to starve to death anyway.

King's argument and *The Lancet* editorial are based on baldly asserted fraud, written in horror-film language that Hollywood hacks could envy. "Global population grows by a remarkable 1 million more births than deaths every four days," *The Lancet* intones. "If a bomb as destructive as Hiroshima had been dropped every day since Aug. 6, 1945, it would not have stabilized human numbers."

Stability is not the issue. *Every day* 40,000 children die of hunger and disease, a number that is a full 16% of the 250,000 babies born each day. Many tens of thousands more are crippled by malnutrition and drugs. This is happening in the developing sector; it is also happening in U.S. inner cities.

## The fraud of 'sustainable development'

King's argument is based on the supposed existence of something called the "demographic trap," an entity thought up by the Worldwatch Institute in 1987 to frighten people into demanding enforced population reduction in the developing sector. King also relies on the "conclusions" of the Brundtland Commission, the biggest promoter of "sustainable development," which is based on the fraudulent assumption that human beings never developed new energy sources, new production capabilities, or pioneered new regions of the globe, and that no such developments can ever be achieved in the future.

Thus we have from Dr. King: "Populations with rapid and sustained growth in the second stage [when death rates are lowered by modern health care] are in danger of exceeding the capacity of their local ecosystems, especially if these are fragile, as in much of the tropics. . . . If the birth

rate does not fall the death rate will ultimately rise again, so the population is stuck in the trap. . . . The possible outcomes are limited: The population can a) die from starvation and disease; b) flee as ecological refugees; c) be destroyed by war and genocide; and d) be supported by food and other resources from elsewhere, first as emergency relief and then perhaps indefinitely." Nuclear energy, new high-yield rice strains, good government, economic investment, and perhaps even sliced bread, apparently do not exist for Dr. King.

Such "ecological transition" has already occurred in Ethiopia, he states. "After decades of decline, the infant mortality rate has stopped falling in at least 21 developing countries, and is rising in others. Incipient ecological collapse is *one of the possible causes* [emphasis added]." Third World debt and strangulation by the International Monetary Fund's austerity conditionalities are the actual causes.

King permits himself to speculate on just where health officials should "set levels of mortality control"—i.e., stop saving lives. Even while admitting that there are going to be "population crashes" in the next years due to famine and the AIDS pandemic, he asserts that "sustainability" is paramount. This means: "The demographic and ecological implications of public health measures must be understood at all levels. . . . If these are desustaining (sustainability reducing) [i.e., helping more people live], complementary ecologically sustaining measures, especially family planning and ecological support, must be introduced with them. If no adequately sustaining complementary measures are possible, such desustaining measures as oral rehydration *should not be introduced on a public health scale, since they increase the man-years of human misery, ultimately from starvation* [emphasis added]."

Oral rehydration is a means of saving the lives of children sick with diarrhea, at the cost of pennies per child. UNICEF calls the method "potentially the most important medical advance of this century."

## Worse than Hitler

In its editorial Sept. 20, the *Hindustan Times* of India called King and *The Lancet* "barbaric" and "uncivilized" for their racist demands. There was an outcry against Hitler, it stated; why not against King?

Actually, King and his *The Lancet* publishers are more evil than Hitler. They are self-professed pagans, enemies of the Christian assertion "of the value of each one of us in the eyes of the Creator." They are death-cultists, whose victims are dark-skinned children. Dr. King has the gall to quote Mother Teresa reminding us "that the world's poorest need our love and compassion." Programs such as oral rehydration for sick children "may not necessarily be part of that love," he concludes. As part of the British establishment whose intention is to prevent the poorer countries from getting the development they need, King concludes that nothing should be done to save millions of children's lives.



# Industrial giants of Japan and Germany link up for mega-projects

by Lydia Cherry

Representatives of the two largest industrial groups in the world, Japan's Mitsubishi and Germany's Daimler-Benz AG, met in Tokyo the third week in September to map out a program of cooperation. "All the 11 projects are large and expensive projects which take time. I think we have done satisfactory work for the last six months," said Shinroku Morohashi, Mitsubishi president, on Sept. 25. Although the agreement between the two sides to form a global business alliance was made six months ago, this first high-level meeting, in which Daimler chairman Edzard Reuter arrived in Tokyo with a 70-man delegation to discuss the specifics of the cooperation, caused no small stir, particularly in the United States and Britain.

The significance of the hookup between the two giants is not just a question of economic power, as is understood in Tokyo circles. Toshiaki Matsumoto, writing in the monthly *This Is* in July, predicted that the link will have an "incalculable effect" on the world economy. The two conglomerates, like the two countries, are similar, Matsumoto, the author of several books on economic and military affairs, suggests. Both countries have acquired confidence through their tremendous economic strength.

Among the agreements initially announced was a pact for Mercedes-Benz and Mitsubishi Motors to jointly design a range of four-wheel-drive vehicles. Daimler and trading house Mitsubishi Corp. will cooperate to procure parts. In some cases, commitments have just been made to further study areas of possible future cooperation.

## Britain, U.S. lash out

One of the major tasks for the new alliance is to gain international strength in high technology and machinery, according to Matsumoto. In the aerospace field, Mitsubishi is anticipating acquiring the expertise to produce space laboratories, which one of the Daimler-Benz companies, MBB, is manufacturing and operating. The *Wall Street Journal* acknowledged on Sept. 19 that it is the aerospace hookup which the U.S. is particularly concerned about. According to a German source, Washington has already begun putting tremendous pressure on Japan to block aerospace cooperation with Europe. The *Journal* points to concern by U.S. government officials that "the Japanese are beginning to loosen their exclusive relationship with U.S. aerospace companies."

One of Britain's responses to the shifting alliances was

to lead a run on the Japanese banks out of Canada and Hong Kong, according to a former senior State Department official. The goal of the flight capital effort, the former official thinks, is to precipitate a "Black Monday," crippling both the Japanese stock market and major Japanese banks within 60 days of the start of the fourth quarter. This is intended to block Tokyo's participation in the emerging Berlin-Moscow economic cooperation.

The United States has taken out its full arsenal of trade war weapons against Germany and Japan. In the case of Japan, this includes more than 60 pieces of anti-Japanese trade and other legislation, in different stages of enactment. Most blatant was the House action Sept. 12 in approving a resolution to the defense authorization bill by a lopsided 370-53 vote, which was influenced by a U.S. media barrage that Japan wasn't doing its share in the Anglo-American military buildup in the Persian Gulf. If passed by the Senate, the resolution would force Japan to foot the full cost of stationing U.S. troops in Japan. Refusal to do so would mean the phased withdrawal of all American troops from Japan. This was a bit much for the normally conciliatory Japanese government. "Go ahead and go home! We have never asked [the U.S. military] to remain in Japan," the head of the Japanese Defense Agency, Yoso Ishikawa, retorted.

## Orientation toward Europe

That the Mitsubishi/Daimler-Benz tie-up will be a strong force in Europe, Matsumoto makes clear, is the thinking in Tokyo. He quotes one of Mitsubishi's top executives stating that Mitsubishi's interlocking companies plan to "concentrate on Europe from now on," and will pull back from the United States.

The U.K. and U.S. are particularly concerned about the Eastern Europe component of the arrangement. They cannot have been much reassured by remarks by A. Belousov, the director of the Moscow Academy of Economic Sciences, on Oct. 1. He was quoted by the Soviet press stating that the economies of West Germany and Japan are "the models for the future Soviet Union." Belousov also hinted—as numerous Soviet leaders have hinted recently—that the Soviet Union and Japan would soon settle the dispute over the southern Kurile islands. At least some economic exchanges are apparently back on track between Japanese companies and Russia, and the U.S.S.R. recently paid Japanese trading

houses \$207 million of what it owed Japan for steel imports. The U.S.S.R. and Japanese trading houses have recently concluded contracts for the Soviet Union to sell aluminum to Japan. This is important because ensuring stable supplies of raw aluminum has become a serious problem for Japan.

### History of two conglomerates

Mitsubishi and Daimler-Benz have similar histories. Matsumoto documents that both have been in the process of emerging from their postwar structures, and that this has happened in both countries at about the same time. "This fact may have provided the two groups with the 'backbone' to approach each other, going over the head of the United States," Matsumoto says. Both—through the various mergers and acquisitions of other companies—have often been accused of violations of anti-monopoly laws, and both have had strong government backing for the mergers and acquisitions they have made.

For example, after Daimler-Benz acquired Messerschmitt-Bölkow-Blohm (MBB) in 1986, virtually consolidating West Germany's aerospace industry, the West German Federal Cartel Bureau ruled that the acquisition was in violation of the anti-monopoly law. But the minister for economics reversed the ruling, which, Matsumoto asserts, was because the merger was in accordance with the wishes of the West German government.

Since becoming U.S. ambassador to Japan, Michael Armacost has been preoccupied with the issue of the interlocking of enterprises in the Mitsubishi Group. This was apparently carried to its utmost absurdity in the Structural Impediments Initiative (SII) talks last February, when the U.S. side insisted that "it is abnormal for one group to account for 3% of the total sales of all Japanese enterprises." The Japanese government has fought this, and Mitsubishi has pretty well ignored the American protests altogether, according to the author. Several days after the conclusion of the fourth Japan-U.S. SII talk, on April 10, Mitsubishi Metal Corp. and Mitsubishi Mining and Cement Company were merged. This merger, Matsumoto asserts, is particularly important, because these two companies were one, prior to World War II. They were split up 40 years ago by the U.S., in its dismantling of the industrial conglomerates of that day, the *zaibatsu*. "Daimler-Benz, supported by the Deutsche Bank and by the German government and by buying up companies involved in dissimilar fields . . . is in the process of becoming comparable to the Japanese *zaibatsu*. And with the tie-up to Mitsubishi, it will acquire more knowledge on planning its strategy as a group," the author says.

### Japan can say 'no'

Japanese economic thinkers make no bones about the fact they are talking about a different economic model than are the Anglo-Americans. Matsumoto quotes another Japanese economic thinker, Mamoru Kaido: "The world is looking for

a new system of economy; Japan and Germany are serving as the models for this." Kaido continues that this is the case because the socialist economic system has collapsed, and the future of U.S.-style free-market economy "doesn't look bright."

The Japanese are hitting harder at U.S. economic policy and identifying the debacle it has created. For example, Japanese business leader Shintaro Ishihara, made famous as the "bad guy" in what now appears to be a fraudulently translated book, *The Japan That Can Say No*, took the gloves off the first week in October after touring the Detroit region, and called Chrysler chairman Lee Iacocca "irresponsible, incompetent," and a "liar." In discussing the "Jap-bashing" sentiment he found during the tour, he told an interviewer from *Playboy* that American workers must realize that "American managers are the real problem in America's industry. American management is irresponsible. Look at Mr. Iacocca." He described how Iacocca used the occasion of the devaluation of the yen to raise Chrysler's prices and profits, instead of fighting for market share and creating more jobs. "If he hadn't raised the prices, the difference between Chrysler cars and the Japanese cars would have been substantial—it probably would have meant more people buying his cars."

Ishihara next took aim at the Bush administration's hobbyhorse, the capital gains tax: "In Japan, in order to suppress excesses in money games—paper shuffling to create profits based on nothing—we make it law to impose a high tax on capital gains. Why is there nothing like that in America to discourage companies' being bought and sold and destroyed—with no attention to whether or not they make a good product? How come the United States does not introduce a similar system in order to stop all these excessive mergers and acquisitions conducted on a tactical level by corporations—that have nothing to do with making the corporations stronger over the long term for the employees and for the economy as a whole?"

Ishihara bluntly stated that the abysmal level of education of the American work force was the cause of the crash of a Boeing 747 in Japan—one of the worst air disasters in the world—and that Boeing officials admitted this to Japanese investigators. Japan has proven that it can produce F-15 fighters with fewer defects than American factories, and would do the same with commercial aircraft, which "could save many lives." This is not done, because "the U.S. maintains monopolistic aviation treaties with many countries" which make that hard to do. He endorses reforms described in a paper written by John A. Young of Hewlett-Packard, and in an MIT study, "Made in America."

Ishihara also announced that he will sue the Pentagon for the bootlegged, fraudulent translation of the book co-authored by himself and Akio Morita, founder of Sony Corporation. Ishihara said that he will bring his suit as soon as the authentic translation of the book is released.

# U.S. electric power supply in doubt

*Public utilities commissions wreak havoc with electric power industry, reports Steve Parsons. Part II of II.*

The financial battering of the electric utilities industry through the combination of economic depression, social and industrial breakdown, environmental warfare, and Wall Street's financial manipulations, which was presented in Part I (see *EIR*, Oct. 5, 1990), has been enforced and enormously augmented by increasingly hostile actions of regulatory agencies, especially the local public utilities commissions (PUCs). Prior to 1973, PUCs had generally played a positive and vital role in working with the industry to ensure provision of reliable electric power. Costs for both consumers and the utilities were more or less constantly decreasing, thanks to an assured flow of profits to the industry which were reinvested in more efficient, modernized plant and equipment.

In the 1970s, all of that changed. In the words of a study entitled "Rate & Regulatory Developments in 1988" put out by the Rate Regulation Department of the Edison Electric Institute in Washington, D.C., "the regulatory compact . . . broke down." Supposedly responding to "public concerns" over alleged price gouging and the "dangers" of nuclear power and waste, PUCs have increasingly reflected the anti-scientific hysteria of so-called public opinion and the growing policy insanity emanating from Washington and New York. Wholly embracing the ideology of rabid environmentalists and anti-industrial purveyors, the media have retailed endless scare stories about utilities and nuclear power, replete with incessant scandal-mongering and charges of cronyism between PUCs and the industry.

## **Enforcing deindustrialization**

While the utilities have been circumspect in commenting on this shift in the PUCs, there is no doubt that the occupational background and training of PUC members has shifted dramatically, as has their roles. PUC members have always been political appointees, beholden to the powers that be. But in the last two decades, they have more and more tended to be the most labile technocratic hacks, dominated by the ideologies of pragmatism, the "free market," and "competition." In California, for example, where the industry has been hit with tons of restrictions, rules, shifting standards, and arbitrary decisions, four of the five PUC members are

careerists in public relations, media, and legal wrangling; only one has any background in science or engineering.

The California PUC is now actually *funding* environmentalist groups directly. On July 18, it awarded \$23,293 to the Natural Resources Defense Council—one of the worst anti-industrial organizations around—for its "substantial contributions" as "intervenor" in regulatory decisions on utility rates adverse to the industry, to be paid by the state's three largest utilities.

Perhaps the worst case is Peter Bradford, the chairman of the New York State Public Service Commission. Bradford is an environmentalist who is opposed to nuclear power and an advocate of zero-growth policies. In 1977, he was appointed to a five-year term on the federal Nuclear Regulatory Commission by President Jimmy Carter, where he had an opportunity to vote his anti-nuclear views following the Three Mile Island incident.

In 1968, he participated in a Ralph Nader-sponsored study on the Federal Trade Commission; from 1968-71 was an adviser to the governor of Maine on the environment, oil, and power policies; and in 1971, became a member of the Maine Public Utilities Commission when it was initiating policies on environmental protection and the investigation of utilities.

## **Slashing rate increase requests**

In the last few years, PUCs have hit utilities with an escalating number of cuts in requested rate increases, as well as with outright denials and actual decreases. Such actions dovetail perfectly with, and feed into, the Wall Street financial warfare operations.

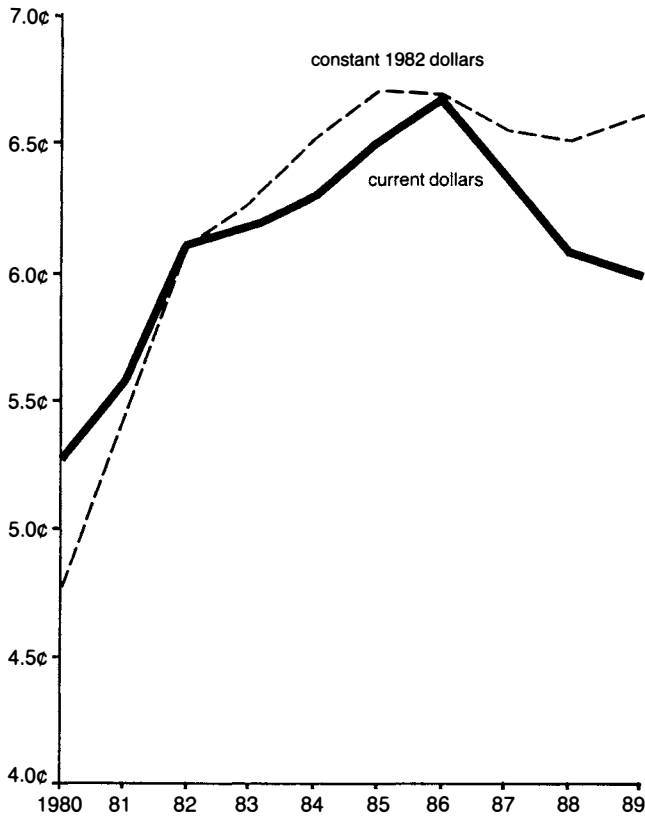
Since 1986, these adverse rate request actions have been central in sharply lowering utilities' revenue per kilowatt-hour of electricity provided. In 1985, utilities on average received 6.72¢ per kilowatt-hour (kwh); by 1989, this had fallen to 6.60¢ per kwh. In constant dollars, the drop is a far more dramatic 11%—from 6.68¢ in 1986, to only 5.89¢ last year (see **Figure 1**).

Rate requests today are almost routinely lowered, particularly for requests involving nuclear plants. Astonishingly, for the first time, utilities recently made more requests for

FIGURE 1

## Revenue per kilowatt hour declines in absolute and constant dollar terms

Revenue per kilowatt hour (in cents)



Source: Edison Electric Institute.

lowering rates than for raising them. The reason: to try to control the damage they knew PUCs would wreak if utilities tendered requests for increases.

There have been two criteria used by the PUCs that characterize the primary rationales for cuts in requested rate increases: "excess capacity disallowances" or "used and useful capacity," and "imprudence disallowances." Both criteria are inherently absurd.

Many utilities that have requested rate increases to amortize the costs of constructing new capacity have been denied either part or all of their requests on the basis of these criteria. PUCs have, in most cases arbitrarily, de facto penalized utilities for building "excess capacity" that puts reserve margins above projected levels of such anticipated necessary capacity for a given period. PUCs have given little consideration to increases in demand beyond the low projections, nor to the relatively long lead time needed to build a baseload plant.

At the same time, shifting environmental and other regulatory rules have disrupted and tremendously extended the construction time of any new plant, driving up costs. But increasingly, utilities have been slammed with "imprudence

disallowances by PUCs" for failing to plan for contingencies and interruptions that they not only had no way of anticipating, but had forced upon them by the PUCs and other regulatory agencies. According to electric utilities analyst Sanford Cohen of Morgan Stanley, there has been \$13 billion in imprudence disallowances since 1984.

Two examples show the utter depravity of such PUC standards.

### The case of Illinois Power

In March 1989, the Illinois Commerce Commission (ICC), the name for its PUC, ruled that only 27% of the added power capacity of the recently completed Clinton nuclear power plant was actually needed, and that Illinois Power had "imprudently" spent \$666 million too much on its construction due to alleged "waste" and bad management decisions. This meant, first, that Illinois Power would not be able to raise its rates to cover more than 27% of the costs of construction—including the bonded debt—and would be forced to write off a huge chunk of its earnings. On top of that, the 27% would not include the \$666 million, which the utility would simply have to take as a loss. The \$666 million "imprudence disallowance" forced the company to write off \$346 million and to eliminate common stock dividends.

The many years of delay in the completion of the Clinton plant, which added hundreds of millions of dollars in additional expense, was caused by a combination of new regulatory requirements from 26 federal, state, and local agencies on plant safety and construction, new environmental regulations, and company concern that the ICC would not grant rate increases sufficient to meet the added costs. When the ICC gave the utility the green light to complete Clinton, it was with the understanding that the added generating capacity of the plant was indeed "useful."

In fact, the Clinton plant has already seen full "usefulness." During the heat wave and drought of 1988, Illinois Power was operating nearly at peak capacity. With Clinton going full steam for 44 days that summer, the utility just barely met demand. Furthermore, with Clinton in operation, current forecasted planning reserve is 25%; without Clinton, it would have been 1.3% for 1989, and actually *negative* in 1991—which would have made blackouts a regular occurrence from 1988 on. On top of this, the four utilities in the Illinois Power region are on the verge of a capacity shortage. The Central Illinois Light Co., for example, is constantly scrambling to buy power outside its own system.

Illinois Power appealed both rulings and filed a lawsuit challenging the order. At a hearing in June of this year, the ICC modified the order, declaring that 61% of Clinton was needed and "useful." Although four paragraphs stated that 100% of the capacity of Clinton would soon be "used and useful," the increasingly "consumer-oriented" commission could not openly admit that its original decision was that far off base, and thus compromised at 61%.

The ICC thus wound up granting only \$75 million of Illinois Power's requested \$215.8 million yearly rate increase. As a result, Illinois Power might have to write off another \$248 million and suspend payment of preferred stock dividends.

After the 1989 decision, Moody's downgraded Illinois Power bonds to BBB, only one level above junk bonds, virtually precluding any new construction and jacking up further loan and interest costs. On May 23, just days before the June hearing, Moody's dropped its rating of Illinois Power's preferred stock from "uncertain" to "down"—even before the results were in!

Long-term investors are simply getting out, with utility stock subject to the vagaries of speculation and manipulation on Wall Street. And that fuels more unfavorable rate decisions in a downward spiral that has buffeted the industry over the last two decades.

What is about to further decimate Illinois Power and utilities across the nation is the Clean Air Act. Illinois Power has five 30-year-old fossil fuel plants in which they are required to put in scrubbers. The cost will be at least \$1 billion, which will have to be raised as ever more costly bonded debt from investors that are increasingly less attracted to an industry saddled with such costs, and from rate increases that the ICC will likely grant since it's for environmental reasons.

As a result, utilities like Illinois Power have been forced to implement sharp austerity measures that are bound to affect service. Illinois Power cut 500 positions—11% of staff—in 1989 to "save" \$30 million per year, and closed or consolidated a number of offices in their service territory. Particularly affected will be customers in outlying areas. Service offices will have smaller staffs and repair crews, which will "save" all of \$3 million a year, while repairmen will now have to travel farther to serve smaller towns.

To make matters worse, slick consultants and accountants have been hired to "streamline" and "modernize" company management practices. The so-called "dinosaurs," who cared nothing for Madison Avenue techniques but knew their business backwards and forwards, are being pushed out. What is "in" are sophisticated—and expensive—efforts to "build up the company's image" among the public through substantial expenditures on things like new company logos and "good news" advertising.

The meat-axe austerity and "modernization" have caused such chaos that the company was forced to rehire some of its more experienced people.

### **The case of Philadelphia Electric**

On April 19, the Pennsylvania Public Utilities Commission granted the Philadelphia Electric Co. only \$242.2 million of a requested \$548.6 million rate increase. The company's rate request was made largely to recoup the costs of constructing its Limerick 2 nuclear power plant, which went on line Jan. 8.

The PUC cut Philadelphia Electric's request because of "excess capacity" and "imprudence" disallowances. First, it ruled that the company now had 400 megawatts (MW) "excess capacity" out of the total 1,100 MW the Limerick 2 plant can produce. Second, it said that the company had spent \$60 million "imprudently" due to bad management decisions that caused delays and suspended construction in the 1970s.

The PUC's decision is absurd on many counts. Philadelphia Electric now has 28% reserve capacity. After a PUC investigation in 1985, prior to the restarting of construction on Limerick 2 in 1986, the PUC concluded that a reserve capacity of 25% was reasonable. On April 19, however, the PUC capriciously changed its earlier capacity ruling to 22%, and penalized the utility.

The company's 28% reserve capacity figure can hardly be termed excessive. Unlike many utilities, Philadelphia Electric "is now well-positioned to meet the demand for power in the 1990s," says Neil McDermott, a company spokesman. Its strong reserve margin has played a vital role in supplying needed power to the nine companies in the Pennsylvania-Maryland-New Jersey interconnect region. In 1989, the region provided by these companies had five instances of voltage reductions during periods of heavy demand. If the company's "excess capacity" had not been available, there could possibly have been blackouts.

As for the "imprudent" management decisions, the three to four years of delays and suspension in construction were ordered by the PUC itself because load use declined in 1976 and 1978. Contributing factors were the soaring cost of fuel from the oil crises, the Three Mile Island nuclear scare, and zooming interest rates. All of these affected anticipated growth in demand and raised doubts about Philadelphia Electric's ability to finance the completion of Limerick. It was, therefore, "prudent" at the time for the company to back off from the anticipated service dates. If it had just gone ahead and continued building Limerick, it could well have been slapped with lower rates for having built "excess capacity" that would not have been "used and useful." Nevertheless, the PUC ruling in April insisted that \$60 million was "imprudently" spent because of the delays!

The rate request reduction will cost Philadelphia Electric \$306 million a year, and it has instituted an immediate 45% cut in stockholder dividends and a program of deferred maintenance while carving \$100 million—10%—out of this year's operating budget. To avoid layoffs, the company has had to offer early retirement to its employees. Top management is taking pay cuts from 2-10%. Although bond ratings have not yet been lowered since the April decision, the machinations over Limerick 2 since 1974 have lowered the company's bond ratings to a level now just above junk bonds.

### **The 'conservation equals power' absurdity**

Similar horror stories abound throughout the electric power industry. Many utilities reported sharp profit drops in

the second quarter due to higher costs that they are not being permitted to recoup through needed rate increases. The latest is Baltimore Gas and Electric Co., which registered a 40.6% drop in profits for the second quarter and 35.4% drop for the first six months. Its earnings rate was half the level expected.

Another recent hit was sustained by Commonwealth Edison Co. in Illinois, which reported a huge \$398.8 million loss in the second quarter, all due to refunds ordered by the Illinois Commerce Commission and backed up by the state courts. The utility was penalized \$523 million for its alleged "imprudent cost overruns" in building three nuclear power plants. The "imprudence" was almost entirely caused by regulatory and environmental rulings that delayed construction of the plants and inflated costs far beyond original projections.

Even more lunatic are punitive rate actions to enforce power "conservation," which PUCs are viewing as the alternative to building costly new plants. In cases before PUCs in New York and Washington, D.C., electric utilities have been told that instead of being granted requested rate increases to ensure the provision of reliable power, they must enforce consumer "conservation" programs to cut demand.

The July 7 *Washington Post* reported that Potomac Electric Power, which had to black out 70,000 customers two days before because of inadequate reserve capacity margins, was granted a 1.6% rate increase compared to the nearly 7% it requested. The commission, according to the *Post*, penalized the utility for failing "to enact aggressive energy conservation programs." PEPCO blasted the Commission's action, stating that the increase was "inadequate to cover costs." Its last rate increase was in 1984.

In New York, the Public Service Commission has recommended that Orange and Rockland Utilities have its rate frozen until Jan. 1, 1991, and then be granted 2.7% of its requested 5.8% increase—provided it includes a \$3 million increase for conservation programs.

The PSC also proposed to "decouple" the relationship between earnings and electricity sales to "eliminate both extra profits from increased sales of electricity and lost profits resulting from energy conservation." Thus, a company which is in business to sell electric power will now make money paying customers not to buy their product.

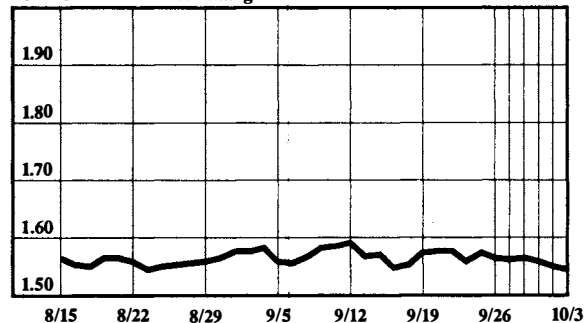
The depths of this newspeak was evinced by the Bonneville Power Administration which announced a new program on July 17 "to pay customers to find ways to use less power. The program is called "billing credits." BPA actually calls this "acquiring" power; such cutbacks, it says, will mean "acquiring 50 megawatts through this program."

These "policies have been quite effective in stopping new construction and eroding investor confidence," says Edison Electric in its 1988 Rate Regulation report. There is no doubt that such "effectiveness" will soon mean the end of the United States as an advanced industrial nation.

## Currency Rates

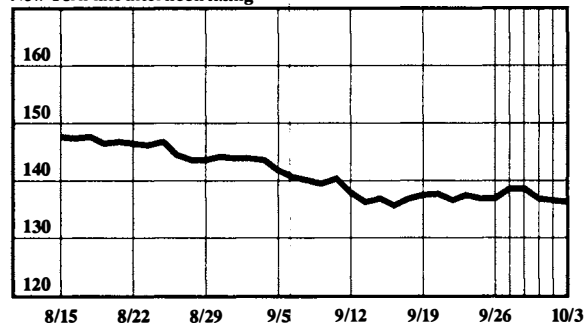
### The dollar in deutschemarks

New York late afternoon fixing



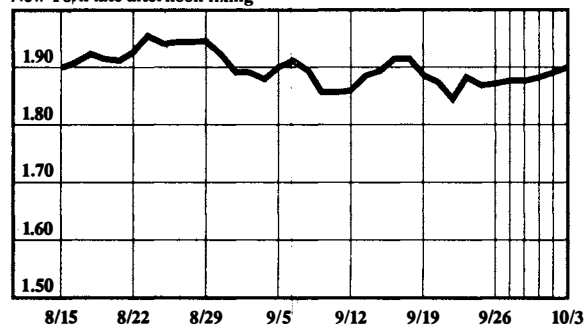
### The dollar in yen

New York late afternoon fixing



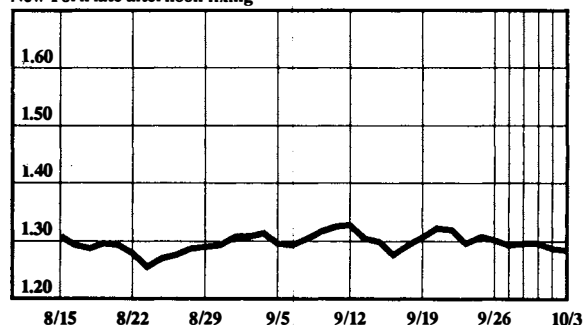
### The British pound in dollars

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing



# House of Morgan: the bank that 'ate' the United States

by Anton Chaitkin

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## **The House of Morgan: An American Banking Dynasty and the Rise of Modern Finance**

by Ron Chernow

Atlantic Monthly Press, New York, 1990

812 pages, illus., hardbound, \$29.95

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The thoughtful American citizen of today is aghast at the nation's policies: imperial war-making abroad, and a virtual ban on physically productive work within the crumbling, debt-ridden U.S. economy.

As a good reference tool, Ron Chernow's new book on J.P. Morgan and company is helpful for those who wish to understand and correct the policy disaster. It is entertainingly written for such a dry subject as banking. Hundreds of anecdotes and quotes throw their little lights on American and world history of the past century and a half.

The energy in the book is a limited "Get Morgan" approach not seen recently. In the face of such concentrated evil, this is refreshing. Unfortunately, there is an exasperating lack of historical or philosophical perspective. The question is never directly asked: What was the purpose or the idea behind this institution, the House of Morgan? An educated reader, either a history buff or someone schooled in economics or banking, would come away from Chernow's book with many new leads toward answers to his own questions, even if the author asks nothing profound.

Then again, the author has a rather obvious though unannounced "agenda." He takes the defensive point of view of Jewish bankers, against Morgan. While this is not very honest history, it does allow certain things to be published under the auspices of the Eastern Establishment. A bit more about this, below.

Chernow tries to establish the historical identity of the House of Morgan through a huge pastiche, focused on the internal life of the bank. The thinnest material is on the Morgan family's origins in the early 19th century; the richest account covers the 20th century up to World War II, with a tepid but useful story of the British partners.

Analyzing the Morgan family itself is a fairly simple task.

J. Pierpont Morgan (1837-1913) was known as the boss

of Wall Street and of American big business for about the last quarter-century of his life. Both his American-born grandfathers were British agents, and his father Junius Morgan was an American-born British banker.

Paternal grandfather Joseph Morgan III made his money buying land in Hartford, Connecticut on behalf of British investors. When Joseph's son Junius was two years old, Joseph's colleagues in the pro-British faction held a treasonable convention in Hartford, trying to split up the new American Union. Junius later married the daughter of the Rev. John Pierpont. This Reverend later had great personal influence on his grandson, the most famous Morgan.

Reverend Pierpont was an avid opponent of America in its contest with Britain. His great-uncle was the famous Tory theologian Jonathan Edwards; Reverend Pierpont was hired by the family of Aaron Burr, Edwards's grandson, and lived with them in pomp and secrecy during the celebrated Burr Conspiracy to break up the Union.

The Rev. John Pierpont was a fanatic Calvinist, a crank like his great uncle. And the Reverend's grandson J. Pierpont Morgan, Sr., though a vicious plunderer of nations and a sex-obsessed keeper of mistresses, was in his own way a religious man, as Chernow indicates:

"[The] institution that most absorbed Pierpont [Morgan] was the Episcopal church, which was part of the Anglican Communion. Religion united his values—beauty, order, hierarchical relationships, veneration of the past, pageantry and pomp. As New York's most influential Episcopal layman, he attended the church's triennial conventions and participated in its abstruse debates. . . . Religion moved him on a more primitive level. . . . [Sometimes] he seemed mesmerized by ritual and lapsed into reveries of mystic depth. . . .

"Pierpont was fascinated by the occult. For years, he commissioned the astrologer Evangeline Adams to read his horoscope, asking her to study his stars on everything from politics to the stock market." The Morgan family developed an elite secret society of their own, "the Zodiac Club . . . in which each member took a different astrological sign."

By the time of his death, this bizarre man was the virtual governor general of America. On behalf of British finance and government, Morgan had seized and monopolized all the most important branches of U.S. productive industry. He

had bought out the great steel mills of his opponent Andrew Carnegie, reducing Carnegie to racist imbecility—result: U.S. Steel. He had bought Thomas Edison's electric company and broken the Franklin-like inventor—result: General Electric. His bank later squelched some pro-industrial, anti-Wall Street critics, such as Charles Lindbergh, Sr. (his son the aviator married a Morgan partner), and hoodwinked others, such as Henry Ford.

Author Chernow does not consider the overall result of the Morgan-led British domination over the United States, which throws Morgan's religious views into sharp relief: a pagan, Roman-style empire was erected, with its "muscle" in New York and its "brains" in London. This country has come under the rule of a private government, an aristocracy of financiers.

Morgan represented the British, as all evidence shows. But what does that mean? And why should that be such a tragedy for humanity?

Chernow quotes J. Pierpont Morgan in 1873: "Neither my firm nor myself will have anything to do, hereafter, directly or indirectly, with the negotiation of securities of any undertaking not entirely completed; and whose status, by experience, would not prove it entitled to a credit in every respect unassailable."

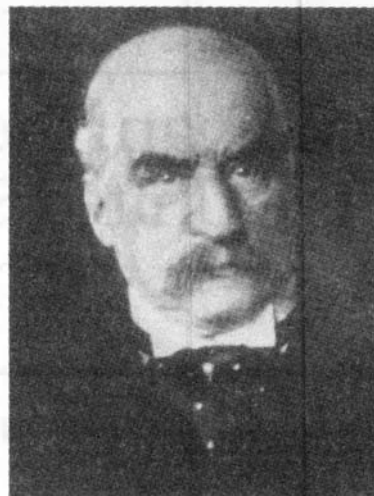
This is a simple statement, in opposition to industrial capitalism, by the old feudal merchant oligarchy of Europe, the usurers. They only *seize* and *control* the industry which builds nations, in order to put the brakes on it; as a matter of policy they do not *build* such industry themselves. Indeed, Baron Revelstoke of Barings bank put it more bluntly: "I confess that personally I have a horror of all industrial companies."

Chernow gives a good deal of evidence for the barbarian anti-industrial character of the Morgans and their banking circle. Yet the author portrays the Morgans as conservatives, who oppose the supposed over-speculative investment policies of patriotic industrialists and bankers such as Jay Cooke and Nicholas Biddle. Then Chernow deems it somehow a great irony that the House of Morgan "abandons conservatism" and leads the way into the leveraged buyout speculative mania of the 1980s.

But this is in fact no change in the Anglo-American Establishment, which is hijacking the nation in a post-industrial "ecological" attack on civilization.

Chernow gives a fair account of the three parts of the House of Morgan: Morgan Guaranty Bank and Morgan Stanley in New York, and Morgan Grenfell in England. He maintains that the institution is loosely knit among the three branches, and shows quite clearly that the J.P. Morgan, Jr. became merely a figurehead within his bank.

But Chernow gives the reader only a glimmer of the complex relationship between the House of Morgan and other ruling national and international institutions. By early in this disastrous 20th century, the imperial force used to implement



© Ron Chernow

J. Pierpont Morgan  
from a 1903 photo.

usury and anti-industrialism gave to the London and New York banking centers the character of a vast criminal enterprise. The classic example is Morgan's repeated use of the U.S. Marines in Central America, to collect debts and to prevent stable nationalist governments from forming. If one picks up Chernow already knowing something about this problem, then the book has some informational value.

Finally, there are the Jewish bankers, whom Chernow defends while exposing Morgan.

He says that German-origin Jewish bankers were blacklisted in the U.S. during World War I, because they were either lukewarm in their support for the Anglo-American war, or they positively supported Germany.

The House of Morgan was the official British government financier and purchasing agent within the U.S. for World War I, and the Morgans hated anything German. Then, as Chernow shows, the House of Morgan helped organize the fascist dictatorships of Germany, Italy, and Japan (he never discusses the central Morgan role in the communist takeovers of Russia and China). Certain Jewish banking firms, such as Lazard Frères, Kuhn Loeb and Lehman Brothers, were staunch allies of Morgan's pro-fascism during the 1930s—then once again "hated Germany" after World War II. Chernow makes no attempt to explain any of this.

The quickest route to an answer to this puzzle lies in the religious views of the Morgans, and their banking allies. The imperial enterprise is run by devout pagans, who conveniently describe themselves as either "Christians" or "Jews." Morgan, the enforcer of world racism, is a banking syndicate partner with Lazard or Warburg, "Jews" who throw the epithet "anti-Semite" against opponents of imperialism. A penetrating look at the criminal subculture of Freemasonry, mysticism, pornography, espionage, drugs, gun-running, and money-laundering, would yield a more complete picture of the ideas and values that unite the various components of Morgan's Establishment.



## Bankers getting hysterical

*As the collapse escalates, the statements keep getting wilder, and the Fed doesn't seem to want to regulate.*

Everybody knows that the government and the bankers are lying about the state of the banking system today, but the lies they tell—and the manner in which they tell them—are often quite revealing.

In the early stages of the banking crisis, the lies were told very calmly, in an understated manner. As the crisis escalated, a tinge of nervousness crept in. Now, as the magnitude of the disaster sinks in to even the thickest of skulls, that nervousness has turned to outright hysteria.

The banking system—not just a few banks, but the entire system—is bankrupt. The banks are awash with worthless paper, litter left over from the collapse of the Reagan-Bush speculative frenzy. They're gone, pure and simple. The only thing left is to notify the next of kin.

Naturally, it is considered bad form in political and financial circles to say such things—it's considered quite irresponsible and rude. It can also get you in a lot of trouble.

R. Dan Brumbaugh, a former deputy chief economist with the now-defunct Federal Home Loan Bank Board, was given a demonstration of that principle recently. Brumbaugh, who next to *EIR* has been one of the leading advocates of truth in banking, was recently fired from his job at the Stanford University Center for Economic Policy Research.

Brumbaugh, appearing on the July 31 television broadcast of ABC News "Nightline," warned that almost all of the largest commercial banks in the U.S. were already insolvent or nearly so, specifically naming Citicorp,

Chase Manhattan, Chemical, Bank of America, Manufacturers Hanover, and Bankers Trust as examples. Brumbaugh said that the Federal Deposit Insurance Corp.'s Bank Insurance Fund was also insolvent. Furthermore, he characterized the operation to hide this from the American public as the "biggest coverup" in American history.

Brumbaugh repeated those statements on Cable News Network's "Money Line" program Sept. 21, adding that 400 U.S. banks have shown a net loss since 1986 and that no one in the government seems to know what's going on. He warned that unless regulators take prompt action, the commercial banking system will require a savings and loan-style bailout.

These weren't the first times Brumbaugh had said such things, but no public action had been taken against him in the past. Better we should ignore him, the bankers thought. But no more. On Sept. 11, in a classic case of "shooting the messenger," the Center for Economic Policy Research informed Brumbaugh that his affiliation with the center was over.

When Brumbaugh accused the university of caving in to pressure from the administration, center director John Shoven laughably accused him of "dreaming up conspiracies."

Hysteria is breaking out in other places, too. FDIC chairman William Seidman recently revealed that federal regulators plan to increase the number of full-time, on-site bank examiners at the nation's largest banks. Currently, the Office of the Comptroller of the

Currency has resident examiners at the 17 largest banks and nearly full-time examiners in the 43 next largest. The plan, Seidman said, is to place resident examiners in each of the 400 banks with more than \$1 billion in deposits. The Comptroller's office has already decided to increase the number of full-time examiners in the 10 largest banks from the current one to as many as ten.

Not surprisingly, the bankers are upset by this proposal. The last thing they want is someone to take a close look at their books.

The American Bankers Association is leery of the proposal, according to spokesman Virginia Dean. "Banks want to be in compliance," Dean told the *Wall Street Journal* Oct. 2. She complained that the examiners were often inexperienced and obstinate. Regulators, she insisted, "need to put real strong emphasis on the training of examiners and basic interpersonal communications skills. There are some rough edges that need to be smoothed over." Typical public relations idiocy.

More interesting was the response of Federal Reserve System governor John LaWare, who told the *Journal*, "I'm not certain whether \$1 billion is the proper cutoff or whether you should just do that with banks where an examination has shown some problems."

What's that, John? Only examine the banks where examinations have revealed problems? Ever hear of Catch-22?

LaWare continued, "I'd hate to think we had a situation where Big Brother has to be there all the time."

Now, the Federal Reserve is one of the key components of the U.S. police state. When the Fed starts raving about Big Brother, you know they're hysterical.

## Yeutter and Hills want blood

*The European Community's decision to cut price supports to farmers is still not enough for GATT's "free trade" vampires.*

On Oct. 4, the European Commission of the European Community (EC) voted up a proposal on how to cut supports to the farmers of the 12-member nation group. This position was taken for submission by Oct. 15, to the final negotiations of the United Nations General Agreement on Tariffs and Trade (GATT) member nations, which are in the last round of talks to conclude a global treaty for policing all agriculture trade. Called the "Uruguay Round" of talks on agriculture, the four years of sessions are to conclude a treaty to eliminate national obstructions to "free trade" by December this year.

President George Bush, and his henchmen, Agriculture Secretary Clayton Yeutter and Trade Representative Carla Hills, have been demanding that the EC, Japan, and all 100 GATT member nations give up their sovereign rights to decide their own food and farm policies. Washington wanted the EC to cut farm supports by 70%.

The new EC plan offers to cut the supports to European farmers by 30%, figured over a 10-year period from 1986 to 1996, for main farm products (cereals, rice, sugar, oil seeds and protein crops, and livestock). A 10% reduction is proposed for other products (fruits, vegetables, and tobacco).

This decision was taken after discussion by all 17 members of the European Commission of the EC. The vote represents such people as Commissioner Franz Andriessen, external relations commissioner, who leads the EC representatives at the GATT talks, and is trying to palliate the United States. Two weeks ago, the body

turned down the 30% proposal (advanced by Agriculture Commissioner Ray MacSharry), by a narrow margin, on the grounds that it did not lower subsidies to the farm sector enough to please Washington. But by October, they mustered the votes.

Andriessen, Yeutter, Hills, and cohorts in Canada, Australia, and other top food-exporting nations, are blatantly serving the interests of the world cartel of food companies (Cargill, Archer Daniels Midland, Continental, Bunge, André/Garnac, Central Soya/Ferruzzi, Louis Dreyfus, Nestlé, Unilever, and others) which has been permitted to dominate all world trade in foodstuffs, while systematically underpaying farmers. Cargill sends executives to attend the GATT Uruguay Round.

GATT's policy of underpaying farmers inevitably creates food shortages and starvation—in keeping with the often-expressed genocidalist call for drastically reducing the number of non-white people in the world. That policy is in effect now.

There is deep European opposition to the immorality of the GATT proposals. German Agriculture Secretary Kiechle has warned that the U.S. subsidy-cutting demands would mean that 10 million out of the 12 million farmers of Europe would be wiped out. Kiechle has felt the political heat from massive anti-GATT demonstrations by European farmers this spring.

On the U.S. side, the Department of Agriculture has admitted that 500,000 out of America's 2 million farmers will be forced out of business under the GATT-type cuts now being negotiated.

Italy's Agriculture Minister Vito Saccomandi recently accused the United States of applying a double standard in the GATT talks. Among other things, this refers to last month's action by the USDA to ship discount U.S. wheat flour to the Soviet Union, to undercut European shipments. Washington has done the same thing in northern Africa.

However, Secretary Yeutter and Trade Representative Hills, like President Bush, have been mocking and disdainful of other nations' interests, of farmers everywhere, and of the millions now dying for lack of food.

In August, Yeutter went to Thailand and Japan to insult their farm policies, using his limited mental references that have become a joke at the USDA. According to the USDA "Executive Notes" report on his diatribes against Japan's support to its rice-growers, "He pointed out in baseball terms, an American game very popular in Japan, that it wouldn't be fair to expect to have baseballs pitched to you underhand while you use a rocket launcher to pitch to the other side. Rules should be the same on both sides in the international marketplace, as well, he pointed out."

Contrary to Yeutter's homely "logic" about fairness, there can be no trade benefits and justice under the GATT, no matter what the final agreement of the Uruguay Round. The institution was established in the 1940s, along with the International Monetary Fund and the World Bank, to continue pre-war colonialism and economic repression under disguise.

The particular target of the Bush, Yeutter, Hills trade onslaught is the potential for a united Germany to form a centralizing economic force to supply food and technology to revive Europe, assist the Third World, and break down colonialism—communist or "free enterprise."

## Citizens resist 'Fujishock'

*Peruvians are making their voices heard against the Fujimori government's violent IMF austerity policy.*

Since taking office in late July, President Alberto Fujimori has unleashed unprecedented economic disaster on Peru, with the "shock" program imposed at the behest of the International Monetary Fund (IMF). The Sept. 25 issue of the London *Financial Times* reported that production dropped by 40% in August, and independent economists are predicting a further drop of 25.8% in the GNP in the last quarter of 1990. Most small businesses, which employed over 75% of the country's economically active population, have practically disappeared, unable to withstand the government's anti-inflationary measures.

Inflation for the month of August was 397%, according to the National Statistical Institute, but the increase in the cost of the monthly market basket of food staples was 471%. The vast majority of Peruvians is trekking to public soup kitchens for meals, where the nutritional value of the food is poor. The Catholic Church, through its Bishops' Conference, has sounded the alarm over the depth of the economic and moral crisis. The infant mortality rate nationally is now 80.7 per 1,000 live births, and even higher in the provinces.

While Peru's creditors and local oligarchy applaud Fujimori's achievements and praise his brand of "democracy," growing sectors of the population have indicated they are fed up and are demanding other policy options. The Independent Solidarity Movement and the Schiller Institute are providing leadership to this nascent resistance.

Citizens are finding within them-

selves the moral reserve to fight the IMF's demand that Peru be wiped off the face of the map. Entire cities, often led by local authorities, are organizing protest actions to reject the government's policies. In such important southern cities as Arequipa, Cuzco, Puno, and Tacna, protest demonstrations occur almost daily, including trade union, academic, and business organizations as well as housewives and others.

Exemplary was the popular response in Arequipa, on Sept. 18. The Radio Melodía radio station had called on the population to halt its activities at noon and noisily protest the government's economic policies. Housewives banged on pots, drivers honked their horns, fire engines and ambulances sounded their sirens, and some churches even rang bells. Everywhere in the city—at universities, factories and businesses—paralysis was total. At the same time, Radio Melodía played the National Anthem. Protests occurred simultaneously in Tacna and Camana in the south, in the mountain city of Huancayo, and in the northern city of Cajamarca.

The Fujimori government, and institutions which back it, appear determined to apply the bankers' dictates, despite the protest. In fact, a number of conferences held recently in Lima have openly promoted genocide and population reduction.

On Sept. 20-21, the Latin American Journalist Association (FIAP), backed by West Germany's Konrad Adenauer Foundation, sponsored a conference in Lima on "Journalism and the Environment." Discussion

centered on population as the central factor in environmental pollution and speakers condemned the "Western" development model for having destroyed the environment. The anti-development hysteria at this gathering was such that one speaker branded Japan as "eco-terrorist" because of the level of industrialization it had achieved.

Earlier in September, a "Peruvian Labor Gathering" attended by all the major trade union federations touted the same line. Sponsored by the unknown Latin American Development Association, the conference was called to discuss the UNICEF report which was to have been presented with much fanfare in New York on Sept. 30. Under the guise of wanting to help the world's sick and impoverished children, the report states, among other things, that the high infant mortality rate in the developing sector coincides with "a high birth rate and rapid demographic growth." This fact, it says, causes "millions of people to overexploit the environment" in order to survive.

UNICEF concludes that the protection and survival of children can best be guaranteed in the developing sector by exchanging debt for programs that protect the environment. Many of the trade unionists who attended the conference agreed that if Peru wants to integrate itself into the world economy—as demanded by bankers—the government must necessarily dictate "birth control measures."

Finance Minister Juan Carlos Hurtado Miller indicated the government's willingness to sacrifice Peruvians to the bankers' agenda. On a recent trip to Argentina, he told reporters there that Peru would honor its foreign debts no matter what and would push debt-for-equity schemes to allow creditors to buy up whatever part of the country they wanted.

# Business Briefs

## Sweden

### Crisis grips Swedish finance companies

In an indication that an initial major blowout could occur at the edge of the Western financial system, six major Swedish finance companies had trading on their stock suspended in late September.

Trading on the Stockholm bourse has been chaotic during the Mideast crisis, with the main Stockholm index reaching its lowest point in two years on Sept. 27. On Sept. 24, the Nyckeln finance group announced it was revising its 1990 estimated profits from 175 million to 25 million Swedish kroners, due to losses in its real estate holdings in Sweden and London. Trading in the company's short-term notes soon ceased, and other firms quickly came under scrutiny.

According to the London *Financial Times*, Sweden's financial companies are particularly sensitive to the mood of the market, since they rely for their liquidity on short-term trading in their loan certificates by major institutions.

## Agriculture

### Institute calls for massive rice production

"A massive increase in rice production is needed over the next 30 years to avert extremely large-scale famine," the *Korea Times* reported on a study released in September by the Philippine-based International Rice Research Institute.

"In 30 years, the earth will be home to 8 billion people. More than half, 4.3 billion, will be rice consumers. Feeding them will require a massive increase in global rice production from today's 470 million tons to 760 million tons," which even if it could be achieved, "will merely maintain current nutrition levels which are already inadequate for hundreds of millions of people," the *Times* quoted the report.

The report documents that at the close of the decade, rice production growth in Asia

"once more fell behind growth in demand" and rice stocks fell to 13% of consumption, the lowest ratio since the world food crisis in the early 1970s. Two consecutive poor harvests have since driven world prices up and newly self-sufficient India, Indonesia, and the Philippines had again begun to import rice, illustrating the "narrow margin between self-sufficiency and potential famine in most of monsoon Asia," the report said. "Prospects for a rapid recovery of production are dim."

IRRI said surpluses and low market prices in the late 1980s gave researchers a "false impression that the world's rice problems have been solved. They forgot just how precarious the line is between sufficient rice and potential famine." The institute stressed that overall contraction of the world economy, lack of foreign exchange in many debt-ridden countries, and strong agricultural protectionism in some industrialized countries accounted for depressed prices between 1982 and 1987, as much as productivity gains.

## Environmentalism

### Reader's Digest reports Alar scare fraud

The October issue of *Reader's Digest* documents the collusion of the Environmental Protection Agency and environmentalist radicals to ban Alar, an apple growth regulator, on no rational basis.

The article by Robert James Bidinotto, entitled "The Great Apple Scare: Pesticides don't make our food unsafe, but banning them might," attacks the CBS News program "60 Minutes" which created a nationwide panic after it presented conclusions of a Natural Resources Defense Fund report which said that Americans were under the threat of cancer from chemicals like Alar.

Bidinotto reports that the EPA was so dissatisfied with the positive evaluation of its Scientific Advisory Panel on Alar that the head of the EPA Office of Pesticide Programs called scientists into his office to demand, "How can you do this to us? . . . I can't tell you what to do, but you might like to think about this one again." The EPA then ordered a new round of

rodent tests where the maximum dose to mice of the Alar by-product was quadrupled, resulting in the production of tumors.

## Energy

### Indonesia plans to build oil refineries

Indonesia plans to build four new oil refineries under joint ventures, mainly involving Japanese companies, the state oil firm announced on Sept. 25, the *Bangkok Post* reported.

Construction of one export-oriented refinery, Exor-I, began in September in West Java, a joint-venture with Britain's Foster Wheeler and two Japanese firms, Mitsui and Co. and Japan Gas Corp. Its products will include liquefied natural gas, kerosene, and fuel oil.

Negotiations are underway with the Nichimen and Mitsubishi groups of Japan for the construction of a 120,000 barrel per day (bpd) Exor-II, which is expected to start operation in 1995 or 1996. Indonesia's state-sector oil firm Pertamina this month awarded Mitsui the construction contract for a 140,000 bpd refinery in Dumai.

## Space

### Pioneer 10 spacecraft searching for heliopause

The Pioneer 10 spacecraft, launched in 1972 with an expected lifetime of 21 months, passed the 4.6 billion-mile, 50 astronomical unit mark from Earth on Sept. 22, still searching for the heliopause. One AU is the approximately 93 million miles between the Earth and the Sun.

Pioneer 10 was the first spacecraft to pass through the asteroid belt, and is now on a search for the end of the Sun's radiative influence on interplanetary space, the boundary of which is called the heliopause. Scientists originally thought that the heliopause would be just beyond Jupiter, but the craft is 10 times that distance from the Sun and has not encountered it.

NASA scientists describe its weak signal

as "four billionths of a trillionth" of a watt of power when it reaches NASA's Deep Space Network antennas. It is expected that communications will be lost around the year 2000 when the spacecraft will be 6.9 billion miles from the Sun.

## Banking

### Manny Hanny attempts to steal Brazil's money

Manufacturers Hanover, the New York-based bank which is having its own financial problems, seized \$320,000 belonging to the Brazilian government which was to be forwarded to Jordan and presumably then to Iraq as payment for the use of an Iraqi Airways flight to bring Brazilian citizens out of Iraq. The bank did eventually pay the money to the Jordanian Central Bank.

The New York branch of Banco do Brasil made the payment to Manny Hanny the week of Sept. 19, but the latter then refused to transfer the funds. The flight had been contracted to fly the 260 Brazilian citizens from Baghdad, Iraq.

Paulo Tarso Flecha de Lima, head of the Brazilian delegation which has been negotiating with the Iraqi government for the release of the Brazilians, violently protested the move: "This is an unspeakable procedure coming from a bank which says it is serious, yet plays in this way with the fate of 260 Brazilians. If this has something to do with the arrears of Brazil's foreign debt, this attitude is even more shocking and scandalous."

## Debt

### Columnist admits debt magnitude startling

"Be afraid. Be very afraid," of the financial crisis warns financial writer John Liscio in the late September *Barron's Capital Markets* weekly.

"Total [U.S. public and private] debt at \$11 trillion is now more than twice the size of the \$5 trillion GNP," Liscio writes. "That puts

the debt-GNP ratio at the same level it hit in 1931. Net interest payments are at an all-time high of 9% of GNP. Even in the depths of the depression net interest got no higher than 8%. Aggregate corporate debt is now about 16 times greater than corporate profits. At the bottom of the past two recessions (1973-5, 1979-82) debt exceeded profits by no more than six times."

Liscio warns that "With the U.S. financial system so overloaded with debt, there's just no place to grow. . . . Data show total deposits plus currency in circulation from all insured deposit institutions gained no ground at all in the year ended March 31, the slowest rate of monetary and credit growth since the 1930s.

"The financial dislocations take more time to filter through to the economy because the fuse is longer. But the resultant layoffs and cut-backs in capital spending are just beginning to pick up speed, so it's only a matter of time until the GNP numbers get real ugly."

## Development

### World Bank targets Nigerian steel-making

The World Bank is attempting to prevent steel-making in Nigeria by pressuring that nation to scrap the \$5 billion Ajokuta Steel Co. plant, the largest in Africa, the Oct. 1 *Journal of Commerce* reported.

Ajokuta, which is planned to produce 5 million tons of steel annually, was supposed to be finished by 1986. Now, an optimistic date is late 1991. The upgrading plant to process ore to the quality needed for steel-making is still on the drawing board.

Technocrats at the World Bank insist that annual demand for steel is less than 1 million tons a year, but the Nigerian government violently disagrees. "New industries will spring up when we've achieved the technological breakthrough Ajokuta will provide," said Victor Jegede, an assistant general manager at the plant.

The World Bank is blocking a \$500 million support loan to Nigeria until Nigeria agrees to "scale down its 1990 steel spending plans."

● **COMMUNIST CHINA'S** exports to the U.S.A. rose 43% last year to \$11.99 billion, according to U.S. Commerce Department figures, the Sept. 26 *Journal of Commerce* reported. China's exports to Japan fell 3.5% to \$3.43 billion in the first half of 1990 and imports from Japan fell 39.9% to \$3.22 billion.

● **THE DOLLAR COLLAPSE** has boosted Mexico's debt—the dollar value of Mexico's non-dollar foreign debt—more than its bonanza from higher oil prices, the Mexican Secretariat of Finance and Public Credit reported Sept. 28. Debt rose \$1.124 billion since early August; extra oil revenue only \$1.1 billion.

● **THE DEBT BURDEN** of U.S. corporations is more than twice the level of the 1970s with 26% of cash flow spent on interest payments, up from 25.5% in the second quarter of the year, up from 15.1% two years ago, and up from 10% in the 1970s, the Sept. 27 *New York Times* reported.

● **THE FEDERAL DEPOSIT** Insurance Corp. has extended deposit insurance to the \$300 billion kept in overseas branches of U.S. banks even though the coverage is not authorized by U.S. law and banks do not pay insurance premiums on those funds, the Oct. 2 *Washington Post* reported. FDIC director of supervision Paul Fritts said the move was made to avoid "negative repercussions" and "confusion in the international markets."

● **BRITISH SPENDING** on research lags far behind that of France or Germany, a report issued by the U.K.'s Science and Engineering Research Council states. The report's author Dr. Henry Atkinson concludes that the German research worker is better equipped and better supported than is the British research worker.

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## Reflections on the cost of water and Mideast peace

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*There is no limit to the fresh water that can be supplied to the Middle East and Northern Africa. Jonathan Tennenbaum of Germany's Fusion Energy Forum analyzes the economics of water.*

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Whether or not the follies of the Bush administration ignite a new war in the Middle East, two fundamental facts concerning this region remain unchanged and unchangeable: 1) There can be no lasting peace without real economic development for the majority of the people living there. 2) Economic development in this region depends most crucially on *water*, or more precisely on the improvement of fresh water supplies and water management systems.

Lyndon LaRouche has developed these points in a series of recent statements on the Middle East crisis, in which he proposes relaunching economic development through infrastructure projects, with emphasis on large-scale water projects for "greening the deserts." This article explores some of the fundamentals of the economics of water, with reference to the Middle East and North Africa. In the process we develop data and concepts which will be of value in further deliberations on this topic.

### **Water and population potential**

Like every other living organism, a physical economy depends for its continued existence upon an increasing throughput of water, of generally improving quality as well as quantity. While the absolute minimum water intake for the survival of an adult human being is biologically fixed at about 2-4 liters of fresh water per day, the per capita throughputs of fresh water required by an economy at modern levels of living standard and agricultural and industrial productivity, are some three orders of magnitude higher (see **Table 1**).

Just growing the food to feed one person requires (depending on climate, form of agriculture, and diet) an average of 2-6 cubic meters (2,000-6,000 liters) of water per day. In

Central Europe and the eastern United States, for example, nearly the entirety of the water required to grow food is provided directly "free of charge" by relatively regular rainfall; in much of the Mideast and North Africa, apart from coastal areas with "Mediterranean climate," the possibility of agriculture depends upon extensive irrigation and water management systems. To this is added the growing requirements of industry (see **Tables 2 and 3**). Neither the requirements for water, nor the magnitude of fresh water throughput which can be generated per capita to support economic activity, constitute fixed or bounded magnitudes. Both grow as a function of the per capita productive power of society. "Productive power" means that self-expanding power of man over nature, whereby man increases the relative potential population-density of the human species. That means, roughly, the density of population which can maintain itself per unit surface area of any given territory (see discussion of this topic in LaRouche's book *In Defense of Common Sense*, Schiller Institute, Washington, D.C., 1989).

The mastery of the fresh water supply is a crucial singularity in the expansion of man's productive power. How much water do we require per square kilometer of a given territory, in order to maintain a given population-density at a given level of per capita productive power? And how is that productive power applied to man's growing mastery of nature, to the effect of generating increasing quantities and qualities of water throughput per square kilometer and per capita? Such improvement in water supplies provides the foundation for realizing a higher level of productive power, in a self-expanding negentropic process. Scientific and technological progress are the means by which that expansion is accomplished.

TABLE 1  
**Water requirements in an industrial economy:  
 West Germany, 1980**

Use	Liters per capita per day*	Remarks
<b>Households:</b>	140	Highest quality
Bathing	20-40	
Laundry	20-40	
Toilet	20-40	
Other hygiene	10-15	
Housecleaning	3-10	
Dishwashing	4-7	
Drinking and cooking	3-6	
Industry (excluding public utilities power generation)	565	Varying qualities
Power generation by public utilities (coolant water)	1,392	Low quality
<b>Agriculture</b>		
From rainfall:		
Direct water throughput of agricultural plants (transpiration)	2,740	
Rainwater lost by ground evaporation, runoff, seepage	383	
From public supplies: Water for livestock, irrigation, etc.	23	
Other public and private uses	14	
<b>Total including direct rainfall</b>	5,257	
<b>Total excluding coolant water for power generation</b>	3,865	
<b>Total excluding direct rainfall and coolant water for power generation</b>	742	

\*1,000 liters=1m<sup>3</sup>=264 gallons

TABLE 2  
**Water consumption in Israel, 1983**

Use	Liters per capita per day*
Agriculture	911
Industry	70
Household and other	270
<b>Total</b>	1,251 liters=1.251 m <sup>3</sup> =329 gallons

### Supply of water per se

Two remarks should be added to define the nature of water requirements more precisely.

First, the function of water lies in its *flow*, or *throughput*, not in any intrinsic property of water as a static object. To realize this we have merely to reflect on the function which water serves in a living organism, an economy, or the biosphere. This seemingly trivial idea embodies a profound truth, that substance exists only as *activity*. Primitive substance is nothing but *efficient negentropic action*, and nothing exists in an economy or in the universe apart from negentropic action and singularities derived from such action. What we call water is nothing other than a specific form or species of *activity*—and similarly for all those things which are often spoken of, incorrectly, as “limited resources.”

The thirsting man does not actually thirst for water, but for the *flow* of water—the flow which threatens to be interrupted when the outflow of water from his body is not matched by the inflow. (Salty water does not help him be-

TABLE 3  
**Examples of specific water requirements**

Use	Without recycling	With recycling*
Minimum water consumption for growth of plant tissue	250-1,000 kg (0.25-1 m <sup>3</sup> ) of water throughput for each kg of plant tissue grown above surface	
Water required by a field to grow a ton of wheat, under Central European climate conditions (low evaporation)	500-1,500 m <sup>3</sup>	
Average amount water supplied to irrigated land in Israel	5,300 m <sup>3</sup> per hectare per year	
Irrigation water required for growing cereals in desert (rainfall nearly zero)	8,000-10,000 m <sup>3</sup> per hectare per crop	
Water needed by a milk cow per day	50 liters=0.05 m <sup>3</sup>	
Steel production per ton	220 m <sup>3</sup>	5-15 m <sup>3</sup>
Paper production per ton	400 m <sup>3</sup>	120-190 m <sup>3</sup>
Coal mining per ton (anthracite)	25 m <sup>3</sup>	2-3 m <sup>3</sup>

\*A variety of methods have been developed for reducing the rate of evaporation from soil and transpiration of plants, as well as recovering and recycling water through drainage and capture of water vapor in closed enclosures. By these means the net water requirement can often be reduced, at the expense of higher investments and running costs per unit area. The specific data are too complicated to go into here. It is important to note, however, that the reduction of water consumption per unit produce goes hand-in-hand with increasing the yields per hectare, i.e. with increasing intensity of agriculture.

cause its osmotic pressure blocks the flow of water into his tissues.) Thus, in an economy we are interested in the *useful throughput* of water per unit time, surface area, and per capita of the population.

The second point, implied in the term "useful throughput," is the requirement, that the flow of water possess certain qualities of organization in space and time. In many areas of the Mideast and Northern Africa, for example, precipitation is highly irregular and often takes the form of brief, torrential rains separated by long periods of nearly zero rainfall. Apart from overcoming the relative scarcity of fresh water overall in this region, we require water management systems to ensure a regular flow of water in the amounts and locations where it is needed, when it is needed. The control of the age-old flooding of the Nile, by the Aswan Dam and other measures in Egypt, illustrates this principle. In Turkey, where annual rainfall varies between 250 mm and 2,500 mm, more than 100 major dams have been constructed. According to official Turkish estimates, a total of approximately 500 dams and 430 hydroelectric projects will be needed to regulate Turkey's rivers and make full use of the natural rainfall.

There is no intrinsic limitation on the fresh water throughput which can be supplied, even to the desert regions of the Middle East and Sahara. The potentials of modern technology demonstrate this very clearly. (See also the examples described in *EIR*, Sept. 28, 1990, "Water projects for the Mideast, Africa.")

1) Fresh water can be transported by pipeline and canals, from areas of higher rainfall—such as the highlands of Turkey, the source areas of the Nile, and the Congo basin—into arid regions. **Table 5** indicates the huge amounts of fresh water which presently flow, "unused" into the ocean, from the Congo basin in particular. Nuclear excavation techniques permit canals and basins to be rapidly dug at a fraction of

TABLE 5

**Mean flows of major rivers at point of discharge\***

River	Flow m <sup>3</sup> per second
Amazon	120,000
Congo	61,000
Ganges-Brahmaputra	35,000
Yangtze	35,000
Niger	30,000
Zambesi	20,000
Jenissei	19,600
Mississippi	19,000
Lena	17,000
Ob	12,600
Mekong	12,000
Parana	11,000
St. Lawrence	10,000
Volga	8,060
Danube	6,430
Indus	5,700
Nile (at Aswan)	2,600
Nile (at Delta)	1,600
Rhine	2,450
Murray	1,900
Po	1,720
Rhone	1,240
Vistula	930
Euphrates	760
Elbe	710
Flow of desalinated water corresponding to electric power input of 1 GW (assumes best state-of-art value with reverse osmosis, 3 kwh per m <sup>3</sup> , but not counting use of "waste heat.")	92

\*This does not include water which has been "consumed" by evaporation, seepage, irrigation and other uses upstream of river discharge. The ratio of river water usefully consumed, to fresh water lost into the sea, differs greatly from river to river.

the cost of conventional techniques. By a combination of pipeline and conduits, canals and pumping stations, fresh water can be delivered over thousands of kilometers. Large-scale piping of fresh water is already done in California, for example.

2) Using state-of-the-art technology of reverse osmosis, we can generate fresh water from seawater at the "energy cost" of about 3 kwh of electricity per cubic meter of fresh water produced. When electricity generation is combined with desalination, as can be done most advantageously with the high temperature reactor, the "waste heat" from the generation process can be put to work in desalination, also. Thereby, a handful of nuclear power units rated at 5-6 gigawatts total electric output, would provide enough power to produce a fresh water flow equivalent to the Euphrates River! (See **Tables 4** and **5**.)

3) Desalinated or raw seawater can be delivered from sea level to any elevation by pipelines and pumping stations. For example, it requires 1 megawatt of electric power to pump a flow of 1 cubic meter a second over an elevation differential of 100 meters. This is hydroelectric power "run in reverse."

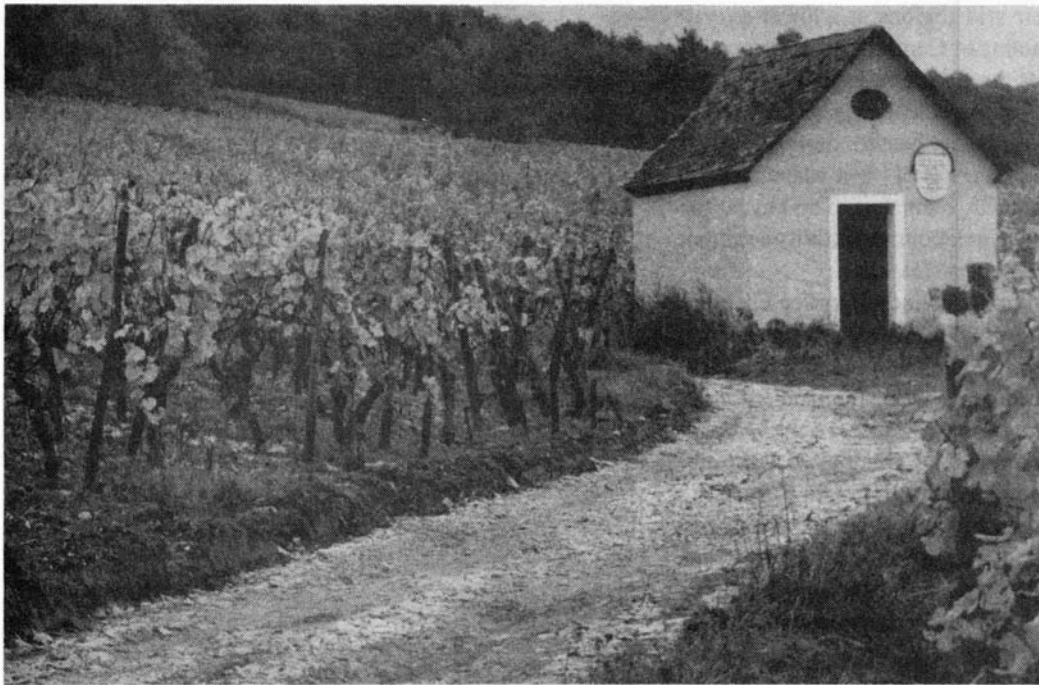
TABLE 4

**Examples of unit cost of fresh water**

(Approximate figures based on 1987 dollars)

Example	Cost per m <sup>3</sup>	U.S. mills per gallon
Municipal water supply of Munich today	\$.50	1.9
Average cost of water in Saudi Arabia (at present mostly from ground water)	1.25	4.7
Price for desalinated water in Saudi Arabia today	5.00	19
Projected total cost of water via "Peace Pipeline" from Turkey to Saudi Arabia (capacity 2.5 million m <sup>3</sup> per day)	1.50	5.7
Cost of water desalinated using high temperature reactor/reverse osmosis combination (projection for 100,000 m <sup>3</sup> /day plant)	1.25-1.60	4.7-6





World Health Organization

*A vineyard in Germany's Rheingau shows the abundance that can be produced with sufficient water. Just growing the food for one person requires an average of 2-6,000 liters of water per day. In Central Europe and the eastern U.S., nearly the entirety of the water required to grow food is provided directly "free of charge" by rainfall; in much of the Mideast and North Africa, agriculture depends upon extensive irrigation and water management systems.*

4) Through pumping and water treatment, the vast accumulations of fossil water, and other ground water under the deserts in Saudi Arabia, in the Sahel and elsewhere can be tapped. (Note: much of the accessible fossil water is heavily mineralized, and requires treatment akin to desalination of seawater.)

5) The electric and thermal power required by various water treatment and pumping operations is available in virtually unlimited quantities, through the technologies of, first, nuclear fission, and later, nuclear fusion. The latter technology permits us to generate from the trace deuterium (in the form of heavy water,  $D_2O$ ) contained in a single liter of seawater, a power equivalent or greater than that produced by combustion of 300 liters of gasoline! That power is quite sufficient to desalinate the original liter of seawater and transfer it to any point on the Earth.

6) By developing intensive gardening within transparent enclosures, we can recycle transpired and evaporated water. By increasing the humidity in such controlled environments, the rate of water loss from plants and soil is greatly reduced, as demonstrated by various projects in Saudi Arabia. The same applies to special forms of irrigation (e.g., "drip" irrigation) and drainage systems developed for desert agriculture, as well as irrigation of salt-resistant plant varieties with water of lower quality. Similarly, recycling of water in industry can decrease the nominal consumption of fresh water by orders of magnitude (see Table 3). Generally speaking, such water-saving techniques accomplish an intensification of useful water throughputs, at the cost of higher energy inputs and other investments per unit area.

7) In the long term, by "greening the deserts" using large-

scale irrigation, we accelerate the water throughput of the biosphere and influence the climate to the effect of increasing precipitation, eventually eliminating the deserts altogether.

8) Even if—as might actually be the case for the Moon—sufficient raw water did not exist on the Earth, we could in principle synthesize it, as necessary, through a combination of chemical and nuclear processes. This is not a realistic prospect at present, but will eventually become so in the future.

### **The question of cost**

These points establish the fact that the provision of fresh water supplies is limited only by the development of productive power, through technology. Often however, this fact is obscured by misplaced emphasis on apparent monetary cost. There are two points to be made in this connection. The economic costs of water supplies are determined by two major factors: 1) the natural environment of the region (climate, geology, hydrology, ecology, etc.); 2) development of the productive powers of labor, as reflected in technology.

It is obvious that to provide a given flow of fresh water per square kilometer of a desert area, requires a relatively greater effort (other things being equal) than to provide the same flow density in an area with abundant rainfall or in the vicinity of a great river. This circumstance is reflected in the widely varying supply costs of fresh water in different areas of the United States, for example.

Apart from differences in natural environment, the cost of water is a function of the level of technology. Employing the full potentials of nuclear and other advanced technologies, the nations of North Africa and the Middle East might

provide fresh water to their arid regions at a lower overall social cost, than the inhabitants of Central Europe expended for their water requirements three generations ago. We have only to compare the present projected costs of delivering nuclear-desalinated water to Middle Eastern deserts with effective cost (expressed in labor time) of fresh water supplies in Central Europe today and 75 years ago. The key to the matter is the dramatic increase in labor productivity over that period. That is the first point.

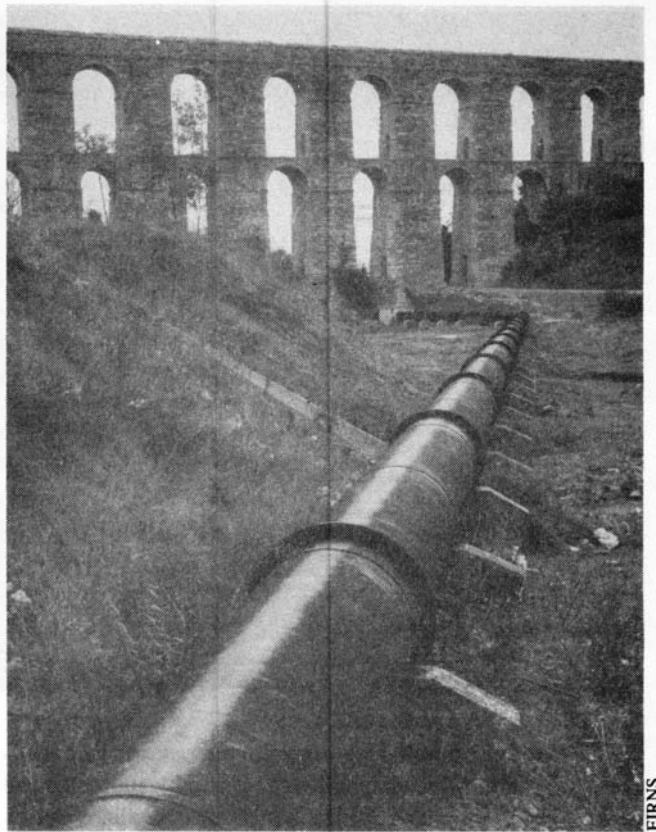
This being said, we must still assume a significantly higher cost of water than would prevail in less dry areas of the world *where the same technological level were employed*. So, the cost of nuclear-desalinated water pumped from sea level into the Arabian Desert, for example, would be about twice the present cost of municipal water supplied to the city of Munich. The cost of piping fresh water from Turkey are projected to be in the same range (Table 4). Given that nearly the entire water consumption for agriculture in Germany is provided “free” from rainfall, this high cost of water translates into a higher cost for domestically produced food, a higher cost of maintaining labor at any given living standard, and a higher relative cost for nearly every branch of production. This is particularly the case in an early phase of economic development, and raises an important point of economic policy.

Should we then conclude, as economists of British “free market” persuasion do, that there is no point in developing agriculture and industry (apart from extraction and refining of oil) in the region, since these could not be competitive on the world market? Should we conclude, in particular, that the oil-producing nations of the region should restrict themselves to oil production, and import food and everything else from regions of the world where—owing to the lower cost of water—most production would appear to be cheaper? This would be to imitate the same arguments which the British used to discourage the industrialization of Germany during the first half of the 19th century! At that time, the relative underdevelopment of Germany’s industry and infrastructure made the costs of domestic production appear astronomical compared to the prices the British Empire was offering for dumping its wares on the German market.

### Parity and the development of labor power

Friedrich List’s answer at that time, which Lyndon LaRouche has sharpened in crucial respects more recently, is essentially this: The goal and measure of economic activity is not to acquire various commodities at the lowest possible cost, nor to gain the largest margin of monetary profit. Rather, the purpose is to accomplish the *highest rate of growth in the productive powers of labor*. Wealth resides exclusively in the expansion of those powers.

So, by concentrating its efforts on developing science and technology, and a higher level of education of its labor force, Germany became the most powerful industrial nation



The pipeline bringing water from Istanbul’s main reservoir to the water treatment plant. Behind it is a 12th-century aqueduct that was rebuilt in 1555. Turkey contracted a study to export by a “Peace Pipeline” about 3.5 billion m<sup>3</sup> of the daily “excess” water from the Seyhan and Ceyhan rivers to Syria, Jordan, and Saudi Arabia.

in the world. Crucial to this was List’s dual tactic of protective tariffs and development of infrastructure. The tariff system of the German Customs Union, or Deutsche Zollverein, ensured that none of a broad array of industrial commodities could be imported and sold at less than the cost of production of those same commodities in Germany, plus a certain margin which the fledgling German industry required for investment into technological improvements. The relative price level maintained in this way is known as a “parity price.” (There are other means to achieve the same effect of parity, but the principle involved is always the same.)

Naturally, at first this meant paying a much higher price for various commodities than the “world market price” as determined, essentially, by the City of London. Within a short time, however, the construction of railroads and other infrastructure, together with development of technology, boosted the productivity of German industry to the point that the costs of production became generally much less than those in Britain—despite the British Empire’s vast exploitation of slave labor and looting of raw materials!

The same principles apply to developing the labor power of the Middle East and North Africa today. That is the second point. Were the equivalent of "parity prices" to be introduced in systematic fashion for a variety of agricultural and industrial products, combined with crash programs of water and other infrastructure development, we would see an unprecedented boom in the internal economies of the region—despite the relatively high apparent costs of water.

This brings up a deeper point concerning "cost."

We must consider, both on the local level of individual regions and nations, as well as on the level of the human race as a whole, how we can achieve the highest rate of development of the productive powers of labor. For, ultimately, in real economic terms, "cost" has only the significance of the difference in rate of development of the powers of labor resulting from alternative courses of policy. We "pay" for a wrong policy in a deficit of that development which would have occurred had we followed a more correct policy. Whereas, properly considered, we do not "pay" for a correct policy at all, but only gain from it.

Dependence on imports of consumer and other goods in exchange for oil, constitutes *zero development*; this is virtually the most "costly" of all policies for a nation, short of war. Furthermore, the lack of development of labor power in oil-producing countries, such as Kuwait, that have adopted such British-style policies, is a net loss to the world economy as a whole. This is true no matter what the price of oil on the world market. For, all labor invested in the production of commodities (e.g., those traded for oil) whose consumption is *not* associated with a process of development of labor power in the consumer, is *labor deprived of its potential for self-expansion*—"dead" labor. In addition, the toleration of such non-development must tend to draw the world into uncontrollable armed conflicts.

The essential precondition for development of labor power in the Mideast-North Africa region is essential infrastructure: above all, water supply and water management in conjunction with power generation and distribution, transport and communications. Investments in such infrastructure are by far the most profitable in real economic terms, of all investments in this region.

Actually, such a development program would give the nations of the region a unique advantage over other regions: The experience of intense problem-solving efforts using modern technology to "conquer the deserts," will transform the quality of culture and labor power in a manner which would hardly be possible without that challenge. It resembles in some respects the manner in which, in previous ages, nations were sometimes forged by the trials of war. This time the war is against the deserts, not men, and we gain the blessings of peace between nations and the future contributions of the millions of individual citizens of the Mideast-North African countries, to the progress of humanity as a whole.

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 NORA HAMERMAN, Editor.

## Mideast crisis: Thatcher targets German unity

by Kathleen Klenetsky

On Oct. 3, the two Germanys finally became one nation, ushering in the prospect for a new era of unprecedented peace and prosperity for Europe. With its highly productive economy, a reunited Germany has the capacity to become not only the center of an industrial renaissance that can salvage the dying economies of Eastern Europe and even the Soviet Union, but the powerhouse for a global economic recovery.

Yet George Bush, Margaret Thatcher, and François Mitterrand all turned down invitations to attend the formal ceremonies in Germany marking the new union, on the grounds that they had more important things to do. That snub speaks volumes about the real attitude of the Anglo-Americans toward German unity. Margaret Thatcher may have fired her Chancellor of the Exchequer, Nicholas Ridley, last summer, for publicly comparing the current leadership of West Germany to Adolf Hitler, and charging that Germany was scheming to “take over the whole of Europe,” but he was only saying in public, what his confrères among the British and U.S. Establishments were ranting about in private. Ridley’s statements represent the actual policy of the Anglo-Americans towards reunited Germany—as well as to any other country, such as Japan, which has the temerity to have a functioning, productive economy, and the potential for using that economic power as a basis for contesting Anglo-American political dominance.

The Anglo-Americans’ bitter hostility has manifested itself in numerous areas, increasing in intensity over the past several months. The media in the U.S. and Britain have been full of scare stories warning that a reunified Germany will become a new “Fourth Reich,” that Europe will be dominated by Germany, that Germany is turning East. Racist propaganda about the “nasty Japanese” who want to “take over the U.S. economy” has reached fever pitch.

Moreover, the U.S. is waging a full-scale trade war against the two countries, a war which has escalated significantly since the Gulf crisis erupted.

During the course of the 101st Congress, more than 60 pieces of anti-Japanese trade legislation have been introduced. Since “Operation Desert Shield” began, numerous measures mandating trade sanctions or other forms of punishment



*The aircraft carrier USS Saratoga, which is now deployed to the Mideast as part of the reckless Anglo-American show of force in the region.*

U.S. Navy

against countries that don't do their "fair share" to support the lunatic U.S. deployment, have been proposed. Germany has been accused of "contemptible tokenism" and other sins for failing to deploy troops—an act expressly forbidden by its constitution.

President Bush himself upped the ante in his speech to the International Monetary Fund-World Bank conference on Sept. 25, in which he demanded that the upcoming Uruguay round of General Agreement on Tariffs and Trade (GATT) eliminate agricultural subsidies. This was an attack on Western Europe, whose agricultural base would be wiped out.

And finally, Washington, acting at the behest of its British cousins and on the ludicrous pretext that the Soviet Union no longer represents a threat, not only has reoriented its military to fight depopulation/resource wars against the South, but has also shifted the focus of its intelligence apparatus away into economic warfare against its European and Asian allies.

### **A new Roman Empire**

Why should the United States feel compelled to line up with a bunch of British losers to wage war against its allies—and against its own self-interest?

For the simple reason that the Anglo-American elite considers German reunification to be a major challenge to its economic and political power, and rightly so. If Germany, along with Japan, continues to demonstrate the success of dirigist, production- and investment-oriented economic policies, and uses these policies to develop Eastern Europe, Ibero-America, Asia, and Africa, then the free market, "post-

industrial" lunacies promoted by Washington and London will, like communism, collapse of their own dead weight.

The Germans and the Japanese are becoming more open in acknowledging that they are seeking to create a new global economic system, out of the decaying shards of the present one. In a recent issue of the monthly Japanese magazine *This Is*, author Toshiaki Matsumoto cited a Japanese analyst who observed that, while the socialist system has collapsed, and the future of the American-style free market economy looks dim, the systems which are proving successful are those of Japan and Germany. These two economic systems, he noted, have several common characteristics, including the fact that their respective governments intervene to foster the process of industrial development and production. The analyst concluded that the world is seeking a new economic system, and that Japan and Germany are serving as models.

By the same token, the British and Americans are now aggressively marketing their version of a "new global order." Both Bush and Thatcher have recently called for the creation of a new order—a concept which bears a striking resemblance to the very Nazi model that has been fraudulently invoked against German reunification, since the model that the Anglo-Americans are following is that of pagan imperial Rome.

There is nothing stopping the Anglo-Americans from junking their own failed policies, in favor of the "American System" ones that have proved such a success in Germany and Japan. But, in a classic case of cutting off one's nose to spite one's face, they have opted instead for a strategy of undercutting German and Japanese development—even

though, by doing so, they will be wiping out the basis for their own potential economic recovery.

The British in particular have been brazenly open about their intentions. In his infamous *Spectator* interview, Nicholas Ridley defined Britain's mission in Europe thus: "We've always played the balance of power in Europe. It has always been Britain's role to keep these various powers balanced, and never has it been more necessary than now, with Germany so uppity."

### **Mideast war against Europe and Japan**

The Anglo-Americans had been counting on the Soviet Union to derail, or delay, German reunification, but Moscow frustrated that plan, when it decided that its own catastrophic economic situation required the assistance which a united Germany could offer. At that point, London and Washington decided that more drastic steps were necessary, namely, triggering the current crisis in the Mideast.

The final decision to turn the Iraqi move into Kuwait into a full-fledged military conflict occurred at the 40th Anniversary of the Aspen Institute in Colorado Aug. 3-5. For the few days following Iraq's action, Bush had not shown any particular inclination to deploy the U.S. military. But all that changed when he and Thatcher got together at Aspen. Suddenly, the President was howling for blood, and "Operation Desert Shield" got under way. The British press made no bones about the fact that it was the Iron Lady herself who had "put some spine" into Bush, persuading him that war was a small price to pay to show the world just who is in control.

It was hardly a coincidence that, at the Aspen fête, Bush unveiled a new U.S. military strategy in which the mission of the American armed forces is now defined as fighting "regional wars"—code words for colonialist interventions—or that Thatcher's speech dwelt on the supposed problem of "overpopulation"—since these are crucial elements of the Anglo-American new global order.

Operating under the dangerous delusion that such an inherently unstable situation can be crisis-managed, the Anglo-Americans believe that the Gulf mess can be used against Japan and Germany in several principal ways.

The most obvious is the "oil weapon." Both Germany and Japan are deeply dependent on Mideast energy sources; Japan, for example, receives 12% of its oil imports from Iraq and Kuwait, and 30% from Saudi Arabia. Ninety percent of Europe's energy is provided through imports. Bush's oil embargo has sent shock waves through the Japanese economy, and has put an additional burden on a Germany struggling to finance the reconstruction of its eastern half.

And the situation is getting worse by the day. With the price of oil rising to \$40 a barrel, amid predictions that it could soar to \$80 or more, the global economy will suffer catastrophic damage. Skyrocketing oil prices are already wreaking havoc on the fragile economies of Eastern Europe and the Third World—the obvious markets for German and

Japanese industrial exports.

In September, when oil was approaching \$30 a barrel, Morgan Stanley calculated that at that price, it would take 38% of Poland's hard currency income, 90% of Czechoslovakia's, and 20% of Hungary's, to pay for oil imports. In poorer nations of Asia and Africa, the situation is even worse. Aside from destroying these countries' ability to pay for any other needed capital investments or goods, the economic dislocations caused by Bush's oil embargo will create political instabilities that could threaten the development of democracy in Eastern Europe, leading to the destabilization of the entire region.

Even more dangerous is the prospect that the United States will occupy the Mideast oil fields permanently—as hinted at by U.S. government officials and advisers, and warned about by James Akins, the former U.S. Ambassador to Saudi Arabia (see *EIR*, Oct. 5, 1990, page 30).

The Anglo-Americans are also using their rigged crisis to try to blackmail the Germans and Japanese to adopt the same neo-colonial looting strategy that lies at the core of the Bush-Thatcher new world order.

The U.S. has already managed to extort billions of dollars from Germany, Japan, and other nations, to pay for its lunatic adventure in the Gulf, but continues to insist that they take on a direct military involvement. The U.S. Congress is doing its bit, by passing a slew of measures to slap various forms of trade and other sanctions on Germany, Japan and any other country which doesn't do its "fair share" in the Gulf. The point is not simply to get additional forces into the area, but to line up Germany and Japan with the British and Americans, against the nations of the South. In addition, the U.S. and British governments are exploiting the Iraqi situation to push through a new round of international non-proliferation measures, aimed at shutting down the transfer of technology from advanced industrial countries to the Third World. We explore this issue in greater depth in the following article.

Even if we are very optimistic, and assume that a Mideast military conflict will not spill over into general global war, the consequences of the Anglo-Americans' stupid games will nevertheless be tragic.

The world as a whole is in dire economic straits. Britain's economy is a pathetic joke, and America's is fast becoming one. Whole parts of the Third World, especially in Africa, are dying. The newly liberated countries of Eastern Europe will be unable to survive without massive infusions of capital. In this crisis, German and Japanese economic strength are desperately needed as the levers to a new global economic system, based on the concepts of investment for production associated with Alexander Hamilton. The United States' future survival depends on the success of German reunification and the Japanese miracle. If President Bush continues to line up with the British side, it will be destroying its last hope—and that of the world—for avoiding the worst economic collapse in history.

### Main target is Europe

*From an interview with Jordanian Prime Minister Mudar Badran published in the Jordan Times on Sept. 19:*

The U.S. forces were aiming to deploy at the oil fields so that Washington can reign supreme in the coming decade as a sole superpower in the face of a united Europe by 1992, which would constitute a major world power competing with the United States. Washington . . . realizes that whoever lays his hand on the oil of this region will be able to control the fate of Europe.

*From the Center for Security Policy's report "Rabtagate: The Inside Story of German Collusion in the Libyan Chemical Warfare Program":*

. . . The record suggests that there exists at the highest levels of German industry and officialdom a fatal willingness to subordinate common security interests to narrow parochialism and greed. . . .

In light of this evidence, the Center renews its call for President Bush to utilize authority available to him under existing U.S. law to impose import sanctions against German companies judged to have violated regulations controlling exports. It also urges Congress to hold urgent hearings into German export practices and to examine with care the real risks they pose to American and Western security interests—and the additional costs imposed on U.S. defense expenditures.

Under no circumstances should the United States assent to German demands for further liberalization of the multilateral export control regime unless and until Bonn can demonstrate the adoption of a far more conscientious technology security policy and effective enforcement of existing arrangements. Such an approach should, in particular, govern the U.S. Senate's imminent action on legislation reauthorizing the Export Administration Act (due to expire on 30 September 1990).

*From "German profits über allies," by Frank Gaffney, director of the Center for Security Policy, published in the Sept. 4 Washington Times:*

. . . The view of both the German government and many German companies toward export controls might be best summed up as Profits über Allies. This reckless and irresponsible course was ill-advised when, with the fall of the Berlin Wall and prior to the Iraqi invasion of Kuwait, many in the

West indulged in the naive belief that a new, threat-free world had arrived. But today it should be crystal clear that such a policy is unacceptably dangerous.

If Germany is to enjoy the status of a leading Western power it so desires, the willingness of some unscrupulous German entrepreneurs to disregard elementary common security interests in order to make a profit—and of the Bonn government to tolerate, if not facilitate, such practices—must end.

President Bush can help bring this about by utilizing authority available to him under existing U.S. law to impose import sanctions against German companies. . . . Congress should hold hearings into German export practices. The model for these hearings could be the congressional inquiries of half a century ago when those who sold Japan scrap metal subsequently used to attack U.S. forces were held to account.

*From comments on the floor of the House by Rep. John Dingell (D-Mich.), in introducing the "Desert Shield Burden-Sharing Act of 1990" on Sept. 11:*

I have to join my colleagues and all citizens of this nation in expressing my outrage at those nations who have chosen to sit upon the sidelines, hoping to reap the windfall of a secure and stable oil supply at the expense of American effort, American money, and American lives. . . .

I am therefore introducing a bill to encourage meaningful contributions from our world neighbors for resolving this crisis. The "Desert Shield Burden-Sharing Act of 1990" would impose an additional 20% duty on the goods of nations that the President decides are not paying their fair share for Operation Desert Shield. . . .

During this crisis, the President has been able to encourage many nations to provide support; however, it is noteworthy that the Japanese propose to give us \$1 billion, less than one month's cost of this undertaking, and West Germany has indicated that it will pay the Soviet Union \$8 billion to house and support some 300,000 Soviet troops in East Germany, while contributing only a minuscule amount to the support of our undertaking. . . .

*Peregrine Worsthorne, stepson of Montagu Norman, the Bank of England head who bankrolled the Nazis, has been a rabid critic of German reunification. The following is from a colloquium essay on "America's Purpose Now," published in the Fall 1990 issue of The National Interest:*

The end of the Cold War does not put an end to the need for some American presence in Europe. But it changes the justification for that presence. During the last forty years, the justification has been to keep the Russians out. In the next period the justification will be to keep the Germans down; or if not exactly down, at any rate not too triumphantly up. . . .

I see a British-French-American military alliance as being a successor to NATO with the purpose of maintaining some sort of European balance of power.

# Banning technology for the Third World

by Kathleen Klenetsky

One of the key underlying themes in the war hysteria over the Iraq-Kuwait conflict has been the role of advanced nations in supplying potential weapons technology to the Third World. This is evident from the hue and cry that has been raised over the allegation that Iraq developed a chemical weapons capability, from technology imported from the West. The moral of the story is supposed to be that it is inherently dangerous to give any kind of sophisticated technology to a developing country.

The whole non-proliferation issue is largely a scam. It is designed primarily to establish the basis for preventing any North-South commerce in technologies that are essential to the industrial development of the less-developed sector. The Anglo-Americans want to maintain the Third World as a source of cheap raw materials, and to prevent it from becoming a market for the capital goods of functioning economies such as Japan and Germany's.

In this regard, it was hardly fortuitous that the venue for President Bush's fatal decision to militarily intervene in the Persian Gulf was an Aspen Institute conference. Long associated with Henry Kissinger and other stars of the Anglo-American firmament, the Aspen Institute has been a major link in the "special relationship," through which American brawn has been impressed to serve the strategic aims of Britain's dessicated oligarchy.

The institute was one of the godfathers of the environmentalist movement in the United States, and some of its officials have privately boasted of its success in discrediting the American nuclear energy industry. Aspen was also instrumental in forcing through the Nuclear Non-Proliferation Treaty of 1977, which, using the alleged threat of nuclear terrorism, made the development of desperately needed nuclear energy in the developing sector virtually impossible. Among other things, it disrupted the German plan to develop Brazil's nuclear energy capability.

## Non-proliferation = non-development

Now, Aspen has taken the lead in a new orgy of "non-proliferation," this one aimed at preventing industrialized nations from helping Third World countries to develop fertilizer and petrochemical industries. It has established a task force, chaired by retired CIA deputy director Adm. Bobby Inman and Harvard's Joseph Nye, which recently produced a book entitled *New Threats: Responding to the Proliferation*

*of Nuclear, Chemical, and Delivery Capabilities in the Third World.*

It calls on the United States to impose a set of new global non-proliferation regimes, dealing with chemical, nuclear, and missile technologies. The authors give the game away when they observe: "In a number of key respects chemical proliferation differs from nuclear proliferation. First and foremost, any country with a petrochemical, pesticide, fertilizer, or pharmaceutical industry has the potential in terms of equipment, raw materials, and technical expertise to produce some chemical warfare agents. It is this daunting problem of 'dual use' technology that makes the danger of commercial misuse much more of a problem in chemical proliferation."

In other words, having the capability to produce fertilizers makes a Third World country a threat, because it could also at some point use the same technology to produce chemical weapons.

The authors call for "greater European and Japanese involvement" in curbing the spread of chemical and other technologies, and for the "crafting of a durable, effective sanctions policy" against violators of non-proliferation agreements. Some of their proposals have been incorporated into a new intelligence bill (see accompanying article), for which Inman acted as adviser.

It is not just the Aspen gang which is pushing this scenario. The Center for Security Policy, a Washington-based think tank run by the same network behind "Project Democracy" of Iran-Contra fame, is also on the case. In early September, the CSP issued a report entitled "Rabtagate: The Inside Story of German Collusion in the Libyan Chemical Warfare Program." According to a CSP press release, the report concludes that Germany's sale of technology to Iraq and Libya is "the product of an as yet unchanging, fatal willingness at the highest levels of Germany industry and officialdom to subordinate common Western security interests to narrow parochialism and greed [emphasis in original]."

The report demanded stiff sanctions against German companies that violate export control agreements. On Sept. 13, the Senate voted up two amendments, introduced by Sen. Jesse Helms (R-N.C.), providing for the "imposition of sanctions on countries which use chemical or biological weapons and on corporations which assist Iraq, Iran, Syria, Libya or certain other countries to obtain, develop or stockpile chemical, biological or nuclear weapons, and for other purposes."

According to a reliable source, Helms was inspired by the CSP report, and "definitely had Germany in mind." A CSP staffer admitted that the real target of the report, and of Helms's action, was German reunification.

Just days before the CSP's report was published, CSP board member Richard Perle was quoted in the *Financial Times* saying that there is a new role for CoCom (the Coordinating Committee for Multilateral Export Controls) in policing strategic trade between North and South.



# Congress to authorize covert operations against U.S. allies

by Herbert Quinde

The U.S. Congress is about to pass an intelligence authorization bill which, for the first time since the end of World War II, will no longer define the Soviet Union as America's foremost enemy, but instead designate "competing industrial nations" such as Germany and Japan, and Third World nations such as Brazil and Iraq as the new threat to U.S. national security. The House of Representatives version of the Intelligence Authorization Act (H-5422) is scheduled for a vote before the congressional recess at the end of October. The Senate version of the bill (S. 2834) was voted up in early August. Former CIA director Richard Helms and former CIA deputy director Adm. Bobby Inman played significant advisory roles in formulating the legislation.

The bill for the first time gives "statutory authority for the President to authorize the conduct of covert actions by departments, agencies or entities of the United States, including the Executive Office of the President," as well as authorizing the use of *third parties and countries* to fund or carry out covert operations on behalf of the U.S. government. Hitherto, covert operations were not legal by statute, but were authorized by Executive Order. The bill also would legalize the provisions of President Reagan's infamous Executive Order 12333, allowing the President to use *any* Executive Branch agency to carry out intelligence operations, domestic or foreign. Current law limits such actions to the CIA.

These were the central issues raised by Congress while investigating the Iran-Contra affair—and yet not a peep has been heard from a single member of Congress in opposition to the dramatic turn in intelligence policy. Back in the days of the Cold War, when communist nations were deemed to be a fundamental threat to the security of the United States, the Congress sported a dissident and powerful grouping that kept the CIA and the rest of the so-called "intelligence community" on a fairly short leash. But in what President Bush and British Prime Minister Margaret Thatcher call today's "new world order," Congress has decided to give the foreign policy content of Oliver North's Project Democracy *carte blanche*.

President Bush himself announced the policy shift during the 1989 NATO summit in West Germany, where he trumpeted a "historic shift" from East-West military confrontation

to a new priority on international economic concerns. CIA director William Webster has elaborated the intention to shift toward bashing U.S. allies instead of the Soviets, in several pronouncements over the past year (see box).

## Economic espionage?

A report prepared by the Senate Select Committee on Intelligence in July under the signature of Sen. David Boren (D-Okla.), which "reports favorably" on the legislation, details the bipartisan policy change in a section titled "Economic Espionage." It states: "During the Committee's close hearing on the U.S. counterintelligence programs, the FBI director and the senior State Department, Defense Department, and CIA officials discussed the possibility of an emerging economic espionage threat, including the collection of U.S. proprietary and unclassified information by foreign powers. In the course of refocusing the national counterintelligence strategy for the 1990s, more attention is being given to the economic espionage issue. *There is evidence that foreign intelligence services, including services that are not 'traditional' adversaries, have conducted clandestine operations in the United States to obtain information to be used for their national economic advantage [emphasis added].*"

"The Committee believes," the report continues, "that the intelligence community should concentrate its efforts in determining the nature and extent of such operations, so that policymakers can assess whether they constitute a growing threat to U.S. interests and whether new counterintelligence, security, or other national policy initiatives are required. Therefore, the Committee is directing that the Director of Central Intelligence prepare a comprehensive intelligence community study by March 1, 1991 to evaluate the threat of economic espionage and foreign intelligence services' efforts to negate our nation's competitive advantage through such methods as technology transfer and international financial and trade transactions."

A multi-agency intelligence community task force on "competitiveness" has been created to produce long-term estimates of the ramifications for the U.S. economy of the economic and financial policies of allied nations, especially NATO members and Japan, as well as political and economic

trends internationally. Sources say that the future plans of a reunified Germany have been a major focus of intelligence analysis.

"The task force," reports the *Boston Globe*, has also studied how protectionism and other trade strategies of foreign countries, such as Japan, affect the ability of American companies to do business abroad; what are the likely foreign reactions to U. S. efforts to counter those trade strategies; and how American dominance is threatened in high-tech industries."

Although there have been credible rumors that CIA and other U. S. agencies have been assigned to engage in industrial espionage against foreign companies, the CIA has denied it. Some intelligence community critics have pointed to the new authority given by the intelligence legislation to the Defense Department to create "proprietary," dummy commercial firms overseas as a cover for collecting military intelligence, as one potential vehicle for such covert operations. It is of note that this is the first time the Congress is authorizing a department or agency, other than CIA, to set up proprietary.

### **'Nuclear proliferation' scare**

The intelligence legislation also mandates an in-depth assessment of worldwide "proliferation developments." The same Senate report identifies "an increasing threat from the proliferation of chemical, biological, and nuclear weapons throughout the world. This threat is compounded by the fact that many of these same countries are acquiring or developing a ballistic missile or other advanced delivery system capability. This is certain to increase in the future."

The proliferation scare is typically used as the cover for blocking Third World economic development of what are known as "dual-use technologies." The same science involved in chemical weapons has broad application in agricultural advances, biological science in medical technologies, and nuclear in energy technologies. Ballistic missile research is the prerequisite for any nation that intends to survive technologically into the 21st century.

The legislation instructs the CIA and the Defense Intelligence Agency, "to produce an unclassified review of proliferation developments, similar in style and format to the annual DIA publication *Soviet Military Power*, providing information on this important issue," by May 1, 1991. The report "should include: 1) a global assessment of the current state of nuclear, chemical, and biological weapon and delivery vehicle proliferation and an estimate of proliferation-related developments expected to occur within the next 5-10 years; 2) specific reports on regional developments (e.g., Latin America; Africa; Near East/South Asia; Far East) focusing on the impact of such developments on regional stability; 3) an assessment of compliance with existing treaties and other international agreements dealing with the proliferation of these weapons of mass destruction; 4) a table listing the confirmed and suspect proliferation-related activities of na-

tions and their capabilities; 5) a table describing the capabilities of ballistic missile and other deliveries systems; 6) a table describing the characteristics of chemical and biological weapon agents and toxins; and 7) a map or maps showing the location of the sites of suspect and confirmed nations involved in the proliferation of weapons of mass destruction."

## **CIA's Webster charts economic warfare course**

Director of Central Intelligence William Webster outlined the administration's "bash the allies" policy in a speech before the Los Angeles World Affairs Council on Sept. 20, 1989, when he announced that the "end of the Cold War" meant that the main threat to the United States was no longer from Russia, but from economic competition. The main enemies now, he claimed, are Germany and Japan. Instead of focusing on Moscow, the agency would give priority to economic matters, since "intelligence on economic developments has never been more important." He went on: "Our political and military allies are also our economic competitors. The national security implications of a competitor's ability to create, capture, or control markets of the future are very significant."

Webster labeled "Japanese and European surplus capital" as "creating some potential risks." He also asserted that "along with the globalization of international finance has come the greater use of the financial system by governments and groups whose objectives threaten our national security."

Again in April of this year, speaking before the World Affairs Council of Boston, Webster said, "As the 21st century approaches, it is clear that economic considerations are increasingly tied to national security issues. There is now universal recognition that economic strength is key to global influence and power."

In September 1989, Webster ordered the establishment of a new directorate of planning and coordination, the so-called Fifth Directorate, to "reach into all levels of the intelligence business" and "stay ahead" in a changing world. Career CIA official Gary Foster was put in charge. During the Persian Gulf crisis, the Fifth Directorate has been responsible for assessing the success of the trade embargo against Iraq, as well as assisting a task force which has been developing contingency plans in case of major disruptions of oil production.

# U.S. spites itself in Airbus fight

by Marsha Freeman

In the escalating war on high-technology trade issues, the United States is trying to force the European Community (EC) to reduce government support for Airbus Industrie and the European aerospace industry. If the current negotiations yield no agreement, the U.S. has threatened to file a complaint for unfair trade practices under the General Agreement on Tariffs and Trade (GATT). Though the negotiations between the EC and the U.S. Department of Commerce are confidential, the *Washington Post* has reported that the Europeans have proposed dropping the subsidies for the development of the Airbus from 80% of the cost of the aircraft to 45%, but that the Bush administration wants the subsidy to go down to 25%.

In this particular case, however, the only thing the U.S. will "gain" if it succeeds in beating back European participation in the international commercial aircraft market is a loss of jobs, exports, and production, as 30% of the value of Airbus originates in the United States. Over 400 U.S. suppliers and 90,000 American jobs are involved in producing Airbus components and replacement parts. These involve the largest U.S. aerospace corporations, such as General Electric, Bendix, Westinghouse, Sunstrand, Honeywell, and Rohr Industries.

Twenty years ago, when the United States was clearly leading the world in aeronautics and space technology, evidenced by the landing of men on the Moon, the Europeans decided upon a consortium arrangement to advance their own fledgling aerospace industries. By combining research and development resources—which together could still not then equal the U.S. effort—they developed a long-range plan to become producers of commercial aircraft. Airbus Industrie was created by the French *Aérospatiale Industrie*, the West German giant MBB, and lesser participation from British Aerospace, and CASA in Spain.

At about the same time, the predecessor to today's European Space Agency was formed in an international effort to put Europe into space. Recently, U.S. expendable rocket-launcher manufacturers tried to force Arianspace to lower its launch price by suing the European manufacturers of the Ariane for unfair pricing of their rocket launcher services because they are government-subsidized. The U.S. companies lost the suit.

At the time when the sensitive U.S.-European negotiations were under way to resolve the trade issue, the Commerce Department released a study on Sept. 7 which purports

to prove that Airbus Industrie has never made a profit on the sale of its planes, which have now grown to 30% of the world market share of commercial aircraft. The previous week, Airbus Managing Director Jean Pierson had announced at the Farnborough air show that the company expects to make its first profit this year.

Pierson also stated to the London *Financial Times* that he thought the Europeans had compromised as far as they should and that "we would rather have no agreement at all than one which is unbalanced. Enough is enough." Other members of Airbus complained that the fall of the U.S. dollar had also distorted international trade.

The Commerce-sponsored study, performed by Gellman Research Associates, Inc. states that the "subsidy" to Airbus for R&D from the governments of the European companies totals about \$13.5 billion over 20 years. This number is made to seem more fantastic through the calculation that if interest on this "subsidy" were included, the figure would be more than \$25 billion.

## Europeans call U.S. practices unfair

The Europeans have countered this attack on their taking national responsibility for long-term R&D and advanced technology, by outlining that the U.S. has an enormous defense budget which pays for much of the research and development later transferred to the "commercial side of the house." The first week in September, for example, Henri Martre, chairman of *Aérospatiale* and president of the French aerospace industry association, stated that it is the U.S. government support for its aerospace industry which distorts free and fair trade.

The Europeans also leaked an Airbus document which claims that the U.S. government has provided about \$23 billion in direct and indirect support to Boeing and McDonnell Douglas over the past ten years, which are Airbus's direct competitors.

The case can be made that the tens of billions of dollars that have been spent for aeronautical research by the civilian National Aeronautics and Space Administration (NASA) over the past 30 years, have no counterpart in Europe. The laboratories, scientists, wind tunnels, and computational facilities supported by NASA have made the finest R&D capabilities in the world available to the U.S. military and commercial aircraft manufacturers.

The absurdity of the "unfair trade" charge against Airbus, in addition to the fact that American jobs are at stake at a time when there are tens of thousands of layoffs in the aerospace industry, is underlined by the fact that on Sept. 19 it was announced that Airbus and General Electric would be lending \$500 million *in cash* to Northwest Airlines to bail out the strapped airline.

Even the *Wall Street Journal* admitted that "it could be difficult for the U.S. manufacturers to openly criticize Airbus's move since the loan is a boon to Northwest."

## U.N. 'perm five' dictate the new world order

by Webster G. Tarpley

Proceedings at this year's 45th session of the United Nations General Assembly in New York have reflected the central role of this supernational, one-world institution in dictating neo-colonialist punitive measures against Iraq. Speaker after speaker in the general debate has stressed the newfound unity of action of the five permanent members of the Security Council (U.S., U.K., U.S.S.R., France, and People's Republic of China) after more than four decades of Cold War logjam and vetoes. In the view of Baker, Bush, Shevardnadze, Mitterrand, Hurd, and others supporting the neo-imperialist consensus of the moment, the Security Council will now be capable of functioning according to the original 1945 intentions of the framers of the U.N. Charter, that is to say as a syndicate of "five policemen" capable of imposing a collective will by force on the rest of the world. Speaker after speaker has announced a "new world order" based on the rebirth of "multilateralism" and a "renaissance" of the U.N.

Some critics have recalled that the last time there was so much talk of a "new order" was around the Rome-Berlin-Tokyo Axis of 1940. The atmosphere around the U.N. in recent weeks has been redolent of a new Congress of Vienna. But this is an illusion. In retrospect, the Security Council decisions and much of the General Assembly debate are likely to read like the minutes of a discussion of urban zoning in the city council of Pompeii shortly before the eruption of Vesuvius. In effect, the "perm five" and their retainers are dancing on a volcano. For the world outside of the U.N.'s East River enclave is lacerated by the worst economic depression of all time, and presents half a dozen crisis spots that are ready to explode into regional war, as the speech of the

Pakistani foreign minister, among others, recalls. This world can be usefully compared to that of August 1914 and of 1938-39. This is the ominous reality which the U.N. seems determined to make worse.

The far-seeing wisdom of the framers of the Charter has been much celebrated at the U.N. in these weeks; it is useful to recall that the framers were such unabashed imperialists as Stalin, Molotov, Churchill, Eden, and the U.S. State Department. Although the five permanent members of the Security Council would like to arrogate to themselves some mysterious mantle of mastership over human destiny, even the composition of the "perm five" is arbitrary and anachronistic. Why, for example, should a bankrupt, discredited, and collapsed imperialism like Great Britain retain membership, while such larger and more important nations as Germany, Japan, India, Brazil, and others are excluded? The answer could not be provided by changing the powers entitled to seats as permanent members. The very idea of five permanent members excluding all others from real power is repugnant and unworkable, and this entire supernational system ought to be junked. The U.N. can be useful as a talk shop and as a venue for negotiations, but it cannot be allowed to violate the sovereignty of nation states.

Among Arab states, Islamic states, and among the developing sector and non-aligned countries in general there exists a great deal of suspicion and resentment in the face of such neo-colonialist land grabs dressed up in hypocritical phrases. Mitterrand, Shevardnadze, Hurd, and others have felt themselves obliged to refute these objections in their own remarks. But at the U.N., criticism from the Third World and the non-

aligned has been muted, largely because of the atmosphere of gangster-style intimidation and coercion being fostered by the great powers, and above all by the United States.

At the center of the New World Order sits the Security Council with its 15 members. But of these, the 10 non-permanent members are merely hand-raisers, merely filler. Those who really count are the five permanent members, those who possess veto power. On all substantive matters, Security Council action requires an affirmative vote of nine members, including the affirmative vote of each of the five permanent members. This means that the "perm five," plus any four of their rotating stooges, are in a position to dictate Security Council resolutions, which the U.N. considers international law and binding on all countries.

The functioning of the "perm five" is a mixture of Star Chamber and floating crap game in midtown Manhattan. On the one hand, "perm five" deliberations are kept rigorously secret, carried out behind closed doors, with all reporters and the public barred. These are not open covenants openly arrived at; this is secret haggling in the tradition of Yalta and Potsdam, of which the Security Council is in fact an extension. The "perm five" often meet, not in the U.N. complex at Kips Bay by the East River (an extraterritorial plot contributed by the Rockefeller family), but in the mission of one or the other of the powers.

### **A sinister military dimension**

Adding a new and sinister dimension to the Security Council is the revival of its Military Staff Committee. This organism, it is worth recalling, was theoretically established under Chapter VII, Article 47 of the Charter, where we read: "There shall be established a Military Staff Committee to advise and assist the Security Council on all questions relating to the Security Council's military requirements for the maintenance of international peace and security, the employment and command of forces placed at its disposal, the regulation of armaments, and possible disarmament. The Military Staff Committee shall consist of the Chiefs of Staff of the Permanent Members of the Security Council or their representatives."

Soviet Foreign Minister Eduard Shevardnadze has been most vocal in proposing that this institution be reactivated and made into the military command structure for the armed intervention into the Gulf; the Soviets have indicated that they regard this as part of the possible price for playing a role in a military attack on Iraq. The Anglo-Americans appear hesitant to accept the Soviet plan regarding the Military Staff Committee, since this would make the Kremlin a partner in the Anglo-American seizure of the oil resources of the Gulf. Shevardnadze (with the support of Norway and others) argued in his speech that the Military Staff Committee ought to possess a permanent rapid deployment force, always on alert to conduct raids into various parts of the world, especially the developing sector.

The Red Chinese foreign minister, in his speech to the Security Council, expressed some verbal objection to an armed intervention by the powers against Iraq. This is but the faintest echo of the old militant Third-Worldism of the Beijing regime. As for the French position, it is useful to compare the speech of French President François Mitterrand to General de Gaulle's speeches in Phnom Penh in 1966, when de Gaulle was President of France, or to his remarks in the wake of the 1967 Arab-Israeli war. Such a comparison makes clear that Mitterrand has abandoned the pro-Arab foreign policy of de Gaulle, conserving merely a certain veneer of rhetoric to differentiate himself. In practice, there is not much difference among Mitterrand, Hurd, Baker, and Bush. The operative French policy appears as that of Suez in 1956, when France joined England and Israel in attacking Nasser's Egypt when the latter had assumed control of the Suez canal with a view to using the canal tolls to help build the Aswan dam. The main difference is that this time the French insist on an independent command. De Gaulle scorned the United Nations as "le machin" ("that thing"); Mitterrand appears eager to take his place at the table of the "perm five."

Basic features of the New World Order that emerge from the U.N. include the following:

- Genocide, especially against non-white and neo-colonial populations. This is the immediate content of Security Council resolutions 660-670, mandating naval and air blockade and embargo of Iraq and Kuwait, including Jordan and affecting millions of Asian migrant workers in these countries. This is not the first time that the U.N. has served as a vehicle for genocide, and we should recall that the International Monetary Fund and World Bank are both parts of the U.N.-centered supernational bureaucracy. Seen in this light, the hypocritical posturing and cynical demagoguery surrounding the much-touted U.N. "Children's Summit" can be properly appreciated.

- Malthusianism and zero-growth environmentalism. These are part of the litany of almost every speaker, with Britain's Foreign Secretary Hurd inveighing against the ozone layer and global warming, Jan Syse of Norway talking of the "green agenda" in the U.N. Economic Commission for Europe's Bergen Declaration of May 1990, and Hans van den Broek of the Netherlands calling for "green peace." Many look forward to the United Nations Conference on Environment and Development, set for 1992.

- Usury and global impoverishment. As far as the "perm five" are concerned, the New World Economic Order, debt moratoria, and North-South technology transfer are all a dead letter. The U.S. State Department regards any mention of the New World Economic Order as a hostile act against the United States, to be punished by retaliatory measures. Mitterrand talks at some length about the debt issue and the plight of the poorest, yet what he proposes to do for the least developed countries is not much different from Hurd, and does not differ qualitatively from the "Toronto Terms" of 1988, which Hurd

claims stemmed from a British initiative in the first place.

The view from the U.N. is that history, ideology, and politics have ended in a neo-Hegelian mélange of Francis Fukiyama and Daniel Bell. In the words of Canada's Joe Clark: "In the years between the two world wars and in the depths of the Cold War, there were debates about whether a state's interests were best pursued through unilateral action or through cooperation and compromise. That debate is now over. It is over because the world has changed. The choice today is not between realism or idealism, unilateralism or cooperation; it is between success and failure. Cooperation is now the new realism and pragmatism is the only path to progress." Even Krzysztof Skubiszewski of Poland, whose country is part of the "multinational effort" in the Gulf, approvingly joins assembly President Guido de Franco of Malta in quoting the London *Times* to the effect that "previously, political ideologies wrecked the functioning of the Organization," and goes on to say that "we are now, I hope, entering an era in which ideologies will be less and less vocal in international politics and the role of the ideological factor in relations among states will be greatly reduced and will disappear. We welcome this development."

Implicit in all this is the vision of a Pax Angloamericana, of a world empire imposed by the Anglo-Saxon superpower that enshrines the false idols of "democracy," "pragmatism," and "the free market" in its imperial pantheon. This is what the age of St. Augustine knew as *senectus mundi*, the moral senility and bankruptcy of the principal institutions of the world. It is ironic that there should be so much talk of new order when the world is in chaos, so much reliance on a Pax Angloamericana when we are on the eve of war.

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## Documentation

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*The following are excerpts from speeches delivered in New York City to the 45th U.N. General Assembly and the U.N. Security Council. All emphasis has been added.*

### Shevardnadze's 'emerging new world order'

*From the speech of Eduard A. Shevardnadze, Minister of Foreign Affairs of the U.S.S.R., to the U.N. General Assembly, Sept. 25, 1990:*

. . . But now our field of vision has been obscured by the dark cloud of aggression against Kuwait. On that Black Thursday, Iraq flagrantly violated the United Nations Char-

ter, the principles of international law, the universally recognized norms of morality, and the standards of civilized behavior. Iraq has committed an unprovoked aggression, annexed a neighboring sovereign state, seized thousands of hostages, and resorted to unprecedented blackmail, threatening to use weapons of mass destruction. . . . An act of terrorism has been perpetrated against the emerging new world order. This is a major affront to mankind. Unless we find a way to respond to it and cope with the situation, our civilization will be thrown back by half a century. . . .

Today is no time for rejoicing, but one cannot help being satisfied at the unprecedented unity of the Security Council and the clear attitude of the international public opinion in the face of Iraq's behavior. This gives us confidence in the ability of the United Nations to deal with this grave international crisis. The positions taken by members of this Organization give the Security Council the mandate to go as far as the interests of world peace will require. . . .

International relations are being freed from the vestiges of the cold war which for many years had a negative effect on the international legal order. We are again becoming the *united nations* and are returning to our own *global constitution*—the *Charter* of the United Nations, to those of its provisions that were forgotten for a while, but have been proven to be indispensable for the most important of our tasks—the maintenance of international peace and security. . . .

In the context of recent events, we should remind those who regard aggression as an acceptable form of behavior that *the United Nations has the power to "suppress acts of aggression."* There is ample evidence that this right can be exercised. It will be, if the illegal occupation of Kuwait continues. There is enough unity in this regard in the Security Council, and there is also the will and a high degree of consensus in the world community. . . .

*Of course, before—and I reiterate—before this, all political, peaceful, non-military forms of pressure must be applied to the aggressor, obviously in combination with economic and other enforcement measures.*

In a way, the Gulf crisis is not just a tragedy and an extremely dangerous threat to peace; it is also a serious challenge for all of us to review the ways and means of maintaining security, the methods of protecting law and order on our planet, *the mechanisms for controlling the processes which affect the state of human civilization in the broadest meaning of this term, and the role of the United Nations in this.*

As any other democratically operating organization, the United Nations can function effectively if it has a mandate from its members, if states agree on a voluntary and temporary basis to delegate to it a portion of their sovereign rights and to entrust it with performing certain tasks in the interests of the majority. . . .

The world is consolidating on the basis of universal human values. *Partnership is replacing rivalry.* It is becoming

the basis for relations between many countries that used to regard each other as adversaries.

Partnership is not just a fashionable term. It came in evidence during the latest crisis and underlay the close and constructive interaction among the permanent members of the Security Council. But the decline of East-West rivalry as a real or perceived factor in international relations may bring to the arena of world politics new figures and new phenomena. One such phenomenon we will probably have to deal with is claims to *regional hegemony*.

Among the *issues assuming a critical importance for the future of mankind are the non-proliferation of nuclear, chemical, bacteriological, and missile technologies*, and, more generally, the disproportionate growth of the military sector in some economies and societies. . . .

*We need to define the criteria of defense sufficiency.* The Iraqi aggression would seem to make it difficult even to discuss this. After all, what can be sufficient in the face of the irrational? On the other hand, the aggression has once again underscored the validity of the argument that no nation should have the exclusive prerogative or absolute freedom to determine its own level of armament. Any other approach would result in an unbridled arms race and all-out militarization. We must look toward different principles, toward an accommodation of reciprocal concerns and a balance of armaments at the lowest possible levels. . . .

In the longer term, the world community will need to monitor the military power of states, arms supplies, and transfers of military technology. Such an approach will be in everyone's interests and will strengthen stability and trust. Otherwise, we will continue to be confronted with armed conflicts and attempts to intimidate and blackmail. Above all, it will be necessary to keep a close watch on those countries that make determined efforts to build up the offensive capabilities of their armed forces. Moreover, to have them explain why this is being done.

We might consider the idea of introducing on a global and regional level *the international registration of certain types of armaments that are produced or acquired*. There is a need for transparency in this area. . . .

Two years ago, the Soviet delegation raised the issue of *reactivating the work of the Security Council's Military Staff Committee*. Recent developments have convinced us of the need to return to the original idea conceived by the founders of this Organization and of its Charter. We know why the Military Staff Committee has never become a functioning body. During the cold war, the Committee could not and did not have a role to play. Now, however, we see that without substantive recommendations from this body, the Security Council is unable to carry out its functions under the Charter.

The architects of our Organization proceeded from the harsh realities of the Second World War, and were right in assuming that for the Organization to be effective in keeping peace and preventing war, it must have the means to enforce

its decisions and, if necessary, to suppress aggression, and have a mechanism for preparing and coordinating such actions.

The Soviet delegation believes that the Security Council must take the necessary organizational steps to *be able to act in strict conformity with the provisions of the Charter*.

It should begin by initiating steps to reactivate the work of the Military Staff Committee and study the practical aspects of assigning national military contingents to serve under the authority of the Council.

*The Soviet Union is prepared to conclude an appropriate agreement with the Security Council.* We are sure that the other permanent members of the Council and states that might be approached by it will do the same.

If the Military Staff Committee worked properly, if appropriate agreements had been concluded between the Council and its permanent members, and if other organizational aspects of countering threats to peace had been worked out, there would be no need now for individual states to act unilaterally. . . .

There is no reason to object to steps taken by legitimate international "law-enforcement bodies"—the Security Council and its Military Staff Committee.

We should not underestimate even the psychological effect of the Security Council acquiring structures and forces to counter aggression. . . .

The latest crisis has dramatically illustrated the importance of *preventing the spread of weapons of mass destruction*. . . .

The world community should also consider the *possibility of various "unconventional situations" arising from the mass taking of hostages and cases of blackmail involving particularly dangerous and destructive weapons. These problems will have to be addressed at two levels—technical and legal. We could start out by setting up a group of experts for contingency planning* under the Security Council.

Recommendations regarding the management of "unconventional situations" should be made known to a limited number of people. The Security Council may find it necessary, upon recommendation of the Military Staff Committee, to establish a rapid response force to be formed on a contract basis from units specially designated by different countries, including the five permanent members of the Security Council. This idea also deserves discussion.

But technical methods alone are not enough to deal with such things. In our view, there is an urgent need to institute *a new norm in international law* which would declare the threat by any individual for purposes of blackmail of using weapons of mass destruction, hostage-taking or mass terror to be a crime against humanity. . . .

*The principle of suppressing aggression and threats to peace should, in our view, be complemented with the principle of individual responsibility* and commensurate punishment.

This is a difficult question from the legal standpoint. An advisory opinion of the International Court of Justice should be sought on this subject. Incidentally, we would be in favor of enhancing the role of that body and would welcome a more up-to-date interpretation of its competence.

The Gulf crisis is causing a major dislocation in the entire system of world economy. Its true magnitude is even difficult to assess now. It is clear that the consequences will be severe for the economies of the developing countries, particularly the poorest of them, those burdened by large foreign debt. Merely stating this is not enough. Action must be taken without delay. *It is necessary to establish as soon as possible an international machinery, maybe a temporary one for the time being, for example under the auspices of the International Monetary Fund or the World Bank, to mitigate the negative consequences of this crisis for countries which are in a particularly vulnerable position.* . . .

The Soviet Union, as a major oil-producing and energy-exporting country, will be prepared to cooperate in implementing measures under the auspices of the United Nations or of any other international body, aimed at stabilizing the economic situation in the world. This should not be a matter of individual steps of a mostly charitable nature to assist individual countries. What is needed is a global policy of stabilization and compensation.

History, particularly modern history, teaches all kinds of lessons. They should not be ignored or underestimated. One of them is that security can hardly be lasting unless it is supported by economic growth combined with spiritual health and traditional cultural values combined with new technologies and a concern for the environment. . . .

Much has been said lately on *environmental issues*. We even run the risk of "talking away" our future, for until now very little has been done at the global level, while the destruction of the environment is outstripping our preparations to deal with the threat. . . .

In our view, one of the priority measures would be to establish a *United Nations Center for Emergency Environmental Assistance*.

As we see it, the way to go is to reduce military expenditures and to promote conversion in the defense production sector. There is no alternative. The figures are well known: \$800 billion must be spent before the end of this century to avert environmental degradation. That sum is almost equal to what the world spends on the military each year.

### **Baker: U.N. can and will use force**

*From remarks by U.S. Secretary of State James Baker at the U.N. Security Council, Sept. 25, 1990:*

. . . Rarely has the United Nations been confronted by so blatant an act of aggression as the Iraqi invasion of Kuwait. Rarely has the international community been so united and determined that aggression should not succeed. . . .

Eduard Shevardnadze spoke for all of us when he said earlier today: "This is a major affront to mankind. In the context of recent events, we should remind those who regard aggression as an acceptable form of behavior that the United Nations has the power to suppress acts of aggression. There is ample evidence that this right can be exercised. It will be, if the illegal occupation of Kuwait continues."

### **Van den Broek: for a 'green peace'**

*From the address to the U.N. General Assembly by Hans van den Broek, Minister of Foreign Affairs of the Kingdom of the Netherlands, on Sept. 26:*

. . . The improved climate between East and West will also positively influence multilateral cooperation, as is proven by the United Nations' handling of the present crisis in the Gulf. . . . The very core of the U.N. Charter is at stake: the maintenance of peace and the prevention of aggression. . . . The sad story of the League of Nations has taught the world that we must stand firm and united in the face of aggression.

Just as in Europe, we would prefer to see regional solutions to the regional problems in the Middle East. In principle, we therefore understand the call for an Arab solution to this conflict. We are dealing here, however, with the aggression of an Arab state against another Arab state. And it is at the request of Arab states, which feel threatened by Iraq, that countries from outside the region have come to their aid. Moreover, international aggression and violent conquest transcend the confines of the region, because they strike at the heart of the U.N. Charter. Finally, legitimate interest in the stability of this part of the world is certainly not limited to the region itself. It should therefore be clear that an Arab solution cannot be a substitute for Security Council resolutions, but could only take shape subject to Iraq's full compliance with them. . . .

Just as it is difficult to imagine safeguarding *international peace* without at the same time striving to promote *social peace*, it is equally difficult to imagine that either can survive in the long run without an ecological balance—in short, *green peace*. Life on Earth for future generations could very well be endangered if man does not make peace with nature. And if not peace, then at least a ceasefire.

The threats are real enough: warming of the ozone layer, acid rain, expanding deserts, and reckless deforestation—to pick just a few from a growing list. It is indeed most urgent that we act, if only to stop further deterioration. We simply cannot afford the luxury of waiting for irrefutable scientific proof as to what precisely causes the different problems confronting us. We should not give ourselves the benefit of the doubt. It is crucial now to move toward the early conclusion of a world climate convention which should put an effective stop to such related phenomena as the warming of the atmosphere, the depletion of the ozone layer, and deforestation.



# Soviet general warns of world war

by Joseph Brewda

On Sept. 26, Gen. Mikhail Moiseyev, the Chief of the Soviet General Staff, warned in an interview with the *Washington Post* that the U.S. government's planned military action in the Persian Gulf could trigger a new world war. A military conflict in the Gulf between the U.S. and Iraq could escalate out of control, the general said. "The First World War in 1914 also started because of some minor thing. Today we should do our utmost to prevent it."

"In case of some military actions," he elaborated, "Iran will join the Iraqi side. This would not be simply some kind of conflict; this would be world war. . . . Such a war will not bring any glory either to the American people or to the people of Iraq."

Concerning the factor of incalculability, Moiseyev said, "It's very hard to imagine [the consequences of war], especially considering the sophisticated weapons systems that are concentrated on both sides." He added, "I know how high a price the American people paid in Vietnam. . . . We cannot allow bloodshed to happen."

Moiseyev called upon the United States to join with the Soviet Union in finding a political solution to the crisis. "We have quite enough political means" to find a solution, he added.

One day after the interview, General Moiseyev traveled to the U.S. on an official visit, and continued making the same warnings. "We can't view the resolution of any crisis like this by means of using arms," he told the editors of the *New York Times* in an unusual joint interview with U.S. Chief of Staff Gen. Colin Powell on Oct. 2. For his part, Powell responded by asserting "We are not eliminating any options that are available to our President." Powell's remarks were widely interpreted to mean that the United States is moving closer and closer to a military strike on Iraq.

## U.S. military action 'unacceptable'

This is not the first warning of this kind coming from the Red Army leadership. On Aug. 30, Gen. Vladimir Lobov, the Warsaw Pact chief of staff, warned in a TASS interview that the stationing of U.S. troops in Saudi Arabia could threaten the "strategic balance in the region," by threatening the "southern flank of the Soviet Union." He warned that should the U.S. "occupy Iraq," which is only 200 kilometers

from the Soviet border, this would create an unacceptable "arc" of U.S. military allies in the region extending from Turkey, down through Iraq, into Saudi Arabia.

Moreover, he added, should the "250,000 U.S. troops that Washington wants to station in Saudi Arabia remain," then NATO would be strengthened through troops not included in any Conventional Forces in Europe agreements.

Perhaps for such reasons, Soviet President Gorbachov, at the Sept. 9 press conference following his summit with George Bush in Helsinki, stated that any U.S. military action in the Gulf is "unacceptable."

General Moiseyev's views on the danger of war are also shared by others of different political persuasions—for example, King Hussein of Jordan. In an unusual letter to the editor of the *Washington Post*, published on Sept. 24, King Hussein stated "I fear the current course of events could be a replay of 1914 . . . when the world stumbled into a war it did not want but could not stop."

## Back in Washington

Unfortunately, it appears that the Soviet military's warnings or threats have not had a sobering effect on the Bush administration.

On Sept. 29, in a *Washington Post* commentary entitled "The Dangers of Stalemate," former Secretary of State Henry Kissinger recommended an October-November deadline for planned military action against Iraq. Kissinger has been closely associated with Bush since the Nixon administration. He dominates the Bush administration through such former partners and tools as National Security Council chief Brent Scowcroft, and Deputy Secretary of State Lawrence Eagleburger.

"The administration must . . . decide at some point how long it is prepared to wait for sanctions to work and how far it is prepared to go without unanimous international support," Kissinger wrote. "I do not know whether the decision must be made in October or November. I would be very uneasy were it to be delayed into the new year, for I believe that the entire enterprise might then begin to unravel."

Arguing against political solutions "saving Iraq's face is the exact opposite of what is needed," Kissinger added, "Were Saddam Hussein suddenly to accept the U.N. terms, he would in fact preserve the essence of his power." Without war, Kissinger believes, "Iraq would still retain its chemical and nuclear capabilities. Its large standing army would still preserve the capacity to overwhelm the area."

Kissinger claimed that "The moderate Arab states would welcome a decisive American move if it were demonstrably the only alternative to Saddam's succeeding." Actually riots would topple most the regimes of most Arab "moderates," such as Egyptian President Hosni Mubarak, within days and weeks of U.S. military action. "As for Gorbachov," Kissinger insisted, "the economic weakness of the Soviet Union requires a concentration on domestic affairs."

# Third World leaders and press in backlash against Gulf adventure

A growing number of political leaders and publications in Third World countries are beginning to warn that what's really at issue in the Persian Gulf, is the Anglo-American drive to stop Third World development. They are asking whether their countries might be the next targets, if war in the Mideast is not headed off.

## Venezuela

Bush's policy was criticized from an unexpected quarter: Alberto Vollmer, head of one of Venezuela's country's oldest and most powerful financial groups, and a friend of the Rockefeller family. "What guarantee is there that Venezuela, with its immense oil reserves, will not also be swallowed up one day by the U.S.A. or by England?" Vollmer asked in a Sept. 15 article in *Diario de Caracas*, entitled "Wall Street's Gurkhas." Gurkhas are the Nepalese fighters who have served as mercenaries for the British Empire for more than a century, "especially expert in slitting the throat of their victims at night and by surprise," he explained.

"Who are Wall Street's gorkhas? After [Iraq's invasion of Kuwait on] Aug. 2 . . . they appear to be the Americans, the British, some other Europeans, and a few Arabs, commanded by President Bush and Mrs. Thatcher." A declaration of war is understandable when a nation's territory is attacked, but not when one's wallet is, he wrote. "It is time that the U.S.A. and England stop being the policemen for the underdeveloped world."

## Brazil

The Amazon could be the next target of invasion, after Iraq. So warned the editor of Brazil's *Jornal do Comercio*, Austregesilo de Athayde, in his column Sept. 28. "The attack on Iraq, the ravings against Saddam Hussein, could constitute a precedent for future assaults in other zones," he warned. "Our Amazon" is a likely target for such action. If it is ever proved that, in that immense forest, we are threatening the oxygen which, the ecologists say, feeds humanity's lungs. . . . Then . . . the right to the legitimate defense of the preservation of the species is imposed, as a higher law, on Brazil and her neighbors, with the same authority with which the U.N. and other powers impose themselves by force upon Iraq, and promise Saddam Hussein the same treatment with which Hitler's partners paid at Nuremberg for the Second World War's crimes of genocide."

Many in the Brazilian military are known to agree with *Jornal do Comercio's* evaluation that the Gulf campaign was intended to set a precedent for U.N. police action globally.

## Argentina

President Carlos Menem, who ordered Argentine troops to join the Anglo-American force in the Persian Gulf, discovered on a trip to Venezuela at the end of September that he is no longer welcome there. Venezuelan papers derided him in cartoons and commentaries, and the government had to order employees to fill out a congressional delegation meeting, because so many congressmen refused to meet with him.

Menem "committed treason to Latin America . . . to the Third World" and "to Argentine national dignity, when he voluntarily, consciously, and abjectly prostrated the majesty of the presidency at the feet of Mrs. Thatcher and Mr. Bush," the Venezuelan paper *El Meridiano* editorialized.

The Argentine publication *Informador Público* in its Sept. 28 issue published an interview with Alberto Samid, who was fired by Menem the week before for arranging a shipment of food and medicine to Iraq via Iran. As a descendant of Arabs, he said, "our Arab people are on the brink of suffering a war that will bring fatal consequences. . . . For these reasons, I couldn't agree with the posture of our government." He said he sent the shipment to Iraq "for a simple humanitarian reason. I know the suffering of the Iraqi people, there are pregnant women there, old people and hungry babies. They have gone to the extreme measure of taking over a zoo and eating the animals."

On the question of the attacks on Saddam Hussein, he said, "Any analysis must begin with the following principle: Oil is an Arab patrimony. The British and Americans want to control this Arab patrimony. Saddam Hussein and the Arab people have the same enemy the Argentines had in the Malvinas War: the British and the Americans. Moreover, the Iraqis were the only ones to back us when the British sank the *General Belgrano*. The Iraqi people were at our side when the Brits killed our boys on the islands."

Further, he said, "I don't understand such preoccupation and such prolixity now at the U.N., since we looked the other way when the Americans invaded Panama, or when the Soviets invaded Afghanistan. Now it appears that the U.N. is an admirable organization. . . . We fool ourselves, because

when it suits the great powers, they back the U.N. They have always done this, as long as it serves their own interests.”

## Turkey

Saudi Arabia and the United States lured Iraq into the Gulf trap, declared Bulent Ecevit, the former Socialist Party prime minister, following a trip to Baghdad at the end of September, where he met with Saddam Hussein. Presenting the results of his meetings in the Turkish daily *Milliyet*, Ecevit expressed doubts that the international embargo will force Iraq out of Kuwait. The invasion of Kuwait has a pre-history of provocations against Iraq, Ecevit explained, elaborating the following points:

- Iraq was already close to economic ruin long before the Kuwait invasion, because of its long war with Iran, because of the losses in oil revenues caused by the war which increased the Iraqi foreign debt to an estimated \$70 billion;
- Iraq was close to ruin because of the \$102 billion it had to borrow abroad to buy weapons, because of the violation of the OPEC quotas by the other Arab countries which drove down the oil price and thereby lost Iraq \$79 billion in oil revenues;
- During the Iran-Iraq War, Kuwait moved the border with Iraq 70 kilometers northward, in order to gain access to the profitable Rumaila oil fields and steal oil revenues of an estimate \$2.4 billion from the Iraqis.

After the end of the war with Iran, Ecevit continued, Iraq approached its creditors in the Arab world on ways to renegotiate the debt, on the grounds that Iraq had carried out the war on behalf of the entire Arab world in order to contain the Khomeini revolution. The war debt should, therefore, be considered a liability of the Arab world as a whole, not just of Iraq, Saddam Hussein had argued. Ecevit also pointed out that the other Arab OPEC countries compensated for the oil that Iraq could not produce during the war with Iran, and made an estimated net extra profit of \$106 billion.

Saddam Hussein's initiative, which included a call for increasing the oil price to \$18 per barrel for a limited period of time, was turned down, and the oil price was driven down further, from \$18 to \$11, which pushed Iraq into the corner.

At the Arab summit in Baghdad on May 30, Saddam Hussein warned: "War is sometimes conducted with soldiers and bombs. But if damage is caused to an economy of this scope, it can have the same results. This posture is like a war on Iraq. If we were still strong enough to resist, we could tolerate it. But we cannot resist the pressure any longer."

Meeting the Saudi oil minister, Hisam Naziri, on July 9, Saddam Hussein warned again: "I cannot tolerate that the Iraqi people are starving and that Iraqi women have no clothes." As this warning bore the same lack of result as the previous one, Saddam Hussein used a well-known Arab saying on July 16, when he warned: "Then shall the heads roll, to stop our daily bread from rolling away."

By that date at the latest, Ecevit reported, everybody,

from the CIA to the Saudis and Kuwait, knew that war would break out, and where it would break out. They knew that Saddam Hussein had presented his situation in a realistic way and asked for a solution.

"Because these countries not only wanted to push Iraq and the Iraqi leadership into a corner, but to annihilate them," concluded Ecevit, "they lured him into the trap of the invasion of Kuwait.

"As much as it was thoughtlessness and roulette-playing on the part of Iraq to step into this trap, so it was thoughtlessness and roulette-playing as well to drive Iraq into this trap. And it is yet unclear today whether it is Iraq that stepped into the trap, or the United States and its 100,000 American soldiers in the Arab desert."

## Jordan

"Maggie and company will fail," was the title of a Sept. 27 commentary in the *Jordanian Times*, on the lessons that Jordanians could draw from watching TV today: "Although Maggie and company are trying their very best to revive their empire in the Arabian Gulf and region at large, they will simply fail . . . even if they succeed in shedding a lot of blood. The will of the Arab people for independence from British, American, or French hegemony over Arab oil or territory or decision-making is irreversible. Even if the hero, in this case Saddam Hussein, is killed, the hero has created many other heroes who will not kneel to the West, even if it means the starvation of our own children."

Another Jordanian newspaper, *Al-Ray*, denounced Saudi Ambassador to the United States Prince Bandar, for his ridicule of Jordanian King Hussein's warning that a U.S. assault on Iraq could trigger World War III. The article, in the paper's Sept. 27 issue, described Bandar as "an employee of the State Department" who does everything he is asked.

"We hope that he, as he wanders in the corridors of the U.S. State Department or the CIA, will look for the real reasons behind the assassination of the late King Faisal Bin Abd-al-Aziz. If he finds the dossier, then he will read that the last meeting between King Faisal and Henry Kissinger was meant to deal with the issue of oil, as far as Kissinger was concerned, and with the issue of Jerusalem, as far as the Saudi king was concerned. The reason behind the assassination was the sentence he said to Kissinger: 'Jerusalem must come before oil.'"

*Al-Ray* also reported, citing intercepted Saudi diplomatic communiqués, that Bandar was key in forcing Riyadh to capitulate to a previously agreed-upon plan to occupy Saudi Arabia. Bandar wrote to the Saudi Foreign Ministry, even before U.S. Defense Secretary Richard Cheney arrived in Saudi Arabia on Aug. 6, that "I have been informed by the U.S. administration that its decision in this regard is final, whether or not Riyadh agrees to ask the United States to send its troops. Therefore, I suggest that an invitation be extended so that it would not look like an occupation by force."

# Germany reunited as one sovereign nation, faces greater world role

by Rainer Apel

"This is one of the happiest moments in my life and a day of joy for the entire German nation," Chancellor Helmut Kohl said in a nationwide television and radio address a few hours before the merger of the two Germanys at midnight Oct. 2.

"After more than 40 bitter years of division, Germany, our fatherland, is being united again," Kohl said. He added that "everybody knows that a difficult path lies ahead of us," but he was confident such difficulties would be mastered in a few years thanks to the buoyant economy of West Germany. "There could not be a better moment for mastering the economic tasks of reunification."

Outgoing Prime Minister of the former East German state, Lothar de Maiziere, spoke after Kohl, saying that unification, the end of East Germany as a separate state, was a "farewell without tears" and one of joy, despite problems that remain.

It was a day of joy, indeed. To the tune of its two national anthems, the Germans celebrated their reunion as one sovereign nation-state on Oct. 3. The official state anthem, the "Song of the Germans," was accompanied by the second anthem, Ludwig van Beethoven's Ninth Symphony with its final chorus, the "Ode to Joy," performed in many cities of Germany that had organized official or semi-official events. Oct. 3 was declared a national "Day of German Unity" holiday for all of Germany.

Berlin, the German capital until the end of the war which was physically reunited on Nov. 9, 1989 when parts of the Berlin Wall came down, became the center of nationwide unity celebrations. Some highlights of the bigger events in Berlin, which were attended by an estimated more than 1 million Germans and foreign visitors during the three days Oct. 2-4, included:

- In a ceremony followed by a reception at the Allied Control Center building Oct. 2, the chiefs of the three Western military missions ceded Allied powers to the newly sovereign Germany. The mission chief of Britain—whose government has been most outspoken against German unity—Maj. Gen. Frank Corbett, happened to preside for the Allies.

- In the evening hours, a huge flag in the three German colors—black, red, and gold—was hoisted at the just-restored Berlin Reichstag building in a ceremony that was attended by political figures from both Germanys and other

nations. Several hundred thousand spectators attended.

- At midnight on Oct. 2, the liberty bell at Schöneberg town hall in western Berlin rang out to announce German unity. The bell is a copy of the famous Liberty Bell in Philadelphia, Pennsylvania.

- In the Schauspielhaus concert hall in eastern Berlin, an official ceremony a few hours before midnight Oct. 2 ended the existence of the state of East Germany. Following a "farewell without tears" address by outgoing Prime Minister Lothar de Maiziere, the longtime Leipzig Gewandhaus Orchestra (now New York Philharmonic) co-conductor Kurt Masur conducted Beethoven's Ninth Symphony with the final "Ode to Joy" choral movement. The statue of Friedrich Schiller, the author of the ode, stands outside the concert hall.

- In the Berlin Philharmonic concert hall Oct. 3, a gala unity festivity with prominent guests from Germany and other nations featured a performance of a Bach cantata and the oratorio *Die Schöpfung* (The Creation,) by Josef Haydn.

- The 644 deputies of the new, united transitional German parliament—until national elections on Dec. 2—held their first joint session at the Reichstag on Oct. 4.

## Toward a higher morality

The spirit of these three days, highlighted by the high level of cultural activities, recalled that German unity is not a value in itself, but contains an appeal for a mission beyond mere German concerns. Prime Minister Lothar de Maiziere, himself a classical musician who plays the viola, addressed the issue of values in his nationwide television address on Oct. 3 when he said that the collapse of the communist ideology in East Germany should not cause disbelief in ideals in the future.

Concerning ideals, Germany can do a lot. As classical music and culture and the sciences, to which Germans have contributed so much over centuries, aims at something positive for all mankind, so is German unification of a broader weight for the world at this crucial moment of history. The news from the Persian Gulf, and the deep economic depression in the Anglo-American zone and the Third World, and the potential of a civil war in the declining Soviet empire, underline the seriousness of the world situation. It is widely

expected that Germany is committed to make a sizeable contribution—if not the decisive one—to help restore a positive course for mankind. Some expect that Germany, and no other nation, must make the decisive step.

### **Soviet emphasis upon Germany**

The Soviet Union, lacking concrete assistance from the United States, its longtime condominium partner, is casting nearly all of its hopes on the united Germany. The Germans are expected to help the Soviet Union out of its present internal disarray toward a stabilized economy in the second half of this decade. This is amply documented in the official remarks from Moscow on German unification.

Soviet President Mikhail Gorbachov stated in his message of congratulations to the German nation, that its reunification is for the good of German-Soviet cooperation. This is of a “new quality” based on “the combination of the potentials of both sides,” he said.

Yuri Gremitskykh, the official spokesman of the Soviet Foreign Ministry, read a statement Oct. 2 to the media in Moscow that said: “The Soviet Union and the united Germany are entering a new stage of cooperation which must bring durable peace, stability, and enlightenment.” Interviewed on West German Channel 2 television that day, Gremitskykh declared that he welcomes German unification because of the perspectives for close cooperation with the Soviet Union “especially in the field of managing an economy efficiently, using materials efficiently, which is something we still have to learn, and I think we can learn that from the Germans who have built a very efficient economy.”

A few days before, Aleksandrovich Belousov, director of the Moscow Academy of Economic Sciences, had told a panel on East-West affairs in Ingolstadt, West Germany, that the economies of Germany and Japan should serve as a model for the Soviet Union after the first round of reforms.

On Sept. 29, a German-Soviet agreement was initialed in Bonn that cited space technology and reconversion of parts of the military industrial sector as preferential areas of cooperation. The agreement on 20-year long-term economic cooperation also mentioned machine-building, development and mass production of private cars, trucks, buses, and aircraft, shipbuilding, medical, and maritime research projects. The treaty on long-term cooperation that was initialed in Moscow between the Soviets and the Germans on Sept. 13, already defined that “the most modern technologies” be applied to improvements in the transport sector and transport links between the two states.

These agreements plus the two lesser agreements—on the continued stationing of Soviet troops in eastern Germany for a transition period of four years and on the joint home-building project for Soviet officers and their families withdrawn from German territory by the end of 1994 at the latest—will likely be signed in November when Gorbachov meets Chancellor Kohl in Bonn or Berlin.

### **German-Poland relations key**

It is all too apparent that there cannot be in-depth cooperation between Germany and the Soviet Union if Poland is not serving as a bridge between the two. Poland is the easternmost of the old nations of Europe, and its economy must urgently be stabilized and improved. To westernize the Soviet Union is a task too big for the Germans alone. A development “spiral arm” running between Berlin and Warsaw will be crucial for the success of the Soviet reform experiment.

Chancellor Kohl made a first important step in that direction in November 1989 when he visited Poland; but just at that time, the transition communist regime of East Germany was close to total collapse and it decided to open the borders to West Germany and West Berlin. Ever since, the pace of developments in East Germany dictated a priority on German concerns, on German-Soviet talks, and on diplomatic consultations with the Western allies by Bonn. The issue of Polish-German relations was driven into the background—some say, too far into the background.

Had Chancellor Kohl and his diplomatic partners followed the proposal Lyndon LaRouche made in Berlin in Oct. 12, 1988, the entire development would have started with a development program for Poland, which would then have been extended to the western parts of the Soviet Union, East Germany, and the rest of Eastern Europe. Kohl and his partners chose another course, and stumbled into the turbulences of spring-summer 1989.

Chancellor Kohl has, however, never lost sight of the fact that next to German-Soviet relations, cooperation between Germans and Poles has a crucial importance. A few days before the formal unification of Germany, Kohl reiterated his firm intention to complete various initiatives toward Poland which had been frozen, and sign a long-term cooperation agreement with Warsaw early next year at the latest, after the Dec. 2 elections for all-German parliament.

At a pre-election meeting of his Christian Democratic Union (CDU) party near Frankfurt on Sept. 22, Kohl declared: “We will not be able to walk into a peaceful future if the relations between Germans and Poles do not develop in a way similar to the partnership and friendship achieved between the former wartime enemies Germany and France.”

The Kohl signal was taken up promptly by senior Polish politicians. A criticism of the British attacks on German unification issued in Polish earlier by the new Polish Ambassador to Germany, Janusz Reiter, was published in German. Calling for a clear “emphasis on confidence in the democratic Germany in spite of the fact that its potency also causes certain fears,” Reiter took the British view head-on: “The British Trade Secretary [Nicholas] Ridley had to resign from office not only because he showed a shameful tactlessness, but also committed an unforgivable political mistake.

“It is about time now,” Reiter continued, “to demonstrate more confidence in the Germans. It cannot be our aim, to avoid dependencies from Germany, but our aim must rather

be to enter a world in which everybody depends on each other and all are profiting from that.

"Soon, we shall be neighbors to the European Community which is represented along our borders by Germany. Let us hope that this is only a period of transition that is preparing the day Poles and Germans become neighbors within the European Community."

Lech Walesa, now a Polish presidential candidate, also presented a positive view of German unification, when he wrote in a special supplement to the *Frankfurter Allgemeine Zeitung* Sept. 29: "The unification of Germany is the most visible evidence of the fact that the partition of our continent that was decreed at Yalta is over. We welcome with joy what has occurred without violence or bloodshed, because overcoming all the consequences which the accords of Yalta that were repressing the peoples had, has always been the objective of Solidarnosc."

"Up to this day, Poland was cut off from Europe by hundreds of kilometers of the communist fortress of East Germany, surrounded by death strips and watchtowers. Only a simple river is between us and Europe, now. And it is not the case that we are expecting aid in the form of alms from our new rich neighbors. We are rather counting on a cooperation that is of use for both sides."

Cooperation is making progress, though slowly. At the close of September, future economic Polish-German relations was addressed in hints coming from Bonn and Warsaw about a share that Polish construction firms would be given in the joint German-Soviet home-building project. Polish construction workers would be employed in the project, partly to compensate for lost contracts with Iraq, in an agreement reached in principle between the German and Polish housing ministries in talks in Warsaw Sept. 27. Details still have to be worked out in view of the fact that construction workers from Czechoslovakia, Yugoslavia, and Turkey are to be integrated in the initial phase of the DM7.8 billion project.

The German government will also try to guarantee employment for construction and other workers from Poland now working in Germany—about 20,000 in the East, 10,000 in the West. In this context, the two German governments issued a decree shortly before their merger on Oct. 3 that Polish workers with fixed contracts in eastern Germany are no longer required for the time being to show a visa for entry to Germany. This is a minor move, but important in the broader perspective of Polish-German relations.

An important, nascent development is the agreement signed Sept. 26 between the port cities of Duisburg and Gdansk. Covering port management methods, loading-unloading technology, direct coordination of transport flows between both ports, and the study of future flows of trade, the agreement involves "cooperation between the biggest inland port of the world (Duisburg, Germany) and the biggest port at the Baltic Sea (Gdansk, Poland)."

But commerce is not all: Deeper values have to surface

prominently to create a stable basis for German-Polish cooperation. The Polish Minister of Culture, Isabella Cywinska, who was in Bonn on Sept. 26, addressed the issue when she told journalists: "Sometimes, the artists can achieve more in politics than the laws."

Mrs. Cywinska said that she hopes the rapprochement of both states will "develop on the road of culture, rather than through the merchants. . . . One day, there may develop a real friendship of the type existing between the Germans and the French."

## The role of France

This touches the theme of what role France, having long-standing historic ties to Poland, shall play in this context. There is no doubt that cooperation between Germany and Poland would not work if France objected. Throughout most of the 300 years between 1648 and 1945, the Polish issue has been a source of major frictions, sometimes even war, between France and Germany. French foreign policy after 1945, especially after the signing of the Franco-German Treaty of January 1963, has been improved, but frictions have remained to this day.

Because of this, it was important that Kohl recalled a period in European history that saw close cooperation between France, Germany, and Poland, when he gave his keynote address to the unification congress of the western and eastern German Christian Democrats in Hamburg Oct. 1. Kohl made direct reference to the spirit of the patriots that had gathered at Hambach Castle in May 1832—patriots from France, Germany, and Poland that were then united in their common struggle against the remains of the post-1815 Metternichian system of repression which was the historic model for the post-1945 system of Yalta. Kohl's emphasis on the Hambach event implied an appeal to revive the historic 1832 reunion of German, Polish, and French freedom fighters in the last decade of the 20th century.

Kohl paid special homage to Poland's Solidarnosc movement as having made reunification of Germany possible.

Kohl also said that "also for the united Germany, friendship with France will remain of vital importance." Kohl presented Franco-German cooperation on European affairs as the model for Eastern and Southeastern Europe. "For the building of a united Europe that is living in peace, German-Polish relations will have an outstanding weight. Without Franco-German friendship, the job of unifying Europe couldn't have been begun; without German-Polish partnership, it will not be possible to complete it," he said.

The German Chancellor paid tribute again to the Poles in his nationwide television address on Oct. 2, when he extended warm, special thanks to the "reform movements in Poland and Czechoslovakia which gave the people of East Germany the courage to stand up for their rights."

A lot has to be done to revive the Hambach spirit of 1832, but the cornerstones have been laid.

## Two members of the Vilnius Quartet: 'Beethoven's Ninth has united us all'

*In mid-May, just as the economic sanctions inflicted by Moscow on Lithuania began to take effect, and the West (led by Washington) all but flaunted its indifference to the fate of the Baltic states, the Vilnius Quartet played in the Federal Republic of Germany. The four—first violinist Audronė Vainiunaite and her colleague Petras Kunca, both trained by David Oistrakh, violist Donatas Katkus, and 'cellist Augustinas Vasiliauskas—spontaneously decided to give a benefit concert in Cologne for the "Medicine for Lithuania Initiative," which had been launched by the Lithuanian Culture Institute in the F.R.G. at the beginning of May. The Schiller Institute joined forces with the Culture Institute to organize these concerts.*

*The Vilnius Quartet, since its sensational debut in the West in 1972, when it won the first prize in the Quartet Competition in Lüttich, is one of the most renowned Eastern European chamber music groups. All four players are professors at the Conservatory in Vilnius and thus, former colleagues of Lithuanian President Vytautas Landsbergis. Since 1972 they have given more than 1,500 concerts worldwide, and they have mastered a repertoire of more than 250 works. With appearances at large international festivals in Eastern and Western Europe, Ibero-America and Asia, they have earned an excellent reputation.*

*In Cologne the Vilnius Quartet played the Quartet in E-flat Major, Op. 125 No. 1 by Franz Schubert, the Quartet No. 1 of the contemporary Lithuanian composer Vytautas Laurušas, and Ludwig van Beethoven's Op. 130 in B Major, in the original form in which Beethoven first composed it, closing with the Grosse Fuge (rather than the Allegro finale he later composed).*

*In a startling expression of gratitude, the audience showed the artists with bouquets in the Lithuanian national colors. "Some years ago, it would have created a political scandal to do that," remarked the violinist Petras Kunca later.*

*What follows is an interview granted to Ibykus magazine's Ortrun Cramer and Hartmut Cramer by violinist Audronė Vainiunaite and violist Donatas Katkus. It has been reprinted by permission of the editors of Ibykus magazine, and was translated from German by Marianna Wertz.*

**Ibykus:** First, hearty congratulations for the concert this evening. You come from Vilnius, the capital of Lithuania, and your President Landsbergis, truly quite unusually for a politician, has called on the whole world to support the Lithuanian freedom fight with classical music, and most of all with performances of Beethoven's Ninth Symphony. Why has he done that, and what was the response?

**Katkus:** Music unites all mankind, because music is universal and a language which everyone understands. Political language, and most of all party politics, is often misunderstood. If one, however, speaks about and, most importantly, through music, then one employs a language everyone can understand. And in Beethoven's Ninth Symphony, which one can characterize truly as the "Freedom Symphony," it is most particularly appropriate. This music is understandable for everyone: It is an expression of the highest art, but at the same time for every person, also directly significant.

This aspect of being outside parties and politics is very important. Landsbergis is a musical scientist and as such, not a narrow thinker; he is no mere academic specialist, but rather a man who has thought and written about *all* aspects of culture. What he has written always had a very definite culturally political reference. Landsbergis was the chairman of our composers' union, but also the chairman of the Union of Musical Scholars and Critics, besides being a musicologist. At his lectures he never dealt with subjects narrowly, but always in their political context. You must know, art was for us in Lithuania in the last 50 years the only field in which we have maintained our independence.

**Vainiunaite:** Indeed, this is really of greatest importance. For without our culture, without classical music, we would never have been able to endure the complete repression by Moscow, beginning with Stalin, through Brezhnev, until now with Gorbachov. It was truly the field in which we have maintained our human freedom in all these years.

**Katkus:** The arts, i.e., music and poetry—not prose, for it is too direct, too political—were truly free. Under the restrictions of Stalinism our poets—and we in Lithuania had and have very good poets—only symbolically depict truth, hence—

**Vainiunaite:** —write "between the lines."



*The Vilnius Quartet in concert: (left to right) violinists Audronė Vainiunaite and Petras Kunca, 'cellist Augustinas Vasiliauskas, violist Donatas Katkus.*

**Katkus:** Exactly, through poetry. And because we could only depict the truth in poetry and music, for this reason art is essential for us.

However, I would like to come back to President Landsbergis. He is not, as I have read here in German newspapers, a music professor, who has no practical knowledge at his disposal and no idea of politics. Landsbergis has an idea of politics and he understands the political situation very well. What we are living through is a new era. Humanists are going into politics; and humanists think a little differently from pragmatists. Because they have a special quality which I would like to signify as “space thinking.”

**Vainiunaite:** Indeed, this means these people make politics not only for themselves, not for the sake of their careers, but in fact for the good of the people. They are inspired by ideas and not possessed by striving for power. They are prepared to sacrifice and stand unselfishly for the development of the whole people. One seeks in vain in these humanist leaders the egoism, which one so frequently finds in ordinary politicians.

**Ibykus:** This independence which you have maintained in Lithuania in the field of art, how has it expressed itself in daily life?

**Katkus:** In this way, that our composers and our poets have expressed their own individuality in their works. We were allowed to perform these works, and that was very important

for us; for many people came to these performances. For example at the large festivals, where our poets appeared and recited their poetry. That made such an impression that many, many people cried. So they had a very strong common experience and had the feeling that we Lithuanians have a unique language and are a unique people, and are not, as Brezhnev for instance had always stressed, part of a Russian-speaking empire.

Besides culture, there was also another very important area in which to strengthen our feeling of independence: sports. For instance, the best basketball team in the Soviet Union came from Lithuania, and no matter how often the Moscow leadership stressed that there is no Lithuania, but only *one* Russia, only *one* language, only *one* culture, for us it was clear: All these different activities, in which we have gone on a somewhat special track, have naturally also strengthened our Lithuanian national feeling.

**Ibykus:** Recently Beethoven's Ninth Symphony was performed in Vilnius in front of the cathedral before many, many listeners—well over 100,000. How did the people react, what effect did this performance have? Were you there?

**Katkus:** No, unfortunately not, because we were at the time on a concert tour in Germany. But our families, our relatives, and friends were naturally there. And they have told us about it. It was something very special, something that is very difficult to describe. In such a situation music unites with—



**Vainiunaite:** —a political demonstration—

**Katkus:** Yes, yes, and a higher emotion. The consciousness of people who experienced it at first hand is raised. People hear the music with a special feeling, an emotion which is already “prepared.” Music like Beethoven’s Ninth symbolizes something, and something very important: freedom. And for that reason, music in such a situation produces a strong effect, with greater power than in other occasions. This you can no doubt recognize by the fact that not all of the audience had heard everything, because the plaza was very large and the acoustics naturally correspondingly bad. But everyone there was emotionally involved with the music. It was a great event, as already said, a great political demonstration.

**Vainiunaite:** We are living in a very interesting time. The revolution proves it; it developed peacefully and without weapons, though Moscow still is always seeking to intimidate us with tanks. But in opposition we put our spirited power. All the people in Lithuania, especially the intellectuals, are united by the newly won freedom, and most of all Beethoven’s Ninth Symphony has brought us together. With this music we have united Lithuanians in spirit. That is a wonderful power, much stronger than weapons could produce.

**Katkus:** We Lithuanians have an interesting history. For we have a unique language, which traces back from Sanskrit; it is in fact quite similar to it. If I, who know no Sanskrit, read a text in Sanskrit, then I have a fantastic feeling, as though I were reading something in Lithuanian, but not understanding it. This tradition—one could call it the Indian tradition—points also elsewhere. We are, for example, very peaceful; we are not nationalistic, though naturally patriotic; i.e., we have nothing against other lands, nations or people—altogether different from the Russians, who now make great difficulties for us and greatly grieve us. We, however, speak and keep very calm in the face of the Russians, we discuss with them, etc.

**Ibykus:** How do you perceive the Western governments, and most of all the posture of the Bush administration, who have not supported Lithuania in this difficult situation?

**Katkus:** We understand the international situation and also the worldwide problem, which proceeds with our fight for independence. We understand if the newspapers here [in Germany] write that Lithuania is “too impatient, it wants independence much too quickly.” We understand all of this. However, one could express in opposition, that the German reunification process proceeds too quickly, and indeed much quicker than the political process with us. But: “Germany is a great country,” it is said, “it must be so. But Lithuania is small; Lithuanians can wait a little. Not now.”

We understand politicians, who calculate and weigh everything. But we want nothing but justice, truth, and freedom. We know that our aspirations don’t fit in the great political calculus. Take the example of the Russian Empire.

The people of the West knew almost *nothing* of the Russian Empire. But now, because of Moscow’s posture against Lithuania and the other Baltic states, they begin to understand it.

The development in the Baltics is thus somewhat of a test case: If perestroika is a genuine thing and not only a tactical retreat, to gather forces and prepare a great aggression against the whole world, then there exists no reason to withhold from the Baltic states their independence, freedom, and neutrality. If Russia has no aggressive intentions, then our fight for independence is no danger, for we are peaceful neighbors.

**Ibykus:** To come back once more to President Landsbergis. He is a musical scientist and pianist—

**Vainiunaite:** Yes, and a leading thinker in Lithuania. One of the intellectuals, who has always put himself on the side of the people. And the fact that he was selected as President, is an expression of the people’s trust in him. We artists have known him very long and very well.

**Ibykus:** The news has it that he has a piano in his office in the Parliament, which he always plays if he must solve a difficult political problem.

**Vainiunaite:** Indeed, and this has also already become the subject of anecdotes about him. The most recent, my daughter brought back from school recently: “Landsbergis now has a nine-hour day.” “Why does he work *nine* hours?” “Eight hours in the Supreme Soviet and one hour on the piano.”

**Katkus:** There is another anecdote, which aims in the same direction. “Landsbergis can play good chess. Yes, very good. So good, that he once beat a Russian grand master.” That is in reality a joke; but it is true, that Landsbergis is an excellent chess player.

**Ibykus:** Do you believe that you will win your fight in Lithuania?

**Katkus:** Yes, because Gorbachov can indeed do everything to us; he can even shoot at us. But two things he cannot do: He cannot change our thoughts, and he cannot change the economic order. At least not at once. And it is in any case not to be done with united appeals and letters.

**Ibykus:** What is happening with Gorbachov’s decreed economic sanctions against your land?

**Vainiunaite:** They naturally have a terrible effect. Many people in Lithuania are unemployed, food is becoming scarce, one can only obtain it with ration cards. Yet no one must go hungry, but the quality of food which we have is very poor; for the most part there is only rice. As you know, there is a shortage of all medicines. But despite these difficulties, we do not give up. Freedom and independence are the most important things.

**Katkus:** You know, in the end the truth will also seep through here; in the Soviet Union nothing works, absolutely nothing; also not the economic sanctions.

# Baker feeds Lebanese to Syrian butchers

by Jeffrey Steinberg

The Bush administration's newest ally in the Mideast, Syrian dictator and narco-terrorist sponsor Hafez al-Assad, has launched the "final solution" to the Lebanon crisis by beginning to starve and massacre the Christian population of East Beirut. The Syrian escalation came within a week of U.S. Secretary of State James Baker III's visit to the Syrian capital Damascus, in which he reportedly forged deep ties with Syria and gave Washington's blessing to the elimination of Lebanon's legitimate Prime Minister, Gen. Michel Aoun.

On Sept. 27, the Syrian-backed puppet regime of President Elias Hrawi announced that a full-scale military siege of East Beirut's "liberated zone" would commence immediately. Units of the military force under the direction of Gen. Emil Lahoud, reportedly bolstered by members of the Lebanese Forces of Dr. Samir Geagea, set up blockades of all roads leading into the 100 square mile area of East Beirut surrounding the presidential palace, headquarters of General Aoun.

## The Oct. 1 massacre

On Oct. 1, General Lahoud's troops began firing on a peaceful demonstration of 15,000 East Beirut residents—most of them Christians—protesting the siege and showing their solidarity with General Aoun's defense of Lebanon's independence and sovereignty. Some 25 demonstrators were murdered, and another 85 were wounded before the massacre ended. According to Lebanese sources, the 15,000 demonstrators were one of several groups demonstrating in both East and West Beirut in protest over Syria's de facto annexation of the country. Reportedly, tens of thousands of Sunni Muslims in West Beirut intended to link up with the Christians demonstrating across the Green Line in the "liberated zone" of the divided city. Had the two groups joined together, it would have represented a significant step toward rallying nationwide support for the Aoun resistance.

According to the sources, dissident members of the Lebanese Forces, operating against the orders of Dr. Geagea, carried out the massacre of the demonstrators.

The next day, hundreds of thousands of East Beirut citizens held a candlelight vigil at the site of the massacre, a bridge crossing the Dead River. A half-million people were expected to turn out for the funeral for the martyrs on Oct. 3. The Oct. 1 slaughter was virtually blacked out of the U.S. press. The scant news accounts attempted to downplay the

role of the Syrian government in the massacre, portraying it as merely another outbreak of fighting among rival Christian groups. And in fact, since the Baker trip to Damascus, a systematic effort has been made to distance the Assad regime from events in Lebanon, a maneuver taken in response to warnings from the French government among others that the nations of Europe would not "condone passively" actions by Washington and Damascus to move militarily against East Beirut.

To further the charade of an "independent" Lebanese government puppet "President" Hrawi, who was anointed at the Taif, Saudi Arabia meeting early this year, announced in mid-September that he was abrogating the Lebanese Constitution of 1941 and constituting a "second republic."

It was in the name of this second republic that Hrawi announced the siege of East Beirut on Sept. 27.

American and Mideast intelligence sources canvassed by *EIR* all agree that the Bush administration has given Hafez al-Assad a green light to complete the absorption of Lebanon into "Greater Syria."

Reportedly, the Bush administration has obtained permission from the Assad regime to use Syrian air space to carry out air attacks against Iraq. According to one source, the use of the Syrian air corridor was necessitated by the presence of sophisticated Soviet-manned electronic countermeasure (ECM) batteries inside Iraq. The U.S. reportedly does not wish to conduct bombing raids through areas secured by the Soviet equipment.

According to a prominent Arab journalist, the Baker-Assad deal involved a broader understanding of how the Mideast would be carved up among Syria, Israel, Iran, and Saudi Arabia following a full-scale war against Saddam Hussein. Syria would absorb Lebanon and parts of Iraq, Israel would permanently annex the West Bank and Gaza, and the Golan Heights on the Israeli-Syrian border would become a demilitarized zone. Both Lebanon and the Hashemite regime in Jordan would cease to exist under the new Anglo-American-drawn "lines in the sand."

According to Lebanese-American sources close to General Aoun, the people of East Beirut have rallied in support of the general, and plan to take immediate steps to break the blockade of the liberated zone. Reportedly, the Aoun loyalists plan to march on the checkpoint at the Addwar Crossroad and overrun the military barriers.

Such a direct confrontation will accomplish several things. It will place the necessary international spotlight on the unfolding events in Lebanon. It will force Assad's hand at a point when he is encountering mounting domestic opposition for his slavish assistance to the Bush administration. Will Assad put his personal stamp on a massacre in Lebanon by sending Syrian forces directly into the fray? Or will he step back and attempt to play a balancing game between the growing clout of General Aoun and his own puppet in the Taif group?

# Indian government bungling aggravates religious disorder, economic turmoil

by Ramtanu Maitra and Susan Maitra

The unstable minority government of the Janata Dal and its National Front coalition partners in New Delhi has a monumental crisis on its hands that is largely of its own making. Following the government's adoption of an affirmative action program to alleviate the conditions of the backward castes, virtually the entirety of northern India has been up in flames.

The Janata Dal government already had a tough challenge before it in guiding the Indian economy through a minefield of ballooning deficits, a foreign exchange shortage, and resource and infrastructure constraints, not to mention the impact of the Persian Gulf crisis. Now, analysts fear, hasty embrace by the government of Prime Minister V.P. Singh of the affirmative action—or "reservation"—policy has placed India on the path for a prolonged period of instability, in which the dreadful prospect of full-fledged caste war cannot be ruled out.

Though it is now a foregone conclusion that the country is headed for a mid-term poll, maybe as soon as next year, the more basic question is how to contain the forces of divisiveness that have been unleashed, and to put the country back on the right track again.

## Political and communal powder keg

From the outset, the Janata Dal government was confronted with problems of secession in the states of Kashmir and Punjab in the northwest, and Assam in the northeast.

Religious tensions, which centered on the movement to construct a Hindu temple at Ayodhya where a Muslim mosque already exists, were stoking Hindu-Muslim tensions in eastern Uttar Pradesh, the most populous Indian state. In each instance, the constant, internal leadership jockeying and factionalizing within the Janata Dal made a firm and coherent approach to the problem impossible. The Ayodhya affair is a case in point.

While Prime Minister V.P. Singh has shown little ability to defuse the tension, one of the minority government partners, the Bharatiya Janata Party, which promotes Hindu chauvinism, has given a clarion call to all Hindus asking them to do everything to get the temple built. A chariot procession from Gujarat to Ayodhya has begun under the

leadership of the Bharatiya Janata Party chief L.K. Advani. The purpose is to whip up a Hindu fundamentalist frenzy during the journey, which will traverse 750 kilometers over a one-month period. The chariot is due to arrive at Ayodhya on Oct. 30, the day temple construction is to begin.

But if Prime Minister Singh has been less than decisive on the temple issue, it is perhaps because he has his own agenda. On Aug. 7, apparently to stave off a challenge to his leadership and to win over a huge vote bank, the prime minister announced implementation of a plan that would reserve 27% of the central government jobs for the socially backward castes—a majority of the Hindu population (see *EIR*, Sept. 14, 1990, p. 48). Although socially backward castes vary from state to state (for example, one caste is considered backward in Uttar Pradesh but forward in Haryana), and the issue is not as clear-cut as it is made out to be, the prime minister did not discuss the matter with the electorate before taking such a monumental decision.

The result has been catastrophic. Those who oppose the decision are asking for Singh's resignation, but the issue has become ripe for exploitation by one and all. Meanwhile, northern India has been plunged into violence. The Army has been called in to patrol areas in the states of Haryana and Himachal Pradesh, both of which border the already-disturbed Punjab, and not far from the other troubled state that abuts Pakistan, Kashmir. In the capital of Delhi, where reactions were severe, life has been partially paralyzed, with very little business transacted. In about six weeks of protest, some 100 people have been killed, including nearly 20 attempted self-immolations.

All this and more has apparently not shaken the prime minister's total commitment to the "reservation" route of social reform. Singh made it clear in a recent interview with the *Times of India* that as far as he is concerned, the policy has come to stay. Issuing a veiled threat to his detractors who are involved in violence and disruption, the prime minister said, "No. We have not lost our large support. Only we have advised our supporters to be restrained so that conflict does not flare up."

There is no telling how long such restraint will hold good.

If it does not, a large part of India will be immersed in a bloody caste war. There are indications that such restraints have already broken down, at least in the state of Himachal Pradesh.

### **Economic situation is grim**

The explosive social dynamics unleashed by the Janata Dal government are like sparks to the tinder of an overall economic situation that is perhaps grimmer than ever before. The country is staggering under internal and foreign debt to the point that it is not in a position to push ahead with vital developmental programs. The much vaunted Five Year Plan, scheduled to begin in 1990, is now set for an indefinite delay.

Already there is talk of a "plan holiday," necessitated by the growing revenue deficit that has begun to squeeze out investment. The \$340 billion plan will face a \$17 billion deficit, it is now reckoned. Against an average \$3.5 billion annual deficit projected by the Planning Commission, the main body behind formulation of the Five Year Plans, the federal deficit for 1990-91 now stands at \$5.2 billion.

The effect of the squeeze on investment is already visible. The government is not going to clear several pending projects for six months to one year, to cut down on expenditure not in the Five Year Plan. Steel and petrochemical plants are among the projects put on hold, Deputy Finance Minister Anil Shastri told reporters recently. At the same time, production targets for coal, power, steel, and railways are to be decreased in the current fiscal year.

Already, according to the *Economic Times*, first-quarter performance in these sectors has been significantly below target. What is worse, officials predict that the trend will continue through at least the next quarter. The key bottleneck seems to be coal production. Lack of adequate supply of coal has affected both the steel and power sectors, and the reduction of coal deliveries has cut into rail freight earnings. In the first quarter alone, the railways lost about 3 million tons of traffic.

As analysts in New Delhi point out, the coal, steel, power, and rail transport sectors account for some 26% of total economic activity in the country, and have massive downstream effects on every other industry. Unless their production is on target, there is no hope of reaching the 5.5% growth target proposed for the Eighth Plan.

In addition, a foreign exchange crunch which saw foreign exchange reserves dwindle to little more than a month's worth of imports, has led the government to attempt to cut back capital goods imports.

If this policy is pushed through, it will have a telling effect on both the export and domestic front. Downstream industries which depend on the production facilitated by imported capital goods will soon be facing underutilization of their capacity. At the same time, a large amount of the manufactured goods exported by Indian industry depends on imported capital goods.

Underutilization of manufacturing capacity can also be counted on to further fuel inflationary pressures. Already indications are that India will experience double-digit inflation this year. In many states, the major cause of dissension is the rising price of various basic commodities. Finance Minister Madhu Dandavate has already warned that gasoline price will be hiked further. The oil price rise will, in its turn, further fuel inflation, an issue which by itself can bring the government in Delhi down.

### **Gulf oil, Gulf refugees**

In this difficult economic bind, the Persian Gulf crisis comes as a severe blow. The direct additional cost of importing oil alone for India will come close to \$2.4 billion, according to an estimate made by the Ministry of Finance. The study assumes an average crude oil price in the next 12-month period of about \$25 per barrel. In reality, however, the oil price has already exceeded the stated estimate and, if a war breaks out in the Persian Gulf, the oil price may go as high as \$65 per barrel.

But that is not the only consideration for India.

The Indian government has had to evacuate some 200,000 Indian migrant workers from Kuwait and Iraq. With the going cost of about \$1,000 per person, India will be spending another \$200 million bringing these people home. Moreover, some \$1 billion in foreign remittances will evaporate from India's balance of payments with the repatriation of the migrant workers.

All in all, India will be some \$4 billion poorer in the coming year as a result of the crisis in the Persian Gulf. These foreign exchange shortfalls, coupled with an estimated \$7.0 billion or so in the balance of trade deficit during the fiscal year, will put India in a hole. The country has already accrued a foreign debt of about \$60 billion.

### **Seeking credit to tide over**

It was thus little consolation for India that, after much haggling, the International Monetary Fund agreed to provide assistance of \$1 billion under the Compensatory and Contingency Financing Facility (CCFF) to tide India over. It is evident that India will have to seek loans elsewhere too, most likely from the commercial banks at a higher interest rate to make up the ensuring shortfall.

The growing foreign debt and damaging impact of the Gulf crisis on India's economic health will in turn provide an opportunity to commercial banks to hike up interest rates for any money it parts with. Already, Standard & Poors, in its latest report on the economic status of borrowing countries, has downgraded India to the "BBB" category. Another leading credit agency in the United States, Moody's Investors Service, downgraded India's rating to the A-2 category. Significantly, in its report Standard & Poors cited India's political instability as one of the reasons why the country's credit rating was downgraded.

# Pakistan's elections under U.S. shadow

by Ramtanu Maitra

As Pakistan goes to the polls for the second time within two years, the fate of the recently deposed Prime Minister Benazir Bhutto, who heads the Pakistan People's Party (PPP), the country's largest political party, hangs in the balance. Whether the Oct. 24 elections will result in chaos or a new government will be determined largely by what happens in the coming days inside Pakistan, as well as by the policy Washington chooses to adopt for the immediate future of Pakistan.

Presently there is every indication that the promised election of a new parliament, and thereby a new government, will indeed occur. Not surprisingly, Bhutto's status, along with that of the PPP, has become the key issue. When President Ghulam Ishaq Khan peremptorily dismissed all four provincial governments and assemblies, the national government, and national assembly on Aug. 6 and charged the ruling PPP with gross incompetence and widespread corruption, it seemed that Bhutto, the first woman prime minister of an Islamic state, had reached the end of her rope. A massive investigation to establish financial wrongdoing by her 19-month-old government was launched by the President's handpicked "caretaker government." It was trumpeted that charges of misuse of power and funds—even treason—would be brought against Bhutto. At that point many political observers believed the PPP would be sidelined and the Combined Opposition would romp home in the coming general elections.

But things have not exactly worked out according to plan. Initial claims that Benazir Bhutto would be tried for treason came to nought when, after weeks of investigating, the caretaker Home Minister had to announce that there was no evidence to substantiate such charges. Almost a dozen investigations to nail the PPP for financial wrongdoing have also foundered.

Still, tribunals set up in Lahore and Karachi have succeeded in dragging Bhutto to court to defend herself and have put a damper on her election campaign. The Lahore tribunal has established what has been advertised as a *prima facie* case against Bhutto for using her authority as prime minister to sanction propane gas connections to members of her "coterie" and with allotting 287 acres of prime land in Islamabad to a company. The Karachi tribunal, which has already summoned Bhutto to appear, has accused her of making an unauthorized appointment of a consultant for the Karachi Electrical Undertaking. At the same time rumors are afloat that

the caretaker government is contemplating fresh charges of misuse of funds to bribe legislators and of tapping telephones of friends and foes alike.

If the charges pressed are laughable, the caretaker government seems determined to proceed with its "accountability drive" against the Bhutto government nonetheless. Indeed it has little choice. Failure to nail the PPP is tantamount to admitting that the presidential decree which brought the PPP government down was an act of bad faith pure and simple. Already Bhutto has scored a surprising victory in the form of a Peshawar High Court order restoring the Northwest Frontier Province (NWFP) assembly and government. Although the caretaker government has appealed to the Supreme Court, the PPP is continuing its legal-judicial offensive to reestablish all the provincial assemblies and the national assembly, and thereby prove Bhutto's claim that President Ishaq Khan's Aug. 6 action was based on "*mala fide* intentions."

## Bhutto's opposition united in disarray

Meanwhile, the electoral battle against the PPP, which the opposition expected to win hands down following the President's denunciation of PPP rule, looks murkier than ever. Though the opposition vowed to combine against the PPP and deal it a death blow, it is still bickering over leadership and seat adjustments. The feud between Mohammad Khan Junejo and Mian Nawaz Sharif, two stalwarts of the Pakistan Muslim League, the key component of the opposition Islamic Jamahoori Ittehad (IJI) alliance, has gone from bad to worse.

Equally hollow so far has been the loud and solemn vow by Ghulam Mustafa Khar, a political renegade with reputed connection to the Army, who has changed party affiliations as often as he has changed wives, that he would "remove Benazir Bhutto from the political scene." Khar, a former PPP chief minister of Punjab, broke with Bhutto for the second time in July and jumped onto the caretakers' bandwagon. But the fact is that neither Junejo nor Sharif has an iota of trust in Khar, so his effectiveness against the PPP is likely to remain dubious.

The upshot of all this is that Bhutto's PPP may do well enough in the coming elections to emerge again as the single largest political grouping, and pose serious problems to both the President and Bhutto's sworn opponents.

## How the U.S. views Bhutto

Behind this cameo scene the shadow of Uncle Sam looms large. Many political observers have no disagreement with Bhutto's conclusion that President Ishaq Khan dismissed the PPP government to facilitate the U.S. request for Pakistani troop deployment in Saudi Arabia to counter the mythical threat of an Iraqi invasion. There are reasons to believe that Bhutto might have balked on the issue. But this is not to say that Bhutto is considered an "enemy" by Washington, or that

Washington might be upset seeing her as prime minister again.

Rather, there are clear indications that Washington may not tolerate further harassment of Bhutto. A recent letter to President Bush by Rep. Stephen J. Solarz (D-N.Y.), chairman of the House Subcommittee on Asian and Pacific Affairs and a personal friend of Bhutto, drew the American President's attention to the reports of nuclear weapons development by Pakistan and urged him to cut off military and economic aid to Islamabad. The letter was clearly meant to exert pressure: The money at stake is \$500 million, not negligible in light of Pakistan's depleted foreign exchange reserves, now under even greater strain due to increasing oil prices and the return of Pakistani migrant workers from Iraq and Kuwait.

President Bush subsequently announced that he would withhold certification of Pakistan's "nuclear weapons-free" status, the precondition for new aid, until after the Oct. 24 elections. The Pakistani establishment, and the Army in particular, can ill afford strained relations with the U.S. at this point and is expected to make any deal necessary, which may well include reinstatement of Bhutto as prime minister if she wins the elections.

It has also been evident that Washington is not particularly enamored with the Pakistani opposition. U.S. Ambassador Robert B. Oakley provoked an uproar among the anti-Bhutto crowd in Pakistan with a remark at an Asia Society seminar in New York Sept. 11. Oakley, speaking personally, said that if Bhutto's government is held accountable by the caretaker regime, it would be proper to hold the Junejo government similarly accountable for its tenure from 1985-88—lest the proceedings "inevitably be seen as partisan and further divide the country."

At a press conference on Sept. 17, the caretaker Interior Minister Zahid Sarfraz angrily retorted: "Mr. Oakley's behavior is like a viceroy's and not an ambassador's. . . . Why should a U.S. team come to observe our conduct?" Within days, Ambassador Oakley interrupted his leave to return to Islamabad with a personal letter from President Bush to President Ishaq Khan in hand.

The letter has not been made public. But, while those upset with Oakley consoled themselves that Bush had apologized on his behalf, leaks in the Pakistani media assert the letter dealt with an increased Pakistani role in the U.S. Gulf deployment and with the handling of Benazir Bhutto. Whatever may be the actual content of the letter, it is well known that Bhutto does have friends in powerful positions in the United States who would be unlikely to stand by and allow the opposition to persecute her and throw the country into yet another turmoil.

Under the circumstances, President Ishaq Khan is under almost as much pressure as Bhutto herself. If Bhutto and the PPP do well in the coming elections, which is not an unlikely prospect as things now stand, President Ishaq Khan might decide to accept Bhutto's suggestion and resign before things get too embarrassing.

## Collor imposes green agenda on Brazil

by Silvia Palacios

When Brazilian President Fernando Collor de Mello came to the United States in late September to open the United Nations General Assembly session, he spelled out his decision to switch Brazil's national priorities. Collor repeatedly made it clear that Brazil would abandon any attempt to gain technological autonomy; instead, it would tie its hands and surrender to ecologism and to the one-worldist agenda of the great powers, in the illusory hope that they would generously help Brazil become a developed nation.

At the opening ceremony in New York, President Collor announced that Brazil had finally accepted limiting its development of nuclear energy, even for peaceful purposes. He stated, "The moment has come to go further" than the 1967 Tlatelolco Treaty by which most countries in the Americas have renounced all nuclear weapons. "Today's Brazil discards the idea of any experiment which implies nuclear explosions, even though they be for peaceful ends; and it hopes that other countries consider taking the same path." This was from a country which once had the Third World's most ambitious peaceful nuclear development plans.

Collor went so far as to describe the upcoming United Nations Conference on Environment and Development to be held in Brazil in 1992 as "perhaps the most important international meeting of the century."

### Dumping Friedrich List for John Lennon

To give a living example of the new character of the Brazilian government, President Collor de Mello had the gall to go jogging in New York's Central Park wearing a T-shirt blaring "GREEN, I want you alive." And, if that weren't enough, he gave a show of what he treasures as "modernity" by placing a flower on the plaque honoring the assassinated drug addict John Lennon of the Beatles.

The Brazilian government's new international postures naturally provoked unusual enthusiasm in the Anglo-American Establishment. President George Bush, when meeting with Collor Sept. 30, praised him for his firm decision against nuclear energy development. U.S. Arms Control and Disarmament Agency assistant director Gordon Bradley was quoted in the daily *O Globo* Sept. 28 declaring on the eve of Collor's U.S. visit, "We hope that, in the future, both Brazil and Argentina will permit the International Atomic Energy Agency to inspect their nuclear installations."

The unusual support of 30 U.S. senators for virtually the

entirety of Collor's reform program was even more illustrative of Brazil's compromising itself to the limited sovereignty system. The document they sent President Collor was drafted by Sen. Timothy Wirth (D-Colo.), who busies himself shutting down productive industry through mislabeled "Clean Air" legislation.

The document also places great importance on the presence of two avid malthusians in Collor's cabinet: "Your nomination of Dr. José Lutzenberger to be National Secretary of the Environment and of Dr. José Goldemberg to be National Secretary of Science and Technology are very positive signs of your commitment to a new era of Brazilian development." It adds, "one of the great challenges you undoubtedly must face is balancing the necessity to administer natural resources and control pollution with urgent economic needs, chronic poverty and the foreign debt burden. . . . We agree that solutions to these difficulties must be considered jointly. In particular, links between negotiations for debt reduction and environmental protection are very promising."

It is precisely through this debt-for-nature formula that the one-worldists hope to get Brazil to relinquish sovereignty over part of the Amazon jungle.

Collor, accompanied by Lutzenberger, a fanatic of pagan New Age ideas, met on Sept. 26 with Maurice Strong, the general secretary of the 1992 U.N. Conference on Environment and Development. On discussing "self-sustained development"—which is nothing but a return to the Stone Age—Strong insisted that the upcoming meeting must propose fundamental changes in the "economic development model." Lutzenberger added, "It is necessary to deal with the economies and change the economic thinking and programs of the industrialized countries. If everybody wanted to have the number of automobiles there are in the United States, there would be five billion [autos] and we would all be poisoned, dead," he lied.

The Establishment's euphoria over Collor follows from decades of pressure and blackmail of all kinds against Brazil by the superpowers to block its legitimate aspiration to sovereign mastery of advanced technologies. These maneuvers were particularly active during Jimmy Carter's Trilateral Commission-controlled administration.

### **Neo-liberalism and environmentalism**

The neo-liberal ecologist conception, which is fundamentally opposed to sovereign industrial and technological development, was defined by President Collor in his Sept. 10 review of his first six months of government. He instructed his cabinet that all their actions be guided by ecology and "human rights." "Economic stability will be the norm," he declared, "and ecological concerns will orient growth efforts. . . . Today, the cause of human rights comes first among all the government's causes."

What stood out most, however, was Collor's historical reference. He told the United Nations, "Following the exam-

ple of what the nation faced in 1822, we today also have the obligation to be in the vanguard, inspired by the values of our time. With independence, a new relationship was defined between the country and the world."

Unfortunately, 1822 was not the Brazilian nation's most fruitful period. It was precisely in that year that the most atrocious economic liberal regime, imposed by England by means of the Rothschild banking house, subjected the country to decades of being a mere colonial producer of raw materials and delayed its industrialization process for more than 100 years.

### **Collor's Achilles Heel: Brazilians**

Although this project has international support, it is not supported by the forces within Brazil which have shaped its major national institutions. Thus, President Collor has put himself on a confrontation course with the Brazilian military-industrial establishment, responsible for Brazil's great economic development during several stages of the country's history since the 1930s.

On Sept. 18, Collor traveled with an entourage of his military, technology, and environment ministers to the Cachimbo Mountains in the Amazon. They went to fill up a shaft dug by the aviation ministry to store nuclear waste. The message was clear: The President was putting the brakes on all technological initiatives by the Armed Forces which do not fit into the ecologist vision.

Even more, according to the daily *O Globo* of Sept. 27, Collor emphasized in meetings with U.S. businessmen and politicians at David Rockefeller's Council of the Americas that his government would slow down the nuclear programs developed by the Brazilian Armed Forces. And, at lunch with journalists, Collor revealed for the first time that upon taking office, he had ordered that an alleged military nuclear project called "Operation Solimões" be immediately canceled.

In the face of these attacks, as well as the Collor government's cancellation of all technological cooperation with Iraq, Air Force general Hugo Piva, one of the architects of the Brazilian aerospace program and a protagonist of cooperation with Iraq, told journalists on Sept. 25 that he disagreed with President Collor's policy of limiting technological cooperation with other Third World nations. "This is a mistake," said the retired officer. "Such a measure would mean a regression for Brazil. We would return to being stuck in dependency on exporting iron, beans, and coffee, when we could earn much more by transferring technology and intelligence."

Due to its many and ever more frequent differences with the armed forces, the Collor regime has begun to be described in Brasília as a "belated Alfonsínism." The reference is to former Argentine President Raúl Alfonsín, who, on the pretext of waging a campaign in defense of human rights, in fact began to dismantle the Argentine Armed Forces by subjecting them to "bread and water" budgets.

# Colombian terrorists get olive branch

by Andrea Olivieri

Colombian President César Gaviria's amazing "double-jointedness" is gaining international notoriety, for the head of state has bent over so far backwards to accommodate the narco-terrorists who have declared war on his country, that many wonder if his backbone can still be intact. His latest announcement, made on the eve of a Sept. 27 departure for the United States, was to offer the country's bloodiest narco-terrorist groups, the Moscow-run FARC and the Cuba-trained ELN, four unprecedented concessions in the name of "peace":

- 1) to create a negotiating commission, including high-level government officials and notables, to establish the parameters for the "new peace process";

- 2) to permit international oversight (Amnesty International, Red Cross, etc.) over this peace process;

- 3) to grant the terrorists "belligerent" status under Protocols I and II of the Geneva Convention on "humanization of war"; and

- 4) to establish mechanisms for safeguarding the human rights of these so-called insurgents.

The immediate response of the ELN and FARC was to issue still further demands to the government, including the abolishing of extradition as a government weapon against the drug traffickers, a lifting of the state of siege which was imposed following the mafia assassination of presidential candidate Luis Carlos Galán in August 1989, their guaranteed participation in a National Constituent Assembly intended to "reform" the Colombian constitution, and the implementation of programs to "protect" Colombia's natural resources from multinational exploitation.

The FARC, the armed wing of the Colombian Communist Party, has become known in recent years as the "Third Cartel" because of its extensive involvement in the cocaine trade as a means of self-financing its insurgency. The ELN started out in the 1970s as a small, Cuban-backed guerrilla force on the Che Guevara model, until it was adopted by Armand Hammer's Occidental Petroleum during the mid-1980s, when it was converted into a highly efficient sabotage force against the country's petroleum infrastructure. Recently the ELN has been dubbed "Pablo Escobar's personal army," a reference to the protection services the ELN has

reportedly provided the fugitive head of the Medellín Cartel.

In an Oct. 1 interview with the Communist Party's *Voz* weekly, ELN head Manuel Pérez answered Gaviria's offer by insisting that his group would never surrender its weapons. "These terms do not exist in our vocabulary." He pledged that terrorist attacks on the oil pipelines and installations would continue, with the modification that they would "revise the form of sabotage so as not to produce ecological damage." He warned Gaviria that he was very much mistaken to think that the ELN was weak and could be taken advantage of. Rather, said Pérez, we are "a guerrilla movement in full bloom." The fact that *Voz* published the interview was widely viewed as a signal that the FARC fully shared Pérez's view on the matter.

## A message to the narcos

The Gaviria offer to the ELN and FARC was immediately denounced by Enrique Santos Calderón, columnist for the daily *El Tiempo*, as a veiled message to the drug traffickers that the more violent their demands, the more likely that they could wring similar concessions from the government. Santos is the brother of *El Tiempo's* managing editor Francisco Santos, who was kidnaped and is currently being held by the drug traffickers in exchange for what they term "political treatment" by the government. Wrote Santos, since the Gaviria proposal was made while the guerrillas were "in full offensive, doesn't this tell the Extraditables [the cartel chiefs who are under indictment in the U.S.] that the best way to proceed is to return to the harshest, most violent actions, to be listened to?"

Santos's comments reflected growing recognition on the part of most Colombians—even those like Santos who have long advocated drug legalization and an end to extradition—that President Gaviria has effectively abandoned the fight against drugs. The head of state's U.S. visit was the clearest indication of this, for sitting at his right hand during the National Press Club speech Gaviria gave in Washington on Sept. 28 was Antonio Navarro Wolf, the "former" head of the narco-terrorist M-19 which murdered half the Supreme Court in November 1985 on orders of the drug cartels. Navarro Wolf is now Gaviria's minister of health. And yet, during Gaviria's National Press Club speech, he waxed eloquent about his commitment to eradicate drug traffickers and narco-terrorists. "They are plain criminals: We will never negotiate with them," was his hypocritical pledge.

Gaviria also reversed his usual pointed criticism of the United States for its failure to back words with deeds in supporting Colombia's anti-drug efforts. This time, during the question and answer period following his presentation, when he was asked what the U.S. could do to back the war on drugs, he answered that the U.S. was making a great effort, and that it was Europe and Japan which must do more. "I am impressed by Bush's will to support Colombia," he told the surprised audience.



# Yugoslavia heads for dismemberment

by Konstantin George

A fatal mix provided by the economic effects of the Gulf crisis and a resurgent Greater Serbian chauvinism in Yugoslavia has created the potential for local wars and superpower outside military interventions in the Balkans, known traditionally as the powder keg of Europe.

Yugoslavia was already in the throes of economic collapse marked by the ruin of living standards through hyperinflation and mass unemployment. Economic misery, worst felt in the more backward eastern half of the country, dominated by Serbia, has been exploited by Serbian demagogues, led by Serbia's President, Slobodan Milosevic. A Serbian chauvinist mass movement has been formed within Serbia and among the hundreds of thousands of Serbs who comprise large minorities in the central republic of Bosnia and the western republic of Croatia. The movement's platform is to redraw the Yugoslav map to create a Greater Serbia "uniting all Serbs" under one rule.

The \$2 billion in added costs deriving from the Persian Gulf upheaval for the remainder of 1990 alone, has taken away the last hopes for politically containing the inter-ethnic conflict, and opened the final phase of Yugoslavia's dismemberment.

On Oct. 1 an armed revolt was launched by the 600,000-strong Serbian minority which makes up 12% of Croatia's population, against Croatia's first non-Communist, democratically elected government. Concentrated in Croatia's Knin region, armed Serbs have set up barricades, blocking road and rail traffic, and declared their autonomy. The Serbian minority announced that should Croatia try either to suppress this "autonomy," or move either toward independence or toward becoming a loosely affiliated confederated member of Yugoslavia, then the Serbian minority would secede from Croatia and join a Greater Serbia.

In a carefully scripted move, Croatia's Serbian minority "appealed" to Serbia and to Yugoslav President Borislav Jovic, himself a Serb, "to take steps to stop the repression in Croatia." Serbia's response arrived within hours, in the form of a declaration by Milosevic: "The Presidency of Serbia demands that the Yugoslav Presidency take urgent measures for the federal organs to perform their constitutional duty. The Serbian Presidency demands that the Yugoslav Presidency protect Yugoslav citizens of Serbian nationality from the repression which they are exposed to in Croatia."

No "repression" of any sort had occurred in Croatia—

not even normal police action against what was clearly armed insurgency. The Croatian government was only too aware that any move by Croatian police to crush the Knin disturbances would be seized upon as the pretext for sending the Serbian-controlled Yugoslav Army into Croatia. Croatia's government warned on Oct. 1: "This [Serbian declaration] is very serious. It is a request for military intervention. Up until now, the Army has steered clear."

Only three days earlier, Sept. 28, the Yugoslav Army leadership had threatened to intervene against Croatia's western republic neighbor and ally, Slovenia, after Slovenia had defied Belgrade and assumed control over its territorial defense forces.

The stage for even greater troubles is already set for November, when elections will be held in the central republic of Bosnia. There, the majority of Slavic Muslims has announced that they intend to draw Bosnia into cooperation with Croatia and Slovenia. Leaders of Bosnia's large Serbian minority (one-third of the population) have announced that if they are not included in the next Bosnian government (knowing full well they will not be, given their platform of annexing Bosnia to Serbia), they will ally with Serbia to either detach the Serb regions from Bosnia, or have Serbia annex Bosnia.

Once before in this century, Serbian attempts to annex Bosnia had fateful consequences, with the June 28, 1914 assassination of the Austrian Archduke Francis Ferdinand in the Bosnian capital of Sarajevo, which triggered World War I.

## Bulgaria unstable

Most worrisome is that the unfolding Balkans crisis is not confined to Yugoslavia. The economic effects of the Anglo-American-caused Gulf upheaval have also sealed a death warrant for the physical economy of neighboring Bulgaria. While Western media have not run the alarmist headlines that the situation warrants, Bulgaria already by September had plunged into the worst socio-economic crisis of its modern history. Going into October, i.e., during and after the harvest, supplies of basic foods and other consumer essentials were worse than even during the war.

On Sept. 24, Bulgaria's President Zhelyu Zhelyev ordered a total ban on food exports. On Sept. 1, the most draconian food rationing in Bulgaria's history was imposed. The food supply in shops in the capital Sofia and other cities, is worse even than in the Soviet Union. Totally nonexistent are meat of any kind, cooking oil, sugar, flour, soap, and matches. Things will get more desperate as winter nears. The Bulgarian government estimates that 70% of the harvest entered the black market, thus ensuring empty shops for months to come.

How long Bulgaria's fledgling system of "parliamentary democracy" can survive this crisis is very uncertain. The conditions are there, sometime during the starvation winter, for an Army coup and the emergence of a strongman regime.

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## Book Reviews

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# The British art of framing up innocents

by Mark Burdman

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### **A Conspiracy of Crowns: The True Story of the Duke of Windsor and the Murder of Sir Harry Oakes**

by Alfred de Marigny with Mickey Herskowitz  
Bantam Press, London, 1990  
308 pages, with index, £14.95

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Of the many recent books on the Duke and Duchess of Windsor, this one is among the most scandalous. The authors develop the case that the Duke, as Royal Governor of the Bahamas in the 1940s, was "a willing conspirator in a plot to send an innocent man to his death," in order to cover up his own treasonous and illicit involvement in an international money-smuggling coordinated by a top Nazi-linked operative.

The innocent man was co-author Alfred de Marigny himself. In July 1943, he was charged with the murder of his father-in-law, the eccentric multimillionaire gold miner Sir Harry Oakes. De Marigny's good fortune was that the frameup was so crude, that even in the British-run Bahamas, he was acquitted.

Using trial transcripts, the authors show how the frameup was concocted, with a central role being played by mob-connected police investigators from Miami, Florida, brought in personally through the intervention of the Duke of Windsor. The reader gets a shocking insight into how the British Establishment arranges frameups. What is even more astonishing is the central involvement of the former Edward VIII, who abdicated in 1936 over his marriage to Wallis Warfield Simpson and became the Duke of Windsor. The Duke emerges from this book as a petty mafia thug, in addition to his better-known roles of racist, anti-Semite, and Nazi sympathizer. The former Edward VIII had it out for de Marigny, an iconoclast of French descent, born on the island of Mauritius, who once had the acute sense to refer to the Duke, within his earshot, as "nothing more than a pimple on the ass of the British Empire."

The motivations for the murder of Oakes and the frameup of de Marigny, are particularly treacherous. In the authors' view (after some introductory chapters, most of the book is written in first-person narrative style), the Duke of Windsor and his co-conspirators, including Bahamas wheeler-dealer Harold Christie, were intent on covering up a scheme they were involved in to shift funds to a Mexican bank that was also handling Nazi money. The key architect of this laundering scheme was Sweden's Axel Wenner-Gren, a notorious Nazi collaborator. So, during a time when Britain was at war with the Nazis, the Duke of Windsor was greedily involved in financial schemes with a man listed in official American intelligence reports as a dangerous Nazi collaborator! When Oakes became an impediment to the success of the arrangement, he was removed. De Marigny, whom the unscrupulous Duke of Windsor personally detested, was the convenient fall-guy.

To this day, de Marigny regrets that the full story of the Duke of Windsor's role in the frameup was never allowed to come out in court. Even his own lawyer, who otherwise pursued the case mercilessly to win his acquittal, backed off during the trial from pursuing the Duke of Windsor's role, out of an undeserved loyalty to the British Royal Family. The Duke of Windsor himself, as Royal Governor, was able to suppress attempts to reopen the investigation into Oakes's murder, and no official agency, whether British, American, or Bahamaian, has ever forced the truth to come out.

One puzzling element in the book is de Marigny's cursory dismissal of another theory of the Oakes murder that has received circulation in recent years, based on an investigation by the American criminologist Marshall Houts, who later wrote a book on the subject. Houts's thesis, given credence in a 1988 British book on the Duke and Duchess of Windsor (*King of Fools*, by John Parker), was that Oakes was killed by a mafia hit team deployed by Meyer Lansky. According to this analysis, Lansky had arranged, with the Duke of Windsor and others, to make the Bahamas into a casino-gambling center, à la the French Riviera so much beloved of the Duke. Oakes got into the way of the plan, and was eliminated.

Lansky's name is never mentioned in *A Conspiracy of Crowns*. Whatever the reasons, one has to grant de Marigny the right to come to his own conclusions: He was the victim of an atrocious operation, which caused him much physical and emotional suffering, and this book is his testament. But for others, the Duke of Windsor-Lansky connection, both in the Oakes affair specifically and more broadly in gambling and organized crime in the Caribbean, would be a matter for fruitful investigation. One wonders what insights the late King Edward VIII's longstanding intimate since the mid-1930s, the strange British intelligence operative Kenneth de Courcy (a.k.a. the Duke of Grantmesnil), today the author of the *Special Office Brief* newsletter and other arcane items, might have on this matter?

## A Trilateral oil grab

*Negotiations around a North American Common Market will still have but one goal: Mexican crude for the United States.*

Without further ado, the Carlos Salinas de Gortari government has announced, through Trade Secretary Jaime Serra Puche, that talks with Canada to integrate that nation into a Trilateral Free Trade Pact (Mexico-U.S.-Canada) have already been launched. The talks are occurring despite the fact that the Mexican Senate had only authorized negotiations for a bilateral Free Trade Pact with the United States.

The sudden appearance of a third party in the negotiations is reportedly a result of U.S. pressure. Some business layers in Mexico have responded negatively to the idea, with spokesmen for such Mexican business associations as Concamin, Canacinttra, and Concanaco describing the sudden change as "dangerous," alleging that Canada will pressure the United States against giving "more advantages" to Mexico than those supposedly attained by Canada in its own bilateral trade pact with the U.S.

The central issue at stake is Mexican oil and how quickly the U.S. can get its hands on it. In fact, none of the governments currently involved in the trilateral trade talks deny that the sudden acceleration of negotiations is due to the Persian Gulf crisis, nor do they deny the fact that Mexican oil has become a "strategic priority" for both the U.S. and Canada. At the recent U.N. General Assembly session, Bush, Salinas, and Canadian Prime Minister Brian Mulroney were repeatedly photographed together, with Salinas usually sandwiched between his "advanced sector" colleagues.

Mexico's Secretary of Mines and

Energy Fernando Hiriart has announced that "an increase in the production and export platform of hydrocarbons is imminent," but the Bush administration, according to the Sept. 28 *New York Times*, considers Mexico to be moving too slowly. "Talks with [oil producer] Venezuela have been much more encouraging," the *Times* reported. Indeed, officials of the state oil company Pemex have denounced growing pressures by Shell, Texaco, Exxon, and Chevron to permit their "association" with Pemex in the exploration, extraction, and marketing of the Paleocañón de Chicontepepec oil fields. These fields, where extraction of crude is reportedly the most technically difficult in the world, nonetheless are one of the largest crude reserves in the world: a 3,000 square kilometer basin with an accumulation of 100 billion barrels of crude *in situ*, and a recovery capacity of 17%, or 17 billion barrels.

While the U.S. is reaching for Mexico's oil, one can only wonder what Mexico hopes to gain. The Canadian example is not promising. A recent survey published by Free Trade Consultants one year after the Canadian-U.S. Free Trade pact was signed, reveals that many Canadians consider the pact a failure.

The main point of the survey is that in simultaneously offering the products of both economies to a single consumer market, the Canadian side prefers American products. Canadians who cross the Rainbow and Whirlpool "bridges" to buy in the U.S. have increased in number by 60%, while those crossing the Lewiston-Queens-

ton "bridge" into Canada have increased by a mere 10%. As a result, expectations for production increases in Canada fell from 2.8% to 1.9%. Unemployment grew from 7.5% to 7.7%; in Ontario alone, 71,000 new jobs were predicted for 1990, some 19,000 fewer than in 1989.

Simon Reisman, a Canadian negotiator on the Trade Pact with the U.S., maintains that there are "negative effects of a global nature" stemming from the agreement. "Canadian manufactured goods are between 20-25% less productive than those of the United States. . . . Canada exports merchandise [while] it imports services, investment and technology from the United States. The result is that between 1989 and 1990, Canada has—for the first time in recent years—an important balance of trade deficit with the United States."

The executive secretary for the U.N.'s Economic Commission for Latin America (ECLA), Gert Rosenthal, recently warned of the risks that Mexico will face in signing such a deal with the U.S. The most evident risk, according to Rosenthal, is "the massive bankruptcy of companies that cannot compete. . . . [Mexico] has very small-scale production compared to the United States."

The second risk is that "the trade opening is too accelerated," which not only will produce "bankruptcies and unemployment," but also raises the question of whether the Mexican economy is "in any shape to withstand this, and in submitting itself to a long period of adjustment and recession, is placing its bets on something that it cannot be absolutely sure will occur." The third risk, concludes Rosenthal, is that of "subordinating the Mexican economy to the vagaries of the U.S. economy," which is periodically jolted by recessions.

# International Intelligence

## *Italy hit by barrage of assassinations*

"There are areas of Italian territory in which the function of the state has weakened," declared Italian President Francesco Cossiga on Sept. 23, after a magistrate, Judge Rosario Liviatino, was assassinated in Sicily. He was investigating dirty-money laundering in an area where the mafia does a big business, extending to Turkey and Venezuela.

During the preceding week, a dozen people, including three children, were assassinated in Naples, in the context of faction fights within the *camorra*, the Neapolitan mafia. The number of mafia-type assassinations is growing day by day, running in the order of more than 1,000 victims per year.

"Terrorism," said President Cossiga, "was widespread, but never before had the capacity to control a territory. Those crimes perpetrated by the mafia, instead, are not common crimes, but real attacks against the security of the state and of the republic."

Cossiga called for the creation of special anti-mafia coordination bodies, involving all the relevant institutions of the state and of the local administration, in all the regions affected.

Pope John Paul II also addressed the issue on Sept. 23. "I now ask all Italians," he said, "to be firm and courageous, so as to contain the growing danger represented by the culture of death. Let us stop the stream of blood, the mourning, the suffering. Let all the forces of the country unite to proclaim with a loud voice the will to live in a serene way and to build a civilization respectful of man and of his dignity as a person."

## *Japan calls for revision of the U.N. Charter*

The Japanese government has issued a call for the U.N. Charter to be revised, to delete references to "enemy states" defeated in

World War II. "The enemy state articles remaining in the Charter are inappropriate and meaningless in this new age and should be done away with as soon as possible," Japanese Foreign Minister Taro Nakayama said in a speech at the U.N. on Sept. 25.

This is the first time in 29 years that Japan has called for such a move at a high government level. It paralleled a similar call issued by Italian Foreign Minister Gianni de Michelis, the Japanese news agency Kyodo noted.

Some of the five permanent members of the U.N. Security Council have traditionally been reluctant to agree to any amendment to the Charter, believing that this would increase pressure for a restructuring of the Security Council. Japan, Germany, India, and Brazil are believed to be among the states aspiring to permanent membership on the council, according to diplomatic sources quoted by Kyodo.

## *Scots score Western contempt for Arabs*

Scots nationalist Patrick Kane, the rector of Glasgow University, criticized the governments and media of the West for their treatment of Iraq and the rest of the Arab world, in a commentary in *The Scotsman's* week-end supplement in early September.

"Years of systematic contempt for the Arab world," he wrote, "blatant double standards over Israeli aggression . . . all this can be forgotten in a righteous strike against a dictator. . . . It is interesting how Saddam Hussein's first substantial peace initiative correctly seized on the lack of condemnation of Israel's savageries towards Palestinians and Lebanese. . . ."

"For years, well-heeled humanities mandarins have been gleefully trumpeting the decline of modernity. . . . After Nietzsche, after May 1968, all is plurality, every value is relative. . . . A substantial body of Middle Eastern opinion would regard the emptiness of the West's traditions in a less philosophical light, i.e., a lie to cover its

unforgiving capitalism and economic imperialism. The triumphs of last year's revolutions in Europe are beginning to ring hollow. How could we possibly forget there was a Third World, and after this crisis takes its course, will we still keep forgetting?"

The newspaper also published a report by its Washington correspondent Michael Pye, calling anti-Arab feeling the new kind of anti-Semitism. "Anti-Semitism has been transferred from its 1920s version (hook-nosed, greedy, bomb-toting, dirty, inexplicable Jews—John Buchan stuff), to a brand-new modern concept (hook-nosed, greedy, bomb-toting, unscrupulous, conspiratorial, dirty, inexplicable Arabs—Sidney Sheldon stuff)."

## *Gaviria scores hypocrisy of U.S. war on drugs*

Colombian President César Gaviria Trujillo drew a striking comparison between the multibillion-dollar outlays for George Bush's Mideast adventure, and the failure of the advanced sector countries to give material substance to their anti-drug rhetoric. In his Sept. 27 address to the U.N. General Assembly, President Gaviria charged:

"Drug trafficking may not be as tangible a threat to peace as tanks and combat aircraft, but it is just as real and no less devastating. . . . The world community has been able to activate global cooperation to face possible war and to defend international law. We have in less than a month mobilized enormous war power from one end of the world to the other. I am convinced that we would be able to achieve similarly satisfactory results in the fight against the drug trade. . . ."

"In light of the recent crisis in the Persian Gulf, President Bush requested and obtained economic assistance to offset the costs of the U.S. effort and thus help to guarantee the effect of the U.N. decisions. Fighting an enemy even more dangerous to humanity, Colombia has received repeated statements of solidarity but very few real

measures of support. While nations have demonstrated their economic support of the United States, on the other side of the world, Colombia, fighting against the other enemy of humanity and suffering economic and social hardship, has received no compensation at all.

"It is time that repeatedly announced initiatives be translated into concrete action."

### **Growing concern in France over Gulf policy**

French Defense Minister Jean-Pierre Chevènement warned that a war against Iraq could lead to World War III, in a radio talk show on Sept. 30. "If there were a war," he said, "it would be the beginning of a global confrontation which would not be limited in time and in space."

He said that it is an exaggeration to compare Iraqi President Saddam Hussein to Adolf Hitler, and as for chemical warfare, the Europeans were the first to use gas, in 1915, and therefore Europe has no lessons to teach on this score.

Other French commentators outside the government are growing even more outspoken in their opposition to the Anglo-American Gulf policy. "What French interests are we defending?" asks analyst Pierre Clostermann in a commentary published in the daily *Le Figaro* on Sept. 27. Clostermann is one of the most respected representatives of the French Resistance during World War II, a member of the order of the Compagnons de la Libération, one of the most famous pilots in the war, and a recipient of the Great Cross of the Legion of Honor.

Clostermann asks if defending the \$1.5 billion annual oil revenues received by the Saudi king's family is worth the life of a French pilot, or if the oil revenues of Kuwait, owned by eight families, are worth the life of a seaman on a French ship, or even if the defense of interests of Aramco and the Anglo-American oil companies is worth the life of a soldier.

"International morality" does not seem

to mean much, Clostermann says, since the American invasion of Panama; since the British war against Argentina over the Malvinas islands, which had been on the list of territories to be decolonized since 1947; since the Soviet invasion of Afghanistan; and since Israel's occupation of Arab territories.

### **Stasi terror a threat to unified Germany**

German anti-terrorism experts are warning that underground cells of former agents of the East German Stasi secret police may be mobilized for attacks on institutions and leading figures of the newly united Germany. This is the most explicit official recognition to date of what *EIR* has referred to as "Operation Trojan Horse."

Heinz Neusel, the assistant minister of the interior and coordinator of anti-terrorism measures, who escaped an assassination attempt at the end of July, was quoted in *Der Spiegel* magazine at the end of September, saying that there is evidence that former Stasi desperadoes are organizing themselves into clandestine cells, equipped with explosives and weapons from secret depots to which only a select group of Stasi operatives had access. The weapons, he says, are "enough to arm an entire medium-sized army."

Ralf Merkel, vice chairman of the office in East Berlin that is overseeing the dismemberment of the Stasi apparatus, said in an interview with the daily *Die Welt* published on Sept. 26, "The country is still covered with a network of old SED [communist] cliques, and either we succeed in destroying the old SED connections at last, or unity is endangered, even if we are reunified from Oct. 3 on."

"Nonsense talk about plans for amnesty must end," Merkel declared. "Not a single document file must be destroyed. . . . The nervous system of the former MfS [Ministry of State Security] is not as destroyed as it has been presented nowadays."

## **Briefly**

● **LECH WALESIA** welcomed the unification of Germany as the end of Yalta, in a statement printed by the daily *Frankfurter Allgemeine Zeitung* on Sept. 29. "We welcome with joy what has occurred without violence or bloodshed," he said, "because the overcoming of all the consequences of the Yalta accords, which were repressing the peoples, has always been the objective of Solidarnosc."

● **ISRAEL** and the Soviet Union have agreed to reestablish consular relations. Though the two states began moving toward diplomatic relations in 1987, full ties have been blocked by Moscow's insistence that the Palestinian conflict be resolved in a manner approved by the Arab states.

● **THE JORDANIAN** daily *Al Dastour* published an article by *EIR*'s Joseph Brewda in mid-September, titled "Superpowers push Mideast war." Brewda reports on a July 3 statement by Lyndon LaRouche which forecast that the "British zombie state" of Israel was planning a new Middle East war to provide a "final solution" to the "Palestinian problem."

● **SOVIET NUCLEAR** warheads have been moved out of potential ethnic hot-spots, according to Soviet Chief of Staff Gen. Mikhail Moiseyev, in an interview with the *Washington Post* on Sept. 27.

● **JAPAN'S DEFENSE** agency played down the Soviet Union as a threat, in its annual White Paper released Sept. 18. The White Paper concludes that domestic difficulties and the international environment makes Soviet aggression against other countries unlikely. But Prime Minister Toshiki Kaifu's national security adviser, Ichiro Yoneyama, indicated that this shift will not affect Japan's defense planning.

## Holocaust in Panama returns to haunt Bush

by Carlos Wesley

CBS News' "60 Minutes" program provided graphic evidence on Sept. 30 that thousands of Panamanian civilians were indiscriminately massacred by George Bush's invading army during the invasion of Panama last Dec. 20. The CBS program was the second time in two days that Bush was taken to task for the holocaust he wrought in Panama.

In a speech on the floor of the House on Sept. 28, Rep. Henry Gonzalez (D-Tex.) scored the administration for its hypocrisy in condemning Saddam Hussein for his actions in the Mideast after the U.S. "incinerated" several thousand old men, women, and children in Panama without giving "a hoot for them." Gonzalez accused Bush of being responsible for "war crimes" and of using "Hitlerian tactics" in Panama.

Bush is facing increasing heat for the Panama massacre at a time of growing resistance to his committing the U.S. to a similar bloodbath against Iraq. The President is also in deep trouble because of the nation's economic and budget crisis.

*EIR* founding editor Lyndon LaRouche had warned that the President would find himself precisely in the situation he is currently facing. Hours after Bush invaded Panama, LaRouche issued a statement charging that the massacre in Panama was an action carried out in "the spirit of Tiananmen Square" and that it would eventually cause a political backfire that "will lead in all probability to Mr. George Bush's resignation from office" before completing his term, *EIR* reported Jan. 5, 1990.

Alone among American media, *EIR* has consistently reported on the magnitude of the Panama massacre from the beginning of the invasion. As early as Jan. 5 *EIR* reported, "In all, 5,000 to 7,000 Panamanians, mostly civilians, died during the invasion."

### Secret mass graves

Veteran CBS correspondent Mike Wallace opened the "60 Minutes" segment on the Panama massacre by noting that Air Force Chief of Staff Gen. Michael Dugan was re-

cently fired after he spoke about bombing downtown Baghdad, Iraq. "Governments are not supposed to wage war on civilians," said Wallace.

"But if civilian casualties are an issue in the war that the U.S. seems to be edging closer to in the Middle East, perhaps it's a good time to take a hard look at what happened to civilians the last time the United States went to war: the invasion of Panama—Operation Just Cause," when, said Wallace, "Many Panamanian civilians, good friends of the United States, were gunned down or caught in the crossfire as U.S. forces went after the scalp of Gen. Manuel Noriega." The U.S. official figure is 202 Panamanian civilians killed, said Wallace, but "when you go to Panama you find that figure hard to believe."

"How in the world was the U.S. Army able to hide the number of civilian deaths in a country with a population of only two million people? One way was to bury bodies secretly in mass graves," said Wallace. The cameras showed a soldier stopping a reporter from filming a mass burial site. Despite government efforts at a coverup, some details leaked out, said Wallace. "For example, reporters found that more than 100 bodies were buried at the Jardin de Paz, the Garden of Peace Cemetery in Panama City."

Thousands of Panamanians who have been looking for the bodies of their loved ones since the invasion have been unable to find them. "Finally, Isabel Corro was able to raise more than \$25,000 in private donations that she used to conduct two exhumations. The bulldozers began to open the mass graves at the Jardin de Paz" in late April.

The cameras then showed survivors searching for their relatives among the decomposed bodies, and scores of body bags being disinterred and transferred to coffins for a proper burial. According to reporter Mike Wallace, the exhumations and identifications continued for eight days amidst the horrible stench of death. Among the bodies, Isabel Corro, who heads the survivors' organization, found that of her own

father. But “many people who came to find their missing relatives left the cemetery disappointed. They are still searching,” said Wallace. Some of the few who did find their missing family members “had to go into the pits five or six times to look at what was left of the bodies after five months in the ground” in a hot, humid, tropical country.

Neither the U.S. nor the government it installed in Panama helped the people in any way during the days they were searching the mass graves. “And while there are at least six or seven more mass graves,” said Wallace, the leader of the survivors’ group, Isabel Corro, “has run out of money to continue.”

## **Bush lied**

One of the most telling moments in the “60 Minutes” broadcast was when Bush was shown telling the American people on the day of the invasion that “the way we went after some of these targets was to minimize civilian casualties.” According to Bush: “a lot of [American] kids risked their lives going in at night” to avoid harm to civilians. But, Bush did not tell the truth.

CBS presented graphic proof that there was no demonstrable concern about minimizing the killing of civilians. Instead “the massive firepower” employed in “the largest, most powerful U.S. military offensive since the Vietnam War” was used without any consideration of the harm that would be done to innocent people.

The cameras showed the slum neighborhood where the headquarters of Panama’s Defense Forces were located, El Chorrillo, going up in flames as a result of the U.S. bombardment. “Twenty-five thousand people lived there, and they were asleep in their beds when the world around them began to incinerate,” the CBS program reported.

“When the sun came up on the morning after that grisly night before, El Chorrillo was still burning out of control, and reports had already begun to circulate that hundreds of civilians had been killed and thousands wounded in El Chorrillo alone. When the fires finally burned themselves out, El Chorrillo had ceased to exist,” said Wallace, as the cameras showed what used to be a vibrant community reduced to smoldering ashes.

Is the Bush administration aware that the number of civilian victims is in the thousands, rather than the few handful of deaths it officially admits to?

The answer is yes, according to a copy of an official Army document shown summarizing a report from an Army casualty officer nine days after the invasion had begun: “Estimate of 1,000 civilians killed is about right. . . . Some were killed in the El Chorrillo section of Panama, where about 10 blocks of high-density housing or slums were destroyed as a result of *our ops* [emphasis added],” states the secret Army report.

The CBS reporter interviewed former U.S. Army Ranger John Kiyonaga and his brother, David Kiyonaga, American

attorneys who have lived for many years in Panama where their father was the CIA station chief. They, and another American attorney, Michael Pierce, are representing some of the victims who are seeking compensation. But the U.S., which paid compensation to the victims of American invasions in the Dominican Republic and Grenada, is refusing to do so in Panama.

According to an official Department of Defense document, a program to indemnify the victims similar to that instituted in Grenada “would not be in the best interest of the Department of Defense of the U.S. because of the potentially huge numbers of such claims.” As David Kiyonaga said on the show, “If you have a claims program, then all of the claims will come out of the woodwork, and then you’ll see exactly how costly this invasion was in terms of human life. And our government doesn’t want to grapple with that. . . . [The invasion] was great public relations, it was great for the President. We did a good military action, everybody loved it.”

Before the invasion, the people of Panama were very pro-American. Since the massacre, said Wallace, “if anything, anti-U.S. sentiment is growing every day.” Film of a recent demonstration to protest U.S. policy was shown on the program, and thousands of marchers could be seen—estimates were 10,000 people—carrying anti-American slogans, “and signs of ‘Yankee, go home,’ are being spray-painted all over Panama.”

## **The U.S. occupation continues**

Representative Gonzalez made the same point on the floor of the House on Sept. 28. “I will tell you my colleagues, we still have our troops governing and running Panama. We dare not pull them out, I will tell you, because no American will be safe at the moment we remove our troops.” Gonzalez ridiculed the notion that the U.S. invaded Panama to restore democracy, noting that the man the U.S. installed as president of Panama, Guillermo “Porky” Endara, was sworn in “at the time of the invasion at our military post and base, so we could hardly say that he was elected.”

Gonzalez scored the administration for its hypocritical behavior toward Iraq, “when we invaded Panama, and committed atrocities such as firebombing highly incendiary wooden structures that had been built for the black workers that were imported in 1908 to construct the Panama Canal.

“We killed more than 1,000 or 2,000 or 3,000, incinerated them. They were all black or mulatto. Who has given a hoot for them? Who has given a hoot for the hundreds of children who are blind, armless, old men and women in Panama?” Gonzalez asked.

“As far as I know, nobody. Would that not have been called Hitlerian tactics? Would that not have been called war crimes?” he asked. The lawmaker said that because of his behavior towards Panama, George Bush has no “moral right” to attack Iraq.

# Early release expected for LaRouche, co-defendants in Alexandria railroad

Warren J. Hamerman, staff director for the Constitutional Defense Fund, announced in a press release from Washington, D.C. on Oct. 1 that "the U.S. government has formally decided not to appeal the decision of two separate federal judges who found that the government acted unlawfully when it killed three firms associated with political prisoner Lyndon LaRouche via a forced bankruptcy in April 1987. Legal observers say that this should lead to the early release of LaRouche and his co-defendants," Hamerman continued.

The unlawful bankruptcy was carried out by a task force involving U.S. Attorney Henry Hudson, Virginia Attorney General Mary Sue Terry, and the Department of Justice. Hamerman said that on Oct. 1, lawyers for the three LaRouche-associated entities received written confirmation from Kenneth W. Starr, the Solicitor General of the United States, that the government had made the final decision not to appeal the rulings of federal bankruptcy Judge Martin Bostetter and federal Judge Hilton.

Each of those judges, Hamerman explained, had found that the government seizure and shutdown of the Fusion Energy Foundation (FEF), Caucus Distributors Inc. (CDI), and Campaigner Publications was: (1) unlawful; (2) carried out in "objective bad faith"; and (3) done by means of a "constructive fraud on the court."

"LaRouche and his co-defendants are in prison today because the government acted in double bad faith," the release states. "First, it seized the three firms in the forced bankruptcy, and then it turned around and prosecuted the firms for failing to repay the loans which the shut-down companies couldn't repay! This and other evidence proves that LaRouche and his associates were innocent all along. Unless there is a continuing fraud on the legal system by the government, legal observers expect that congressional candidate Lyndon H. LaRouche and his co-defendants will be out of jail soon."

Mr. LaRouche was tried in fall 1988 on vague "conspiracy" charges together with his associates William Wertz, Edward Spannaus, Joyce Rubinstein, Dennis Small, Paul Greenberg, and Michael Billington. After a trial which shocked international observers for its flagrant disregard for the defendants' right to an impartial jury and to present their own case, all were convicted; on Jan. 27, 1989, Lyndon LaRouche, then a 66-year-old man, was sent to prison for 15

years, while the other six were sentenced to prison terms of three to five years each.

A book, *Railroad*, has been published on the Alexandria trial. Renowned jurists, human rights leaders, and political and cultural figures around the world have protested LaRouche's imprisonment. Earlier this year, former Attorney General Ramsey Clark, speaking to a meeting at the Conference on Security and Cooperation in Europe ("Helsinki" forum) in Copenhagen, described the LaRouche case as the most striking example of police-state justice taking over the United States.

## **\$40-60 million in damages to be sought**

"It is also anticipated that the three LaRouche-associated firms will be filing for \$40-60 million in compensatory damages and attorneys' fees," Warren Hamerman announced on Oct. 1. "Among the claims will be full compensation for the principal and interest on the loans to the firms outstanding at the time of the unlawful government seizure, compensation for unfulfilled subscriptions, and the destruction of the 'good will and reputation' of the Fusion Energy Foundation, Campaigner, and Caucus Distributors Inc."

"The final decision on the bankruptcy fully vindicates LaRouche and his co-defendants, because LaRouche political supporters who lost money did so as a result of unlawful government action. Therefore, justice demands that the government must now repay the loans with interest."

"The prosecution team is not the only culpable party. The very presiding judge in the frameup of LaRouche at his Alexandria trial in 1988—the notorious Judge Albert V. Bryan, Jr.—was up to his eyeballs in complicity with the government. In 1987, after the bankruptcy, Bryan made two rulings condoning the bankruptcy procedure. Then, when he had the LaRouche case before him, he not only failed to recuse himself despite his prior rulings, but he granted the government's demand to ban and censor from LaRouche's trial any evidence that the government bankruptcy action had been carried out in bad faith. His outrageous order went so far as to say that the defense could not even say that it was the government which brought the bankruptcy! Thus, Bryan set up his own fraud by bamboozling the jury into drawing the adverse inference that it was LaRouche and his co-defendants who were somehow to blame."



## U.S. states, cities welcome German unity

A number of American states and cities recognized the importance of welcoming the unification of Germany by designating Oct. 3 as German Reunification Day. The Schiller Institute, an international organization dedicated to promoting the German classical culture of Beethoven and Schiller, had campaigned for such U.S. endorsements of the historic German events. Several cities used a proclamation drafted by the Schiller Institute as the basis for their own declarations.

### Louisiana

*Proclamation by Gov. Buddy Roemer:*

Whereas, on October 3, 1990, the historic reunification of West and East Germany will occur, to be marked by official celebrations throughout the new nation of Germany; and

Whereas, Beethoven's Ninth Symphony is the "Symphony of Hope" and Friedrich Schiller's "Ode to Joy" in the Fifth Stanza [sic] of the Ninth Symphony was in honor of the American Revolutionary War; and

Whereas, a new Germany, committed to scientific progress, technological development, and Western Judeo-Christian values, could serve as the engine for general economic recovery of the devastated economies of the former East bloc and the developing sector;

Whereas, plans to make the Middle East desert bloom, to turn the now arid wastes into booming urban centers, have been developed, and await only determination and courage to be implemented;

Now, therefore, I, Buddy Roemer, governor of the state of Louisiana, do hereby proclaim October 3, 1990 as *German Unity Day* throughout the State of Louisiana.

### Maryland

*Alleghany County:*

Whereas, on October 3rd, the historic reunification, of West and East Germany will occur, to be marked by official celebrations throughout the new nation of Germany, and

Whereas, a new Germany, committed to scientific progress, technological development, and Western Judeo-Christian values, could serve as the engine for general economic recovery in the West, as well as for the development of the devastated economies of the former East bloc and the developing sector;

Now, therefore, we, the County Commissioners of Alleghany County, Maryland, hereby proclaim October 3, 1990 as *German Unity Day*.

### Texas

*Proclamation by Gov. William P. Clements:*

German immigrants played a major role in the development of Texas, bringing with them their culture, their love of freedom, their industriousness, and their commitment to contribute to the building of this great democratic republic.

It is proper and fitting that the people of Texas recognize that, after more than 40 years of Communist dictatorship, the people of East Germany achieved their freedom. The dramatic and peaceful revolution of 1990 culminated with the tearing down of the Berlin Wall, allowing the people to reunite their country and become part of the western alliance.

Therefore, I, William P. Clements, Jr., Governor of Texas, do hereby designate October 3, 1990 as *Reunification of Germany Day*.

*The city of Fort Worth:*

Whereas, Fort Worth and Trier, West Germany have been Sister Cities since 1987; and,

Whereas, for more than 40 years the people of Germany have lived under two separate flags; and,

Whereas, that separation will end when Germany celebrates Unification Day:

Now, therefore,

I, Bob Bolen, Mayor of the City of Fort Worth, Texas, do hereby proclaim October 3, 1990, as *German Unification Day*,

and express our joy to our Trier Sister Cities friends that they have been candid with their countrymen to the east and wish the unified Germany our best wishes.

*The city of Arlington:*

Whereas, the people of East and West Germany having endured separation for 45 years, and have shown great courage and given hope to the world by the peaceful liberation of the East and reunification with the West; and

Whereas, being guided by their love for freedom and inspired by the classical thinkers of their historic past, the people of Germany, holding to cultural and family ties far outweighing government policies and political ideologies, have involved themselves in a determined revolution reminiscent of our own American Revolution; and

Whereas, the newly unified Germany offers great promise toward economic development and exchange on their home front and the promotion of peace and freedom that is encouraging to a world threatened by hunger, depression and aggressive confrontations;

Now, therefore, I, Richard E. Greene, mayor of the city of Arlington, Texas, do declare October 3, 1990 *Germany Reunited Day*.

# Will George Bush's Mideast war be his political undoing?

by Kathleen Klenetsky

President Bush launched "Operation Desert Shield" fully expecting that it would boost his political standing at home—partly by diverting attention from such embarrassments as the galloping savings and loans crisis and the overall collapse of the economy—and bring glory and riches to the new Anglo-American global order that he and Margaret Thatcher have ordained.

But Bush's decision to send massive military forces into the Mideast could actually prove to be his political downfall.

Opposition to the President's Mideast policy is definitely on the rise, fueled in part by rapidly worsening domestic economic conditions, as well as by the new round of warnings, coming from such ominous sources as the Soviet Chief of Staff (story, page 39), that Bush's colonial adventure in the Gulf could trigger World War III.

Anti-war ferment is taking hold, not only on campuses, but across a broad spectrum of the American population, from church leaders and minority spokesmen, to former government officials, and some members of Congress. There are growing signs that elements of the Establishment are becoming increasingly unhappy with Bush's handling of the crisis, if not with the intervention itself.

## Reality sets in

In the aftermath of the jingoistic fever that initially gripped the country, people are sitting back and thinking a bit more rationally about whether the U.S. deployment to the Mideast is justified, and whether Bush's alleged objectives are worth what most experts agree would be a particularly bloody war.

This phenomenon is evident in a new poll, taken at the end of September by a group called Americans Talk Security. A majority of those polled said they support Bush's goals in the Mideast—but a whopping 9 out of 10 said they did not think the U.S. should start a war to achieve them. Even more revealing, 47% of those surveyed said they believed that, if war does break out, the U.S. government would lie to the American people that Iraq had started it, when the U.S. actually had.

Another poll, conducted by ABC News and the *Washington Post*, turned up similar results. Although 78% said they supported Bush's handling of the crisis, only 48% said they

would approve invading Kuwait to force Iraq out, if that meant war. And 52% said they would oppose the permanent stationing of American forces in the Gulf.

The lack of trust in the administration is making itself felt on Capitol Hill, where a small, but growing, number of key congressmen are breaking ranks with the President, and with their colleagues. House Banking Committee chairman Rep.

## "We should have listened to MacArthur"

*The following statement was issued on Sept. 27 by Lyndon LaRouche, congressional candidate in Virginia's 10th Congressional District:*

Some years ago, Gen. Douglas MacArthur gave a most eloquent and insightful warning against the folly of the United States pitting itself against the cause of developing nations; against the rights of the nations of the former colonial world, to gain the same access to national sovereignty, to the economic development, using scientific and technological progress, capital-intensive, energy-intensive development, that we as a nation fought to gain when we fought our oppressor, King George III's Britain, back in the 18th century.

We have repeatedly ignored General MacArthur's warning. The Truman administration, misled by the Harriman forces (which are close to George Bush), made a fatal error in Korea, and turned that situation into a no-win war, the first of a series of no-win wars, which destroyed the morale of the American people and the defense capabilities of the United States. That error was repeated again and again, through the colonialist mentality from the New York banking community and social democrats, who are social-democratic dogs for larcenous, usurious bankers.

We made the mistake in Africa, we made it in Central America, we made it in South America, we made it in Indochina; we are making it again in Asia, and in the Middle East.

Henry Gonzalez (D-Tex.) introduced a resolution Sept. 5 calling for withdrawal of all U.S. forces from the Mideast by Oct. 1; the resolution has been referred to the House Foreign Affairs Committee, and, according to Gonzalez's office, has elicited an overwhelmingly positive response from his constituents.

On Sept. 28, Gonzalez gave a stinging denunciation of Bush's policy, comparing it to that of ancient imperial Rome, and calling U.S. tactics during its invasion of Panama "Hitlerian." "On August 2, we were in session," Gonzalez said, in remarks on the floor of the House. "Saddam Hussein invaded what was known as Kuwait, a nation drawn in the sand by British oil colonialists back some years ago. . . . We do not have the perspective to see ourselves as the world sees us, particularly in that part of the world. That part of the world and everywhere else sees us as the country stepping into the shoes of the two departed colonial powers, Great Britain and France."

Gonzalez continued: "The thing the men who wrought

the Constitution feared the most were king-made wars, but today, do we have Presidents, co-equal, not dominant, not greater in power but co-equal, independent and separate from the other two organs of government, or do we have Caesars? To me this is more evocative of the Caesarian period in Roman history, which you recall emerged from a republic. The Caesars were not like we picture a modern dictator, like Hitler, or something like that. No, they wanted to be popular with the populace. They wanted to play for public opinion. They did not want to be disliked. But they assumed total and complete power, and they first had to overcome what we have called the original Roman way of doing things, our Constitution."

Another Democratic congressman, Rep. Bob Traxler from Saginaw, Michigan, has announced that he is "unalterably opposed" to the U.S. Gulf deployment. A political power by virtue of his membership in the House Appropriations Committee—the panel that has final say over federal spending—Traxler said: "I do not believe in what we are doing. I

That message from Douglas MacArthur should be heard again, and again, and again. You are not a lily-livered pinko, as some folks say, if you are opposed to this war in the Middle East, which Mrs. Thatcher is so eager to have Mr. George Bush conduct. On the contrary: As General MacArthur says so eloquently, implicitly, you are a true patriot of the United States; and those who want this war, are not.

*The following excerpts are from Gen. Douglas MacArthur's speech to the Joint Meeting of the Two Houses of the U.S. Congress, April 19, 1951:*

Men since the beginning of time have sought peace. Various methods through the ages have been attempted to devise an international process to prevent or settle disputes between nations. From the very start, workable methods were found insofar as individual citizens were concerned, but the mechanics of an instrumentality of larger international scope have never been successful. Military alliances, balances of power, leagues of nations, all in turn failed, leaving the only path to be by way of the crucible of war. The utter destructiveness of war now blots out this alternative. We have had our last chance. If we will not devise some greater and more equitable system, Armageddon will be at our door. The problem basically is theological and involves a spiritual recrudescence and improvement of human character that will synchronize with our almost matchless advances in science, art, literature, and all material and cultural developments of the past 2,000 years. It must be of the spirit if we are to save the flesh. . . .

Long exploited by the so-called colonial powers, with little opportunity to achieve any degree of social justice,

individual dignity, or a higher standard of life such as guided our own noble administration of the Philippines, the peoples of Asia found their opportunity in the war just past to throw off the shackles of colonialism, and now see the dawn of new opportunity, a heretofore unfelt dignity, and the self-respect of political freedom.

Mustering half of the Earth's population and 60% of its natural resources, these peoples are rapidly consolidating a new force, both moral and material, with which to raise the living standard and erect adaptations of the design of modern progress to their own distinct cultural environments. Whether one adheres to the concept of colonization or not, this is the direction of Asian progress and it may not be stopped. It is a corollary to the shift of the world economic frontiers, as the whole epicenter of world affairs rotates back toward the area whence it started. In this situation it becomes vital that our own country orient its policies in consonance with this basic evolutionary condition rather than pursue a course blind to the reality that the colonial era is now past and the Asian peoples covet the right to shape their own free destiny. What they seek now is friendly guidance, understanding, and support, not imperious direction; the dignity of equality, not the shame of subjugation. Their pre-war standard of life, pitifully low, is infinitely lower now in the devastation left in war's wake. World ideologies play little part in Asian thinking and are little understood. What the people strive for is the opportunity for a little more food in their stomachs, a little better clothing on their backs, a little firmer roof over their heads, and the realization of the normal nationalist urge for political freedom. These political-social conditions . . . form a backdrop to contemporary planning which must be thoughtfully considered if we are to avoid the pitfalls of unrealism.

don't see it in the national interest, and I'm compelled to raise my hand and say I dissent. . . . We need to come home. We have serious economic problems that deserve our full attention."

Implicitly discounting Bush's argument that Operation Desert Shield is meant primarily to get Iraq out of Kuwait, Traxler asserted that "There's no reason for us to be in the sands of Arabia except oil. There is no threat to our homeland," he added. "We could develop an energy policy that would free us from foreign oil. We chose not to do that. I want the U.S. energy independent and the troops home to build this country for the economic warfare of the next century."

Traxler's local newspaper, the *Saginaw News*, has reported that 63% of the voters polled support Traxler's stand. Traxler is up for election in November, while his Washington office reports that mail responses are running 60-40 in his favor. Sen. Bob Kerrey (D-Neb.) has also expressed opposition to Bush's neo-colonial adventure.

## Cracks in the Establishment

Fissures are also becoming visible in what had been a pretty solid Establishment consensus behind the U.S. intervention. CBS News' "60 Minutes" segment Sept. 30, which drew a parallel between the 4,000 civilian deaths in the U.S. attack on Panama, and the U.S. military strategy in the Gulf (story, p. 60), strongly suggests that certain policymaking factions are either unhappy with the Mideast intervention, or unhappy with Bush, or both.

James Webb, Ronald Reagan's Secretary of the Navy, called any Middle East conflict involving U.S. ground troops an "unpardonable error," in a speech in Washington Sept. 27. Webb charged that the Joint Chiefs of Staff "overreacted" by sending large ground forces to Saudi Arabia. "My bottom line," said Webb, "is that in terms of putting ground troops in, in a situation like this, all of the unpredictabilities go off the scale."

Webb continued, "How many American lives are worth retaking Kuwait? I think anybody who says we should do that ought to look into a TV camera and tell the mothers and the loved ones of the soldiers that are there that their son's death is worth that price."

Webb made his comments at a forum sponsored by *Insight* magazine, affiliated with the generally pro-Bush *Washington Times*, at which other prominent Washington figures also criticized Bush's policy. James Schlesinger, who has served as both Defense Secretary and Secretary of Energy, and is certainly no dove, warned that a U.S. war with Iraq would not lead to a new era of peace and cooperation that Bush has said it will, even if the U.S. is victorious.

"We're unlikely to see that new world order," said Schlesinger, warning further that the American population won't tolerate a long, drawn-out conflict. "Given the underlying instabilities in the Gulf, it provides every disenchantment of

the American alliance," he said.

Other Establishment types are prodding Bush to find a political resolution to the conflict. Historian Arthur Schlesinger, writing in the Oct. 1 *Wall Street Journal*, asked: "Would it not be better to regard our objectives as bargaining chips, accept an Arab solution, pull our ground forces out of Saudi Arabia and declare victory? Better this than a savage and protracted war in which few Americans are likely to believe or long support."

## Grass roots opposition

But it's among the general population that opposition to Bush's lunacy is growing fastest, fueled by a national leaflet headlined, "Stop Bush's Gulf Madness or Face World War III," issued jointly by Virginia congressional candidate Lyndon LaRouche and Nancy Spannaus, a LaRouche Democrat running as an independent for the U.S. Senate from Virginia.

LaRouche associates are holding demonstrations and forums across the country, to inform people that Bush's Mideast policy is actually based on an Anglo-American strategy of seizing raw materials supplies throughout the Third World, and to lay out the parameters for a just and enduring peace in the Mideast. (See also *Documentation*.)

The Schiller Institute, a policy think tank founded by LaRouche's wife, Helga Zepp-LaRouche, has held two emergency seminars on the Mideast situation, one in Washington and one in New York, which drew wide-ranging representation from the diplomatic community and the media. The theme of the seminars was how a peaceful solution to the Persian Gulf crisis could be developed, based on an ambitious economic development program for the Mideast.

Anti-war sentiment is especially strong on the campuses, where ad hoc anti-war groups are sprouting by the dozens. A Schiller Institute forum at East Los Angeles College Sept. 27 drew over 100 students, and turned into a three-hour-long discussion of the history of British colonialism in the Third World, and what kind of economic program is necessary to produce a global recovery. The meeting concluded with the formation of the East L.A. College Ad Hoc Anti-War Committee.

Former Attorney General Ramsey Clark, who founded The Coalition against Intervention in the Mideast in August, has also been holding a series of well-attended conferences on the Gulf crisis.

It can be expected that once the impact of the deadly budget "compromise" worked out by Congress and the White House at the end of September starts to be felt, Bush's war will get much less popular, fast. Given that the budget deal savagely assaults the already-diminishing living standards of the working and middle classes, and especially the elderly, the President is going to find it difficult indeed to maintain broad-based, popular support for his Gulf adventure. In fact, he'll be lucky if he doesn't find himself the target of a nationwide impeachment movement.

# From Cold War to economic warfare

by Scott Thompson

At the Sept. 27-29 national convention of the Association of Former Intelligence Officers (AFIO) in northern Virginia, the “Old Boys” of U.S. intelligence gathered to get the line on what the services would do, now that President Bush has officially proclaimed the Cold War to be over. One speaker after another said that the solution was to give economic intelligence the same priority as the Soviet Union.

In his speech on Sept. 28, Deputy Director of Central Intelligence Richard Kerr echoed earlier statements of Director of Central Intelligence (DCI) William Webster, to say that Japan and Germany would be the top targets for this intelligence gathering. Kerr motivated the targeting of friendly allies by asserting that with East-West tensions lessening, the Western economic crisis would come to the fore. While many European nations want to keep NATO to preserve the U.S. as a world power involved in Europe, Kerr argued, even within NATO the momentum will shift to economic issues. Kerr said that studies are being done to see whether NATO can be transformed into a political and economic alliance which would permit U.S. participation in the European Community. But, he added, it is likely that “Europe 1992” will soon eclipse both the U.S. and the Pacific Rim as the dominant economic power.

One would think, styling itself an “intelligence community,” that the intelligent thing to do would be to discover how Germany has benefited from the principles of economics enunciated by Gottfried Leibniz in the 18th century and Friedrich List in the 19th, in a system which resonates with that of the first U.S. Treasury Secretary, Alexander Hamilton. Or, U.S. intelligence might study the impact of the Carey brothers (Lincoln’s economists) upon modern Japan through the Meiji Reformation, which created MITI as a version of Lincoln’s National Bank to fund scientific and technological breakthroughs. But, various participants at the AFIO convention stupidly defended the “flea market” economic system of British East India Company agent Adam Smith, even though its adoption has brought the U.S. physical economy to the brink of collapse.

U.S. intelligence ought to examine Friedrich von Hayek, the Mont Pelerin Society, and Wharton Econometrics as agents of a seditious monetarist economic system. Instead, AFIO spokesmen indicated that U.S. intelligence will be

assigned to destroy Japan and Germany, which succeed because they practice American System economics.

Eastern Europe was also targeted by Ted Shackley, the former Deputy Director for Operations of the CIA, in a Sept. 29 presentation. Although monetarist economist Jeffrey Sachs is already ruining Poland with his International Monetary Fund-style austerity “shock therapy,” Shackley does not think this enough. “Project Democracy’s” National Endowment for Democracy is already sending economists like Sachs to ruin the other Eastern European nations, but Shackley wants to run espionage so that “Germany cannot dominate Central Europe.”

From bases in Western Europe, Shackley proposed that espionage be mounted against Eastern Europe, which he described as a “window” for gathering intelligence on Europe 1992 and the U.S.S.R. Among this unit’s tasks, he said, would be to steal every scientific breakthrough that had military or economic application, for the United States. Shackley told me that Germany would even help set up this operation, because the publicly announced U.S. targeting of Germany would only be a “minor irritant.”

## Targeting LaRouche

The only debate was over the question of industrial espionage—i.e., the theft of trade and development secrets. CIA Director for Public Affairs Joseph Di Trani said that his Agency had just completed a study of guidelines for how such espionage could be turned over to U.S. corporations. He said the study was now before policymakers at the highest level for approval.

Di Trani admitted privately that there was little new about the economic intelligence question, except a change of targets. He agreed that in 1982-83 during the outbreak of the Ibero-American debt crisis, then DCI William Casey and Leo Cherne, then vice chairman of the President’s Foreign Intelligence Advisory Board (PFIAB), had used the gamut of capabilities—including electronic means—to spy on Ibero-American countries on behalf of Chase Manhattan and Citibank. Moreover, Di Trani agreed that Henry Kissinger had been the liaison between PFIAB and these creditor banks to collect the debt. While the Casey-Cherne-Kissinger policy of genocidal debt collection has left Chase and Citibank still on the verge of bankruptcy, one of the key issues for their mounting the “Get LaRouche” task force was disagreement with LaRouche’s “Operation Juárez,” which would have both saved the banks and permitted Third World economic growth. Cherne and Kissinger targeted LaRouche as an outgrowth of their economic warfare activities.

Di Trani said the difference in what is now being planned is that the former was *ad hoc*, while Webster is proposing a full-blown program. Every indication is that it means a U.S. intelligence effort to drag down the economies of Germany and Japan, the only engines of economic productivity that can save the U.S. from the ruin of British economics.

## Souter confirmed for U.S. Supreme Court

The Senate voted 90-9 on Oct. 2 to confirm Judge David Souter to the U.S. Supreme Court.

The nine votes against Souter came from liberal Democrats who feared that he would vote to restrict what they considered a woman's constitutional right to have an abortion.

"I am troubled that if Judge Souter joins the current closely divided Supreme Court, he will solidify a 5-4 majority inclined to turn back the clock on the historic progress of recent decades," Sen. Edward Kennedy (D-Mass.) said.

Senate Judiciary Committee chairman Sen. Joseph Biden (D-Del.) said he voted to confirm Souter because he thinks Souter "is not the sort of man who would run roughshod over the Constitution," but conceded Souter's positions on religious freedom, racial discrimination, and abortion rights were unclear.

## Campaign financing bills make good electioneering

The House and Senate passed separate bills to revise campaign financing laws during the summer, but the bodies remain sharply divided on key provisions of the legislation. It is likely that the reform will go nowhere, although congressmen can now go into the November elections claiming that they have voted to reform the campaign financing process.

At a time when Congress is considering increases in the costs to the individual of such necessary items as Medicare, it's very uncertain that voters, who are in a strong anti-Washington mood, will accept these claims.

In one disagreement, the Senate bill would ban all contributions from political action committees (PACs), while House Democrats, whose members are much more dependant on PAC contributions from labor unions and other organizations, want only a ceiling put on PAC contributions. President Bush has promised to veto the legislation, if it is passed.

The chances that the House-Senate conferees will iron out the differences in the bill are very slim. "Anyone who says the chances are good is lying to himself or someone else, but we have got to try," commented Rep. Al Swift (D-Wash.). This opinion was seconded by Sen. Mitch McConnell (R-Ky.), who regards the chances of compromise as "nil."

Some legislators are aware that this is not going to go down well with the voters. "There's a real prairie fire out there," said Rep. Mike Synar (D-Okla.). "As long as people think the special interests have Congress in gridlock, they won't have confidence in anything we do. I don't know how many more wake-up calls Congress will get," he warned.

## Clean Air bill delay may kill it for now

The House-Senate conference on the Clean Air bill erupted into a shouting match on Sept. 28, with both sides blaming the other for delay on the bill which threatens the chances of passing the legislation before Congress adjourns in October.

Since the negotiations began in July, conferees have resolved only a few of the least controversial issues, leaving the more divisive issues of smog, acid rain, and airborne toxics

for the final days of discussion.

The delays indicate fear among some legislators that this total surrender to the environmentalist lobby could sound the death-knell for what is left of U.S. industry, creating overwhelming costs which will accelerate the rate of bankruptcies in the economy.

Environmentalists are not happy about the delay. "I'm very distressed by the lack of progress," Sen. John H. Chafee (R-R.I.) told the conferees. "I feel what is going on here is a delaying strategy. I worry that we're going to be put in a take it or leave it position."

Sen. Max Baucus (D-Mont.), a spokesman for the environmentalists, said that the two sides are "still miles apart on key issues."

## Senate backs consensus for Gulf deployment

The Senate voted overwhelmingly on Oct. 2 in favor of Senate Concurrent Resolution 147 which supports the present U.S. troop deployments in the Gulf.

Although it characterizes the actions simply as a "participation in collective security actions" and emphasizes that they be conducted in accordance with the U.N. resolutions, it authorizes the President "to protect American lives and vital interests in the region," a provision which could easily be used to justify military action in the wake of some alleged provocation, i.e., another "Gulf of Tonkin" go-ahead for military engagement. The resolution calls on the President to "consult with the congressional leadership" prior to committing U.S. Armed Forces to hostilities unless urgent circumstances do not permit.

The Senate has been hesitant to invoke the War Powers Act, which stipulates that the President may deploy troops if he determines that an emergency exists, but that within 60 days thereof there must be an act of Congress—which has the constitutional power to declare war—in order for the action to continue.

Some fear that the resolution will give indirect support for further escalation in the Gulf. Sens. Bob Kerrey (D-Neb.) and Mark Hatfield (R-Ore.) have called for invocation of the War Powers Resolution in response to the Gulf deployment. Congress is “the artful dodger” in its refusal to vote on invoking the War Powers Resolution, Hatfield said. Since the concurrent resolution has no force of law, Hatfield characterized it as a “press release for the Senate.” “We are the embodiment of hypocrisy. . . . We must ask questions about the Gulf without fear of our patriotism being attacked.”

Hatfield called it a “non-binding, toothless piece of craftsmanship. . . . Why avoid our responsibilities?” Hatfield said that “The Senate Foreign Relations Committee hasn’t even considered the War Powers Resolution,” although when the act was passed, everyone was pledging furtively that there would be “no more Vietnams.”

Some Republicans fear that if President Bush doesn’t compromise with Congress on the War Powers Act, the shaky “consensus” which has been established with regard to the Gulf operation will rapidly disintegrate. “There’s kind of a loose consensus,” commented Sen. William Cohen (R-Me.), “but you can see it start to fray on the edges. The longer this goes on, the more doubts that are going to be expressed: Is this really blood for oil? You mean we don’t have a democracy in Kuwait? How

about free elections and what about Saudi Arabia?” Colen warned, “People will become divided.”

A similar resolution of support approved by the House Foreign Affairs Committee on Sept. 27 stated that “the United States shall continue to emphasize the use of diplomatic and other means” to achieve its objectives. The resolution will come to the floor of the House later in October.

## **Funding cut for overseas military construction**

The Senate on Oct. 1 approved an \$8 billion military construction bill that makes wholesale cuts in the budget for overseas projects and prohibits spending U.S. dollars on a new air base in Italy.

The Senate trimmed \$1.1 billion from the White House budget request for fiscal year 1991. The bill cuts \$151 million from the Bush budget of \$153 million for Germany, \$43 million from the request of \$44 million for Italy, and \$46 million from the budget of \$47 million for the United Kingdom.

The Senate legislation eliminates totally the \$83 million sought by the administration for projects in South Korea and all \$18 million for projects in Japan.

## **SDI and Stealth shot down in House**

The House of Representatives voted on Sept. 19 to slash \$2.4 billion from President Bush’s request for the Strategic Defense Initiative (SDI) and to halt production of the B-2 bomber.

Rep. William Dickinson (R-

Ala.), ranking Republican on the Armed Services Committee, said that President Bush had told him that he would veto the bill.

Overall, the bill includes cuts of \$24 billion from the administration’s request for defense in the fiscal year beginning Oct. 1. It reduces overall troop strength by 129,000, eliminates research money for the MX and Midgetman intercontinental ballistic missiles, but includes \$1 billion for assisting the military buildup in the Persian Gulf.

The House action puts it in conflict with the Senate bill which leaves the B-2 bomber request intact and reduces SDI by \$1 billion.

## **Greenspan blames recession on oil price**

In testimony before the Joint Economic Committee on Sept. 19, Federal Reserve chairman Alan Greenspan told legislators that the Persian Gulf crisis has piled “new and substantial risks” on an already faltering national economy.

“The oil shock has clearly increased both the probability of inflation and recession,” said Greenspan. The Fed chairman added that if crude oil prices average around \$30 per barrel over the next year, the higher prices would likely lower economic growth by a full percentage point over a year’s time while boosting the inflation rate by up to 2%.

The “beige book,” a Federal Reserve report on conditions in various parts of the country released the same day, noted that economic activity in the Federal Reserve’s 12 regions was either expanding more slowly or actually declining. “Weakness is most apparent in the Northeastern and mid-Atlantic districts,” the report said.

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# National News

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## Top Freemason screened GOP for LaRouche ties

Gene Mungold, an officer of the George Washington Masonic National Memorial in Alexandria, Virginia, effectively the headquarters for Freemasonry in the United States, recently admitted that he had screened potential candidates for the Republican Party to ensure there were no ties to Lyndon LaRouche.

"I was chairman of the operations committee of the Republican Party in the state of Virginia, working out of Fairfax. I supervised the investigation of every single candidate who tried to run for office as a Republican, to make sure that they had no affiliation whatsoever with Lyndon LaRouche," Mungold said.

Mungold also said that "We do not allow Christianity in our lodge . . . it's too sectarian."

Freemasons in Alexandria and LaRouche's home in Leesburg, Virginia, stung by public criticism over the exposure of gun-running ties of Judge Albert V. Bryan Jr., the judge who railroaded LaRouche to prison, held open houses on Sept. 29. Mungold denied that the open house was a response to a leaflet distributed by the LaRouche for Justice campaign.

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## LaRouche rep addresses Black Caucus Foundation

LaRouche spokeswoman Debra Freeman addressed a workshop on the targeting of black elected officials at the meeting of the Congressional Black Caucus Foundation on Sept. 28.

Attendance, expected to be 150, was 1,000. Freeman described the judicial railroad of Lyndon LaRouche. She challenged the audience to look at the situation of harassment of blacks, trade union officials, and a statesman such as LaRouche from a perspective that the powers behind the Bush administration needed to destroy all constituency leadership in order to implement de-

pression austerity.

Former Maryland State Sen. Clarence Mitchell said that when he was indicted, he decided that since he was innocent he would go through the justice system and be exonerated. "That approach," he said, "got me 15 months in prison." We cannot continue with this approach, he concluded. "We have to fight politically."

One woman described how her elderly father, a Baton Rouge city councilman for 30 years, had been dragged from his home in the middle of the night in his underwear, subjected to a frameup, and sentenced to eight years in prison when he was convicted of embezzling \$400.

A city councilwoman from North Carolina explained that she was virtually the only representative from her state at the meeting, because of the devastating frameups of state legislators and other black elected officials.

One caucus member had prepared a list of black elected officials above the level of school board who are currently under indictment, which is 15 typed pages long, not including those now the subject of IRS investigation.

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## OSI exposed in Artukovic case

The Department of Justice Office of Special Investigations (OSI) extradited Andrija Artukovic to Yugoslavia based on fraudulent evidence, according to the OSI's consultant, the Sept. 24 *Washington Times* reported.

During World War II, Artukovic was for a time the interior minister of the Ustasha government in Croatia that cooperated with the occupying Nazis. In 1986, Artukovic, then living in Surfside, California, was extradited to Yugoslavia where he was sentenced to death. He died in 1988 at age 88 while awaiting execution.

Dennis Reinhartz, a historian at the University of Texas at Arlington who was the OSI's consultant in the case, said "he does not believe the chief piece of evidence against Artukovic."

The DoJ Office of Professional Respon-

sibility is investigating the OSI for its handling of the Artukovic case and is investigating claims that OSI deliberately withheld evidence in the case of John Demjanjuk, who was deported to Israel and is appealing a death sentence for allegedly being Treblinka's "Ivan the Terrible."

An OSI official says Reinhartz never challenged the accuracy of the charges during the deportation hearings, but under the rules of extradition used against Artukovic, no one could testify to anything that contradicted the evidence supplied by the Yugoslavian government nor attack the communist Yugoslavian system of justice.

"The OSI told the Yugoslavs what evidence to use to extradite my father, then assured that we could not challenge the evidence in any way," Artukovic's son said.

Historian Charles McAdams of the University of San Francisco, who was prevented from testifying for Artukovic at his extradition hearing, said of the evidence, "It was absurd, a joke. The crimes never happened. . . . I'm part Jewish myself. The Holocaust was a tremendous tragedy. But there was no credible evidence against Artukovic. . . . None of the standards of justice used in the U.S. were applied."

Dr. Milan Bulanjcic, a former Yugoslav diplomat who represented the Yugoslav government in the extradition and believes Artukovic was a war criminal, has published a book in Yugoslavia declaring the massacres for which Artukovic was prosecuted were inventions.

OSI director Neal Sher defends the extraditions, saying those who find fault are anti-Semitic or have a personal interest.

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## Environmentalists did more damage than Exxon

The damage done to Prince William Sound, Alaska during the cleanup of the *Exxon Valdez* oil spill was greater than the damage of the spill itself, according to a federal report.

"We think there are probably a number of locations where cleanup damage was worse" than the spill, said John Robinson, hazardous materials response chief for the



National Oceanic and Atmospheric Administration, scientific coordinator for the cleanup effort.

Bulldozers and shovels were used to remove acres of oil-coated beach surface, destroying shoreline plants and animals such as seaweed and mussels on which wildlife survives, reported the *Chicago Tribune*. Oily shorelines also were blasted with hot water and steam, killing aquatic organisms.

As a result, Robinson said, Alaska became a classic example of an "aggressive cleanup" in which oil was removed without consideration for the environmental cost because of public outrage over the spill. "There are places where recovery has been slowed down by the aggressiveness of the clean up," Robinson said.

Exxon, which has spent \$2 billion hiring over 11,000 workers to conduct the cleanup, is facing five criminal charges and over 215 other lawsuits resulting from the spill.

## Bush covers up reports of POWs in Vietnam

Reports assembled by CBS News "60 Minutes" producer Monika Jensen-Stevenson and her husband indicate that President Bush is involved in a plot to cover up the existence of U.S. prisoners of war (POWs) in Vietnam, according to the Sept. 29 London *Financial Times*.

The reports on persistent allegations that the U.S. government is deliberately covering up evidence that POWs are being held in Southeast Asia includes information previously released by CIA official Gene Tighe and Navy Admiral Tuttle, as well as stories circulated by Ross Perot and Bo Gritz, all of whom say that the government has stymied efforts to pursue reliable evidence pointing to the existence of POWs.

The Stevensons report that the Vietnamese government has been rebuffed in its efforts to bargain for the release of the prisoners and say that George Bush has been one of the leading members of the coverup. According to the wife of one POW, Ronald Reagan communicated that a mission to rescue such prisoners was mounted and scut-

ted because of security problems.

According to mercenaries and CIA contract agents cited in the reports, the CIA and its drug-laundering apparatus in Southeast Asia have been operationally involved in scuttling rescue missions.

## Judge resigns over sentencing guidelines

U.S. District Judge J. Irving Lawrence of San Diego, California announced his resignation from the bench in late September, citing the federal reforms which have removed sentencing discretion from the bench and put it in the hands of prosecutors.

The so-called reforms, which involved imposing sentencing guidelines, are considered unconstitutional by many in the legal profession because they are designed to eliminate the concept of rehabilitation from the legal system.

"It used to be that a judge could do some good in sentencing, by being lenient when lenience was called for," Irving said in reference to his discretion prior to the new rules. "Now I can't do that. It tugs your heart."

## Nebraska jury indicts child abuse victim

A federal grand jury in Douglas County, Nebraska indicted child abuse victim Alisha Owen on eight counts of perjury on Sept. 26, as part of an escalating pattern of cover-up of allegations of child abuse against prominent individuals in that state.

Owen faces a potential 360 years behind bars as a result of the indictments, but she has refused to recant her testimony against leading members of the Nebraska political community.

Miss Owen also has a paternity suit against Robert Wadman, her accused abuser, the former Police Chief of Omaha. The paternity tests which were ordered by the court were returned negative. *EIR* had warned that this would be the result unless extraordinary precautions were taken.

● **CHESTER CROCKER**, a protégé of Henry Kissinger who served as Reagan's Assistant Secretary of State for African Affairs from 1981 to 1989, has joined the board of Minnorco, the holding company of the Harry Oppenheimer Anglo-American mining interests. Crocker was the architect of the Namibia settlement under which the mineral-rich former trust territory of South Africa became independent this year and joined the British Commonwealth.

● **THE U.N. CONVENTION** on the Rights of the Child has never been ratified by the United States. One reason is that the convention prohibits capital punishment for children, considered anyone under 18, the Sept. 28 London *Times* reported.

● **PRESIDENT BUSH** is willing to sacrifice 30,000 American soldiers to "preserve our way of life," intelligence community and military sources report. Some 30,000 deaths—more than 50% of the number that died in Vietnam—is the figure for "acceptable losses" should the Anglo-Americans engage Iraqi forces.

● **CITRUS GROWERS** in the U.S. are enraged over the impending destruction of their industry under the Mexico free trade pact. Threatened are 144,000 citrus industry jobs in Florida alone.

● **THE ANTI-DEFAMATION** League has brought a \$120 million civil RICO suit charging the Unification Church, Rev. Sun Myung Moon, the *Washington Times*, the law firm of Schwalb, Donnenfeld, Bray & Silbert, the accounting firm of Grant Thornton, and others, with conspiracy to destroy "the American political system in order to establish a worldwide government which would prohibit the separation of church and state."

## Editorial

### *Build a political anti-war movement*

The student protests that erupted at the University of the District of Columbia and other American campuses at the end of September, are the harbingers of a revolutionary ferment potentially as powerful as that which led to the reunification of Germany in less than one short year.

On July 4, 1989, in the forward to his campaign platform, Lyndon LaRouche, a candidate for Congress from Virginia's 10th Congressional District, forecast that "a new revolutionary upsurge will become an increasingly dominant feature and compelling force during the 1989-1992 interval of crisis." It will sweep through Eurasia, Africa, and the Americas, he wrote, "reaching gale force inside our United States at some point during the coming eighteen months." We are now rapidly approaching that point, as growing public awareness of the catastrophic nature of the economic crisis intersects the fear that President Bush's escapades in the Persian Gulf will lead to a new Vietnam War—or even worse.

The current student demonstrations are still small, but if used to build a political antiwar movement addressing these broader issues effectively, they will quickly reach the kind of "gale force" that LaRouche forecast. That will be not a moment too soon, if the United States and the world are to be saved from the otherwise certain disaster which the policies of the Anglo-American Establishment are bringing down upon us.

On Sept. 27, students at the University of the District of Columbia began a strike which, as we go to press, was entering its ninth day. Three hundred strikers have occupied the administration building, chaining themselves to the premises. The catalyst for this action was a decision by the Board of Trustees to spend \$1.6 million—of federal and city taxpayers' money—to purchase for the campus a disgusting piece of pornographic "art." Called "The Dinner Party," it depicts a dining table with 39 place settings, each of which is "decorated" with female genitalia. This, at a predominantly black commuter college, with an open admissions policy, intended to serve an inner city communi-

ty. Student demands include the resignation of the entire Board of Trustees, scrapping of the pornography purchase, improved basic education policies, longer library hours, and better student housing.

This strike action on the issue of quality education is particularly notable at a time when a study produced for the College Board has determined that it is the lack of study of geometry and mathematics on the secondary level which undermines the student's ability to succeed in a university—and particularly so in the case of minorities. Black and Hispanic students who took at least one year of high school geometry have vastly improved chances of getting into college and receiving a bachelor's degree, the study found. The College Board's president, Donald M. Stewart, has issued a laudable proposal for "serious consideration" of a national policy to ensure that all students take geometry in secondary school.

In terms of marginal expenditure, the \$1.6 million which the UDC's trustees propose to spend on a worthless piece of pornographic art, can do a certain amount of good. The danger to security and public order lies in the threat of bringing another piece of filth of that type under university auspices, at that price, at these hard times—that is an insult to humanity.

This kind of student protest must now join the still modest anti-war protest internationally against the prospect of a holocaust launched by the United States and Britain in the Middle East.

There must be a political anti-war movement against this. We must not make the mistake that was made with Vietnam. We must not allow U.S. military engagement in the Middle East to run out of control before the protest mounts. We lost many lives, and much more, in a war in Vietnam which was intended by Henry Kissinger and his friends to be a no-win war from the beginning.

We do not wish to set off another Vietnam War. We do not wish to set off World War III by starting a brushfire in Iraq, which leads into a general nuclear conflict. We want a negotiated solution now, before it is too late.

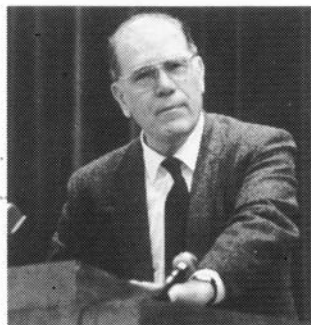
'From the prison in which the politician's career expires, the influence of the statesman is raised toward the summits of his life's providential course. Since Solon, the Socratic method has become the mark of the great Western statesman. Without the reemergence of that leadership, our imperiled civilization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

—Lyndon H. LaRouche, Jr.



## IN DEFENSE OF COMMON SENSE

by Lyndon H. LaRouche, Jr.

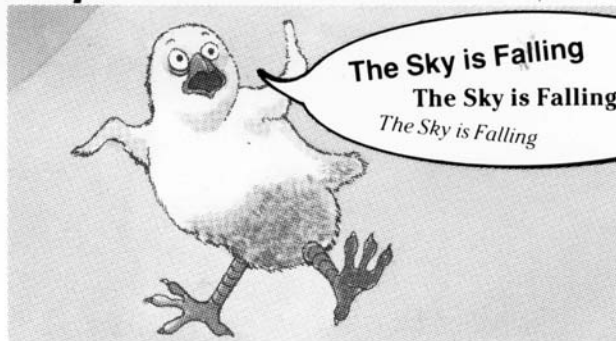


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*—Gen. Teng Chieh*

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