

EIR

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Were there 32 million jobless in U.S. in 1990?
CFR eyes U.S. role in U.S.S.R. civil war
Drug lord's 'surrender' is kidnap of Colombia

**Schiller Institute takes on
Harvard mafia in Europe**





A TOTAL WAR STRATEGY AGAINST PEKING

by Gen. Teng Chieh

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

—Gen. Teng Chieh

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

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From the Editor

Over the past month, Helga Zepp-LaRouche, the founder of the Schiller Institute, and her colleagues have given a series of presentations in Czechoslovakia to public and private conferences held to discuss future economic policy in the wake of the liberation of central European countries from the yoke of Soviet-imposed communist dictatorship. In *Economics*, you can read in more detail about a conference in Slovakia, plus a report on a Schiller Institute delegation's first visit to a republic within the Soviet Union—Ukraine. More will follow in our next issue, as we expect to report on further activity in Czechoslovakia as well as Soviet Armenia.

These forays are situating the Schiller Institute and the programs of Lyndon LaRouche—which are the 20th century sequel to Friedrich List's notion of a national economy—as the counterpole to what is known in the former East bloc as the Harvard Mafia, around such characters as Jeffrey Sachs. As the initial round of Sachs's radical free-market recipes is causing so much chaos, many see LaRouche's "Productive Triangle" plan as the only realistic alternative.

I urge you to turn next to our *National* lead article, where Webster Tarpley reveals how the New York Council on Foreign Relations is considering deploying U.S. military forces into the U.S.S.R. in the expectation of intervening into civil war. Does the East Coast establishment *want* a Soviet civil war? It may seem unthinkable. But read in the *International* lead about how the U.S. State Department, in concert with its Moscow counterparts, has fostered the breakdown into violent conflict in Yugoslavia; it becomes clear that such evil is indeed in the hearts of the Anglo-American elites.

All this is designed to keep loot flowing into a financial system cantilevered far beyond bankruptcy, as the U.S. physical economy continues its tailspin toward a crash. The *Economics* lead article tells that the U.S. has entered into hyperinflation because of the failure of Wall Street and its Washington puppets to face reality. The *Feature* exposes the dimensions of U.S. unemployment figures, and what you can do to make the government tell the truth.

Our next issue, dated July 19, will be a double issue and will count as two issues for subscribers. It will contain a full report on the legal frameups of LaRouche and his friends, besides the regular news and features.

Nora Hamerman

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Corrections: In our June 21 issue, on page 57, the great Russian icon painter Rublyov's name was incorrectly spelled "Rublejev." On page 6 of the same issue, in the opening of Paolo Raimondi's speech in Prague, "Friedrich List: the economist of industrial capitalism," the citation from List should open with the very first paragraph of the speech, and continue through the third paragraph. Due to an editorial error, the quote marks only opened with the third paragraph. The actual words of List begin with the phrase, "I shall confine my remarks to the refutation of the theory of Adam Smith. . . ." We apologize for any confusion this error may have caused.

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U.S. deficit out of control, as hyperinflation looms

by Steve Parsons

While the U.S. government and international media churn out reams of data and forecasts hyping the imminent “recovery,” the U.S. financial system is verging on an uncontrollable hemorrhage of debt and red ink. An unprecedented U.S. budget deficit is now intersecting the insolvency of major financial sectors. From banks and insurance companies to governments at all levels, the enormous demand for financing is threatening to detonate a hyperinflationary explosion as the “alternative” to a deflationary collapse.

First of all, the U.S. government’s budget deficit is out of control. May’s deficit came in at an all-time record \$53.35 billion, even though the Treasury received that month most of the balance of Gulf war tribute money from the “coalition” allies. Thus, the actual deficit was even worse. This boosted the total for the first eight months of the fiscal year to \$175 billion. Although the Bush administration still maintains that this year’s deficit will be under \$300 billion, it is recognized that the U.S. Treasury’s quarterly funding requirements will amount to \$100 billion from now on. That is, the United States is now set to borrow, every three months, an amount approximately equal to Mexico’s total foreign debt.

For the last week of June alone, the Treasury was planning to raise \$55.25 billion in two-year and five-year notes, along with three-month, six-month, and one-year bills, even though a large inventory of short- and intermediate-term notes is sitting unsold on dealers’ shelves. Interest payments alone on the federal government’s present debt are now running at about \$240 billion per year, as much as the Bush administration’s estimate of this year’s deficit, and expenditures are growing almost twice as fast as revenues. These increased funding requirements set the stage for both a dollar devaluation and U.S. interest rate increases in the context of the August quarterly refinancing—thus torpedoing the so-

called attractiveness of U.S. investments for foreign money, not to mention the stock market.

\$300 billion more for the banks

But this is only the tip of the iceberg. Treasury Secretary Nicholas Brady appeared before the House Banking Committee on June 26 to demand another \$180 billion bailout for the bottomless savings and loans pit known as the Resolution Trust Corp.—\$80 billion in direct budget appropriations, and \$100 billion in “working capital” that will be financed through off-budget RTC bonds. This comes on top of the \$80 billion “officially” already provided by Congress, plus \$70 billion in RefCorp bonds already floated. Furthermore, the new \$80 billion on-budget request by Brady understates by approximately \$50 billion what the RTC needs, on two counts: It does not include 208 S&Ls that are insolvent but not yet declared officially dead, and is valued in 1989 dollars, not current dollars. And on top of these shenanigans, Congress is being asked to permit commercial banks to borrow \$70 billion directly from the Federal Reserve.

That puts the total new money requests for the S&Ls and banks at \$300 billion. And no one doubts that this is hardly the end, as the original S&L bailout estimate of \$50 billion now veers up toward \$1 trillion.

Brady not only ignores mention of this stupendous debt run-up, but insists that the so-called on-budget RTC costs add up to just \$132 billion—the latest official cost projection for the S&L bailout. This “new math” project to cover up the catastrophe has not, however, fooled those in the know.

The Swiss-based Bank for International Settlements (BIS) noted, albeit in an exceptionally polite manner, the rigged data coming out of the U.S. government. In its just-released annual report, the central bank of central banks says

that U.S. financial statistics on capital flows are totally contradictory, making it “unclear how the U.S. deficit is financed.” Last year, foreign direct and portfolio investment in the United States plunged more than \$100 billion, to less than \$31 billion, while U.S. investments abroad sharply increased—putting net capital flows roughly in balance. But U.S. current account statistics unaccountably show a surplus—and net inflow of funds—of some \$73 billion.

At the same time, while on-the-books figures from Japan show a sharp decrease in net outflow of securities purchases to only a \$5 billion, Japan’s current account deficit was understated. There was “again a sizable statistical discrepancy—with the opposite sign to that of the United States,” the BIS observed.

What this means, is that a statistical obfuscation is covering up the extent of U.S. deficit financing, and the extent of Japanese subsidy for that financing, for fear of making clear the gaping financial hole in America—and, perhaps even worse, revealing the growing inability to actually finance such enormous deficits. It is this reality that was behind the Group of Seven meeting in London on June 23.

Desperate ploy at G-7 talks

“It is clear from the London G-7 talks that Washington absolutely is determined to prevent large flows of funds from going into the Soviet economy and East Europe,” said City of London economist Stephen Lewis in comments on the recent “pre-talks” prior to the July 15 Western economic summit to which Gorbachov has been invited. “The U.S. is putting behind-the-scenes pressure to redirect capital flows back into the United States. This is also behind the recent spate of articles mentioning the recent BIS report on a global capital shortfall. Washington is trying to ‘orchestrate’ the news to show an ‘upbeat U.S. recovery.’ The problem is that the U.S. stock market is *already* overinflated. At this point, if the markets believe the signs of ‘recovery,’ they will start to pull back, fearing no further interest rate cuts; if there is no more ‘good news’ on the recovery, the markets will fear rising deficits and higher taxes, and will sell as well.”

According to Lewis, Bush has set the stage by permitting Gorbachov to come to the G-7. “Gorbachov will come away from London and the G-7 with nothing. This and the growing catastrophe of the Soviet economy will then dominate press headlines for the coming months. This will benefit Bush, because it will indirectly send the message that Germany is not a secure investment with so many problems in the nearby Soviet economy, hence Washington hopes to reverse capital flows again back into the ‘recovering’ U.S. economy and the dollar.

“The problem for Bush is that, as the recent May deficit showed, the size of the coming U.S. capital funding requirements is so far beyond anything to date, that Bush must attract a very, very large sum of capital, and ultimately that means raising U.S. interest rates to do that. Once this occurs

in a significant degree, it will signal that the game is over for Bush’s economic crisis management.”

A \$500 billion deficit? Or more?

The growing tab for the S&L and commercial bank bailouts are not all that’s hitting Washington. In the wings is the insurance industry, reeling from billions of dollars of losses from crashing real estate, junk bonds, and hefty liability settlements. As of 1989, total real estate and mortgage investments for many insurance companies were up to 10 times greater than capital and surplus. A Townsend & Schupp survey of 61 life insurance companies showed that average real estate investments were more than 400% of capital in 1989. Travelers’ ratio was nearly 900%, Mutual Benefit almost 1,000%, and Aetna’s was 1,100%!

With the failures of First Executive and First Capital showing the utter inadequacy of state guaranty funds, state insurance regulators by year-end are expected to require companies to set aside capital reserves against risky mortgages and real estate investments, similar to the reserve ratios that banks are supposed to maintain to cover potential loan defaults. The greatest hemorrhage of red ink is from the insurance companies with the worst investments, as with the banks, the ones that can least afford to maintain reserves.

That poses the potentiality of an insurance bailout by the federal government, on top of the S&L and imminent bank mess. Some of the largest insurance companies have been discussing with federal officials legislation to have Washington take over regulation of commercial insurers from the states. This would be the prerequisite for creating some form of federal insurance fund, like the Federal Deposit Insurance Corp. (FDIC) for the banks.

And it doesn’t stop there. As the collapse of First Executive shows, the pension benefits of millions with insurance company annuities are in danger. And if there is a bust on the markets—including stocks, mutual funds, and bonds—the institutional pension funds that are the number one source of liquidity for the entire U.S. financial system, are in extreme danger. The call has already gone up for the government’s Pension Benefits Guaranty Corp. to guarantee the pensions for victims of First Executive and other companies, with many mooting that it should insure virtually all pension funds.

Take into account the financing requirements for state and local governments unable to sufficiently cut expenditures or raise taxes to finance some \$200 billion in deficits for fiscal years 1991 and 1992. Then add in unprecedented levels corporate borrowing, and plummeting foreign investment, and you get a horrifying picture of total illiquidity. Government “remedies” of blood-curdling budget cuts and tax hikes, no matter how extensive, simply can’t pay for all this. That leaves simply the printing presses—a Brazilian-style hyperinflation that can only result in a catastrophic deflationary bust.

Slovakia debates economic policy: LaRouche vs. IMF

by Angelika Beyreuther-Raimondi

In the beautiful headquarters in Bratislava of the Christian Democratic Movement of Slovakia, the Schiller Institute sponsored on June 17—with strong organizational support from the Movement—a daylong meeting on the topic of Lyndon LaRouche's proposal for a European Productive Triangle and the "Science of an Economic Policy Based on Christian Principles."

The chairman of the Schiller Institute in Germany, Mrs. Helga Zepp-LaRouche, and the other Schiller Institute speakers were presented by Dr. Papay, the leader of the Christian Democratic Education Center. Dr. Hrnčiar, the leader of the Christian Democratic foreign division, delivered the official greetings. Dr. Papay also saluted on the podium, Slovakia's Forestry and Water Management Minister William Oberhauser, as well as a guest delegation from Budapest, led by the president of the Association of Hungarian Political Prisoners, Mr. Fonay. The 60 guests included leading figures of the different Slovakian ministries, several parliamentarians, scholars from various universities and institutes, and active members of the Christian Democratic Movement.

Following a presentation on the Productive Triangle by Ralf Schauerhammer, Mrs. Zepp-LaRouche developed in her speech the basic problem of the neomalthusian "new world order" of George Bush, which is in total contrast to the new world economic order put forward by her husband, Lyndon LaRouche, on the basis of Christian principles. She gave examples from almost 20 years of recent history, of how the LaRouche movement and, since 1984, the Schiller Institute had evolved as the international institutional counterpole to the neomalthusians.

Both President Fonay of the Association of Hungarian Political Prisoners and the chief of the association's foreign section, Dr. Tibor Kovats, appealed strongly for friendship for the two neighboring peoples, and extolled "that which binds us together," namely, "the economic-political program for the future." Dr. Kovats declared that with our friends of the former East bloc lands, "we will not just 'dream a unified

European dream,' but we will work together, without illusions, with a serious commitment on economic policy."

Slovakia and the Productive Triangle

Mrs. Beyreuther-Raimondi, in her speech on the consequences of the "shock" austerity policy of the International Monetary Fund and the World Bank, warned that this policy should be rejected for Czechoslovakia, as it had led national economies into ruin wherever this "lethal IMF medicine" had been adopted. Paolo Raimondi counterposed the policy of the "industrial capitalist Friedrich List" to the "ideology of the monetarist Vaclav Klaus," who is the national Czechoslovakian finance minister. Raimondi called on participants to look back to the historic example of the successful industrial revolution, and not to the ideological authors of bankrupt economic systems which characterize today's American and British models.

The discussion pivoted around the question of what is the best economic course today. One spokesman for a Slovak ministry stated that his ministry would have been happy to host a conference on the Productive Triangle, but that since the IMF was at that very moment conducting negotiations in Slovakia, the Schiller Institute's views on that question had become too hot to handle. The concrete question was posed in manifold ways as to what possibilities are available other than IMF "medicine."

There was great skepticism about the West. "Where are our partners in the West, who will support us, if we reject the IMF prescriptions and implement the Productive Triangle?" There was also skepticism about certain assertions of the Schiller Institute: "Can you really compare the highly industrialized nation of Czechoslovakia with Third World countries? If we adopt the IMF conditions, will it really have the same results for us as in the Third World? Aren't there also some positive examples of the effects of IMF conditions, such as Portugal, Spain, Greece, or Turkey?"

In August 1990, the Christian Democratic prime minister of Slovakia, Dr. Jan Carnogursky, gave the German magazine *Parliament* an interview, in which he expressed his wish "that Bratislava will attain the importance of Vienna and Budapest." He added: "The city has all the preconditions for that in its geographical position." The geographical position of the historic city on the Danube River is in fact extraordinarily interesting within the context of an overall European infrastructure project. Not only would Slovakia's location bring major economic advantages to this country, if the Productive Triangle concept were implemented, but also, the high ratio of skilled labor power in its 5 million people. In the cited interview, Dr. Carnogursky also indicated that "political awareness in Slovakia is more shaped on the model of Christianity than is the case for the Bohemian states."

In the controversy over the right direction for Czechoslovakian economic policy, this fact may play an important future role: Slovakia has a Catholic majority and its people



The Castle in Prague, seat of Czechoslovak President Vaclav Havel, where the Schiller Institute was invited on May 23 to present its economic program to experts from ministries, research institutes, and universities during a half-day seminar sponsored by the George Podebrady Foundation for European Cooperation.

Richard Mignaw



In Bratislava, Ralf Schauerhammer outlined the infrastructure projects which make up the "Productive Triangle" plan.



Paolo Raimondi, who spoke in Prague and Bratislava on Friedrich List, contrasting his concept of National Economy to the policies of monetarist Finance Minister Vaclav Klaus.



Angelika Raimondi developed the dossier on the crimes of the IMF in the Third World and Eastern Europe at the Schiller Institute conferences.

This demonstration, demanding independence for Slovakia, greeted Vaclav Havel on his first trip to Munich, Germany in early 1990. The current Slovakian premier, Dr. Carnogursky, seeks a state treaty in which Slovakia's sovereignty would be established, and it would then delegate powers to the federal regime in Prague.



are therefore more disposed to an economic order based on Christian principles.

Czechoslovakia's current crisis

The situation in Czechoslovakia is critical. According to estimates, overall production fell 25% in the year between March 1990 and March 1991. In construction, the decline was 43.9%. Consumer prices rose about 63% and prices to industrial manufacturers more than 71%. The average real income collapsed about 35%. This reversal corresponds to about double the decline of Czechoslovakia's industrial production in the four years after 1929—the onset of the last Great Depression.

In Slovakia, things are even worse. This is where heavy machinery construction and the arms industry are concentrated, as well as the big metalworking and chemical complexes. Unemployment has climbed sharply. The monetarist finance minister Vaclav Klaus is therefore even more disliked in Slovakia than in the Bohemian and Moravian parts of the country.

Political clashes

On June 17, in the Moravian city of Kromeziz under the chairmanship of President Vaclav Havel, the fifth negotiating session opened between the Czech and Slovak republics concerning the future constitutional shape of the state. Prime Minister Carnogursky argued for a state treaty between the two republics guaranteed by international law, in which the sovereignty of Slovakia would be established, and as an autonomous state it could then delegate powers to the federal regime in Prague, such as foreign and defense policies.

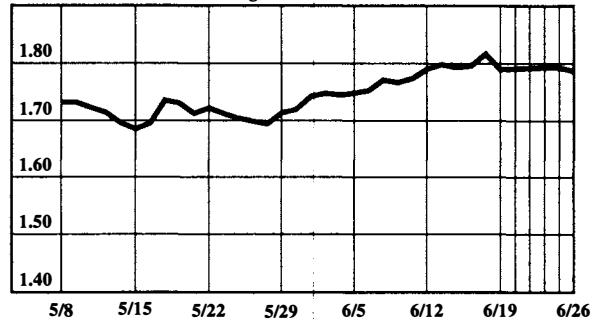
Finance Minister Klaus, who has been for some months also the chairman of the small Democratic Citizens Party, put out an ultimatum-like declaration before the negotiations started, rejecting all the Slovakian proposals. It is to be hoped that the personal relations between Havel and Carnogursky, from their days as political prisoners under the communist regime, may help to overcome the difficulties which are making deep divisions in the country, especially because of this kind of provocative behavior.

The dyed-in-the-wool "Anglo-Americans" among Czech politicians, like Vaclav Klaus, will find it more difficult in the future, if their "leading lights" continue to behave rudely by European standards. When U.S. Vice President Dan Quayle recently met with the elites of the Eastern European countries in Bardejov, Czechoslovakia, not only did the behavior of the American security forces shock the central and eastern Europeans, who could not help but compare their arrogance to memories of the Russian occupation; but the cost of the American visit was so high—and the Quayle entourage's actions so downright "imperial"—that the politicians whose populations are supposed to swallow the ordered drastic austerity measures, were quietly tallying things up and thinking about the Yalta sellout.

Currency Rates

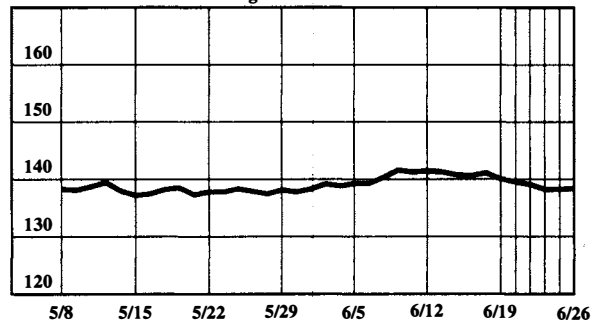
The dollar in deutschemarks

New York late afternoon fixing



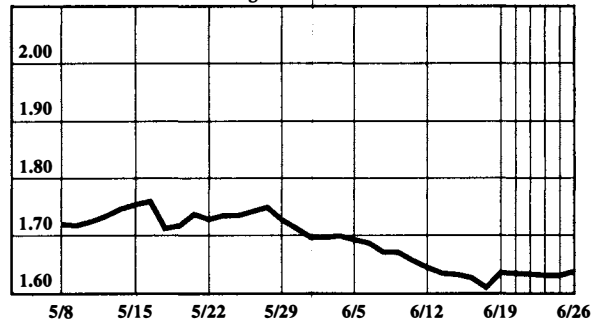
The dollar in yen

New York late afternoon fixing



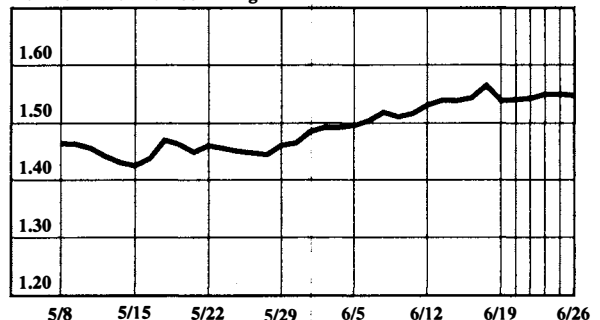
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



Ukraine needs its own currency to promote economic development

In the context of a specialized conference of the Ukrainian popular movement Rukh in Kiev, our correspondents Anno Hellenbroich and Michael Vitt had the opportunity to interview Prof. V. Sikora about the situation in Ukraine in the midst of the current breakdown process in the Soviet Union. Mr. Sikora is professor of political economy at the Cultural Institute of Kiev and chairman of the Center for Market Economy.

EIR: We are now just at the end of an important conference on the economic rebirth of Ukraine. What in your judgment will be the impact of the conference and what is the present status of the discussion?

Sikora: Ukraine is on the verge of introducing its own national currency. We see this as a decisive step toward solving the problems which have emerged in the framework of privatization. At the same time, it should protect the population from the brunt of the consequences that come with the introduction of a market economy in general.

The conference made it clear, that an independent Ukrainian economy could play an essential role within an Eastern European economic structure. . . . And if we simultaneously introduce the mechanisms of the market economy, yet guard against the introduction of the "pure market economy," i.e., carry through the cultural aspects and the political instruments of a market economy in the right direction, I am sure that all these prerequisites will contribute to allowing the introduction of our own national currency to be successful. This national currency would, for its part, advance the stability of the Ukrainian economy.

If a Ukrainian national currency were introduced within six months at the latest, this could in my judgment become the turning point in our economic development. . . . The most important thing seems to me to establish that the Ukrainian economy forms a solid basis for a national currency. Ukraine has to represent an independent economic zone, which does not isolate itself through exaggerated protectionism, but is much more oriented to the views of Friedrich List. Precisely List is, in my view, to be taken very seriously in this period, in order to prevent a one-sided market economy

approach.

We must therefore take care that the introduction of a Ukrainian national currency be carried out very carefully. The introduction of a general internal as well as external convertibility would be premature, because the Ukrainian economy is not well enough established and the foreign atmosphere does not present itself as friendly. We must therefore place in the foreground, the strengthening of the currency inside the country.

The strengthening of economic relations with our neighboring countries Russia and Belorussia is very important for Ukraine. The same goes for economic relations with Germany. These relations should serve to build up a stable Central European economic zone—Poland, Czechoslovakia, Hungary, even Bulgaria—between Ukraine and Germany. Germany must understand, that the East European economic zone is in the foreground for us. The development of relations to Germany follows then as the next step. . . .

The development of these relations must be accomplished in the framework of an accelerated European integration. The Ukrainian national currency deserves the trust of its neighbors. It will soon be able to have extensive hard-currency reserves at its disposal, because it exports raw materials. We hold, for example, practically the world monopoly on manganese and beryllium mining. Ukraine is noted for its wealth of mineral raw materials. Add to this, agriculture and our export capabilities in oil, sugar, and iron ore. And with the necessary investments, Ukraine could develop gold mining. In this respect, the Ukrainian currency has at its disposal an extensive cover in the form of hard currency reserves.

The foreign debt of Ukraine is smaller than the Romanian, for example. Also from this side nothing stands in the way of real economic development.

EIR: Several of the conference speakers are members of the Supreme Soviet of Ukraine and the People's Congress. Will the problems of privatization and the struggle for independence be correctly handled by the local parliament and the present regime? How does the perspective of the next three to six months look to you?

Sikora: The situation in Ukraine is complicated. We don't have any really independent governmental institutions. The policy of a "shock therapy" is not acceptable to us. Ukraine must move in various directions in the next six months. Political independence is the first priority. Our own currency system is the precondition for privatization. And for the problem of privatization, the merely one-dimensional solution of shock therapy is ineffectual.

EIR: How is the electoral victory of Boris Yeltsin evaluated by leading politicians in Ukraine, for example with respect to the endorsement of the Treaty of Union?

Sikora: Yeltsin only has one chance to survive politically: The process of forming sovereign republics must be sped up. That I'm certain of. This is equally important for Yeltsin, Ukraine, Russia, and Kazakhstan. . . .

EIR: How do things stand regarding the supply of industrial and agricultural products vis-à-vis the upcoming Group of Seven meeting and the proposals which Gorbachov directed to Western leaders?

Sikora: Ukraine is in the situation of being able to feed its own people. The stockpiles of grain from the last crop are in the range of 6-7 million tons.

Even if half the black earth area is hit by drought, the other half will produce enough food for export to supply Russia and get oil and natural gas in return. In contrast to us, Russia is heavily dependent on imports.

EIR: What do you expect from your Western partners? How should they act?

Sikora: From the fact that Ukraine does not need grain or food imports from the West, it follows that the type of rela-

Toward the sovereignty and progress of Ukraine

Questions about the national and economic sovereignty of the Ukrainian Republic were at the center of a three-day conference which took place at the invitation of the popular democratic movement called Rukh on June 14-16 in Kiev. As we reported last week, two speakers from the Schiller Institute, Anno Hellenbroich and Karl-Michael Vitt, were invited to speak on the future of Ukraine in Lyndon LaRouche's plan for a "Productive Triangle" of central European development.

In his greetings to the 300 guests, who were gathered in the auditorium of the Polytechnic Institute of Kiev University, the chairman of Rukh, Ivan Drach, pinpointed the drama of the present moment. He referred to the election of Boris Yeltsin as President of the Russian Republic and especially hailed the decision to rename Leningrad by its historical name, St. Petersburg. He outlined the theme of the conference: the independence of the Ukrainian Republic in the democratic process of Europe, the creation of a Ukrainian currency, and the spiritual and material renaissance of Ukraine.

The president of Kiev University, in his keynote speech, expressed the hope that this conference might carry Ukraine a good way farther down the road toward economic independence and sovereignty. If the problems of "de-nationalization" of the industries and real estate holdings which are in the possession of the Moscow central power (about 60% of Ukrainian industries), the privatization efforts, the development of extensive foreign

trade relations, and the introduction of a Ukrainian currency are successfully conquered in the coming months, Ukraine has a good chance of obtaining its full sovereignty, and the political situation could be stabilized. The country is as big as France (over 600,000 square kilometers); with over 52 million inhabitants the second strongest republic in the U.S.S.R.; it has many mineral resources such as coal, manganese, iron ore, and gold, and also has important industrial capacities, for example in the computer industry. The chairman mentioned that in July 1990, the Ukrainian Parliament had passed a declaration of sovereignty—with a view to the introduction of private ownership and other mechanisms of a free economy. This could only be mapped out further with the help of this conference, he said.

Controversy over future economic policy

In the ensuing debates, the basic contradictions in conceptions of economic policy came clearly out in the open, pivoted around the question of how the economy can develop out of the bankruptcy of the socialist planned economy. Representatives of the co-sponsoring group, the Center for International Management Education, promoted the "horse medicine" of the "pure doctrine of the free market."

One of the four American speakers went so far as to assert that he had lost his suitcase on the Aeroflot flight there, and that this was a new proof that a state monopoly is the worst competitor for the free market. He claimed that competition of private airlines in the United States had done a marvelous job of improving service. This was a bold assertion, especially when one compares the service of Swissair or Lufthansa with the (bankrupt) Pan American!

tions must be differentiated from those with Russia. With German help, the economic motor can be effectively developed, and Europe should promote its relations to Ukraine more energetically. It is not possible to set 6 or 10 million people into motion at the same time. There has to be a phased development, and for that, the Galitsia region offers itself. The sister city relationship between Munich and Kiev is very important, too. Germany ought to concentrate on one region and work really effectively there.

But it should not be forgotten that relations with Russia are very important to us. The Soviet Union, the Russian Republic, and Ukraine are on the verge of attaining a new quality of relations. The West must act, therefore, in a tactful and enlightened manner, and show greater flexibility in its diplomatic activities and calculations. If one side were to go back to the Cold War approach, this would make the situation considerably more difficult.

The current crisis

The struggle over the correct economic path is being decided both by the ever-worsening supply and production situation, as well as by how the central authorities will react to the independence struggle in Ukraine. In touring around Kiev, for example, one observes a certain supply of simple housewares, cosmetics, and so forth, but the only ones who can buy them are those who have ration coupons. The rationing measures on consumer goods are aimed at the buyers who stream into the city from the surrounding area to "buy off" from the Kiev citizens "their" commodities. A trip on public subway trains costs 15 kopeks now, while only a few months ago it was 5 kopeks. The black market is flourishing. A foreigner has great difficulty getting a taxi that will still carry you for rubles. (Amounts as high as \$40 are needed for transport from the Moscow International Airport to the domestic airport—according to the official exchange rate, this would correspond to some 880 rubles, or two months' wages.)

The black market problem was heavily discussed at the conference. Around the question of how privatization will take place—either by means of outright grants to private businessmen, or through auctions or leasing—the problem emerges as to how a simple Ukrainian citizen could come into enough money to buy up a major company. Some speakers proposed regulation of loans and credit lines by laws. Some, however, suggested that the black market should be simply legalized, in order to allow these huge illegal monies to flow into the productive economy, something that was greeted with stormy protests from a few listeners. "That way, criminal machinations would go unpunished," shouted the protesters.

Peru revolts against IMF's wrecking job

by Luis Vásquez

The Peruvian population's rebellion against the government of President Alberto Fujimori, which is mercilessly applying International Monetary Fund (IMF) austerity dictates, is growing daily. The center of Lima and the workers' zones which surround the capital city are the scenes of daily demonstrations by the unemployed, and of street battles between striking workers and the police sent by the government to disperse them. These protests, usually joined by ordinary people in the streets, often turn into scenes of looting, stoning of public buildings, and burning of buses. The same is going on to varying degrees across the country.

Peru, which has staggered along for years under an unpayable multibillion-dollar debt burden, has reached a point of total economic and social breakdown. Peru is the epicenter of the cholera epidemic killing thousands across the continent, which has now reached into Mexico to claim its first victims there. Peru is also an increasingly important center of operations of the cocaine cartels, which directly or indirectly have hundreds of thousands of Peruvians on their payroll. Peru, in the grip of the IMF, is Ibero-America's future.

Labor is up in arms

There are presently some 2 million workers in Peru on indefinite strike, according to the head of the Peruvian General Workers' Federation. That is 40% of Peru's total work force. All of the country's largest labor federations are on strike or in a protest mobilization of some sort. The teachers' union, representing some 300,000 workers nationwide, has struck in protest against its members' miserable wages, which generally are less than the equivalent of \$30 a month. The health workers' union, representing more than 250,000 doctors, nurses, and medical aides, has been on strike for more than 90 days, in parallel with the growth of the cholera epidemic. A nurse with 20 years' experience receives no more than the equivalent of \$32 a month, while doctors average \$50 or less. Every day, a contingent of 100 retired elderly persons can be found chained to the steps of Peru's Social Security Institute, to protest the miserable pensions which have condemned them to death by starvation.

The best-paid, the oil workers, have been charged by President Fujimori with a "lack of solidarity" for their aver-

age \$200 per month wage. They have just declared a strike to protest the government's decision to privatize the state oil company PetroPeru, the economy's "goose that lays the golden egg."

'A pound of flesh'

The Peruvian population is being starved to death to pay the IMF, charged *Sí* magazine of June 22. At present, "one-third of government revenue is used to pay [IMF managing director] Monsieur Camdessus and company." So far this year, \$400 million has been paid out, and the monthly outlay is now reaching nearly \$50 million, according to *Sí*. This figure was corroborated by Economics Minister Carlos Bologna, who declared that one of the benefits of the "bridge credit" of \$1.2 billion that Peru is asking of a still non-existent "support group" of nations, will be to avoid the \$50 million monthly payment to the IMF.

Various analysts, and even some congressmen, have charged that the Fujimori administration has paid thus far more than \$1.1 million to the IMF, without receiving a cent of credit in return.

Sí magazine also reports that the Gross National Product has fallen by 20% so far this year, and in certain industrial sectors, the collapse has surpassed 35%. The import liberalization policy which has opened up the economy to everything, even to imports of U.S. toilet paper, has caused the virtual disappearance of certain branches of national industry. Justo Orrellana, the president of Peru's Association of Small and Medium Businesses (Apemipe), recently charged that nearly 250,000 small companies have gone bankrupt during the first year of Fujimori's reign.

Agriculture is also in dire straits. According to the Peruvian Farmers Federation, as much as 50% of arable land is no longer cultivated for lack of credits from the development banks, and because of high interest rates from the commercial banks. Poor farmers have begun to sell off their lands in view of the impossibility of cultivating them, and the government has assisted the process with a decree annulling the agrarian reform of former President Gen. Juan Velasco Alvarado (1968-75).

Despite the brutal recession that has been imposed, inflation has yet to be defeated. In fact, in the past two months, the monthly inflation rate has again surpassed two digits and now everyone, even officials of the Fujimori government, are admitting to the failure of the "anti-inflation" program designed by IMF officials.

There are two fundamental reasons for that failure. First, the liberal essence of the program, which sanctifies "free enterprise," has made the Peruvian economy much more parasitical than it was even one year ago. Today, more than ever, the activities which turn the biggest profit—drug trafficking, contraband, financial speculation—are soaring, while real production disappears. The paradoxical result of this "opening" to foreign capital, and to Peru's "reinsertion

into the international financial community," is that the only foreign "investment" that has come into the country has been: 1) a group of Korean investors who purchased an old Lima hotel earlier this year, and turned it into a casino, complete with slot machines; and 2) a Hong Kong banking group, headed by the Hongkong and Shanghai Banking Corp., which bought Lima's Sheraton Hotel and Aeroperu, the national airline, and announced that it was going to build a network of casinos and hotels, including in the ancient Inca city of Machu Pichu.

The second reason for the failure of the IMF program lies, according to the Fujimori government itself, in its inability to increase the country's tax revenue. And this inability is not due to the high taxes which have Peru's small base of taxpayers squeezed dry, nor because service costs of the public companies are too low. In fact, Peru is currently paying the highest price for gasoline of any producer nations. And its electricity, water, and telephone charges top any Latin American cost index.

The real reason for the inadequate flow of tax revenue is what Bush's favorite Latin American economist, Hernando de Soto, fondly calls the "informal economy." The Fujimori government, advised by De Soto, has already admitted its inability to incorporate this immense layer of "informal," or underground, producers, into the taxpaying universe.

The spread of cholera

What most demonstrates the utter bankruptcy, the outright criminality, of IMF prescriptions is the economic history behind the cholera epidemic in Peru. As President Fujimori recently confessed to the Japanese magazine *Nikkei*, Peru has lost \$400 million in exports and more than 500 million man-hours of labor—a combined equivalent of nearly \$1 billion—due to the cholera epidemic. These dramatic losses could have been prevented if Peru had employed an \$80 million program of emergency sanitation and small infrastructural projects in Peru's main cities.

This emergency program, according to former Health Minister Carlos Vidal Layseca, had already been outlined with the help of World Health Organization technicians. However, when the program was presented to then-Economics Minister Hurtado Miller, he had invoked the authority of President Fujimori in refusing to declare the country in a state of emergency. In his own words to the Lima press at the time, such a program implied "too much expense." The "economic program had to be saved," said Hurtado Miller.

Health Minister Vidal was forced to resign from the government because of his disagreement with Fujimori and Hurtado's handling of the cholera epidemic. However, before his departure, Vidal presented the national press with some explosive accusations against the government, charging it with having forced him to lie to the public, and to hide the existence of cholera when clinical proof of its spread in Peru was already in hand.

Bush wants World Bank 'privatization' shift

by Michael Billington

Angry resistance has postponed efforts by the Bush administration to force new conditions onto World Bank loans to the Third World. The U.S. wants the loans to include the condition that nations "privatize" their state-owned industries—i.e., sell them off to the highest bidder. The Bush administration expected easy passage of this change, but it hit a snag, when a meeting on June 20 of the World Bank board broke up in disagreement.

The World Bank, like its twin the International Monetary Fund (IMF), is already infamous for the imposition of "conditionalities" on loans to the Third World, demanding that austerity conditions be imposed on target populations in order to meet debt payments to the international banks, or face a cutoff of trade and credit. "Privatization" conditions are common in IMF demands on the Third World. However, the World Bank was supposedly designed to provide development assistance, and its charter allows it to lend only to governments, not to the private sector. U.S. Treasury officials are asking for a change in that charter, and in the meantime want the Bank to demand privatization in exchange for loans.

The International Finance Corp., the financial institution associated with the World Bank which lends to the private sector, is due for a recapitalization. U.S. Treasury Undersecretary David Mulford told the Congress earlier in June that negotiations among the United States, the World Bank, and the IFC had reached agreement that in exchange for U.S. support for increasing the capital of the IFC by \$1 billion (nearly doubling its resources), the World Bank would do more to "promote" private enterprise in Third World countries—the polite way of insisting they sell-off their state sector. The expected routine approval of this agreement on June 20 resulted instead in "pandemonium," as one official described it to the *Washington Post*, when "extremely sharp criticism" of the U.S. strongarm methods resulted in U.S. withdrawal of support for the IFC capital increase.

Infrastructure would be hit hardest

The U.S. proposals, were they to be implemented, would further reduce any source of funds for fundamental infrastructure development in the Third World. The United States has increasingly propped up its collapsing productive economy by draining resources out of the developing sector at rates of over \$30 billion per year. Practically the only money

allowed into the Third World has been to refinance the debt (in connection with forced devaluations of currency), or in industries exploiting cheap labor and reaping a quick return—like the *maquiladoras* along the Mexican-U.S. border or the free trade zones on the China coast.

The World Bank, while functioning as a primary arm of the malthusian policymakers, has nonetheless been a source of at least some development funds during the "lost decade," as the 1980s have come to be called in the Third World. Even that paltry flow of funds would be cut back under the U.S. plan. Mulford argued that the current policy of the Bank discourages governments from privatizing their state industries, since these industries occasionally get access to World Bank loans, while private industries do not. The opposite policy is clearly intended: If a government refuses to sell off its state industries, they will be cut off from any remaining development funds.

The only reported criticism of this policy at the bank board meeting came from U.S. allies who don't necessarily disagree with the policy, but objected to the way in which Washington tried to ram the policy through without consultation with the other members. However, a World Bank spokesman admitted that several developing nation representatives voiced concern with the content of the policy. The *Washington Post* pointed out that the U.S. had gone to some effort to try to reassure member nations that "a concern that public sector activities would be ignored by the Bank was misplaced."

Democratic leaders in the House have charged the Bush administration with following "a narrow ideological agenda" by insisting that the World Bank concentrate on the private sector. Reps. David Obey (D-Wisc.) and Matt McHugh (D-N.Y.) threatened to hold up funding for the IMF and for Bush's Enterprise for the Americas if the World Bank dispute is not solved.

AID demands privatization

The U.S. Agency for International Development (AID), responsible for U.S. government lending to developing nations, is also experimenting with new ways to force the "free market" methods that have proven such a dismal failure in the U.S. onto the rest of the world. Thailand, one of the Asian nations that is rapidly joining the "little dragons" of Taiwan, Korea, Singapore, and Hong Kong as a newly developed nation, has become the target of an experiment at AID called the Advanced Developing Country Strategy. There are enormous infrastructure projects that are needed in Thailand, especially the Mekong River development project and the digging of a canal across the Kra Isthmus, but the U.S. is not interested in such projects any longer. Instead, the strategy is to promote privatization, while trying to place the United States in a controlling position in directing investments, with a particularly careful eye on preventing Japanese domination of the Thai market.

LaRouche warns against bashing Europe, Japan

by L. Wolfe

U.S. Democratic presidential candidate Lyndon LaRouche sent an open letter to Democratic Party officials and organizers in June, urging them to reject a campaign of "bash Europe and Japan," and proposing instead that the party support a policy collaboration with our allies in major infrastructure and other projects to develop markets in the developing sector and Eastern Europe.

LaRouche, who is being held political prisoner by the Bush administration at the Federal Medical Facility in Rochester, Minnesota, issued the statement while Democratic Party leaders were meeting at the Middleburg, Virginia estate of Pamela Harriman to discuss strategy for the 1992 election.

All accounts of the secret sessions, attended by several announced and unannounced presidential candidates, indicate that no policy was agreed on other than to attack President Bush's "domestic agenda." On the key trade issues identified in the LaRouche letter, the Democrats were in complete accord with Bush trade war thrust; under the rubric of "free trade is fair trade," some leading Democrats are even more rabid than the Bush administration in wanting to "beat up our allies," as LaRouche called it.

LaRouche is not surprised by the idiocy of Democratic Party policy. He points out in his letter that the party had rejected his proposals during the 1980 campaign for "dumping then-Federal Reserve chairman Paul Volcker and directing credit into high-technology capital and energy exports." Instead, the Democrats followed the "pro-usury policies" of their then-chairman "Banker Charles Manatt," which have led to electoral disasters. "The fact is, I was right, and those who followed Banker Manatt and his money-men were wrong," wrote LaRouche.

"George Bush's Anglo-American administration is at war on two fronts," the letter states. "On the one hand, as has been recognized in the international press, the Bush administration has started military wars against small nations to deflect attention from *the depression that has already begun in the United States*. Against the economically strong nations of this planet, Bush has launched a simultaneous trade war, especially against unified Germany and Japan."

The CIA has defined Germany and Japan as our enemies, he says, pointing to statements by outgoing CIA director

William Webster. At the same time, the Bush administration has demanded that Japan and Germany follow the United States, and destroy their economic productivity. Meanwhile, Bush spokesmen see *slave labor in North America as their answer to prosperity based on high-technology*, stating that this is what is behind the "fast track" North American Free Trade Agreement (NAFTA) plan, based on "rapidly growing labor camps on the Mexican border where factories pay 50¢ per hour." The Bush allies-bashing approach has been taken up by some in the Democratic Party, says LaRouche, citing statements by Democratic presidential candidate Paul Tsongas, House Majority Leader Richard Gephardt, Senate Finance Committee chairman Lloyd Bentsen, and Sen. Ernest Hollings, all of whom attended the June 13-14 gathering at Pamela Harriman's Virginia estate.

"This is pure, fruitless idiocy on the part of the United States," says LaRouche. "The fact of the matter is, *since the assassination of President John Kennedy in 1963, the United States has had no sane medium- to long-range economic policy*. The United States, over the past 25 years, has gone from bad to worse in economic policy, especially by way of the Volcker high interest rate measures, deregulation, the Garn-St Germain legislation and other mistakes. Now an absolute catastrophe faces the United States and our free market guru, Britain, in particular this year and beyond. We are already in a new world depression probably far worse than that of the 1930s."

This idiocy is compounded by the collapse of the Soviet economy, led by the collapse of Soviet agriculture. "While the Soviets appear to understand that a successful economy requires modern industry, they have failed to understand it also requires an independent, entrepreneurial agriculture capable of assimilating technological revolutions, typified by the American family farmer of one or two decades ago," LaRouche wrote.

Ironically, the U.S. Department of Agriculture is responsible for collapsing American agriculture, once the most efficient food-producing system on Earth. "Cargill et al., through U.S. Department of Agriculture policies and related measures, have been eliminating the American independent farmer in a way which is remarkably analogous to what Stalin and his successors did in eliminating the independent productive farmer in the Soviet Union," LaRouche says.

The present virtual famine in the U.S.S.R., and growing, though unadmitted, food shortages in the United States, show marked similarities to the chronic food shortages created through usury in formerly colonial nations. Under the influence of the satanic Adam Smith and his "free trade" dogma, the colonial powers which seized various parts of the world destroyed the native independent agriculture; that is, the food producers who are the counterpart of the independent family farmer of the United States. Such policies are also responsible for collapsing farm production in the developing sector. "What the colonial powers did, instead of enhancing the

productivity of the independent farmers who produced the food supply of those nations, was to set up collective farming of one sort or another," LaRouche reports.

Production collapse

Production in both the U.S. and the Soviet Union is collapsing, writes LaRouche. In the United States, the candidate points to the collapse of infrastructure since the early 1960s, showing that we are suffering a net loss of much-needed infrastructure. This was brought about by the wrong credit policies, which steered investment away from infrastructure-building programs into speculation. As a result, our economy is a shambles.

"The U.S. economy would come to a screeching halt for lack of parts no longer produced by the United States if the rest of the world were to stop supplying them," the candidate writes. "Without the productive capabilities which exist in Japan and especially West Germany today, the United States economy cannot recover."

Therefore, "it is absolutely insane and treasonous to go on a Europe and Japan-bashing expedition at this time," he states. "We must, rather, instead admit that every administration, Republican or Democrat, has acted like a bunch of idiots on economic policy for the past 25 years. It's time to learn the lesson of the mistakes. And, the worst mistake of all, would be to go on a bashing campaign, against the only economies which are equipped to assist the United States in a recovery."

To get this recovery under way, LaRouche proposes a number of interrelated initiatives, including "a system of high tariffs, in the sense of the Clay-Carey Whig policy against the Southern cotton-slave interests of the early 19th century. . . . *Only by providing protection can we restore a fragile U.S. industrial structure.*"

However, it will not be enough to "protect" American industry. "Nor will any amount of investment by Japanese or Europeans into the internal U.S. economy. The United States needs a large area of exports in order to get a jump-start on economic recovery." That will be the developing sector and Eastern Europe as areas for large-scale infrastructure development projects. "That is the basis for a U.S. recovery: an export orientation toward a high-technology transformation of the developing nations in the direction of an energy-intensive, capital-intensive mode of development—precisely the policy which Pope John Paul II has called for in his new encyclical *Centesimus Annus*. And, to do that, you must have a reform of the international monetary system, which I have called for since 1974-75," LaRouche says.

"A worldwide recovery, based on the essential role of Japan and western Germany in providing the high technology necessary to a recovery in the United States, is the essence of my campaign for the Democratic presidential nomination," LaRouche concludes. The Democratic Party must make this the cornerstone of the 1992 campaigns.

EIR team finds scant support for NAFTA

by Harley Schlanger

In a mid-June tour through northeastern Mexico, *EIR* correspondents from Houston and Mexico City discovered that, in spite of intense propaganda and arm-twisting by both the Bush and Salinas administrations, there is little support for the North American Free Trade Agreement (NAFTA) in the areas which have already tasted the alleged benefits of so-called free trade.

Both the U.S. and Mexican Presidents have proclaimed the adoption of this treaty as being among the highest priority concerns facing their governments.

The intensity of the deployment by Harvard's Carlos Salinas de Gortari and Yale's George Bush to rally support for NAFTA shows a certain desperation. Conferences were held in Nuevo Laredo in Mexico and McAllen, Texas, to drum up support for the treaty.

Both conferences featured top government officials. Mexico was represented by Serra Puche, the commerce minister, Gustavo Petricioli, the ambassador to the U.S., Miguel Alemán Velasco, the ambassador-at-large, and local officials, including the governor of the border state of Tamaulipas. Julius Katz, the chief U.S. negotiator for NAFTA, led the U.S. delegation, which included Gov. Anne Richards of Texas, Congressman Kika de la Garza (D-Tex.), and a slew of undersecretaries from the State Department and Commerce Department. Also attending were the ambassadors to Mexico from Canada and South Korea. More than 375 businessmen, local politicians, and academics attended the session in McAllen.

This assault was augmented by commercials on Mexican television, produced by the government, at 15-minute intervals, trumpeting the virtues of the agreement for Mexico.

The hidden agenda of NAFTA

The theme of the speakers in McAllen was that all three nations (Canada is the third partner in NAFTA) will benefit from the treaty. According to Don Newquist, U.S. International Trade Commissioner, "The basic reason for doing a North American trade agreement is to enhance the competitiveness of the U.S., Mexico, and Canada in the global economy." While not stating that this improved "competitiveness" is based on wage gouging, using slave labor wages in Mexico to drive down wage levels in the United States and Canada, he did make two interesting admissions.

First, he confirmed that the agreement is directed against Europe and Japan, saying NAFTA would give the participants “the needed leverage” to compete with them. Secondly, he acknowledged indirectly that a fundamental purpose of NAFTA is to bail out the collapsing Wall Street banks. “Face the fact of life,” he said. “All three countries are moderately broke. And we’ve got to export to be able to service the enormous debts all three countries have.”

Another admission that startled attendees was from Mexican Ambassador-at-large Miguel Alemán, who told them that Mexico will face inflation and recession from NAFTA, as well as problems handling the population boom at the border. The lack of infrastructure—which will not improve under the terms of NAFTA, and was not addressed by Alemán—is already a serious problem, especially in border cities such as Ciudad Juárez, Chihuahua, across from El Paso, Texas. Health officials on both sides of the border have identified Juárez as the most likely transmission point for the spread of cholera into the United States.

LaRouche versus the free traders

This occurred as the *EIR* tour got under way, to announce the release in Spanish of the *EIR* Special Report exposing NAFTA, entitled “Auschwitz below the Border.”

From the wide-open responses to the presentations of the *EIR* correspondents during their tour, it is obvious that the efforts of the governments to sell NAFTA have been ineffective thus far. In press conferences and in private meetings with elected public officials, we found significant opposition to NAFTA.

Reynosa, in the heart of the productive agricultural sector of the state of Tamaulipas, is a city of almost 700,000 people, across the border from McAllen. The *EIR* press conference there was attended by two radio reporters and two newspapers. It lasted almost two hours, as reporters fired questions, asking for details about the real intentions behind the treaty, what does the United States hope to gain, do they want Mexico’s oil, is there opposition to NAFTA in the U.S.?

There was great enthusiasm for U.S. presidential pre-candidate Lyndon LaRouche’s proposal for an Ibero-American Common Market as the alternative to NAFTA. The reporter for *La Frontera* has written a full-page article, and his paper is interested in serializing *EIR*’s report, “Auschwitz below the Border.”

This has caused a scandal, as representatives from the Mexican Chamber of Commerce asked the paper not to cover the opposition to NAFTA, saying there is already great suspicion against the treaty!

There was a similar response in Matamoros, where a representative of the Mexican Labor Confederation (CTM) attended the press conference. Both he and another reporter confided that the support which the Mexican government takes for granted is very weak. “What we lack, is an alternative,” he said.

Korean economic deals ‘an internal matter’

by Lydia Cherry

A prime objective of South Korea President Noh Tae Woo’s upcoming meetings with George Bush July 2, will be to seek U.S. recognition that certain economic deals between North and South Korea—as was the case with Germany prior to reunification—are “internal trade” and not subject to outside interference. Earlier this year, the two Koreas worked out a barter deal whereby the North would obtain much needed rice in exchange for coal, but the deal has been delayed because the U.S., especially the Department of Agriculture, was unhappy with it. At the same time, it has become clear that the North is battling stark food shortages. The South Korean daily *Tong-a Ilbo* claimed May 21: “It has been revealed that the U.S. administration raised objections to the rice barter between the North and South through diplomatic channels.”

Noh Tae Woo’s “Northern Policy,” first put forth in a speech to the U.N. General Assembly in October 1988, precisely echoed U.S. statesman Lyndon LaRouche’s “Food for Peace” proposal toward the Soviet Union. In the U.N. speech, Noh had announced: “We must transform the North-South Korean relationship, so that we can reconnect every roadway, whether a major highway or a little path, linking the two sides which remain disconnected now. Then we could be enabled to go on to develop our common land, by combining our human, technological, and financial resources.” The paved roads of South Korea abruptly turn into rubble dirt roads as soon as the border is crossed.

Later, Korean leaders monitored carefully the fall of the Berlin Wall, and sent numerous delegations to Europe to study German reunification. The government, however, is aware that the North Korean economy is in much worse shape than was East Germany’s. At a strategy meeting in Seoul June 17 that was presided over by President Noh, it was concluded that the South must greatly boost economic cooperation with the North now to fill the economic gap prior to reunification. Although this is not a new idea (it was part of Noh’s initial framing of his now two-year-old “Northern Policy”), there is now much more of a chance for it to be implemented.

At the same time that the North Korean economy continues to go downhill, the two sides are talking and taking part in joint sports events. And, in recent weeks, North Korea has made two “turn-arounds.” First, it said it will seek United Nations membership separately from South Korea—a point South Korea had insisted would be preferable because it

would give the two sides a chance to cooperate in an international organization. The second turn-around, as evaluated by the South, is its agreement to sign the nuclear safeguards accord of the International Atomic Energy Agency and open its nuclear facilities to inspection. Admittedly, this second point is still unclear because of the rhetoric between the U.S. and North Korea on who does and does not have nuclear weapons and whose nuclear facilities should be opened for inspection. But, nevertheless, Noh Tae Woo has told his ministers to prepare for unification, even though he says the final form may not be achieved before the end of the decade.

Noh Tae Woo's governing Democratic Liberal Party was greatly strengthened June 21 when it won an overwhelming victory in local elections. The Kim Dae Jung New Democratic Party, which largely supports the politics of "violence-in-the-streets," was beaten back significantly, winning only 165 of 880 seats. This has given Noh a clear mandate to pursue his primary goal: reunification.

South Korean press reports make clear that the government is studying replacing the current Armistice Agreement with a peace treaty and disbanding the U.S. Command, following North and South Korea entering the United Nations at the same time, which is expected to take place this fall. Replacing the Armistice Agreement was the subject of a speech delivered at the Korea Regional Policy Institute by Foreign Minister Yi Sang-ok on June 14. He is quoted: "Close consultations between South and North Korea are necessary before making any decisions on the status of the U.N. Command and conclusion of a peace treaty with North Korea." The *Korea Herald* notes that concluding a peace treaty is "an especially complicated question which necessarily involves the status of not only the U.N. Command but also U.S. troops in Korea in general."

The U.S. is not known to favor Korean reunification, and unidentified "foreign bankers," according to AFP, "are telling South Korea that reunification would stunt South Korea's growth for years, if not decades, and put on hold its dream of shifting its labor-intensive economy into high technology." The Noh government, however, seems to be ignoring the "advice" as it moves in both directions at the same time. Noh envisages rapidly turning Korea into a developed country; he has announced, for instance, that it is a "historical mission imposed on all of us" that Korea catch up with the Group of Seven advanced countries in science and technology by the year 2000. His answer seems to be to engage in every effort possible to improve North Korea's economy now.

Link-up of railways proposed

One idea proposed June 21 was for the Koreans to immediately link up their railroads "to upgrade transportation of exports to the Soviet Union and Europe," as was laid out by South Korean Unification Minister Cho Ho-chung. Seoul is also encouraging private companies, in particular Korea's huge conglomerates, to take risks in trade with the North. A special fund

is available should a company "lose its shirt" in the process. A Lucky Goldstar executive recently noted that the government had no qualms about a deal it was involved in, which allowed for the North to receive badly needed hard currency. Officials, he said, were encouraging much more trade.

However, just from the economic standpoint, helping North Korea with its economic difficulties is not that easy. The North has been competing with "the U.S. colony" in the South for 46 years. North Korea received a donation of "rice of love" collected by Christian groups in the South some time ago. After this was made public, North Korean officials announced that the rice in question "shall be returned at once." Recently, *Nodong Sinmun*, the newspaper of North Korea's ruling Worker's Party, described the South Korean economy as a "catastrophe," noting that "it is a tragedy of our nation to see an ailing colonial dependent economy in half of the country."

Food shortages the turning point

There have been clear signs that the North Korean food shortage has reached such a critical stage that the North Koreans are being more open about their plight, however. According to the South Korean publication *Wolgan Choson* in March 1991, the food crisis is reflected in recent slogans such as "Rice is Communism," and "From the Rice Bin Comes the Public Confidence," to urge increased production of rice and other foodstuffs. Lately, however, the expression, "Of all the tasks facing us in our socialist economic construction, most urgent is to resolve the question of food," is becoming the most commonplace.

The Institute of the Socialist Economy, under the U.S.S.R. Academy of Sciences, in its assessment toward the end of 1990, said, "North Korea imported 1 million tons of food in 1989; however, due to the 1990 crop failure, it will have to import 2.2 to 2.5 million tons in the future." According to the Institute, "It is seriously feared that a famine will occur this spring and North Korea is likely to ask international organizations for food aid. For internal reasons, however, the Soviet Union is unable to extend food assistance."

Both South Korea and Thailand report that the North has made overtures to buy rice. South Korean press report that as early as mid-January, North Korea proposed to buy 100,000 tons of rice, suggesting that payment be made in North Korean products, such as pollack. Also in January, North Korean Premier Yon Hyong-muk informed the Thai premier of North Korean plans to import 1 million tons of rice and 500,000 tons of feed-purpose tapioca (a kind of potato) from Thailand within the next 2-3 years. It is not known if any of these deals have materialized. Problems from the U.S. side derailed, or at least postponed, the counter-trade agreement by the South's Cheonji Trade Co. to swap rice for coal from the North's Kumgangsan International Corp. Once the deal became a matter of public debate, North Korea, predictably, backed out.

Third World leaders denounce U.N. genocide proposal

by Michael Billington

Leaders of the Group of 77, composed of 128 developing nations, have delivered scathing attacks at the United Nations against the "1991 Human Development Report," which was released by United Nations Development Program (UNDP) director William Draper III in May. These denunciations have been largely blacked out of the U.S. press, despite widespread coverage of the press conference at which Draper released the "Human Development Report" (see *EIR*, June 28, 1991, "Zero Growth Lobby Demands More Genocide").

Draper, who got his position through his longstanding family ties with George Bush, personally issued the report, which stated that the increasing poverty and collapse in the developing sector were entirely the fault of those countries and peoples, due to their "lack of political will—not financial resources." Draper blamed these countries for "wasting" money on development and defense spending, demanding instead that population reduction take priority over industrial production.

A "Human Development Index" was established which "replaces the traditional yardstick index of per capita GNP as a measure of national progress," substituting a "human experience" index in its place.

Translated, that means that Draper's report, far from advocating "human development," calls for destroying the possibility that Third World countries can ever develop to the point of entering modern industrial society—or even being able to feed their people.

It is a blueprint for genocide.

Why have a 'homosexuality index'?

Malaysian Ambassador to the U.N. Ismael Razali demanded that the U.N. Development Program, representing all member nations of the United Nations, "consider in its computation on human freedom and human rights, the right of every human being to food, shelter, employment, education, health, and to be free of disease." The UNDP is not, he insisted, "despite financial contributions, a vehicle of donor countries to apply conditionalities on so-called human rights issues." The U.N. must be nonpartisan, and not be "suspected of being surrogates for one-sided Western values which in the process insult the traditions and values of others. . . .

Why, may I ask, is it vital to have an index on homosexuality? Is the Western world . . . and some people in the UNDP preoccupied over homosexuality?"

Speaking for the Group of 77, Dr. Kofi Awoonor, the Ambassador to the U.N. from Ghana, denounced the fact that the UNDP used the work of "one Western scholar who represented a particular culture which has been viewed by many as linked to oppression and exploitation of a vast portion of our world." Ambassador Awoonor was referring to British academic Charles Humana, who is the source of the index.

Genocidalist Draper openly argues against aid for industrialization or infrastructure development for developing nations, dubbing them "extravagant prestige projects." With no reference to the collapse of living standards, the spreading epidemics of AIDS, cholera, and other diseases of poverty, and with no reference to the massive debt burden in the Third World, Draper declared that the "foundations of human development" are in "primary education, preventive health care, and family planning. This is where government is most productive, not in mining, shipping, and building steel mills and cement factories."

The report provides an example of precisely what kind of project is considered to be a "prestige project" which is "totally inappropriate and an excessive drain on local expenditure. The Institute for Malaria Research in the Solomon Islands is one of several such projects funded by Japan in the South Pacific."

Targets of demographic extermination

The countries condemned by the index, interestingly, correspond in large part to the countries targeted for demographic extermination in the secret 1973-75 National Security Council documents commissioned by Henry Kissinger and George Bush: India, Egypt, Nigeria, Mexico, Zaire, Bangladesh, and Kenya (*EIR*, May 3, 1991).

Among the nations whose representatives blasted the UNDP report were Mexico, Libya, China, and Singapore. Kenya's deputy representative said that his government "strongly questioned" any attempt to use the index "in implementing projects in developing countries."

Such "human rights" considerations in the hands of the architects of George Bush's "new world order" are not only a tool for stopping development; they are also a threat to national sovereignty. American handling of the Kurdish crisis, and the recent passage in the U.S. Congress of a bill which calls for completely bypassing the governments in the Horn of Africa in dealing with aid to refugees, demonstrate that Bush's new world order will ignore the sovereignty of any nation deemed to be out of line with his and Draper's policies.

Draper himself, in response to the broad and virulent attacks on his program from the nations for which, as head of the U.N. Development Program, he is supposedly responsible, asserted that the report "needs no defense and it certainly needs no apology."

July 1 budget cuts mean mass layoffs

by H. Graham Lowry

Public employees across the United States face mass layoffs, as budget cuts for the new fiscal year go into effect for most cities and states on July 1. The resulting nationwide increase in unemployment will further shrink revenues at every level of government, at a time when their rate of collapse has forced major monthly—and even weekly—increases in projected deficits. The combination of huge budget cuts and steep tax increases will deal another crushing blow to what remains of the U.S. economy.

The revenue shortfalls from a vanishing tax base continue to widen, despite the fact that half of the states increased taxes a year ago, and half of them have raised them again for the coming year. Twenty-nine states had to make further budget reductions to cover deficits which grew throughout the past fiscal year, and they are still considering a total of \$8 billion in additional cuts, just to get through to July 1.

Studies for the Congressional Budget Office estimate that budget cuts and tax increases by state and local governments could total \$50 billion in the next fiscal year, or roughly 1% of the nation's supposed GNP. Yet the National Conference of State Legislatures estimates that 21 states will have deficits totaling \$35 billion just by themselves. A leading New York municipal bond investment house is privately predicting that the total state and local budget deficits for the *current* fiscal year could reach \$140 billion!

The worst cases—California, New York, Connecticut, Texas, and Pennsylvania—all publicly project multibillion-dollar deficits, with California's estimated as high as \$15 billion. All of those but Texas, plus Maine, New Hampshire, and Louisiana, are working on spending cuts and tax hikes totaling more than 20% of their entire budgets.

Layoffs rising rapidly

At least a score of states are already planning sizeable layoffs of public employees, and if New Jersey is any example, the numbers will rise rapidly. A fiscal 1992 deficit projected at \$812 million in May prompted 3,000 layoffs. Now New Jersey projects a \$1.5 billion deficit, and is preparing to lay off another 6,000, bringing the total to 9,000 out of a statewide work force of 70,000. Additional cuts will come

in the form of wage freezes and unpaid furloughs.

In California, Gov. Pete Wilson's administration went into the last week of June threatening to lay off over 22,000 state workers, unless the unions agree to equivalent spending cuts in pay and other benefits. If they reject a 5% pay cut and two payless workdays a month, 9,380 will lose their jobs. If the governor is not granted authority to grab \$1.6 billion from the public employee pension fund, another 12,275 workers will be laid off.

New York State laid off 1,300 workers on July 1, and Gov. Mario Cuomo announced June 21 that he would soon lay off another 4,000, despite the fact that the state's fiscal '92 budget has already been passed and put into effect. New York City began laying off nearly 8,000 city employees on June 17 in order to cut them from the payroll by July 1. City budget-cutters plan to eliminate a total of over 20,000 jobs through layoffs and attrition over the next 12 months.

Other layoffs planned for the coming fiscal year include 5,600 in Massachusetts; 5,300 in Virginia; 2,600 in Connecticut; 4,400 in Illinois; and as many as 8,000 in Michigan.

Teachers on the chopping block

Cuts in state aid to local school districts are forcing further waves of teacher layoffs. In Alabama, 2,000 are expected to be let go before the end of June. Minnesota schools are planning to discharge another 1,500, while in Indiana pink slips may be sent out to as many as 5,000 teachers. Twenty-nine states have already cut aid to higher education as well, in some cases closing entire campuses. The bankrupt city of Chelsea, Massachusetts, placed under state receivership June 11, fired all of its public school teachers the same day.

Welfare measures adopted in a number of states will also affect public payrolls. On June 14, Massachusetts created a mandatory "workfare" program for welfare recipients and a 90-day residency requirement for welfare benefits. Aid to Families with Dependent Children (AFDC) and General Relief recipients without children at home and who are not disabled, will be required to work 20 hours a week for their cities or towns in order to receive benefits. This will simply increase the degree to which cities resort to further layoffs of city employees.

The absurdity of attempting to balance budgets without completely overhauling current policies and restarting the economy, was dramatically demonstrated again in the case of Maryland on June 25. State fiscal officers told a stunned joint budget committee of the legislature that their projected deficit for the fiscal year beginning July 1 was already a whopping \$300 million, in a budget of \$11 billion.

Only \$200 million was expected to be in the state's treasury on that date, prompting one legislator to make the black-humored suggestion that it be used to purchase Maryland lottery tickets in hope of a partial bailout. Worse yet, the state's economists project the revenue shortfall for 1993 to hit \$573 million.

'Zero risk' standard for pesticides makes no sense in the real world

by Robert D. Sweet

Robert D. Sweet is Professor Emeritus at Cornell University's College of Agriculture and Life Sciences, Department of Fruit and Vegetable Science. Professor Sweet has had 50 years experience in fruit and vegetable research and cultivation practices.

During the past two decades of decline in the economy, the scientific method of evaluation has come under attack from superstition, vested interests, and government circles. A recent example was provided by some testimony at a June 12 hearing by the House Agriculture Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition on "The U.S. Fruit and Vegetable Industry in the 1990s." Officials from the Environmental Protection Agency, the Department of Agriculture, and other government departments repeated blatantly unscientific views of horticulture and soil science. They called for low-cost, cheap-labor agriculture, couching their concepts with praise for the merits of "organic" produce and "zero-risk" pesticides. Moreover, the administration is backing the shift of much of U.S. vegetable production to northern Mexico under the "North American Free Trade Agreement" negotiations, which, according to studies by faculty at Texas A&M University, will involve mining of the soils, very low yields, and biological degradation, not to mention serf-type labor practices—Marcia Merry.

A small, but highly vocal group is calling for "zero risk" as the basis for regulating pesticides. This extreme view is not supported by medical experts, toxicologists, or biological scientists. These highly trained professionals are well aware that zero risk for pesticides is just as untenable as was the law passed about 40 years ago which specified zero levels in foods of added substances which could cause cancer.

Many people cannot understand why wonderful-sounding slogans or laws such as those proposing zero risk just do not work. They need to be reminded of a few basic facts about toxicity and about "zero." Absolutely nothing is toxic if the dosage and exposure are sufficiently low. Conversely absolutely everything is toxic if the dosage and exposure are sufficiently high. As to "zero," this is a problem of the technology available to measure a particular substance at low levels. For pesticides, technology for measuring extremely

minute quantities must be available before the chemical can be marketed, but no scientific techniques exist that guarantee accurate measurements for "zero" for the case of pesticides—or for any other substances.

Let us examine some everyday examples of toxicity. It is medically sound to state that heavy cigarette smoking over a period of years often causes health problems. Yet those of us non-smokers who are exposed to just a whiff of smoke a few times a week are not concerned about contracting health problems. However, what level of exposure to cigarette smoke presents zero risk to all people regardless of age or health status? The zero-risk advocates state that since this level is so difficult to establish, the only practical answer is to ban all smoking. Another example: We need oxygen to live, but it must be in appropriate amounts. The air we breathe normally contains about 20% oxygen, and our bodies function quite well with these levels. However, under certain conditions, pure oxygen for a limited time is helpful. Athletes, mountain climbers, premature babies, victims of emphysema, etc. often need pure oxygen. However, severe damage can be done with prolonged use of pure oxygen. Conversely, deprivation of oxygen for as much as a half hour or so, can result in death.

Similar situations arise regarding our needs for water, but at the same time, excessive water causes illness and even death. It is obvious that toxicity of a substance to humans is not a clear-cut process whereby certain substances are always "bad" and others are always "good." As toxicologists proclaim, it isn't the substance per se that causes toxicity, but the dose and exposure. Agriculturalists believe those who advocate "zero risk" for pesticides actually want to ban all pesticides and are using this slogan as a tactic or strategy for gaining their goal.

Some localities and states propose, and sometimes pass, pesticide regulations which put local producers at a serious competitive disadvantage, but which do little to influence the already high quality of our foods. For example, 50-75% of our fruit and vegetables contain no pesticide residues at any detectable level whatsoever. The remaining supplies contain permitted amounts which are about 1,000 times below what medical experts believe might cause toxicity. Regulatory

agencies often report about 1% of samples as being in violation. However, since these are not consistent and vary from crop to crop, locality to locality, and season to season, they do not pose a health threat. Of course, a persistent, consistent, supplier of crops with unsafe levels of pesticide residues is soon caught and put out of business.

Some anti-pesticide people try to convey the idea that most troubles from pests are really caused by or increased in severity by the use of modern pesticides. What utter nonsense! Ever since recorded time, pests have been mentioned as causes of famines. Early tribes often were forced to migrate in order to find food! Even as recently as the 1840s, potato blight caused massive starvation in Ireland. It precipitated a migration of hundreds of thousands to the United States. The culture of both Ireland and the U.S. was profoundly influenced. While potato blight is still a threat to potato production, effective fungicides are utilized at the earliest signs of the disease, and rarely is more than 1% of the crop lost. What a boon to the starving Irish, effective fungicides would have been!

For centuries, scholars have taught us the Malthus thesis that man reproduces at a faster rate than he discovers how to grow more food, and thus, it is argued, massive famines are the natural factor regulating global population levels. Happily, in the last 40 years, this pessimistic view has been laid to rest. Current technology, including synthetic chemical pesticides, permits production of food for millions more persons than now exist. Most sociologists claim that starvation, malnutrition, food shortages, etc. are due to political, economic, and sociological factors far removed from agricultural technology.

Philosophically, the call for zero risk in regard to pesticides, and not for the many other areas of our lives that are regulated by the government, is very difficult to understand, unless, of course, as mentioned earlier, this is just a "scam" for those who really wish to ban all pesticides. The list of areas which could be included in a zero-risk argument is almost endless and includes every conceivable aspect of our lives such as food, air, water, shelter, education, health care, transportation, and so on.

Do we demand zero risk from our foods? Poultry consumption has increased enormously in the last 20 years. However, poultry is a major source of salmonella, a bacterium which can cause serious intestinal upsets, and even death. Do we demand zero risk or banning of poultry? No, it's a fine food, and its benefits to people are enormous. Instead, we ask for vigorous enforcement of sanitary slaughtering requirements and caution the public that all poultry must be thoroughly cooked so that salmonella, if present, will be killed. This is just one of many food examples.

Do we demand zero risk from water supplies? Practically every municipality has a central water system, and most use chlorination as an important part of their water processing. Yet scientists have shown that there is a small but measurable

risk of toxicity from chlorination. Do we demand zero risk? No. The benefits from chlorination are enormous. Waterborne health risks like typhoid fever are practically eliminated by this process. Instead we try to have well-trained personnel running our municipal water systems so that risks are minimized—but not zero.

Do we demand zero-risk shelter? Are all our homes required to have zero risk from natural disasters such as tornadoes, earthquakes, lightning, floods, etc.? Of course not. Each of us makes decisions as to the degree of risk we are willing to accept and how much protection we can afford. Naturally we also consider the kinds of natural disasters likely to occur in a given region or at a particular site. Certainly areas of California have more risk of earthquake and less risk of tornadoes than do areas of the mid-South.

Do we demand zero risk for air quality? Here, man really shows his colors. Two primary causes of unsafe air are auto emissions and electric generating plants. While the government struggles to require lower auto emissions, the people still drive an average of 15,000 miles a year, with much of that distance covered when only one person is in the car. The same story for power plants. Only in the last 10-15 years have we made attempts to have energy-efficient homes. But while doing so, we have added all kinds of gadgets in our homes including electric tooth brushes, can-openers, etc. There has been no major reduction in the amount of electricity the average family consumes. Another alternative is to switch electric generating from fossil fuels to nuclear power. There is no question that air emissions would be lowered, but the effects of a nuclear disaster still loom rather large in the minds of the public. But where is "zero risk" when creature comforts are involved?

Aspirin could not pass

What about zero risk in the medical arena? Medicines must go through about the same kinds of tests for safety as do pesticides before they can be marketed. In fact, old standbys such as aspirin could not pass current tests for safety. Who advocates "zero risk" for either old or new medicines? The public asks for reasonable chances for efficacy, and a reliable explanation of possible adverse effects. The doctor and patient arrive at decisions on an individual basis, and zero risk isn't demanded by either.

Zero risk is a powerful political and emotional slogan, but it makes no sense in the real world. We could not live under such constraints, because everything connected with our lives carries some degree of risk. Those who single out pesticides for the unworkable slogan of zero risk probably fall into one of two categories: They are unaware of how safe our present food supplies are, or they do not understand the terrible consequences to world food supplies if zero risk from pesticides ever became a global policy. Indeed Malthus's pessimistic view of man and his capacity to reproduce versus his inability to grow enough food would once again become accurate.

House seeks to curb Bush bailout

The Banking Committee is throwing a monkey wrench into the President's 1992 reelection bid.

The House Banking Committee, in its first full week of markup on the Bush administration's bank reform bill, took dead aim at the President's plan to paper over the insolvency of the banking system until after the 1992 elections.

The heart of the Bush scheme is to allow the big banks to stay open, no matter how bankrupt they may be, while providing them all manner of regulatory and financial assistance. It is precisely this scheme that the banking committee targeted.

From the opening bell, the committee, led by chairman Rep. Henry B. Gonzalez (D-Tex.), made it clear that the administration's power to prop up insolvent banks indefinitely, through regulatory forbearance and "backdoor bailouts" arranged through the Federal Reserve's discount window, was in jeopardy.

As we reported last week, the Fed has been pumping billions of dollars into insolvent and nearly insolvent banks, with the Federal Deposit Insurance Corp. (FDIC) ultimately liable for repayments if and when the banks fail.

Gonzalez had introduced an amendment to limit Fed discount window loans to any bank to no more than five consecutive days in any three-month period, but he temporarily withdrew the measure after a meeting with Fed chairman Alan Greenspan. The committee and the Fed will try to reach a compromise on the matter, but banking committee staffers insist that some form of the measure will be reintroduced before the bill leaves the committee.

With the Fed under fire, the committee turned its attention to the FDIC

and the Comptroller of the Currency and the enforcement of capital standards, adopting a measure to force federal banking regulators to close any bank whose capital falls below 2% of assets.

Under the committee plan, a mandatory series of actions would be triggered once a bank fell below the currently required 3% capital-to-assets ratio. The bill would require that any undercapitalized bank file a capital restoration plan with regulators, and would impose increasingly strict measures as capital deteriorated.

However, according to the bill, once a bank drops to the "critical capital level" of 2% of assets, "regulators must close the institution within 120 days, unless they find some other action to be more advantageous to the insurance fund"—that is, to the FDIC. Even if the "other action" option is taken, "at the end of six months, if the institution is still below 2% capital, regulators must close the institution."

Since it is unlikely that any bank which reaches the "critical" stage can recover within such a short time—if at all—the bill in effect mandates that such banks be closed, and either liquidated or sold with assistance from the FDIC.

For capital standards to be meaningful, however, the banks must stop lying about their financial condition. The General Accounting Office (GAO), in a recent study of 39 banks which failed in 1988 and 1989, showed that the banks' actual loan losses were 348% of their loan loss reserves. The banks had set aside \$2.1 billion, while post-failure examina-

tions showed that \$9.4 billion in reserves had been required.

The GAO found that bankers "have a strong incentive" to delay marking down their assets because it increases their losses and decreases their capital. "It is likely that many open financial institutions have overstated the value of their troubled assets," the study said.

Treasury Secretary Nicholas Brady insisted that due to the banks' stronger capital position, the banking crisis and the savings and loan crisis "are as different as chalk and cheese." But it is becoming ever more clear that the only real difference is that the thrifts are further along the curve of collapse than the banks, and that where the thrifts go today, the banks will follow tomorrow.

When the Bush administration first presented its S&L bailout proposal in 1989, it claimed that \$50 billion would be more than enough to resolve the crisis. Thus far, the administration has spent \$80 billion, and is now before Congress seeking an additional \$80 billion just to fund the bailout through 1992. To the untrained eye, that would seem to be \$160 billion, more than the latest official administration projection of \$132 billion.

Nevertheless, the Bushmen insist that the outlays do not exceed projections, because the figures should be calculated in 1989 dollars, not the 1990 dollars they had previously used. Brady's repeated statements to Congress about 1990 dollars, the Treasury insists, was due to "a typo in the transcript."

Very clever. With one stroke, the Bushmen explain away \$28 billion and set a precedent for next year, when they can claim that their \$50 billion forecast was a "typo"—they meant to say \$50 trillion. And some people say the administration doesn't know what it's doing.

University reopens to nuclear debate

In Italy's anti-nuclear referendum, "witch-doctors won over the physicians, astrologers over astronomers."

The Schiller Institute has picked up the "hot potato" of nuclear energy in Italy, by organizing on June 5 a debate on "Nuclear Energy, High-Speed Trains, and Telecommunications: Infrastructure for a Free Europe," at the Engineering Faculty of La Sapienza University here. After a long hiatus, experts in the various fields of nuclear energy and telecommunications were able to talk to students about the many hopes and projects which, despite the greenie fad, are still pursued by Italy's scientific and technical elite.

The speakers included spokesmen for the national electrical utility ENEL, the national alternative energy agency ENEA, Alenia Space Co., the Assotrasporti transport firm, and the Engineering Faculty's Transportation Institute. They addressed an audience of students and representatives of top national companies.

The forum was introduced by Dr. Giuseppe Filippini from the Schiller Institute, who discussed the economic development potentials created with the collapse of the Berlin Wall. After outlining broadly the main infrastructure projects which these changes could allow, which offer interesting chances for intervention by Western European countries, Filippini underlined the need to build throughout the continent, in the medium term, at least 250 nuclear plants—an undertaking which is feasible thanks to new reactor technologies which are more advanced both technically and in terms of safety.

Professor Federighi, a member of the ENEA management, directed his

remarks especially to the youth, and expounded very sensitively some reflections which future scientists and technicians have to take into account, beyond their personal aspirations. At the end of World War II, for example, for him as for many of his university classmates, there were no doubts about their role—they had to rebuild the country. Now, he said, that clarity of purpose is gone, and we have even come, with the exit of nuclear power, to a further impoverishment, so to speak: An entire stratum of technicians and engineers, not just nuclear, but linked to the so-called armature of the plants, no longer exists. In the clash between the village witch-doctor and the physician, between the astrologer and the astronomer, the 1987 referendum against nuclear power took Italy back to the old beliefs, he charged.

Professor Federighi explained how today the energy problem is global and requires an international approach in the general framework of development, of resources, of overcoming imbalances, and of safeguarding the environment. After analyzing the limits of fossil fuels and their impact on the environment, Federighi pointed to the new nuclear technologies as the way to limit gaseous emissions into the atmosphere, in order to satisfy the growing energy needs which will derive both from the development of the East European countries and of the Third World.

Engineer Paolo Fornaciari, the ENEL planner who signed the Unified National Project which was blocked

by the 1987 anti-nuclear referendum, traced an extremely alarmist picture of the national energy situation. Installed electrical capacity is no longer capable of meeting the national demand, and thus Italy is no longer able to contract the prices at which it buys imported electrical power from a position of strength. And ironically, the electricity produced abroad and imported into Italy is the equivalent of six units of the nuclear plant at Caorso, one of those shut down in the aftermath of the referendum. From this standpoint one cannot even say that Italy has refused to use electricity produced from nuclear sources.

Dr. Giovanni Pellegrineschi, senior scientific consultant to Alenia Space Co.—after an interesting aside on the history of satellites launched into space, conceived as a new operational space, like the water of the oceans when Spain and England were maritime powers—spoke about new communications technologies. Direct satellite broadcast technologies are very useful to reach areas where communications are backward or downright lacking, because they allow "leapfrogging" over the need to build traditional infrastructure. These potentials are bogged down by a legislative and bureaucratic complex which cannot keep pace with the potentials the new techniques afford.

Dr. Catella, president of Assotrasporti, decried a discrepancy between statements of principle and the practical effects produced when these are translated into law. He suggested that one way to rebalance the global transportation system is to develop intermediary modes between the various systems, even the already existing one of internal navigation. Among initiatives to cut current costs, he announced a conference of experts to stop the veritable epidemic of cargo theft from auto-trains.

Business Briefs

Ibero-America

Argentine economic plan disintegrates

The Argentine government is frantically trying to obtain a \$1.2 billion standby loan from the International Monetary Fund, but the economic program on whose success the IMF agreement depends, is in trouble. Announced by Finance Minister Domingo Cavallo last March, the "convertibility" plan established a strict parity between the dollar and the national currency, the austral. Cavallo promised at that time he would not print money unless it were backed up 100% by foreign reserves. Now, he appears to have abandoned that plan.

Unable to generate the \$300 million monthly surplus demanded by the IMF, Cavallo has been forced to dip into reserves to make payments on the foreign debt, and replace the hard-currency reserves with dollar-denominated foreign debt bonds, known as Bonex. In one week (May 15-23), the value of Bonex bonds included as part of the reserves rose from \$131 million to \$411 million.

Argentine analysts say the use of Bonex represents a "dangerous tendency" which is tantamount to printing money—something Cavallo said he would never do. It means that the minister's plan, and his promises of stabilizing the economy prior to the October congressional elections, is in jeopardy. Many economists are predicting that by October, only 70% of the australs in circulation will be backed by hard-currency reserves, and by December, that figure will drop to 50%.

Disease

Cholera spreads to North America

Seventeen people came down with cholera in the state of Mexico on or before June 20, meaning that the disease has spread from Colombia, Peru, where it has reached epidemic proportions, into North America.

Even as the cases were reported, a warning

was issued. "Central America offers exceptional conditions for the cholera epidemic to spread among its vulnerable inhabitants, and reach Mexico," Mexico's *Excelsior* newspaper warned its readers in a dramatic front-page story June 18. "Half the population lacks basic health services, potable water, sewage, and other sanitation services, among other privations." The Pan-American Health Organization predicts 600,000 cases of cholera in Central America alone.

In several countries there, government expenditures on health are less than \$10 per capita per year, *Excelsior* reported. On an average, there is only one doctor per 8,600 Central Americans. One in 10 children dies before the age of five; two-thirds of those who survive are malnourished. In Honduras, El Salvador, and Guatemala, four of every five children suffer from malnutrition.

President Serrano's flat statement that nothing can be done in Guatemala, means that cholera will soon devastate the impoverished southern states of Mexico, the governor of the Mexican state of Oaxaca told *El Heraldo* June 10. He reported that earlier cholera epidemics, which spread along commercial routes and rivers which pass through southeastern Mexico and Guatemala in 1833, 1849, and 1854, killed more than 200,000 people.

The first 17 cases reported in Mexico occurred in the center, "leaping" over the vulnerable south, probably via airplane routes.

Soviet Union

Falin outlines industrial collapse

Soviet industrial output in the first months of 1991 has declined 5.6% as compared to the first months of 1990, Soviet Central Committee Secretary Valentin Falin told an audience in Düsseldorf, Germany June 18.

He reported:

- Production of metals of all kinds is down 60%.
- Miners strikes and declining coal production badly affected the steel sector: Of 121 blast furnaces, 67 are out of operation.

- Some 2,000 newly drilled oil wells can't be tapped for lack of pipes and technical equipment.

- Low production of basic chemicals and physical breakdowns in the pharmaceutical industry will mean that only 40% of needed supplies of medicine can be produced.

- Commercial exchange with Eastern Europe, which was at 78.9 billion transferable rubles in 1988, dropped to 57.7 billion in 1989 and virtually to zero in the course of 1990.

If industry is not put back in shape, and if the reconversion of select military production to civilian purposes doesn't work for lack of capital input, Falin warned, 1.5-2 million skilled workers and engineers will emigrate from the Soviet Union to seek employment in the West. If the economy continues to collapse, "Dramatic developments which nobody here can predict yet, will occur." In this context, Falin would not rule out a military coup.

Economic Theory

Soviet premier hits Harvard economists

Soviet Prime Minister Valentin Pavlov delivered some caustic comments about Harvard University economists' views on the Soviet situation, in his speech before the Supreme Soviet June 17. "I know certain gentlemen at Harvard," he said. "They do not know our life, or our views on life. They impose their criteria and tell you how to live and work." Deriding the Gregory Yavlinsky-Harvard jointly authored plan for the Soviet economy as "a pretty piece of paper," Pavlov stated sarcastically, "We will soon have more programs than dissertations" in the U.S.S.R.

For the second time in a week, Pavlov favorably contrasted the European view toward helping the Soviet Union with that of the U.S., saying the Europeans were more cooperative. "I know the U.S. system," he said. "To get money, you need to go to Congress and say that the Soviet Union needs help, you need to stand in a queue. We have to get in line behind Israel and Nicaragua. If someone wants to get in line, fine, but without me."

Briefly

Pavlov stated bluntly: "I do not believe the U.S. will give us economic aid without conditions." He said that he preferred a perspective of "positive foreign investment" in the U.S.S.R., rather than aid with conditions attached.

Domestic Credit

Credit card defaults threaten securities

A soaring rate of defaults by credit card holders endangers the market for credit card-backed securities, the *Wall Street Journal* warned on June 18.

At the end of May, the paper reported, defaults had exceeded 6% for three consecutive months on \$450 million in credit card-backed securities issued by Maryland's Chevy Chase Savings Bank—one of the largest thrifts in the Washington, D.C. area—opening the door to holders of the securities demanding that CCSB pay off holders before the securities mature. If 25% of the holders signify such desire in writing, it will be the first time ever that a credit card-backed security was forced into early payback.

The *Journal* noted that since such securities were first issued in 1987, they have been one of the most desired items on Wall Street, and over \$51 billion have been sold. However, Moody's Investors Service notes that credit card delinquencies rose to 6.13% in March, compared to 4.64% in March 1990, a jump of one-third, while defaults have risen 42% from 4.08% to 5.8%.

Labor

Striking workers face permanent replacement

The number of striking workers who were permanently replaced skyrocketed last year, according to an AFL-CIO study reported in the *AFL-CIO News*. "It is possible to estimate that 11% of the workers participating in large strikes were permanently replaced in 1990—a

decided jump above the [Government Accounting Office] GAO's findings of 3% in 1989," the study said. A Bureau of National Affairs survey reports that 82% of employers indicate that they would consider replacing their work force if they were hit with strikes.

Of particular note is that 55% of the workers who went out on strike last year did so over health care issues, and these accounted for nearly 70% of those who were permanently replaced.

Science and Technology

ANC stresses need for electrification

The African National Congress (ANC) is "acutely mindful that economic growth is to a great measure driven by advances in technology," Valli Moosa said at the ANC's first conference on science and technology last December, *Nature* magazine recently reported.

Moosa said that the ANC regards electrification as a priority because of health problems arising from wood-smoke pollution in the townships, and the expectation that electric light would enable people to study at night. Yet the problems associated with electrification of the townships are financial, he said.

There was also concern at the conference about the declining proportion of South Africa's Gross Domestic Product spent on research and development, and the conference urged a commitment to spending a certain percentage of GDP on R&D. The shortage of scientific and technical manpower in South Africa, and its racial composition, also occupied the conference.

Prof. C.C. Mjojo, president of the Network of African Scientific Organizations, in a closing address, explained how the network is attempting to convince African heads of state of the importance of science and technology in the development of the continent. It has already persuaded President Daniel Arap Moi of Kenya to convene a summit of 16 leaders to focus attention on the issue. Mjojo added that his organization was awaiting a signal from the ANC to begin talking to South African scientists.

● **EUROPE**, not Asia, may dominate the world economy, Singapore Premier Goh Chok Tong told the Eighth Pacific Economic Cooperation Conference in Singapore May 20. If Eastern Europe and even the Soviet Union were integrated, "with a combined population of over 700 million, Europe could well pull the center of gravity of the world's economy towards it."

● **BANQUE BRUXELLES** Lambert's chief economist, Roland Leuschel, called for fixed exchange rates to avoid monetary disaster in the *Wall Street Journal* June 18. Calling the world monetary system an "international casino for speculators," he warned that if the U.S. dollar is driven above two German deutschemarks, or if the chronic U.S. trade deficit turned into a surplus, the system would collapse.

● **EUROPE** needs continent-wide, integrated networks of infrastructure, including transportation, telecommunications, energy, and research institutes, Fiat's Umberto Agnelli told construction executives in Rome June 21.

● **AFRICAN COFFEE** is so underpriced that economic recovery for the continent is impossible, Eliyah Mwangale of Kenya, chairman of the Inter-African Coffee Organization, told a "coffee summit" in Nairobi in mid-June. Export coffee prices have fallen by more than 40% since 1989.

● **JAPAN** will develop a space shuttle, its National Space Development Agency said June 17. It announced it would start an R&D project in 1992 to put an unmanned shuttle into space by the year 2000.

● **GREIFSWALD** in eastern Germany on the Baltic coast, with four Soviet nuclear reactors shut down by unified Germany's safety regulations, has applied to compete to become the seat of the International Fusion Research Center, to be built sometime in the late 1990s.

Did unemployment top 32 million in U.S. in 1990?

by Laurence Hecht

What is the real unemployment rate in the United States, and how do we get the government to tell the truth about it?

Millions of people who are out of work and want a job are simply not counted by the government as unemployed. Millions more who work part-time jobs but need full-time work are also not counted. Yet those who work even one hour in a week get counted as employed. The result is a scandalous papering over of the real job crisis in the U.S.A.

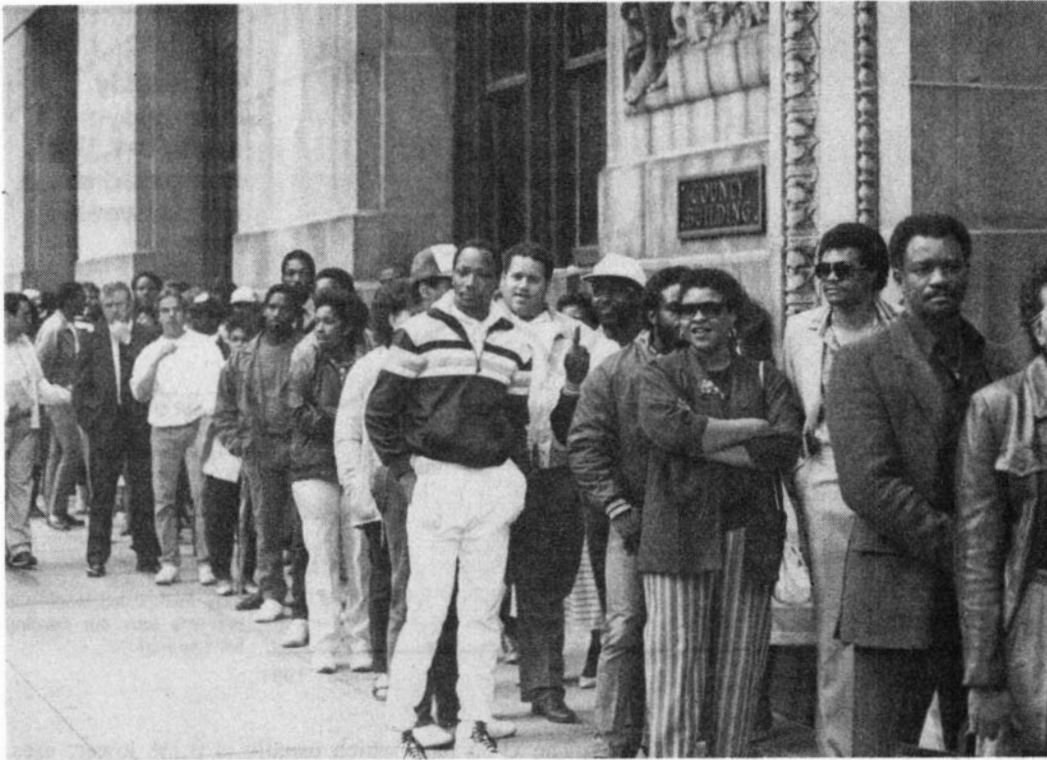
Using only the data available to and collected by the government agencies charged with this task, we will show you the truth behind the so-called "official" unemployment rate: where it comes from, how it is calculated, *and* what is left out. Then we will show you how to calculate from this same data, measures of unemployment 2-3 times what is reported.

Pay attention. This is something you can do something about. The Department of Commerce and the Department of Labor, and their respective Bureau of the Census and Bureau of Labor Statistics, work for you. The guidelines and definitions of terms they use are set by political debate. What you are hearing now is a self-serving tale from the same government whose economic policies are bringing us near to ruin. These agencies can be made to tell the whole story. Knowing the truth is the first step toward that.

What is 'unemployed'?

After reading this, you will never again regard the monthly "unemployment rate" as what its name sounds like it is. If Presidents, the media, and even so-called "opposition" congressmen wish to continue to cite these partial and self-serving statistics, contrived to mask the really serious levels of unemployment and suffering in the U.S. work force, they may do so. But let us now end their ability to claim they didn't know.

The monthly figures known as the unemployment rate and the total unem-



Rob Hart

As the unemployed become discouraged in finding a job and stop their search, the government no longer counts them as among the "unemployed."

employed, which you see published in your newspaper or described on radio or television, are not a measure of the total number of people out of work. The figure includes only those people from a statistical sample who tell a Census Bureau poll taker that they, or the person in their household on whom they are reporting, made a specific effort to find a job *in the previous four weeks*. Nearly 6 million people who want a job are immediately written off by this procedure and classified as *not in the labor force*. But the government knows they are there. Let us look inside the process of data collection that leads to this result.

Every month, trained interviewers working for the Bureau of the Census visit about 60,000 households as part of the monthly survey known as the Current Population Survey (CPS). The households, which are constantly changing, are scientifically selected to represent the civilian non-institutional population (that is, people over 16, not in the military, and not institutionalized in public or private facilities). Someone from each of 57,400 households, representing 1,973 geographic areas in the United States, is actually talked to each month. Respondents are asked about the employment status of each member of the household 16 years of age or over during the calendar week, Sunday through Saturday, which contains the twelfth day of the month. This is known as the survey week.

Any household members who did *any work at all* during the survey week, as paid employees, in their own business or profession, or on their own farm, are counted as *employed*.

One hour of work in a week is a "job" by this standard. People not at work because of illness, bad weather, vacation, labor disputes, or other reasons are counted as *employed*. Members of the Armed Forces stationed in the United States are also included in the total *employed*.

If a person does not have a job or business, that does not mean he is then counted as unemployed. To be counted as officially *unemployed*, he or she must have made a specific effort to find employment within the last four weeks—even if that person wanted a job and had specific reasons for not looking during that time. (There are only two exceptions: If you were laid off and waiting to be recalled to your job, or were waiting to report to a new job within 30 days, you would qualify as unemployed.)

What is the 'labor force'?

If you did not work at all during the survey week, and you did not meet the strict criterion of *unemployed* now used by the Bureau of Labor Statistics, you fall into a second and very large category known as *not in labor force*. Everyone over 16 who is not institutionalized is going to be either in the *labor force* or *not in labor force*.

As of March 1991, we had a non-institutional population of 190,703,000. Of these, 126,786,000 were in the *labor force*, and 63,917,000 were *not in labor force*. The total *labor force* is made up of the *employed* (118,214,000), and the *unemployed* (8,572,000), as determined by the definition above. Other people who may think they are unemployed

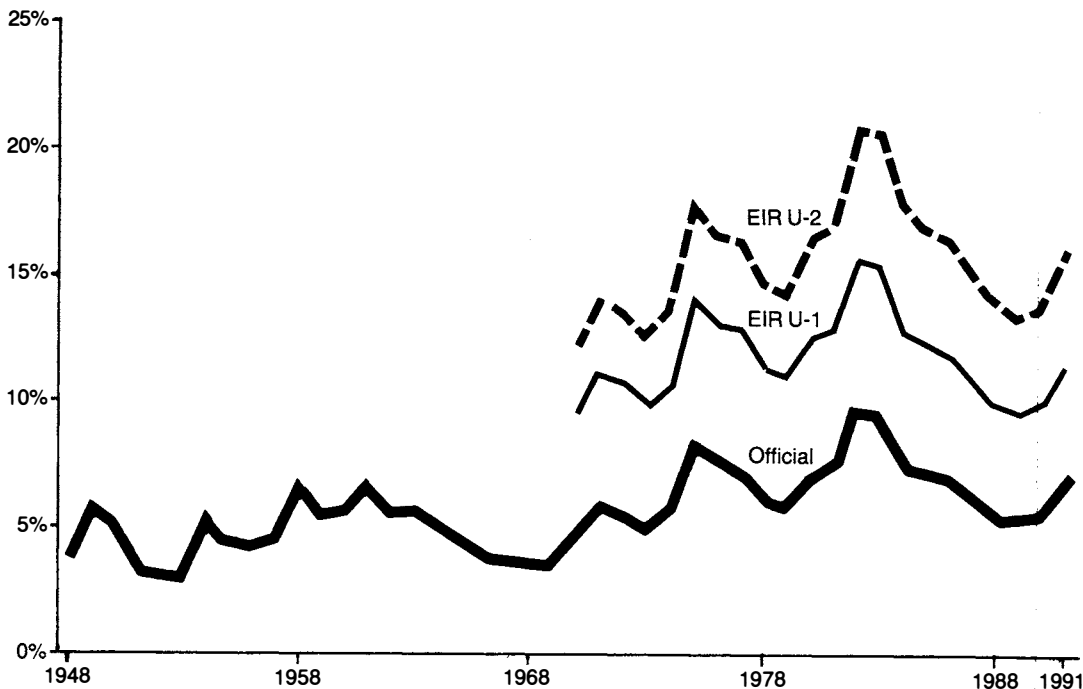


FIGURE 1
EIR weekly unemployment rates, U-1, U-2, compared to official weekly rate

The EIR U-1 and U-2 unemployment measures were created to count the millions of jobless not counted in the official rate. U-1 adds to the official "unemployed" all those who answer government surveys saying they "want a job now." U-2 adds to that the partially unemployed, working in part-time jobs but needing full-time work.

but did not meet the criterion of having looked for a job in the last four weeks are considered *not in labor force*.

Subtract the members of the Armed Forces (counted as 1,460,000 in March 1991) from the total *labor force*, and you have the *civilian labor force*. This figure was 125,326,000 in March 1991. It is important because it is used as a base for the most commonly reported *unemployment rate*.

A somewhat larger number than the *labor force* is the *total who worked or looked for work*. For 1989, the last year for which this figure is available, the *total who worked or looked for work* was 133,444,000. That compared to a total *labor force* of 119,030,000, and a *civilian labor force* of 117,342,000.

What is the 'unemployment rate'?

Now you know what *unemployed* means in government statistics. What is the unemployment rate?

There are actually seven rates released monthly on the first Friday of the month by the Bureau of Labor Statistics. These are known as measures U-1 to U-7. They yield percentages which varied for the first quarter of 1991 from 1.8%, by measure U-1, to 9.8%, by measure U-7. But even measure U-7, the highest, does not count all the people who are out of work, who want a job, and who almost surely consider themselves "unemployed."

The Bureau of Labor Statistics' U-5b *unemployment rate* is the one you almost always hear cited in newspaper and broadcast media reports. Very rarely does anyone beyond a labor force economist see anything but the U-5b rate. It is arrived at by dividing *unemployed* by *total civilian labor*

force. The U-5a rate, which usually is 0.1% lower, uses *total labor force*, rather than *civilian labor force* in the denominator. The U-5b rate for the first quarter of 1991 was 6.5%. For the month of April it was 6.6%; in May, it went up to 6.9%.

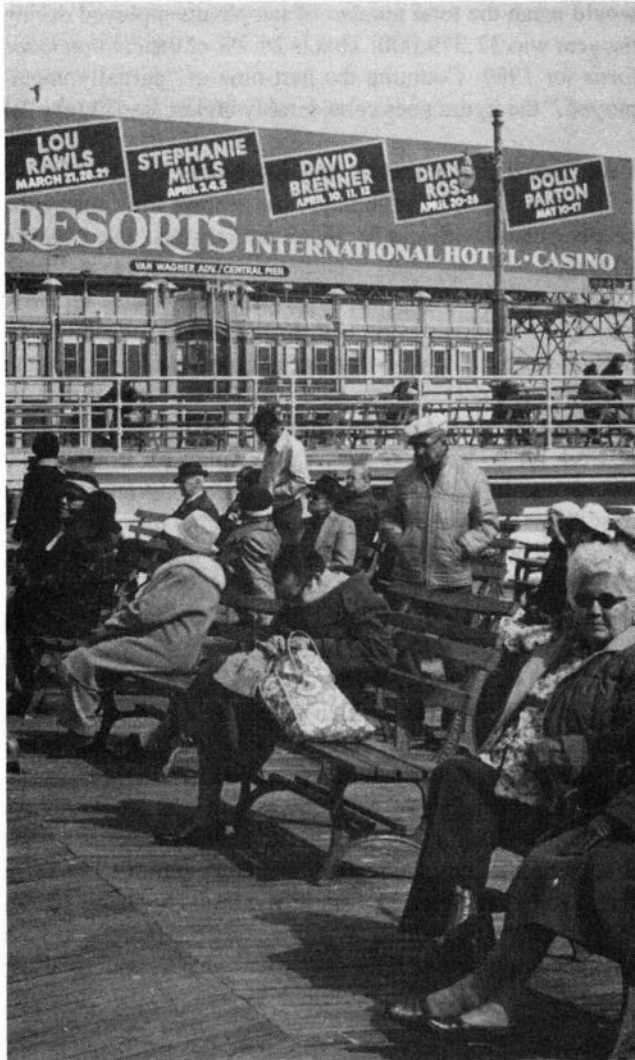
The U-5b measure, sometimes referred to as the "official" rate, is not, strictly speaking, official. The official policy of the Bureau of Labor Statistics (BLS), which you will be told if you call there and ask, is that the oft-cited U-5b unemployment rate by itself does not tell you what is going on in unemployment.

"We always tell the media this. Sometimes they will publish the other information we put out with it. But a lot of people just look at the one figure, as telling the whole story," this reporter was told recently by a new employee who answered the phone in the Labor Force Statistics division of the BLS.

Still, the U-5a and U-5b measure is published and set in boldface type, presumably to stand out from the other six rates, every month in Table A-8 of the BLS information release called the *Employment Situation*. It is the one nearly always cited by the President and congressmen as well as by most press. Few people know of any other. It is hard to believe the BLS is doing much to combat what they seem to say is a misrepresentation of their data.

Are there better measures of unemployment?

After careful study of the BLS figures, it became clear to this writer that even the U-7 rate of the BLS (8.2% in 1990)—their highest—seriously underestimates the number of people without jobs whom the government knows about. The so-



A billboard advertisement for Resorts International casino in Atlantic City, New Jersey. While jobs in the gambling "industry" have been integrated into the legitimate economy, government surveys indiscriminately include illegal activities in their category of "employed."

called broader picture outlined in the monthly *Employment Situation* report also drastically understates the problem. Every one of the rates currently used by the BLS understates the real joblessness situation because the definition of *unemployed* leaves out so many people who tell interviewers they want work.

Calculating the *EIR* U-1 rate: With some change in this definition, millions of people now classified as *not in labor force* reappear as really in need of, and wanting work. These numbers have been already compiled by the government surveys. For example, by expanding the definition of *unemployed* to include all those who *want a job now*, a category compiled monthly by the Bureau of Labor Statistics, we

would have added 5,728,000 jobless people to the average weekly number of unemployed for the first quarter of 1991. This would have changed the U-5b average unemployment rate for that quarter from 6.6% to 11.1%. It would have meant an average weekly number of 13,877,000 *unemployed* persons. The progress of the *EIR* U-1 rate of unemployment over recent years can be followed in **Figure 1**.

Calculating the *EIR* U-2 rate: There are also a large number of people each month who are forced into part-time employment because they cannot find a full-time job, or their full-time job has become, at least temporarily, part-time. These are classified in the BLS statistics as *part-time for economic reasons*; they are sometimes known as the "partially unemployed." There were 5,911,000 such people each week on average during the first quarter of 1991. By including them in the measure of unemployment, the average weekly rate increases to 15.8%, and counts 19,788,000 people as *unemployed or partially unemployed* each week during the first quarter of 1991. The *EIR* U-2 rate is also shown in **Figure 1**.

No annual rate

The second biggest problem with the way the government reports unemployment is the lack of an annual rate. All seven unemployment rates produced by the government count only the average number of people out of work in a week. What about the total number unemployed over the whole year? The Gross National Product is not reported as a weekly average. Neither is the balance of trade. And Presidents have been known to brag about the number of *new jobs* created in a year. But rarely if ever do we hear of the number of jobless in a year.

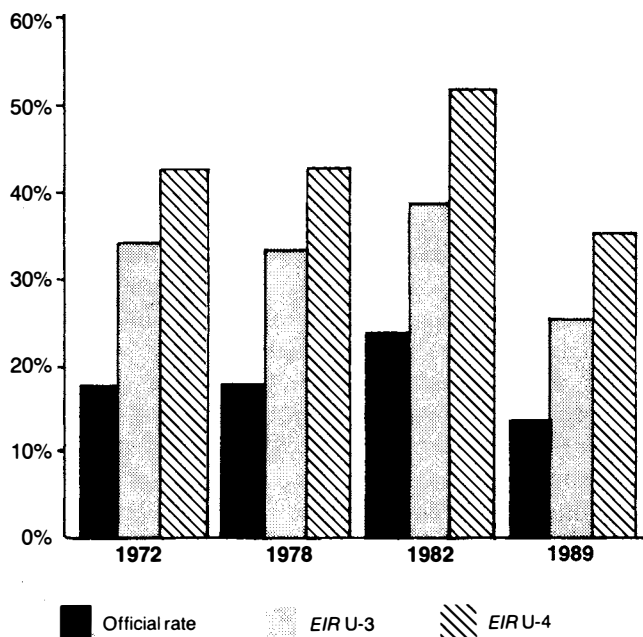
The government has a figure for the number of such people, as measured by their restrictive unemployment rate, and if you dig deep enough, you will find it. In 1989 it was 17.3 million, producing an annual unemployment rate of 13.9%. But that is only about half the story. This figure, along with all the other annual survey data, comes from an expanded CPS survey done each March which asks about the work experience of each household member during the entire previous year. The results of this survey are released each August in a special BLS press release. They are otherwise hard to come by. The last one (USDLE 90-447, Aug. 28, 1990), found that *the total number of persons who were unemployed during 1989, at 17.3 million, was more than 2.5 times the average monthly unemployment level of 6.5 million.*

Taken as a percentage of the *civilian labor force*, that gives an annual unemployment rate of 13.9%, in a year in which the widely publicized monthly figures averaged 5.3%!

To derive an annual unemployment rate that counts the whole picture, like the *EIR* U-1 and U-2 weekly rates, we must resort to estimation. The estimating procedure is as follows:

FIGURE 2

EIR annual unemployment rates U-3, U-4 compared to official annual rate



If the total unemployed in the whole year was 2.5 times the monthly average (specifically it was 2.64 times), then we could estimate that the total who were out of work for longer than a week but wanted a job right away, was also 2.64 times larger. That would add 15,122,000 people to the number who were unemployed some time during the year. That

would mean the total number of people unemployed during the year was 32,379,000! That is 26.1% of the *civilian labor force* for 1989. Counting the part-time or "partially unemployed," the figure goes considerably higher (see Figure 2).

Few work 50 or more weeks a year

That figure of 32 million jobless at some time during the year correlates with another figure directly available from the BLS data.

You will probably be surprised to learn that in 1989, out of 132 million people who worked that year, almost 42 million were out of work for three or more weeks during the year. We are not counting paid vacations or sick leave; we mean out of work. Of the 42 million, 20.7 million were out of work for 26 weeks or longer (see Table 1). If we deduct a generous 10 million from the 42 million, to take account of students who voluntarily gave up summer jobs, and others who only wanted temporary work, we arrive again at 32 million unemployed in 1989.

So the answer to the question, "Did unemployment top 32 million in 1990?" is: most probably, yes. By two different estimating procedures, the best available to us since the government surveys do not ask the questions that would give us the answer, there were 32 million unemployed in 1989. Since the weekly unemployment rates went considerably higher in 1990, we can be pretty certain that when the yearly figures are published in August, we will calculate by the same means used here that the total number of people out of work more than a week and wanting a job at any time during the year in 1990 was over 32 million. When we succeed in forcing some changes in government reporting procedures, we can know for sure.

TABLE 1

Number of people working fewer than 50 weeks per year

(thousands)

	1958	1968	1972	1978	1982	1989
Civilian non-institutional population*	114,849	133,639	146,230	164,027	173,656	187,524
Total who worked or looked for work (As % of non-institutional population)	78,787 68.6%	91,480 68.5%	99,730 68.2%	114,464 69.8%	120,235 69.2%	133,444 71.2%
Worked 49 weeks or fewer	32,054	33,426	37,461	43,400	46,450	41,965
Full-time	20,345	20,981	22,450	25,670	25,602	23,726
Part-time	10,039	11,195	12,935	15,601	16,890	16,662
Not at all	1,670	1,250	2,076	2,129	3,958	1,577
Worked 26 weeks or fewer	17,483	18,591	21,433	23,244	25,651	20,734
Full-time	8,799	9,866	10,756	11,626	11,496	9,480
Part-time	7,014	7,475	8,601	9,489	10,197	9,677
Not at all	1,670	1,250	2,076	2,129	3,958	1,577

* as of month of annual survey in following year

Source: BLS, *Handbook of Labor Statistics*, 1989, Table 49; Current Population Survey annual data for 1989 (USDL 90-447, Aug. 28, 1990).

TABLE 2

EIR average weekly rates, U-1 and U-2, compared to 'official' rate
(percent)

	1972	1978	1982	1990	1st qtr. 1991
EIR U-1 Rate ¹	10.8	11.4	15.6	9.9	11.1
EIR U-2 Rate ²	13.6	14.6	21.0	13.8	15.8
'Official' Rate ^{2a}	5.6	6.1	9.7	5.5	6.5

1. Looked for work in last four weeks, plus "want a job now" (civilian labor force).

2. Looked for work in last four weeks, plus "want a job now," plus "part-time for economic reasons" (civilian labor force).

2a. Looked for work in last four weeks (civilian labor force) (equivalent to BLS rate U-5b).

The EIR U-series unemployment rate measures

The unspoken implication of the government's "official" U-5b rate is that if you didn't make a specific job search in the last four weeks, you're not serious about getting a job, and therefore you shouldn't be counted as unemployed. One might be tempted to call it the Simon Legree definition of unemployment. What if you had no chance and you knew it? If you and several thousand other workers were just laid off from a plant in a one-industry town, what are your chances of finding work? Take a look at New England, or the Midwest "rust belt" to see how that works. If you work as an unskilled farm laborer, and it's off-season, what are your chances of finding work? If you've been looking and getting nowhere, and left your name at a dozen places that said, "Don't call us, we'll call you," what are your chances?

The basic assumptions of the EIR U-series are only two: 1) That if someone answers a survey saying they "want a job now," a fairly strong case can be made that that person is *unemployed*. They probably think so. The EIR U-1 weekly rate and the U-3 annual rate (estimated) count these people. The BLS unemployment rates do not. 2) That if someone is forced into part-time unemployment, perhaps as little as one hour, when they need full-time work, they are at least partially *unemployed*. The EIR U-2 weekly rate and the U-4 annual rate count these people in addition to those above. The BLS unemployment rates do not (see Table 2 and 3).

We have created the EIR U-series unemployment measures to recognize these people, fully realizing that there may be millions more uncounted. For example, the Census Bureau now estimates about 5 million people uncounted in the 1980 census. A preponderance of these are thought to be from the lowest rungs of the economic ladder. We can assume that these are the same people who slip through the net of the monthly Current Population Survey. One can assume, therefore, that a high rate of unemployment prevails

TABLE 3

EIR annual rates, U-3, U-4, compared to 'official' rate
(percent)

	1958	1963	1968	1972	1978	1982	1989
EIR U-3 Rate ¹	—	—	—	34.1	33.4	38.8	25.4
EIR U-4 Rate ²	—	—	—	42.9	42.9	52.0	35.4
'Official' Rate ^{2a}	20.9	19.8	14.4	17.7	17.8	24.0	13.9

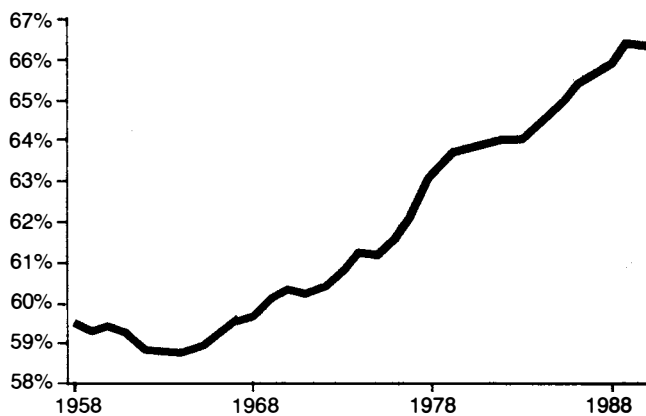
1. Annual looked for work in last four weeks, plus "want a job now" (est.) (civilian labor force).

2. Annual looked for work in last four weeks, plus "want a job now" (est.) plus part-time for economic reasons (est.) (civilian labor force).

2a. Official annual unemployed (civilian labor force).

FIGURE 3

Civilian labor force as a percentage of population (1958-1990)



Source: BLS Employment and Earnings.

precisely where the uncounted are.

The destruction of the family

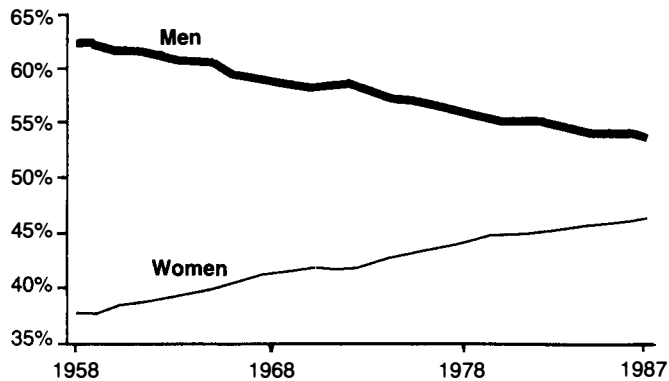
Even though the unemployment rate measures are high, they remained below the 1958 recession level for some time in the 1980s. For May 1991, the official figure of 6.9% was the first time in four and a half years that that level was exceeded. Does that mean that the labor force or the economy as a whole was better off in the 1980s than in the 1958-63 period? It would be foolish to think so.

One big reason the unemployment rate seemed lower than it might have over that period, is that the civilian labor force (the denominator in the unemployment rate formula) increased so much. Figure 3 shows the increase of the civilian labor force as a percentage of the total non-institutional population. After remaining fairly constant (even de-

FIGURE 4

Changing composition of work force

(Men and women as % of total who worked or looked for work)



Source: BLS, Handbook of Labor Statistics, Table 50.

clining for several years) from 1958 to 1968, you can see it took a sharp and steady turn upward.

Basically, what you are looking at there is the destruction of the working class family in America. It was part of the "paradigm shift" that the proponents of the New Age brought about, beginning about 1963 and accelerating towards 1968 and into the 1970s.

The trend was so severe that in the later 1970s, a government commission eliminated the category of "worker with three or more dependents" from many social statistics. He didn't exist anymore. More and more mothers had to go to work (see **Figure 4**), families broke up, exotic new kinds of living arrangements developed, fewer children were born. But almost everybody, whatever their "lifestyle" or "sexual preference," worked more and got paid less.

New "lifestyles" were only part of the story. Declining real wages were another and probably bigger part. Real spendable earnings have been on a long-term secular slide since about 1967-68. In March, they fell below the 1959 level of \$77.62. That is, in 1959 dollars, the average production or non-supervisory worker earned \$77.13, even though his or her paycheck read \$346.06. To maintain the family living standard, mom and the kids had to work (child labor is up, too). It wasn't a matter of choice.

So that's one reason that up until the middle of last year, more jobs than ever had been created. Don't call it a "boom" or "recovery," if everybody is working more and getting paid less. Especially if monetary and trade arrangements, banking practices, and rigged "free" markets in commodities, set up a situation where the rich nations, and the U.S. more than others, are stealing from the poor nations to maintain their apparent standard of living.

There's another side to this so-called boom of job cre-

ation. These are not all full-time jobs, and, as we saw, not all year-round jobs. Of the 132 million people who worked in 1989, only 80 million worked in full-time, year-round (50 weeks or more) jobs. That's only 61% of the jobs that are full-time real jobs. And not everyone who worked the part-time and the temporary jobs wanted to. It is suspected that a growing proportion of them are people being "recycled" from better to worse-paying jobs and from full-time to part-time employment.

A last point to recognize about these statistics is that the *employed* category does not necessarily measure the quality of the job held. You only had to work one hour in the week to be classified as *employed* by the government survey. (Compare that to the difficulty of qualifying as *unemployed* even if you don't have a job).

One measure of worsening economic and social conditions is the growth of the underworld. Yet, many criminals are *employed*. The Current Population Survey does not ask whether a job is legitimate. One can sympathize with the difficulty of a census taker, face-to-face in a person's household, having to ask such a question. But a mafia hit man, a drug dealer, or a prostitute is *employed* by the survey's measure if they or someone in their household says they worked last week. Occasionally someone in this category tells the census taker what they do. Thus, in the detailed industrial classification of the CPS results, various underworld occupations appear.

Who's to blame?

Intelligent statisticians in the Department of Labor and the Department of Commerce, including many who provided information for this article, know that no single figure can characterize a process so complicated as the unemployment level. But, they also know how the figure chosen to characterize so politically important a process as unemployment is going to be used. Some responsibility for objecting to the dissemination of what they must know is a false reading of unemployment levels should lie with the employees of these bureaus themselves. Morally, anyone who knows this kind of cruel misrepresentation is going on is obligated to try to stop it, whatever their degree of legal responsibility.

But direct responsibility for the policies of these bureaus lies with the President, who selects the cabinet appointees who run the departments, and with Congress. If you want to get it changed, that's where to go.

We suggest that concerned citizens take the *EIR* unemployment rates and show them to the relevant elected officials, so that a bit of a stink might be raised over this in Washington. They might even like to know. One of the reasons your congressman may look and sound so stupid to you, is that he believes the official unemployment rates. Perhaps he ought to know better. For those who may not care, up to and including the President, we can at least eliminate their ability to pretend they don't know any better.

DERAIL NAFTA

fast track to rule by the big banks

EIR Special Report, May 1991

Auschwitz below the border: Free trade and George 'Hitler' Bush's program for Mexican genocide

Right now, your congressman may be voting to authorize the Bush administration to negotiate a treaty with Mexico that will mean slave labor, the rampant spread of cholera, and throwing hundreds of thousands of workers onto the unemployment lines—on *both* sides of the border—all for the purpose of bailing out the Wall Street and City of London banks.

Doubt it? Then you haven't looked into NAFTA, the North American Free Trade Agreement that George Bush and his banker buddies are trying to railroad through Congress on a "fast track."

In this 75-page Special Report, *EIR's* investigators tell the truth about what the Bush administration and the media have tried to sell as a once-in-a-lifetime opportunity to get economic growth started across the Americas. The Wall Street crowd—led by none other than David Rockefeller of Chase Manhattan—are going berserk to ram this policy through. Rockefeller threatened in May, "Without the fast track, the course of history will be stopped." With this report, *EIR's* editors aim to stop Rockefeller and his course of history—straight toward a banking dictatorship.

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Yugoslav civil war process can still be stopped

by Konstantin George

The June 25 declarations of independent statehood by the western Yugoslav republics of Slovenia and Croatia, and the brutal ongoing intervention on the territories of these republics by the Serbian-controlled Yugoslav Army, mark the formal start of a civil war process, potentially but not inevitably quite bloody. This process did not start on June 25. The die was cast when, back in mid-May, the national-bolshevik Serbian cabal, grouped around Serbia's Communist President Slobodan Milosevic and backed by a powerful Serbian extremist faction in the armed forces, police, and security service, rejected the offer by Slovenia and Croatia to peacefully end the centralized Yugoslav Federation, and replace it with a loose confederation of sovereign republics. This plan, also supported by the republics of Bosnia and Macedonia (i.e., four of Yugoslavia's six republics) represented the only viable means to extricate Yugoslavia from civil war, partition, and the emergence of a "Greater Serbia" from the ruins of the former federation.

In a more fundamental causal sense, the die had been cast two years ago when the Belgrade government hired as a so-called economics adviser one Jeffrey Sachs of the Harvard mafia. Sachs and the International Monetary Fund, which recommended him, imposed on Yugoslavia the same austerity conditionalities as were foisted on the Polish nation, with the same result: depression-level mass unemployment combined with hyperinflation; a reversal of living standards first by years, and then by decades; and a halt to all projects for national economic development.

There is one key difference. Poland is ethnically homogeneous. Applying Sachsomania to a multi-national state such as Yugoslavia ensures, besides the full gamut of economic and social horrors, the guaranteed breakup, in a few years at most, of the state along ethnic lines. The crisis is not "Made in

Yugoslavia." Had there been a Western policy of promoting national and regional economic development in the republics of Yugoslavia, the country today would not be at the brink of civil war.

On May 15, under the old Yugoslav state presidential rotation system, it was the turn of a Croat, Stepan Mesic, to become Yugoslavia's President and commander-in-chief of the Armed Forces. The Serbian cabal blocked Mesic from attaining, by merely one vote, the required five votes of the eight members of the collective State Presidency. Ever since then, the State Presidency has ceased to exist. It was replaced by a new Serbian-dominated executive cabinet, whose three key players are the federal prime minister, Ante Markovic, and two Serbian generals, Defense Minister Kadijevic and Interior Minister Petar Granin. This forced the question for Slovenia and Croatia, not to wait and allow negotiations for a confederation to take their course, but to set June 26 as the latest date for proclaiming independent statehood. Note that both republics emphasized that they have left "*federal* Yugoslavia," and are more than willing to re-enter, especially in the case of Croatia, if Yugoslavia becomes a loose confederation.

Croatia, which includes Yugoslavia's Adriatic Coast with its numerous beach resorts, has absolutely no interest in civil war, and certainly not in the summer. The 1991 political upheaval has already gravely injured its economy. Gross domestic product fell some 20% over the first five months of the year, and the number of people either unemployed or on half pay stands at 400,000 (out of a total population of 4.5 million). Belgrade timed the crisis to wreck the last pillar of the Croatian economy, the foreign exchange from the summer tourist invasion. Normally, some 2 million come. This year, the Adriatic will be a littoral of ghost towns.

The brink of mass bloodshed

The most dangerous “spark” potentials for civil war provoked by Army deployments are:

- Slovenia: As of this writing (June 27), Army units with large numbers of tanks and armored vehicles have surrounded the Slovenian capital of Ljubljana and tank columns have seized Ljubljana Airport, except for a landing strip held by armed men of the Slovenian Territorial Army. En route to the airport, makeshift roadblocks of cars placed by Slovenians to straddle the highway were simply crushed by the tanks. Under orders to seize all Slovenian border crossings with Italy and Austria, Army units are advancing toward these points. Slovenia’s President, Milan Kucan has issued a call to Slovenes for armed resistance, and appealed to other Yugoslav republics to send in troops and assistance.

- Croatia: Here the Army deployments betray the Serbian goal of creating a Greater Serbia including the regions outside of Serbia where Serbs predominate. In Croatia, except for troop concentrations in the Adriatic port garrisons, such as Split and Rijeka, troop movements are mostly non-existent in the two-thirds of Croatia where the Croat majority predominates. The Army has seized the less densely populated one-third of Croatia, where the Serbs (600,000 in Croatia) predominate: Knin in the north, and more importantly, the Krajina region inland from the Adriatic in the south. These regions had already been under the de facto control of Army-assisted Serbian irregular militias, with no Croatian Army presence. Thus, the Army has attained a Serbian *Anschluss* in Croatia, and sits back, taunting Croatia to be the “attacker.”

- Bosnia: In this hapless central republic, sandwiched between Croatia and Serbia, an *Anschluss* is occurring parallel to that in the Serb regions of Croatia. Bordering on Croatian Krajina is the much larger Bosnian region also called Krajina, where most of Bosnia’s large Serbian minority lives (1,300,000, or some 32% of Bosnia’s population). This region has been occupied by the Army. A second deployment, not mentioned in any press, completes the picture. The Army has, under orders to secure “the internal borders of Croatia,” occupied and blocked all routes connecting Croatia with Bosnia. This cuts off the 800,000 Croats who live in Bosnia, near the Croatian frontier, from their kinsmen in Croatia proper. Though nobody is saying so in public, these 800,000 Croats are hostages to ensure Croatia’s future compliance with the new Greater Serbia-dominated map of Yugoslavia. Already, in early June, the Yugoslav media were rife with speculation that a partition of Bosnia was afoot. Either Bosnia would disappear, or continue to exist as a shrunken buffer zone between Croatia and Serbia, with Serbia taking “its share,” and “allowing” the Croat inhabited part to join Croatia, in exchange for Croatia relinquishing Krajina.

Baker fails by design

In the nearly six weeks between May 15 and June 25, there was ample time for a compromise. The reasons that

nothing of the sort happened are to be found outside the borders of Yugoslavia, above all in the capitals of the two superpowers. In June there have been many pious-sounding calls, by Washington, by European governments, and by Moscow, that the Yugoslav Federation must be maintained. The superpowers and the powers of Europe were strangely silent, however, back in mid-May, when they could have intervened, using all the economic levers at their disposal, to turn only one vote and force through the election of Mesic. Their silence ensured that the Yugoslav Federation came to an abrupt and final end.

The final act of sordid conduct in this regard by the Bush administration was the failed June 22 “mediation mission” to Belgrade by U.S. Secretary of State James Baker. Baker spent a mere 24 hours in Belgrade, with not even agenda provisions for talks with leaders of the various Yugoslav republics. Baker stated that only Yugoslavia’s continuation as a centralized federation is acceptable to Washington. This killed any remaining hopes for last-minute inter-republic talks to reach some form of agreement on transforming Yugoslavia into a loose confederation. His “mission,” with a U.S. stamp of approval to centralized rule, gave the green light for the Serbian-extremist-dominated federal cabinet cabal to crack down on Slovenia and Croatia in such a way as to ensure partition.

Baker threw the final match into a powder keg atmosphere reminiscent of pre-civil war Lebanon: Every nationality and religious group in the country has formed heavily armed militias, each exercising control over its region. Before Baker’s arrival, all sides were hoping for peace, but preparing for war. With his departure, the only open question became: “Could the civil war process be held to one of limited bloodshed, or, would it snowball into an all-out conflagration?”

The Serb-run Yugoslav Army has armed the Serbs of Serbia proper, the Serbian minorities in Serbia’s primarily ethnic Albanian region of Kosovo, and the Serbian minorities in the republics of Bosnia and Croatia. The governments of Croatia and Slovenia have formed their own armies, equipping them with massive amounts of arms, imported from Austria, Hungary, Italy, Germany, and Ibero-America. During June, the Army had been transferring all key war-fighting assets to Serbian territory. This has included all of Yugoslavia’s large Air Force, and indeed nearly all civilian aircraft as well. In commando missions on June 21-22, Army pilots flew to Serbian air fields all light aircraft and helicopters they could find in Slovenia, including the entire stock of trainer aircraft Slovenia had procured for its nascent “air force.”

The tragedy of the war that, with very few exceptions, almost no one in Yugoslavia wanted, is now perhaps only an incident or two away. Decisive action by Europe is the only hope. The leading nations of Europe must offer a package of political and above all economic incentives to bring the republics into a solution that would create a new Yugoslav entity based on policies to the mutual advantage of all the sovereign republics.

'Surrender' of Medellín drug lord means the moral kidnaping of Colombia

by Robyn Quijano

When Pablo Escobar, the world's most wanted drug criminal, surrendered June 19 to the luxury jail he built for himself in his home town, guarded by his own bodyguards, the world asked, "Who surrendered to whom?" Escobar, the assassin of thousands, including justice ministers and presidential candidates, is likely to spend less than three years in his luxury jail, and leave with a law degree, ready to run for the Colombian Senate, and with his multibillion-dollar empire intact. The illegally convened Constituent Assembly, dominated by the narco-terrorist M-19, which did Escobar's dirty work in November 1985 when it seized the Justice Palace and murdered most of the Supreme Court Justices, not only dissolved the duly elected Congress, but banned extradition, the key demand of the drug mob, and changed the laws for running for political office to remove all impediments to a takeover of all "democratic" institutions by drug runners and terrorists.

On June 24, *El Espectador*, Colombia's courageous anti-drug daily which has campaigned against President Gaviria's deal with Escobar's Medellín Cartel, ran an article by its co-director, Alfonso Cano Isaza, headlined " 'Operation Surrender' as viewed by Guillermo Cano." Alfonso Cano Isaza quotes a Nov. 2, 1986 commentary by Guillermo Cano, the newspaper's martyred director, written just one month before he was killed by Escobar's hitmen, for his campaign in favor of extradition, and for a total war against narco-terrorism. The elder Cano had expressed his anger at the lack of resolve taken by the government five years ago when there was still a war on drugs, with all its limitations. His words then were fatefully prescient. "There remains but one step to be taken in this distressing picture: that all the judges, without exception, abdicate their power to judge; that the legislators change the laws to accommodate the demands of the criminals; that the rulers look the other way in the defense of the lives, honor, and goods of the citizenry. Then the final word will be spoken. And that word, on the lips of the drug traffickers, will be: We Win!"

There is no doubt that with these steps now taken, the Medellín Cartel believes it won. Former Colombian Justice Minister and Ambassador to Switzerland Enrique Parejo González, who was himself a victim of narco-terrorism back

in 1987, has just resigned as ambassador, protesting the Gaviria government's surrender to the drug cartel.

Two days before Parejo's resignation, he wrote, "What has been the new strategy employed to 'submit' the drug traffickers to justice? In the first place, a lowering of the sentence in favor of those who surrender, forgetting that drug trafficking is, by its extreme seriousness, a true crime against humanity. In the second place, the state made the commitment not to hand them over to foreign judges who seek them for crimes committed outside Colombia, assuring them thus . . . a high probability that such crimes will go unpunished. . . . One cannot see either in the government's measures or in the decisions of the Constituent Assembly a concern over the enormous fortune amassed by the drug traffickers with the blood of illustrious Colombians and of humble folk. . . . It would not be far-fetched to think that, even should they be convicted, they would leave jail after a short time to enjoy their immense, blood-stained fortune, which would permit them to continue corrupting national life. . . . After all this, can one honestly speak of the surrender of the drug traffickers to the state? Wouldn't it be more precise to speak of the submission of the state to the will of the criminals?"

This hideous capitulation by the Gaviria government to narco-terrorism can be traced directly to the refusal of the Bush administration to assist Colombia's war on drugs when Bogotá begged for aid two years ago, and to Bush's sabotage of Colombia's legal economy by refusing its request for lower U.S. tariffs on its principal legal exports, coffee and flowers. Last year, U.S. assistance to Colombia to combat drugs was \$85 million, while 90% of Colombia's estimated \$2-3 billion in cocaine exports is consumed in the U.S.

Bush looked the other way

Not only did the Bush administration set the stage for the Gaviria surrender, but during the entire period of negotiations leading up to the Escobar deal, the Bush administration never protested the plea-bargaining arrangement with its most wanted "extraditable."

Former U.S. Drug Enforcement Administration chief Peter Bensinger wrote in the June 24 *New York Times* that "Mr. Escobar should be on death row, not in a posh mountain

retreat. . . . The State Department regrets Colombia's decision. What baloney (other words come to mind). . . . This action was shocking; it is not a surprise. For months we have heard about Mr. Escobar turning himself in for a light sentence and no extradition. The U.S. should have made it clear that such a deal was unacceptable. . . . We looked the other way, instead of preventing the disaster."

Escobar's "surrender" is viewed by experts as a move to protect, rather than dismantle, his so-called Medellín Cartel. Narcotics officers in Colombia and abroad are certain that Escobar's trafficking network will continue to operate—none of his properties or bank accounts have been touched, and none of his laboratories, smuggling fleets, etc., have been surrendered. Escobar also has freedom to meet or speak with whomever he chooses—his mother visits him at any time, the home town mayor reportedly watches television with him in his luxurious "cell," and no one can even enter the "prison" who isn't first approved by his own bodyguards.

Legalization on the agenda

Before his surrender, Escobar gave an interview to Colombia's RCN radio suggesting that drug trafficking—the only offense he is likely to confess to—could well be legalized before long. And prominent criminal lawyer Jorge Cordova Poveda, interviewed by *Hoy por Hoy* magazine on Escobar's possible sentence, cautioned that prejudging the case was impossible. After all, he said, "We don't know if the drug trade will be legalized in two or three years, do we? The judicial process is so uncertain—in the case of Escobar—we can't even be sure he'll be convicted."

Indeed, proposals for legalization are inundating Colombia. The National Constituent Assembly is debating a proposal by former minister Jaime Castro for legalization of the production, sale, and consumption of drugs. *Hoy por Hoy* devoted several features to the subject recently. A prestigious think tank, the Institute for Liberal Studies, founded by Development Minister and drug legalization lobbyist Ernesto Samper Pizano, has just issued a new proposal for legalizing cocaine. And widely read journalist Jorge Child has just written that "as long as the new culture of drug legalization is not imposed worldwide—and Colombia should begin by promoting it, as delegate Jaime Castro has proposed—we will remain enveloped in the satanic repression of the Holy War."

Behind this drumbeat for legalization is the commitment on the part of President Gaviria's government to George Bush's "free trade ethics," which de facto embrace the legalization of drugs under the concept of the "open economy." Not accidentally, just three days after Escobar's surrender, the Gaviria government decided to shut down its infamous "sinister window" at the central bank, which laundered drug dollars, and in its place opened up the entire banking system to a "free exchange" of dollars for pesos, no questions asked. Drug dollars have begun to flood the country, sparking fears

of an inflationary surge.

The narco-terrorist-dominated Constituent Assembly will probably not write drug legalization into Colombia's new Constitution. However, its dissolution of the National Congress and the redefinition of the qualifications for congressional candidates have probably paved the way for a new Congress more amenable to the idea.

Documentation

The following are excerpts from a statement written by former Colombian Justice Minister and just-resigned Ambassador to Switzerland Enrique Parejo González, who was himself a victim of narco-terrorism back in 1987 for his strong stance in favor of the extradition of drug traffickers. His statement was submitted by the brother of murdered presidential candidate Luis Carlos Galán to the National Constituent Assembly on June 19, 1991, on the eve of the Assembly's vote to constitutionally ban extradition.

. . . We are dealing with an international crime which transcends national borders and which in some states, among them our own, poses a serious threat to democracy. To combat this crime, international mechanisms are required. It is thus inadvisable to deprive the ordinary legislator of the opportunity to establish, when public circumstances demand it, that instrument of society's defense against one of the worst forms of organized crime that has confronted humanity in all its history.

Colombian society and its ruling class have the duty to declare themselves against the absurd attempts of the drug traffickers to impose their criminal will on the country. Under the worst dictatorships, citizens live in fear of the dictator's ability to repress whomever acts or expresses opinions against his omnipotent and arbitrary power. In our country, which prides itself on being a democracy, the drug trade seeks to exercise a still more ominous dictatorship against the state itself, and against the citizenry, to prevent—by means of crime and terror—that Colombians dare act or express their opinions or feelings against such criminal activity. There is an imposed silence, resulting from fear of death which, implacably, the drug traffickers order against anyone who opposes, by word or by pen, their criminal designs.

Fortunately, the country still has men of the moral caliber of a Guillermo Cano, of a Luis Carlos Galán, of a Rodrigo Lara Bonilla, of a Carlos Mauro Hoyos, of so many officials and agents of our Armed Forces and of the citizenry in general, who have died in their fight against crime and in defense of public morality. Men who prefer, like them, to face any risk so as not to suffer the enslavement of their consciences. *The country cannot permit itself to be morally kidnaped.*

Venezuelan Army chief warns 'corrupt democracy' is breeding civil war

by Gretchen Small

The extreme fragility of the current political map of Ibero-America was exposed on June 20 in an unexpected corner: Venezuela. In the ceremony transferring command to his successor, outgoing Army commander Gen. Carlos Julio Peñaloza issued a dramatic call to the "decent majority" in the country to join the armed forces in a crusade against rampant corruption, before others, less concerned with liberty, act to cleanse the country's political institutions through "blood and fire."

Corruption, from drug trafficking to extortion, has become so widespread in Venezuela that national security is threatened, he charged. If things continue as they are, there will be civil war "between the corrupt minority whose moral degradation is visible but which has enormous resources, and the decent majority which suffers daily."

What goes under the name of "democracy" these days in Venezuela, responded with fury. The general's speech was published only in one dissident newspaper, *El Nuevo País*, and the press conference he gave at the end of the ceremony was blacked out entirely. The defense minister, speaking for President Carlos Andrés Pérez, announced that the government was studying what "sanctions" could be applied against the general for speaking out. Pérez railed that it was an "insolent aberration to say that democracy is corrupt."

Peñaloza evidently did not speak only for himself, and the government was forced to back off, at least for now, from punishing its most outspoken critic to date.

Rot permeating the country

No one doubted that Peñaloza's description of corruption referenced the President, among others, whose advisers and personal staff have spent the past two months denying mounting evidence that they are involved in arms profiteering and drug running. The head of presidential security, Orlando García, a Cuban-Venezuelan who has run Pérez's personal security for more than three decades, tendered his resignation in mid-June, when it became no longer possible for him to deny charges by Peñaloza and others that García and his former mistress, Gardenia Martínez, along with a number of retired military officers, were involved in bilking the state through fraudulent arms contracts. Press accounts said that the President's own mistress, Cecilia Matos, was involved. Despite proof of graft and influence-peddling, Pérez has yet

to accept García's resignation.

Pérez was forced, however, to fire a close friend and ally, Gen. Herminio Fuenmayor, as head of the Department of Military Intelligence, after police caught him doing favors for a drug-trafficking ring.

New revelations of drug trafficking involving the cream of Venezuelan "society" were reported in June. The penetration of Venezuelan institutions by drugs is shown in the case of Adolfo Martínez Torres, a former governor of Caracas and interior minister, who has been accused by the U.S. Drug Enforcement Administration (DEA) and Venezuelan officials of heading a band of drug-runners made up of young members of upper class families (Brillembourg, Arape, Baladares Branger, Morett, and Pabón), some of whom are now in jail in the U.S., Canada, and Switzerland. The ring set up a car-smuggling operation as a cover for their cocaine trafficking.

Adolfo's brother, Nelson Ramírez Torres, is the lawyer for a Cuban-Venezuelan banker, Orlando Castro, allied with Pérez's circles, who attempted to take over the Banco de Venezuela, one of the nation's biggest banks, last year. Nelson says his brother is a "victim of a plot" run by the owners of the Banco de Venezuela, but his credibility was tarnished with the news that the DEA is investigating the \$400,000 he received in "honoraria" for defending the wife of a now-jailed drug trafficker.

As June closed, the news broke that the largest stock brokerage house in Venezuela, Incambios Valores, headed by banker Angel Buenano, served as the launderers for the Ramírez Torres ring. A worried president of the Caracas stock market, Juan Domingo Cordero, acknowledged that Buenano has played a leading role in Venezuela's capital markets, telling *El Nacional* June 25, "The truth is that the Venezuelan financial system lacks the necessary controls to avoid or control money laundering. . . . Drug trafficking has penetrated the financial system and the stock market cannot be exempt from this."

'Democracy' as a weapon of war

Such truths as presented by Peñaloza are seldom heard about Venezuela's "democracy," hailed as one of Washington's greatest political success stories. Pérez has traveled the world as a spokesman for George Bush's new world order,

the virtues of "limited sovereignty," and the need to replace such "archaic" institutions as the national military by supranational forces.

General Peñaloza's call to arms, however, is only the most explicit statement voiced so far, of a rebellion brewing in the military throughout the Americas against the form of "democracy" championed by Washington which has served—deliberately—to bring about the disintegration of nation-states. From Mexico on down, military men are ever more loudly agreeing with Peñaloza, that "leadership of the state is too important to leave it only to the politicians."

The rebellion is aimed squarely at the imperial policies coming out of Washington. The day Peñaloza spoke, U.S. Assistant Secretary of State Bernard Aronson was busy telling the House Subcommittee on Western Hemisphere Affairs that "the people of Latin America and the Caribbean, long freed from colonial domination, have embraced democracy as the only legitimate form of government." At the annual meeting of the Organization of American States, held in Santiago, Chile June 3-8, U.S. diplomats had teamed up with Pérez's diplomats, to ram through a resolution committing governments in the region to consider collective action against any country in which "democracy" is overturned.

Yet in the past decade, "democracy" has come to mean freedom for disease, drug-traffickers, narco-terrorists, and foreign looters—and no one else. The system of representative government conceived of by the U.S. Founding Fathers, premised on national sovereignty and answerable only to natural law, is diametrically opposed to the concept of *sovereignty of the people* put forward as "democracy" by the Anglo-American crowd now running policy in Washington. Sovereignty "of the people," raised in opposition to *national* sovereignty, is nothing but that most dictatorial of concepts, the rule of men, not law. As has occurred throughout human history, that translates into simply the rule of the most powerful.

Washington, impressed with its imperial power, has twisted "democracy" into the means to destroy any national institution which stands in the way of the new world order. That has made the military their number one enemy in Ibero-America because, as Peñaloza said, "What distinguishes the military institution is its capacity to wage war in defense of the Fatherland's vital interests."

Under the new order, the only "vital interest" allowed to governments, is that of meeting foreign debt payments. This definition of democracy was made explicit by none other than the chief of the International Monetary Fund (IMF), Michel Camdessus, who told an International Labor Organization conference on June 11, "It is the experience of the Fund, that progress in democratization makes the launching of economic reforms easier."

Thus, the worldwide anti-Bolshevik resistance movement, which arose in China and Eastern Europe in 1989 under the banner of democracy, is now raising its flag in

Ibero-America. But here, resistance is being waged in the name of a war on phony IMF "democracy."

War in the Amazon?

Peñaloza's warning that bloody civil war will result if the free-for-all looting continues unchecked, is true for the entire region. The breakdown of institutions has now reached the point where the question is no longer whether the current form of governments can continue to rule—it can't, for long—but whether national movements such as that called for by Peñaloza, uniting civilian and military patriots, can seize leadership over the social upheavals now brewing, before bestial war of each-against-all engulfs the whole region.

The most intense battle for sovereignty against the IMF, is taking place in Brazil, and has international financiers worried. "Brazil is the swing country" in determining whether the IMF reforms and "free trade" can sweep South America, the London *Guardian* said June 25.

The problem the IMF has in Brazil, is military resistance to President Fernando Collor's efforts to put through new world order policies, which has galvanized civilian support for the nationalist program (see *EIR*, June 28). That resistance extends from the auctioning off of Brazil's strategic industries to foreign interests, to efforts to turn the Amazon heartland of Brazil into a foreign-controlled enclave.

A Brazilian Parliamentary Commission of Inquiry (CPI) was established in June to investigate such plans to "internationalize" the Amazon. *Correio Braziliense* reported June 18 that the threat of the "limited sovereignty" doctrine being raised internationally, was top on the agenda of discussions during a tour by a group of 15 congressmen of military outposts in the Amazon region in June. The commander of the Amazon region, Gen. Antenor de Santa Cruz Abreu, reminded the congressmen that the Amazon had been the object of foreign greed since the days of the 17th-century pirates. Efforts to set up multinational "Indian" parks today, intervention by foreign missionaries, European Community intervention against Brazil's gigantic Carajás mining project, the U.S. Treasury's threats to cut off assistance if Brazil attempts to complete the Brazilian-Peruvian highway through the Amazon, are no different, the general stated. "Economic interests" are behind these attacks.

After one military-civilian meeting, Congressman Mauricio Campos, president of the House Committee on National Security, repudiated "the actions of international groups that have been investing in ecology to cover up for their interests in the niobium, gold, uranium, and cassiterite reserves in the Amazon." Sen. Irapuan Costa, Jr., president of the Senate Commission on Foreign Relations and National Security, defended the role of the Brazilian Army in the Amazon. The presence of the military is felt "not as protectors of the borders," but "with more or equal intensity in the field of education and health. . . . The Army dedicates 90% of its activities to service civilians, in all the Amazon region," he said.

'Venezuela needs a moral renaissance'

The following are excerpts of the speech delivered on July 20 in Caracas by Gen. Carlos Julio Peñaloza, outgoing commander of the Army.

. . . A call to the honest and decent majority of our compatriots to enroll in the crusade against the plague of corruption which threatens to slowly, yet relentlessly, destroy our moral bases and our freedom. . . .

Today, freedom's primary enemy is corruption, that monster engendered by the satanic mating of injustice with immorality; that hydra of innumerable heads, such as drug trafficking, extortion, personal insecurity, etc., spreads the deadly virus of moral AIDS irreparably produced by the Fatherland's system of ethical immunity. In only a short time, that plague has become Public Enemy number one, constituting the gravest threat looming over our nation. This offspring is a truly subversive element which, through the destruction of our moral values, attempts to destabilize our democratic system and rob us of our freedom. This disease has been gaining such strength and aggressive capability, that I do not hesitate to state that in Venezuela, a civil war is brewing between the corrupt minority whose moral degradation is visible but which has enormous resources, and the decent majority which daily suffers the corrosive impact of the cunning blows delivered by this degenerate beast. . . .

Corruption reigns among us and threatens us all, to the point that it threatens the very security of the state. . . .

Democracy's dilemma

This now unavoidable truth has provoked opposition from among a growing group of military men and civilians who are convinced that today's democracy is so rotted by corruption that the only way to correct that situation is by force, which, through blood and fire, would purge the corrupt and save the nation. This group feels that the only way to restore the nation's honor is through the blood of those who have stained it, and that to attain that end, it is necessary to do away with democracy and establish an authoritarian regime. If this were to occur, we would again fall victim to despotism and would lose our freedom, the only dam capable

of holding back tyranny's dark waters.

This analysis leads me to raise some questions:

Is it justifiable to sacrifice freedom to defeat corruption?

Aren't we faced with a false dilemma which forces us to choose between a corrupt democracy or an honest dictatorship?

Are there no other options?

Finding the answer to these questions constitutes the highest national priority. . . . The Holy War against corruption has only just begun and will be a long one. Peace is not yet on the horizon. . . . What, then, must the role of the military be?

Blind obedience?

We know only too well that our duty is to be obedient and not deliberate [policy], as the Constitution and Venezuelan law dictate; but this doesn't imply that we obey immoral, illegal, or illegitimate laws, nor that we remain silent when the Nation is in danger. . . . To paraphrase Clemenceau, we can say that just as "war is too important to leave it only to the generals," leadership of the state is too important to leave it only to the politicians.

What distinguishes the military institution is its capacity to wage war in defense of the Nation's vital interests. Today we are waging war against corruption, in defense of our moral values. For that reason, when we are under attack from corruption's followers, we in the military, as always, must be on the front lines of combat, because the Republic demands it of us, and because the ethical cost of not acting would be too great for an institution as important as the National Armed Forces (FAN).

For some, it would appear that this is not a military war, because instead of conventional weapons, we must defend ourselves with moral weapons. But we, the military, cannot avoid this battle, in which we must fight as part of an obligatory moral service. . . . The military is a legitimate and important part of society, and thus an institution which has something to say and must be heard, without this constituting a threat to civil society and democratic institutions. . . .

We all know that in cases like this, to take a moral stand, following the voice of one's conscience, can have bad consequences, but the consequences of not taking that stand can be even worse. . . .

We have to prevent freedom from becoming one of the casualties. At this critical moment for our Nation, therefore, it is indispensable that we the military become soldiers of morality even at the risk of being considered in a state of [policy] deliberation.

We pray to God that our leaders will rebuild and awaken this sleeping democracy which is, dangerously, abhorred by many. If they ignore the advice to correct it, and refuse to take measures to purify it in the short term, then Democracy will be the loser. If a moral renaissance isn't begun soon in Venezuela, anything can happen.

Regional powers win Cambodian cease-fire

by Linda de Hoyos

Meeting in the Thai resort town of Pattaya, the newly formed Supreme National Council of Cambodia, chaired by Prince Norodom Sihanouk, has reached the first stages of agreement on measures to end the 11-year-long conflict in Cambodia. The council is comprised of the Vietnamese-backed government in Phnom Penh, and the three factions of the resistance coalition to that government, led by Sihanouk, the U.S.-backed Son Sann, and the Chinese-backed Khmer Rouge.

On June 24, the council announced that it had reached unanimous agreement for an "unlimited cease-fire" and to stop receiving foreign military assistance. Further, Sihanouk told the press, the council had put to rest the contentious issue of leadership, by unanimously endorsing the prince as "convenor and president" of its future meetings and as head of the council delegation to the U.N. General Assembly, according to the *Bangkok Nation*. The meeting also adopted a common flag and national anthem.

The cease-fire is being imposed after the Khmer Rouge has been driven out of the crucial town of Pailin near the border with Thailand, and Phnom Penh had stopped their drive to take the provincial capital of Battambang.

The tortuous road toward settlement of the conflict has centered on the plan put forward last year by the Permanent Five of the U.N. Security Council. That plan called for a cease-fire, the dissolution of the Phnom Penh government, and a replacement administration by the United Nations itself to oversee national elections. Phnom Penh and its backer Hanoi have, not surprisingly, opposed the plan, which is, also not surprisingly, enthusiastically endorsed by the Khmer Rouge.

Although it has agreed to cease-fire—the first condition for any settlement—the council has not yet agreed to the extent to which it will adhere to the U.N. "Perm Five" plan. Prince Sihanouk said that Hun Sen, prime minister of the Phnom Penh government, did not agree with the plan at all, although Phnom Penh representatives said Hun Sen had never rejected the plan. Sihanouk quoted Hun Sen as saying, "We are a sovereign country, we have to solve our problems as sovereign people"—a statement Sihanouk himself might agree with.

Japanese-Thai efforts

The council's meeting, in the balmy atmosphere of Pattaya, followed a round of diplomatic initiatives by neighboring and friendly governments that see the Cambodia im-

broglia as a major obstacle to the full integration and strengthening of the region as a whole:

- In early June, Japanese Foreign Minister Taro Nakayama visited Hanoi, the first visit of a Japanese foreign minister to the country. Aside from promising to train Vietnamese economists and provide technical assistance, Nakayama also reportedly said Japan would provide Vietnam with \$1 billion in investment, upon the completion of the Cambodia settlement. Nakayama also met with Hun Sen while in Vietnam. Japan has been seeking to find a middle ground within the U.N. plan to which Phnom Penh would agree.

- At the same time, Chea Sim, Politburo member of the Phnom Penh government party, visited France for meetings with officials there. France has been working with Indonesia to mediate a settlement on Cambodia.

- Thailand has also played a crucial role in trying to bring the warring Cambodian factions to the negotiating table. In the last year, Thailand has acted as informal mediator between Phnom Penh and the resistance coalition, working in tandem with Tokyo. On May 30, Thai Prime Minister Anand Panyarachun, speaking during a visit to Malaysia, said that he saw no problem with the Indochina countries—Laos, Cambodia, and Vietnam—joining the Association of South East Asian Nations (ASEAN).

One week before the Cambodian Council met in Pattaya, the Thai government hosted a visit by Yang Shangkun, President of the People's Republic of China. Yang was met at the airport by Thai King Bhumipol and fêted accordingly. According to the *Thai Rat* daily, a settlement of Cambodia was a key point on the agenda.

Also discussed were plans for the development of the upper reaches of the Mekong River, situated in China, as part of the overall Mekong River Project. The project, expected to be underwritten by Japan, is awaiting the Cambodian settlement to move forward. Seven dams would be built along the Mekong, resulting in the vast expansion of irrigation and hydroelectric power for Laos, Cambodia, Thailand, and Mekong Delta area of Vietnam. In May, the P.R.C. indicated for the first time that it was interested in joining the Mekong Interim Committee, composed of the countries through which the Mekong River runs.

According to the *Bangkok Nation*, the Chinese President had agreed to "try to persuade the communist guerrillas [Khmer Rouge] to be more flexible."

- On June 22, Prime Minister Anand met with all the Cambodian factions in Pattaya.

There is still a long way to go until a sovereign government is established in Phnom Penh which is able to rule the entire country. The Khmer Rouge wants 700 U.N. advisers to rush to the scene to oversee the ceasefire, while Hun Sen has said that the cease-fire should be directed by a Cambodian committee. However, the agreement to a ceasefire itself is a major step—and the promise of a regional effort to rebuild Cambodia has been a major factor in its attainment.

Club of Rome in new malthusian offensive

by Our Special Correspondent

The Club of Rome, the conceptual command center of the neo-malthusian movement since the release of its notorious *Limits to Growth* report two decades ago, is launching a new organizing offensive this autumn. According to information obtained by *EIR*, the Club plans to release two major reports, which will receive wide publicity in the international media, one assessing the results of its 20 years' proliferation of malthusianism, and the second spelling out its agenda for the current decade and for the next millennium.

The first, entitled *The First Global Revolution*, will be published simultaneously in September as a book in the United States, United Kingdom, France, and other nations, in Germany as a special edition of the weekly *Der Spiegel*, and in Japan by the newspaper *Asahi Shimbun*. Then, for the occasion of their next international conference, to be held in Montevideo, Uruguay in November of this year, the Club will produce an updated version of the 1971 *Limits to Growth*, the blueprint for the genocidalist program to end all economic growth and decimate the world's population. Dennis Meadows, author of the original *Limits to Growth*, is now working on this version. This will lead to the publication of a report with the title, *Limits to Growth for the 21st Century*.

Club leaders privately deny any policymaking role, but in fact their self-appointed role goes beyond policymaking in the narrow sense of this term. The Club of Rome has always attempted to shift the "paradigms" of thinking of both policy elites and populations. What they are now attempting, is to exploit to the full, through propaganda and other means, the increasing number and severity of disasters—man-made and natural—taking their toll in human lives, to induce people to feel more despairing and pessimistic in the face of such catastrophes, and to implant a "Kantian duty" which will render them incapable of finding creative solutions to the problems of the future. In that state of mind, human beings can be induced to "dutifully" accept mass death.

Focus on crisis regions

The Club of Rome has recently been focusing its malignant attention on some of the most troubled regions of the

world: the Middle East, Africa, and the Soviet Union, European analysts report. In all these areas, the Club is trying to impose its own agenda for dealing with what they call the *problematiques* that must be faced, like "food security," "environmental constraints," "population growth," "potential mass population movements," and the "North-South issue."

The Club of Rome's national group in the Soviet Union—one of the Club's most active chapters, it is reported—just held a secret high-level meeting involving academics and students in Novosibirsk, Siberia, and including Club co-founder Alexander King, a British racist who has spent much of his career seeking ways to "reduce the threat from population growth among non-white populations." Soviet Club of Rome members include Yevgeny M. Primakov, director of the Institute of World Economy and International Relations, and Dzherman Gvishiani of the Committee for Systems Analysis of the Soviet Academy of Sciences.

Although the Soviet Club of Rome is not expressing publicly any views on population, migration, or North-South problems, these are matters of great concern, especially within the Soviet Union itself, sources close to the Club report. According to these sources, the Soviets claim to have their own internal "North-South" crisis, between the Russian and western republics, and the southern Islamic republics. The Russian and Ukrainian birth rates are very low compared to those of the Islamic republics. Yet at the same time, especially in the midst of the current economic breakdown in the Soviet Union, none of the Islamic republics want to leave the union. Hence, the "internal demographic threat" will grow.

A racist alliance

The same sources also claim there is a great *external* Soviet fear of the Chinese "population problem," despite the warming ties between the Soviet Union and China. Supposedly, in Siberia and elsewhere in the U.S.S.R., the Soviets fear hordes of Chinese crossing the border into Siberia, a region many Chinese settlers moved into during the last century, and an area barely populated by Russians.

Whether this faithfully represents the private view of leading Soviet Russian elites or not, the very circulation of such reports flowing out of the Novosibirsk meeting, indicates that King and his cohorts are trying to recruit the Soviet Russian "caucasians" into a common alliance against the world's non-white peoples.

The Middle East and Africa and the Islamic world are also a matter of considerable preoccupation for the Club of Rome. The convergence of disasters in these regions, including war and famine, is being cynically exploited to foster the Club's aims. One policy being discussed and advanced, is to use the "food weapon" against the Arab states, in response to use of the "oil weapon." As one Club member noted privately, the Middle East now requires 60 million tons of imported grain a year to keep alive, and this could provide a powerful weapon in the hands of food exporters.

Prince Philip put on defensive by EIR

by Ulf Sandmark

Under the banner of protecting the environment and wildlife, the World Wide Fund for Nature (WWF) and the United Nations Environmental Program (UNEP) held meetings in Stockholm in the beginning of June. What they plainly did not wish to protect was the world's human population.

The WWF's international president, Prince Philip of England, spoke on the group's intentions for the nations bordering the Baltic Sea. At a press conference with WWF officials from Sweden, Estonia, Latvia, and Poland, he complained about the forces working against the WWF. "The ecological problems in the area are the result solely of human activity concerning industry, agriculture, forestry, and transportation. There are many large economic interests involved and it would be unrealistic to believe that we can achieve long-range environmental protection goals and conservation of the biodiversity without colliding with human economic interests," said the Prince. He set "ecological interests" against those of the human race.

Prince Philip was consciously attacking the livelihood of the world's population. Not surprising; he is part of an elite which steers the ideas that make up the framework for the worst genocide in history. At the press conference, Philip's complicity was revealed when *EIR* reporter Robert Zelizi asked if he and the WWF do not support epidemics and starvation, as a solution to so-called overpopulation in the Third World.

Philip grew noticeably nervous at the question, and delivered a 10-minute defense of the WWF. He denied he was proposing such horrors, insisting he wanted only to warn how serious overpopulation has become. Said the Prince: "The world population has actually tripled in my own lifetime. People must freely decide which necessary measures they themselves must take to solve this horrible problem."

Others at the press conference did not exactly follow the interaction between the Prince and *EIR*, and did not understand when Philip childishly tried to turn the question around so as to make it appear that it was *EIR*'s policy to propose genocide. "Splendid, now it's on the record that your magazine is proposing this," Philip said, looking triumphantly around the room. He found that no one else was laughing with him.

After Philip indulged in a further exchange with *EIR*, the press conference was closed down, and Philip fled. One of

WWF's own journalists tried to excuse his behavior: "The Prince doesn't like journalists."

Why Sweden?

The UNEP chose to hold World Environmental Day in Stockholm so that Sweden could turn over to Brazil the responsibility of hosting the next U.N. environmental conference, set for Rio de Janeiro in 1992. At first, it was suggested that Stockholm again play host, but, because of the debate on the rain forests, Brazil was chosen.

But Brazil will not be told that, on the pretext of concern for the rain forests, the country's natural resources will be stolen, and its women sterilized. Yet those are the facts—as could be seen when Swedish Prime Minister Ingvar Carlsson supported giving George Bush's "new world order" ultimate power over the fate of the rain forests. Carlsson said, "Indeed, some have compared the present period with the great creative period of new, multilateral cooperation that followed the end of the Second World War. We now need a similar burst of creativity and commitment in using the existing multilateral framework to build a wider system of global governance, where common responsibility, economic development, and protection of the environment is the unifying thought. I have no doubt that towards the end of the 1990s we will say 'before and after Rio' in the same way that many people now say 'before and after Stockholm.' "

Carlsson also referred to a report prepared by the Swedish government for Environment Day; the report said that "in low-income countries, millions of people are suffering from the effects of high population growth, overpopulation, and poverty," and that these problems must be overcome to ensure the maintenance of a healthy environment and a good "quality of life" for the lucky few allowed to be born, or to live out their lives.

Bloody-minded Anders Wijkman

Of all those participating in Environment Day, the most ferocious was the president of the Swedish Society for the Conservation of Nature, Anders Wijkman. He announced: "In a recent study the question was posed: How many people could live on Earth at the living standard of the average Swede? The result was an estimated half a billion people. Already, today, there are 5.4 billion people on Earth. When my children are grown, there may be 8-9 billion."

Wijkman is promoting staggering levels of genocide. His proposal to halve the energy consumption in industrial countries by the year 2025 can result only in destruction of living standards. At a demonstration after he spoke, he was confronted with a sign which read: "Anders Wijkman is proposing genocide 100 times worse than Hitler."

"I could sue you for that," he threatened. However, when urged to do so, he fell silent. When he was offered an opportunity to buy a rope to hang himself (if he thinks the world so "overpopulated"), he ran away.

Horn of Africa target for re-colonization

by Joseph Brewda

On June 20, the U.S. Congress voted 410-0 in favor of H.R. 1454, the so-called "Horn of Africa" Act, which sets a crucial precedent in reintroducing outright colonialism in Africa. What George Bush's "new world order" means for Africa and the rest of the Third World is the imposition of United Nations trusteeships, protectorates, and eventually even formal colonies—and starvation, war, and disease, for those who resist.

The bill, sponsored by Sen. Byron Dorgan (D-N.D.) and 48 co-sponsors, claims to "assure the people of the Horn of Africa"—Sudan, Ethiopia, and Somalia—"the right to food and other basic necessities and to promote peace and development of the region through grassroots participation." Reality is otherwise.

The bill attacks the three governments for supposed "gross human rights violations, political repression, and environmental destruction," and the consequent failure of the International Monetary Fund (IMF) in "achieving economic reform objectives." Under this pretext, the bill cuts off every penny of military, economic, or other aid to the governments of the three states.

The Ethiopian and Somali governments were just overthrown by revolts; Sudan continues in a civil war. Nonetheless, the bill condemns the governments of the three states as responsible for starvation in their lands. Ironically, the bill had been drafted prior to the Ethiopian revolution, but was left unchanged, despite the installation of the new government.

"Countries in the Horn of Africa are among the poorest in the world," the bill reads, "yet military expenditures by regimes in the region consumed as much as half of all government revenues, thereby diverting scarce resources from development and basic human needs." This is particularly striking since the wars in the region, including civil war, which necessitate such military expenditures, are themselves manipulated largely by the United States, British, and Soviet governments.

For example, John Garang's Sudanese People's Liberation Army has been in revolt against the central government in Khartoum for years, among the reasons the Sudanese state requires large military expenditures. Garang is funded and armed by the U.S. CIA and the Pentagon, the Israeli Mossad,

and British intelligence. Without such support, there would be no civil war—and resulting famine.

Nonetheless, the U.S. Congress claims to be concerned about the people of the region. To this supposed end, the bill provides for giving aid to the "people," bypassing the governments. It calls for providing "assistance to indigenous non-governmental institutions working government-controlled or opposition-controlled territories . . . to advance development programs, or to carry out relief."

What this formulation and others throughout the bill means is this: The United States will continue to provide aid to "the people" in such forms as food, seed, agricultural equipment, and the like—without the consent or even the knowledge of the governments concerned. To this end, "humanitarian" bases will be established in neighboring Kenya, Uganda, and elsewhere, and food—and presumably weapons—transported across the border to the people, especially those people, such as John Garang, in revolt against their governments.

Crocodile tears

As far back as Dec. 14, international law expert Bruce Fein, writing in the *Washington Times*, called for using the Persian Gulf crisis to form a United Nations army which would recolonize Africa and the rest of the former colonial sector. The mission of the force, Fein advocated, would be to "punish violations of international law."

"Who would shed even crocodile tears," Fein asked, "if [U.N.] Security Council forces were deployed to quell the domestic conflagrations in Ethiopia and Sudan and to rule them according to trusteeship agreements similar to those concluded under the U.N. international trustee system?"

For those in the British and U.S. governments who think like Mr. Fein, starvation is a very effective way to create the conditions favorable to reestablishing colonies in Africa.

Thirty million Africans—a population equivalent to that of California—are now in danger of starvation, according to the U.N. Food and Agriculture Organization. "Unless there is a massive acceleration of the flow of food aid to the affected populations," FAO Director General Edouard Saouma told the *Financial Times* of London June 19. "We are going to see widespread deaths from starvation between now and the next harvest at the end of the year." The FAO report says fighting in Africa has created 3.5 million refugees, and another 5 million people are displaced within their own nations.

The FAO estimates that 5.7 million tons of grain are needed, though only 3.4 million tons have been pledged, and only half of that delivered. Under the cover of pretending to address this grave problem, several Western governments and aid agencies, such as Oxfam, are proposing that a "U.N. czar for African aid" be appointed. According to the *Financial Times*, the United Nations czar would have the authority to call up military forces, supposedly to overcome logistical problems with food supplies.

Berlin is again the capital

The German Parliament's vote in favor of restoring Berlin as the capital is a signal to the East.

A margin of 18 votes secured a majority in the Bundestag (the Parliament) after an 11-hour debate June 20, making Berlin once again the capital and seat of government. Of 662 deputies, 338 voted for Berlin, 320 for Bonn, two votes were invalid, and another two deputies were absent.

The move of key government and state functions would be done in "a 10-year time-frame, approximately," Chancellor Helmut Kohl declared after the historic vote.

The debate on the issue had been a heated one, with domestic politics absorbed under the slogan, "Bonn or Berlin," to an extent difficult to understand for many Germans and most foreigners.

The debate saw provincialism of politicians who said, "Why do we need the old capital anyway?" It also saw the intervention of financial and business interests linked to circles in the West who feared that a vote for Berlin would be one for state programs to reconstruct the capital. This, they thought, would weaken the "free market" system in Germany.

The case of Count Otto Lambsdorff, the party chairman of the liberal Free Democrats, who voted for Bonn, is exemplary. A devout free market "democrat," he voiced "great concern" as much as a year ago that the government-initiated programs planned for the economic reform in Eastern Europe (and eastern Germany) would bypass restrictive General Agreement on Tariffs and Trade and International Monetary Fund rules.

Lambsdorff and his co-thinkers knew that a decision for Berlin would make the biggest industrial city in Ger-

many a 10-20 year magnet for infrastructure and industrial investments in the range of several tens of billions of deutschemarks. It makes a big difference whether Berlin with its 3.5 million citizens, or Bonn with its 260,000 citizens, is the German capital.

It also makes a big difference in terms of "political geography." Those who argued for Berlin referenced the signal function the city has, and will have, for the commitment to help Eastern European countries in their difficult job of recovery from 46 years of communist rule. One must add the damage that remained from the First World War, the depression of the 1920s and 1930s, and the Second World War.

During the Bundestag session June 20, speakers like Interior Minister Wolfgang Schäuble, (a potential successor to Kohl after 1994), and former Chancellor Willy Brandt, stressed the key issues:

Schäuble reminded listeners that the changed parameters of politics after reunification did "not allow things to remain as before in the 11 old German states—neither in Bonn nor in the Rhineland." He called the 1948-49 Berlin air lift and the international sympathy for Berlin, vital to the birth of the Western-oriented, anti-communist state of the Federal Republic of Germany. He said that that sympathy for Berlin should not be betrayed now, nor should it be overlooked that the return of government to the city would exemplify the key role of Germany in the rebuilding of Eastern Europe.

Brandt, who is Berlin's former mayor, declared that "Germany will

not remain the East of the West, but rather become the new center of Europe. Berlin is well situated there—in respect to both axes: North-South and West-East." His remark that "not even France would have had the idea to remain in idyllic Vichy" after the liberation of Paris in 1944, embarrassed the pro-Bonn lobby, which included leading members of his own Social Democratic Party, including the two party vice chairmen, Oskar Lafontaine and Johannes Rau, and the chairman of the parliamentary group, Horst Ehmke.

A few days after the vote, the main industry and trade associations welcomed the decision. The U.S. Embassy in Bonn (Amb. Vernon Walters endorsed Berlin) was among the first to announce plans to move to a site near the Brandenburg Gate in Berlin.

Most important, the budget commission of the German Parliament unfroze DM 30 million (\$16.6 million) for the development of the Transrapid maglev train project, with the recommendation that at least one of five maglev routes proposed, with Berlin having a central role in all of them, be placed on the new National Transport Infrastructure Development Plan that is to be passed at the end of this year. The five proposed routes are:

- Bonn-Cologne-Berlin: to connect the two administrative centers of the future German government;

- Frankfurt-Berlin: to connect the north-south high-speed ICE train route that runs through Frankfurt, with Berlin, via Potsdam, Leipzig, and Erfurt;

- A "triangle" connecting the three northern airports of Hanover, Hamburg, and Berlin;

- A "midway" route from Hanover to Leipzig, via Magdeburg and Halle, with a branch arm from either Magdeburg or Halle to Berlin;

- A Berlin-Leipzig or Berlin-Leipzig-Dresden route.

Rao cabinet affirms continuity

Belying media predictions, the newly elected Congress (I) government is an extension of the Indira-Rajiv tradition.

Despite opposition from certain quarters within the newly elected Congress (I) party, Prime Minister P.V. Narasimha Rao has entrusted ministerial responsibilities to the individuals who are widely acknowledged as Indira Gandhi and Rajiv Gandhi loyalists. The most significant achievement of the new prime minister is to have included in his cabinet Sharad Pawar, the chief minister of the state of Maharashtra and the man widely projected in the media as the Congress leader ready to lead a rebellion against Rao himself. Pawar is likely to be sworn in as defense minister, a highly prized post in the present context.

The crucial Finance Ministry job has been given to Dr. Manmohan Singh, who served as the governor of the Reserve Bank of India, the country's central bank, during Mrs. Gandhi's last tenure, and as deputy chairman of the Planning Commission, the body which prepares India's five-year plans, during the Rajiv Gandhi tenure. The Planning Commission will now be under Pranab Mukherjee, who had served as Mrs. Gandhi's finance minister and was considered as the number two in her cabinet during the 1983-84 period.

Besides establishing his credentials as both a money man and development planner, Dr. Singh was most recently the Geneva-based secretary general of the South-South Commission, a grouping which formed at the initiative of Malaysian Prime Minister Dr. Mahathir Mohammad to address development issues. Though the commission did little to initiate new policy programs in the global economic con-

text, it is considered the precursor to the Group of 15 "heavyweight" developing countries. There is no doubt that Dr. Singh's appointment will be acclaimed widely in the developing nations, particularly in Southeast Asia and Japan. In a television discussion following his appointment, Dr. Singh emphasized that the modernization of the Indian economy will be his prime objective.

While the appointments of Dr. Singh and Mukherjee are considered most appropriate, little can be said about the naming of Madhavsinh Solanki, former chief minister of Gujarat and a state politician with a significantly reduced political base, as the foreign minister. Solanki, who did a short stint as planning minister during the later part of Rajiv Gandhi's administration—a stint which ended with the electoral defeat in the 1989 general elections—can hardly be considered qualified for the job. The appointment can only mean that Prime Minister Rao, who was Mrs. Gandhi's foreign minister following her return to power in 1980, will make the foreign policy decisions himself. Traditionally, the Congress (I)-led governments' foreign policy has been conducted from the prime minister's office, as was particularly evident during the reigns of Jawaharlal Nehru, Indira Gandhi, and Rajiv Gandhi.

The other important portfolio, Minister for Home Affairs and Internal Security, has been given to the old Congress (I) stalwart from Maharashtra, S.B. Chavan. Chavan held the same portfolio under Rajiv Gandhi and is a state politician who is more at

home in Delhi handling national affairs.

The other major Indira-Rajiv loyalist, Arjun Singh, has been given the less controversial Human Resource Development portfolio. Singh is a very powerful figure in the Congress (I) party hierarchy, and was the chief minister of the state of Madhya Pradesh on more than one occasion. Singh served as a minister in the Rajiv Gandhi cabinet for a short while, besides assuming such challenging positions as governor of Punjab and vice president of the party under Rajiv Gandhi's presidency.

From all available indications, Arjun Singh's position in the party has been further consolidated by the party's unexpectedly good showing in the state of Madhya Pradesh in the recent elections. In that state, the Congress (I) under Singh's leadership turned the tables on the high-profile Hindu chauvinist Bharatiya Janata Party (BJP), which rules the state, and won 27 out of 40 seats in the Lok Sabha, the lower house of parliament. According to sources in Delhi, handling a less controversial portfolio will free Singh to make significant inputs into the party reorganization which is reportedly on the anvil now.

It is also evident from the broad representation in the cabinet from all parts of the country, that while the Indira Gandhi-Rajiv Gandhi loyalists dominate, the present leadership of the party is trying to integrate the party on a nationwide basis. To start the process is particularly essential in light of the weak showing of various centrist parties in the latest elections, and the steady, although not spectacular, growth of the right-wing Hindu religious party, the BJP. There are indications already that some of the leaders of the non-Congress centrist parties are hobnobbing with the influential members of the ruling Congress party.

Kissinger's depopulation plan exposed

A congressman charges the U.S. National Security Council with a plot to reduce Mexico's population growth.

Now we know where Mexican government officials get their phony catastrophic view that supposedly comes to them from the simple fact that Mexicans exist. It's an imperialist policy dictated by the intelligence agencies of the U.S. government and its embassies," charged federal congressman Erasmo López Villareal on June 11, before a plenary session of Mexico's Chamber of Deputies.

López Villareal was speaking on behalf of the congressional caucus of the Authentic Party of the Mexican Revolution (PARM), and his speech was entitled "Regarding the Demographic Policy of the Mexican Government." The PARM congressman was speaking in reference to the official visit to Mexico by Dr. Nafis Sadik, the director of the United Nations Population Fund, a few weeks earlier.

In the context of this visit, Mexican government officials in charge of health and demographic policy issued a number of alarmist statements regarding Mexico's demographic growth. Dr. Sadik warned that if Mexican population growth weren't halted, "there will be political instability in the country." Manuel Urbina, director of the National Population Council, seconded this, with the statement that "social violence will invade Mexico's large cities." Emilio Gamboa Patrón, director of the Mexican Social Security Institute, added that by the year 2000, there won't be schools for children or jobs for adults.

Congressman López charged that all these statements amounted to pho-

ny "catastrophe-mongering" and went on to prove his assertion. He gave a detailed report on developments in Brazil, where both the health minister, Dr. Alceni Guerra, and a group of 165 congressmen have exposed the anti-natalist programs imposed on the country by the U.S. government and the international malthusian agencies.

As the congressmen listened in astonishment, López Villareal described recently declassified U.S. National Security Council documents of 1974-77 which outlined a secret campaign against 13 developing countries, to force them to reduce their populations. Mexico was among the 13 countries listed. The documents were the subject of a May 3, 1991 *EIR* cover story.

López reported that "one of the secret National Security Council documents dates from 1974, and is entitled 'Repercussions of World Demographic Growth on the Security and Foreign Interests of the United States.' Another, dated 1976, is entitled 'First Annual Report on the United States' International Demographic Policy.' "

He also told the congressmen that the documents were written and signed "by then National Security Council director, Henry Kissinger. Current President George Bush, who at that time was CIA director and subsequently ambassador to China, collaborated in the formulation and application of these policies." The PARM deputy explained that the documents were declassified in 1989 and are currently available to the public in Wash-

ington, D.C.

While Erasmo López was speaking, certain deputies from the ruling PRI party—those charged with keeping parliamentary debate "under control" to ensure that it is as banal and uninteresting as possible—jumped from their seats. They couldn't tolerate the fact that in the Chamber of Deputies, imperialists like Henry Kissinger and George Bush were being denounced by name. One PRI deputy even babbled, "We'll be accused of intervening in the internal affairs of the United States."

But not all PRI members think that way. On June 24, the daily *El Día Latinoamericano* published a front-page article under the headline "The United States vs. the Third World: War Against Natality." The article bore the byline of Carlos Wesley of *EIR*.

Wesley's article denounced exactly the same NSC depopulation memorandum authored by Henry Kissinger. *El Día Latinoamericano* is the weekly supplement, distributed continent-wide, of the daily *El Día*, sometimes considered to be a "semiofficial" newspaper of the Mexican government, and sometimes as a mouthpiece for a faction of the PRI.

Faced beforehand with congressional refusal to form a commission of inquiry to investigate the so-called "family planning" programs, which López defined as "a violation of the most fundamental human right, the right to life," the PARM congressman delivered, in the name of his party, a set of the NSC documents to the president of the body and told her that Kissinger's documents "establish the imperialist character of the demographic policies currently being imposed by the Mexican government." The documents will be filed at the Mexican Library of Congress where they can be freely consulted by the public.

U.S. agents are tied to drugs

They stole millions and were in business with Colombia's "Godfather," but Bush allied with them. Why?

Prominent Panamanians employed by the U.S. government to oust "drug-trafficking" Gen. Manuel Noriega and "bring democracy" to Panama organized a scam by which millions of dollars were stolen from Panamanian taxpayers, documents obtained by *EIR* show. The scam was interwoven with drug trafficking and drug-money laundering. In fact, it was carried out with the help of Celso Barreiros, arrested last year in Spain for trafficking drugs, as a result of "Operation Nécora."

According to the official Panamanian government records obtained by *EIR*, the Spaniard Barreiros Rodríguez was an accomplice of Panamanians Gabriel Lewis Galindo, brothers Carlos and Fernando Eleta Almarán, and Juan David Morgan, in the multimillion-dollar swindle against the Panamanian treasury. Most of the Panamanians were employed by the U.S. government in the campaign to oust General Noriega. They are all considered viable replacements, in the event Washington decides to change the current U.S.-installed government of Guillermo Endara, which is itself controlled by officials involved in the drug trade.

Gabriel Lewis Galindo ran the anti-Noriega Civic Crusade in Washington, an office funded by the U.S. government's National Endowment for Democracy, a.k.a. Ollie North's "Project Democracy." A member of Panama's millionaire elite and a former ambassador to the U.S., banker Lewis Galindo—his family owns Panama's Banco del Istmo—is a long-standing business associate of former Colombian President Alfonso López

Michelsen, "Godfather" of the arrangement by which power in Colombia is being handed to the drug traffickers. It was López Michelsen who carried out the initial negotiations with drug cartel capos Pablo Escobar and Jorge Ochoa in 1984 at Panama's Marriot Cesar Park Hotel, co-owned at one time by Lewis Galindo. Japan's Aoki Corp. is another major investor in the hotel, and one of Aoki's partners is Prescott Bush, brother of the current occupant of the White House.

Carlos and Fernando Eleta own Banco Exterior, through which the swindle was carried out. Members of Panama's millionaire elite, the Eletas are business partners of Endara. More important, they have ties to Bank of America, General Mills, and Phillip Morris, the tobacco company which has invested money to promote drug legalization. Carlos was the CIA's bagman for the anti-Noriega operations until his arrest in April 1989, in Macon, Georgia, for masterminding a plot to smuggle 600 kilos of cocaine per month into the U.S. and for drug-money laundering. After the U.S. invasion of Panama, lawyer Gregory Craig, of the intelligence-linked law firm Williams and Connolly, got the U.S. government to drop all charges against Eleta because of "insufficient evidence."

Juan David Morgan, a lawyer, was the president of Cofina, the National Finance Corp. established by Panama's government to promote business investments. It was Cofina that was swindled.

These gentlemen set up a company in Panama, Promarsa, ostensibly to

get into the fishing business. Barreiros became the president, Lewis Galindo the vice president, Fernando Eleta the treasurer (the documents also name his brother Carlos as treasurer at one point), and Morgan the secretary. Promarsa bought two boats from the Spanish company Cieisa—owned by Celso Barreiros and his brother Valeriano.

The purchase was financed by the Banco Exterior of Spain, through its Panamanian subsidiary owned by the Eletas. But the more than \$6 million loan was guaranteed by Cofina. At the time, the president of Cofina was—you guesses it—Juan David Morgan, one of the owners of Promarsa.

To get Cofina to guarantee the loan obtained by Barreiros on behalf of the buyer, Promarsa, to pay the seller, the same Barreiros, on behalf of Cieisa, Banco Exterior vouched that they knew Barreiros and had loaned him "important amounts over eight years, with satisfactory results."

The two boats were renamed *Promarsa I* and *Promarsa II*, but they don't seem to have done much fishing. Investigators report the vessels were used to haul drugs from Panama to Spain, and drug money from Spain for laundering in Panama.

Shortly after the boats were purchased, the Barreiros brothers, who were supposed to sell the catch through their Spanish companies, went out of business in Spain. Then Promarsa in Panama, owned by Barreiros, Morgan, Lewis Galindo, and the Eletas, defaulted on the loan.

The money, of course, was owed to the Eletas' Banco Exterior, which demanded that Cofina, of which Morgan—the secretary of the defaulting Promarsa—was president, honor its guarantee. Cofina recommended that the government make good the loan to "protect the nation's good credit," and Banco Exterior got paid. More later.

The Brazil that can say yes

President Collor was prepared to concede everything on his recent visit to Washington—if the nationalists at home had let him.

Just as the Brazilian edition of the book *The Japan That Can Say No*, by Shintaro Ishihara, was arriving in local bookstores, in which the author calls for his country to seek greater independence from the U.S., the visit of Brazilian President Fernando Collor de Mello to Washington, from June 17-20, demonstrated that this country's foreign policy is based on an exactly opposite principle.

The Collor administration's willingness to align itself fully with Washington was clear in the preparations for the presidential trip, when the orders from Itamaraty, Brazil's Foreign Ministry, were that all obstacles were to be removed that might complicate an understanding between the two governments, or get in the way of Brazil's obtaining U.S. support on the two agenda items deemed fundamental by Brasilia: the negotiation of the foreign debt and the transfer of advanced technologies.

From the other side, Washington's own extensive list of items on the bilateral agenda ranged from Brazil's immediate conclusion of a foreign debt agreement with its creditor banks, to the speeding up of the "privatization" of state sector companies, to the signing of a new U.S.-Brazil "military cooperation" agreement, to the immediate recognition of international pharmaceutical patents and the total opening of Brazil's computer market to foreigners.

But the intention of the inner core of the Collor government was spoiled by nationalist groupings in the military and the national Congress, which

blocked a number of the government's projects, including an immediate signing of a debt accord and the idea of a new U.S.-Brazil military pact. Deprived of the main goodies in its market basket of concessions, the Collor agenda in the U.S. was looking very weak, which even led Itamaraty to consider canceling the trip. But the trip wasn't canceled. And although the delicate issue of a military pact was never raised—the Brazilian Armed Forces are violently hostile to the idea—Washington made progress on the issue of Brazil's foreign debt arrears. The Collor government agreed to a July 1, first installment of \$900 million on these back monies due.

Analyst Martin Westlake, former managing editor of *South* magazine, emphasized the importance of Brazil within the Anglo-American new world order, in an article published in the June 25 issue of the British *Guardian*. "Brazil is the swing country of the silent revolution which has been unfolding in Latin America," he asserted. "From the Rio Grande to Tierra del Fuego, nations have been undertaking economic policy reforms that in many cases are as deep-seated and far-reaching as the dismantling of communism in Eastern Europe." Westlake quotes one unnamed banker who says that without Brazil, "Latin America will only have experienced half a revolution."

Upon his arrival in Washington, Collor got a taste of how he would be treated by his hosts. Having landed a half-hour early, the presidential delegation discovered that there was no

one to greet them at Andrews Air Force Base. Somewhat later, Deputy Secretary of State Lawrence Eagleburger and Assistant Secretary Bernard Aronson, lower-level officials, showed up to greet the Brazilian President. Brazilian journalists reported that the early arrival was due to the fact that during the flight, Collor took over the plane's controls and accelerated well beyond the cruising speed.

The following day at dinner, Bush gave Collor the "paternal" treatment. Referring to the Brazilian President's sports fetish and his piloting skills, Bush greeted Collor as "Indiana Jones" and "Captain Collor," thanking him for "not making any pirouettes over the White House." As the *Washington Post* reported, Bush expressed regret that he had never piloted Air Force One.

On June 19, during a luncheon organized by members of the U.S. establishment, the Brazilian President witnessed the "subtlety" with which the leaders of the new world order deal with their interests. Among those invited was Gen. Colin Powell, chairman of the Joint Chiefs of Staff, whose presence contrasted with the fact that no Brazilian military officer of similar rank was present. Aware of Collor's habit of jogging on Sundays wearing flamboyant T-shirts, Powell offered him one with the inscription "Operation Desert Storm," which the President promised to wear in Brasilia.

The next afternoon, Collor had the most secretive meeting of the whole trip—with leaders of the U.S. Jewish community. While the Brazilian media hasn't said a word about the event, it is almost certain that it was organized by Edgar Bronfman, who was Collor's interlocutor during his first trip abroad, as President-elect in January 1990.

International Intelligence

European treaty of union is nearly ready

Preparations for the new treaty on European political union are in their final phase, after most of the 12 foreign ministers of the European Community member nations (excepting Britain's Douglas Hurd) signaled their agreement with the draft treaty on June 17.

With some re-editing, the final draft will be presented to the foreign ministers and then passed on to the 12 heads of state and government of the Community that are to decide on the entire package at their Luxembourg meeting on June 28.

At the center of the new treaty, which is to complement the 1957 Treaty of Rome, are two initiatives: 1) a Franco-German one for a federal structure of the new union, which the Germans want to be even more definitely aiming toward a "United States of Europe," including eventually Eastern Europe; 2) an Italo-German initiative for an upgraded status of the European Parliament, which is to receive certain legislative powers and the right to elect the head of the European Commission.

The future cooperation aspect is being kept out of the agreement for the next few years, and the project of a European Central Bank and intensified monetary cooperation with the final phase of the European Monetary System was postponed to the second half of the 1990s.

WCC declares Amazon 'patrimony of mankind'

The World Council of Churches is sending out to its missionaries, as well as to the United Nations and other international organizations, a document proclaiming that the Amazon is not subject to national sovereignty. "We consider that the totality of the Amazon, most of whose area is found in Brazil, but which also includes portions of Venezuela, Colombia and Peru, is the patrimony of mankind," the document states.

The document was disclosed by Gen.

Santa Cruz Abreu, the Brazilian military commander of the Amazon region, during a presentation to congressmen in the city of Manaus.

The documents go on to say that missionaries' duty is to use whatever means and resources are available "which will result in the defense, the security, and preservation of that immense territory, and the human beings inhabiting it, who are the patrimony of mankind, and not the patrimony of those countries which say, pretentiously, that these territories belong to them." The WCC documents also states that the Amazon must be defended from any activity which might "destroy" or "modify" it, anything "that civilization calls progress."

In a related development, Brazilian Deputy João Fagundes has charged that some of the foreign religious missions are "importing" Indians to the Amazon from Guyana and Surinam, in the name of "ecology." The Indians only speak English and are trained to fight for the establishment of "reservations," in order to gain land, he said.

MP urges Canada to lift sanctions on Iraq

"Canada must urge the immediate lifting of non-military economic sanctions against Iraq," said Member of Parliament Svend Robinson (Burnaby-Kingsway), the New Democratic Party's External Affairs Critic, before the House of Commons on June 19.

"Mr. Speaker," he said, "the war in the Gulf may be over but the casualties continue to mount.

"The U.N. Undersecretary General referred to the near apocalyptic conditions following the coalition bombing of Iraq. Uničef has reported Iraqi children have stopped growing because they are not getting enough to eat. Water-borne diseases are widespread.

"Surely Canada must urge the immediate lifting of non-military economic sanctions against Iraq. As the U.N. Secretary General reported in March, the Iraqi people may soon

face a further imminent catastrophe which could include epidemics and famine if life-supporting needs are not rapidly met.

"The Canadian Physicians for the Prevention of Nuclear War have asked: How is it possible that the international community allowed its governments to place an entire civilian population in such jeopardy? Canada must accept our share of the responsibility for rebuilding after the carnage of this tragically wrong war."

Bhutto and family fear terror attacks

Pakistani opposition leader Benazir Bhutto, the former prime minister, who recently stated that India's "Rajiv Gandhi became a victim of the new world order" before she left to attend Gandhi's funeral in New Delhi, has herself been the target of several incidents recently, along with her family. In mid-June, gunmen approached her house, firing into the air as her bodyguards fired at them.

More seriously, Judge Nabi Sher Junejo was "professionally" ambushed and assassinated in Karachi on June 18, while driving to court. Judge Junejo was trying the case of Asif Ali Zardari, Bhutto's husband. Junejo has sentenced 11 people to death and four to life in prison for killing police, robbery, and kidnaping. The attack was so professional that Junejo's bodyguard did not even have time to react. Sind province chief minister Jam Sadiq Ali, who has often accused Bhutto's Pakistan People's Party of violence, blamed the pro-PPP People's Student Federation for the attack.

Baltic republics pursue fight for recognition

The first closed session of the current Conference on Security and Cooperation in Europe (CSCE) was dominated by debate over the right of the Baltic republics to independence, reported Reuters on June 20. Danish Foreign Minister Uffe Ellemann-Jensen told the Soviet delegation headed by Deputy For-

Briefly

eign Minister Yuli Kvitsinsky that the U.S.S.R. was "hiding behind a smoke-screen" when it claimed that the Baltics were an internal matter for the Soviets to handle.

Ellemann-Jensen, backed by the representatives of Belgium, France, Sweden, and Norway, gave a speech in which he said that the Baltics had "not yet got the freedom and independence which their populations have so clearly said they desire and which they so clearly have a right to. . . . In particular, we appeal to the government of the Soviet Union to refrain from all acts of violence and intimidation by its armed forces in the Baltic states."

The three Baltic republics—Latvia, Estonia, and Lithuania—opened an information office in Bonn on June 19, to present their cause to the German public and to serve as a documentation center and contact office between Germans and Balts. The office is designed to serve as a preparatory step toward full-scale diplomatic representation in the future.

Indonesia tries to calm Spratly Islands crisis

Indonesia will sponsor an international conference in July in an attempt to negotiate settlement of the potentially explosive situation in the Spratly Islands, in the South China Sea, the BBC reported on June 20. The conference, to be held in Bandung, where the Non-Aligned Movement was founded, will bring together all the nations involved: the People's Republic of China, Malaysia, Vietnam, the Philippines, Taiwan, and Brunei.

Fighting broke out between Chinese and Vietnamese warships in 1988 when the Chinese forced Vietnamese troops off one of the islands. All the invited nations but Brunei have stationed troops on some of the islands, and more fighting is possible. The Spratlys, although uninhabited, are the key to control of huge fishing grounds and the neighboring seabed, believed very oil-rich, and are also strategically located close to major sea lanes linking East Asia with the

Indian Ocean.

China claims all of the Spratlys, and President Yang Shangkun said on a visit to Indonesia earlier in June that Beijing has "indisputable sovereignty" over the islands.

Will ZPG maniacs resort to nuclear bombs?

Certain strategic planners are beginning to think that it may be necessary to use nuclear weapons, at some point during the 1990s, against "population explosion" flashpoints like India and China, a leading British strategist told this news service.

Responding to questions about the 1974-77 National Security Council documents which *EIR* has unearthed, which characterize Third World population growth as a "national security threat," he reported attending a U.N. conference on "The Future of International Security," which took place in Japan in June. "Certainly, demographics have moved to the center stage of discussions. People are beginning to pose the question: In the post-Cold War era, what are the foremost threats we face? The answers obviously involve North-South, the Mediterranean, demography, the clash for energy resources, and the environment."

He referred to certain "demographic time-bomb" regions such as North Africa, China, "India absolutely," and Southeast Asia, "but obviously not black Africa, since—it may sound cynical, but that's the way it is—there are built-in controls there, like famine and AIDS."

Then he said: "I can tell you I now hear talk about the nuclear deterrents being used to combat the population explosion. As people mull through the question of whether we will, or will not, meet the challenges to international security, and as they see the population explosion as such a challenge, they are beginning to think that nuclear weapons are the only response, ultimately. Maybe not immediately, but down the road. Thinking about this problem is now moving to center stage, as people answer the question, what are the threats to international security?"

● **CHANCELLOR KOHL** of Germany and Premier Bielecki of Poland signed the new long-term German-Polish Treaty, with both foreign ministers and past German Chancellor Willy Brandt attending the ceremony in Bonn on June 17. The document includes a German pledge to help the Polish economy in its transformation into a "social market economy."

● **CHINESE PRESIDENT** and military strongman Yang Shangkun called June 12 for a "positive response" from Taiwan to the reunification of China in the 1990s, the official news agency Xinhua reported. Yang, speaking to Chinese groups in Bangkok, claimed that "revitalizing and reunifying China is the common desire of all Chinese people including the overseas Chinese." He called on overseas Chinese to support unification.

● **SOVIET KGB HEAD** Gen. Vladimir Kryuchkov charged on June 17 that the Western intelligence services, with the CIA playing a prominent role, were mapping out plans "for the pacification, and even occupation, of the Soviet Union, under the pretext of establishing international control over its nuclear potential."

● **A JAPANESE** Foreign Ministry spokesman said on June 18 that the return of Japanese islands held by the Soviet Union since World War II is no longer a precondition for aid to Moscow, although large-scale financial support should not be expected.

● **BRAZIL'S** former President José Sarney says Henry Kissinger warned him that Brazil must never become a great industrial power. "We should not forget that the United States has the impression, in relation to Brazil, that we can be a great Japan, and that is extremely dangerous," Sarney told the Rio daily *Tribuna da Imprensa*, citing Kissinger.

CFR eyes U.S. role in U.S.S.R. civil war

by Webster G. Tarpley

In his recent farewell breakfast with reporters, outgoing Director of Central Intelligence William Webster raised the possibility that the U.S.S.R. might break up during the course of 1991. He talked about scenarios according to which Moscow could lose control over the Soviet nuclear forces. Webster's remarks called attention to the question of whether the Bush administration and its British *maîtres à penser* are seeking, in the wake of the Gulf war, to exacerbate Soviet internal difficulties in the direction of all-out civil war.

Such ruminations are being conducted on a large scale in the U.S. intelligence community, as indicated by a new volume, *The Rise of Nations in the Soviet Union*, published in June by the New York Council on Foreign Relations. These essays, edited by Michael Mandelbaum, reflect papers delivered at a New York City CFR symposium last Oct. 25-26.

The CFR announced the volume with a news release issued on May 20, which starts off with the bald statement: "The Soviet Union is beginning to break apart." The release goes on to specify that the volume is concerned with such questions as: "How will Western Europe and the United States react if millions of economic and political Soviet refugees flee westward? What role should supranational institutions such as the International Monetary Fund, the World Bank, and the European Economic Community play? Will the Kremlin be able to maintain exclusive control of Soviet nuclear weapons? What can the United States do to reduce the likelihood of such adverse outcomes as the rise of Russian fascism and Islamic fundamentalism? Under what circumstances might the United States deploy military force either unilaterally or as a part of a larger United Nations or multilateral force?" This last, obviously sensitive point had already been raised by a *Time* magazine item published after the end of the Gulf war which talked of a possible "Operation Steppe Storm" in which U.S. military forces would be sent into the

U.S.S.R., an item which had drawn some response from the Soviet press.

Whether or not it is desirable to have a civil war in the U.S.S.R. is the momentous issue. Humanity and reason say absolutely no to civil war. Notice that the rejection of civil war should not be construed as a commitment to the integrity of the prison house of peoples. In his West Berlin address of Oct. 12, 1988, Lyndon LaRouche offered the U.S.S.R. a comprehensive solution to the breakdown crisis in Eastern Europe and the U.S.S.R.: Moscow was encouraged to grant self-determination and independence to the Eastern European states, and to the peoples of the U.S.S.R. who desire to establish their own independent sovereignty. In return, the West must launch a vast program of productive investment in these areas to promote the scientific, technical, and productive modernization of the economies. During 1989-90, after the fall of the Berlin Wall, this aspect was further concretized by LaRouche in the form of the Paris-Berlin-Vienna infrastructural and productive triangle. These approaches are required to make sure that existing nations, new democracies, and newly emerging states all be economically viable as the basic precondition of war avoidance.

But civil war is the opposite of all this. Civil war spells a hecatomb at least on the scale of the civil war in the former Russian Empire after 1917, which claimed the lives of many millions. Civil war today may well be fought with nuclear, chemical, and biological weapons. Civil war means that no people or nation will see their legitimate aspirations fulfilled in a peaceful, equitable, and orderly manner. Above all, since the area in question deploys the most formidable nuclear potential the world has ever seen, there is grave danger that civil war between the Bug River and Vladivostok will spill over into an international nuclear conflagration, even a universal one.

In the studies they have now placed in the public domain,

the CFR authors are clearly profiling and toying with the evident possibilities for starting such a civil war. Classified documents are likely to have gone further down this road. The CFR authors are not describing methods of infrastructural investment that might make war avoidance possible. Rather, they are seeking to identify the ethnic, political, and institutional fault lines which might open up into armed conflict. They also open a discussion of foreign intervention, on the model of the British, French, U.S., Japanese, Greek, and related interventions in the post-1917 civil war.

Mandelbaum's introduction includes these comments: "Even if Western governments conclude that they would prefer to see the Soviet Union preserved in some form, it may well be that nothing they—or anyone—can do will keep it together. The continuing collapse of the country could produce far more instability than has occurred thus far, and that could, in turn, present the West with a third set of issues. The nations of Western Europe could find themselves flooded with immigrants from the western republics of the Soviet Union. The West would then have to either try to absorb millions of people for whom it is not prepared or, in effect, reconstruct the Iron Curtain.

"There is another, even more dangerous possibility. The rise of nations and nationalism has already generated violence, which could grow and spread until it becomes a civil war. The national question has already drawn the Soviet army further into the political arena than at any time since 1917. A number of its officers have expressed vehement sentiments in favor of preserving the Union, as well as outrage at the large-scale avoidance of military service in the non-Russian republics, particularly the Baltics. . . . In the event of civil war, the West would have to be concerned about the possibility that violence would spill over the borders of the Soviet Union into other countries, such as Poland or Turkey. There would also and inevitably be grave concerns about the control of the thousands of nuclear weapons. . . ."

Alexander J. Motyl of the Harriman Institute of Columbia University, in his essay entitled "Totalitarian Collapse, Imperial Disintegration, and the Rise of the Soviet West: Basic Implications for the Soviet West," provides helpful hints for U.S. policymakers, many of which seem apt to favor the most apocalyptic outcomes. "Pressure Gorbachov to dissolve the Soviet Union immediately and to replace it with a confederation of sovereign states" is his first suggested diplomatic opening gambit. Then "warn that the West will respond to the repression of republics and 'democrats' with diplomatic and economic sanctions along the lines of those imposed on Iraq after Saddam Hussein's invasion of Kuwait." We are back to Operation Steppe Storm. But could this policy do something positive for the republics and peoples, including the Russians themselves, who are striving for freedom? Motyl's next suggestion rules out any such hope: We must "envelop the republics in as many supranational institutions as possible so as to provide them with stable structures and

values for dealing with their problems." This is to include the lethal embrace of the malthusian-genocidal International Monetary Fund and the World Bank as well as NATO, but only "observer status" in the European Community. Motyl also wants the U.N. to take over a leading role in administering the republics in what sounds suspiciously like mandate status. Most sweeping is Motyl's proposal for a "second Nuremberg, at which the leading representatives of the former communist regimes and their collaborators would stand trial and be sentenced for their crimes against humanity. Only the West has the moral authority and the political clout to engage in such a replay of history." A glance at the genocide against Iraq ought to be enough to judge whether the U.S. and the West have any such moral authority, or whether their armed forces are capable of freeing anybody today.

Another essay is entitled "The Soviet South: Nationalism and the Outside World," by Ronald Grigor Suny. This is a survey of developments in the Transcaucasus and Muslim Central Asia. Suny is a professor at the University of Michigan whose method of approach is illuminated by the title of his most recent book, *Party, State, and Society in the Russian Civil War: Explorations in Social History*, which he co-edited with other authors.

More specific conclusions are drawn in the concluding essay by Jeremy R. Azrael of the Rand Corp. Among Azrael's credits is a Rand study entitled "Emergent Nationality Problems in the U.S.S.R.: A Project Air Force Report Prepared for the United States Air Force," dating from 1977. After surveying the breakup of the U.S.S.R. from the points of view of nuclear proliferation, Russian fascism, Islamic fundamentalism, and balkanization, Azrael proposes measures to "meet the challenge": "We may eventually have to consider much more drastic, emergency measures to deal with the consequences of our inability to secure more favorable outcomes in the time available. . . ."

"To indicate where the process might end, . . . it may not be inappropriate to point out that, among others, we should probably be planning for situations in which the United States cannot effectively protect its interests without deploying, and possibly even employing, military force, either unilaterally or as part of a larger United Nations or multilateral force. Possible cases in point include the acquisition of Soviet nuclear weapons by hostile and adventurist groups or regimes, the outbreak or threatened outbreak of large-scale hostilities along or across internationally sensitive Soviet (or ex-Soviet) borders, the initiation of genocidal or potentially genocidal attacks on U.S.-linked groups (e.g., Jews or Armenians), and/or the outbreak of a Russian civil war pitting an embattled democratic regime against insurgent neo-fascists. Although the force requirements to deal with these situations would vary greatly, depending on the particularities of the scenario, the need to consider U.S. force requirements in thinking seriously about prospective developments on the Soviet nationality front speaks eloquently for itself."

Rep. Gonzalez seeks to lift Iraq embargo

On June 24, Rep. Henry B. Gonzalez (D-Tex.) introduced House Resolution 180 (H.R. 180) into the House of Representatives, expressing the sense of the House that the United States should act on an emergency basis to lift the economic embargo of Iraq. In his comments on the floor in introducing the resolution, Gonzalez noted that "the war has contributed directly to this crisis. It is a consequence of the war. The destruction of Iraq's electrical infrastructure has made it almost impossible to treat sewage or purify water which means water-borne diseases flourish, and hospitals cannot treat crucial diseases." "Whether we like it or not," said Gonzalez, "We are perpetrating genocide. . . . The sanctions against Iraq must be lifted to save tens of thousands of lives. If we do not, the blood of these Iraqi children will be on our consciences and hands."

House Resolution 180

WHEREAS reports from the United Nations, the Physicians for Human Rights, the International Red Cross, a Harvard study team, other independent organizations, and private U.S. citizens have documented the fact that unless the economic sanctions imposed against Iraq are immediately lifted and Iraq is allowed to buy and import food, medicine and equipment, especially for power generation, tens of thousands if not hundreds of thousands of Iraqi civilians will die in the upcoming months;

WHEREAS a Harvard study team estimates that at least 170,000 Iraqi children under the age of five will die within the next year from the delayed effects of the war in the Persian Gulf if the imposition of the sanctions continues;

WHEREAS this is a conservative estimate and does not include tens of thousands of Iraqi civilians above the age of five who are expected to die from similar causes;

WHEREAS the Catholic Relief Service estimates that more than 100,000 Iraqi children will die from malnutrition and disease in the upcoming months due to the economic embargo and destruction of the war, and the United Nations Children's Fund estimates that 80,000 Iraqi children may die from these causes;

WHEREAS malnutrition has become severe and widespread in Iraq since imposition of the embargo and the war due to severe food shortages and the inflation of food prices of up to 1,000%, which has effectively priced many Iraqis, especially the poor and disadvantaged, out of the food market;

WHEREAS cholera, typhoid, and gastroenteritis have become epidemic throughout Iraq since the war due to the critical scarcity of medicine and the inability of Iraq to process sewage and purify the water supply;

WHEREAS the system of medical care has broken down in Iraq, resulting in the closure of up to 50% of Iraq's medical facilities due to acute shortages of medicines, equipment, and staff;

WHEREAS the incapacitation of 18 of Iraq's 20 power plants during the war is a principal cause of the deterioration in public health due to the resultant inability of Iraq to process sewage, purify its water supply, and supply electricity to health facilities;

WHEREAS the health care crisis cannot be addressed without the reconstruction of electrical facilities that enable the purification of water and treatment of sewage;

WHEREAS before the economic embargo of Iraq, three-quarters of the total caloric intake in Iraq was imported and, moreover, 96% of Iraqi revenue to pay for imports, namely food and medicine, was derived from the exportation of oil now prohibited under the embargo;

WHEREAS the onset of the summer heat in Iraq will both accelerate the spread of disease and impede its treatment due to the lack of refrigeration facilities even in hospitals;

WHEREAS the acute shortages in food in Iraq, the inflation of up to 1,000% in food prices caused by these shortages, the critical scarcity of medicine, and the essential need to reconstruct Iraq's capacity to generate electricity to enable sewage treatment and water purification, cannot be addressed or rectified without Iraq's re-entry into global commerce, at present effectively prohibited by the economic sanctions;

WHEREAS the immediate lifting of the sanctions would drastically reduce the number of Iraqi children who will die in the upcoming months from malnutrition and disease and would relieve the suffering of the innocent Iraqi population which is now bearing the burden of the embargo; Now therefore, be it

RESOLVED by the House of Representatives, that the United States should act on an emergency basis to lift the economic embargo of Iraq to save innocent Iraqi civilians, especially children, from death by disease and starvation.

Penny resolution seeks humanitarian aid

On June 18, Rep. Tim Penny (D-Minn.) introduced a more limited resolution proposing that a portion of Iraqi assets be released to Unicef for the purpose of providing medical and humanitarian assistance to Iraqi citizens.

The resolution resolved: "That it is the sense of the Congress that the United States should ask the United Nations to release through Unicef a portion of Iraq's frozen assets for the sole purpose of providing medical and humanitarian assistance to the Iraqi people, particularly children, with release of the funds contingent on Iraqi government acceptance of United Nations' oversight and control."

Pentagon admits: Intent toward Iraq is genocide

by Joseph Brewda

Senior U.S. military officers admitted in remarks published in the *Washington Post* on June 23, that the U.S. war against Iraq was intended to murder large numbers of Iraqi civilians and destroy the ability of Iraq to sustain itself as a functioning nation. The same officers, led by Lt. Gen. Charles A. Horner, who had overall command of the air campaign, and by Col. John Warden III, the deputy director of strategy, doctrine, and plans for the U.S. Air Force, also said that the continuing United Nations sanctions and embargo against Iraq have the same purpose.

Target the civilians

All throughout the war, Pentagon and White House spokesmen, and the establishment press, claimed that sophisticated precision bombing allowed the allied forces to selectively hit military targets, while protecting nearby civilian facilities and neighborhoods. It now comes out, contrary to these claims, that these “precision bombs” were deliberately used to target civilian sites for destruction.

Dismissing former claims that the damage of civilian sites was merely “collateral” or “accidental,” the officers told *Washington Post* reporter Barton Gellman that the “worst civilian suffering resulted not from bombs that went astray but from precision-guided weapons that hit exactly where intended.”

Justifying this policy, the officers said that “Iraqi civilians were not blameless for Saddam’s invasion of Kuwait.” “The definition of innocents gets to be a little bit unclear,” one of the officers, an unidentified senior figure in the Air Force, told the *Washington Post*. “They do live there and ultimately the people have some control over what goes on in their country.”

Another officer, who reportedly played a central role in the air campaign, said that targeting civilian infrastructure was necessary to destroy “all those things that allow a nation to sustain itself.” Ridiculing the claim that the bombing was not intended to harm civilians, the officer added, “People say, ‘You didn’t recognize that it was going to have an effect on water or sewage,’ ” by bombing power plants. “Well, what were we trying to do with sanctions?” he said. “Help

out the Iraqi people? No. What we were doing with the attacks on infrastructure was to accelerate the effect of the sanctions.”

Col. John Warden, Air Force deputy strategy chief, reported that destroying economic infrastructure was meant to impose “a long-term problem on the leadership that it has to deal with [for] some time.” This allows for the United States to impose its will on Iraq.

“Saddam Hussein cannot restore his own electricity,” Warden gloated. “He needs help. If there are political objectives that the U.N. coalition has, it can say ‘Saddam, when you agree to do these things, we will allow people to come in to fix your electricity.’ It gives us long-term leverage.”

Another Air Force planner added, “Big picture, we wanted to let people know, ‘Get rid of this guy and we’ll be more than happy to assist in rebuilding. We’re not going to tolerate Saddam Hussein or his regime. Fix that, and we’ll fix your electricity.’ ” Lt. Gen. Charles A. Horner, who ran the air campaign, said that a “side benefit” of destroying Iraq’s power grid was “the psychological effect on ordinary Iraqi citizens.”

Pentagon officials said that because of the bombing, “The country has roughly the generating capacity that it had in 1920—before reliance on refrigeration and sewage treatment became widespread.” Consequently, 50% of Baghdad’s sewage cannot be treated. Cholera and typhoid fever are reaching epidemic proportions as a result.

Continuing the killing

Testifying before Congress on June 17, Assistant Secretary of State John Kelly stated that U.S. policy is to continue the embargo on Iraq indefinitely, and not allow it to sell oil for food, medicine, or any other need. “Our position,” he said, “is that once we are satisfied that Iraq has a legitimate need for the money, we would be willing to entertain the lifting of that particular sanction against the sale of oil.”

On June 12, the U.N. sanctions committee ruled that \$1 billion of frozen Iraqi assets held in the U.S., Britain, Switzerland, and Japan could be unfrozen to allow Iraq to purchase food and medicine. All four governments—led by the U.S.—refused to release the funds. A week later, the committee voted to allow \$3.7 billion in frozen Iraqi assets held in 25 countries to be released. The U.S. and British governments are currently strongarming other states to ensure that no money is released.

On June 21, Iraqi Ambassador to Japan Rashid Al Rifai called on the Japanese government to release Iraq’s assets, and called for an end of the sanctions. “What is the objective of sanctions? A tragedy is going on in my country. Tens of thousands of children are in great danger of death and urgently need food and medicine. We appeal to the government and the noble people of Japan to expend all urgent efforts to stop the genocide and rescue Iraqi men, women, and children who are threatened by untold dangers of annihilation.”

Latest Supreme Court rulings rip up U.S. Bill of Rights

by Leo F. Scanlon

The United States Supreme Court is closing its 1991 term with a series of rulings which lay the framework for an attack on the fundamental concepts of individual sovereignty and liberty secured by the U.S. Constitution. In a rapid-fire set of rulings, the Court has expanded the power of government police agencies over the individual, while limiting the power of the federal courts to enforce the Constitution in the states. The rulings are the expression of a legal insurrection which is the most serious attack on the federal system since the days of the Confederacy.

From June 13-24, the Supreme Court handed down landmark decisions in:

- *NcNeil v. Wisconsin* (June 13)
- *Wilson v. Seiter et al.* (June 17)
- *Florida v. Bostick* (June 20)
- *Coleman v. Thompson, Warden* (June 24)
- *Ylst, Warden v. Nunnemaker* (June 24).

In the name of expeditious law enforcement, the Court has diluted the Fourth Amendment to the point that the government is virtually authorized to issue general warrants, the paramount evil to which the amendment was addressed. In order not to inconvenience prosecutors and court officials, it has narrowed the Sixth Amendment's guarantee that the accused shall be represented by an attorney when confronted by the state, and has specifically asserted that there is no right to an attorney in post-trial appeals. The majority argues that the Great Writ of Habeas Corpus imposes an undue burden on state courts, and strikes at the authority of the federal government to guarantee constitutional protections to defendants in local courts. Logically, the Court has also ruled that a prisoner incarcerated by the government is not entitled to even basic conditions of sanitation, shelter, and nutrition, if the provision of these necessities is too great a financial burden.

More is yet to come, as the decisions in several key cases have not been announced as this issue goes to press. Nonetheless, the Court took the occasion of the 25th anniversary of the famous *Miranda* decision, in which an arresting officer must inform a suspect of his rights, to issue a ruling which was widely seen as a symbolic "declaration of war" on an array of historic decisions which tried to contain, within the Constitution, the most powerful prosecutorial apparatus in the world. Symbolism is very big with this Court, and

this is nowhere more apparent than when it argues that such tyrannical measures are necessary in order to prosecute the Bush administration's "war on drugs."

The domestic and international drug traffic has been de facto legalized by this administration, and the continuous expansion of prosecutorial powers is feeding a growing cancer of corruption within the law enforcement apparatus itself. The open advocates of legalization are counting on a backlash which will strike down the remaining juridical anti-drug prohibitions. This catastrophe is a certainty unless a political and legislative battle for the individual dignity and sovereignty of every human is joined by all friends of the Constitution.

Hitler's Berlin, Stalin's Moscow

An international alarm has been raised at the degeneration which is overtaking American constitutional law under the Bush administration. The British newspaper the *Guardian* recently ran an unprecedented attack on the U.S. justice system, chronicling the growth of what it called "an American gulag." Authoritative American publications such as *Legal Times* have editorialized against the "Police State of Mind" which dominates the Supreme Court. Loudest and most ominous of all have been the dissenting opinions, issued by a dwindling minority of the Court's justices, which point to the imminent emergence of an entirely new, and tyrannical, system of law in the United States.

The case of *Florida v. Bostick* is typical. A 6-3 majority of the Court ruled that armed law enforcement agents are entitled to randomly stop, question, and search the belongings of interstate travelers, without a warrant, and with no probable cause. The practice, which has dubious law enforcement value, is justified by police and the Court as a necessary evil in the "war on drugs." In his dissent, Justice Thurgood Marshall points out that the general warrant was a very effective law enforcement tool, but was nonetheless proscribed by the Fourth Amendment, as are other "effective" techniques which are routinely utilized by tyrannical governments.

He quotes a Florida judge who warns, "The evidence in this case has evoked images of other days, under other flags, when no man traveled his nation's roads or railways without fear of unwarranted interruption, by individuals who held temporary power in the government." The judge says, "This is not Hitler's Berlin, nor Stalin's Moscow," at least not

yet. Similarly a federal court in the District of Columbia expressed a view of such law enforcement practices which is echoed around the world, with the observation that “it seems rather incongruous at this point in the world’s history that we find totalitarian states becoming more like our free society, while we in this nation are taking on their former trappings of suppressed liberties and freedoms.”

Despite the hypocritical claims to the contrary, the Court majority is pursuing a legal agenda which has only a “symbolic” relationship to the issue of drug-based crime. Its underlying purpose is to shift the nature of the American legal system away from what is called the “accusatory” or “adversarial” system of justice. These terms refer to the concept, fundamental to the Constitution, that the state is composed of free citizens whose rights are “inalienable”—prior to and superior to those of the government or its agents—in all cases. Even in time of national emergency, such as a war declared by the elected representatives in Congress, some of these rights may be only temporarily suspended, and never overturned. (Needless to say, neither the “war on drugs” nor its cousin, “Desert Storm,” enjoys such legitimacy.) In no case may the state restrict the citizen without his or her having the right to challenge (as an equal adversary) the actions of the state.

The Court’s systematic restriction of protections against illegal search and seizure is part of this shift. The *Miranda* issue is subsumed by this and is one of a number of rulings by which the majority seek to restrict access to legal representation during the pre-trial period—the point at which the power of the state is potentially most arbitrary.

McNeil v. Wisconsin was a representative case. The majority ruled that police had the right to arrest the defendant on one charge, and then question him about another matter, even though he had requested, but not received, legal assistance. For technical reasons, the significance of the ruling was characterized by Justice Marshall as “symbolic” in its practical effects. But he pointed out that the symbolism was ominous, “because it reflects a preference for an inquisitorial system that regards the defense lawyer as an impediment rather than a servant to the cause of justice.” He went on to emphasize that “whenever the Court ignores the importance of fair procedure in this context and describes the societal interest in obtaining ‘uncoerced confessions’ from pre-trial detainees as an ‘unmitigated good,’ the Court is revealing a preference for an inquisitorial system of justice.”

Specifically, in an inquisitorial system, one person or group inquires into the acts of others, and the inquisitors possess the combined power of prosecutor and judge. The practical effect of the restriction of the Fourth and Sixth Amendment rights is just that—the individual can find himself arbitrarily detained by a power which denies him access to counsel while he is questioned and a charge is formulated.

In the cases of *Ylst v. Nunnemaker*, and the related case of *Coleman v. Thompson*, the Court majority moved to complete this process by hitting at the post-trial remedies avail-

able to an individual wronged by the prosecution. Coleman was convicted of murder in Virginia and sentenced to death. He presented an appeal which listed numerous claims to the Virginia appeals courts. Technical failures on the part of his attorney led to his claims being dismissed by the state, and yet he was never clearly told whether it was lack of merit or the faulty legal procedure which defeated his appeal. He filed a petition for *habeas corpus* review of the case on this and related grounds.

The Supreme Court has historically heard such cases precisely in order to force state courts to present explicit grounds (“fair statement”) for denials of appeals. This time, a 6-3 majority abolished this requirement, observing that it is a “burden” on the state courts, and additionally argued that Coleman had no right to ask for relief based on the failures of his attorney. Since the Court does not recognize a guaranteed right to an attorney in a post-trial appeal, the majority reasoned, his attorney’s failures did not deny him a right to a fair trial. Coleman will go to his death convinced that he never had a trial, as will many others. A large percentage of those sentenced to death in state courts have valid *habeas* claims, which now may never be heard.

Justice Harry Blackmun thundered in his dissent: “In its attempt to justify a blind abdication of responsibility by the federal courts, the majority’s opinion marks the nadir of the Court’s recent *habeas* jurisprudence, where the discourse of rights is routinely replaced with the functional dialect of interests. The Court’s *habeas* jurisprudence now routinely, and without evident reflection, subordinates fundamental constitutional rights to mere utilitarian interests. See e.g. *McClesky v. Zant*. . . . Such unreflective cost-benefit analysis is inconsistent with the very idea of rights.”

The ‘price’ of freedom

The utilitarian calculus which drives the legal system in the United States was presented in its most barbaric form with the ruling in the case of *Wilson v. Seiter*. An Ohio prisoner sued the warden of his facility, alleging that a number of the conditions of his confinement (overcrowding, excessive noise, inadequate heating and cooling, unclean and inadequate restrooms, unsanitary dining facilities and food, housing with mentally and physically ill inmates, and more) constituted cruel and unusual punishment.

Federal courts have been ruling against state and local prisons on such issues for years, putting whole state systems under direct court supervision, “even if the officials managing the institution have exhibited a conscientious concern for ameliorating its problems.” Until today, the rule has been that if the state imprisons even the meanest criminal, cruel or inhuman punishment is forbidden, no matter what burden the cost of incarceration imposes on the state. That principle has gone by the boards in the U.S., and the Court has ruled that financial austerity imposed by the state on a prison can justify barbaric conditions of confinement.

Thornburgh and the Contra drug link

by Jeffrey Steinberg and Steve Komm

On May 31, 1989, James J. West, the Acting U.S. Attorney for the Middle District of Pennsylvania, wrote to the United States Parole Commission requesting a reduction in sentence for a major international drug trafficker, Frederik John Luytjes, the president of Air America, Inc. of Scranton, Pennsylvania. Despite the fact that Luytjes was responsible for smuggling over nine tons of cocaine into the U.S. between 1981-84 (Attorney General Edwin Meese called Air America "the largest cocaine-smuggling organization in the country"), West's office had negotiated a plea agreement with Luytjes in May 1986, in which, in return for testifying against several of his underlings, Luytjes received a slap-on-the-wrist sentence of 10 years in prison and a \$260,000 fine. Luytjes was allowed to keep over \$2 million in Swiss bank deposits, a multimillion-dollar estate in Pennsylvania, and a villa in the Bahamas as part of the deal.

Now, prosecutor West was asking for a further reduction in Luytjes's sentence. West's request carried a great deal of clout, given that the Acting U.S. Attorney was a longtime protégé of the Attorney General of the United States, Richard Thornburgh.

Thornburgh announced this May that he intends to run for the U.S. Senate seat vacated by the tragic death of John Heinz in a plane crash in April. Pennsylvania Democratic State Committee chairman Anthony May says that Thornburgh's "law-and-order, squeaky-clean image" is phony, and that his party is going to expose Thornburgh's seamy past.

If May and the Democratic senatorial nominee Harris Wofford are serious about their promises to expose Thornburgh's corruption before the Pennsylvania voters, they would do well to look into the Air America case, as well as the case of another Pennsylvania private airline which was deeply implicated in the Iran-Contra scandal and possible guns-for-drugs trafficking.

Evading drug interdiction

It was the worst-kept secret in Pennsylvania during the era of Thornburgh's governorship (1979-87) that Rik Luytjes was a bigtime dope smuggler. At first, Luytjes's efforts were limited to specially modifying private airplanes with spare fuel tanks and storage compartments at his Scranton Air America compound. But by 1982, Luytjes was himself ferrying large shipments of cocaine from Colombia into the

United States. When the Reagan administration began cracking down on traffickers in the southern Florida area, Luytjes pioneered a new route which brought cocaine shipments directly into Pennsylvania—bypassing the concentration of drug interdiction forces in the Southeast and delivering the cocaine right into the hands of Medellín Cartel distributors in the Greater New York area.

It is publicly documented that Luytjes's status as a wealthy GOP financier won him an invitation to Richard Thornburgh's 1983 inauguration ball.

The Air America scandal was not an isolated affair. The stench of gun and drug running was pervasive throughout Thornburgh's governorship.

Another case that was instantly suppressed, which may provide a clue as to why Thornburgh was brought to Washington in August 1988 to replace Edwin Meese, goes to the heart of the Iran-Contra scandal.

The Hasenfus question

When the C-123 cargo plane of Eugene Hasenfus was shot down over Nicaragua on Oct. 5, 1986, one of the first revelations of what came to be known as the Iran-Contra scandal centered around an obscure air cargo firm located at a local airport in Quarryville, Penn.; Corporate Air Services, a small company founded in 1974 by a local right-wing businessman named Edward T. DeGaray, turned out to be the paymaster for the entire crew of ex-CIA and mercenary pilots who ferried guns to the Contras for Oliver North and company.

According to the findings of various congressional probes and police investigations, many of the planes shuttling guns into Central America returned with large loads of cocaine and marijuana.

Many of the pilots and flight crews of those secret airlift missions, including Eugene Hasenfus, were paid through Corporate Air Service's accounts at the Farmers First Bank of Lititz, Penn. Investigators established that Corporate Air Services had been contracted by the CIA to work in conjunction with Southern Air Transport, a firm founded as a CIA proprietary in 1960. DeGaray purchased the C-123 shot down over Nicaragua with a \$300,000 check drawn on the Southern Air Transport Miami bank account. That plane, ironically, had been sold several years earlier by Rik Luytjes to a former military pilot-turned-dope-smuggler named Adler Berriman ("Barry") Seal.

When the Hasenfus plane was downed and Hasenfus survived the crash (several other crew members were killed), Corporate Air Services folded up its business and DeGaray disappeared from sight. In one of the many lingering mysteries of the Iran-Contra probe, congressional investigators never questioned DeGaray, despite the fact that he had been subpoenaed and granted immunity.

The senatorial campaign could offer an excellent opportunity to correct that "oversight."

Nebraska pedophile trial ends in coverup

by Alan R. Ogden

The barbarous conviction in Omaha June 21 of child sexual abuse victim Alisha Owen for perjury in her statements about her abusers, and the sentencing earlier in the week of Franklin Credit Union chief Larry King, a key figure in the child abuse ring, to 15 years for embezzlement, mark a new stage in efforts by the FBI and local prosecutors to complete the circle of a coverup. The persecution of Owen conveys the message that it is impossible to stop organized child exploitation. The King conviction was designed to divert attention away from a larger criminal network. Through plea bargaining, King was maneuvered through his embezzlement trial without any mention being made of the allegations that he ran a child prostitution ring from Omaha to Washington, D.C. Then, although King expected a short sentence, he was "sent up the river," to provide a cover for others.

Take Harold Andersen, former *Omaha World Herald* publisher, for example. Andersen has been accused more than once of being a pedophile. In testimony presented to a committee of the Nebraska Senate in 1990, young Paul Bonacci, who had come forward with the story of his treatment at the hands of the child abuse ring, termed Andersen "one of the sickest men I have ever been abused by," and described sadistic burnings which he said Andersen performed on groups of boys.

A fraudulent conviction

Owen, now 23, who had also named Andersen and other prominent Omahans as abusers, was convicted of eight counts of perjury after a four-week trial. Her sentencing is scheduled for July 8, and she faces up to \$200,000 in fines and 160 years in prison. Andersen, in a statement published in the *World Herald*, gloatingly termed this persecution of a young lady, who even the prosecution admits is an abuse victim, a "splendid example" of our system of justice. Andersen calls testimony about abuse of children "wreckage created by liars and vicious rumor-mongers."

Owen and Bonacci were indicted for perjury by a grand jury when they refused to recant their testimony before the Senate committee investigating criminal involvement by figures in the failed Franklin Credit Union. Lashing out at the committee chairman, Sen. Loran Schmit, Andersen termed the committee "out of control."

Not everyone agrees with Andersen, however. A whole array of child care workers, ministers, psychologists, and

specialists in combatting organized exploitation of children have stated that they believe Owen's testimony and similar, overlapping testimony by many other Nebraska children. Some of these specialists have campaigned for the launching of a new, reinvigorated Franklin investigation. Dr. Judianne Densen-Gerber of New York, an expert on satanic abuse who interviewed Bonacci twice, has stated that he is a reliable eyewitness to crimes including satanic abuse and murder, and is a valuable resource in efforts to combat cults and child kidnapers.

Dr. Densen-Gerber denounced the jailing of Bonacci and Owen, pointing out that never before had child abuse victims been charged for telling their story. Nebraska investigators have said for years that the FBI covers for the pedophile ring, which involves wealthy and politically powerful people and has political ties stretching all the way to the nation's capital.

Discovery by the defense stopped cold

Miss Owen was convicted on June 21, the day of the summer solstice, which satanists consider a high holiday. Incredibly, on the same day, state prosecutor Gerald Moran, who tried the cases against both Owen and Bonacci, announced that he was dropping the perjury case against Bonacci, and that federal perjury charges against Owen were also dropped. He explained this turnaround as "in the interests of justice," and pushed the line that all the evidence accumulated in the two-year Franklin Committee investigation was discredited by Owen's conviction.

"The truth is out," Moran said. "It is evident that allegations of sexual misconduct were a lie from start to finish."

In fact, the truth is not out. By dropping the charges against Bonacci, Moran rendered moot all the pending motions for orders for depositions which Bonacci's attorney John DeCamp had been filing for six months. On Moran's cue, the judge in Bonacci's case continually stalled on every motion DeCamp filed to subpoena witnesses and compel testimony. Terming Alisha Owen a "heroine," DeCamp said, "We should be jumping for joy that they've dropped the charges in Paul's case, except that we know they are doing it to make sure that the truth, with nothing held back, never comes out." An appearance in court by Bonacci was feared by the pedophiles. DeCamp received a death threat—the latest of many—which said, "Now that Alisha is finished, you had better get out of Nebraska, or you and your family will be in the cemetery."

Commenting on the Owen conviction, Omaha attorney Marc Delman, known for representing pornographers, gushed to reporters, "The system really works." Delman and other lawyers linked to the coverup are said to be preparing new lawsuits: against the company hired by the Senate to investigate abuse allegations, against prison officials who protected Owen from physical attack in jail, and others. The message conveyed to children still victimized is clear: "Don't talk, or you'll end up like Alisha."

Dems impose conditions on China MFN status

Senate Majority Leader George Mitchell (D-Me.) introduced on June 25 a Democratic proposal that would renew Most Favored Nation (MFN) status for the People's Republic of China only on condition that China improve its human rights and trade practices. The bill mandates termination of that status if the Chinese government exports ballistic missiles to Syria, Iran, or Pakistan.

Although the proposal represents a softening of the Democrats' stance on the issue of China MFN, even this modest proposal would undoubtedly be met by a veto from President Bush, who has bent over backwards to appease the Chinese leadership.

The Senate Finance Committee is scheduled to debate the Mitchell proposal, along with a similar proposal by Sen. Alan Cranston (D-Calif.), on June 27.

Gray resigns as FBI conducts probe

The sudden resignation of House Majority Whip William H. Gray III (D-Penn.) on June 21 to become the head of the United Negro College Fund, was officially attributed to Gray's frustration with his job. At the same time, it was revealed that despite denials of Attorney General Richard Thornburgh in April that Gray was the subject of a Justice Department investigation, documents were subpoenaed by federal authorities subsequent to the Thornburgh statement to review payments Gray and his wife may have received, according to sources cited by the *Washington Times*.

Thornburgh is resigning as Attorney General to run for the U.S. Senate

in Pennsylvania.

Federal authorities also sought information about honorariums paid to other parties in Gray's name or assigned to other organizations, including the Bright Hope Baptist Church in Philadelphia, where he serves as minister.

Gray has expressed concern that the Justice Department may be selectively investigating blacks. It is estimated that 47% of all black elected officials in the United States are facing indictment.

"I try to think that we don't have this kind of problem in America that's racially motivated and that even our Justice Department is motivated based on justice and not on race," Gray stated in submitting his resignation June 22. "But I've got to be kind of candid with you; I am becoming increasingly concerned."

Dribbling Bill fouls out on lifting Iraq sanctions

Sen. Bill Bradley (D-N.J.), one of the two congressional guests at the anniversary celebration of the World Summit for Children in Washington, D.C. at the end of June, made clear that his concern for the children of the world was limited to the children of the United States (at least those whose parents can vote).

At a press conference in conjunction with the anniversary, Bradley was asked by an *EIR* correspondent whether he would work to eliminate the State Department restrictions on the shipments of food and medicine to Iraq, and to lift the economic sanctions on Iraq, so that Iraq could import the food and medicine it needs to alleviate the suffering caused by the U.S. bombardment of that country.

First Bradley claimed that the State Department had provided special funds for medical and food aid. When the correspondent referred to the comments by State Department Food Aid administrator Andrew Natsios that they had \$9 million available for aid which they were deliberately withholding, Bradley complained that "we should use these \$9 million for the children of our own country who are in need, rather than for the children of Iraq." The press conference was then quickly ended.

Burton leads attack against aid for India

A resolution proposed by Rep. Dan Burton (R-Ind.), which would have cut off half of the developmental aid to India until the President reported to Congress that the Indian government was no longer preventing representatives of Amnesty International and other human rights organizations from visiting India to "monitor" human rights conditions, was defeated 271-144 on June 19. Despite the seemingly comfortable margin of defeat, in the wake of the Gulf war the attacks on India are assuming serious dimensions.

The same day, ranting about alleged outrages by the Indian government against the Punjab and Kashmir, Burton introduced a resolution calling for a plebiscite in Kashmir to determine its future political status, a measure which would have represented direct interference in the internal affairs of India. The amendment would have eliminated assistance for certain housing programs, for AIDS prevention and control in India, and other developmental projects.

The aid cutoff was rejected, but an

amendment was added to the Foreign Assistance Authorization Bill which called on India to "take a series of actions to promote adherence to internationally recognized human rights standards." Such measures passed by the U.S. Congress serve to escalate the political unrest in India following the assassination of Rajiv Gandhi.

House votes to cut off aid to Jordan

The House voted overwhelmingly on June 19 to cut off all aid to Jordan for fiscal year 1992. An amendment to the Foreign Assistance Authorization Bill which effectively penalizes Jordan for its refusal to join the U.S.-backed coalition in the war against Iraq, proposed by Rep. Dan Burton (R-Ind.), was passed by a 410-4 vote.

The amendment was amended by Rep. Randy Cunningham (R-Calif.) to allow the allocation of aid if the President certifies that such assistance is "in the national interest." The aid cutoff was in retaliation for Jordan's attempts to mediate peace with Iraq. Burton accused Jordan's King Hussein of "giving aid and comfort to Saddam Hussein."

Pressure grows for probe of 'October Surprise'

In a floor speech on June 24, Sen. Albert Gore (D-Tenn.) called for a formal inquiry into charges that the Reagan-Bush campaign struck a deal with Iran to delay the release of 52 U.S. hostages until after the 1980 election, the so-called "October Surprise."

The Gore statements build up pressure on House Speaker Tom Fo-

ley (D-Wash.) to launch a formal investigation. Foley called the questions concerning the whereabouts of former CIA chief William Casey in the summer of 1980, during which time the negotiations with the Iranians were said to have taken place, "disconcerting and unresolved."

A House staff inquiry is under way, and senior Democrats decided the week before Gore made his call, to delay making a final decision for a full formal inquiry until after the start of the confirmation hearings of Robert Gates, Bush's nominee as CIA director. Gates, who served as Casey's deputy, will face questions about any knowledge he had regarding the Iran-Contra affair, arms sales to Iraq and South Africa, and, possibly, the "October Surprise."

Dems point to ruined U.S. manufacturing base

A series of bills was introduced into the U.S. Senate on June 19-20, which purports to be an attempt to redress the rapid disintegration of U.S. manufacturing industry. The four pieces of legislation, "The National Critical Technologies Act," "The Advanced Manufacturing Technology Act," "The Federal Technology Strategy Act," and "The Defense Manufacturing Engineering Act," were worked out in collaboration by Sens. Ernest Hollings (D-S.C.), Sam Nunn (D-Ga.), Jeff Bingaman (D-N.M.), and Albert Gore (D-Tenn.).

The legislation points to the obvious, although up until now generally unadmitted, collapse of the U.S. manufacturing sector. The bills, undoubtedly oriented toward serving as a basis of a Democratic presidential campaign, are also oriented at undermin-

ing the growing technological might of Japan and Germany.

The bills are intended, in the words of Senator Bingaman, to "identify and continually reevaluate our technology priorities, and [as] a mechanism to manage efforts across Federal agencies to promote those priorities," to give "adequate support for the research and development of these critical technologies," and for the commercialization and applications of those technologies.

The bills would also, said Bingaman, create "an enhanced capability to monitor and gain access to foreign sources of technological advantage." Calling for "a partnership between federal agencies," the bills would "link technology development with manufacturing. . . . U.S. industry, long accustomed to a virtual monopoly of world markets, ignored the critical importance of manufacturing in a global economy. . . . We are now paying a heavy price for that neglect."

Under the program instituted by one bill, a "National Manufacturing Extension Program," the federal government would provide matching funds for new and existing state, local, and non-profit programs to help modernize small- and medium-sized manufacturing firms. The legislative package also calls for establishing new programs in manufacturing engineering education at U.S. universities and colleges.

The senators' remarks indicated that they were most concerned about the rise of Japan in the world markets. Sen. Kent Conrad (D-N.D.) noted that "in industry after industry, our competitors are on the move and we are not." Conrad added that it was in the areas indicated in the bill as those of "economic vulnerability" that "the United States must be more aggressive."

National News

Hospital sets up separate AIDS unit

The Illinois Masonic Medical Center clinic has separated its AIDS treatment unit from its regular facilities, the June 19 *Chicago Sun Times* reported.

The Adult Medical Treatment Center closed in May after a 15-month-old girl pulled an HIV-contaminated needle out of a waste container and pricked herself while her mother was being examined. It was one of two incidents in which three people were accidentally exposed to the AIDS virus in the last two months.

The opening of a new outpatient unit for AIDS patients, called the Infectious Disease Sub Specialty Clinic, was speeded up after the AIDS exposure incidents, which resulted in lawsuits, Illinois Masonic President Gerald W. Mungerson said, the paper reported.

Hospital "policy will be to refer elsewhere AIDS patients who do not wish to be treated in the separate clinic, hospital officials said. But that could amount to discrimination, said Debbie Gould, a member of the AIDS activist organization ACT UP. . . .

"Kathy Adler, a program director of the AIDS Foundation of Chicago, a group of hospitals and others who serve people with AIDS, said the discrimination issue was more a concern in the early stages of the AIDS 'epidemic,' when less was known about the disease. Now it is generally believed separate treatment of AIDS patients can be conducive to better, more specialized and comprehensive care, she said," the paper reported.

New suspects in Giarratano case

New leads in the case of Joseph Giarratano, the Virginia prisoner who became internationally known as he spent years on death row, were announced June 21 by Marie Deans, executive director of the Virginia Coalition on Jails and Prisons. Deans told the media, "We are getting increasingly

close to people we believe were involved" in the 1979 double murder in Norfolk, for which Giarratano was convicted.

Last February, after Virginia Gov. L. Douglas Wilder granted Giarratano a conditional pardon three days before he was to be executed, Virginia Attorney General Mary Sue Terry refused to allow him a new trial.

Deans said that during private investigations, two informants have linked another man to the murders. She said one informant reported overhearing a conversation several years after the slayings between two men bragging about a double murder in Norfolk. Recently, a second informant gave the name of an individual cited by the first informant, corroborating that informant's story.

Gerald Zerkin, an attorney for Giarratano, told *EIR* in February that the considerations in his case were more political than legal. Referring to Terry's unwillingness to grant a new trial, Zerkin said, "Rather than taking the position that the Attorney General's office remains a safety net" to "reduce the risk of executing innocent persons—in-
stead, they seem to abide by the philosophy that if we admit that it's possible for a mistake to have been made, then that will undermine people's faith in the death penalty."

Labor, Catholics keep up pressure vs. NAFTA

The AFL-CIO has issued a statement denouncing the North American Free Trade Agreement (NAFTA) which George Bush is negotiating with Mexico. It was printed in the union federation's *Free Labor World* biweekly on May 31.

Tom Donahue, AFL-CIO secretary-treasurer, declared that "we believe that the substance of the U.S. administration's proposal is harmful and ill conceived. We believe American workers would pay for it with their jobs.

"We hear about a market stretching from the Yukon to Yucatan. . . . The poetry is impressive, but the practicality is depressing," he said.

Donahue contrasted how Europeans are working to establish a Social Charter to protect workers in the 1992 single market, in-

cluding rights to collective bargaining, vocational training, health and safety protection, and a minimum wage. The Bush administration and the Mexican government "resist any such protection in the U.S.-Mexico arrangements," he said.

Donahue pointed out that the "European Community has a huge assistance program—the European Regional Development Fund—which will spend at least \$68 billion over the next four years to narrow the gap between the richest regions, such as Germany, and the poorest regions, such as most of Portugal. There are no such plans here."

In a June 4 letter to U.S. Trade Representative Carla Hills, Msgr. Robert Lynch, the general secretary of the U.S. Catholic Conference, the public policy agency of the U.S. Catholic bishops, also urges that in the NAFTA agreement, "questions of economic and social justice receive priority attention." There must be "concern for the poor in both lands."

Trend toward lawmaking by ballot referendums

Reflecting a national trend toward making laws via ballot referendums that bypass legislatures, the New Jersey Senate began considering a constitutional amendment to permit citizens to enact or repeal laws through ballot initiatives.

This has become a hot political issue due to anger over Gov. Jim Florio's (D) \$2.8 billion tax increase passed last year. While many legislators are apprehensive over such mob democracy, which Florio correctly points out is "contrary to the principle of representative government," taxpayer ire is so intense that some sort of amendment will likely be proposed and enacted.

Victim fights for AIDS testing, full disclosure

Kimberly Bergalis, one of five patients who contracted AIDS from dentist Dr. David Acer, blasted Florida health authorities in a

Briefly

letter to Florida Health and Rehabilitation Services investigator Nikku Economou April 6, which appeared in the June 20 *Miami Herald*.

Bergalis, now near death, has lobbied for mandatory AIDS testing of health care workers and full disclosure of AIDS status between doctors and patients. Florida authorities allowed her dentist to continue his practice knowing he had AIDS.

"Who do I blame? Do I blame myself? I sure don't. I never used IV drugs, never slept with anyone, and never had a blood transfusion," she wrote.

"I blame Dr. Acer and every single one of you bastards, anyone who knew Dr. Acer was infected and had full-blown AIDS and stood by not doing a damn thing about it."

Acer's status was shielded by Florida law, and he claimed he was following standard infection control procedures. According to AP, Acer never told his patients he had AIDS until he released a posthumous letter to them, advising them to seek testing.

In Minnesota, it was also revealed that Dr. Philip Benson, an obstetrician, has had AIDS since September 1990. He has been treating patients, including carrying out invasive procedures, without informing any of his patients of his condition, and despite an agreement with the state that he could continue to practice only if he did not carry out invasive procedures. Now, 328 of his patients are being contacted and told that they may have been exposed to AIDS.

Weckstein bias to be reviewed by court

The Virginia Court of Appeals June 17 decided to review a case alleging collusion between Roanoke Circuit Court Judge Clifford Weckstein, who has presided over several trials of associates of presidential candidate Lyndon LaRouche, and top-level emissaries of the Anti-Defamation League (ADL). The court granted the petition, which argued that Weckstein should have recused himself due to "an appearance of bias," in the case of Richard Welsh.

While presiding over Welsh's case in May 1990, Weckstein covertly correspond-

ed with ADL representatives seeking to enlist their support in a controversy over his handling of previous LaRouche-related trials. When Welsh requested full disclosure of his relationship to the ADL, Weckstein selectively revealed one set of correspondence, but withheld documents which obstructed the defendant's ability to prove bias. The full picture only emerged later, during an evidentiary hearing on government misconduct.

The court will also hear Welsh's petition seeking reversal of his conviction under *Kastigar v. United States*. Welsh contends that a hearing held by Weckstein was constitutionally insufficient to determine if immunized testimony given in a prior proceeding, was improperly used by the prosecution.

FBI hiding files in LaRouche case

In answers to interrogatories in mid-June in the 17-year old civil rights case *LaRouche et al. v. Webster*, the FBI refused to answer questions about the extent of its collaboration with the Anti-Defamation League (ADL) on matters against Lyndon LaRouche and his associates, a central claim at issue in the suit.

"Any information responsive to this interrogatory, if it exists, is contained in pending criminal investigative files," the FBI refusal reads.

Had the evidence of the influence of the ADL been available to present to the jury in LaRouche's federal trial in Alexandria, Virginia, the corruption of the government could have been on trial rather than the defendant's "crimes" manufactured by the government.

The FBI also denied that there has been any investigation of LaRouche under Executive Order 12333 since Jan. 1, 1989. The denial contradicts both an FBI affidavit from a July 1989 Freedom of Information Act case brought by LaRouche associate Paul Goldstein stating that such a file exists, and an FBI affidavit in this case in September 1989 acknowledging a E.O. 12333 file but calling it a "repository for national security information."

● **NEIL BUSH**, the President's son, has dropped his appeal of the administrative sanctions levied against him by the Office of Thrift Supervision for his actions while a director of the now-defunct Silverado S&L, the June 19 *Wall Street Journal* reported.

● **THE LOUISIANA** legislature has enacted an anti-abortion law described as one of the strictest. Alex Sanger, grandson of Margaret Sanger, the founder of Planned Parenthood, the largest operator in the lucrative abortion industry, whined to CBS News that "abortions are down about 6% from last year."

● **GEORGE BUSH** lashed out at *Newsweek* magazine in mid-June. "You're talking to the wimp," he said, after discussing the possibility of not running for office. "You're talking to the guy that had a cover of a national magazine, that I'll never forgive, [that] put that label on me."

● **ECO-TERRORISTS** from the Animal Liberation Front claimed credit for a fire in an animal food and processing building of the Northwest Farm Foods Cooperative near Seattle June 15, the second attack in the Northwest in June.

● **ONE OF THE** Gulf war's dangerous aspects is that it has psychologically conditioned the U.S. population to accept and/or to support wars against Third World nations, Robert Jay Lifton of New York University warned in a commentary in the June 20 *London Guardian*.

● **A PLAN** to ask Congress to allocate \$91 million to bolster vaccination and immunization programs, was deferred by George Bush just one week after he announced the dispatching of teams to U.S. cities "to learn why kids aren't getting immunized." The plan, which is being kept secret, warns that "immunization programs across the country have inadequate resources," the June 23 *New York Times* reported.

Development on the table internationally

There is clearly a fight going on throughout Europe—from the Atlantic to the Urals—on issues related to development, and, in particular, infrastructure development. On the one side, there is the London-Washington axis organized to impose Anglo-American hegemony on the world; on the other, a far more tentative grouping which is considering the implications of LaRouche's proposal for the "Productive Triangle," and Pope John Paul II's critique of the immorality of liberalism.

The recent series of events at which Schiller Institute spokesmen have met with policymakers from the former Soviet domain, most recently events in Ukraine and Slovakia, have directly pitted LaRouche's development-centered economics against the fascist austerity measures being advocated by the Harvard crowd. The example of Poland is sufficient proof for all patriots of the bankruptcy of free trade. It was not to see their countries destroyed by a bankers' dictatorship, that these brave people fought against Soviet tyranny.

We can suppose that this interest in LaRouche's economics has not been lost upon European policymaking circles, nor Soviet circles, who are doubtful of the direction of the Anglo-American grouping. If France and Germany, for example, knuckle under on the question of farm subsidies in the continuing General Agreement on Tariffs and Trade negotiations, this will have disastrous repercussions for their economies.

On June 21, Umberto Agnelli, the number two man in the Fiat industrial complex, who is also the president of the Round Table of the European Industrialists, addressed a conference of the construction industry held in Rome. He called for the development of a "design of continental networks of infrastructure" which should shape national projects.

These included transportation, telecommunications, energy production, and research and development projects. He proposed the creation of a European agency for infrastructure able to take decisions at the supranational level (like the European Commission) and, because he agrees that this will not be possible immediately, he called for the creation of a European

institute for infrastructure.

His proposal anticipates a combination of government and private capital investment. While, unlike the LaRouche proposal, he does not emphasize extension of this network to Eastern Europe as a priority, he does include these nations. The European commissioners are reportedly studying a similar plan.

There are also signals from the Soviet Union. In a recent interview with the German newspaper *Der Spiegel*, Soviet Vice President Gennady Yanayev stated that when Gorbachov goes to London, it will not be to ask for credits, but that he will be going there with a detailed program for development assistance. Yanayev said of Gorbachov's trip: "He will submit proposals, which will be as beneficial for the West as for us: namely, to invest in infrastructure, in completely defined areas for the transport system, in energy—gas and oil development . . . also in small and medium-sized enterprises for the processing of agricultural production."

Another positive sign is the commitment in Germany to include the development of magnetically levitated (maglev) trains in their new National Infrastructure Development Plan, which will be debated at the end of this year. German Research Minister Heinz Riesenhuber proposes a maglev trail from Bonn to Berlin. This will serve to integrate Berlin as the capital of Germany with the administrative functions remaining in Bonn.

These plans are signs of an important realism entering into economic thinking in Europe and the Soviet Union; however, LaRouche's proposal for the "Productive Triangle" was specific on the crucial role to be played by the most industrially dense region of Europe—centered in Germany but extending into France, and Austria.

Time is of the essence. As the result of decades of deliberate misdeployment of world resources out of infrastructural development, and away from development of controlled thermonuclear power and the potentials of space travel, tens of millions are unnecessarily threatened with death from wholly preventable so-called *natural* disasters such as water shortages.

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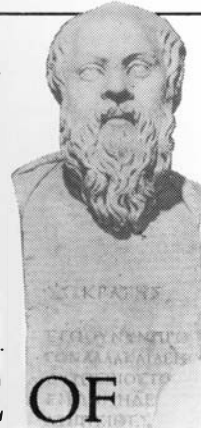
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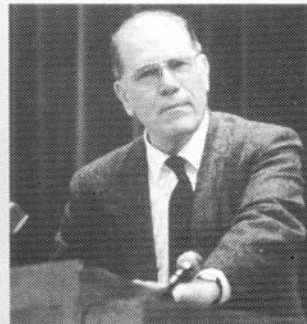
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“What is required is a ‘grand design’ of European policy, which not only masters the task of reconstruction but simultaneously contributes to world development and peace. Such a plan is Lyndon LaRouche’s proposed ‘Productive Triangle’ program.”

—from the Berlin Declaration,
March 4, 1991