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Executive Intelligence Review

February 14, 1992 • Vol. 19 No. 7

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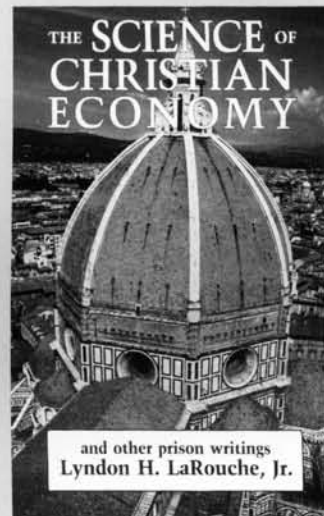
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EIR (ISSN 0886-0947) is published weekly (50 issues) except for the first week of April, and the last week of December by EIR News Service Inc., 333½ Pennsylvania Ave., S.E., 2nd Floor, Washington, DC 20003. (202) 544-7010.

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Japan subscription sales: O.T.O. Research Corporation, Takeuchi Bldg., 1-34-12 Takatanobaba, Shinjuku-Ku, Tokyo 160. Tel: (03) 208-7821.

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Domestic subscriptions: 3 months—\$125, 6 months—\$225, 1 year—\$396, Single issue—\$10

Postmaster: Send all address changes to EIR, P.O. Box 17390, Washington, D.C. 20041-0390.

From the Editor

A quote from Lyndon LaRouche's first 1992 election campaign telecast (Feb. 1—see *National*) is a good way to begin: "As long as the United States insists on subjecting the rest of the world to that crazy fascist Milton Friedman's idea of free trade, the United States itself has no chance of recovery." Friedman's lunatic economics—and the growing worldwide resistance to it—crop up all over this issue:

Our *Feature* revisits the democratic movement in China from the long-term standpoint of China's attempt to overcome the catastrophe of the Maoist Cultural Revolution. Mike Billington's striking analysis separates the current led by the late democratic nation-builder Hu Yaobang, on the one hand, from the duplicitous Zhao Ziyang, who has acted as the tool of the Anglo-American interests behind Kissinger. Those interests aim not at liberating China, but at recolonizing China in the name of the "free market." The ideologue of this skewed idea of democracy is Milton Friedman, although it all goes back to the Opium Wars which Britain declared to force narcotics on China 150 years ago. (That's why Friedman won the \$100,000 "drugpeace" award from the Drug Policy Foundation for his services in campaigning for drug legalization.)

Li Peng, the butcher of Tiananmen Square, was one of the "Perm Five" leaders who jointly proclaimed the British-authored rules for a world empire at the U.N. Security Council on Jan. 31. But it won't last.

In Venezuela, the attempted coup against the dean of Latin American "Bushmen," President Carlos Andrés Pérez, has sent the signal across the continent that the "new world order" intended to police Friedmanite economic looting will not be peacefully imposed.

In Davos, Switzerland, at the elite international bankers seminar held there every year, Friedman-clone Jeffrey Sachs fled a press conference, after it was exposed that the shock therapy he is trying to impose on Europe's newly liberated nations, is what destroyed the tin mining industry in Bolivia and turned the countryside over to coca planting.

In Bolivia, meanwhile, our correspondent Gretchen Small discovered that *EIR*'s 1991 exposé of the Bush plan to dismantle national military institutions on the continent has sparked a total uproar of anti-U.S. feeling; her report is in *International*.

Nora Hamerman

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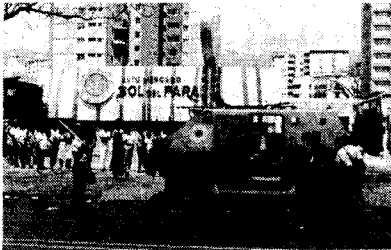
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Michael O. Billington traces the process of "recolonization" of China. When the Chinese people overthrew Mao and the fanatics around him, there was a chance for China to discard communist tyranny altogether. But thanks to the help of Henry Kissinger, this effort was thwarted, as Deng Xiaoping promoted Zhao Ziyang, the "reformer" who was a tool of the Anglo-American oligarchy.

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Sachs is on the ropes for 'shock' policies

by Our Special Correspondent in Davos

The man who drafted the controversial monetary "shock therapy" policies for the government of Poland, and most recently for Russia, 36-year-old Harvard economist Jeffrey Sachs, is becoming extremely defensive about the obvious failure of his program. During a Jan. 30-31 seminar to a group of international business and political leaders in Davos, Switzerland, Sachs feebly struggled to defend his "success" in Poland and in Bolivia, the country where his entire reputation has been based, amid growing charges that his policies have brought nothing but chaos to the countries of eastern Europe.

By far the most controversial issue in the Davos discussions was the Jan. 2 adoption by Russian Economics Minister Yegor Gaidar of Sachs's now standard recipe for "shock therapy": a "free float" in prices of essential foodstuffs and many other commodities. This was alleged to be the way to bring under control Russia's runaway inflation, today conservatively estimated at far in excess of 200% per annum, by soaking up the rubles printed by past governments in an effort to pacify the population and to paper over huge state budget deficits. The Sachs plan also calls for drastic cuts in the state budget deficit and imposes a draconian value added tax on sales of many goods.

Nikolai Shmelyov, a professor of economics from Moscow, and a member of Russian President Boris Yeltsin's Advisory Council, was scarcely enthusiastic about the Sachs-Gaidar policy. He told the Davos audience: "What is going on in Russia since Jan. 2 is comparable to cutting the leg of a patient without using anesthesia. In 1947 Stalin liquidated the debt of the state simply by robbing the people of their savings, when 90% of private savings were confiscated. Yeltsin politically can't get away with the same methods now, so he makes the same policy in disguised form. In one to two months more, all private savings will have been confiscated

from the population."

The Moscow economist added: "If the government now, in addition, decides to move to ruble convertibility, on top of the price float, it will be the equivalent of playing Russian roulette with the national economy. The government must do something to calm the population."

An associate of Sachs, Marshall Goldman of Harvard's Russian Research Center, also took sharp issue with the "shock therapy" model. "I have to differ with my friend Jeffrey Sachs. He insists to me that the shock program in Poland is beginning now to produce results, but even if we accept that it is, Russia is different from Poland. In Russia, the country is imposing monetary shock while at the same time the country is in the process of breakup. It is creating a 'supply-side depression,' with inflation, ethnic tensions, and the state still holds the monopoly on production." Goldman disputed the Yeltsin government's official claim of "only" 300-400% price increases in basic goods since January. "Prices in reality have risen by tenfold or more," he said. "This has caused a huge drop in demand, so naturally goods reappear in the shops."

The Polish model is a failure

Sachs himself was unable to give any but the most clumsy effort to justify his controversial monetary policies. A journalist asked him point-blank, "Tell me, Mr. Sachs, I have not been able to find one single country where 'shock therapy' has succeeded in raising the overall standard of living of the population—not in Poland, and certainly not in Bolivia." A clearly agitated Sachs snapped back, "What do you mean? Poland has doubled its exports and doubled its imports, in dollar terms, since 1988."

Sachs's selection of the time frame is bizarre, especially since former Polish finance minister Leszek Balcerowicz did

not implement Sachs's shock medicine until two years later, in early 1990. The condition of Poland's population in that time has deteriorated horrendously by all accounts. During the first year of Poland's adherence to Sachs's rigid recipe, total industrial production in 1990 plunged 23%, and another 15% for 1991, bringing present production levels, according to estimates of the Economic Commission for Europe, down more than one-third since the onset of "shock therapy." State-owned companies have been forced into bankruptcy amid soaring interest rates, and a wage austerity policy imposed by Sachs and the International Monetary Fund (IMF). Sachs did not care to admit the reality that Polish household incomes, measured not in dollars but in zlotys, had fallen by fully 20% in the nine-month period to August 1991.

Moreover, a just-released Polish government statistical survey for 1991 admits that Poland's unemployment, almost non-existent in 1988, doubled in 1991 from the previous year to more than 2 million, some 11.4% of the labor force, with expectations of an unprecedented 3 million jobless by the end of this year. The survey also shows an annual inflation of 60%, despite two full years of Sachs's anti-inflation policy. Further, imports in 1991 did officially grow, but this was largely because Soviet oil import costs rose by 72%, hardly a sign of economic success as Sachs's comment suggested. And the volume of merchandise exports for 1991 ground to a virtual halt. Little wonder that in a Feb. 5 communiqué, the new government of Prime Minister Jan Olszewski announced plans to move away from the "shock therapy" policies.

Polish President Lech Walesa charged bitterly, in a speech before the European Council in Strasbourg, France, on Feb. 3, that Poland has been betrayed by the West. Poles feel that they had support only as long as they were needed for detonating the "old order" in Europe, he said. Now that job is done, and the West is closing its borders to Polish export goods, is not investing in the Polish economy, and is only interested in extracting money from Polish consumers. "You have made a profit from the Polish revolution," said Walesa.

The Bolivian 'success story': cocaine

Sachs was challenged at the Davos gathering on his so-called success in Bolivia, where the young Harvard professor first claimed that he had accomplished the "miracle" of curing hyperinflation. Sachs told his challenger at Davos, "I have a friend who is just back from Bolivia and he tells me that in the countryside, the economy is booming!" His critic replied, "Yes, but that's because those are the very areas where the 'booming' coca cultivation for the world cocaine market is grown! But what have your policies done for Bolivia's tin mining industry for example?"

At that point, an obviously flustered Sachs blurted out, "Jesus! That's what my whole policy is all about—to get rid of the tin industry!" He then ran hastily from the room, leaving unanswered the charges of fostering the coca economy through his monetary measures.

Is Russia in a bottomless collapse?

In other discussions at Davos, radical monetarist Anders Aslund, of the Stockholm Business School, tried to defend Sachs and the "Thatcherist" anti-state economic policy, only to be confronted with the comments of former Gorbachov economic adviser Abel Aganbegyan, who reported: "In Russia we have had almost a 30% collapse in GNP since 1989, with no end in sight. The standard of living is collapsing. We have no stable banking system, no real agreement among the new states of the Community of Independent States. Price liberalization is very dangerous, and is creating hyperinflation and hyper-unemployment." He added that there exist at present no effective state structures for organizing oil production or transport, and accused the Yeltsin government of lacking any overview of the explosive social situation. "The price reform itself has even been badly organized," he said. "Some in Moscow say we must do all this in order that we would in April or so get some \$5-6 billion ruble stabilization fund from the IMF. But \$5 billion or even \$10 billion for a country of 300 million is nothing. All export earnings now are going to service foreign debt, and half of that is short-term."

Underlining the acuteness of the situation, the Russian State Statistics Committee, Goskomstat, reported on Feb. 4 that Russia is going to start running out of supplies of beef and poultry in 19 days, vegetable oil in 20 days, butter in 30 days, and sugar in 41 days.

The Moscow newspaper *Sovetskaya Rossiya* early in February accused the Kremlin leaders of "committing planned genocide" with the Jan. 2 adoption of Sachs's recommendation for a food price hike, while keeping salaries, pensions, and student grants much lower. "Market prices are absolutely out of reach for 85% of the population," the paper charged. "Thus, the transition . . . to a 'market-led' economy has resulted in a shortage of protein in people's daily diets, which will soon lead to health disorders." As a result, the paper predicted that the Russian population will *drop* by 10 million within 10 years.

At the Davos forum, a number of other prominent Russian reform leaders underlined the disastrous results of the Sachs policies, including Gavriil Popov, the mayor of Moscow, and Anatoly Sobchak, the mayor of St. Petersburg. Sobchak told the seminar, "If it had not been for the emergency European Community food aid, we would have been on the verge of a social explosion; as it is, we are still near the brink." "Moscow," Sobchak charged, is "not keeping close tabs on the results of their reform. Gaidar is far too optimistic. He says prices have risen only 3-4% since his program. In reality I can tell you they have risen 12 times or more, with most food items higher by 10 to 15 times! This is very dangerous."

Sachs attempted a feeble joke by asking the audience if anyone had any "good news" about Russia, and quickly brought the seminar to a close when no one did, claiming there was "no more time" for questions.

Depression racks schools, students

by Joyce Fredman

In Arlington, Virginia, alternative public schools are the latest fad. Advertised as schools "that allow students a different kind of experience," it is not out of the question for a student to pick his own reading program. At one of these schools, Woodlawn, students need no hall passes, coming and going as they please; teachers and administrators are known by their first names.

In Ypsilanti, Michigan, the atmosphere is more Wall Street. Willow Run High School began offering bonuses for performance in 1989. All A's can get a student free records at local music stores, discounts at local sporting-goods stores, one day off a semester, and a 30% discount at local orthodontics centers. A's, B's, and C's mean a 5% discount at the local jewelry chain, an annual pizza party, and free tickets to social and sports events.

Such gimmicks cannot substitute for the effect of the depression on the collapse of funding for education (see *EIR*, Feb. 7). What neither Secretary of Education Lamar Alexander nor Sen. Edward Kennedy (D-Mass.), the primary sponsor of the Neighborhood School Improvement Act which passed the Senate in January and which allocates \$850 million for poor schools with "experimental" programs, address in a substantial way, is that the living environment of students has deteriorated over the past 30 years even more than the schools themselves. The financial and emotional support from a family, once taken for granted, has dwindled away for all but a privileged few. This is the reality of our "Education President" George Bush's kinder, gentler America.

The insanity is not limited to the secondary and elementary level. In *Illiberal Education*, Dinesh D'Souza gives an account of how bad the campus scene has become:

"New approaches to teaching now enjoy prominence and acclaim on campus. Speaking at an October 1989 conference in Washington, Houston Baker of the University of Pennsylvania argued that the American university suffers from a crisis of *too much reading and writing*. 'Reading and writing are merely technologies of control,' Baker alleged. They are systems of 'martial law made academic.' Instead of 'valorizing old power relations,' universities should listen to the 'voices of newly emerging peoples.' Baker emphasized the oral tradition, extolling the virtues of rap music and holding up as an exemplar such groups as Public Enemy and NWA. NWA stands for Niggers With Attitude. The group, among other things, sings about the desirability of violence against white people. Baker himself is regarded as one of the most

promising black intellectuals in the country, and a leader of the movement to transform the American academy" (emphasis added).

Is it surprising, in this atmosphere, that serious teachers are being driven out of the field? When Dr. George Nelson testified before the House Committee on Science, Space and Technology last summer, he gave an indication of just how serious the exodus is: Some 20% of new teachers leave during their first year, and more than 50% leave before their sixth year. At that time (July 1991), 13 math and science teachers were leaving the field for each one entering the profession. And for those who do stay, the working conditions are far less than adequate: About 30% of high schools offer no course in physics, 17% none in chemistry, 38% of elementary school teachers have no science materials or facilities available in their schools, and 50% of secondary science teachers have no access to a general purpose science laboratory.

A national survey by Tulane University criminologists found that over 30% of high school students interviewed had carried guns. One boy in 10 said he carried a gun most or all of the time.

Social environment destroyed

Out of 64 million children in America, 15 million subsist at or below the poverty level. But they are not the only ones who have borne the brunt of this depression. Incidents of teen-age rape, teen-age pregnancy, and drug abuse have all risen. Reported cases of child abuse have risen 226% over the past decade; 35% of these cases were substantiated. Even more harrowing, is the tripling of the suicide and homicide rates among teens.

"What we're seeing is the complete destruction of the social environment for these kids," said Dr. Joyce Lashof, professor of public health at the University of California at Berkeley and the president of the American Public Health Association. "Economic opportunity, stable relationships, housing, safety at school, hope for the future: Everything that makes up living has kind of disappeared for them."

A survey commissioned by the National Endowment for the Humanities of college seniors discovered that 25% had no idea when Columbus discovered America, or that a majority could not match up Dante, Shakespeare, and Milton with their major works. And these are the ones who made it to college. When the Bush administration advertises that drug usage is down in schools, what is not broadcast is that more and more kids never make it to high school. Official dropout rates are not calculated in many places until years after the majority have hit the streets.

Unless serious curriculum changes are made, test scores will continue to plummet. More important, if the depression, which allows our inner-city schools to exist in Calcutta-like squalor, continues, if the families of students continue to join the ranks of the homeless and unemployed, then the Senate may as well shut down all 80,000 schools themselves.

Japan tests waters for investment in India

by Susan B. Maitra and Ramtanu Maitra

A 100-member high-level Japanese delegation headed by Dr. Rokuro Ishikawa, chairman of the Indo-Japan Business Cooperation (IJBC) and a close associate of Prime Minister Kiichi Miyazawa, spent the week of Jan. 23-30 deliberating on investment conditions opened up by India's economic liberalization policy, introduced by the ruling Congress Party government last July. After meeting Prime Minister Narasimha Rao and Finance Minister Dr. Manmohan Singh, the Japanese team submitted a list of 21 additional reforms needed for improving investment potential, but indicated that before 1992 is over, Japanese investment on a large scale will start coming into India.

The visit, highlighted by the presence of many top Japanese officials including Dr. Saburo Okita, chairman of Japan's Institute for Domestic and International Policy Studies, took place within a week after Indian Foreign Minister Madavsinh Solanki visited Japan. At a New Delhi press conference, Dr. Ishikawa (also chairman of Kajima Industries), said that the Japanese government and industry are willing to invest three decades' worth of surplus capital in mutually profitable ventures. "In recent years we have accumulated a lot of capital and I think it is our duty to recycle surplus capital. Whether it is in the form of investments, loans, or equities, we will help," he said. Yet he pointed out that many countries have shown interest in harnessing Japanese capital and, hence, India must come up with a competitive investment environment.

Among the 21 "requests" to India, the delegation listed the removal of industrial licensing in areas such as automobiles, consumer electronics and white goods (such as refrigerators), and allowing trading companies to raise their equity capital even to 100%, as opposed to 51% set by the new industrial policy. Pointing out that the word "request" may sound harsh and India may have similar "requests" to Japan, Dr. Ishikawa said that the policy reforms undertaken by the Indian government have been widely hailed in Japan. According to a recent survey, 11 of 53 companies that answered the questionnaire were contemplating investment in India, and 25 more were interested in studying investment possibilities.

Some other reforms, such as early formulation of an exit policy (taking care of excess labor from facilities which will be modernized and require fewer workers); removal of restrictions on emergency imports; reduction in import tariff

for capital goods; relaxation of import licensing; priority in budget allocation for improving industrial infrastructure such as power and telecommunications; looser restrictions on industry location; reeducation in protection for small-scale industry; and abolition of restrictions on banking activities, will pave the way for better economic collaboration between India and Japan.

India's response has been positive. According to a Planning Commission member involved in the talks, the Indian side convinced the Japanese delegates that at a similar stage of its own economic development, Japan had even more restrictions than India now does. They also pointed out that India is in the process of further consolidating economic reforms, most of which are included in the Japanese "requests."

Perhaps equally important as Japanese investment, is what kind of development Japan foresees for India. Dr. Okita, addressing an Indian Chamber of Commerce meeting in Calcutta, said that India should not be too dependent on monetary policies: Instead, India's economic plans should focus on social equality, effective use of resources and structural reforms. Dr. Okita underlined that the difficult situation faced by the Indian economy was no reason to doubt the efficacy of economic planning.

Emphasizing that there is no magic formula for economic development, Dr. Okita said that every country has its own history, customs, religion, and cultural traditions. These must be taken into account. "Though in the West it was believed that a market-oriented economy was superior to the controlled economy, it should be remembered that market mechanisms are not infallible. Instead, there should be a reconciliation of the two systems and a judicious combination of the market mechanisms and central planning," Dr. Okita added.

What makes India attractive to Japanese investors, Dr. Ishikawa added, is its large domestic market, the high level of science and technology, skilled manpower, and natural resources. With the relaxation of controls, the open invitation to foreign capital and technology, and disinvestment in the public sector, investment in India is becoming increasingly attractive. It has also been observed that the deteriorating investment situation in the United States and rising labor costs in Southeast Asia, are enticing Japanese investors to go to South Asia.

It is understood in New Delhi that Japan will drive a hard bargain. Indian officials cite the Japanese hesitancy to invest in Thailand for years before deciding to plunge deeply. The decision of the Nomura Securities Company to set up an office in Delhi is seen as a good step. Nomura not only has Japan's corporate heavyweights on its list, but led earlier Japanese foreign investment campaigns, as in China. What one scribe calls "the swallow that will give an indication of summer"—is the Japanese decision to set up an industrial model town in India, similar to one the Japanese set in Thailand before their heavy involvement there.

ASEAN reaffirms drive for development

by Lydia Cherry

The six heads of state of the Association of Southeast Asian Nations (ASEAN), the regional cooperation forum, meeting in Singapore at the end of January, clearly disagreed on many specific points, but they were unified on the underlying theme that has kept the organization on track for 25 years: that economic development is necessary to maintain peace and stability in the region. The unanimity on the need for development defied cynics who sneered at ASEAN and said it would not last. The commitment was perhaps most clearly formulated by Indonesia's President Suharto: "The development of ASEAN cooperation has been designed to enhance the people's prosperity; we are aware that stability and security depends on the people's prosperity."

Suharto, who as Indonesia's President will soon hold the rotating chairmanship of the Non-Aligned Movement, insisted that ASEAN had proven this principle and emphasized that this was his greatest concern, "looking at the world economic map. We are concerned over the continued striking gap and the disparity between the developed and developing countries." He added, "We now have the obligation to help establish a new world order based on greater prosperity and justice."

Poor neighbors are no asset

Malaysian Prime Minister Dr. Mahathir Mohamad made the same point, as he spoke broadly of the situation in Indochina and the need for ASEAN to reach out to Vietnam, Laos, Cambodia, and even Burma (Myanmar). "Poor neighbors are no asset to anyone. The problems of the poor are likely to spill over in the form of refugees, smuggling, black markets, etc. Poor countries are not good trading partners. Helping neighbors to become prosperous is therefore mutually beneficial. If ASEAN wishes to be stable and prosperous then it must help its neighbors to attain prosperity. Above all, it must eschew confrontation." Mahathir added: "I hope that the greatest military power with the most efficient intelligence agency [the U.S.] is wrong when it predicts the possibility of a 'Gulf war' in East Asia which can only be deterred by its military presence."

Although there was reportedly heated debate about the form it would take, the decision to move the organization to a higher plane of cooperation, particularly economic cooperation, is reflected throughout the Singapore Declaration of the ASEAN heads of state. A high profile in the final docu-

ment is given to the passage of Thailand's proposal for an ASEAN Free Trade Area (AFTA), a plan that, although finalized, will not go into effect for 15 years. The plan includes reducing intra-ASEAN tariffs to between zero and 5% by the year 2008. Other facets of economic collaboration specified included: 1) the decision "to increase cooperation in industry, minerals and energy, the member states also agreed to increase investments, industrial linkages, and complementarity by adopting new and innovative measures," and 2) "enhancement of cooperation in the field of energy would include energy planning, technology transfer, research and development, and production and supply of energy resources." There was also "agreement to strengthen regional cooperation in the development, production, and promotion of agricultural products to ensure food security."

ASEAN's changing history

ASEAN, now composed of Indonesia, Malaysia, Thailand, the Philippines, Singapore, and Brunei, was formed in 1967 by the small and medium-sized countries in response to the rise in military might of both the Soviet Union and China and the then-intensifying war in Indochina. The first summit of heads of state, however, did not come until 10 years later. At that time, in 1976, U.S. troops had pulled back from Vietnam and the region had witnessed the communist takeover of Vietnam, Cambodia, and Laos. Here, a more decisive plan was formulated and the Treaty of Amity and Cooperation in Southeast Asia drawn up. Although this treaty was based primarily on security considerations, in which the contracting parties were guided by the fundamental principles of independence, sovereignty, equality, territorial integrity, and renunciation of the threat or use of force, the theme that development is the name for peace was also evident. Article 6 notes that the contracting parties "shall collaborate for the acceleration of the economic growth in the region in order to strengthen the foundation for a prosperous and peaceful community of nations in Southeast Asia."

Now, 16 years later, Vietnam, Laos, and Cambodia have announced that within months they will accede to this same treaty, as the first step in the process of joining ASEAN. And, indeed, the Vietnamese Army paper *Quan Doi Nhan Dan* responded to the late-January summit of ASEAN heads of state with a sense of optimism, describing the event as "ASEAN's most important meeting since its founding in 1967," and "a meeting of historic significance." The Vietnamese paper described ASEAN's wish to broaden its cooperation with the three countries, and their wish to become part of ASEAN, as "important factors for the establishment of a new security order in the region which contributes to the consolidation of peace and stability in the world."

Fight over the Malaysian initiative

Writing as the Singapore summit ended, the Malaysian daily *The Star* reflected that "the fourth ASEAN summit that

ended in Singapore today will be remembered for the clash of perceptions of Malaysia's push for an East Asia Economic Caucus" (EAEC). The Malaysian initiative, announced in December 1990 but most clearly conceptualized in a Mahathir speech in Bali, Indonesia on March 4, 1991, proposed that ASEAN would add to its ranks Japan, China, South Korea, Taiwan, Hong Kong, Vietnam, Cambodia, and Laos, and that this larger grouping would together chart the fate of the region. Mahathir's concern was explicit: "There are a host of problems for the world arising out of the structural weaknesses of the world's biggest economy and biggest debtor nation, the United States. . . . There is the sole American giant, with immense problems at home and no longer driven by the imperative of the Cold War abroad." The Bush administration opposed Mahathir's initiative from the outset, and arm-twisted its Asian allies to have no part of it, and instead to operate as part of the Anglo-American controlled Asia-Pacific Economic Cooperation (APEC) grouping. The Bush administration's major targets were Japan, South Korea, and Indonesia.

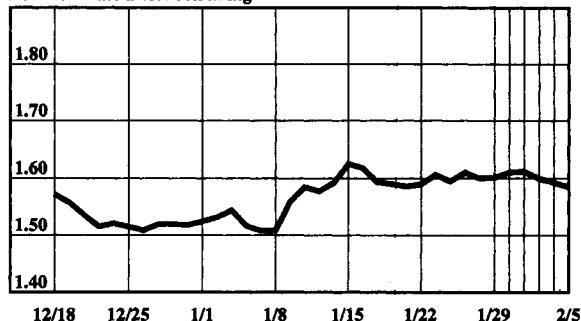
Although the ASEAN governments, including Indonesia, had earlier backed the Malaysian initiative, at the summit in Singapore the Indonesian government balked. Indonesia is known to be concerned that the EAEC would drive a wedge between the U.S. and Japan, a concern that Mahathir attempted to address the last day by noting that the "wedge" is already there, that Malaysia didn't cause it, and that the problem will not be solved until the U.S. does something with its own economy. ASEAN's final consensus was not to shelve but to slow down the formation of the EAEC. As the South Korean daily the *Korea Times* described the decision: "Southeast Asian nations are moving toward the creation of a new regional economic bloc in competition with the trading blocs in Europe and North America. But, they have refrained from the outright formation of an economic body similar to the EC [European Community], apparently in consideration of objections from the U.S. and some other Asia and Pacific states."

Indonesia's Foreign Minister Ali Alatas denied that his country's apparent policy reversal on the EAEC was based on fear of alienating the United States or of losing western markets. Some policy analysts think that the fact that President Bush has declined—at least for now—to rupture U.S.-Indonesian relations over the recent "Dili incident," in which East Timor demonstrators were killed by Indonesian troops, may be connected to President Suharto's decision not to rupture Indonesia's relations with the U.S. over the EAEC. The intensifying campaign to split East Timor from Indonesia is led by Portugal under British direction, but thus far the Bush White House has downplayed Indonesia's "human rights violations"; this, at the same time that the Bush administration is using similar tactics to bring down other developing sector governments.

Currency Rates

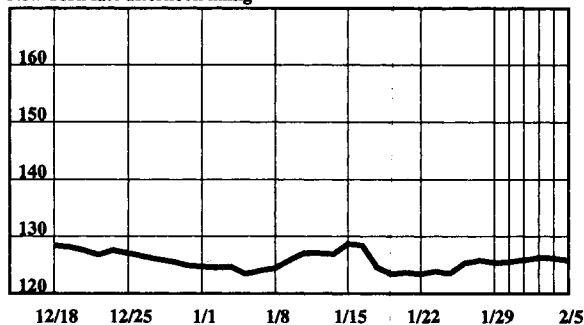
The dollar in deutschemarks

New York late afternoon fixing



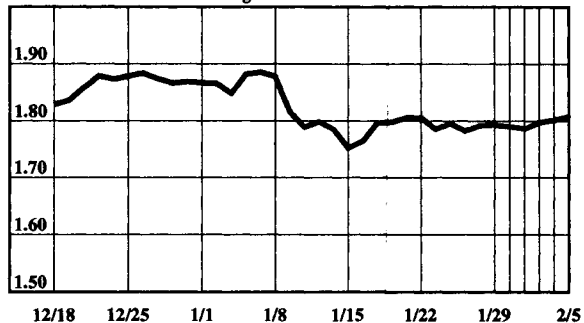
The dollar in yen

New York late afternoon fixing



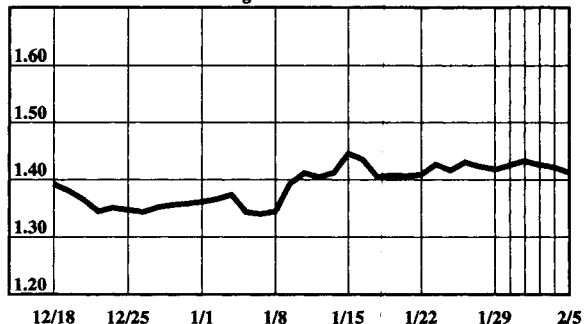
The British pound in dollars

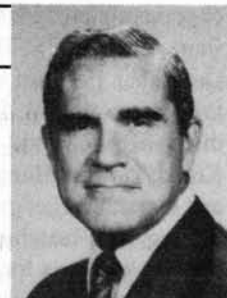
New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing





U.S. energy tax would doom Third World development

by Marsha Freeman

Gen. Richard Lawson has been the president of the National Coal Association (NCA) since 1987. During his tenure at NCA, the coal industry has been assaulted by environmental extremists over the issue of "global warming," with drastic proposals put forward to decrease energy consumption in order to lessen this supposedly life-threatening effect.

One year before coming to NCA, Lawson retired as a four-star general of the U.S. Air Force. He flew 73 combat missions during the Vietnam War, and in the first half of the 1980s, served in the European and NATO commands. As a result, he is familiar with the problems of both the developing countries and the newly independent nations in eastern Europe.

Recently, the NCA has looked into the scientific evidence behind the climatological catastrophes predicted by the environmentalists. In a conversation on Jan. 29 in his office in Washington, General Lawson stated that in his view, "The science to date is extraordinarily controversial, to say the least. The models that have been used to predict the so-called global 'warming process' have failed to duplicate reality, and indeed have missed a great number of the factors that are associated with the total climate process."

The accuracy of these climate models is no academic question. Lawson stressed that the issue of global climate change is "being used by a great number of groups to do a great number of things." Some industrialized countries foolishly think they will gain a "competitive edge" over the United States, if energy prices here rise. "From an international position," Lawson explained, "a number of nations very rapidly accepted the issue [of global warming] as fact." He added, "While they proclaim otherwise, there is clearly an economic foundation for their actions."

"Nations which have energy structures which primarily use other than fossil fuel," he said, think they will be "economically benefitted by the general concept of a global climate change, when it's applied to the American economy which is very, very fossil oriented at very economically beneficial prices—prices that are rather dramatically below the

general level of those assets in other countries."

The general is worried that developing countries, which so desperately need energy and the capital goods to provide it, "have been made some promises, I think, behind the scenes, that portions of the carbon taxes" on the U.S. economy "would be distributed among them in order to 'assist them' in taking care of their individual problems. I'm not sure how this 'distribution' would work," he remarked, "and I'm not sure exactly where all those taxes would come from. But I'm sure it's intended that the lion's share would come from the U.S. economy," providing nothing, in reality, but "a sop to those developing countries which are going to need so much energy."

Population control: unspoken agenda?

It appears to General Lawson that population policies are part of the unspoken agenda of the global-warming thesis promoters: "There isn't anybody that I know of that disagrees that we'll have 8 billion people on this planet by the year 2025. That's a 60% increase in a period of 35 years of the people on the planet requiring food, shelter, and clothing. And here we are, looking at the same time to constrain the only fuels that are widely spread geographically around the face of the globe. It's almost criminal. If I were so inclined," he said, "I could certainly make some comparisons with other theories that have to do with the constraint of population, because if this group that's behind many of these theories gets its way, it would be far better to be born a speckled owl than to be a human being on the planet in the year 2025."

Government representatives have already agreed to consider a carbon tax, and an overall energy tax, in western Europe. I asked General Lawson what the impact would be of a such a policy here. "The imposition of a carbon tax or a fossil fuel tax of some kind would certainly have a dramatic impact upon the American economy. When people talk about the stabilization of carbon dioxide at certain levels, they are talking about nothing more than a cessation of any economic growth in the country, [through] the imposition of huge

sums, as much as \$200 billion annually, upon the overall economic capability of the energy production facilities of the country, and all that that implies across the board.”

NCA’s concern is not just that economic growth in the U.S. would cease, but the impact that would have on developing nations.

No growth without energy

“My concern is that in almost all of the developing countries one facet that is common is the absence of an energy foundation. We have a lot of studies about the general development of a national economy and we know that a nation’s economy is a function of a nation’s ability to create the energy that is needed to drive that economy. A percent of increase in electrical power almost directly equates to a percent of increase in Gross National Product.

“When one examines how this might be applied, with forethought, by the developed world to the developing world, we need to go in and assess individual nations in terms of what their energy situation is. Once those sets of general determinations are made, then the application of capital to the findings of those analyses begins to develop real world energy foundations on a nation-by-nation basis.”

The NCA, with others in the energy industry, have suggested to the administration that those energy requirement analyses be done, in “preparation for the application of capital.” “Indeed, right now,” Lawson reported, “we have a number of people who are headed for 4-6 week tours in eastern Europe and the Soviet Union and in a couple of countries in Africa to begin those first looks.”

“Behind that first set of looks,” he continued, “we foresee the development of a kind of ‘energy peace corps,’ where people with specific expertise are assigned to specific places identified by these preliminary evaluations, to develop a rough plan for the country. Then, following that, we stand back, and we say, we have this technology which is tried and proven and set up, and we know exactly what it’s going to cost; we know roughly the geology of what the energy foundation for the country might be. We put all that together and then go hand-in-hand—American industry, the American government, and the international financial community—to provide for the foundation for a particular country. That’s our view of the future.”

The danger that Lawson sees is that if a carbon tax is slapped on the industrial economies, “there isn’t any of the developed countries in the world that can begin to participate in the formation of capital necessary to get this program off the ground.” Lawson warned that “unless the developed world comes up and presents to the developing world some kind of a program that provides a vision and reality for these countries, then this extraordinary growth of population, which by the way, is all going to occur in the developing world—that place that doesn’t have anything yet—then

you’re looking at a very chaotic 21st century, in my judgment.”

No tradeoff of eastern Europe, Third World

Another concern is that while the problems of eastern Europe are so dramatic and immediate, Lawson believes that capital export to the Third World *must* “be accelerated at the same time; that it is not a tradeoff of one against another.

“I think that portion of the developed world that is producing capital—that is producing the opportunities of economic growth [which] have matured beyond those that the communist governments of eastern Europe and the Soviet Union were able to produce—has come to the point where it can contribute to this generation of capital that is going to be needed in the first part of the 21st century. I’m afraid that we’re going to have an inclination to run to those eastern European countries and the Soviet Union perhaps faster than some of the other developing countries and I don’t see that it should be handled that way.

“I think we need to start all of these programs,” Lawson underlined, because “while eastern Europe and the Soviet states have technology, and a society that is capable of handling the technology, they also have some very special problems that are going to require some time to iron out. It’s not that easy to change yourself from a socialist form of government back to a marketplace economy. When they went to socialism in 1917, they absolutely tore down those legal structures that were associated with a market kind of economy. People say we can do [work in] Poland and the former Soviet Union states faster than we can one of the African states—not necessarily.

“I think the bottom line, and the line that I gave to the White House [just before the State of the Union address] was: Give us the specific nature of the problem and let us solve it with technology; technology that permits not only the solution from an environmental standpoint, but contributes on a continuing basis to the economic values that are needed to support the needs of the people.

“But, come to us with a new method of constraint on the economy, and you’ve got a fight on your hands because that general thrust of solutions has nothing for any of the developing countries. It spells the end of the developed countries, as well, because those developing countries and those masses of new population are not just going to stand idly by. Sooner or later they’ll be back to increasing defense budgets,” as they don’t find the proper answer to economic development issues.

Cleaning up eastern Europe

General Lawson has spent a good deal of time in Central and East Europe recently. He observed that one thing that should *not* be done is to use these countries, suffering years of environmental degradation, as “testing grounds” for new

and unproven technology. Instead, they should be offered the immediate technical fixes that can restore their industrial economies to production while improving the environment for their citizens.

"One of the great problems that I see today, as I travel around these other countries and as I talk here in this country, is the tendency of some to try to take *very* advanced technology that we're still really getting our arms around, and attempting to use a government-to-government connection as

"There isn't anybody that I know of that disagrees that we'll have 8 billion people on this planet by the year 2025. That's a 60% increase in a period of 35 years of the people on the planet requiring food, shelter, and clothing. And here we are, looking at the same time to constrain the only fuels that are widely spread geographically around the face of the globe. It's almost criminal."

a means [to solve] some of the problems associated with transfer from the development stage into the actual operational stage." Instead, "my concept is that we take technology that is *absolutely* known, understood, and proven."

In order to give people the hope that their situation can improve, Lawson took a set of slides of Pittsburgh with him on his last visit to Poland, Czechoslovakia, Bulgaria, Hungary, and the Soviet Union. The slides begin in 1940 and end in 1980. "Pittsburgh in 1940 looked like Warsaw, like Minsk, like a lot of cities in that area," Lawson explained. Slides of the power plants and steel mills 40 years later do not show black clouds of smoke belching from the smokestacks, but clean-burning plants.

Sometimes the problems are different than they seem, he cautioned. "A lot of people think that the great problems of Poland are coming from the smokestacks of the utilities and the iron works, but the real problems of Poland come from the chimney of every house in the country. We need to look at a very simple kind of a filtering process for that," he explained.

In addition, "you can wash Polish coal and get 75% of the sulfur out. . . . It's very cheap," he said. These kinds of already known "fixes" should be applied for about 20 years, he counsels, "to help the country put on a new face, get a

new feeling about itself, before its going to have enough interest to really take aboard the environmental issues people are trying to take aboard."

Politically, the winds are changing in Europe, Lawson reports. "When I go through east Germany and Poland today, the average man on the street is not nearly as excited about environmental concerns as he was two and a half years ago. He realizes those things are taking bread out of his mouth and he says it's okay if you've got an economy that's producing at [a U.S.] sort of a level, but to have these things slapped on us, is crazy."

After the recent political changes, "governments thought they must identify with their western colleagues, and they passed laws that they didn't begin to understand the implications of. They're having second thoughts, and that's going to have to be reworked. . . . The terrible part of it is that the environmental communities in western European countries are trying to demand that these standards be established in very unrealistic time-frames." For example, "eastern Germany is supposed to have accommodated *all* of western Germany's environmental regulations no later than Dec. 31, 1995." He insisted: "It can't be done."

U.S. defense industry's future

After a military career that spanned four decades, General Lawson is well-placed to comment on the changes taking place in the U.S. defense industry due to the defense budget reductions. He sees the possibility of "a better introduction of funds into energy issues, primarily because, as we begin to come out of the general Cold War period, as the economies of the West—and the U.S. will have the biggest readjustment—begin to ease back from defense technologies, and search the [industrial] sectors, some are going to focus in upon some of the requirements in the energy sector."

He went on, "I think that everybody senses that we're at a watershed in more ways than politically. Charlie Wilson said some 30-odd years ago, 'As General Motors goes, so goes the United States.' And in essence, so goes the world. It was that kind of structure. The United States was tied to the American automobile. Today, one in seven jobs in the United States is still tied to the automobile industry. I can't believe that's going to continue. There are a lot of defense industries out there that are really taking a new look at things.

"I don't think anybody in this country has really gathered up all the resources, the ingenuity, the dedication, the overall energy that we put into holding this side of the wall in the Cold War, making sure that that thing didn't leak over and succeed in the incarceration of additional human beings in that kind of a system. It's been an enormous victory. It is some kind of a world when we have to send them money to help them cut up their weapons!

"My huge concern," General Lawson concluded, "is that through this very ethereal thing that's called 'environmental concern,' we'll get off the track."

IMF, 'free market' looting steers Czechoslovakia toward social explosion

by Paolo Raimondi

The report which follows was written in the autumn of 1991 as part of a Special Report on eastern Europe, issued in German by EIR Nachrichtenagentur, GmbH. Although it has not been possible to bring all the data fully up to date, the picture holds true and serves as a warning to all those foolish enough to follow the Jeffrey Sachs model in the states recently freed from communist rule.

Two years after the "Velvet Revolution" which overthrew communism in the Czech and Slovak Federated Republic (C.S.F.R.), the country is heading for a social explosion: mass strikes and demonstrations against the radical free market program of Finance Minister Vaclav Klaus, which has brought the national economy, already exhausted by Soviet looting, to its knees.

The best way to analyze the disastrous impact of the free market reforms is to look at the "country study" on Czechoslovakia published in May 1991 by the World Bank, under the title "Transition to a Market Economy." The World Bank is the sister organization of the International Monetary Fund, and has the task of taking a softer public relations approach to the austerity policies that the IMF carries forward, in secrecy, with the utmost brutality.

There are three general points made in the World Bank report that characterize its global approach. The first is its fanatical ideology: "There is a certain risk of delaying or implementing the reforms only partially, because it may be felt that actions are not required with the same degree of urgency as in some other countries. This would be a serious mistake, since delay in moving to a market economy would not only render the transition process more difficult, but also increase the costs associated with such a transition." Second, the report emphasizes the existence in Czechoslovakia of "highly qualified cheap labor," hinting at a plan to make Czechoslovakia the Mexico of continental Europe. And third, the World Bank underlines the importance of the fact that Czechoslovakia is in the heart of Europe, the crossroads between West and East. This explains why so much attention is being devoted to Czechoslovakia, which could become either the technological bridge from western continental Europe to the republics of the former Soviet Union, or, if the Anglo-American free market policy continues, a blocking

point, a dam between West and East.

"The 'Economic Reform Scenario' developed by the present government and adopted by the Parliament in October 1990 emphasizes the need for a radical transformation of the economy, with a comprehensive set of reform measures," announces the World Bank. Let us look at the concrete effects of these reforms.

Price 'liberalization'

As a first step, Klaus reduced subsidies for food in July 1990, resulting in a 25% increase in food prices. This was only partially compensated by a monthly transfer payment to all citizens. On Sept. 1, 1990, passenger railroad fares were raised by 100% and bus fares by 30%. By the end of October 1990, gasoline prices had doubled compared with their levels at the beginning of the year. In the first nine months of 1990, the inflation rate was 7.2%, according to very conservative calculations. But in the third quarter of 1990, the rate went up to 14.4%, and later Josef Tosovsky, the president of the State Bank, reported an inflation rate of 14% and a 10% collapse of the GNP for 1990.

On Jan. 1, 1991, there was a more general price liberalization, which produced 37-40% price increases in the first quarter: January 25%; January-February 50%, with some food prices rising over 100%, milk and milk products went up 51.5% and bread 43.8%; March was less, and April 6%. Finance Minister Klaus, fearing a social explosion, felt compelled to delay some other price increases. Later, he revealed that his bosses at the IMF had expressed their concern about the delay in price increases for heating and other fuels. In fact, an 80% increase in energy prices was scheduled for May. Overall the impact of inflation has been a little bit worse in Slovakia than in the Czech Republic. The official plan of the central government for 1991 intended to maintain inflation at 30%, and the loss in real wages at 10-15%.

Wages

On May 1, 1990, the government lifted all controls over private sector wages, except for the minimum wage provision. The IMF wants wages to be related to productivity as an incentive, due to the fact that productivity is collapsing. The World Bank report says that "the need to control cost-

push inflation may justify the continuation of some form of wage controls in the state sectors," where politically motivated wage increases are feared. In March 1991, it was reported that there had been a loss of 28% in real wages, compared with the year before, "compensated" by a wage increase of 9%. Real wages were expected to decline by about 5% in 1990, but actually declined more.

The budget

With an incompetent accounting mentality that ignores the real economy, Klaus wanted to demonstrate that from the beginning he could "balance the books." Because it is not difficult to achieve that with massive austerity measures, Klaus simply cut all expenditures drastically and blocked all necessary investments in the social sectors of the budget. For example, as the World Bank report demands, "subsidies to the consumers and producers are expected to be reduced and phased out almost completely." Indeed, subsidies to consumers went down from 50 billion crowns in 1989 to 19 billion in 1990.

As a result of these measures, the 1990 budget was planned to have a 0.7% surplus, and the "anti-inflationary" budget of 1991 a 3% surplus. The consequences are obvious to the gentlemen of the World Bank, who blandly predict that "public expenditures, in the medium term, will decline significantly." Martin Bojar, the health minister, warned in March 1991 that his budget would only last until autumn, and then he would have to consider charging people for each day of hospitalization. Petr Miller, the minister of labor and social affairs, said that if inflation goes over 50% and unemployment over 10%, then his budget will not be able to cover the social security benefits any longer. Official institutes report that there were 700,000 people living under the poverty line at the end of 1990, and 1,300,000 were expected by the end of 1991.

Industrial restructuring

Czechoslovakia has a history as a great technological and industrial country: In the late 1930s it numbered among the 10 most developed countries, with an industrial sector larger than that of Italy. After the communist takeover in 1948, the Soviets exploited the reservoir of industry and skilled engineering and labor, and for decades Czechoslovakia was the most important machine tool supplier to the Soviet empire. This, more than many other reasons, explains the Soviet military intervention of 1969.

At the time of the "Velvet Revolution," industrial output was divided among these areas: 22% machinery production, 14% chemicals, 14% food processing, 14% rubber, 9% metallurgy, and 9% electronics. The Klaus reforms hit industry like a tornado. The steel sector, for example, has a capacity of 16 million tons per year. The reform plan is to cut capacity by 40-50%, and bring the work force down from 160,000 to 60,000. In 1990, there was a 3% reduction in

overall industrial output, and consequently a 3.5% loss in the national income. The first quarter of 1991 registered a 12% loss in total production, compared with the same period of the year before. The construction sector lost 35.8%, textiles 16.2%, food processing 17.1%. If one compares the figures of production at the end of March 1991 with March 1990, the overall reduction of industrial output was 25%, the construction sector 43.9%, coal 11%, machinery 7.5%, chemicals 7.1%. This reduction has affected real national income, which went down 35% in the same period.

This industrial collapse was *double the rate of the average collapse per year in the four years after the Great Depression of 1929!* Even Klaus admitted in June 1991 that the cut in subsidies led to a 30% reduction in the construction sector. There are other sectors, which have been totally oriented toward the Soviet market, which could end up in an even worse situation if no serious industrial program is implemented. The weapons industry, for example, involved 200,000 people directly in production, of which 80,000 were in 110 firms in Slovakia. Most of the furniture-building industry in Slovakia, which employs 30,000 people, could be severely affected by the collapse of trade with the former Soviet Union. The decline in the volume of transportation is a reflection of the development in production. During the first eight months of 1990, freight railway transport was 10% lower than in 1989, despite a strong increase in the transport of ore in August.

Agriculture

Agricultural production in 1990 was significantly lower than the year before, with a loss estimated around 3.5%, while animal and milk production registered bigger losses. The situation was expected to be much worse in 1991, because the cut in subsidies will be more strongly felt: In the 1980s, more than 50% of all state subsidies went to agriculture.

Unemployment

"Open unemployment is expected to rise significantly during the transformation to a market economy . . . but experience suggests that a slower pace often implies higher total adjustment cost," says the World Bank's report. Measures suggested to deal with the problems are ridiculous: extension of primary education by one year; increase of vacation periods by one week per year; more part-time jobs for women; and a program for retraining workers, for which there is no budget allocated. In a country like Czechoslovakia, where unemployment was zero, this problem will inevitably become a source of social tension and explosions. A social safety net was considered in the study, but "the benefits have not to be so generous that they seriously limit the incentives to seek and accept new employment."

As a result, in September 1990 there were already 440,000 registered unemployed, and some of them then took

part-time jobs. In Slovakia at the end of the first quarter of 1991, there were 116,000 unemployed, and a very conservative estimate pointed to about 350,000 by the end of December.

Klaus admitted that the unemployment rate at the end of 1991 would be 7% of the labor force. Realistic statistics indicate that out of 1.1 million people working in heavy industry, 40% will be laid off, and at least 250,000 who are currently employed in the state bureaucracy will have to be fired. The disastrous policy will hit young workers hard—those that are coming out of the schools and universities without the prospect of a job. Many of these youth were involved in the anti-communist revolution, and they will not understand why the new society is brutally punishing them.

Trade

The collapse of internal production, the collapse of trade within the Council for Mutual Economic Assistance (“Comecon”) and in particular with the Soviet Union, the utter lack of ability to compete with western goods, except on the basis of extremely cheap labor, the necessity to operate only on hard currencies, the new oil bill with the Soviet Union, abruptly calculated in dollars and at market prices—all this will have a devastating effect on trade. Prior to the “Velvet Revolution,” 55% of all trade was with the Comecon, and the Soviet Union alone took 30% of all C.S.F.R. exports up through 1990; but for 1991 it is expected to take only 11%. In the first nine months of 1990, there was an estimated 5.8% loss in total trade. The first quarter of 1991 registered 20% less than the same period of the year before: Exports went down 21.6% and imports 17%.

Monetary policy, debt, and privatization

The “free market” IMF/World Bank approach is not really so “free.” “There is no choice but intervening directly in credit allocation in order to balance concerns over inflation and supply responses”—i.e., credit restriction—says the report.

To prevent demand pressure on the money supply, Klaus announced three measures: 1) A “realistic exchange rate”—i.e., devaluation. During 1990 there were three devaluations of more than 100%, which together fixed the exchange rate at 17 crowns to 1 deutschemark (which was then equivalent to about 67¢). 2) “Positive real interest rates”—i.e., higher lending rates. Interest rates for domestic entrepreneurs who want to create an industrial *Mittelstand*—the German term for middle-sized industry—are about 24%. There is no industrial sector that can survive at such lending rates, with the exception of tourism, hotels, and casinos. 3) “Prudent wage policy”—i.e., wage cuts.

The \$1.5 billion credit allocated by the IMF to Czechoslovakia was absolutely not for new investments or industrial restructuring, but was a technical instrument to make possible the so-called internal convertibility of the crown, which

started on Jan. 1, 1991. This naturally came after the devaluations, and was supposed to make possible transactions and exchanges on the world markets. The consequences are seen immediately in the foreign debt. Czechoslovakia, which is definitely in the best shape of any of the eastern European countries, had a debt of \$7.9 billion in 1990 and \$12 billion in 1991. Central bank hard currencies and gold reserves dropped in the first nine months of 1990 from \$2.4 billion down to \$1.4 billion.

In such a situation, the privatization policy is equivalent to a cheap sellout to the big international companies, and does nothing to create a national private *Mittelstand*. Out of the big state firms, it is expected that 1,400 (50-60%) will be able to adjust by themselves, 650 (25-35%) will need substantial restructuring—mainly the heavy engineering and electronics sectors—and 300-350 will have to be liquidated. Because privatization is the centerpiece of the Klaus-IMF reforms, and is supposed to be done immediately, only foreign financial institutions or the old Communist Party *nomenklatura* would have the resources to buy. The voucher system, i.e., the sale of shares in a company to its workers at cheap prices, was just a propagandistic scheme, and it was never implemented anyway. The World Bank report opposed it, on the grounds that the low prices will not mobilize enough resources, will produce discontent, and in the end will just create pressure to bail out the firms in trouble.

Klaus’s monetarist ideology

Klaus and company claim that all this hardship is the price that has to be paid for a better, prosperous future; but nothing could be further from the truth. Indeed, the worst is yet to come. The question which many pose, then, is how is it possible that political leaders like Vaclav Klaus could be so nasty to their own people, after all the suffering of a 40-year communist dictatorship. Klaus is a monetarist ideologue, a devotee of Adam Smith, the spokesman of the colonial British System against the American System of industrial capitalism. Klaus is also committed to his teacher Milton Friedman, whose classes Klaus attended at the University of Chicago. Friedman’s obsession with the free market economy brought him to the point of supporting the free production and consumption of heroin and cocaine.

In a speech at the Institute of Economic Affairs in London on March 25, 1991, Klaus was at pains to favor integration of Czechoslovakia with the IMF rather than with Europe: “One of our election slogans in the first free elections in June 1990 was: ‘Let us go back to Europe.’ Some of us took the initiative in our contacts with the European Community, and others concentrated their efforts on worldwide institutions like the IMF, World Bank, GATT, etc. I have to confess that I belong to the second group, because my understanding of freedom and prosperity correlates with and is founded upon a system of worldwide free trade, not upon man-made institutions.”

Coca sets exchange rate in Peru

The private sector is denouncing the narco-economy, but the Fujimori government would legalize it.

With the consent, and even support, of the government of President Alberto Fujimori, Peru has turned into a narco-economy, and it is the drug trade, not the central bank, which is now setting the price of the dollar in that country. The value of coca exports from Peru has nearly surpassed the total value of legal exports. Dollars brought in to pay for coca leaf and basic cocaine paste—Peru provides 60% of the world's raw material for cocaine—equal somewhere between \$1.5-2.5 billion a year, and growing.

The quantity of narco-dollars is so great, in fact, that the dollar's parity with the Peruvian currency has *fallen* in recent weeks. The resulting revaluation of the sol has triggered protests from portions of the country's business community, which are demanding government intervention against this fictitious revaluation.

But the government has announced it will continue to permit the narco-financiers to set the parity. Central Reserve Bank (BCR) president Jorge Chávez told the daily *Expreso* on Jan. 25 that the BCR "is not planning any change in its policy of non-intervention in the fluctuations of the exchange rate, because it firmly believes this will rise in accordance with market forces," the result of "a reduction in cocaine processing, which in turn will permit the substantial reduction of the flow of narco-dollars from the parallel market."

The way the price of coca is now setting the sol/dollar parity rate works as follows. An oversupply of narco-dol-

lars, which freely enter the banking system (since there is complete exchange and financial deregulation), combined with the fierce recession caused by the austerity demands of the International Monetary Fund (IMF), has caused the price of the dollar to fall. Since there is no exchange difference between the dollar that comes from the sale of Peruvian copper, for example, and that from sale of coca leaves or paste, the coca-dollars inundate the market, lowering the value of the dollar overall and consequently shrinking the income of Peruvian exporters.

The situation is aggravated by the monetarist policies of the BCR, which maintains only one-fourth of normal liquidity in the economy, supposedly to avoid a resurgence of inflation. Thus, the surfeit of dollars and deficit of Peruvian sols has shrunk the dollar to one-third of its real value, according to unofficial BCR sources.

Things have gotten so bad that important layers of the private sector are now denouncing the situation as untenable: "The government cannot place its confidence . . . in the free play of market forces . . . when it is risking the very survival of the majority of industrial companies," warned the National Society of Industries, in a statement published Jan. 27 in the daily *El Comercio*. The statement added: "The backward exchange rate not only strips our export sector of international competitiveness, but artificially cheapens imported products, to the detriment of national production. If one adds to this a restrictive

monetary policy, the recession will deepen."

On Jan. 29, in an article in the business daily *Gestión*, prominent Peruvian industrialist Gian Flavio Gerbolini charged that businesses were on the verge of bankruptcy, since "an exchange rate is established on the basis of the low parity of coca, and the legal [economy] is being told to operate on the basis of the resulting [dollar] price."

Some within the business community have not yet seen the handwriting on the wall, and are blindly convinced that one cannot have too many dollars—no matter the cost. Thus, the National Society of Exporters invited former Chilean Economics Minister Hernán Buchi to Lima, where on Jan. 29 he proposed that Peru dollarize its economy completely, as Panama has done, in order to achieve a "real parity." He urged that all contracts be redrawn in dollars and, of course, that wages be still further gouged to facilitate "competitiveness."

Although Buchi took care not to say so explicitly, his proposal implicitly calls for full and open legalization of the narco-dollar.

What Peru's business community has yet to come to grips with is the fact that their exports are falling because of the world depression, not because of an overvaluation of the sol, and that revaluing the dollar will accomplish little as long as there is no serious program to rebuild Peru's shattered physical economy—an approach which necessarily demands a break with the IMF.

In his article cited above, Gerbolini acknowledges that recession and neo-liberalism go hand in hand, and that the situation in the country will only worsen, "unless and until we free ourselves of an economic theory that subjects decision-making to an erroneous strategy."

German organizes American farmers

Helmut Eichinger is a farmer from Bavaria who supports Lyndon LaRouche and fights free trade.

Helmut Eichinger—who raises wheat, field corn, sugar beets, and bulls on a farm in Triffling near Regensburg in Bavaria, Germany—has been touring the American farm belt since Jan. 30 to forge an international movement to save family farms. Speaking for the Schiller Institute, Eichinger has addressed a variety of rural groups in Oklahoma, Arkansas, Kansas, and Nebraska—everywhere challenging his listeners to join a permanent organization to combat free trade.

Mr. Eichinger encourages listeners to do just as he has been doing around Regensburg. With his son driving the car, he and his wife have been working outward from his own area, visiting people who he believes will be receptive to the idea that it's worthwhile to mobilize for a policy which will save their own farms. Eichinger put great emphasis on the need to keep families together, since this is the only way not only to keep the farms going, but also to successfully organize others.

Eichinger's obvious maturity, in contrast to the "hotheads" who prevailed in the U.S. rural movement in the 1980s, is making an impression, as well as his insistence that the Schiller Institute is the only *international* organization capable of defending sovereignty. While some farm groups, for example, are strongly against GATT—the General Agreement on Tariffs and Trade, the global vehicle for free-trade looting—and are for a parity pricing system, they have been engaged in rear-guard actions, such as complaining that the

USDA calculates the cost of production for various farm goods too low by excluding many categories.

The German recounted how the cartels destroy agriculture by enforcing prices which are way too low. One big German meat concern, Moxel, was able to buy up huge amounts of pork in Germany's new eastern states, at only 85 pfennig for a kilo. Through the existing EC support mechanism, it got a government payback of 80 per kilo for the meat. Thus in effect, Moxel was able to sell the pork on the world market for only 5 pfennig, or about 3 cents a kilo!

He described the problems east German farmers are having in getting a start after having been enslaved by the Communist collectives for 40 years. Not only were the farmers deprived of their land, but over the 1950s they were forced to pay additional per-acre payments to the collectives, to pay for capital investments. Now, these farmers have to go to the courts in order to get their land and their money back. Meanwhile, the Bonn politicians are telling these farmers that they shouldn't bother trying, since after all, their farms will be too small to compete.

But as Eichinger strongly stresses, exactly the opposite is true: It will be the huge collectives-turned-cooperatives which are bound to go under because they are so poorly administered, whereas small private farms have the best chances of survival.

In many of the newly democratized countries, "model farms" are being set up, where many people come to see how it is possible to farm

profitably in their area. But in many cases, he said, the opposite is being achieved by not doing anything to stop the undercutting of prices by the international cartels. People come to see the model farms, try out their methods on their own farms, and then simply blame themselves when they are unable to survive. This only reinforces their tendency to give up farming altogether.

In an Arkansas meeting, one farmer said that he had been at the tractorcades, and big farm demonstrations in Washington in the early 1980s, and that nothing came of it. Eichinger strongly disagreed, saying that he recalls the television reports about those demonstrations; and that it would be a very good thing today if European farmers saw American farmers in motion again.

But Eichinger warned that demonstrations could be futile without a very firm set of demands in line with the proposals of Lyndon LaRouche—whose U.S. presidential candidacy he backs—for a parity pricing system for each sovereign nation. A case in point: A newly formed European Farmers' Association held tractor demonstrations simultaneously in nearly every big town in Europe last year, but only asked for a few hand-outs. The European Commission bureaucrats granted some additional funds in order to ease the high costs of food warehousing and storage. The cruel twist is that almost all of the storage is run by the cartels, not by private farmers. In effect the farmers had waged a successful campaign to put more money into the pockets of the giant cartels!

What is going on in GATT worldwide, Eichinger said, is occurring within the European Community in the small. The only way out is to change the ground-rules and get away from free trade.

Doing the bankers' bidding

The planned privatization of Petrobras is next on Collor's IMF agenda, but the protests are growing.

In lock-step with the Jan. 31 meeting of the International Monetary Fund's board of directors, which approved Brazil's letter of submission to that entity, the government of President Fernando Collor de Mello moved closer to imposing a full-scale monetarist dictatorship in that country by abruptly firing two high-level officials of the state oil company Petrobras.

Despite the state oil monopoly that exists by constitutional mandate, the government's *Official Daily* published a communiqué on Jan. 30 informing Petrobras directors Carlos Thadeu de Freitas and Mauricio Alvarenga that they had just lost their jobs due to their refusal to accept the government's policy of privatizing Petrobras. A euphoric *O Estado de São Paulo*, a mouthpiece for the country's ultra-liberal elite, celebrated the firings in its Jan. 31 editorial entitled "Oil Monopoly Takes a Hit."

Committed to ramming through the constitutional changes and Petrobras privatization that will favor the interests of Brazil's creditor banks, President Collor has gathered around him a coterie of like-minded men, among them, Infrastructure Minister João Santana, Strategic Affairs Secretary Pedro Paulo Leoni, and Eduardo Modiano, president of the National Bank of Economic and Social Development (BNDES) and head of Brazil's privatization program. Modiano is also the son of a prominent real estate speculator from Marseilles, France who made his fortune, so to speak, "overnight."

In a recent visit to New York on the invitation of David Rockefeller's Council of the Americas, Modiano began discussions with the banks over a planned seminar in March on the privatization of Brazil's petrochemical industry, to be held in Houston, Texas. At the same time, the president of Shell Oil in Brazil, Robert Broughton, announced that his company has already prepared a scenario in anticipation of the end of Brazil's state oil monopoly.

What these men hope to put in place in Brazil, on the model of Argentina and Mexico, is not only the privatization of this or that company, but the dismantling of each of the components of the sovereign nation-state which have guided the institutional life of the country since its founding as a republic in 1889.

A group of monetarist crazies from the Getulio Vargas Foundation, headed by its director, Citibank's Mario Henrique Simonsen, has been working on a project whose central thesis is that the modern world should be living under a system of limited national sovereignty, since the concept of sovereignty as once understood is now "obsolete."

As journalist Heraclio Salles characterized it in his column critical of the Collor government's actions in the Jan. 30 *Jornal do Brasil*: "We are immersed in a vast process of subversion of the institutions, led by the person [Collor] who is directly responsible for the social and political order of the country, insofar as he knows how to

guarantee the juridical order."

Such subversion has already prompted a reaction from the judiciary. Referring to the 147% hike in retirees' monthly stipends which was illegally suspended by executive decree in January, the director of the National Association of Federal Judges, José Ricardo Regueira, accused President Collor of attempting to install "a fascist regime. The government cannot do whatever it wants, ignoring the national Constitution." He added that the tripling of anti-government lawsuits under Collor's administration "is a total disaster."

There were similar reactions to the other recent presidential action that stunned the nation, when Collor de Mello demarcated a vast area for the Yanomami Indian reserve, without giving a thought to national security interests. On Jan. 30, a Rio de Janeiro court gave the go-ahead to a class action suit against the Yanomami demarcation.

That lawsuit, handled by noted lawyer Americo de Paula Chaves, will require President Collor and Justice Minister Jarbas Passarinho to respond to charges that they acted unconstitutionally. "The federal government threatens the public patrimony, placing national sovereignty at risk, with the demarcation of 9.4 million hectares of a territory continuous with Venezuela, pre-announcing the formation of a Yanomami nation," reads the lawsuit.

Although the U.S. State Department pretends not to notice the growing number of such protests, it is nonetheless anticipating the consequences. Anglo-American mouthpiece Francis Fukuyama told a conference in Mexico, according to the Argentine newspaper *Clarín* of Jan. 26, that he expected "the return of the authoritarian model." His principal concern was Brazil, he said, where "the democratic process is in trouble."

La Quina's revenge

The crisis in Pemex has led to foreign oil companies being invited into the country for the first time since 1938.

January 10 marked the third anniversary of the brutal kidnaping and incarceration of Joaquín Hernández Galicia ("La Quina"), the former head of Mexico's oil workers union. Despite his lengthy detention, the federal prosecutor's office has yet to prove La Quina's guilt for any of the crimes of which he has been accused. On the contrary, the union leader's legal defense has repeatedly demonstrated his innocence, forcing the prosecutor into a political bind.

Hernández Galicia is a political prisoner of the Carlos Salinas de Gortari government, and his innocence is not merely proven in court but also in what the government is doing to the state oil company Pemex (Petróleos Mexicanos) and to its workers, which La Quina would never have permitted. In fact, La Quina's jailing was President Salinas's first and most important act of obedience to the International Monetary Fund and Mexico's creditor banks, which were demanding the trade union leader's annihilation because of his leadership role in opposing IMF policies across the Mexican economy.

According to the Mexican Businessmen's Confederation, Coparmex, Pemex has laid off 130,000 workers since 1988. And, according to Sebastián Guzmán Cabrera—the current "leader" of the oil workers union, a PRI congressman, and a multimillionaire contractor for Pemex—35,000 more oil workers are slated for the block this year.

These mass layoffs, equivalent to 50% of the oil union's membership,

indicate the severe crisis into which this most important sector of the national economy has been plunged, thanks to President Salinas's policies. Entire areas are either semi-paralyzed or in a state of abandon. Oil wells continue to be exhausted, while Pemex has no policy to conduct its own oil exploration. Refineries are being shut down and dismantled, and there are accelerated imports of gasoline and other petroleum derivatives. Soon, foreign gas stations will be permitted on Mexican territory.

The situation in the petrochemical industry is as bad, or worse. In 1989, the government decreed that, of 34 basic petrochemical products, 15 would be classified as "secondary," permitting their privatization and takeover through foreign investment. Another such reclassification of 11 of the remaining 19 products is imminent. After three years of Salinas's government—or of La Quina's jailing—Pemex has been stripped of all but eight products considered "basic," and thereby immune (for now) to foreign takeover. The justification offered by certain energy officials is that the previous reclassifications "have not attracted enough investment."

The daily *El Financiero* recently threw some light on a surreptitious move by the Salinas government, when it published a communication by Mexico's trade department, "authorizing the registration of the foreign company Triton International, Inc. in the Public Registry of Property and Trade." The communication granted Triton permission "to provide

advisory services in the drilling of turnkey oil and/or gas wells." Triton is the first foreign oil company to be allowed into Mexico since 1938.

Pemex's administration, headed by Francisco Rojas, is in a state of financial and political chaos. According to Rojas, private investment opportunities in Mexican petrochemicals will be facilitated by renting out installations constructed by Pemex, which the renters will later pay for with money or products. However, according to the trade department communication, Triton's constructions in Mexico's oil fields will belong to Triton until such time as Pemex covers the Texas company's total costs. Until then, the Mexican state company will be renting from a foreign company on Mexican soil.

Pemex officials have anonymously reported that the state company has already exhausted its cost-reduction margins. Layoffs are reaching into the highest political and technical layers of the company, while investment requirements are growing in direct proportion to the exhaustion of once-productive wells now being worked into extinction.

EIR has learned of a secret offer by the Salinas government to La Quina, according to which he would accept full culpability for the charges against him, in exchange for the release from jail and restitution to their union posts of his closest collaborators, Salvador Barragán and José Sosa. La Quina has reportedly answered with a demand that the government first free him and return him to Ciudad Madero, Tamaulipas, the city from which he was kidnaped, where he would then consider relinquishing authority over the oil workers union.

If the reports are true, prison has broken neither La Quina's spirit nor his patriotism, something which his jailers would do well to remember.

Business Briefs

Fiscal Policy

20% of Britons didn't pay poll tax

British courts have issued liability orders against more than 7 million people for non-payment of Margaret Thatcher's hated poll tax, which has recently been repealed, the *Washington Times* reported Feb. 2. The tax has not been repealed retroactively, and the hunt for dodgers is expected to go on into the 21st century. The statute of limitations was extended from two to six years. The tax was so unpopular it contributed to Thatcher's fall from power.

The article gave a few examples of tax offenders: A 77-year-old disabled woman was jailed for failure to pay \$500. The prison officials were so outraged they raised the money to free her after one night. One man was jailed for two weeks for non-payment of \$70, and was the first person to go to debtors' prison since the 14th century for non-payment of a poll tax.

The article says, in fact, that Thatcher didn't learn her history—the last attempt at a poll tax was in 1381, and it sparked the Peasants' Revolt, the first great popular rebellion in English history.

Labor

Attack workers to raise 'competitiveness'

The *Wall Street Journal* cheered figures which showed that manufacturing unit labor costs in the United States declined 0.1% a year, each year from 1985 to 1990, in a front-page article Jan. 27. By contrast, manufacturing unit labor costs rose an annual average of 7.9% in Canada each year; 10.3% in Japan; 10.8% in Britain; 11.0% in France; 11.3% in South Korea; 14.3% in Italy; and 15.6% in Germany.

The result was, the *Journal* thinks, that whereas the United States had the most expensive labor force in the world at the beginning of the 1980s, by 1990 the manufacturing unit labor rate was \$14.77 an hour in the U.S., compared to \$15.23 in France; \$16.02 in Canada; \$21.53 in Germany; and \$21.86 in Nor-

way. Japan's per hour manufacturing labor cost was \$12.64.

The *Journal* then proclaimed, in bold type, "Further improvement in U.S. competitiveness would provide additional muscle for the economy's already strengthening export sector."

'Free Trade'

Canadian opposition grows to U.S. trade pact

The Canadian ambassador to Mexico has admitted that "free trade" with the United States has destroyed the Canadian economy. The ambassador, David Winfield, told the Mexican daily *Excelsior* that opposition to the North American Free Trade Agreement (NAFTA) was growing in Canada as the economic picture got worse and worse.

Winfield said that Canadian unemployment is at 10%, there has been a fall in purchases of domestically produced products, and a decline in investment. He said that the U.S. Congress was concerned that free trade represented "a reduction of sovereignty" and that this fear has led to a reduction of George Bush's popularity.

Russia

'Shock therapy' called big mistake

The biggest mistake of the Russian government was to adopt the "shock therapy" approach carried out in Poland and, to a lesser extent, Czechoslovakia, economists from the Vienna Institute for Comparative Economic Studies told the London *Independent* Jan. 28. Peter Havlik, the institute's deputy director, said that the situation in Russia is "completely different" than in the other two countries. He warned that the recent move to free prices without having other vital elements of economic reform in place "can only lead to chaos and political and social problems."

The second mistake was badly planned privatization, according to Havlik. Both Hun-

gary and Poland found that enterprises were promptly grabbed by their communist managers, and had to apply the brakes while new rules were agreed on. "In Russia, the same thing is happening: the *nomenklatura* is exploiting the general chaos and confused legal situation to get the best firms."

As a result of such mistakes, he stressed, a long period of instability, unrest, and possibly worse, looms in the former U.S.S.R. One of his colleagues forecasts "more riots, local wars, fights between mafias." Havlik asserts, "It will take a decade for these republics to achieve even halfway stable conditions for a market economy."

Environmentalism

Cousteau: Eliminate 350,000 people a day

"We must eliminate 350,000 people a day," world-famous seafarer Jacques Cousteau stated in an interview with the *Unesco Courier* in November 1991. The official U.N. magazine asked: "Some snakes, mosquitos, and other animal species pose threats or dangers for humankind. Can they be eliminated like the viruses that cause certain diseases?" To this Cousteau answered: "Getting rid of viruses is an admirable idea, but it raises enormous problems. In the first 1,400 years of the Christian era, population numbers were virtually stationary. Through epidemics, nature compensated for excess births by excess deaths.

"I talked about this problem with the director of the Egyptian Academy of Sciences. He told me that scientists were appalled to think that by the year 2080, the population of Egypt might reach 250 million.

"What should we do to eliminate suffering and disease? It's a wonderful idea but perhaps not altogether a beneficial one in the long run. If we try to implement it we may jeopardize the future of our species.

"It's terrible to have to say this. World population must be stabilized and to do that we must eliminate 350,000 people per day. This is so horrible to contemplate that we shouldn't even say it. But the general situation in which we are involved is lamentable."

Briefly

● **ITALY'S** birth rate is now the lowest in the world, the National Research Center reports. Italian women average 1.27 children, down from 1.29 in 1990. This is over 30% below the replacement rate (zero growth) of 2.1 children per woman in an industrialized country.

● **CANADIAN** exports to Mexico have fallen dramatically. In both 1989 and 1990, Canadian trade with Mexico had totaled roughly Can \$600 million, but dropped to Can \$372 million for the first 11 months of 1991. Mexican exports to Canada, meanwhile, skyrocketed from Can \$1.7 to Can \$2.27 billion.

● **LLOYD'S** of London losses for 1991 are projected at £1.12 billion (\$622 million) and the group might be forced to seek a large capital infusion, says Chatset, an independent analysis firm. Chatset forecasts that by 1994, Lloyd's will have lost a sum equivalent to the entire accumulated deposits of the membership.

● **PARIBAS** bank had an estimated net loss of about \$40 million for 1991, announced the bank's chairman André Levy-Lang at the end of January. This will be the banking group's first loss in history, and has prompted Moody's to put the bank under review.

● **LONRHO**, the London-based international trade giant, has lost its contract to distribute Volkswagen cars in the United Kingdom, according to a *Financial Times* report. The news knocked another £8 pounds (\$4.40) off a Lonrho share price already depressed by a slump in second-half profits and a cut in the dividend.

● **MOODY'S** has downgraded the giant Credit Suisse bank from its precious Aaa credit rating "and said the Aaa rating of Swiss Bank Corp. was also being reviewed for a possible downgrade," the *Financial Times* reported Jan. 29. "It is difficult to exaggerate the shock caused by Moody's announcement."

Energy

Give nuclear technology to Third World: Nakasone

There should be "no meddling in peaceful technology transfer" of nuclear energy to the Third World, former Japanese Prime Minister Yasuhiro Nakasone told the *Yomiuri News* Jan. 28. Nakasone proposed creating an international body to help monitor the destruction of nuclear weapons possessed by the former Soviet Republics and to keep tabs on the development of new arms, which would simultaneously ensure that no one would try to stop nuclear technological development for economic development using armaments as the excuse.

"In the eyes of all, Japan is a country possessing both the technology and financial capacity to push forward" with the creation of such a body, Nakasone said. "Japan should take the initiative in establishing a new inspection system."

"The control of nuclear weapons and establishment of an international verification body . . . are highly sensitive issues," he said, "which require walking a tightrope, because they may lead to . . . meddling in the transfer of technologies from the North to the South and interference in the use of plutonium for peaceful purposes."

Health

Urge emergency action on drug-resistant TB

The American Lung Association has urged Congress to take emergency action to prevent the spread of new, drug-resistant strains of tuberculosis. Describing the dangerous new strains as "out of control," the ALA asked Congress to appropriate \$91 million to combat the disease which once had been virtually wiped out.

Spokesmen for the association said that they fear the country is on the verge of "hysteria" over the spread of drug-resistant TB. "TB is back. Fear is already here, and hysteria is coming. This hysteria will make the irrational AIDS hysteria we all have had to deal with minor by comparison," said ALA president-

elect Dr. Lee Reichman.

Regular TB has a death rate of 50%, the new drug-resistant strain, 75%; yet the ALA seems to be more concerned about the public reaction than the death toll. "It is a real problem . . . but it is not a cause for panic," said ALA spokesman Diane Maples.

Poland

Supreme Court strikes down IMF program

The Polish Supreme Court ruled Jan. 29 that the government's freeze on cost-of-living salary increases for 2.5 million public sector employees was a violation of their basic constitutional rights. The freeze, imposed at the beginning of the third quarter of 1991, has led to a 30% drop in income for employees of the public sector.

In reaction, Elzbieta Suchocka, the head of the budget office at the Polish Finance Ministry, said the court ruling would have "catastrophic consequences" and undermine the present government's course of fiscal austerity.

Compensating the public sector for the income losses since last July would require an additional 3 billion zlotys, increase the government's budget by exactly that sum, and overturn the entire austerity package negotiated with the International Monetary Fund (IMF).

Meanwhile, the continued decline of industrial output in Poland under the IMF program will push the jobless rate close to 20% this year, forecasts the Swiss *Neue Zürcher Zeitung* daily. In 1991, industrial production fell by 14.2%, as compared to 1990; sectors affected most are electrical machinery, down 26.1%; steel and iron, down 22.4%; and transportation, down 24.7%. Exports dropped by 6.5% and imports increased by 34.4%, while the inflation rate was 60.4%.

The jobless rate reached 11.4% (2.16 million workers), with unemployment higher than 17% in six of 49 districts. Official forecasts expect a jobless rate of close to 20% by the end of this year, which would mean between 3.0 and 3.5 million people out of work.

The real crimes of China's Zhao Ziyang

by Michael O. Billington

It was an understandable shock for millions of people when Henry Kissinger went on national television within hours of the bloody massacre broadcast live throughout the world from Tiananmen Square in June 1989, calling for maintaining full support for the butcher Deng Xiaoping. A year later it was learned that President Bush had dispatched Kissinger's two employees, Lawrence Eagleburger and Brent Scowcroft, within days of the crackdown, as official but secret emissaries to toast Deng Xiaoping for a job well done.

This should not have surprised anyone who knew the actual history of how Kissinger and Bush "opened up" China to the West, starting with Kissinger's secret diplomacy in 1971. Kissinger and his British allies were interested in bringing neither democracy nor economic development to the one-fifth of humanity enslaved by Maoist dictatorship. Rather, as with the colonial powers in the nineteenth century, they wanted only to "open up" access to China's cheap labor and raw materials (best maintained by keeping the population backward), while gaining whatever strategic advantage they could from the immoral relationship. If such access was facilitated by supporting continued police-state rule in China, then so be it.

Similarly, any attempt to truly develop the agricultural and industrial infrastructure of the nation was discouraged, Kissinger's bosses not wishing to see the emergence of another, larger, Japan in Asia. Already in the early 1980s, long before the collapse of the Soviet bloc, the Anglo-Americans were labeling their traditional allies in Asia (Japan, South Korea, Taiwan) as "economic enemies," adopting the old British balance-of-power policy that any nation which became strong was implicitly a threat which had to be defeated.

This report will demonstrate how a "recolonization" process has been carried out against China, not without some success. It will demonstrate that when the Chinese people, despite the U.S. support for Mao and his murderous Cultural Revolution, succeeded in overthrowing Mao and the fanatics around him, there



Zhao Ziyang functioned as a malleable tool of the Anglo-American oligarchy's campaign to open up China for looting. Henry Kissinger (left), David Rockefeller, and Samuel Huntington (right), all of the Trilateral Commission. Kissinger opened the diplomatic channels to China; Rockefeller provided the "free market" fraud; and Huntington provided the political theory for repression.

was a chance for China to discard the Communist Party tyranny altogether. With Kissinger's backing, this effort was thwarted, as Deng Xiaoping's iron fist crushed every whisper of freedom and every effort at real development since that time, while "opening up" China to looting by the U.S. and British banking circles. It will show that Deng Xiaoping disposed of the only reform leader who believed in the development of the people and the economic infrastructure of the nation, Hu Yaobang, in favor of a reformer who functioned as a malleable tool of the bankrupt Anglo-American financial oligarchy, Zhao Ziyang.

The Cultural Revolution

The horror of the Cultural Revolution did not end until after the passing of the hated "Great Helmsman" Mao Zedong. The 10-year nightmare between 1966 and 1976 left millions dead, the collapse of much of the already sparse economic infrastructure, a generation of young adults who had been deprived of their education, and the total discrediting of the Communist Party. The worst effects, however, were not so easily measured. In the words of the director of the Shanghai Conservatory of Music from the poignant documentary film of violinist Isaac Stern's 1979 tour of China: "Ten of our teachers died by suicide because they couldn't stand the humiliation and torture, especially the torture of the mind and the humiliation. Of course we were beaten, we were kicked and beaten in many ways, but, I think, that's all right compared with the humiliation. We were treated as

criminals because we taught them western music."

It was in the middle of this holocaust, in 1971, that Henry Kissinger, functioning as a self-professed asset of British diplomacy, maneuvered the United States into establishing relations with Mao's regime. As we shall see, this included holding up the Maoist police state as the ideal for emulation by other Third World nations. George Bush was one of the first official U.S. emissaries to Beijing, in the midst of the Cultural Revolution, and still considers the butchers his "old friends."

The 'Beijing Spring' after Mao's death

The period between Mao's death in 1976 and early 1979 became known as the "Beijing Spring." Although factional fighting was intense in the battle for succession, the attempt of the Maoist fanatics to hold power without the protection of the would-be emperor was doomed. His chosen successor, Hua Guofeng, expressed the total bankruptcy of morality and ideas among that faction by his infamous slogan for "Two Whatevers": "Resolutely defend whatever policies Chairman Mao has formulated, and unswervingly adhere to whatever instructions Chairman Mao has issued." With Mao dead and the "Gang of Four," who carried out the holocaust in his name, arrested and imprisoned, such mindlessness could not survive. Deng Xiaoping, who had been targeted and imprisoned twice during the Cultural Revolution, took the leadership and commenced what has been called "the reform" in 1979.

However, Deng quickly showed that his commitment to reform did not extend to challenging the dictatorship and mind control of the Communist Party. Between 1976 and 1978, revolutionary forces were unleashed both within the party structure itself and in the population as a whole—especially among the ex-Red Guard youths who were coming to terms with the insanity of the previous years and their own role in it. Deng was tolerant of these forces only until he had consolidated his power—which occurred at the party plenum of December 1978. As we shall see, he immediately moved to crush the Beijing Spring, both in the streets and in the political structure.

Wei Jingsheng, a nation's conscience

The exuberance that characterized the explosion of free ideas following the lifting of the Maoist fog was mixed with horror at the recognition of what had been done to China. At every level of the population, as some normalcy returned to everyday life, people had to answer the question of what had reduced the Chinese to such a state of barbarism, apparently self-inflicted. The most profound spokesman to emerge from this ferment was Wei Jingsheng, who has rotted in the Chinese Gulag ever since Deng's 1979 crushing of the Beijing Spring. Wei had been a Red Guard, waving the *Little Red Book* and denouncing anyone in authority along with the rest of the mob. But he, like many others, came to see the utter impoverishment of his country in the course of his travels during those years of madness, and thus to recognize that this could not be due merely to "capitalist roaders and class enemies who had found their way into the leadership of the Communist Party," as they were told. During one of these trips he saw the starving peasantry and heard accounts of peasants reduced to cannibalism, eating each other's dying children in order to survive. Wei reflected: "Poor kids! And their parents were even more pitiful. Who made them do this? Who made them send their kids to others as food? Who made them taste the flesh of these innocent children together with the tears and sorrows of their parents? At this time I realized the killer was Mao Zedong. . . . It was he and his followers who used their vicious policies to force the starved and mad parents to eat exchanged children. It was Mao's 'Great Leap Forward' that forced thousands of starved and mad farmers to kill their companions with hoes and eat their flesh. Those people were not the killers; the real killers were Mao and his followers."

This truth reflected the famous argument of Mencius (fourth century B.C.), who asked: "Is there any difference between killing a man with a sword and with the style of government?"

As to the hope that Deng would bring freedom, Wei had no illusions: "If newspapers and the radio have now stopped bashing our ears with their deafening propaganda catchwords on the theme of 'class struggle,' it is partly because this was the magic abracadabra of the 'Gang of Four.' But mostly

because the masses were fed up with it; you cannot make people march any more to that tune. . . . After having suffered this regime with considerable fortitude for 30 years, the people eventually understood, like the monkey who attempts to grasp the Moon, they were condemned to remain forever empty-handed. That was why, as soon as Vice Chairman Deng launched his new program, 'Back to Reality,' the masses supported him with enthusiasm, showing their approval with a voice as formidable as the roaring of the ocean. Everyone expected that Deng, applying his famous principle 'to reach truth from facts,' would submit the recent past to critical investigation, and that he would lead the people toward a worthy future. . . . After that, alas, our odious political system was not amended in the slightest. As for the freedom and democracy that people expected, even the very words cannot be mentioned."

Democracy: Wei's 'fifth modernization'

Wei is best remembered for his famous big character poster placed on the "Democracy Wall" at the height of the Beijing Spring in December 1978, called "The Fifth Modernization" (see accompanying article). Deng Xiaoping repeatedly posed the noble goal of modernization in four areas: agriculture, industry, science and technology, and military defense. Wei expressed the historically demonstrable fact that such progress is impossible in a society where the minds of the citizens are enslaved: "We do not want to be mere tools in the hands of despots with expansionist ambitions, who wish to use us to carry out a modernization geared to their own advantage. The only reason we want to achieve modernization is to ensure democracy, freedom, and happiness for all the people. Without this 'fifth modernization' [democracy], all the other modernizations are nothing but lies. . . . Without democracy, society would sink into a stage of stagnation, and economic growth would encounter insuperable obstacles. . . . Without this preliminary condition, it would not only be impossible to achieve any progress, but it would even be difficult merely to preserve the achievements obtained at a given level of development. The best evidence is provided by the situation to which our great country has been reduced after these last 30 years."

Kissinger's role

These public pronouncements earned Wei Jingsheng the horror of 15 years of psychological and physical torture in a Chinese prison for the crime of "counter-revolution," and thereby the honor of becoming the first crucial martyr of the Deng era. He still sits today in the Chinese Gulag. Some of the other leaders of the Beijing Spring, despite persecution, remained at the center of subsequent efforts to rebuild the Democracy Movement, leading eventually to the Tiananmen demonstrations of 1989. It was a letter from intellectuals and others to the government in early 1989 asking for a pardon for Wei, and Deng's refusal to consider it, that helped galva-

nize the students to confront the tyranny head on.

These are the people about whom Kissinger spoke on the day after the massacre: "The turmoil in China cannot be easily encompassed in simple slogans like 'Democracy Against Dictatorship.' Given China's history and culture, democracy is unlikely to have the same meaning in Beijing as in Washington." Kissinger lied, in 1989, as he had in 1979, that "Deng's policy has been, and will continue to be, in the interest of the United States. . . . China must not fall out of its balance, otherwise there is the danger of its population tending toward extremes." This "balance" Kissinger so urgently defends, the dictatorship of the Communist Party, must be defended with no pangs of emotion or morality, he said. Denouncing those who responded "emotionally" to the murder of the cream of China's youth, Kissinger wrote in a syndicated column on June 4, 1989: "For Americans it is important to keep in mind that the opening of China . . . took place during Mao's China, for which morally and politically we felt no affinity whatsoever." Again, as we shall see, that while admitting the immorality of the U.S. policy towards China, he lied when he claimed no affinity with Mao's methods.

Hu Yaobang becomes general secretary

The effort to build a movement to end the dictatorship and create conditions for true economic and social progress was in fact close to realization in 1978 and 1979. Not all of those who were in leadership positions in the Communist Party were oblivious to the fact that the totalitarian form of government itself was the root cause of the holocaust of the Cultural Revolution, nor unaware that an enslaved citizenry cannot sustain real progress. Hu Yaobang, head of the Communist Party and next in line to succeed Deng Xiaoping until his removal from power in 1987, was a figure who (unlike Deng) was opposed to the concentration of power in the hands of a few. Although he repeatedly backed down and compromised in confrontations with Deng, he nonetheless provided a voice and protection to those who believed that democracy and progress were more important than the Maoist or Leninist dogma. He provided a considerable buffer for the intellectuals with the courage to speak out during the 1980s—in fact, his ouster as general secretary of the Communist Party in 1987 came simultaneously with the purge of three outspoken journalists and political opponents of the Deng regime.

It was Hu's death on April 15, 1989, and the funeral rallies, which sparked the revolutionary outpouring of student and worker resistance to Deng and his henchmen that spring.

Hu took a fundamentally opposite view of man from the Deng leadership. He insisted that education was primary, that each citizen had the right and the necessity to develop his intellect. In this regard he argued against throwing the country open to vast labor-intensive projects to earn quick

money at the expense of the in-depth development of the nation as a whole, including especially the educational development of the capacities of the entire work force. He developed a close working relationship with the Japanese and to a lesser extent with Europe, but he maintained a distance from the radical free trade ideologues from the United States and Britain, and refused to visit the United States. He also distrusted the growing "condominium" arrangement between the U.S. and the Soviets.

Despite his compromises with Deng, he maintained a close relationship with the people. More than any other leader, he traveled regularly and widely throughout China, visiting 1,500 of the 2,000 counties in that vast country.

Hu Yaobang had risen to leadership as head of the Youth League in the 1950s. During the holocaust which began in 1966, he spent two and a half years in the "cow shed," a term which referred to the incarceration of those condemned as "monsters and demons" by the Red Guards. Following two more years at manual labor, he spent three years recuperating from a severe illness, during which time he intensely studied the ancient Chinese classics and reflected on his country's fit of bloody madness. Both he and Deng Xiaoping were rehabilitated in 1973, only to be purged again in 1976 until after Mao's death and the arrest of the Gang of Four later that year.

Hu gathered around him a group of young intellectuals and scientists. After his first rehabilitation, he prepared a report on the work of the Chinese Academy of Science which defended education against the insane closure of the universities imposed by the Maoists. "The Dictatorship of the Proletariat does not apply to science and technology," he said. He argued that "practice is the *only* criterion for truth" in his battle with the "Two Whatevers" idiocy of Mao's defenders. When it was argued that the reversals of the Cultural Revolution could not go so far as to directly contradict Mao himself, Hu countered with his own slogan, the "Two Regardlesses": "All that is not true and all that is wrongly concluded and wrongly handled must be corrected according to facts, regardless of when and under what circumstances it was done, and regardless of which persons at what levels did it."

After the final demise of the Gang of Four, he took responsibility for an attempt to eliminate every remnant of the Cultural Revolution. In 1978 he said: "There are more than 10 million cadres and ordinary people who need to be vindicated and rehabilitated. The corpses of some have long since turned to dust, but they have not yet been cleared of their alleged crimes as spies or special agents. Their families still bear this burden." Deng was ambivalent about pursuing the rehabilitation process too fast and too far, but Hu nonetheless hired 1,000 cadres to spread out across the nation to reverse every false judgment.

Perhaps most important, Hu supported a series of articles and publications which called for democracy as an essential precondition for the Four Modernizations, even before Wei

The staggering economic backwardness in this recent photo taken immediately outside Canton contrasts with the glitter of the foreign enclaves in the Special Economic Zones. Inset: Pavilion built for a 1980 Chinese trade exhibit in New York to push the process industry approach to the SEZs.



Leni Rubinstein



Jingsheng's famous call for the "Fifth Modernization."

Ruan Ming, a close associate of Hu Yaobang now in exile in the United States, in discussions with Harvard historian Merle Goldman and others, has described a series of extraordinary developments surrounding a "Theory Conference" held between January and April 1979 under Hu's sponsorship. As late as December 1978, at the closing session of the famous Third Plenum that marked the beginning of the period of "reform," Deng Xiaoping had expressed his ostensible belief in the need for some democracy: "Democracy has to be institutionalized and written into law, so as to make sure that institutions and laws do not change whenever the leadership changes or whenever the leaders change their views or shift the focus of their attention." Hu and his associates had been called on to write the communiqué of the plenum which launched the reform. With this backing, Hu called a Theory Conference with great hopes of dramatic changes in China.

Although Hu apparently never met with Wei Jingsheng, he did meet with others from the Beijing Spring movement, and had gone to the Democracy Wall to read the posters. The "Fifth Modernization" theme, that without democracy, modernization was impossible, was widely presented and discussed at the first part of the 1979 Theory Conference (preceding a break in the conference for the Spring Festival in February). The Cultural Revolution was described by some speakers as a fascist dictatorship, and the roots of that fascism were traced back to the 1950s. Even Deng's speech from this first half of the conference said that democracy had not been realized in any socialist society, and that "we should develop the good points of the bourgeoisie in this respect." He even praised the role of elective systems in the West, although his intent was clear in his conclusion that "we should find a way to let people *feel* that they are the masters of the country."

Deng Xiaoping strikes

Despite public declarations that the freedom to speak out was assured under Deng's slogan "Back to Reality," the Chinese lived in constant trepidation that there would be a repetition of the infamous Maoist ploy in 1956 which went under the slogan: "Let a hundred flowers bloom, a hundred schools of thought contend." At that time, after a year of encouraging freedom of criticism, Mao launched the "anti-rightist" campaign: Having entrapped almost anyone with a brain into speaking out, he purged or imprisoned them all. Mao compared his "cleverness" to luring snakes out of their holes.

The days and weeks following the Spring Festival break in the Theory Conference saw Deng unleash a similar reaction. During the break, Deng visited the United States and met with the Trilateral Commission team running the Carter administration, headed by National Security Adviser Zbigniew Brzezinski. The dominant theme of U.S. policy at that time was the geopolitical "China card"—a British-modeled balance-of-power scheme intended to use China against Soviet interests in Asia at the same time that a "condominium" was constructed among the U.S., the U.S.S.R., and China.

Within two weeks of Deng's return to China, he launched an invasion into Soviet-backed Vietnam, which had occupied Cambodia the previous month and removed the Chinese-backed Khmer Rouge regime from power. The Khmer Rouge reign had been essentially a Cambodian version of Mao's genocidal Cultural Revolution, in which any sign of intelligence or independent thought was punished by torture or death. The Chinese invasion of Vietnam created a situation where any domestic criticism of the Khmer Rouge "version" of the Cultural Revolution could be treated as treason in a time of war.

Wei Jingsheng was suddenly arrested, under the pretense of his opposition to the invasion. His trial six months later simply accused him of the "crime" of being opposed to dictatorship. His refusal to plead guilt to any crime resulted in the bestial 15-year sentence.

Meanwhile, Deng also plotted to destroy the movement emerging from Hu's Theory Conference. He packed the second half of the conference with conservative forces—those who were to become called the "hardline" faction—and had a speech prepared for him that launched a new "anti-rightist" campaign. He announced the bombastic "Four Cardinal Principles"—keep to the socialist road, dictatorship of the proletariat, leadership of the Communist Party, and uphold Marxism, Leninism, Mao Zedong Thought—making clear that there would be no "Fifth Modernization" under Deng Xiaoping.

Hu Yaobang made no public effort to counter this. According to his associates now in exile, he believed that he had no power base to resist Deng, neither over the "Four Cardinal Principles" nor over the wretched treatment of Wei Jingsheng and other dissidents. In later years, when hardliners demanded the purge of his close collaborators, he would resist, but only until the top leaders (either Deng or Chen Yun, the leader of the "hardline" or "leftist" faction) got involved, at which point he claimed powerlessness to resist without losing his own position. Ultimately Hu's power base was undermined by this step-by-step process, leading to his own loss of power in 1987.

Zhao Ziyang, the New Age tool

A crucial, previously untold aspect of the defeat of Hu Yaobang's policies was the Anglo-American role in the sponsorship of Zhao Ziyang, who had emerged as the darling of the New Age, free trade, post-industrial society gurus in the United States and Britain. Exposing this fact today is crucial to the effort to replace the communist regime, which continues to implement Zhao's program despite the fact that Zhao has been removed from power. It is even more crucial in preventing the destruction of any potential post-Communist Chinese state by the "shock therapy" tactics of the free-traders, as is now happening to the emerging free nations of eastern Europe under the direction of the Bush administration and IMF economists. In fact, as we shall see, the same people who used their control of Zhao Ziyang to destroy any chance for a successful transformation in China are now in the forefront of the "shock therapy" destruction of eastern Europe, intent on preventing the emergence of a strong Eurasian-wide economic alliance.

The United States established official relations with China on Jan. 1, 1979. The first U.S. ambassador to China arrived on March 1, 1979, just two weeks after the Chinese invasion of Vietnam, the arrest of Democracy Wall leader Wei Jingsheng, and Deng Xiaoping's crushing of the potential democrats among the elite. As with Kissinger's first trips

to China in 1971 and his later support for the Tiananmen massacre, the United States responded to acts of police state tyranny with diplomatic rewards.

Zhao Ziyang rapidly emerged as the spokesman for the "free trade" lie that the only alternative to the failure of the Marxist centrally controlled economy was to throw open the nation to unregulated free trade—leaving room for discussion only on how fast this should be done. Hu Yaobang and a group of his collaborators explicitly opposed this policy, insisting that the Japanese model of directing credit into the development of agricultural and industrial infrastructure was necessary to assure the development of the physical economy and the uplifting of the population.

The first test between these two opposite approaches to reform developed over the creation of the Special Economic Zones (SEZs) in 1979. While both Hu and Zhao supported the creation of these zones, they disagreed as to their purpose and their structure. Originally, the zones were to be called "Special Zones for Export," which would encourage foreign investments in Chinese industry and facilitate expanding exports. Hu Yaobang also intended for the zones to function as experiments in democratic political structures. But by 1980, after Deng's crushing of the Beijing Spring, the name was changed to "Special Economic Zones," and all discussion of political freedoms was cut off.

On economic policy, Hu warned that the zones could easily become a revival of the old nineteenth-century colonial concessions if they were not used as a locomotive for developing China's own domestic industrial capacity. He denounced what he called the "two ends outside," referring to industries which imported raw materials and semi-finished goods from "outside" the country and merely processed them into exports, returning the product to the "outside." This, he warned, would simply utilize the cheap labor of a desperate Chinese population, without improving either the population or the national economy in the long run. The fact that these zones were set up in four of the same locations where the British had their opium-trading "concessions" in the nineteenth century contributed to the sense of potential disaster.

His warnings have proven all too accurate. Initially, the reform brought considerable relief from the economic collapse of the Cultural Revolution years, primarily due to the termination of the disastrous communalization of agriculture. Allowing the peasantry to run their own farms and raising the price paid to the farmers for their produce led to a rapid increase in grain production and an easing of the extreme destitution of the peasantry. But by 1984, the government had ended the special investments in agriculture, diverting more and more funds to facilitate the needs of the growing process industries in the special zones. These zones, like colonial Shanghai, were boom towns for fast money, cheap labor, drugs, and a new, relatively rich elite, while the rest of the country stagnated and then fell back. Today the aging basic industry sector is bankrupt, the infrastructure in



Hu Yaobang, former Communist Party general secretary, in the official photo issued after his death on April 15, 1989. Hu believed in liberating the creative powers of the population. The outpouring of popular sentiment around his funeral led to the democracy strikes in Tiananmen Square so brutally crushed on June 4.

water, energy, and transportation has collapsed, the peasantry is increasingly marginalized, and well over 100 million redundant rural workers wander the country in search of subsistence—while the booming free trade zones are held up as proof of a successful economy!

Alvin Toffler's kookery

This was precisely what Deng Xiaoping and Zhao Ziyang's western backers intended. Perhaps the most revealing western influence on Zhao is that of Alvin Toffler, the popular cult "futurologist," author of *Future Shock* and *Third Wave*. Toffler is an unabashed advocate of the "post-industrial society," using pseudo-scientific jargon about the "information age" and technetronic society to justify the collapse of industrial society, and the death of millions of human beings that must accompany that collapse.

Zhao had Toffler's book *Third Wave* translated into Chinese and circulated to his associates and student followers. The book argues that the first wave was agricultural society, the second, industrial society, and the emerging third wave is the post-industrial services and information age. China, Toffler argues, is in the fortunate position of getting into the third wave without needing to pass through the industrial age, since the "pollution-belching smokestacks that the socialist world has made its first priority now represent the 'reactionary' past." Toffler describes industrial production and large infrastructure projects as "backward elements, when compared with the third wave, post-smokestack production systems that are now possible."

This mindless New Age apology for the collapse of investment in the physical economy was part of the popular cover for the 1980s binge of speculative looting in the United States, led by the junk bond boom and similar "post-industrial" swindles, creating the current depression. In China, it created a "theoretical" justification for scrapping any plans for achieving long-term development in favor of cheap-labor process industries which produced quick loot for investors. A *New Republic* puff piece on Toffler in China said: "Toffler assures the reformers that it's OK for Third Wavers to skip the Second Wave (industrialization) and to be making apparently only First Wave (agricultural) progress. The changes involved in the Third Wave, he says, 'actually resemble First Wave conditions: dispersion of the population out of the cities; more work in the home; small-scale production; linking rural development to high technology.'"

Zhao Ziyang not only bought this nonsense—he fought for it. When the conservatives attacked the Toffler book as "spiritual pollution," Zhao called together a conference of scientists and party leaders to force the issue. He won, and the book was subsequently published for mass distribution, becoming a bestseller. The *New Republic* claims that the book was the bible for the young economists around Zhao, who formulated the policies for the Special Economic Zones approach. The think tanks manned by Zhao's young followers, such as the Institute of Marxism-Leninism-Mao Zedong Thought, were rabid supporters of Toffler, Daniel Bell, Ilya Prigogine, and others of the systems analysis and information theory proponents tracing back to the Frankfurt School.

Hu offers a different approach

Hu Yaobang responded by circulating another book with the opposite approach: *Japan's Decisive Century, 1867-1967*, written by Japan's first postwar prime minister, Shigeru Yoshida, a collaborator of Gen. Douglas MacArthur. Hu pointed especially to the emphasis on education, to the need to educate the population if any process of development were to be achieved, rather than exploiting only the unskilled brute powers of a backward population.

Yoshida directly compared the post-World War II economic recovery in Japan with the late nineteenth-century Meiji period, when Japan rapidly adopted western technology and emerged from feudalism as a major world power in a few decades. Hu pointed to Yoshida's emphasis on education, with "equal opportunity to all," as crucial to Japan's success, both in the Meiji period and after the defeat in the Pacific War. Yoshida also insisted that the progress in the Meiji period was only possible "because it stood on a firm foundation inherited from the past. For example, the well-developed virtues of hard work and frugality were the legacies of Confucianism."

He even argued that the breakdown of the development process that led to the eventual degeneracy into an imperialist military regime was due precisely to the failure to maintain

the moral traditions associated with Confucianism.

Economically, Yoshida insisted that the relaxation of regulations and controls was only possible after the application of “technological innovation . . . through increased investment in equipment, which would, in turn, raise productivity and increase the competitive power of Japan’s exports.” This technology-driven advance of productivity is the opposite of the cheap-labor policy of the special zones.

Yoshida insisted that while the foundation of an economy was still weak, that it must “ensure that only those items that could be regarded as essential to the country’s rehabilitation would be imported.” Again, the “two outsides” policy of process industries followed the exact opposite approach.

Hu argued that these policies were essential to China’s successful modernization, and that the Chinese people were fully capable of such a transformation. He also concurred with Yoshida that a large and densely concentrated population “no longer constituted a problem—provided it represented an efficient labor force.”

“Reformer” Zhao Ziyang and the hardline Marxists shared the opposite view of the work force, which looked only to the value that could be extracted from the available bodies. They were backed up in this bestial view by the western monetarists who were pushing the “free trade” line. In May of 1981, David Rockefeller chaired an international conference of the Trilateral Commission held in Beijing. At that meeting, Chase Manhattan Bank’s chief, William C. Butcher, told Xinhua News Agency that China’s reform would only succeed if they rejected large industry or great development projects in favor of labor intensive production. Heavy industry and infrastructure, he said, “take two great things, a great deal of energy and a great deal of money, neither of which are abundant in China.”

The two opposite approaches to reform in China thus became identified with the Japanese method on the one hand and the Anglo-American free trade policies on the other. It is ironic that the Japanese economy had developed through the conscious application of the policies once known as the American System of Political Economy, as developed by Alexander Hamilton and his followers, while the policies pursued today by the U.S. are exactly the opposite: the colonial policies of “free trade” associated with Adam Smith and British imperialism, against which the United States fought a successful revolution!

Hu Yaobang is removed

To a great extent, Hu Yaobang was identified in the minds of the Chinese, more so than Deng Xiaoping, as the person who overturned the policies of the Cultural Revolution. It was therefore not a simple matter to purge him, since neither the majority of party leaders nor the population would tolerate any return to those dark days. His removal from the top leadership was accomplished only by slowly destroying his base of support, then moving unconstitutionally (there is a

Constitution in China which is maintained for display purposes) to remove him from office. Although he was officially next in line to Deng, and supposedly enjoyed Deng’s official support, the more traditional Marxists, led by Chen Yun, had obtained Deng’s agreement at each step as they removed each of Hu’s supporters, then dumped Hu himself. Between 1983 and 1987, leaders within the Communist Party Academy, the Ministry of Culture, and the newspaper *People’s Daily*, all supporters of Hu, were forced out of office.

It is important to note here Hu Yaobang’s role in bringing the world’s highest level of culture into China after the holocaust of the Cultural Revolution. The Ministry of Culture, under Hu’s influence and often with Hu’s personal involvement, invited the world’s greatest classical music artists to tour and teach in China. Throngs of eager Chinese filled the halls, even for rehearsals, as the freedom to participate in the creation of beauty was restored. It is exemplary of his character that when Prime Minister Nakasone visited China, Hu invited him to his home, where his daughter played Mozart on the piano for their Japanese guest.

When the first major student demonstrations since 1979 broke out in 1986 and 1987, the crisis was used to call a meeting of the elder statesmen, who demanded Hu’s resignation. This directly contradicted the methods prescribed in the Constitution for removing officials from office. In fact, Hu was partially responsible for the demonstrations, in the sense that he believed that public demonstrations were essential as a means of preventing the reemergence of Maoist style tyranny.

Zhao Ziyang, his supposed “fellow reformer,” encouraged the purge, complaining that Hu was interfering with his push for shock therapy economic policies!

Hu remained a Politburo member, but was essentially powerless. When he died suddenly in the spring of 1989, his death intersected a mounting rage in the population over the intensifying repression and the collapsing economy. The students remembered Hu as the only leader who believed that individual freedom was essential for development, just as Wei Jingsheng had demanded democracy as the Fifth Modernization. Students and intellectuals had at that time launched a new effort to have Wei Jingsheng released, after 10 years of torture in Chinese prisons. Thus Hu’s funeral served as a catalyst for the heroic mass demonstrations in Tiananmen Square which have irreversibly changed history.

It is well known that when the demonstrations were crushed on June 4, Zhao Ziyang was generally held responsible for the “counter-revolution,” and removed from office. It is true that Zhao refused to support the original declaration of martial law preceding the crackdown (which had labeled the students as counter-revolutionary), much to his credit. This is considered by the regime to be Zhao’s “crime,” although he has not been officially charged, because his economic policies and his connections in the West are still supported by the regime. In fact, these economic policies and



Zhao Ziyang (right) speaking with Hua Guofeng in 1980, shortly after the 1976-79 "Beijing Spring" ended.

connections in the West constitute his real crimes. Were Zhao's policies to dominate a post-Deng regime, or after a Soviet-style collapse of the Chinese Communist Party, the result would be a disaster, of the sort which has begun to unfold in Poland and threatens civil war and chaos in the former Soviet Union, under the Anglo-American "shock therapy" and free trade policies.

This is further demonstrated by Zhao's embrace of the most extreme of the "shock therapy" gurus during the period between Hu Yaobang's fall in 1987 and the Tiananmen events in 1989.

Zhao's 'New Authoritarianism'

Zhao began to advocate a policy he termed the "New Authoritarianism," which argued that in the process of transforming an undeveloped country into a modern one, it would be necessary to forgo democratic freedoms and rights in order to provide the government with adequate authority to push through the often painful reforms. To justify this blatant defense of dictatorship he referred to the eminent U.S. source of the proposal: the Trilateral Commission's Samuel P. Huntington. Huntington had authored a book, entitled *Political Order in Changing Societies*. Zhao lifted the idea of a "New Authoritarianism" from the book, with a view to implementing "marketization under dictatorial auspices," in the words of one historian.

Huntington not only defended dictatorship in the Third World as a means of enforcing debt collection, but was infamous as the sponsor of the proposal for a suspension of the

Constitution in the United States, in favor of a form of fascism. In the Trilateral Commission's 1974 *The Crisis of Democracy*, Huntington wrote that the United States had allowed a decline in governmental authority due to the "separation of powers" doctrine of the U. S. Constitution, which "provides a variety of points of access to governmental decision-making for economic interest groups," such as business, farm, and labor organizations. This had to be eliminated, Huntington wrote. Because an economic crisis was emerging in the West, he argued, the "excess of democracy" meant that "the government will not possess the authority to command the resources and the sacrifices necessary to meet that threat." His proposal was labeled "fascism with a democratic face" by Lyndon LaRouche.

Zhao had Huntington's books translated and circulated widely, and the "New Authoritarianism" became a subject for general discussion. Hu Yaobang's close collaborator Ruan Ming, who had been one of the first purged for precisely his opposition to such policies, confronted Huntington on this issue years later at Harvard. Huntington weakly claimed he hadn't intended it to apply to China!

Milton Friedman's totalitarianism

The other leading advocates of "free trade" were no less open in their support for the continued strongarm methods of the Communist Party under Deng Xiaoping and Zhao Ziyang. Milton Friedman repeatedly visited China from 1981 through 1989, receiving various honors and broad circulation of his books in Chinese. His preference for the colonial days-of-old was apparent in his adulation of the British colony of Hong Kong as the perfect model of free enterprise, with no government intervention on the free flow of drug money, and no bothersome constitutional rights of the citizenry to worry about. In his meetings, including a well-publicized two-hour interview with Zhao in September 1988, "Chinese Milton" (as he was dubbed by his friends at William Buckley's *National Review*) proposed the idea of recreating the Hong Kong experience all over China. This in fact became Deng Xiaoping's slogan in expanding the Special Zones along the coast: "Build many Hong Kongs."

After the 1988 meeting with Zhao Ziyang, Friedman reported: "We have a good impression of this person and his wisdom. He has profound knowledge of economic problems and is determined to enlarge the scope of the market. He is willing to experiment and learn, and listen humbly to the suggestions and opinions of other people. *At the same time, he has, if possible, to safeguard the supreme authority of the Communist Party. Wonderful skill is needed for him to do so*" (emphasis added).

Zhao arranged for some of the young economists in the think tanks associated with him to travel to Chile, another of Milton Friedman's favorite "free economies." Chile's economy was set up by Friedman and his associates from the University of Chicago following the imposition of a military

dictatorship in 1973. As in Hong Kong and Beijing, Friedman's form of "freedom" works best under a dictatorship or overt colonialism!

George Soros and Zhao Ziyang

Another primary sponsor of Zhao's policies was George Soros, a Hungarian-born billionaire who made his money as a Wall Street speculator. Soros has been a primary promoter and financier of the Jeffrey Sachs "shock therapy" in eastern Europe, with branches of his Soros Foundation in Hungary, Ukraine, Romania, and Russia. He has promoted various schemes to open up these nations to unrestrained looting by western speculators, while opposing the reconstruction of industrial infrastructure. These schemes include a proposal for a western-sponsored Soviet central bank which would issue a new convertible ruble, allowing the old ruble to "inflate away," and an "International Management Institute" in Kiev, set up in collaboration with an executive board member of the genocidal Club of Rome.

Soros is an ardent advocate of the Alvin Toffler style of "post-industrial" economics, "chaos theory," and other New Age quackery. He describes hydroelectric dams and steel mills built under Stalin as "pyramids built by a modern pharaoh."

This same George Soros financed the "Fund for the Reform and Opening in China" with the sponsorship of Zhao Ziyang. In fact, Soros considers a primary cause of the difficulties in Russia to be the lack of "an accomplished economist" like Zhao Ziyang, with his think tank of "brilliant young intellectuals at his disposal."

The Fund for Reform and Opening in China helped "educate" some of the young economists around Zhao in radical free trade shock therapy. When Zhao was purged during the Tiananmen Square demonstrations in 1989, the fund was also shut down, amidst accusations of CIA connections. Soros is now trying to redeem his good name with Deng Xiaoping, according to his office in New York.

Kissinger, again

Kissinger's admiration for dictatorship in China was not limited to the policy of keeping the population backward in order to hold labor costs close to zero. Perhaps even more important is his belief that the nations of the Third World should follow the model of China's brutal population control policies, including emphatically the use of coercion and force to deal with uncooperative families who resist the "one child only" policy.

This was made explicit in the "First Annual Report on U.S. International Population Policy," prepared by the National Security Council under Henry Kissinger in May 1976, which argued that population growth in non-white nations of the world constituted a national security threat to the United States. The report describes an "ideal program," which, without acknowledging it, is a virtual text book copy of the Chi-

nese coercive birth control program under Mao, and continued under Deng.

One of the books popularized during the 1970s and '80s in order to support this policy was the fraudulent *Limits to Growth*, published by the malthusian Club of Rome. The book used blatantly false statistics and incompetent computer models to "prove" that the emerging global depression was not due to bad economic and financial policies, but was due entirely to population growth and to industrial progress itself. As many as a million copies of this book in Chinese were circulated, advocating the intentional forced contraction in food production, industrial development, and population growth.

Such filth provided "theoretical" justification for the Chinese one-child policy, which has become even more coercive under Deng Xiaoping's years in power. Zhao Ziyang, among others, went beyond the demand for forced population control, advocating Nazi-style eugenics to "improve the quality of the population." This has led to the mass sterilization of those considered not genetically pure.

Some of Hu Yaobang's collaborators rightly viewed the Club of Rome as the enemy of civilization. For himself, Hu argued that the size of the population would not be a problem if the educational level of the entire nation were raised dramatically.

Eurasian development?

The discredited leaders of the bankrupt American and British economies are desperately attempting to control the process of transformation taking place in the liberated ex-communist nations of Eurasia. Their purpose is to prevent an economic alliance of Eurasian nations based on the scientific and cultural policies developed during the Christian Renaissance in the fifteenth and sixteenth centuries, which they know would threaten their continued domination over the emerging new world order. Their method is free trade shock therapy, threats, and war. Its practitioners, upon inspection, are the same individuals who supported Deng Xiaoping in crushing the impulse of freedom in China again and again.

Today the Zhao Ziyang program for "marketization under dictatorial policies," as developed by Kissinger and his associates, is being carried out without Zhao himself in command, although he is still in the wings. Li Peng, who carried out Deng's order to fire on the students at Tiananmen, and who has been portrayed as the opponent of Zhao's economic reform policies, is now proudly promoting them! Rumors of Zhao's "rehabilitation" are increasingly more frequent.

The economic and cultural consequences of these policies threaten a new holocaust on the Chinese people. Those who are committed to the true liberation of China would do well to support the effort to win the battle for freedom in Europe against the practitioners of the shock therapy, and create the conditions for uniting East and West in an era of true development.

Wei Jingsheng was right

by Linda de Hoyos

In February 1989, the Chinese democracy movement was relaunched with the circulation of a petition among China's elites for the release of China's foremost political prisoner, Wei Jingsheng. A leader of the Democracy Wall movement of 1976-78, Wei Jingsheng had been imprisoned in 1979 by the reform Deng Xiaoping regime. His three-part big character poster, "The Fifth Modernization," still stands today as the most serious challenge to the Deng regime and the Communist Party.

On March 28, 1989, the *Beijing Daily* answered the petition for Wei's release with an exercise in Kafkaesque logic that only proved Wei's charges against the Deng regime. The daily editorialized:

"Question: Does sentencing Wei Jingsheng mean punishing an 'ideological criminal'?"

"Answer: No. The so-called 'ideological criminal' means punishing the people's criminal ideas in ideology as if they were criminal acts. Such is the method of feudalism and fascism. Ours is a socialist country. The law of our country punishes acts, not ideas.

"The demarcation line between ideas and acts lies in whether the ideas are spread. Wei Jingsheng printed more than 5,000 copies of the reactionary articles he had written and posted, sold and circulated them in Beijing. This far exceeded the scope of ideological understanding and personal belief."

Wei has remained in jail for the past 13 years, during most of which time he has been physically and mentally tortured. Although colleagues say he has "lost his mind" under this torture, he has not capitulated nor "confessed." His treatment at the hands of the Deng Xiaoping "reform" regime is notice of the continued threat of his ideas to the iron rule of the Communist Party. If China is to escape catastrophe, Wei Jingsheng's ideas must become the polestar for today's democracy movement. Those ideas reflect not the British liberalism of the May 4th Movement of 1924, nor the philistine pragmatism of Deng Xiaoping, but radiate the ideas of Confucius and the principles of Sun Yat-sen.

Wei Jingsheng's most famous manifesto was his "Fifth Modernization" wall poster, which categorically stated that

Deng's campaign call for the "Four Modernizations" was impossible to realize without a fifth modernization—democracy. The *Beijing Daily's* reaction to the petition for Wei's release makes the point clear: How can a society be truly modernized, its economy developed, if the individuals in that society are not permitted to think?

For 30 years under Mao Zedong, Wei stated in 1979, the Chinese people were like "monkeys reaching out for the Moon and feeling only emptiness." Now, in their exhaustion, "when Vice Chairman Deng put forward the slogan 'Be practical,' people's enthusiasm was like surging waves. Time and again he was helped by the people to come to power. The people expected him to review the past and lead them to a realistic future with a 'seeking truth from facts' approach." However, Wei argued, there had been no review of the past, and the democracy movement of 1976 had been mowed down in the streets.

But, Wei asserted, "freedom and happiness are our sole objectives in accomplishing modernization. Without this fifth modernization all others are merely another promise."

Democracy, he states, is the "condition for the existence of productive forces and the relations of production. . . . We can see [from history] that democracy has always brought along with it the most favorable conditions and the greatest speed for social development. On this point, American history has supplied the most forceful evidence." And later, Wei states: "From the standpoint of modern history, we can see that the economies of all well-run democracies have developed fast and with increasing momentum until a very high level has been reached. The United States and Japan are good examples. Japan has been able to develop its economy despite a shortage of national resources."

In the second section of the Fifth Modernization, Wei explores the difference between totalitarianism and democracy. "Despite differences in vocabulary, autocratic rulers of all ages have invariably taught the people that since men are social beings, social interest should predominate; that since social interests are common to all people, a centralized management, or administration, is necessary; that since rule by a minority or even by a single person is more centralized, autocracy is the most ideal form; that, for this reason, 'people's democratic dictatorship' means the autocracy of a Great Helmsman [Mao]; and that for the same reason, the Great Helmsman is a savior without peers in 'centuries of human history and thousands of years of Chinese history.' "

However, states Wei, "society is composed of individuals. . . . People's sociality depends on individuality just as human societies necessarily depend on the existence of individuals. . . ."

"Totalitarianism regards suppression of individuality as its basic condition of survival; essentially, this is a form of enslavement. Democracy regards harmony with individuality as its basic condition of existence; essentially, this is a form of cooperation."

What are human rights?

In a second article, entitled “Human Rights, Equality, and Democracy,” Wei Jingsheng defined the concept of human rights, which he sees as the foundation of democracy. “Human rights,” he says, “is an ancient concept. It was revived during the European Renaissance, when, under the influence of humanist thinking, human rights was given more thought as a social issue.”

From this standpoint, Wei Jingsheng rejects the egalitarianism of the Jacobins of the French Revolution or the Maoists of the Chinese Revolution, and instead places himself in the tradition of Confucius, Plato, and Sun Yat-sen. Echoing the Three Principles of Sun Yat-sen—right to nation, right to democracy, and right to the people’s livelihood—Wei states that “from the moment one is born, one has the right to live and the right to fight for a better life. These rights are not bestowed, but rather, are inherent.” These rights therefore define the individual as sovereign; these rights are inalienable, as the Declaration of Independence declares them to be.

“Once one loses these human rights,” Wei states in his Fifth Modernization, “he loses his rights as a human being, and what is left to him is nothing but enslavement.” These inalienable rights, Wei further states in his essay on “Equality,” do not permit everyone to act exactly as they wish to satisfy their desires, as “freedom” is defined by British liberalism. Wei rightly points out that “this would deny freedom for the majority with the inevitable result that a minority would be satisfying their desires at the expense of the majority.”

Based on the conception of “inherent” or “inalienable” rights, Wei elaborates that “equality” in this context “points to the similarity of opportunity and allows the same possibilities to be used for different purposes.” Wei decries the Maoist “leveling” process, which destroyed China’s intelligentsia, obliterated the idea of beauty in Maoist culture, and destroyed the family: “The absolute average, absolute sameness of achievement, is an unobtainable illusion. The equality of rights, or the similarity of opportunity, on the other hand, can and must be completely attained. Thus, it is realistic to struggle for equal rights. . . . To struggle to achieve an intellectual averaging is value-destroying, has no significance, and is to be eschewed.”

The indictment of totalitarianism

In the Fifth Modernization, Wei exposes the symbiosis between Marxist socialism and national socialism (fascism) and totalitarianism: “All forms of totalitarianism use a perfect ideal for the future as a compensation to the victims for their misery under tyranny. This compensation is used as an opiate to satisfy people’s yearning for good living. Like the ‘cake in the picture’ [Wei is referring to the idea that Maoism is like feeding a hungry man by painting a picture of a cake], it spiritually pacifies people, but actually deprives them of

their rights to enjoy good living. Acceptance and practice of this type of utopianism are heavily counted on by totalitarianism as a support.”

Marx, states Wei, made the “scientific achievement” of wedding socialism to utopianism and made socialist totalitarianism inevitable. The twisted logic of such utopianism, Wei states, is as follows: “Because democracy can only be beneficial to a small number of people, dictatorship is necessary; . . . because you are not accustomed to mastering your own destiny, entrust it to dictatorship; because only limited satisfaction could be derived from democracy no matter how hard you work for it, better dedicate all your energy to the ‘struggle for a beautiful future.’ This ‘most beautiful future,’ as we well know, is autocratic tyranny.”

Such tyranny—despite its own rhetoric—Wei points out, “invariably uses feudalist social philosophy to encourage blind faith in a small group regarded as saviors and leaders.”

In addition, “autocrats have to use conspiracy and violence in their struggle for power. . . . In socialist countries, every change of personnel at the top has been accompanied by an earthquake, bringing tremendous losses to national production and the people’s livelihood. . . . This is one of the important reasons why socialist accumulation of capital, though greater than that in democratic countries, fails to sustain the development of production”—as the collapse of communism in the former Soviet Union and eastern Europe attests today.

Lastly, in The Fifth Modernization, Wei Jingsheng attacks the legalist theories of Qin Shi Huang, the book-burning despot of the third century B.C. whom Mao took as his model for rule. In the legalist theory, the rule of law is the rule of tyrannical decree.

In contrast, however, he notes that the “‘benevolent government’ of Confucius was never put into practice either. Why? Because Confucius and his disciples counted on autocratic governments to realize equal rights. As a result, his disciples became either the accomplices of tyrants or they naively advocated struggling against tyrants (often themselves winding up as the victims of their own fantasies). We must reject the dregs of Confucianism, that is, the fantasy that tyrants can ever be persuaded to practice benevolent government. But the *essence* of Confucianism, which we do want to keep, is the concept that people are born with equal rights. . . .

“A ‘benevolent government’ is only a means to an end, and that end is the realization of human rights. We know now that this objective can be achieved by the rule of law, and we can even say it can be achieved only by democracy.”

Thus, Wei Jingsheng issued his indictment of Deng Xiaoping. As the decrepit Deng boosts his “market reform economy,” millions of Chinese are migrating from city to city, homeless and jobless and China teeters on the brink of total breakdown crisis. Although Wei Jingsheng remains in prison, his ideas have been proven right.

U.N. Security Council proclaims world empire

by Joseph Brewda

"A turning point in the world" is how British Prime Minister John Major enthusiastically described the unprecedented United Nations Security Council heads-of-state summit on Jan. 31. With the Cold War declared over, and with collaboration among the five permanent members of the Security Council at an unsurpassed height, the British had called the summit to upgrade the council into an efficient mechanism to impose a five-power dictatorship on the world. We're living in "extraordinary times," Major told the meeting, which also included U.S. President George Bush, Russian President Boris Yeltsin, French President François Mitterrand, and Chinese Prime Minister Li Peng.

Not surprisingly, a British-authored declaration was unanimously adopted by the five heads of state, as well as the representatives of the 10 rotating Security Council member states, who were allowed to be present. The declaration eliminates the idea of national sovereignty under the pretext of ensuring "collective security," which is now defined as no longer limited to merely military matters, but also includes ecological, economic, scientific, human rights, ethnic, and even legal issues. Under the new definition, a violation of human rights or the ecology anywhere is a threat to all, and consequently one potentially requiring intervention.

"It's an exciting opportunity for our United Nations, and we must not allow it to slip away," Bush said to the Security Council in endorsement of the British plan. "The will of the majority must never degenerate into the whim of the majority," he said, "this fundamental principle transcends all borders." Shortly after his address, Bush met with Chinese Prime Minister Li Peng, the butcher of Tiananmen Square, who used his visit to New York to meet various U.S. banking and corporate concerns anxious to invest in what are euphe-

mistically called "Special Economic Zones."

French President Mitterrand, fresh from a trip to Oman to sell French arms, stressed that the Security Council's military powers had to be vastly increased to enforce the new plan. To this end, he called for the creation of a U.N. rapid deployment force of 1,000 troops, capable of deployment anywhere in the world within 24 hours, a proposal which was endorsed by Russian President Yeltsin. According to U.S. press accounts, a plan to form a 500,000-man U.N. army reserve is also under discussion among the powers.

'Preventive diplomacy'

The Security Council declaration, which the Anglo-American powers hope will be a basis for furthering their new world order, asserts that no longer will respect for national sovereignty and international law be barriers to the collective imperial will.

Proclaiming the Cold War dead, the declaration states that it is now possible and necessary for the U.N. to "play a more central role" in the world than it has previously done. Playing such a role had been the original intent of the U.N.'s founders, noted former Egyptian Deputy Prime Minister Boutros Boutros Ghali, the new U.N. secretary general, in commenting on the declaration. "It is a return to its origins," he declared. The U.N. was founded by Josef Stalin, Winston Churchill, and Franklin Roosevelt.

In order to play this role, the declaration calls for "strengthening" the U.N. by granting it, for the first time, the "capacity for preventive diplomacy," possibly through deploying the rapid deployment force or reserve army now under consideration. It orders the secretary general to determine, by July 1, ways to upgrade the U.N.'s capacity for

identifying "potential crises and areas of instability" in order to use these new "preventive" powers effectively.

Intervention on non-military pretexts

The statement makes absolutely clear that these crises do not have to be military ones to qualify for U.N. military and other intervention. "The absence of war and military conflicts amongst states does not in itself ensure international peace and security," it reads. "The non-military sources of instability in the economic, social, humanitarian, and ecological fields have become threats to peace and security. The United Nations membership as a whole needs to give the highest priority to the solution of these matters."

Russian President Yeltsin, the communist turned democrat, emphasized Moscow's endorsement of this doctrine in his first speech to the body. "Our topmost priority is to ensure human rights and freedoms in their entirety," he said, even if that involves using military force. Such issues, he said, "are not the internal matter of states but rather their obligation under the U.N. charter, the international covenants and conventions." For his part, Chinese Prime Minister Li Peng cautioned that such formulations should not "use human rights as an excuse," although it is doubtful that any of the other Security Council members contemplate war against China.

Beginning with its genocidal war against Iraq last year, the Security Council has concentrated on setting a series of precedents, pretexts for overriding national sovereignty. So, for example, the Security Council authorized the occupation of northern Iraq under the pretext of protecting the Kurds, despite the fact that even the French authors of the U.N. resolution authorizing the deployment admitted that this "humanitarian" intervention into the internal affairs of a state had no basis in international law. In his remarks to the Security Council, Major reported that this intervention must be considered a precedent for future actions. "There will be other such crises [as with the Kurds]. People everywhere expect the U.N. to react, to save lives," he said.

In early January, in another precedent for the British declaration, the Security Council passed a resolution threatening to bomb Libya if it did not hand over two alleged terrorists to the United States and Britain, despite the fact that there is no current extradition treaty between the nations, and the demand is otherwise contrary to normal legal practice. Commenting on this precedent, U.S. Amb. Thomas Pickering said it "makes clear that neither Libya nor any other state can seek to hide support for international terrorism behind traditional principles of international law and state practice."

Development also banned

One of the major points of emphasis in the declaration is the denial of advanced technologies, including weapons technologies, to countries which are not members of the

Security Council. "The proliferation of all weapons of mass destruction constitutes a threat to international peace and security," the declaration claims. The members of the Security Council commit themselves to preventing the spread of technology related to the research for, or production of, such weapons, and to taking appropriate action to that end.

Under the rubric of "dual-use technology," the Security Council deems such technologies as being any that could potentially be used to make weapons, even if that is not their intent. For example, high-speed computers and centrifuges are currently banned from Iraq out of such professed concerns, as is technology to manufacture insecticides, since the U.N. claims that such technology might be used to make poison gas.

On nuclear proliferation, the declaration notes the importance of the the Nuclear Non-Proliferation Treaty, and emphasizes the role of that treaty in the implementation of fully effective International Atomic Energy Association (IAEA) safeguards. The members of the Security Council will take the appropriate measures in the case of any violations, the declaration declares.

The IAEA, ironically, had been established in the 1950s to promote the use of nuclear energy for peaceful purposes. Now, there is intense discussion among the Security Council to change the charter of that U.N.-linked body to give it policing powers over the spread of nuclear energy, whether for civilian or military use. In an earlier Security Council resolution, Iraq has been ordered to end all nuclear research, and even the instruction of nuclear physics in its universities, in order to prevent such proliferation. Now the Security Council is intent on making that resolution a precedent for general application.

That such resolutions are imperially motivated was made clear by a speech given by German Foreign Minister Hans-Dietrich Genscher earlier in January in Washington. There, Genscher warned of the "threat" of "wandering technological mercenaries." Alluding to the so-called "Islamic bomb," Genscher warned that unemployed Russian nuclear scientists might find employment in "rich countries outside of Europe." Genscher called on the Security Council (of which Germany is not a member) to prepare a "bundle of sanctions" that would "isolate" any state seeking to build such weapons, whether a signatory to the Nuclear Non-Proliferation Treaty or not.

In order to make clear that any state violating these strictures will be annihilated, the declaration also gives approval to the Gulf war and the continuing genocidal destruction of Iraq: "The resolutions adopted by the Security Council [in regard to Iraq] remain essential to the restoration of peace and stability in the region and must be fully implemented." In his address to the Security Council, Bush made a point of condemning Iraq and Libya as "renegade regimes." He demanded that Libya promptly comply with an earlier resolution ordering it to hand over two alleged terrorists, or otherwise presumably face the Iraq treatment.

Venezuelan rebels overthrow Bush agenda for new world order

by Valerie Rush

The death knell of the "new world order" sounded across Ibero-America on Feb. 4, when rebel Venezuelan troops led by elite commando units attempted to overthrow the government of President Carlos Andrés Pérez, the International Monetary Fund's model "democracy." When the bloody but short-lived insurrection ended 12 hours later, it was clear not only that the rebels had held the widespread sympathies of Venezuelans, but that Pérez's "democratic" colleagues throughout the hemisphere had just been put on notice. Pérez's government may have won an extended lease on life, but George Bush's agenda for the continent is overthrown.

Indeed, Ibero-America's free market adherents, and their international banking sponsors, cannot fail to see the handwriting on the wall. The brutal austerity policies dictated by the creditor banks and slavishly adhered to by Pérez are publicly claimed by the rebels as the root cause of their insurrection (see *Documentation*). That fact, reports Reuters, has "set alarm bells ringing in many countries." One western diplomat is quoted: Brazilian President Collor "must be worried about the dislike shown in Venezuela for the same policies he is following, especially since Caracas has a better record of democracy than Brazil." *El Tiempo* of Colombia editorialized, "The same could occur here, today."

The *Baltimore Sun's* coverage of the coup is explicit: "Behind Latin America's democratic facades are millions of dispossessed, impoverished citizens who have received no benefit from the economic programs touted by the Bush administration, the World Bank, and the International Monetary Fund. The Venezuelan situation could be duplicated at any moment from Argentina and Peru, to Guatemala and Nicaragua." A *Jornal do Brasil* commentary of Jan. 6 calls Venezuela "a warning for the banks and International Monetary Fund. . . . The same warning holds for Latin America and Eastern Europe [and] for the rich countries: Adjustment programs which only take into account macroeconomic statistics, ignoring the reality . . . of desperation, create fertile soil for popular revolts and nationalist *caudillo* adventures."

'We will be back'

"Unfortunately, for now, we did not achieve our objectives. We did not capture power in Caracas. . . . But it is time to avoid more bloodshed, and to reflect. There will be other occasions," promised Army Lt. Col. Hugo Chávez, the

most visible leader of the Bolivarian Military Movement which led the coup attempt, in a televised appeal to his supporters to lay down their arms.

That there will indeed be other occasions is suggested by commentaries from many Venezuelans, who insist that the coup "was not against democracy, but against Pérez." The *Washington Post*, in a Feb. 6 article reviewing the "wide backing" for the coup attempt, quotes a Venezuelan worker "summing up what appeared to be the general mood: 'Every day we have less to eat, worse schools, worse hospitals. Of course we want a change. We do not want Pérez.' " Venezuelan students are reportedly defying the government's suspension of constitutional reports to distribute the rebels' program on the streets of Caracas. Even Defense Minister Fernando Ochoa Antich, who has fully backed President Pérez against the rebels, described the fallen soldiers *on both sides* of the coup attempt as "heroes."

One striking acknowledgement of the depth of popular support for the attempted coup came from former Venezuelan President Rafael Caldera, who in a speech to Congress immediately following the coup attempt, warned Bush and his new order cohorts that what has just happened in Venezuela could happen tomorrow in any other country. "Democracy cannot exist if the people don't eat," warned Caldera, who went on to attack the debt-collection policies which have created conditions "which even frighten the International Monetary Fund and multilateral credit institutions." Caldera urged President Pérez to "immediately make the profound changes the country is demanding [since] . . . it would be ingenuous to treat this as merely the adventure of a few rebels."

Yet Pérez says his policies will stand. Asked the day after the coup attempt if he would modify them, he responded, "The government is always reviewing its policies, but we have to be proud that we have been successful with these policies in all areas." Pérez has even sent a finance ministry official to meet with the New York banks and demand that Venezuela's credit rating be protected, *and even raised*, because of his proven commitment to free market policies.

Among Pérez's stoutest endorsers immediately following the coup threat were Bush and Fidel Castro, the same combination which has been fighting to reinstate Haiti's bloody dictator Jean-Bertrand Aristide, who has, ironically, been enjoying a golden exile in Caracas, under Pérez's protection.

Documentation

Summary of the rebels' program

● *Recover sovereignty*: The insurgent officers reject negotiations with Colombia to delimit the territorial waters of the Gulf of Venezuela, which they consider totally Venezuelan. They demand greater firmness against the invasions of their country's southern border by Brazilian gold miners. They neither agree with nor accept the giveaway of important state companies, like the telephone company, to private international consortiums.

● *Revise economic policy*: The neo-liberal policies of the Pérez government will be changed, especially the provision of resources to pay the foreign debt to foreign banks, and those measures judged prejudicial to agriculture and to small and medium-size industries.

● *Emergency program against hunger and misery*: The rebels would enact a series of decrees to "expedite the creation of thousands of jobs and to massively increase food production," given that statistics indicate that 80% of Venezuelans live in poverty, and more than half in a critical situation.

● *Corruption trials*: The rebels intend to carry out spectacular trials of suspects denounced for their involvement in corruption scandals over the past decade.

● *Convoke a Constituent Assembly*: The rebels would convoke a constituent assembly to mobilize the common citizen to discuss the great national problems which require new answers.

Democracy cannot exist if people don't eat

Excerpts of a speech given by Venezuelan Senator and former President Rafael Caldera, to the National Congress of Venezuela on Feb. 5.

I want to tell the President of the Republic that the responsibility for immediately making the deep changes the country is demanding rest upon him. It is difficult to ask the people to sacrifice in democracy's defense when they are daily suffering exorbitant increases in the cost of living, [and] when the government has proved incapable of putting an end to the terrible scourge of corruption that is consuming Venezuelan institutionality.

This situation cannot be hidden. The military coup is to be repudiated and punished. But it would be ingenuous to think that we are dealing solely with an adventure of a few rebels who jumped into this thing on their own, without taking into account what they were getting involved in. There's more to this than meets the eye; there is a serious situation in the country, and if that situation is not faced, the

future holds many more serious concerns for us. . . .

I do not agree with saying that the purpose of the military insurrection was to assassinate the President of the Republic. What we are facing is a serious situation threatening Venezuela. And I would like the heads of state of the rich countries which called President Pérez to express their solidarity in defense of democracy to understand that democracy cannot exist if the people don't eat. As Pope John Paul II said, one is not obliged to pay the debt at the expense of the people's hunger.

I want these gentlemen to understand that these Latin American democracies require a change in their handling of the foreign debt burden, so rashly contracted and, in many cases, improperly administered, and which is putting us in a situation which has even come to frighten the International Monetary Fund and the multilateral credit organizations.

That is why I would like to send this message from the Congress, to President George Bush, to President François Mitterrand, to [Spanish] Prime Minister Felipe González, to the heads of state of the rich and developed world, so that they realize that what happened in Venezuela can happen to any of our countries. Because what happened in Venezuela has a reason, has a cause without which the worst adventurers would not even dare to try to rupture the constitutional order.

That situation we must examine with purpose. When the events of Feb. 27 and 28 [Caracas riots in 1989] occurred, I warned in this hall that what was going to occur could be even more serious. I did not make a prediction, but it was clear that that packet of [austerity] measures which produced those serious events as the first explosion, was not going to stop there. . . .

I said then . . . that Venezuela was something like a showcase of Latin American democracy. That showcase shattered in February 1989. . . . Now it has been shattered by the rifles and other instruments of aggression wielded by the military rebels.

It is necessary for us to say this and to undertake an examination of our consciences. We talk much of reflection, of analysis. But the real truth is that we are making very little progress, that we cannot say in good conscience that corruption has been halted, but that, on the contrary, we feel that it is spreading; we see with alarm that the cost of living is becoming increasingly difficult to meet for vast sectors of the population. That public services don't work and that the solution being sought, which we have criticized, is privatizing them, handing them over to foreign hands, because we feel we are incapable of administering them. . . .

I am not saying that the insurrection today was over this. But it served as a foundation, or at least as a pretext, for their actions. I conclude by calling again upon the President to fully confront this situation, which is serving as a motive, or at least as a pretext, for those who wish to rupture, dismantle, and destroy the constitutional, democratic system of which we are proud.



'The wind that heralds the rains is rising'

Yue Wu is the vice president of the Independent Union of Chinese Workers, which was created at Tiananmen Square. Jacques Cheminade, the president of the Schiller Institute in France, met with Mr. Yue Wu last month just after he had returned from a clandestine trip to the interior of his country. Yue Wu considered that it was necessary to take such great risks in order to reorganize the struggle for democracy on the ground, distinguishing him from others who restrict their efforts to making speeches in Washington or Paris. Yue Wu is a supporter of the presidential campaign of Lyndon LaRouche in the United States, and supports his economic conceptions, as well as those of Sun Yat-sen. The interview has been translated from French.

EIR: We are very happy to greet you after your trip to mainland China. What are the leading impressions you had?

Yue Wu: I am very happy to meet with you, because you helped me to leave Vietnam under very difficult conditions, as I had just left China without valid identity papers. The Schiller Institute, and you, in particular, through your efforts, have saved my life.

In China the authorities are fearful. The collapse of the communist system, in the countries in the East and in the U.S.S.R., was a great shock to them. The Chinese people, for their part, are up to date on the international situation, and remain better informed than one would think in the West. They know that communism cannot remain in power for long in China.

EIR: How is the resistance organized?

Yue Wu: Presently, it's not possible to say there is a unified resistance with "backbone," ready for battle. However, contacts between students and intellectuals remain numerous and active. The workers are organizing strikes, often wildcats. The peasants are refusing to pay their taxes and deliver their harvest to the state stores, because they are underpaid.

EIR: How are the workers putting up resistance? Are they striking, or using passive resistance, work "slowdowns"?

Yue Wu: In China there are two forms of resistance. First, last year, there were 1,500 major strikes. Then, there was a very large number of wildcat strikes. Seeing this, the Chinese

authorities wanted to crack down more harshly, because they fear that a trade union movement would spread throughout China, like Solidarnosc in Poland, causing the communist regime to fall.

EIR: Was there coordination among the intellectuals, students, workers, and peasants?

Yue Wu: The government wants to set up barriers between the workers and intellectuals. If the intellectuals try to make contact with the workers' leadership they are immediately punished by the authorities. The authorities know very well that, for them, the danger lies in cooperation between the workers and intellectuals to form a vast popular movement. Also, they are cracking down. Conditions are therefore more difficult in China for the Democracy Movement than they were for Solidarnosc in Poland.

EIR: What is the situation in the Army?

Yue Wu: After the fall of Ceausescu in Romania, a firm grip was imposed on the Army in China; it was intensely mobilized. The officers found themselves prohibited from visiting their own families! So, there was a great deal of resentment against the regime among numerous officers and non-commissioned officers, much more at the officer level, where the quality of recruits is better and one finds among them more and more intellectuals. These officer-intellectuals kept current with international politics, and I am convinced that, when a popular movement breaks out in China, many of these officers will be helping the people overthrow the regime.

EIR: Are there cities where the resistance is better organized—Beijing, Shanghai, Canton, for example?

Yue Wu: The resistance movement is very deeply rooted among the population in Beijing, but people don't dare express their disaffection with the government for fear of repression, especially after Tiananmen and what followed. In Canton as well, there is a large resistance movement, due to the relative economic development, which caused an awakening of people's consciousness. The defiance movement is equally strong in Tibet and Xinkiang, where it takes the form of a true national resistance movement against the Great Han racism of the government. In Inner Mongolia, there is a need

for independence which is being expressed, all the stronger since Outer Mongolia acts as an example.

EIR: And the youth, the new generation?

Yue Wu: A part of the young people only thinks about finally leading a happy life, while another part agitates more or less overtly for the Democracy Movement, and the national liberation movement. Thus, the government, which is a government of elderly opportunists, fears the young people, and with them, it employs the policy of the carrot—authorizing some liberalization of morals in the cities—and the stick—striking down those who defy the regime.

EIR: They say that the government strategy is to mix “savage liberalism” and “communist” dictatorship, and to set up a sort of “Pinochet model” with money from Taiwan. Is this true?

Yue Wu: Completely. This is completely the case. The Chinese situation resembles that in Chile during the Pinochet years. The Chinese government, like that of Pinochet, on one hand, wants to have the “free market,” and on the other, maintain the dictatorship. In Chile, it was a fascist dictatorship, whereas here it’s a communist dictatorship, but the way to look at these things is very similar. Our advantage is that, since China is such a large country, the scandal appears all the greater.

EIR: Does the malthusian policy of forbidding families from having more than one child continue?

Yue Wu: It continues, and it is imposed by force. The population is terrorized; the regime imposes forced abortions, and sometimes, to “make an example,” has the house of the “law-breaker” demolished. In China, there are 3-4 million human beings who are fleeing this repression by wandering from one province to another.

EIR: They say there is a trade in children, that children are bought and sold. Is this true?

Yue Wu: Yes. For example, children are bought in Szechuan and resold in Hunan. Children can cost thousands of ren min pin. [The ren min pin is roughly equivalent to 20-25¢. Mr. Yue Wu is talking about a considerable sum for a Chinese—ed.]

EIR: They also say that there are workers who submit to virtual servitude, even near-slavery.

Yue Wu: There are many workers who are not “normal workers”; they are forced to undertake extremely heavy labor, extremely painful. They come from very poor regions; these are often mountain people who emigrate to other regions in China. They work mostly in construction and in the coal mines. Among them, each year, there are more than a million deaths—yes, a million—because of the inhuman working conditions. There is no social security, no medical care. For example, in May 1990, in Shanxi, there were 300

deaths because of a gas explosion in the shaft of a coal mine. The working conditions were the same as those that existed in France in the mid-19th century.

EIR: What are the effects and the consequences of the great flooding from last year?

Yue Wu: The flooding last year extended into 18 provinces; this was the most serious flooding in the last 40 years. Why were the effects so terrible? Because, for about 10 years, the construction and upkeep of dikes was systematically abandoned or neglected. The protection for fields and the population was no longer ensured, whence the number of victims and the growing losses.

For example, when I was a child, in my town there was a river, and one could cross this river in a boat. Since then, the river was diverted, and land was gained for cultivating. That was good, but nothing had been done to contain the water in case of very heavy rains. Hence, whenever there is a flood, the water no longer finds a way to run off, and spreads out all over. Nothing was planned to protect either people or lands. There had also been excessive cutting of forests, without limit, which has desiccated the land and stripped the countryside. However, when it rains, and even though the rains are rare occurrences, it always rains with extreme violence, and there is not, as there used to be, a system for the water runoff, nor the capacity for the soil to absorb it.

EIR: What are the factional struggles at the center of power?

Yue Wu: Within the central power, there are groups, antagonistic forces. On one part, there is a “conservative” group of hardline communists, and, on the other part, a group of advocates for moving faster toward the “free market” and the “market economy,” of course, all the while protecting their power. There is also a division following the regional lines of these groups. This creates tensions in the party and is perhaps a factor which will accelerate considerably the collapse of communism in China.

EIR: Lyndon LaRouche said after Tiananmen that a river of blood separates the democrats from the totalitarians and all their accomplices in the West. Is this felt by the Chinese population today?

Yue Wu: The Chinese government has always been against democracy, against liberties, and has caused the deaths of many innocent people since June 4. It fears that the people will settle accounts; it knows that one day, the people will settle accounts.

When Honecker, the former dictator of the Democratic Republic of Germany, was turned out by the Soviet authorities, the Chinese authorities were very frightened. They feared punishment, they feared they would no longer find a refuge if they lost power.

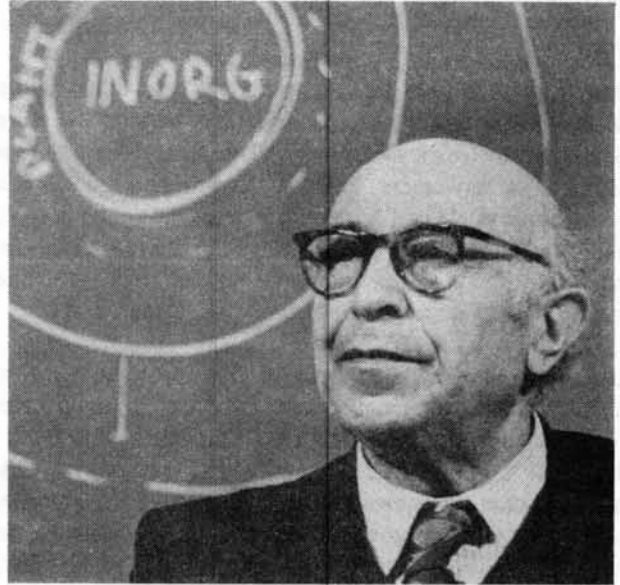
EIR: The people then do see this “river of blood” between

In Memoriam: Ali Mazaheri

We have just learned of the death of one of the century's leading Orientalists, Prof. Ali Mazaheri, who taught at the Ecole Pratique des Hautes Etudes in Paris for several decades, after having served as curator of Oriental Manuscripts in the Bibliothèque Nationale for many years. His depth of knowledge was almost unbelievable, particularly in the area of theology and ancient philosophy; to those of us who are more ignorant, he seemed a man of mystery and secrets, whereas in fact, no one was more outspoken in his views, nor more dedicated to open diplomacy. He read and worked in over a dozen ancient and modern tongues.

A Persian, Professor Mazaheri was the incarnation of everything good in his country's intellectual life; in particular, he did not share the western academic's purported distaste for political action. As opposed to Anglo-Saxon historiographers, who disguise their propaganda aims under a thin veil of "objectivity," Ali Mazaheri always baldly stated that he wrote history to bring out its positive aspects and shape the future. In his work, which was rigorously scientific, he sought to show, not only to the outside world but also to his countrymen, that the true, underlying nature of Persia was not that of an imperial backwater, but a nation of scientists, inventors, and statesmen.

Professor Mazaheri was deeply depressed by the events in Teheran in 1979, and still more by what followed, though he was not so naive as to be in the slightest surprised by the role England and the United States played in that disaster. But he never accepted that Persia's downfall would be permanent, and therefore became a strong supporter of Lyndon LaRouche. He shouted, after reading LaRouche's writings on epistemology for the first time, "I have discovered Columbus's egg!" He said that he had virtually given up hope on the United States until he had picked up leaflets in the Paris streets on the crisis in Iran, distributed by LaRouche's associates. At that point, he said, he decided that perhaps the American Revolution had meant something after all, and he decided to go back and look up the writings of the Founding Fathers.



He was a very witty man. Although he attained a great age, probably over 80, when asked he always gave his age as 69. It was indescribably droll to see this great scholar bolting through the Vatican museum, standing before a vast Renaissance painting, and suddenly cackling wildly at some detail, simply in order to throw everyone off guard: "Look! He is wearing spectacles and reading a newspaper! He is wearing spectacles and reading a newspaper!" When everyone burst into laughter, he would look bemused.

Another time, in Rome, at a meeting convened by the Schiller Institute in 1989 to mark the 550th anniversary of the Council of Florence, after a number of learned scholars had spoken, Professor Mazaheri stood up and said in a tiny, piercing voice: "That was beautiful! But it reminds me of the Persian proverb, of the scholar whose head was so much in the stars, that one night he watched and walked and fell into a well. If we do not get LaRouche out of jail, we will walk and talk and fall into a well." And he proceeded to issue a passionate denunciation of those forces which had imprisoned LaRouche in the United States.—*Katherine Kanter*

the ruling power and them—

Yue Wu: Yes, absolutely. The people see this river of blood.

EIR: Last question: If you had to refer, as your compatriots so often love to do, to classical Chinese literature or to a historical situation in China, which would you use to characterize what is happening today?

Yue Wu: The expression I would use to describe the Chinese situation today is: "Before the rains come, the wind blows strongly through the house."

EIR: This quotation comes from the very beautiful poetry of the Tang period. Let's make the wind blow a bit stronger, and soon the rains will come.

Brainin trio plays in 'Verdi' tuning

by Hartmut Cramer

The "Concert in the Verdi Tuning" performed for a capacity audience at the Wiesbaden Casino Association in Germany on Jan. 18, was a memorable, even historic event. It was likely the first time since the golden age of classical composition, which extended from around 1770 to the mid-1820s, that the outstanding piano trios of Mozart (E major, KV 542), Beethoven (D major, Op. 70, No. 1) and Schubert (E major, Op. 100) were played in the tuning for which the composers had created them, with concert A set at 432 hertz, instead of the "standard" A-440 (and higher) of most instrumental performance today.

The "experiment" in Wiesbaden, sponsored by the Private Academy for Humanistic Studies, goes against the stream of ruling musical taste, with its incessant demands for "brilliance," and it took courage on the part of the three artists, who rank among some of the leading concert performers. But also, they played with uncompromising integrity, *truthful* to the composers' intentions, as classical works are only too seldom heard.

Norbert Brainin, the first violinist of the unforgettable Amadeus Quartet, was joined by Cologne pianist Günter Ludwig and Hamburg 'cellist Klaus Stoppel, who at the last minute replaced Martin Lovett, Brainin's Amadeus colleague, who was ill. Evocative of the standards set for 40 years by the Amadeus Quartet, especially because of the conceptual ability of Norbert Brainin, the performance gained an added dimension through the choice of the classical tuning fork which has become known as the "Verdi A." (The great Italian opera composer had this tuning, based on a middle C at 256 hz, decreed as the standard pitch in Italy in 1884.) Thanks to this lower pitch, the polyphony sounded richer, the voice-leading more distinct, the melody warmer and more natural.

Even the piano—the instrument which is least expected to "sing," compared to the bowed instruments—proved this result. The opening solo measures of Mozart's E-major Trio, KV 542, caused a sensation in this regard, helped by the beautiful tone of the Schimmel grand piano, which had been gradually tuned down to the classical pitch over several weeks by the manufacturer in Braunschweig, as well as by the expressive, differentiated, and tuneful playing of Günter Ludwig, who has been playing concerts with Brainin for several years—and since their Munich debut at the "Verdi tuning" on Dec. 12, 1988, increasingly at this pitch.

Brainin's 1713 "Huberman" Stradivarius, and the 1690 Matteo Goffriller 'cello played by Klaus Stoppel were well matched to the modern grand. These are not "original instruments" (as in the current fad for "authenticity"), but are the only appropriate ones, as they were used by musicians in the era of the classics. Stradivari not only designed his famous violins to play at C-256, but also—*as emphasized* by Lyndon LaRouche, who inspired the campaign to restore the tuning that had prevailed from Bach through Brahms—because these instruments expand the range of vocal polyphony in a way integrated with the principles of the trained "bel canto" singing voice.

The interpretation of the Mozart trio stood out for its clear voice-leading, which both evoked Mozart's debt to his forerunner Bach, and heralded Beethoven. The Beethoven "Ghost Trio," Op. 70, No. 1, brought an ovation from the audience filled with young musicians. Guided by Norbert Brainin, who is proud of his "radical" interpretations of Beethoven, the three musicians deliberately provoked a confrontation not only with Beethoven's art and his world of ideas, but also, and unmistakably, with modern taste. Brainin says, "If Beethoven expressly prescribes *sotto voce*, then I *must* keep myself to that, even if to most people today that seems 'too extreme.' " Rarely does one experience this trio played in a way to get so intensely "under the skin," especially in the slow movement; even the famous performances by Pablo Casals (for example the live recordings with Sandor Vegh and Karl Engel of 1961 in Prades), fall short of the Wiesbaden concert.

In a direct challenge to today's compartmentalized thinking, the musicians persuasively conveyed the inner coherence of the trios, spanning nearly four decades of the greatest creative upsurge in the history of music, through their lively and "Beethovenian" execution of all three works, playing the melodic lines so singingly that the "corners and edges," richly present in all three works, stood out clearly, even to the point of roughness.

Mozart wrote the E-major Trio in 1788, after his intensive studies of Bach's counterpoint technique had led him to a trail-blazing discovery in his musical development (in the C-minor Fantasy for piano, KV 475). In that very year, 18-year-old Beethoven was being trained by his teacher Neefe in Bonn in J.S. Bach's contrapuntal technique, and was studying Mozart's works. Beethoven's "Ghost Trio," composed in 1808, just 20 years after Mozart's E-major Trio, was preceded by his own revolutionary works—the "Razumovsky Quartets" Op. 59, written in 1805, or the Fifth Symphony, with which Beethoven had astonished even the musically sophisticated public of Vienna. The third piece on the program was composed by Schubert in 1827, not quite 20 years later: the Piano Trio, Op. 100. The encore, the *Allegretto ma non troppo* from Beethoven's Op. 70, No. 2, made this musical coherence especially clear, for, as announced by Brainin, it sounded astonishingly "like Schubert."

Bolivia rebels against 'Bush plan' to dismantle institutions, state

by Gretchen Small

Since December, national debate in Bolivia over the economic, social, and national security crises afflicting the country, has centered on one underlying question: Are the Bush administration and the international financial community demanding that Bolivia implement policies which are destroying the basic institutions of the country, because they deliberately intend to destroy Bolivia as a nation-state? And if so, does Bolivia have an alternative?

What triggered the debate was a proposal made in late November by the president of the Electoral Court of Santa Cruz, Guillermo Kenning Voss. Kenning, who some say was acting as a spokesman for powerful masonic economic interests in the country, proposed that Bolivia's Armed Forces be dismantled and replaced by a "technical police." He packaged this proposal as a money-saving measure needed to generate funds for health programs.

A storm broke out against Kenning's proposal. In the midst of it, on Dec. 1, the Bolivian daily *Ultima Hora* published in full a book review co-authored by this writer which had been published in *EIR* on Jan. 11, 1991. The review, entitled "The Bush Manual to Eliminate Ibero-America's Armed Forces" in *EIR*'s Spanish-language edition, *Resumen Ejecutivo*, reported that U.S. State Department agencies and personnel had financed, and were advising, a project dedicated to eliminating the military in Ibero-America because the military had become an obstacle to "internationalist economic policies," i.e., to the International Monetary Fund system.

For the next month, debate over the "Bush manual" dominated discussion in Bolivia (see *Documentation*). Suddenly, the government's plan for military reorganization and cutbacks, which had been sold as merely a "modernization" package required by the economic crisis, appeared in a different light. A question was raised: Was this reorganization ordered from abroad, as the first step in a U.S. government strategy to eliminate the military altogether?

The U.S. embassy in La Paz, notorious for imperiously giving orders to government, press, and other organizations as if it ruled Bolivia, was forced to respond. Embassy officials first denied all knowledge of any such project. As the debate continued unabated, the embassy was forced to deny three times any connection to the "Bush manual." Increasingly strident in its disclaimers, the embassy finally publicly intimated that if the Bolivian military and government did

not silence discussion over the "Bush manual," the U.S. government would consider any further discussion damaging to "the excellent relations" between the two countries!

What IMF policies have done

Why did the U.S. government feel so threatened by discussion in Bolivia of a book review published by *EIR*, that they threatened to raise it to the level of state relations? *EIR* was not even aware of the depth of the debate ongoing in Bolivia, only discovering the full extent of what had taken place when the authors of the "Bush manual" exposé arrived for a brief visit at the end of January, as part of a speaking tour of various Ibero-American countries on the campaign of *EIR* founder Lyndon LaRouche, George Bush's leading political prisoner.

By January, embassy pressure had succeeded in quieting public discussion of the infamous "Bush manual." Bolivian government officials and the military high command had dutifully repeated for the public record that the U.S. government had not sponsored any project to study the elimination of the armed forces of Ibero-America.

Public toeing of the embassy line had not silenced the underlying concern over the foreign policies being pushed upon the country, however. That concern boiled down to what various Bolivian leaders, both civilian and military, had stated in December: that the attacks on the military were merely part of a broader campaign targeting all institutions in the country, ranging from the Catholic Church to the trade unions and national industry. The campaign had reached the point, as Army commander Gen. Oscar Escóbar had warned in a speech at the closing of the General Staff and Command School in December, that the attack on fundamental institutions of the country "affects the integrity of our existence as a nation and could erode the very stability of the fatherland."

In January, several crises exploded simultaneously—all resulting from the government's IMF-based economic policies. A geometric rise in the number of cholera cases in Cochabamba led health officials to declare a red alert emergency, fearing that because of the high migration and internal travel through that city, the disease could rapidly spread throughout the country.

The government, seeking another renegotiation of its foreign debt from the Paris Club creditors, had ordered a pro-

gram of rapid privatization of remaining state-owned companies (under current conditions, nothing but a fire-sale auction at below-value prices), and now faced a potentially violent confrontation with Bolivia's still strong trade union movement. The trade union mobilization against the government's economic program ranged from blocking traffic on roads in rural regions, to hunger strikes by hundreds of labor leaders across the country. Mass demonstrations and a mooted general strike were temporarily averted at the end of January only when the Catholic Church offered to mediate talks between the Bolivian Labor Federation (COB) and the government.

A successful end to those talks was universally viewed as doubtful, given that the government entered the negotiations declaring that it would not change economic policy, no matter what, while the COB declared reversing the privatization policy to be a top demand. To ensure that the Bolivian government not yield, in the midst of the negotiations, Bolivia's Paris Club creditors warned the government that they were worried that the privatization program was being implemented too slowly.

Then, Defense Minister Adm. Alberto Sáenz Klinski announced Jan. 27 that he was seeking an "urgent" meeting with Finance Minister David Blanco, to discuss the fact that the "military system is being paralyzed" by lack of funds. He reported that he had been visited by the four commanders of the Armed Forces, who demanded the Executive take immediate action to relieve the military budget crisis resulting from the government's failure to allocate any of the monies budgeted for the military since September 1991. Immediate monies are required to simply provide food, clothing, and transportation for new recruits, Sáenz Klinski revealed.

LaRouche vs. embassy on IMF genocide

If there was any doubt that U.S. embassy arm-twisting had failed to convince people that U.S.-IMF policies were not a threat to Bolivia's existence, the response given to LaRouche's representatives in January settled the matter. Embassy personnel deployed heavily to try and cut off any discussions with Dennis Small and this author. Several press reports that Press Attaché Bruce Wharton was busy calling all the press with *orders* that no one cover the Smalls' visit, and spreading slanders that LaRouche and his people were a bunch of "delinquents."

The embassy's orders failed. On Jan. 24, two papers at least ran a national wire put out by the Catholic Fides press agency on Dennis Small's article showing how IMF looting was "Africanizing" Ibero-America. The same morning, Small was interviewed on one of La Paz's most popular morning talk shows on LaRouche's campaign and economic program, the infamous "Bush manual," the U.S.'s disastrous policies, and how to replace the IMF financial system.

That afternoon, the La Paz press corps jammed the press conference held in the Congress to report on the IMF and

the LaRouche campaign. "Skeptical at first but ever more interested in Small's words, the journalists ended up dedicating almost an hour to consultations [with him] on what surely worries all of us, the destiny of our mistreated Bolivian people," the daily *Presencia* reported the next day. The paper titled its report, "Privatization and Disappearance of the Armed Forces, a Single 'Bush Plan.' "

In his conference, Small called for the U.S. ambassador to Bolivia to resign because of the "Bush manual" scandal. Small proved that the U.S. embassy had *lied* when it claimed the U.S. government had "no connection" to the book, by simply reading from the preface of the book in question, *The Military and Democracy: The Future of Civil-Military Relations in Latin America*. The preface states that the U.S. Information Agency, a part of the State Department, provided "primary financial support" for the project, and lists numerous U.S. officials who advised the project.

If the U.S. ambassador knew that, he should resign for having embassy staff members *lie* to Bolivians, Small told the press. And if he didn't know, he should resign for incompetence on such an important matter.

One of the things which hit the reporters hardest, was Small's report that Citibank President John Reed had declared during a trip to Brazil in 1990 that Bolivia and Peru will soon "disappear as nations." Reporters asked Small whether the U.S. ambassador, too, sought to "make nations disappear." Small said that that was a question better directed to the ambassador, but noted that there can be no doubt that the U.S. government has had for some time a policy of depopulating and deindustrializing the nations of the Third World, as seen in the 1974 National Security Study Memorandum 200, signed by Henry Kissinger, the details of which he presented to the reporters.

Three stations covered the conference that night on television, as did four newspapers the next day. Channel 11 promised continued coverage, due to its "importance." Channel 8 reported that the LaRouche spokesman had called it "imperative" to replace the IMF, because of the "genocide" which it has caused. Including shots of *EIR*'s original "Bush manual" exposé in its coverage, Channel 3 featured that a spokesman for American presidential candidate LaRouche charges that the bankers have adopted policies of destroying institutions such as the Catholic Church and the Armed Forces in a desperate bid to save their bankrupt international financial system. "Time will tell if Small was speaking the truth or not," the announcer remarked.

U.S. embassy efforts to portray LaRouche and *EIR* as "delinquents" failed miserably. Television and newspapers both reported that LaRouche was a "political prisoner of George Bush," jailed for "the only 'crime' of opposing the neo-liberal [as monetarist policies of usury are called in Ibero-America] policies of Bush, Henry Kissinger, and the IMF, and for organizing an international resistance movement against these."

Elimination of Bolivia's military is 'unthinkable'

The scope of the national debate which broke out in Bolivia in December over the "Bush manual" to eliminate the armed forces, was reflected in the almost-daily coverage on this issue published by Bolivia's largest-circulation daily, Presencia. The following is a summary chronology of the most important headlines and articles from Presencia's coverage.

Dec. 3

Headline: "Military Rejects 'Bush Manual' to Eliminate Ibero-American Armed Forces. Military Chiefs Will Not Participate in Any Debate on the Situation of the Armed Forces"

Members of the High Military Command forcefully rejected the implementation of a plan entitled "Bush manual for the elimination of Ibero-America's Armed Forces," a theoretical instrument which has inspired the president of the Electoral Court of Santa Cruz to propose the elimination of the Bolivian Armed Forces.

Commander-in-Chief of the Armed Forces Alejandro Camponovo and Bolivian Air Force Commander Gen. Dardo Gómez García emphasized that this international plan is in no way applicable to the Bolivian situation. . . .

Since last week, certain international agencies have been publishing excerpts of a book on issues such as the role of the military under democratic systems. Much reference is made to a so-called "Bush manual" for eliminating the armed forces from Ibero-American countries, since the principal enemy, which is communism, no longer exists.

The international proposal which so disturbs the Latin American military leaders, proposes the formation of a kind of specialized gendarmerie in place of the existing armed forces.

Dec. 5

Headline: "U.S. Embassy Disavows Plan to Eliminate Armed Forces"

The Embassy of the United States in La Paz said it knows nothing of the so-called "Bush manual," which is supposedly intended to eliminate the armed forces of the continent. The deputy secretary of the embassy, Robert Callahan, said that if such a plan did exist, it would refer to the Armed Forces of his country. . . .

Bolivian authorities, and various social sectors, expressed their repudiation of the supposed U.S. position to

eliminate the Armed Forces and substitute them with a police force. . . .

Headline: "Armed Forces Will Resist Foreign Interference Which Seeks Its Elimination; The Disappearance of the Armed Forces Could Endanger Territorial Integrity, Says Commander-in-Chief"

The military chiefs presented a vehement institutional rejection yesterday of any foreign interference which seeks the elimination of the Armed Forces. "We are going to emphatically reject a situation of that sort," stated Armed Forces Commander-in-Chief Gen. Alejandro Camponovo, while Army Commander Gen. Oscar Escobar went even further, stating: "I firmly reject any foreign imposition," such as the so-called "Bush manual," intended to eliminate the armed forces of the region. . . .

The rumors concerning the need to eliminate the Armed Forces as "unnecessary," caused furious indignation on the part of members of the high military command. The leading military chiefs agreed that "the armed institution will die with the fatherland."

The rumors against the existence of the armed institution were considered part of a discrediting campaign. Camponovo nonetheless clarified that at no time has the high command officially received the so-called "Bush manual," and that it was a study or proposal by certain political sectors.

The idea of eliminating the Armed Forces is not a definite policy, but a proposal which was made on certain levels, said the military leader in specifying that the military was carrying out its activities as usual. . . .

The Army commanding general firmly stated that Bolivia, as a sovereign and independent country, could not accept any foreign manual seeking to affect one of the fundamental institutions, such as the Armed Forces. "That is a manual that was not approved by any government, and I know that it is a study that some university has made; but these are ideas which cannot be imposed on an independent state like Bolivia," said Escobar.

Similarly, the commander of the Bolivian Air Force, Gen. Dardo Gómez, expressed his concern over the supposed manual to eliminate the Armed Forces, and emphasized that the so-called "Bush manual" will not work in Bolivia. . . .

Headline: "Interim President: 'Cancellation of the Armed Forces Is Unthinkable' "

"A split or elimination of the Armed Forces is unthinkable, just as it would be unthinkable to eliminate the Bolivian Catholic Church or other forces which are the *raison d'être* of our country," stated interim President Luis Ossio yesterday.

Following the graduation ceremony of the National School of Higher Studies, the leader expressed his disagreement with sentiments coming from Santa Cruz, to the effect that the military institution should disappear, to make way for a technical police, as the "Bush manual" apparently suggests.

"The Armed Forces are essential for the geopolitics of our country, for national integration, the conquest of our own territory, for the development of our social and productive capabilities, and for the organization of society through the year 2000," he emphasized.

Ossio, who is also the interim head of the Armed Forces, said that that sentiment was shared by representatives of Congress, the Bolivian Labor Central, and all active forces. . . .

Regarding the possibility that the military might be turned into a technical police force, he stated that . . . the Armed Forces fulfill a substantial role in defense of the sovereignty and the institutionality of the country, and the economic and social development of the territory and its inhabitants. . . .

Dec. 6

Headline: "Defense Minister Asks That the Plan to Eliminate the Armed Forces Be Made Known"

Defense Minister Alberto Sáenz called on those who know the so-called "Bush manual" to make it known, because the government is unfamiliar with it. "We answer questions often, but we also ask them: What is this plan? . . . and if you know it," he said to a visibly upset journalist, "I beg you to reveal it to me."

According to the defense minister, "there definitively does not exist any recommendation" by the United States government that Bolivia continue a slow process of dismantling the Armed Forces. . . .

Dec. 7

Headline: "U.S. Embassy Reiterates That There Is No Plan to Eliminate the Armed Forces"

[The U.S. diplomatic mission] issued a communiqué clarifying that the supposed "Bush manual" is "totally false and non-existent."

"The name of the 'Bush manual' was freely applied in the subjective interpretation of a book entitled *The Military and Democracy: The Future of Civil-Military Relations in Latin America*, and has no connection with the U.S. government," said the embassy communiqué.

"The press commentary reproduced last Sunday in a local morning paper is not based on official United States policy, but on the opinions of the authors. The Pentagon, as well as the White House and State Department, deny the existence of any plan or project to recommend the elimination of the Armed Forces of Bolivia or of any other Latin American country; therefore, it can hardly be construed as the personal intent of President Bush, as has been intentionally implied." . . .

Dec. 11

Headline: "'There Is No Bush Plan,' But the Armed Forces Will Be Drastically Reduced"

The United States embassy in Bolivia reiterated yesterday

PRESENCIA
 MARTES FUNDADO EL 10 DE MARZO DE 1950
 AÑO XLV N° 11.285 LA PAZ, BOLIVIA, SABADO 14 DE DICIEMBRE DE 1991 - 80 PAGINAS - \$4.10

Presidente Paz aseguró integridad y subsistencia de las FF. AA.

Alto Mando reorientado por rechazo presidencial

"No hay Plan Bush", pero FF.AA. serán drásticamente reducidas

En 1992, gobierno consolidará interdicción al narcotráfico

Embajada de EE.UU. desconoce plan para eliminar las FF.AA.

Cochabamba suspende erradicación de la coca

Si hasta el 15 de diciembre no se licita Misicuni, Comité Cívico adoptará 'medidas de hecho'

The Bolivian newspaper *Presencia* headlines the widespread rejection of any plan to dismantle Bolivia's Armed Forces.

that there does not exist any "Bush Plan" for the disintegration of the armies of the continent. However, simultaneously, ruling party Congressman Hugo Carvajal Donoso confirmed the government's decision to drastically reduce the numbers of the Bolivian Armed Forces.

The neo-liberal economic model assigns a new role to the military, which includes the reduction of its operations budget and its return to the rural area and to the borders to preserve territorial integrity and national sovereignty.

In this new role, the military should retire from the administration of companies of the Armed Forces Corporation for National Development (Cofadena), which companies will be auctioned off because they make the Army's operational expenses, many of which are running deficits, more costly, according to an evaluation of the Executive. . . .

The U.S. embassy reiterated that there does not exist any "Bush manual" and accused "marginal publications, of a totally independent origin" of generating controversial posi-

tions which damage “the excellent relations between our two nations.” . . .

We cannot allow ourselves the luxury in Bolivia of maintaining an Armed Forces which continues with the same budget, the same expenses, while at the same time we are demanding rationality and reordering from the other institutions, said the head of the ruling MIR party’s congressional bloc, Hugo Carvajal. . . .

Within the new guidelines of the government, which denies it is an imposition of the United States through the so-called Bush Plan, the military will tend to have a much more passive role due to the “disappearance of the communist threat” on the continent and in the world. . . .

Questioned as to whether this decision has anything to do with the so-called Bush Plan, the congressman responded doubtfully: “I don’t think so. . . . It is a demand of the economy itself,” he explained, “since the military has exaggerated its institution, its apparatus, its companies, and now must ‘shrink.’ ”

Headline: “Congressmen Come Out in Defense of Armed Forces”

In an unexpected debate during the afternoon session, congressmen came out in defense of the integrity of the Armed Forces of the nation, their existence presumably threatened by a U.S. plan. . . .

The statements on the matter, which remained pending for next Wednesday, made reference to the “Bush Plan” for eliminating the Latin American armies as part of a plan of domination.

The congressmen rejected such a possibility, although the majority of them questioned the role the Armed Forces currently play in national development.

Within this framework, the spokesmen for the neo-liberal model spoke of the importance of “adjusting” the military presence to the objectives pursued under the new economic policy. . . .

Dec. 14

Headline: “President Paz Assures the Integrity and Support of the Armed Forces”

In an impromptu speech, [President Jaime Paz Zamora] expressed the government’s fullest confidence in the military institution, and rejected any possibility of revising its existence; “to do so,” he emphasized, “would be to seek the revision of the Republic itself.”

The definitive presidential statement came during the graduation ceremony of 104 new second lieutenants from the Army Military College. . . .

Paz Zamora, speaking before the Army cadets, stressed the role the military plays which “is often not understood.” The Armed Forces enable us “to maintain the unity, the cohesion, and the organization of all Bolivians, as well as national sovereignty before the international community.

“I want to tell you as President and as your captain general, that just as I believe in Bolivia and in its subsistence, so too do I believe and work for the unity and subsistence of the Armed Forces; the history of Bolivia is inseparable from the Armed Forces; thus it is impossible to consider them separately. . . . I want to make it clear to the nation. We can discuss all we want what steps we should take to modernize and adapt the Armed Forces of Bolivia and of Latin America today; but we have no right to discuss the very foundations of its existence, because we would be discussing the very foundations of the Republic. This should be absolutely clear,” Paz Zamora said vehemently.

The speech produced deep satisfaction on the part of the military chieftains, who felt fully supported by their captain general who urged them “not to be influenced” by those who speak well and by those who speak ill of the military institution. . . .

Dec. 16

Headline: “Following Presidential Support: Military Power Committed to Preserving Democracy”

The so-called “armed branch of the state” overcame internal tension last week which, at one point, affected the morale of some of its branches.

However, and despite presidential assurances that the integrity and provisioning of the Armed Forces would be maintained, the government directive suggests the need to rationalize the number of personnel dependent upon the military institution. Certain non-military sectors continue to speak of the existence of plans that will lead to a “white massacre” in the Armed Forces. . . .

During the concluding ceremony of the General Staff and Command School of Cochabamba, while giving a speech containing truly critical and forceful statements, the Army commander stated that “from conspiratorial shadows, all-powerful accounts are being put forth that seek to question our existence with radical ideas that harbor aggressive and irresponsible intentions. . . .”

The conceptual unity between the Armed Forces and the fatherland, or “Armed Forces equals Nation,” was reinforced in the face of an apparent and unjustified anti-military offensive from Washington (with the phantom of the “Bush manual”) to Santa Cruz (with the statements of the president of the Department’s Electoral Court, Guillermo Kenning).

“We are the vital cell of the fatherland, and—understand this well!—we will be the last to abandon it,” warned [Gen. Oscar] Escobar.

Then, he added: “We are alarmed that the audacity of certain bad Bolivians also encompasses other fundamental and meritorious institutions such as the Catholic Church and National Police which, in the end, are also targets of attack. This concerns us because it affects the integrity of our existence as a nation and could erode the very stability of the fatherland.”

Bush tells Haitian people: Go to hell

by Valerie Rush

The United States Coast Guard began the forced return of 12,000 Haitian refugees to their starving homeland Feb. 3, after the U.S. Supreme Court reversed a standing injunction against their repatriation. As many as 15,000 Haitians—5,000 in the last week alone—had chosen a U.S. concentration camp in Guantanamo, Cuba over near certain death from disease or starvation in Haiti, as the U.S. embargo against their country was driving the population to below-subsistence conditions.

In dubbing the Haitians “economic refugees” and therefore ineligible for political asylum in the United States, the administration of President George Bush is rivaling that of Franklin Roosevelt in disgracing the United States. In 1939, the Roosevelt administration denied docking privileges to the ship *Saint Louis*, filled with desperate German-Jewish refugees, and sent them back to Hitler’s concentration camps. This time, of course, the hell in Haiti is of the Bush administration’s own making.

According to press reports, the embargo has created conditions tantamount to genocide in the Caribbean island nation, which was already the poorest in the hemisphere. The *New York Times* of Jan. 18 described Haitian farmers eating weeds and their own planting seeds for lack of other food. The Haitian countryside, notorious for serious deforestation problems, is being stripped of what few trees remain, to serve as firewood in place of embargoed fuel. Irrigation water that once kept select areas of cropland flourishing, is now being diverted to run hydroelectric turbines for electricity to light Haiti’s urban centers for a few hours a day. Easily preventable diseases like measles are now claiming the lives of children and others because there is no refrigeration for vaccines.

The irreparable damage to Haiti’s land and to the population’s living conditions will mean mass starvation and epidemics in the immediate future.

‘Operation Racist Shield’

The repatriation decision, apparently designed to take some political heat off the Bush administration, has proved as popular as President Bush’s Japanese diplomacy. House Majority Whip Rep. David E. Bonior (D-Mich.) condemned

the repatriation decision as “outrageous,” linking it to Bush’s fear of upsetting Florida in an election year, even while Miami Mayor Xavier Suarez, himself a Cuban immigrant who urges eliminating the artificial distinction between economic and political refugees, is handing out bumper stickers demanding that the Bush administration “interdict drugs, not Haitians.”

While human rights activists see Bush’s move as a possible violation of the 1951 United Nations Refugee Convention, black politicians like Rep. Major Owens (D-N.Y.) are calling the repatriation “a racist act with deadly genocidal” consequences for the refugees. The *Miami Herald* bluntly referred to the repatriations as President Bush’s “Operation Racist Shield,” in a Feb. 2 editorial. The *Los Angeles Times* of Feb. 4 called the move “an oddly dissonant chord” and “very troubling,” and warned that it could prove highly embarrassing for Washington.

The Feb. 5 *Christian Science Monitor* devoted its front page to examining the contradictions between U.S. refugee policy toward Cubans, who are given permanent residence status within a year of touching U.S. shores, and toward the Haitians, who are being forced back to live under a government which the Bush administration itself has condemned as illegal and in violation of human rights. The *Monitor* suggested that Washington’s treatment of the Haitians has been complicated by “a dose of current presidential politics,” and quotes a State Department official who admits that the 125,000 Cubans in the 1980 Mariel boatlift were accepted because of the political and economic clout of the Cuban-American community—“clout that Haitians just don’t have.”

‘Easing’ of sanctions meaningless

Efforts to put a sugar-coating on the repatriation decision by simultaneously announcing an “easing” of U.S. sanctions against Haiti have also failed miserably. Permission from the U.S. Treasury Department for U.S. assembly plants in Haiti to resume production for re-export, a move allegedly designed to “lessen the burden on Haitian workers” who lost their jobs under the embargo, is universally viewed as a meaningless gesture, since the majority of those plants have shut down operations and left the country. Said one Haitian economist cited by the Feb. 5 *Washington Post*, “You’re not going to get anybody who pulled out to come back. Who are they going to export to? Who’s going to want to give them contracts?”

The announcement by the administration that its sanctions will be made “more effective” by honing in on individuals who financed and/or politically supported the Sept. 30 coup in Haiti and freezing their U.S. assets is equally absurd, since any such assets will have been withdrawn months ago.

With President Bush continuing to grasp at foreign policy straws that may help buoy him in this election year, the possibility of his attempting a “quickie” military deployment to deal with his worsening Haiti debacle cannot be ruled out.

Georgian monarchists want power this year

by Mark Burdman

The drive for restoring the monarchy to the former Soviet republic of Georgia is escalating dramatically, with former Foreign Minister Eduard Shevardnadze evidently in the middle of it.

According to the Spanish daily *El País* of Jan. 31, envoys claiming to represent an all-party consensus in Georgia were scheduled to arrive in Spain on Feb. 7, to formalize concrete plans for restoring the Bagratian royal house *during the course of 1992*. Georgy Chanturia, leader of the National Democratic Party and one of the envoys, told the Trilateral Commission-linked Madrid daily: "Our mission is to meet the Bagratians, the Georgian Royal Family, and take the heir back to Tbilisi." Chanturia is being accompanied by Temur Zhorzholiani, head of Georgia's Monarchist Party. Their interest focuses not on the actual pretender, Jorge, but on his 19-year-old son, Irakly. States Chanturia: "His coronation will take place before the end of the year."

The Bagratians were last in power in Georgia nearly two centuries ago, in 1801-02, so the British and their Spanish royal buddies are really reaching into history's garbage can in this power bid!

Since Irakly, who has been a student in the United States, has no knowledge of the Georgian language, nor of the country's traditions, there is talk of forming a "Regency Council" for him, which would be put together by intimates of Irakly, by the Georgian Orthodox Church Patriarch Ilya II, by a representative of the Georgian intelligentsia, and by Chanturia and Zhorzholiani.

In their interview with *El País*, Chanturia and Zhorzholiani say that they will stay in Spain for one week, then will go on to Rome, bringing with them the three young Bagratian princes, to visit Ketovan Bagratian, who is married to Rome's Prince Orsini. They plan to meet Pope John Paul II. However, if for some reason this meeting doesn't come off, they will bring the three princes to Moscow, for meetings there.

A pragmatic alliance

The Georgian delegation to Spain claims to be speaking in the name of all the political forces that have been involved in the past weeks' efforts to overthrow the tyrannical regime of Zviad Gamsakhurdia. According to statements they have made to *El País*, these include the Georgian Military Council, the Provisional Government, and Patriarch of the Geor-

gian Orthodox Church Ilya II. They are reportedly carrying a letter from the patriarch to King Juan Carlos of Spain.

Chanturia says candidly to the Madrid daily that their support for monarchy is not based on "principle," but on "pragmatism."

According to information obtained by this news service, Chanturia has recently been visiting the British and French embassies in Moscow, to discuss future political options for Georgia. It is a certainty that high-level circles in Britain, in the orbit of the British monarchy and old "Georgia hand" Sir Fitzroy Maclean, are actively backing the monarchical restoration in Georgia. The line coming from Chanturia, as per his "pragmatist" view, is that bringing in the monarchy, perhaps together with Shevardnadze, will help win support and money from the West for Georgia. Similar pragmatism leads him to gush praise for the Spanish constitutional monarchy, and to talk of the similar dispositions of Georgians and Spaniards, during his *El País* interview.

However, it should be stressed that Chanturia and Zhorzholiani do *not* have the support of all opposition forces, according to *EIR*'s independent reading of the situation. Elements within the coordinating council of anti-Gamsakhurdia groups either are opposed to bringing back the monarchy or have not stated a position. Also, within the Bagratian royal family itself, there are deep splits emerging, with the sister of the pretender Jorge having recently told the press that he is unfit to rule a country, and that a monarchy could do nothing to solve the main problem facing Georgians, namely, finding food.

Shevardnadze, the 'communist monarch'

Chanturia told *El País* that "it is not to be excluded" that Shevardnadze—labeled by the paper "the former communist monarch of Georgia"—could form part of the Regency Council that would advise the young monarch.

On Feb. 4, Shevardnadze praised Georgia's "democratic revolution," in statements made on Georgian television. According to a Radio Moscow synopsis, he welcomed the downfall of the "dictatorial regime" of Gamsakhurdia.

His comments were made as the ruling Military Council in Georgia announced that it was establishing its control over western Georgia, although there were still demonstrations and protests in the capital Tbilisi. A leader of the Military Council stated that "provocateurs will be shot."

Radio Moscow commentator Leonid Zhukov, reporting on the developments in Georgia on Feb. 6, commented that "the bid to restore the monarchy is gaining momentum," and that in his discussions with "high-ranking officials" in the republic, "most spoke in support of such a state model." In 1989, when the monarchist party was set up, "the idea of a restoration seemed exotic, unrealistic," Zhukov said. "But the monarchy idea won support, with the growing disillusion with the Gamsakhurdia regime. This model is seen as more appropriate to Georgia."

Spooks fear influence of LaRouche

LaRouche's movement is "spreading throughout the bush like wildfire," and Zionists and royalists are furious.

The London-based magazine *Searchlight*, in its October 1991 issue, featured an attack on the expansion of the political movement in Australia associated with U.S. statesman and political prisoner Lyndon LaRouche. The magazine, a self-described "international anti-fascist monthly," was published for years by a member of Great Britain's Communist Party, and is notorious in intelligence circles as a front for the British Secret Intelligence Service (SIS).

Searchlight argues that the "main danger" in the Australian countryside, or "bush," besides "innumerable dangerous insects, spiders," etc., "is its bizarre far-right politics, dominated since the 1930s by . . . the Social Credit movement of the late C.H. Douglas . . . today trumpeted by Eric Butler's Australian League of Rights."

But now, moans *Searchlight*, "The League of Rights' hold over the bush, which has in the past seen the group wield influence in the mainstream rural-based National Party, has been threatened by an imported pest which has wrested control of an important front group—The Citizens' Electoral Councils—from the League, and which is itself now spreading throughout the bush like wildfire.

"The imported pest is the *Executive Intelligence Review* group of convicted U.S. fraudster Lyndon LaRouche, and its 'Bash the Banks' message is gaining considerable support among farmers in recession-battered Australia, being the subject of a major article in the *Melbourne Age* in March this year."

Searchlight complained that during a highly successful tour of Australian country towns by American pro-LaRouche organizers Pat and Carol Ruckert in mid-1991, they made "claims that Prince Charles was a freemason and a member of an alleged occult grouping known as the 'Lucifer Trust,' and that his father was an open advocate of genocide."

Those charges, which are abundantly documented, have made some people very nervous.

Australian sources report that the unsigned article was authored by David Greason, a British-born homosexual now employed by the Australian Security Intelligence Organization (ASIO), who does odd jobs for British SIS, the Israeli Mossad, and Australia's organized crime-infested Zionist Lobby.

Greason is now writing a book on the Australian "far right," reportedly financed by the Mossad-linked *Australia-Israel Review*, in which he defends League of Rights founder Butler from charges of sabotage of Australia's war effort in World War II.

It is ironic, but lawful, that Greason and the left-wing *Searchlight* would jump to the defense of Butler, "the leading figure on the Australian far right," and would be joined by a leading magazine for Australia's Zionist lobby in defending the man who wrote a tract called "The International Jew," and whom that Zionist lobby has long otherwise denounced as an anti-Semite. The SIS-run *Searchlight*, the Zionist lobby, and Butler's League of Rights all have the same mother: the British Establishment.

And mother is hysterical that one of her favorite children, and political pawns, is being eclipsed by the LaRouche forces.

The Australian League of Rights was founded by Butler in 1946 to cheer for the British Crown and the British Empire. Though he hides it from all but his closest associates, Butler is a member of the British Israelite cult, which argues that the Anglo-Saxons, not the Jews, are God's chosen people, and that the bloodline of David and of Jesus Christ is embodied today in the British Royal Family.

According to its own statements, the League was founded "to expose and oppose all anti-British propaganda, and actions, irrespective of their origins," and "has distributed hundreds of thousands of brochures outlining the value of the monarchical form of government, in which the Crown plays more than a ceremonial role."

A written constitution, such as the American one, "suggests a static society," says the League, while "the truth is that a healthy society must grow. The Crown is a living symbol of the values upon which Australia was developed, and the royalist believes it is a superior institution than [sic] a written constitution."

The League's anti-industrial economic policies also cohere with the malthusianism of the British Empire and of the British Royal Family. The League's longtime Queensland director, Charles Pinwill, recently attempted to refute the idea of the necessity for industrial growth which was argued in a pamphlet titled "Sovereign Australia," an economic recovery program developed and widely circulated by *EIR* and the Citizens Electoral Councils. "Why develop more industrial capacity, when we have not yet learned how to allow consumers to use our present capacity?" he asked.

The West rehabilitates Li Peng

Deng Xiaoping reappeared, seeking more foreign concessions, while Li Peng pledged China to the new world order.

After a year of isolation from any public appearance (and regular rumors of his failing health), the People's Republic of China's 87-year-old strong-man, Deng Xiaoping, reappeared for a two-week tour of the Special Economic Zones across from Hong Kong and Macao, and the new Free Trade Zone being constructed in Shanghai. While Deng holds no official position, his leadership is unquestioned as long as he is alive. Demonstrating his mere existence in this way is a political message to the West and to his opponents, that the new round of accelerated free trade reforms will continue, despite the continuing breakdown of basic industry and massive unemployment.

Meanwhile, Deng's fellow hit-man from the Tiananmen Square massacre, Prime Minister Li Peng, spent the same two weeks visiting Europe and the U.N. Li was granted private meetings with President Bush and British Prime Minister John Major. Despite *pro forma* complaints by the Anglo-American leaders over China's tyrannical police state, and Li's equally *pro forma* protests over the West's disregard for the national sovereignty of Third World nations, the meetings effectively established China's position as a junior partner in the Anglo-American genocidal "new world order."

The special meeting of the heads of state of the U.N. Security Council members on Jan. 31, which provided the excuse for the meeting between Bush and Li, pushed forward the transformation of the U.N. into an enforcement arm of the new world or-

der, prepared to deploy military and other operations against any opposition to their dictates. Li pledged that China would "give support to a greater role of the United Nations in maintaining peace and promoting development in the world."

Li had spoken the day before at the opening session of the World Economic Forum at Davos, Switzerland. He said that China would "accelerate the pace" of the free market reform measures, and expand the free market areas, with special emphasis on the transformation of Shanghai back to its 19th-century status as the financial playground for foreign colonial powers. This was warmly received by the western banking establishment, which is desperate to extract as much loot as possible, through raw materials and cheap labor process industries, to prop up the rapidly collapsing financial system in the West.

Showing their open support for dictatorship and tyranny as a means to enforce "free trade," the elite of the Anglo-American financial establishment "rehabilitated" Li Peng at a private meeting sponsored by the Council on Foreign Relations and others in New York on Feb. 1. Attending the meeting were David Rockefeller, Maurice Greenberg, and former World Bank head Barber Conable, among others. The Feb. 3 *New York Times* reported that "participants said they had seen a new side of Mr. Li . . . thoughtful and open minded." They were "impressed with Mr. Li personally, and more sympathetic to his government's position that the need for

stability in an overpopulated and poor country overrides its ability to guarantee political rights to all." One businessman, speaking anonymously, told the *Times*: "The image of Li Peng as some sort of a monster is an unfair caricature. He listened, he responded, he even showed a sense of humor."

During the same week, the Chinese joined for the first time in the Middle East peace talks, sending a delegation to the Moscow round. This was a *quid pro quo* for establishing official relations with Israel.

The Chinese press is holding up this diplomatic collaboration with the West as proof of the success and stability of the bloody dictatorship. But neither the approval from a U.S. President who is increasingly seen as a mentally deranged failure, nor Deng's grandstanding on "foreign concessions," will reverse the collapse of the real Chinese economy, and with it the livelihood of the majority of the population. In fact, the most likely reason for Deng's trip is to consolidate forces against the emerging opposition to his failed policies.

In January, Yao Yilin, part of the old-line Marxist faction, released a report exposing the economic disaster sweeping every part of the economy except the free trade zones, which produce virtually nothing of substance for the domestic economy. Meanwhile, leaders of the All China Federation of Trade Unions are touring the country trying to passify the tens of thousands of industrial workers who are being laid off or victimized by wage cuts as high as 40%. The unemployed "blind flow" is now estimated by some at close to 200 million. The regime has sped up the execution rate to terrify those who resist or who have turned to crime. The newly released U.S. government Human Rights Report estimated that there were 6,000 executions in China in 1991.

Who needs enemies?

Ungrateful U.S. officials now say they lied when they called Noriega the U.S.'s only ally in the war against drugs.

After a delay of nearly seven weeks, the trial of Panamanian Gen. Manuel Noriega resumed in Miami on Feb. 3. Whereas the drug traffickers, kidnapers, murderers, and other criminals were given shorter sentences, immunity from prosecution, outright freedom, tax breaks, and were even paid millions of taxpayers' dollars by the U.S. government to testify against Noriega, the defense is heavily relying on current and former U.S. law enforcement officials to prove that Noriega was the United States' best ally in the war on drugs.

"None of the witnesses we'll present was allowed to keep his drug profits in exchange for his testimony," said defense attorney Jon May, in a pointed reference to the sweetheart deals given by prosecutors to Medellín Cartel co-founder Carlos Ledher and others. "None of the witnesses we will present has received immunity for his testimony, none of the witnesses we will present has been allowed to plead to reduced charges," said May.

The trial had been in recess since the prosecution completed its case on Dec. 17, while Federal District Judge William Hoeverler underwent triple-bypass heart surgery. "At the very time General Noriega was alleged to have been in bed with the cartel," he was leading key strikes against the drug traffickers, said May.

Among the defense evidence are recently obtained Drug Enforcement Administration (DEA) reports about an anti-drug operation code named "Operation Negocio." The documents, which the government claimed to have misplaced earlier, "buttress

the contention by defense lawyers for Noriega that the deposed general cooperated fully with U.S. drug interdiction efforts," reported *New York Newsday* on Jan. 31. "Noriega was helping us, not 10%, not 20% of the time, but in every instance we asked him to do so, 100% of the time," a federal drug enforcement officer was quoted. "These were key operations . . . that struck at both the Cali and Medellín cartels."

As May told the jury, "By the end of this trial you may wonder why General Noriega was ever indicted." In part because Hoeverler's rulings have severely hamstrung Noriega's ability to present a political defense, his attorneys will reportedly not seek to introduce evidence that U.S. government agents were running a drugs-for-arms pipeline as part of Oliver North's Iran-Contra operations.

Peter Bensinger, who served as DEA chief from 1977 to 1981 in the Ford and Carter administrations, was called to the stand by the defense and asked to read several letters he had written in which he praised Noriega's "professionalism," which "has contributed substantially to the ongoing war against drugs." A hostile witness, Bensinger now claims that he lied when he wrote the letters.

"I always regarded [then] Colonel Noriega with suspicion," said Bensinger. "I did not view him as an individual dedicated solely to law enforcement." As for the letters, they were "to create goodwill," to "facilitate cooperation," he said. "My own view was, 'Let's get whatever we can get by way of cooperation.'"

Should Bensinger be believed now, when he states that he didn't tell the truth then? Was he just stroking Noriega? Well, in April 1978, Bensinger sent a circular to all DEA field offices: "In all of Central and South America," wrote Bensinger in an internal document that Noriega was unlikely ever to see, "Noriega is the only one who has been cooperating" with the DEA.

Following Bensinger on the stand was another hostile witness, John Lawn, DEA chief from 1985 to 1987. Lawn was forced to admit that Noriega and the Panamanian Defense Forces had seized tons of chemicals used to process cocaine, virtually eradicated Panama's marijuana crops, expelled fugitives who were wanted in the U.S., and "always" agreed to let the U.S. Coast Guard search suspected drug ships registered in Panama.

But Lawn denied that these were "significant" achievements. "I certainly wouldn't describe General Noriega's cooperation as unprecedented," said Lawn, who also claimed that he didn't mean the laudatory things he wrote about Noriega in letters he was forced to read from the stand. "The letter was written while I was wearing my diplomatic hat."

Some diplomacy. "I am writing to express my gratitude and appreciation for the recent actions taken by the Panamanian Defense Forces under your command," wrote Lawn in a Feb. 13, 1987 letter to Noriega following the capture of Jack Carlton Reed, "a co-defendant of Carlos Lehder" according to the letter. One month later, in March 1987, Lawn wrote another paean, praising the Panamanians for passage of Law 23, the anti-drug money-laundering law promoted by Noriega. "I hope this initiative your government has taken will serve as a model for other countries throughout the Americas."

International Intelligence

Attali: Russia should swap debt for warheads

Jacques Attali, the French head of the European Bank for Reconstruction and Development (EBRD), has proposed that the former U.S.S.R. dismantle nuclear warheads in exchange for a reduction of its foreign debt burden, according to articles in the Moscow dailies *Izvestia* and *Krasnaya Zvezda* on Jan. 22. Although *Izvestia's* report specified that Attali's proposal "was not made in his capacity as head of the bank but in an individual capacity," *Krasnaya Zvezda*, the newspaper of the Armed Forces, made no such distinction.

Attali's proposal, according to *Krasnaya Zvezda*, was made in an interview for a weekly published by the EBRD. The Russian paper was sharply critical of the proposal: "Let us not forget that in conditions where the future of our Armed Forces is very vague, it is nuclear arms that form the basis of the defense capability of all the Community members. Would we not be selling ourselves short by exchanging warheads for debts?"

Russian nuclear experts reject western charges

Top Russian nuclear scientists have given several interviews, denouncing the western media hype about their alleged willingness to sell their expertise to Third World nations that want to build nuclear bombs.

The Jan. 28 *Jerusalem Post*, in a report from Moscow, cites the view of physicist Gennadi Smirnov of the I.V. Kurchatov Institute of Atomic Energy, that "he and his colleagues find all the speculation in the western media about Soviet physicists peddling their expertise to Third World countries to be far-fetched, and in rather bad taste." Smirnov, an expert in gamma ray optics, is quoted by the *Post*: "All of this is very far from our day-to-day reality, and no one is talking about it at the institute. Like almost everyone else in society, we are mainly absorbed with the question of how

to find meat and milk."

Prof. Andrei Gagarinsky, deputy head of the Kurchatov Institute and executive secretary of the Soviet Nuclear Society, stressed that widely reported comments by Vyachislav Rozanov, deputy chief of the thermonuclear department at Kurchatov, that Libya had offered jobs to two Kurchatov physicists at \$2,000 a month, had been misconstrued. Associated Press had cited Rozanov saying that the two physicists had turned down the Libyan offer, but might say "yes" to more money the next time—and this was blown out of all proportion.

The head of Russia's nuclear arms program, Prof. Valeri Mikhailov, denied the western media interpretation, in an interview with the daily *Komsomolskaya Pravda*, and emphasized the importance to Russia of its nuclear scientists: "The country must not lose their knowledge, their brain power, at any cost. These are the crown jewels of our science," Mikhailov said. They are "patriots, responsible people," and while it is possible a "few adventurers" could go abroad, it is not likely.

China reduces Army, beefs up domestic police

Communist Chinese leader Deng Xiaoping has ordered the reduction of the 3 million-strong People's Liberation Army by one-third, and called for modernizing the Army that remains, according to a report in the *Mirror Monthly* of Hong Kong on Jan. 29.

But the troop cutbacks are covering for increased arms and expansion of the domestic police. According to *Nikkei Weekly* of Japan on Jan. 27, the troop cuts will actually amount to 260,000 between 1992 and 1995. In 1985, the Chinese government announced it would cut military forces by 25%, and officials claimed that this task was completed in 1988; but analysts say that due to stiff military opposition and social concerns over unemployed soldiers, only 700,000 positions were actually lost, and many of these were simply transferred into the paramilitary People's Armed Police (PAP), which deals with internal security.

The PAP has been considerably expanded to about 600,000 troops today, according to analysts. And the latest round of military cutbacks could see further growth in the PAP.

Nevertheless, military leaders expect the reductions to channel extra funds into their modernization program, in particular toward the buildup of rapid deployment forces and acquisition of certain types of equipment, including air combat capabilities, electronic warfare systems, and air-defense missiles.

The PLA is also developing more lightly equipped rapid deployment forces which are more air-mobile and can be rushed to any location within China in a matter of hours.

Italian commission hits NATO's 'Gladio'

An Italian parliamentary commission on terrorism has denounced "Operation Gladio," set up by NATO during the postwar period, as a clandestine and illegal "armed band," involved in subversive efforts to create a "strategy of tension" in Italy, and has made the first official accusation that Gladio went beyond its official NATO assignment, which was to prepare for guerrilla warfare against invading Warsaw Pact armies.

The president of the commission, Libero Gualtieri of the Republican Party, wrote: "There was no justification for Gladio, neither at the start nor the finish. Indeed, there was an increase in its threat and its illegality with the passing of years. Not everything that occurred in the murky years of our recent history can be ascribed to Gladio, but Gladio was a component in that strategy which, by planting within the system elements of tension, justified the opportunity for 'stabilizing' interventions."

Simultaneously, a memorandum of "notes for indictment" by two military judges from Padua examining the legality of Gladio, has accused six secret service generals of organizing the network of "high treason and sabotage of the Constitution." The judges cite a Gladio document urging "possible acts of terrorism with which to

charge insurgents." They add that Gladio became a focal point for members of the "Marine Star" Mussolini veterans group.

For more information on this supersecret paramilitary structure, see *EIR*, Nov. 9, 1990 ("Operation Gladio and the European Revolt") and Nov. 23, 1990 ("'Operation Gladio' Reveals That Kissinger Ordered Moro Murder").

German TV exposes drug route from Colombia

Germany's ZDF television on Jan. 29 broadcast an exposé of an organized crime network that reaches from Cali, Colombia, to Frankfurt, Germany, to Belgrade, "Yugoslavia" (Serbia), and controls the massive flow of cocaine into Europe. The program drew on information from the German Federal Criminal Office (BKA), the German Foreign Intelligence Service (BND), and the Frankfurt City Prosecutor's office.

The documentary charged that Colombian President César Gaviria was running a "narco-democracy," in which the Cali Cartel was emerging to develop the European cocaine market, and to market a new Colombian opium crop. Cali bosses sit in Antwerp, Belgium, and Frankfurt to handle distribution to the Serbian mafia.

Serbian party vows to install a king this year

Serbia shall have a constitutional monarchy with Alexander II Karageorgevic as king, declared Vuk Draskovich, chairman of the Serbian Restoration Movement party, in an interview with the German weekly *Der Spiegel* of Feb. 3.

This monarchist "democratic Serbia," Draskovich said, will overthrow communist leader Slobodan Milosevic, and not even an insurrection of the Serbian nation can be ruled out. "All options are open," he said, "but every one of them leads toward democracy. I think Serbia will turn into a parliamentary monarchy before the end of this year. Supervised by the future King Alexan-

der II, new elections could be held. We need a Juan Carlos [who became head of the Spanish constitutional monarchy after the end of the Franco regime]."

As far as the future structure of what once was Yugoslavia is concerned, Draskovich proposed a two-tier solution: On the condition that all six individual republics be recognized as sovereign states, Serbia could join with Montenegro, Bosnia, and Macedonia to form an association like the European Community; Slovenia and Croatia should be loosely associated, later on.

Monarchist groups are also making power bids elsewhere in the former communist world, notably in Georgia.

Expert foresees 'nuclear sting' of Third World

A "nuclear sting" of one or more developing sector nations is perfectly possible in the weeks or months ahead, a senior British defense specialist told *EIR* on Jan. 31, referring to a scenario in which a targeted nation is "offered" nuclear and/or other weapons technology by agents of American, Israeli, or British intelligence, in order to create the conditions for a media "nuclear weapons proliferation" propaganda campaign that would set that nation up for a "preemptive" attack.

"It's absolutely possible that such a sting can happen," he said. "After all, look at this Iraqi 'Supergun' business. In plain, simple language, that was a sting: We stung the Iraqis! That whole business was about our suckering the Iraqis, and it worked. I can see the same thing now happening, whether it be nuclear technology, chemical, bacteriological, or whatever. It's a matter of finding the next suckers. . . ."

"I would think the Gulf, or the Middle East more generally, would be the place to look for something along these lines to happen in the period ahead. And the trick this time is that another 'Desert Storm' would be very difficult for the Americans to pull off, so the thing to look for this time around is: What will the Israelis do?"

Briefly

● **ISRAEL** is scheduled to launch its first space satellite for espionage missions shortly, spokesmen for military intelligence said. The Israeli Army's chief intelligence officer, Maj. Gen. Oren Shachor, said that the OF-EK-3 satellite "will have an outstanding impact when we have to deal with non-conventional weapons, and I see in it something that will move Israeli intelligence up a notch."

● **ONLY 19% OF SCOTS** want to preserve the 1707 "union" with Britain, according to a poll carried out by the daily *The Scotsman* and Britain's ITN TV station. The poll found 50% of the Scots in favor of full sovereignty and independence from London, and another 27% for significantly increased autonomy.

● **THE TRILATERAL** Commission will hold its annual plenary meeting this year in Lisbon, Portugal, April 25-27. The group was founded by David Rockefeller, and its directors have included Henry Kissinger and Zbigniew Brzezinski. The principal themes this year will be the economy, security, and "migration." The task force on migration will be headed by Robert Hormats of Goldman Sachs investment bank, and Antonio Garrigues Walker of Spain.

● **ARGENTINE** President Carlos Menem, responding to a request from Edgar Bronfman, head of the World Jewish Congress, decreed that on Feb. 1, the files of the Argentine government on the status and whereabouts of all known Nazis who came to Argentina after the war, would be made public.

● **THE FORMER SOVIET** Army's military intelligence arm, the GRU, is still working intensively in Germany now, a senior intelligence expert told German journalists in Bonn on Feb. 4. The main emphasis of the espionage activity is now the high-technology industrial sectors, such as electronics, sensors, lasers, and telecommunications.

LaRouche on TV: Voters listened to the wrong people!

by Brian Lantz

This is not to be a normal election year. Lyndon LaRouche may be the only viable Democratic candidate by the time of the national Democratic Party convention in New York in July. While the reader may not consider this to be conventional wisdom, it is true. To a blindsided American political establishment, the remaking of American politics in the coming months will occur as if by magic.

On Feb. 1, the "LaRouche In '92" campaign achieved a tremendous political and intellectual victory. In its half-hour nationwide broadcast on the ABC television network, the LaRouche broadcast received a higher Nielsen rating and captured a larger share of the viewing audience than the much-publicized Democratic roundtable "debate" on the Friday night preceding, reaching well over 2 million homes. The response of the man on the street, as seen in a gridding of reports from across the nation, has been extraordinary. As a retired machinist in Los Angeles exclaimed, "It was great. I called a lot of people. The people now know the history of what he says. It was great! Hot dog!"

Highly accurate forecasts

The broadcast distilled 10 years of LaRouche's record on economic and foreign policy, his 1980 accurate forecasts of the impact of the Federal Reserve's high interest rate policy, and the drive for deregulation started by the Carter administration which destroyed the industrial heartland of America. It reviewed the forecasts made by LaRouche on the impending economic and financial disaster, at a time when Ronald Reagan and George Bush were telling Americans that they were living through a period of unequalled prosperity, and LaRouche's May 1987 forecast of the October 1987 stock market collapse. The announcer directly challenged the viewer, "Do you think that President Bush has been listening

to the wrong people? No! *You*, the American voter, have listened to the wrong people."

On foreign policy, LaRouche's record was again contrasted to that of his opponents. Footage from LaRouche's Oct. 31, 1988 Berlin press conference, given two years before the reunification of Germany, was shown. There LaRouche stated, "The time has come for steps toward the reunification of Germany, with the obvious prospect that Berlin might resume its role as the nation's capital." LaRouche predicted that the economic crisis in the Soviet Union would bring about its demise. He urged that the United States "act to establish Food for Peace agreements, with the goal that neither the people of the Soviet Union, nor the developing nations, shall go hungry." Compare that to Bush's geopolitical schemes that would place the former Soviet Union and East bloc under the International Monetary Fund and bring about chaos and a new strategic threat.

Footage of LaRouche's November 1988 nationwide broadcast showed LaRouche standing in front of a map of the Balkans predicting the disintegration of the area, including the breakup of Yugoslavia. As one Hungarian-American said, "I'm inspired that Mr. LaRouche has a handle on the fishy business that is shaping up in the Balkans. He knew that the Anglophiles intended to redraw the map."

In regard to Ibero-America, LaRouche's 1981 proposal for a "debt bomb" and Ibero-American economic integration was counterposed to the scheme "to loot the indebted nations," the usurious policy of "Kissinger's New York bankers" carried out against the developing countries of Ibero-America and Africa.

LaRouche's call for the nationalization of the Federal Reserve, the only basis for rebuilding basic industry and infrastructure, was outlined as the means to put 6 million

Americans back to work, rebuilding the American and world economies. This elicited some of the strongest responses from viewers. From a Maryland building trades union official: "Why don't the other politicians talk like him? I guess they all get their money from those bankers he was talking about. That deal about the National Bank, does that mean it will put the big New York banks and world banks out of the business and the government will run all the banks? Explain to me again how the credit can get into the hands of the worker."

Feared by the establishment

LaRouche is the only U.S. statesman feared enough by the Anglo-American establishment that they had him jailed. Since LaRouche was jailed just over three years ago, the broadcast emphasized, only days after the inauguration of George Bush, the United States has gone from economic decline into "the mudslide" of financial collapse, is unable to meet the most elementary needs of its own people, and is unable to provide the economic assistance needed by the newly emerged nations of eastern and central Europe and the emiserated countries of the developing sector. Footage of Bush's failed trip to Japan in January underscored the pathetic and insane nature of the Bush administration's attempts to clobber the Europeans and Japanese, as the U.S. depression worsens.

The broadcast, the first of a projected series, appeared one day after the first of a series of 10 full-page ads appeared in the *Washington Times*. The series, entitled "LaRouche Was Right," began with "On The Financial Crisis." The second, "On the Water Crisis," outlines a program of water infrastructure projects to meet urban, industrial, and agricultural requirements. Featured are nuclear desalination and the immense North American Water and Power Alliance (Nawapa) project to bring water from Alaska. The third of the series will outline a high-technology approach to solving the transportation crisis, including the rebuilding of the nation's railroads utilizing maglev technology. In short, LaRouche and his policies are again before the American people.

Simultaneous with these interventions through television and newspapers, LaRouche's campaign organization is waging an increasingly successful state-by-state fight for ballot status, against the very "secret government" that jailed the candidate. Despite every road block, LaRouche has qualified for the ballot in 14 of 38 presidential primary states: Mississippi, South Dakota, Rhode Island, Massachusetts, New Hampshire, Minnesota, Colorado, Louisiana, Maryland, West Virginia, Oklahoma, Texas, Michigan, and South Carolina. LaRouche is soon expected to secure ballot status in Kansas, Arkansas, New Jersey, Pennsylvania, Alabama, Nebraska, North Dakota, Ohio, and Washington State. Other states will follow.

The millions of dollars being spent to stop the campaign underlines the threat a LaRouche presidency represents to

the Anglo-American establishment, a point not lost on angry voters. At the moment of this writing, legal fights for ballot status are occurring in Connecticut, Wisconsin, Illinois, and Florida.

The LaRouche campaign battle with the corrupt Federal Election Commission is also continuing. By the FEC's own admission, LaRouche qualified for federal matching funds more than a month ago. Commission members know that their continuing illegal denial of matching funds could cost LaRouche ballot status in states such as California. The LaRouche in '92 campaign appealed the FEC's initial decree and will go to court if necessary.

Bush on his way out?

Only months ago, following the Iraq war, the establishment's 1988 presidential pick, George Bush, seemed assured of easy re-election. No longer. At the core of the American media attacks on Bush is his recognized failure to "manage" the financial and economic crisis. The breakdown of GATT and the North American Free Trade Agreement negotiations has led to a public rupture of the consensus which placed Bush in the White House in 1988. The President's State of the Union address on Jan. 28 was a political failure, aside from its economic incompetence.

And what about the Democrats? As an Arkansas housewife put it, "I really want him [LaRouche] to give these hypocrites a run for their money and ask them, 'Okay, what are you going to do *now*, just stand there and look pretty?'"

In a recent poll of voters in New Hampshire, home to the first presidential primary Feb. 18, eighty percent of voters polled did not want to vote for any of the "major" candidates. As if to underscore the point, a recent AP wire from New Hampshire reported that the chairman of the state Democratic Party was about to lose his home due to overdue mortgage payments.

Bush is fading fast and no one wants a Bush Democrat. The Versailles system, put in place at the end of World War I and carried forward through World War II and Yalta, has come undone. The world will not be the same. As LaRouche stated just before President Bush's State of the Union fiasco, "What George Bush's administration does not seem to understand is that as long as it pushes a free trade, or 'shock therapy' program as it's sometimes called, in eastern Europe, a recovery of the U.S. economy from its present depression is impossible; and, I would emphasize, a recovery from the U.S. economy's rapidly deepening depression.

"As long as the United States insists on subjecting the rest of the world to that crazy fascist Milton Friedman's idea of free trade, the United States itself has no chance of recovery.

"You know what it says in the Bible about 'Do unto others as you would have them do unto you,' and I would add to that, 'Watch that what you are doing to others, you are not doing to yourself.'"

The fat cat populist backed by big money

by Kathleen Klenetsky

Sen. Tom Harkin's claim that he is the only "true Democrat" running for the presidency has to be one of the biggest frauds of the 1992 campaign.

True, the senator from Iowa enjoys high marks from the liberal interest groups, including Americans for Democratic Action and the American Civil Liberties Union (ACLU). True, he comes from a working-class background, and has managed to sell himself as a friend of labor and the family farmer. And true, his standard campaign spiel is so full of allusions to the fat cats and the rich corporations, that the media have come to depict him as waging "class war" against the wealthy.

But once you manage to get beyond his soak-the-rich rhetoric, what do you find? That Harkin is a demagogue who drapes himself in populist verbiage; who was put in Congress and then maintained there by some of the fattest cats around; and whose campaign program would not only fail to improve the lot of those he claims to represent, but would actually exacerbate the U.S. depression.

Harkin was first elected to the House of Representatives in 1974, one of a group of "Young Turks" who benefited from Watergate's political fallout. Supposedly, Harkin won because of his opposition to the Vietnam War and because of his populist economics. A much more influential factor was socialite George Plimpton, scion of New York "old money," who personally campaigned for Harkin in Iowa, while raising huge contributions to the campaign from his wealthy friends back East.

Since then, Harkin has had no trouble tapping into lucrative campaign funding sources, notably the pro-Israel lobby. Harkin has the dubious distinction of receiving the third largest contribution from AIPAC (the American-Israel Public Affairs Committee) in the 1990 election—a whopping \$245,500. In his first, successful, run for the Senate, in 1984, Harkin received over \$100,000 from AIPAC.

Harkin has given AIPAC an excellent return on its investment. Although he made a name for himself as a "human rights" advocate during his freshman term in the House by sponsoring the Harkin Amendment, which tied U.S. foreign aid to a recipient country's human rights behavior, Harkin has had nothing but kind words for Israel, despite its brutal treatment of Palestinians. Last summer, Harkin declared that

Israeli settlements on the West Bank were not an obstacle to peace and that the very idea that they might be "is ridiculous on its face." "The biggest obstacle is the lack of any will on the part of other countries to take off the boycott and sit down and negotiate with Israel," he claimed.

Harkin has been raising hefty chunks of money for his presidential campaign from the AIPAC network, as well as from the degenerate Hollywood set, including Roseanne Barr and Ed Asner. Christie Hefner of Playboy Enterprises, that great purveyor of the traditional family values Harkin says he will protect, has also contributed.

Harkin's links to the power elite have been strengthened by his wife, Ruth, through her work for the firm of Akin, Gump. One of the three top law firms in Texas, Akin, Gump's Washington office, where Mrs. Harkin works, was headed by Robert Strauss, the wheeling-dealing former Democratic National Committee chairman, until George Bush appointed him ambassador to Moscow.

No energy, no doctors

If anything demonstrates Harkin's dismal lack of qualifications to run the country, it's his policies. Harkin says he will solve the country's economic woes by cutting the U.S. military budget by 50%, using the savings to invest in public works and infrastructure, while simultaneously launching trade war against U.S. trading partners in Germany and Japan.

While cutting the defense budget may sound appealing, it is a non-solution, which will shut down industries wholesale, throw millions out of work, and undercut one of the few institutions in the country which supports advanced scientific research and development. Harkin's tough talk on trade is just as bogus: Unless the United States starts investing in its plant and equipment, as the Japanese and Germans have, there can be no economic recovery, no matter how much "Jap-bashing" goes on.

What makes Harkin's avowed commitment to reviving infrastructure and industry especially questionable, is his record on the environment. Harkin has supported nearly every key "environmental" measure, no matter how detrimental to human welfare. According to aide Sandy Thomas, Harkin opposes removing any of the environmentalist-imposed barriers to nuclear power—an essential component of a thriving economy—nor will he urge an increase in the paltry U.S. contribution to fusion research. Instead, says Thomas, "The senator believes that we should emphasize conservation and alternative energy sources."

The same could be said for Harkin's vow to provide health-care coverage to every American. Despite that noble promise, his performance in the Jan. 31 Democratic presidential debate on PBS television made it clear that to him, health-care reform means strict controls on cost and medical technology. Harkin insisted that we must "reduce unnecessary medical procedures," by resorting to "lower cost providers like nurses" and "home care."

Does Bush support drugpeacenik Friedman?

by Jeffrey Steinberg

The Drug Policy Foundation, possibly the most well-heeled lobby for dope legalization in the United States, has named extremist economist Milton Friedman—the darling of the “Reagan Revolution” and the Republican Party’s free trade wing—as the winner of its 1991 Richard J. Dennis Drug-peace Award for Outstanding Achievement in the Field of Drug Policy Reform.

The award, which includes a check for \$100,000, was issued to the University of Chicago guru at the Drug Policy Foundation’s fifth annual convention in Washington, D.C. Nov. 13-16, 1991, and was trumpeted in recent full-page ads published in the *New Republic*, *National Review*, and *Reason* (sic) magazines.

This latest blatant reminder that Friedman’s notion of “economic freedom” means freedom for organized crime, not for honest citizens, ought to prompt some sharp questions from voters to George Bush in his reelection campaign. After all, the President has made no bones about the fact that his “new world order” is a policing plan for such Friedmanite economic-warfare schemes as the General Agreement on Tariffs and Trade (GATT) and the North American Free Trade Agreement (NAFTA).

The voice for ‘legalizing drugs’

In a press release announcing the award, the dope lobby group wrote of Friedman: “For over two decades, Professor Friedman has been a leading and powerful voice for ending drug prohibition and legalizing drugs. In 1972, while President Nixon was engaging in his war on drugs, Dr. Friedman wrote in *Newsweek*: ‘Prohibition is an attempted cure that makes matters worse—for both the addict and the rest of us.’ In 1989, after drug czar William Bennett announced his drug war, Dr. Friedman wrote to him in the *Wall Street Journal*: ‘I know you . . . must be as revolted as I am by the prospect of turning the United States into an armed camp, by the vision of jails filled with casual drug users, and of an army of enforcers empowered to invade the liberty of citizens on slight evidence.’ ”

In its 428-page primer arguing for dope legalization, *New Frontiers in Drug Policy*, the Drug Policy Foundation reprinted a March 7, 1991 article by Friedman in the *Wall Street Journal*. In that article, Friedman made the argument that the leading cause of drug-related violence in America is the war on drugs. Taking homicide statistics and statistics on

the number of people sent to jail, Friedman argued that both statistics skyrocketed during periods when there was a serious war on drugs undertaken by the federal government:

“There seems little doubt that the war on drugs is the single most important factor that produces such drastic increases. Even if only half the effect is attributed to the war on drugs, 5,000 extra homicides a year and 45,000 extra prisoners is a high cost, and that price does not include the lives lost in Colombia, Peru, and elsewhere, because we cannot enforce our own laws, or the lives lost through adulterated drugs in a black market or the culture of violence, disrespect for the law, corruption of law enforcement officials, and disregard of civil liberties unleashed by the war on drugs.”

Bush did not ‘say no’

The Reagan-Bush slate won election in 1980, in part because most Americans were disgusted with the drug lobby’s flaunted power in the Carter White House. Right after the election, the Drug Policy Foundation shifted its strategy from the direct drive for legalization. They targeted the new administration’s weakness for laissez-faire economics to make the war on drugs appear “unwinnable” and pave the way for surrender. The record shows that this was a strategy George Bush—both as Reagan’s war on drugs honcho, and as President—could not “just say no” to:

- Last summer, when the Colombian government of César Gaviria cut a sweetheart deal with the Medellín Cartel, ending an extradition treaty with the United States that had been one of the few effective weapons in the anti-drug arsenal, President Bush raced to embrace the sellout as a “victory.”

- Late in 1991, after the majority of senior staffers of the President’s White House Office on Drug Abuse Policy either quit or were fired, evidence surfaced that drug czar Robert Martinez had turned the heavily budgeted office into a Bush reelection outpost. In the President’s State of the Union message, even more funds were promised for the war on drugs effort.

- Even the most doctored federal government statistics reveal that the United States is being flooded with high-grade heroin, arriving not only from the Golden Triangle of Southeast Asia, but now from South America as well.

- The biggest supposed victory of the Bush “war on drugs” was the December 1989 invasion of Panama, a blatant violation of international law which was justified to—and accepted by most—Americans as an action to arrest an alleged drug kingpin, Gen. Manuel Antonio Noriega. Yet two years later, as the U.S. military occupation persists, even many who cheered for the invasion admit that drug trafficking through Panama has *increased*.

We think candidate Bush should be called upon to denounce the free-market drug paradise of Friedman and his extremist backers. The reply should be interesting.

Bush defense cuts expose rotten state of U.S. industrial base

by Leo F. Scanlon

The Bush administration has presented a defense budget to Congress which threatens to throw the U.S. defense industry into a "free fall" of shutdowns, and promises as many as 2 million layoffs, if the proposed cuts in weapons procurement are enacted. The administration budget contains cuts which will produce a 4% per year decline in spending from now through 1997, with a cumulative 37% drop in spending from 1985 levels. The chief feature of the plan is a proposal to restructure the weapons acquisition system by closing down production lines, while spending more money on research and development. The scheme would sever the relationship between the weapons production lines and the research and development laboratories, a radical experiment which will gut what remains of the U.S. defense industrial base.

Former Reagan Defense Department official Fred Iklé has for years advocated this approach as a means to deter the government from fostering U.S. industrial capabilities. In an article written for the Washington journal *The National Interest* (Winter 1992 issue) Iklé described the strategy he hopes the budget approach will dictate. Iklé proposes that the United States make a strategic alliance with the Russian Army in order to control the spread of weapons technology in the Third World. Iklé's thesis rests on the pessimistic assumptions that the United States has little to offer the world except its military expertise, and that "economically, Russia is a supplicant" and is likely to remain one for some time; therefore the two countries must find the basis for alliance in joint military police operations, not on the common ground of economic development projects.

An unnamed spokesman for a Washington, D.C. think tank told the *Washington Times* that this concept is further premised on the belief that Europe and Japan (which Iklé categorizes as "northern hemisphere" nations with interests identical to those of the United States and Russia) share these assumptions, and "are cognizant that the principal threat to world peace lies with 16 developing nations with missile capability that is bound to achieve intercontinental range, nine of which are developing nuclear weapons, which have scores to settle among themselves—and with the First World."

Bush administration officials lent credibility to the strategies of Iklé and his co-thinkers at the Center for Strategic and International Studies, by preceding their budget announce-

ment with carefully placed leaks about a new Pentagon targeting scheme, which would aim the remaining U.S. nuclear weapons at a smorgasbord of targets comprising "every reasonable adversary." Despite State Department efforts to put out the firestorm of opposition this notion ignited in Japan and elsewhere, Iklé's proposals will exacerbate the conditions which create potential enemies for the United States, and will keep erstwhile allies busy watching their backs.

Huge cuts planned

While few dispute the appropriateness of closing expensive or outmoded weapons plants, the collapsed state of the U.S. economy makes any loss of industrial employment a charged issue. Earlier efforts by Defense Secretary Richard Cheney to cut procurement accounts met resistance for this reason. The new proposal is confronting Congress with the reality that no defense budget of any size can substitute for an economic recovery package.

The cancellation of many weapons systems is the result of the demise of the Soviet empire, and in many other instances—ICBMs and tactical nuclear missiles, for example—the weapons are ones which will soon be outmoded by developments in defensive technologies. In recognition of the national support for strategic defense, the administration continues to propose increases in SDI funding, and this year's paltry request of \$5.4 billion makes it one of the largest weapons programs in the budget—up 4% over last year's request. Unfortunately, that is 23% over what the Congress actually allocated.

Major program terminations proposed in this budget include a variety of aircraft improvements and upgrades, some related tactical weapons and missiles, and some strategic missiles, such as the rail garrison Peacekeeper ICBM. The Department of Defense (DoD) has cut or has requested cancellation of the Apache Helicopter, the M-1 tank, the Trident submarine, the F-14D, F-15, and F-16 fighters, the naval Advanced Tactical Fighter (ATF), the Airforce A-12 and ATF, and the Peacekeeper missile.

Weapons programs which will be "mothballed" (halted at the prototype stage, or at minimal rates of production) include: the B-2 bomber and related Stealth programs, the SSN-21 submarine and related technology, the Comanche helicopter, ICBM guidance system upgrades, a variety of

missiles, and the ADATS Air Defense System and technology, various targeting and sensor systems, and the Block III tank (M-1A1 replacement).

The driving consideration in the cuts is the estimated \$42.1 billion which will be saved by 1997. Cheney hopes that these savings will allow the Pentagon to plan for manpower reductions which will be limited to 25% of the 1987 force levels. The relatively large standing army the administration proposes will need every penny of the sealift and airlift funds in the budget, and will come into conflict with congressional preferences for a greater expenditure on military reserves and National Guard units.

Hamiltonian policies needed

The issue which is causing the greatest consternation among defense specialists is not the sheer magnitude of the industrial layoffs the cuts will cause, but the much more problematical idea, that it is possible to maintain a healthy research and development capability without actually producing any weapons systems. "The idea is impractical and dangerous," Michael Burch, a McDonnell Douglas spokesman who represented the Weinberger DoD, told the *New York Times*. A Northrup representative pointed out that "in the short run it can work, but in the long run it can't. If you don't put what you do into practice, you lose the ability to do it. You can put blueprints on a shelf and databases in a computer, but it's not practical to put talent on hold."

Despite the fact that congressional hearings held two years ago pointed to the inherent dangers in this approach—not the least of which is the fact that a spending plan which allocates billions of dollars to develop weapons which are never produced has an "Alice in Wonderland" look to the average voter—the Bush administration is fanatically committed to this policy.

Several months before the budget came out, the Pentagon released a report on the defense industrial base prepared for the Congress. The report reflected the "free trade" theology worshiped in the White House, and suggested that defense industries would be able to survive in an era of reduced procurement by diversifying into commercial production. The head of the Aerospace Industries Association (AIA) responded that "the industry has learned the hard way that high-tech labor and facilities are not readily adaptable to low-tech consumer products. The history of our industry is replete with examples of failed attempts to do so." The problem is even more severe in the specialty electronics industries, where "defense companies that have ventured into the commercial market have met with dismal and costly failure across the board," Loral executive Bernard Schwartz told *U.S. News and World Report*. And it is not only the main contractor production lines that are threatened. The shutdown of the Seawolf submarine program, for example, will endanger the makers of specialized small nuclear reactors which power the ships, and such "ripple effects" will destroy an entire

layer of high-tech shops which do the most innovative engineering in the world.

Then there is the erosive effect that congressionally mandated cost-accounting reforms have had on the defense R&D establishment during the 1980s. The firms that built prototypes and entered bidding competitions during the Reagan years financed their enormous R&D expenditures by borrowing heavily, whether they won the production contract or not. Now, says the AIA, "Our industry is not making a fair return on its investments. Profits on defense work are declining below a reasonable level; debt is increasing, investments in capital equipment and R&D are declining. Clearly, the government cannot continue to expect industry to help finance defense R&D and production."

The Bush administration record on this point is brutal. Despite lavish expenditures to support the thieves and swindlers who run the banking system, any official who suggests government support for industry or manufacture is routinely purged. Worse, advocates of the new defense strategy, typified by people like Fred Iklé, do not even have a clue as to how the American technology base was created in the first place.

In March 1990, Iklé testified to a Senate committee, where he previewed the current plan to deindustrialize the defense sector, and defended his policy of refusing DoD support to the machine tool industry, even though competitive pressures and inadequate credit drove it out of the country. He sneered that "this does not mean that we should institute what is sometimes called an industrial policy. . . . Anyone who thinks that is a good idea should visit the industries in Romania or Poland or East Germany."

He was countered by fellow panelist Hans Mark, a defense scientist who currently serves as Chancellor of the University of Texas System, who pointed out that Iklé had confused communism with the American System. The most successful high-tech export ever produced by American industry—the modern jet aircraft—is entirely a product of an "industrial policy" which began with the establishment of the National Advisory Committee for Aeronautics (later called NASA) in 1915. "I am an advocate of Hamiltonian economics," says Mark.

As Democratic presidential contender Lyndon LaRouche, the principal spokesman for such Hamiltonian economics, said on Jan. 12, if you demobilize the U.S. aerospace sector, you will never be able to put it back together again, and "the United States will lose—together with the key laboratories and so forth—the large core of its entire technological capability. . . . So, I would keep the thing going. Convert its product output, but maintain its R&D capability especially, and a production facility tied to the R&D capability. Keep together the essential cadres; rather than shutting them down to 'save money,' convert their function to related products which are, shall we say, non-military. . . . Use part of that sector for high-speed rails, magnetic levitation, various projects of that type."

How President Carter's hostage negotiations were sabotaged

by Edward Spannaus

The following is adapted from an EIR Special Report on the "October Surprise" to be published in February.

Another piece of the "October Surprise" puzzle, the allegations that the Reagan-Bush 1980 campaign conspired to delay the release of Americans held hostage in Iran until after the election, has fallen into place.

In late November, the FBI released portions of its files on Iranian banker and gun-runner Cyrus Hashemi, who has been identified as a key figure in the October Surprise events which contributed to the defeat of Jimmy Carter in the 1980 elections.

The FBI files document the FBI's surveillance of Hashemi and its investigation which led to efforts to prosecute Hashemi and former Republican Justice Department official Stanley Pottinger. The files provide powerful new evidence that Hashemi and Pottinger—a close friend of George Bush—did undermine the Carter administration's efforts to obtain a release of the American hostages before the November 1980 elections.

Financial negotiations sabotaged

But, contrary to what has been known heretofore, it appears that Hashemi's and Pottinger's sabotage occurred not primarily in their illegal shipments of arms and spare parts to Iran, but in their undercutting the *financial* negotiations between the Carter administration and Iranian leaders. The financial negotiations revolved around two critical issues: the \$12 billion in Iranian government assets in U.S. banks which Carter had ordered frozen in November 1979, and Iran's hopes to recover the property and wealth of the late Shah—which Iran apparently estimated to be worth about \$10 billion—in the United States.

While former National Security Council staffer Gary Sick and other writers investigating the October Surprise story have focused on Hashemi's role with respect to arms and spare parts, it is likely that that was secondary, at least up through the elections. In the period before the 1980 elections, Hashemi and Pottinger were apparently able to shape the thinking of the Iranians on this issue—to the detriment of the

Carter administration. There are sufficient indications, in the skimpy FBI records released to date, of Hashemi and Pottinger's duplicitous role with respect to the assets, that congressional investigators should make this a top priority.

Shortly after the hostages were first seized in November 1979, Pottinger contacted the State Department, which arranged for Hashemi to come to the U.S. from London for discussions about the hostage crisis. Hal Saunders, former Assistant Secretary of State for Near Eastern Affairs, has described his early meetings with Hashemi and Pottinger as follows:

"I had traveled secretly to New York twice in November and December, for instance, to meet with a serious senior Iranian who had been brought to Warren Christopher's attention by a high-minded American lawyer who gave hours to keeping this relationship alive for the next year. The Iranian proposed a scenario revolving around searching out the Shah's assets and proposed a meeting with a member of the Khomeini family."

Desire for the Shah's wealth

After a second meeting with State Department officials in New York on Jan. 2, 1980, Saunders sent a memorandum to Secretary of State Cyrus Vance, reporting that: "Hashemi stated his view that Khomeini does not care about the person of the Shah. He is more interested in a judgment about the Shah's regime which could lead to return of the Shah's assets to Iran. He spoke of using the money for housing or some other use for the Iranian people. M. [Mohammed a.k.a. Jamshid] Hashemi, representing Admiral Madani, also expressed strong interest in availability of spare parts for the Iranian military and a lifting of the general assets freeze so industrial spare parts could begin to flow again to Iran."

The outbreak of the Iran-Iraq war on Sept. 22, 1980 brought both the arms issue and the assets issue to the fore. The two were obviously closely related. There were enough sources willing to sell Iran arms on the international market—especially the Israelis, probably with the encouragement of William Casey, Henry Kissinger, et al.—that the arms and spare parts issue receded in importance as the elections

neared. The assets issue became central, as Iran's foreign exchange dwindled, due to its inability to sell oil on the international market, other impairments of trade due to the war and sanctions, and of course the freezing of about \$12 billion in liquid Iranian government assets held in U.S. banks.

Negotiations between the United States and Iran had tentatively resumed shortly before the war broke out. Up to that point, a big part of the problem had been the internal political chaos inside Iran, so that there was virtually no government with which to negotiate. Over the summer, the Majlis (parliament) was elected, with the radical Islamic Revolutionary Party (IRP) winning a majority of seats. The "students" holding the hostages were demanding that the Majlis decide the hostage issue, and that as part of any resolution, the Shah's wealth must be returned to Iran. On Sept. 9, the Majlis Foreign Affairs Committee announced that the debate on the hostages would begin Sept. 13. On Sept. 12, Ayatollah Khomeini presented four proposed conditions for the release of the hostages. These were: 1) return of the Shah's wealth; 2) cancellation of all foreign claims against Iran; 3) that the U.S. guarantee no political or military intervention against Iran; and 4) that the U.S. end the freeze on Iranian assets.

Khomeini did not mention a number of other demands which had been prominent up to this time: a U.S. apology, reparations for U.S. "crimes" in the past against Iran, cessation of economic sanctions, or delivery of military spare parts. Carter administration officials took hope from the announcement of Khomeini's four conditions. The meetings in Bonn, Germany on Sept. 15 and 17 between Christopher and Iranian representative Sadegh Tabatabai gave the administration further reason to believe that the crisis could be settled before the elections.

Iran-Iraq war breaks out

Three days after the outbreak of the Iran-Iraq war, Hashemi received a telephone call requesting that he immediately come to London for meetings concerning the Majlis commission. In a later conversation on the same day, apparently with someone from the Carter administration, Hashemi said that he expected to be a senior level adviser to the commission. His particular role was to be to assist on the issue of the recovery of the Shah's wealth.

Hashemi then recommended that the administration should say that it could help Iran with the recovery of the assets. If the person he is talking to has a chance to bring it up with "the Secretary or the President," Hashemi said, "You can safely say that there are areas that you feel that you can help as far as the recovery. That has never been said. I think that's gonna be a tremendous gesture. You're not committing yourself to anything, you can, you know, within the legal system of this country. . . . I'll tell you from a professional point of view, as a banker, as I have went over it with [deleted] has made his investigation, there is some chances of

us pinpointing certain things in this country and discovering certain things, and even though they might be taken . . . compared to the total picture but they can be very helpful to the United States and Iran's relationship showing that, in fact, you're doing that. Now, I don't know where this would come in . . . in the Secretary's remark or the President's remark but something like that could be safely said."

The evidence in the FBI files suggests that Hashemi, with Pottinger's guidance, had maneuvered himself into a situation where he could play an important role in influencing and shaping the Iranian negotiating position up to the November elections and thereafter. A few weeks after the elections, Hashemi said that he believed that the Iranian government was "basing everything" on the report that Hashemi and [deleted] had made on the Shah's assets.

In a later conversation reported by the FBI, Hashemi said that he had provided four reports for the Majlis, which dealt with the hostage situation and economic conditions in Iran. "One of the reports, dealing with the Shah's assets, was filed a couple of days before the so-called committee made its recommendations concerning the conditions under which the hostages would be released. Hashemi stated that one of the reports dealt specifically with the relationship between the resolving of the hostage situation and Iran improving its economic condition and/or crisis. Hashemi stated that his reports were instrumental in enlightening the Iranian leaders as to the economic plight."

The FBI files show that Hashemi did in fact go to London for meetings over the weekend of Sept. 28-29. On Monday, Sept. 30, the Majlis announced that a seven-man commission would be formed to study the hostage issue, and on Oct. 2 the seven members were named; the commission was headed by Bezhad Navabi, and was sometimes referred to as the "Navabi Commission."

During October, rumors that a settlement was imminent abounded. The issue of the spare parts (for which Iran had already paid) disappeared almost totally from the discussion, while the issue of the assets became increasingly prominent. (In fact, the issue of the spare parts was never raised again, and was not even part of the final settlement.)

During the second week of October, Iran sent a message to Washington requesting an inventory of all Iranian assets being held by the United States. Gary Sick says that this request was interpreted "as a veiled request for an accounting of the military equipment and spare parts" that had been seized by the United States. (Sick says that the request was interpreted as referring to military parts, because the U.S. government had already informed Iran of the status of its financial assets, but in fact, such an inventory was not provided until mid-January.) Therefore, on Oct. 11, a response was sent to Tabatabai, listing \$150 million of Iranian-purchased military equipment being held by the United States.

It seems likely this was a misinterpretation of the Iranian request. Many Carter administration officials (at least Gary



President Jimmy Carter campaigning for reelection in 1980 in New York. Cyrus Hashemi and his attorney Stanley Pottinger—a friend of George Bush—undercut Carter's ability to reach a hostage settlement before the elections.

Sick) were probably focusing on an issue—the spare parts—which was no longer an issue. It was no longer an issue because Iran was getting military parts and arms from other sources, particularly the Israelis and other sources arranged by operatives working for the Reagan-Bush campaign. What was at issue was something the Reagan-Bush campaign couldn't deliver: the \$12 billion in frozen assets, plus whatever portion of the Shah's wealth the Iranians could hope to recover. If Iran had the money, it could buy the arms. Compared to the billions of assets at stake, the \$300 million or so of spare parts seized by the U.S. becomes rather insignificant.

Hashemi's double game

On Oct. 21, 1980, Hashemi had a series of conversations in which he was clearly giving contradictory advice to the Iranian and U.S. governments. A former high-ranking State Department official, who examined the FBI reports at the invitation of *EIR*, concluded that from the evidence in the FBI files, it appears that Hashemi was giving "wildly inconsistent" advice to the Iranians and the Americans, respectively.

The date is particularly important, because it was right at that time that the Iranians announced quite clearly that they

were not in need of spare parts from the U.S., and that they would not negotiate a deal prior to the elections. It was also about this time that Hashemi and Pottinger began arranging clandestine shipments of small amounts of military equipment to Iran.

An FBI teletype reports that on Oct. 21, Hashemi "placed a telephone call to Iran to converse with Hashemi Rafsanjani" (sic), and continues:

"Hashemi introduced himself as the chief of the Islamic Gulf Bank in New York before and after the revolution. Hashemi stated that he is working with the revolution and that he has conducted an investigation of the money and property of the Shah in the United States. Hashemi said that he had made contact with many banks in the United States and that he knew a lot of things about the money of the Shah. Hashemi said that because he had heard that maybe a decision was to be made on the release of the hostages, he wanted to tell Hashemi Rafsanjani that if the President of the United States wanted he could order the freeze be discontinued on the assets of the Shah in the United States. Hashemi stated he had checked and this was in accord with the civil law of the United States." According to the FBI summary, Hashemi then made arrangements to send all his documentation on this to Rafsanjani via diplomatic pouch.

The Rafsanjani conversation was reported immediately to FBI headquarters from New York, but the later conversations of Oct. 21 were not transmitted until a few days later. An Oct. 24 teletype summarized a later conversation, in which Hashemi reported that a few days earlier, Khomeini had gotten very angry about the possibility that he would be re-electing Carter if Iran came to an agreement with the U.S. on the hostages. However, Rafsanjani said this was a good time to do it. Rafsanjani then got hold of Beheshti and they postponed the Majlis meeting until the next Sunday. Then, reports Hashemi, there was another meeting on Oct. 21 at which "there was a tremendous softening on the part of Khomeini." But, Hashemi reported, release of the hostages is unlikely before the elections: "Khomeini may delay it 10 days so it does not appear publically [sic] that he had helped one or the other."

Then, Hashemi goes on to give advice to the Carter administration: "Hashemi says that thinks [sic] he (assumed the President) should not make comments like he can unfreeze this or that and it worries him because he is diminishing his negotiating powers, because they think he can do all these things. Hashemi does not believe all legal claims against Iran can be dropped because of the attachments of corporations such as USPER number 4 [Exxon Corp.]."

Here we have Hashemi telling Rafsanjani that the President has it in his power to unfreeze the assets, and then telling the Carter administration that the President *shouldn't* say he can unfreeze the assets and that "they think he can do all these things." Well, of course they think he can do all these things: this is what Hashemi has been telling them!

The stall

On Oct. 22, Rafsanjani did in fact announce that the parliamentary debate would begin on Sunday, Oct. 26. On Oct. 23, Rafsanjani told *Le Monde* that the Majlis Special Committee would submit its report that day and then the debate would begin on Sunday. Rafsanjani also said that some of the conditions, such as the release of the frozen assets, can be fulfilled “on the spot.”

At this same time, arrangements were being made to send one of the reports that Hashemi and (deleted—probably Pottinger) had prepared to Iran. However, by Oct. 23, Hashemi indicates he is not concerned about rushing the report to Teheran—which is what would be expected if he were trying to help the Carter administration. Instead, according to an FBI teletype reporting the Oct. 23 conversation:

“Hashemi thinks the report need not be expedited. He had several calls today which reflect a conflict with various information and a release on Monday does not look good.”

The period from Oct. 21 up to the elections was the absolutely critical time period for the Carter administration if it were to obtain the release of the hostages in time to help Carter’s re-election. We have seen, from the little bits of evidence in those FBI files which are disclosed, that Hashemi’s actions were more consistent with someone who is trying to sabotage the Carter administration’s negotiations, than with someone who is trying to help.

On the Iranian side, the stall was definitely on. On Oct. 25, Ayatollah Khoini, the deputy speaker of the Majlis, said that “we are not in a hurry to release the hostages. We have no intention of helping Jimmy Carter in his re-election campaign.”

The Nov. 2 conditions

On Sunday, Oct. 26, the Majlis met for two hours and then adjourned until the next day. On Oct. 27, because of the boycott, the Majlis could not muster a quorum. Likewise on Oct. 30. The boycott continued until Sunday, Nov. 2—only two days before the U.S. elections. On that day, the Majlis approved the four conditions as set by the Special Commission. These conditions were simply an elaboration of the four conditions announced by Khomeini in September; no new demands were added:

- 1) The U.S. must promise not to interfere politically or militarily into the affairs of Iran.
- 2) The U.S. must unfreeze all the Iranian assets and transfer them to Iran. The President must declare the Nov. 14, 1979 freeze order null and void, and must cancel all court decrees blocking the assets.
- 3) Cancel all economic and financial measures (i.e., sanctions) and all claims against Iran, including all private claims.
- 4) Return all property of the Shah. The U.S. President must identify these assets, freeze them, and transfer them to Iran. (A transcript of the commission report was printed in the *New York Times*, Nov. 3, 1980, p. A16.)

Upon learning of the Majlis conditions, President Carter responded that the conditions “appear to offer a positive basis for a resolution.” But, Carter said: “There are several things in the list of conditions we cannot do. They’ve got some words like ‘confiscate the Shah’s property’ and they demand that the U.S. government remove all private claims against Iranian assets. These are things we cannot do under our law, and they’re not right anyway.”

Needless to say, it was too late for the Carter administration to make any concrete response to the demands. Between the delays in Teheran, and the Iranians’ unrealistic demands with respect to the powers of the President, Carter’s hopes of re-election evaporated.

The ‘persistent misunderstanding’

After the Majlis pronouncement of Nov. 2, it still took two and one-half months to work out a final deal. Everyone involved in the negotiations agrees that a major problem was the perception from the Iranian side of what the U.S. President could do—both with respect to nullifying court orders and claims against the frozen Iranian assets, and his ability to confiscate the Shah’s property.

The major obstacle to simply returning the frozen assets was that numerous private claimants had obtained court orders of attachment to compensate for debts owed or property seized by the Iranian revolution. (Under the Shah’s modernization program, U.S. corporations had invested heavily in infrastructural and industrial projects in Iran. These properties were all seized after the fall of the Shah.) Ultimately, this issue was handed over to an international claims tribunal for case-by-case resolution.

John E. Hoffman, the New York lawyer from Shearman and Sterling who led the “bankers channel” negotiating team, described the problem as follows:

“There was a persistent misunderstanding in Teheran regarding the ability of the President to nullify private U.S. claims and U.S. court orders of attachment. . . . I concluded that the Iranians were being informed, by at least some of their advisers, that the U.S. court attachments could be readily expunged through executive action. The Iranian misunderstanding of limits on U.S. executive power led them to misjudge the speed with which assets could be freed, even assuming a U.S. government commitment to take such a course.”

Unbeknownst to Hoffman and his team, Hashemi and Pottinger were two of the advisers who were deliberately fostering this “persistent misunderstanding.” It may not be irrelevant to this, that Pottinger had apparently told Hashemi that he might be appointed U.S. Attorney General in a Reagan-Bush administration, and in fact he was being considered for a high Justice Department post. And later on, despite the fact that the FBI wanted to indict Pottinger for illegal arms shipments, he was protected from indictment by the Reagan-Bush administration.

National Gallery videotape provides fine introduction to perspective

by Bonnie James

Masters of Illusion

Produced and directed by Rick Harper
National Gallery of Art, Washington, 1991
30-minute videocassette.

This 30-minute film issued by the National Gallery of Art as part of the special exhibit "Circa 1492: Art in the Age of Exploration," is a fine introduction to the science of visual perspective and the art of the Italian Renaissance. Using methods which have great appeal to adults and children, it demonstrates how the works of art are "constructed" to achieve the "illusion" of reality. Although the exhibit has now closed, the videotape (produced with funding from Canon U.S.A. and Canon, Inc.) can be purchased at the museum shop for about \$30, and will allow many to continue to enjoy some of the wonderful works of art and ideas that the exhibit illuminated for those fortunate to see it last fall.

Surprisingly, the most delighted responses I observed were those of two boys, one 8 and another 13 years old, in two separate viewings. The older boy, usually very blasé about anything remotely connected with "culture," found the film an enjoyable way to learn about art—which he refuses to be "lectured to" about. The younger boy's rapt attention to the film was punctuated by numerous exclamations of "oh boy!" and similar outbursts of enthusiasm.

Vision and illusion

The film—amiably and expertly narrated by James Burke, described in a press release as "Great Britain's foremost commentator on science and technology"—begins by showing some of the "special effects" used in a Hollywood fantasy film (these really get the kids' attention). Burke opens

by saying, "This is a film about vision and illusion," explaining how special effects "fool the eye" using basic techniques employed *500 years ago* by the Masters of the Renaissance who faced the same challenge as today's special effects artists; that is, how to make a flat picture appear three-dimensional and believable—whether the surface be a movie screen or church wall or a canvas. Burke's narrative joins the technologies of computer modeling and special effects used in filmmaking, with the greatest works of Renaissance art, to convincingly demonstrate the "new science of perspective" developed by the "Masters of Illusion" as the artist-scientists of the Renaissance are designated.

Despite the magical-sounding title, this short film modestly challenges several centuries of coverup of the interconnectedness of beauty, art, and science imposed by the so-called Enlightenment, and effectively buries the carefully constructed hoax of "art for art's sake."

Burke announces that the film will examine the period between 1400 and 1550, described as the age when Copernicus, who first hypothesized a heliocentric solar system, and Columbus, whose voyages of discovery were a project of the Renaissance, were changing our understanding of the world, as Renaissance artists were changing how we see that world. "It was," he says, "a period of great artists, great discoveries, and great illusions."

The Renaissance began in Italy

As Burke informs us that the Renaissance begins in Italy, we are treated to a stunning vista of Florence, with the dome of the Cathedral of Santa Maria del Fiore towering over the city, a city filled with great works of art and architecture. The film footage of these works evokes the excitement of coming upon them *in situ*. Grand as this is for the first-time viewer, it is even more revealing for one who is familiar with standard still shots of these works from books and slides,

almost always seen “head-on” even if in reality they would not have been seen that way. The video camera recreates the process of reaching the “standard view” (and in most cases, the artist did intend an ideal position) as one of discovery. We see briefly some of those works of art: Botticelli’s *Adoration of the Magi*, Ghiberti’s “Gates of Paradise” on the Baptistery. Burke reports that the dome of the beautiful Florence cathedral was designed by one of the principal innovators in visual perspective, Filippo Brunelleschi (1377-1446). A statue of Brunelleschi is shown, where he is seen designing a building with a compass.

In 1413, some seven years before he began work on the great dome of the cathedral, Brunelleschi carried out an experiment which demonstrated the principle of linear perspective—the idea that parallel lines appear to converge at a “vanishing point” in the distance (the “railroad track” principle). Although this seems today like a very simple idea, it took centuries to develop a rigorous system to illustrate it.

Next we see a painting by Giotto (1266-1337), known as the Father of the Renaissance, whose life is almost exactly contemporary with the life of another illustrious Florentine, Dante Alighieri. Giotto’s fresco, a detail from the *Legend of St. Francis* from the Upper Church in Assisi, was painted in the last decade of the 13th century, and demonstrates how earlier painters relied on powers of observation to create depth; although parallel lines seem to recede in the distance, there is no scientific system to unify the illusion. Here, computer graphics are effectively employed to show how Giotto’s painting might have been composed employing the new technology invented by Brunelleschi more than a century later.

Masaccio’s ‘Trinity’

The first painter to employ Brunelleschi’s science of perspective was the Florentine, Masaccio (1401-1428), who painted the extraordinary *Trinity* on the church wall of Santa Maria Novella in 1427. Burke reveals the *Trinity* to be the first known painting to demonstrate true linear perspective. Masaccio’s fresco creates the illusion that the wall has been “broken through” to add a new room. The perspective lines converge downward from Christ’s outstretched arms to a vanishing point at the base of the cross at the viewer’s eye-level so that he gazes up at the crucified Christ. The composition of intersecting upright and downward-pointing triangles, enclosed within a curved arch, suggests nested Platonic solids; thus, the mystery of the Trinity becomes transparent to man’s divinely inspired reason, expressed through geometry. Pictured below the crucifixion is another *trompe d’oeil*—an open sepulchre seemingly carved into the church wall, with a human skeleton exposed within. Below the corpse are written the words, *Io fu già quel che voi siete e quel ch’io son voi anco sarete* (“I was once what you are, and that which I am, you also will be”), so reminding us of both our divine gift of reason, and our human mortality.

Burke notes that the science of perspective begins to show up around the same time in works of sculpture as well, such as Lorenzo Ghiberti’s magnificent bronze reliefs of Old Testament scenes, known as the “Gates of Paradise” of the Florentine Baptistery.

Even playful uses—including political satire, as we shall see later—of perspective are represented here. We next see a magnificent chamber of inlaid wood (*intarsia*) in the ducal palace at Urbino, arranged in such a way as to create the illusion of a deep landscape outside a window in a room filled with musical instruments, geometric objects, books, and so forth. The illusion, however, falls apart as the camera moves to a different “perspective” or viewing point.

Linear perspective reaches a high point of development in the work of another Florentine painter and mathematician, Piero della Francesca (1420-1492), whose studies of projective geometry are made intelligible by the film’s use of computer graphics. In Piero’s great work, the *Flagellation of Christ* painted for the ducal court at Urbino ca. 1450, the precise meaning of which is still being debated after some 500 years, there are two distinct scenes: one in the background, of Herod ordering the flagellation of a serenely calm Christ, while three oddly matched men stand in the foreground, seemingly unmoved by the drama being played out behind them. They are unified only by one coherent perspective, constructed according to precise mathematical rules, and by a bright, even light which unifies all the figures.

Paolo Uccello (1397-1475) who, according to Vasari, the famous biographer of the greatest Renaissance artists, was often heard to exclaim, “Oh, what a sweet mistress is this Perspective!” constructed in two dimensions an uncannily accurate portrayal of a chalice—a *tour de force* of positive and negative curvature—in such a way that one is tempted to imagine that he must have used a computer!

Burke also shows us a woodcut of St. Jerome by the German artist Albrecht Dürer (1471-1528), who traveled to Italy to learn the new science of perspective, probably from Leonardo himself. Here Dürer uses multiple vanishing-point perspective to create a complex reality within which the saint is surrounded in his study by the objects of a life of science and learning, his faithful lion as companion and protector.

Leonardo and the science of vision

Leonardo da Vinci (1452-1519), described as “scientist, inventor, musician, architect and painter,” is said to have reexamined every aspect of his world. In his voluminous notebooks, many of which are preserved, we find his observations and studies revealing his utter fascination with sight. Burke informs us that Leonardo’s goal was the understanding of the physiology of sight itself. Leonardo rejected the notion that light rays emanate from the eye—instead he argued that light enters the eye. Of course, he was right.

Leonardo’s treatment of light and shadow are illustrated using computer graphics to show how light falls on a sphere



"St. James Led to Martyrdom," by Andrea Mantegna shows a brilliant use of an unusual perspective angle. Mantegna forces the viewer to identify with the jailor's humility as he looks up at the saint and begs him for forgiveness (Padua, Eremitani Church; destroyed).

and creates shadows on the object itself, as well as casting shadows, and how the shadows "model" the object. Leonardo called this *sfumato*; in his notes on painting, Leonardo says that light and shade should blend "without lines or borders, in the manner of smoke." Burke notes that Leonardo's treatment of the area between light and shade becomes the means to create an even more convincing illusion of reflected light and illusion of depth.

The Renaissance Masters then applied these techniques to a more complex form: the human face. The figure drawings of Michelangelo and Raphael for the frescoes in the Sistine Chapel are shown here.

The Masters achieved even greater heights of illusion when using these principles in their paintings. Next we see Raphael's *Transfiguration*, which uses bold lighting effects—like those in a theater—to dramatize the action. Raphael Sanzio (1483-1520) uses multiple perspective in this extraordinary work, where there are two simultaneous "eye levels," which place the "audience" in each of the two levels of the painting; each scene is composed in a "curved" space, the upper space where two prophets "rotate" around the cen-

tral figure of Christ, and the lower space where the gestures and facial expressions of the witnesses of His transfiguration convey to us the miraculous nature of the moment. The two realities are unified by the light, which reinforces the drama of the event.

Leonardo's *Mona Lisa* is perhaps the most effective illustration of the use of light and shade modeling in the human face where softened shadows (*sfumato*) are masterfully employed to shape the positive and negative curvature of the form.

Atmospheric perspective

Burke now turns to Leonardo's unique contribution to the science of perspective.

Observations from nature led Leonardo to observe in his notebooks, "The air which is interposed between the eye and the seen object, obscures the object to some extent, and if the interposed air is of considerable quantity, then the seen object will be strongly tinted with the color of the air." Leonardo called this phenomenon "atmospheric perspective," or the "perspective of disappearance."

In his *Madonna of the Rocks*, Leonardo uses foreground colors that are warm, or red to yellow tones, which “advance” while the background becomes cooler, and has less contrast as it recedes. In the far background, blue mountains virtually “disappear into an evanescent, smoky haze.”

Playful uses of the art of illusion are found in “anamorphic” perspective, literally, producing unequal magnifications along two axes perpendicular to each other; Leonardo drew the first known anamorphic or stretched image in the 1490s, however a German artist, Erhart Schoen, used anamorphic art to disguise double meanings within the images of a picture puzzle. He mixes portraits with scenes from an historical battle. The portraits lampoon certain royal personages while contrasting them with the serious nature of war, thus giving a new twist to an art as old as government itself—political satire.

Dramatic perspective

With the work of the Mantuan painter, Andrea Mantegna (1431-1506), a new form of perspective is born; using unexpected viewpoints, or what might be termed “dramatic” perspective, Mantegna shifts the “camera angle” or point of view (eye level) to establish his conception. In his *St. James Led to Martyrdom*, a fresco painting in the Eremitani Church, tragically destroyed in World War II, we find a brilliant use of this method. The young jailer in the foreground begging St. James’s forgiveness provides the motivation for the unusual angle; he forces himself to look up at the saint, the man whom he has kept imprisoned; Mantegna forces us to identify with the jailor’s humility by placing us at ground level with the jailor.

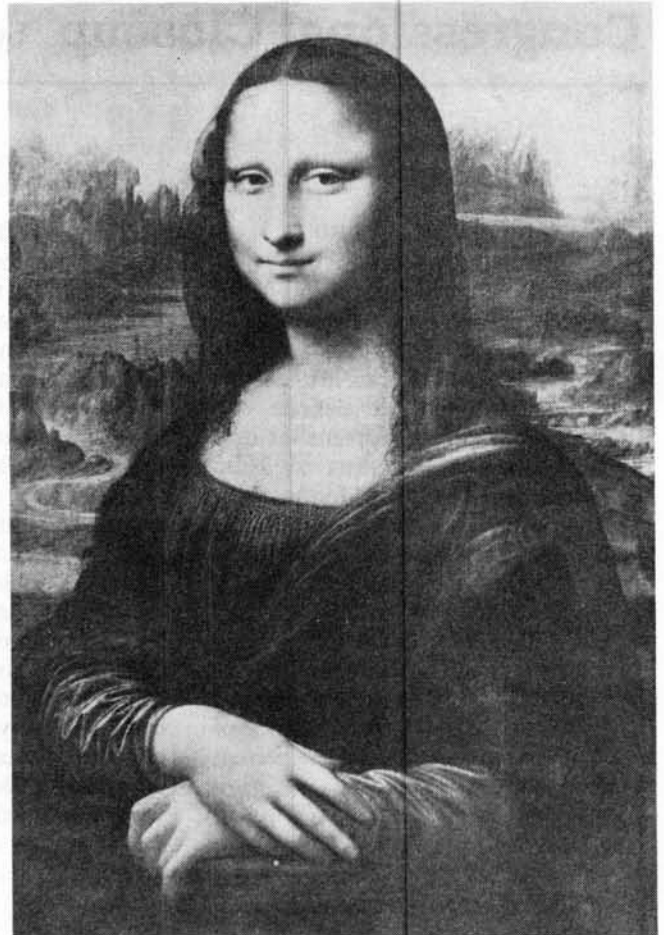
In a later painting, Mantegna places us at the feet of another subject; but his time with even more powerful effect. We are now at the feet of the dead Christ, dramatically and painfully confronted by Christ’s wounds. The point of view is stark and severe. Mantegna pushes the spectator closer than he wants to be, close enough to feel the coldness of death.

But Mantegna can be playful too. In the ducal palace in Mantua, Mantegna is commissioned to paint a small ceiling and uses the opportunity to create another striking viewpoint. Characters look down on us from an imaginary circular opening in the ceiling high above; they seem to be enjoying the view. They become the spectators, while we are now observed.

During the period known as the High Renaissance, the Masters begin to use techniques of perspective on a monumental scale, exploding the boundaries of architecture. In the Sistine Chapel of the Vatican, reports Burke, Michelangelo creates figures larger than life who break through the boundaries of the ceiling into the heavens above.

School of Athens

With Raphael, we reach the pinnacle of the High Renaissance. In another part of the Vatican, we find the monumental



The portrait called “Mona Lisa,” (Paris, Louvre) by Leonardo da Vinci, painted after 1500, is one of the most masterful examples of the use of “sfumato,” a technique of blending light and shade “in the manner of smoke” to create an even more convincing illusion of reflected light and depth.

works of the Stanza della Segnatura, crowned by the *School of Athens*, described by Burke as a chronicle of Raphael’s time. Here we find portraits of Leonardo, as Plato, symbolizing the birth of western civilization; of the sculptor Michelangelo as the pre-Socratic philosopher Heraclitus, looking somewhat “blocked” as he leans on a large cubic object in the foreground; and back in the far right-hand corner, looking innocently and confidently out at the viewer, is Raphael himself. Also present, in the guise of Archimedes teaching a geometry class, is Bramante, architect and teacher of Raphael in Rome, whose design for the new Basilica of St. Peter’s is the model for the monumental architecture in the *School of Athens*. (The character “acted” by Bramante, although certainly Archimedes, is often misidentified as Euclid.)

Through this painting, suggests Burke, Raphael ensured that the Masters of the Renaissance and their visual achievements would not soon be forgotten. In fact, he concludes, they were to set the foundations of the visual arts for centuries to come.

Senate group sees no Soviet 'brain drain'

Recently returned from a trip to the Soviet Union with other senators, Sen. James Exon (D-Neb.) said in floor comments on Jan. 31 that the delegation found "no definite evidence" of "atomic mercenaries or a brain drain of scientists to Third World nations" from the former Soviet Union.

The assessment contradicted the press hype on the subject, although Exon did claim that all officials they met with were concerned that many scientists "may" be tempted by "lucrative offers." Exon said that he gave President Yeltsin a 50-50 chance of surviving politically under present economic conditions.

Greenspan says economic 'erosion is stabilizing'

Federal Reserve Chairman Alan Greenspan, testifying at his confirmation hearings for reappointment as Fed boss, told the Senate Banking Committee on Jan. 29 that there were "subtle signs" that "the erosion in the economy is beginning to stabilize." The sanguine Greenspan felt that no major fiscal stimulus package was necessary, but was confident that the economy would pick up on its own, "independently of what other fiscal policy moves the Congress chooses to make."

Greenspan opposed any intervention into the workings of the market. "My only concern about fiscal policy moves is that it is very easy to overdo them, and I think we have sufficient experience of overloading the system, which suggests to me that we have to be quite careful," said Greenspan.

Greenspan said that the alleged shortage of credit, despite the Fed's cut in the interest rate on Dec. 20, was

beginning to "flatten," but that banks were wary to increase loans until they were confident that the loans they had on their books would stop hemorrhaging. Greenspan praised the administration's "stimulus package" because he did not consider it a "major" package, and therefore wouldn't create long-term problems in the economy.

Raymond A. Worseck, chief economist from A.G. Edwards and Sons, Inc., also testifying before the Banking Committee, characterized the Bush budget package as "anemic."

The senators were not happy with Greenspan's response. "We need something more than we've already done in the way of monetary policy," said Sen. Donald Riegle (D-Mich.), chairman of the committee. "I am very concerned about waiting any longer to see some bounce in the economy."

Warren Commission crowd retreats on file release

As the discrediting of the Warren Commission report on the assassination of President Kennedy by the Oliver Stone film "JFK" continues to build, the lone surviving member of the Warren Commission, former President Gerald Ford, called for the release of the files of the House Assassinations Committee, as well as CIA and FBI files on the assassination. The commissioners have hitherto refused to consider releasing the files.

Ford issued the call in letters to House Speaker Thomas Foley (D-Wash.) and to Rep. Louis Stokes (D-Ohio), who chaired the assassinations committee.

Since Congress can only release the assassination committee's work—the FBI and CIA files being controlled by the Executive Branch—Ford's action suggests that committee files have

been heavily sanitized. Stokes believes that the evidence of "conspiracy" behind the assassination involves the mafia; but such a view lets much higher-level political forces off the hook. Selective release of files blaming the mafia would do little to unmask the Warren Commission coverup.

Ford says he still believes that Lee Harvey Oswald was alone in the assassination of President Kennedy, but says he is calling for disclosure of the records in order to "resolve any legitimate doubts of others."

Similarly, in a joint statement released Jan. 30, thirteen former counsel and staff members of the Warren Commission also called for the release of the files to the public. They have also requested the Archivist of the United States, Don W. Wilson, to release the remaining 2% of Warren Commission evidence that is still under seal. In addition to the Warren Commission and House committee files, there are hundreds of thousands of pages of CIA and FBI records still being withheld.

Keep trade restrictions on Azerbaidzhan

Because of the continued military action by Azerbaidzhan against the Armenian enclave of Nagorno-Karabakh, Sen. John Seymour (R-Calif.) introduced legislation on Jan. 30 to keep a variety of trade, loan guarantee, and foreign assistance restrictions that were imposed on the former Soviet Union, in place against Azerbaidzhan. The restrictions are being lifted in the case of the other republics.

The bill would also prohibit any future U.S. contributions to international programs designed exclusively for the government of Azerbaidzhan, and would "ensure that no American support is funneled to the country

through other multilateral initiatives intended to benefit the other deserving republics of the new commonwealth."

The bill would allow President Bush to remove the restrictions if he certifies that Azerbaidzhan has lifted its blockade against Nagorno-Karabakh and has "stated a commitment to resolve peacefully its conflict" with its citizens.

Dems lambast Bush 'State of the Union' hypocrisy

The Bush ultimatum to Congress to "pass his agenda" by March 20 was used to the full by the Bushmen in Congress to bully Democrats into "following the President's lead." Some Democrats fell into line, but others responded with astonishment to the Feb. 28 State of the Union address.

Rep. David Skaggs (D-Colo.) noted that "it was ironic for this President to be posturing about prompt action and drawing a line in the sand at March 20. Is this the same George Bush who dawdled for months, at one point calling the legislation we passed garbage, before accepting the fact that millions of out-of-work Americans needed an extension of unemployment coverage? And was it this same President who just last month was still burying his head and denying the economy had problems?"

Rep. Patsy Mink (D-Hi.) noted that Bush's "only jobs program is a highway bill that he fought against for three years and that Congress had already enacted last session." Mink called Bush's failure over the last six months or longer to understand what ails this country "mind-boggling."

Even Bush Democrats like Sen. David Pryor (D-Ark.) were dumbfounded by Bush's speech, calling it a "reflection of the trouble that this presidency is in at this time." Pryor

said in floor comments on Jan. 29 that although he had tried to be a "basic supporter of the President in many of his policies," he found the administration "in a great deal of trouble and in extreme disarray."

Rep. David Bonior (D-Mich.) commented that Bush, far from "seeing the light," was "feeling the heat."

Senate ups pressure for Bush to attend Eco-92

In a resolution introduced Jan. 31 by Sen. John Kerry (D-Mass.) and co-sponsored by a number of key senators including Claiborne Pell (D-R.I.), chairman of the Senate Foreign Relations Committee, further pressure was placed on Bush to play a high-profile role in the upcoming "Earth Summit," or Eco-92, scheduled for Rio de Janeiro, Brazil in June.

The resolution calls on Bush to "support an international convention to reduce the threat of global climate change," to "support the acceleration of international efforts to reduce the emission of chemicals that deplete the ozone layer," and to "ultimately phase out the use of such chemicals." The resolution also urges Bush to "play a strong and active role in cooperating with other governments to prepare for" a successful Earth Summit.

Kerry noted that although "every other member of the Group of Seven industrialized countries has committed to sending its head of state" to Eco-92, there was still no commitment from Bush to attend.

In an election year, Bush is not keen on playing the role of "environmental President" to an economically hard-hit electorate. Nevertheless, the Rio conference is seen by the administration as an important element of its

policy of utilizing supranational organizations like the U.N. to eliminate Third World development.

SDIO forced to purchase Soviet reactor

In testimony before the Science, Space, and Technology Committee on Jan. 28, Dr. Dwight Duston, the director of the Strategic Defense Initiative Organization (SDIO)'s Innovative Science and Technology Division, remarked that the cuts in the SDIO budget, combined with its reorientation toward a Limited Defense System, have forced the SDIO to purchase a Soviet Topaz II reactor for use in a U.S. test program. The SDIO withdrew from a tri-agency program, involving the SDIO, the Department of Energy, and NASA, to develop the SP-100 nuclear space reactor.

The initial program called for the development of a reactor which could produce 100 kilowatts of energy to provide power for highly capable surveillance systems, housekeeping power for directed energy weapons, and electric propulsion for orbital transfer. But \$1.5 billion was cut by Congress from the SDI budget, thus forcing the SDIO to scale down its program. Since the initial aims of the SDI required a great amount of energy, necessitating the larger reactor, they felt that they could make do by purchasing the needed technology rather than participating in the development of the larger reactor—if the Soviet reactor is compatible with U.S. systems.

Duston made it clear, however, that although they are scaling down space energy needs in the light of the budget, the scaling-down has certain built-in limits, beyond which it cannot meet the limited goals of the present program.

National News

LaRouche warns of war in Middle East

Democratic presidential candidate Lyndon LaRouche warned that a new war may erupt in the Middle East, in an appearance on the Cliff Kelly radio talk show in Chicago on Jan. 31. "We're headed for a war. And the danger is, that possibly, the first nuclear weapon fired by a non-major power, will come either from Pakistan or Israel," he said.

LaRouche said that Israel, in terms of quality, has a limited "but a very effective" nuclear delivery system.

Asked if he thought that Israel would launch the first nuclear weapon, LaRouche warned: "If you understand the Israeli gang that is in power now, as oppose to some others. This gang will shoot. If Ariel Sharon were to come to power, then he would kill.

"We're on the edge, of what was called back in the 1970s, when Kissinger was in power, formally, 'the breakaway ally syndrome.' A breakdown of these negotiations, desperation, and Israel goes to preemptive war. It's moving rapidly in that direction. Or, the other thing some people would like, is a nuclear exchange between India and Pakistan. And some people are working to bring that about. If we look at the map, the Balkans is inflamed. If a war breaks out with Bosnia, then you will have a permanent war in the Balkans—the worst one ever in the Balkans, at least in the past 700 years. The Transcaucasus is inflamed. Nobody is helping the Armenians. The Armenians are just being killed."

Nursing homes refuse CPR to elderly poor

Five county-owned nursing homes in New Hampshire have a policy of denying admittance to any patient who refuses to sign a "no code" or do-not-resuscitate (DNR) agreement. It appears that the county commissioners responsible for funding the homes and the homes' directors instituted the policies, which basically mean that staff in a no-code home will not attempt even

basic cardiopulmonary resuscitation (CPR) for a patient in cardiac arrest.

The no-code policies are in effect in nursing homes in Carroll, Coos, Sullivan (which has a no-resuscitation and no-ventilation policy), Cheshire, and Rockingham counties. The state Department of Public Health says 99.9% of patients in the 10 county-owned nursing homes are on Medicaid, leaving the poorest of the frail elderly no other option for care.

The Jan. 22 *Manchester Union Leader* broke the no-code scandal after county officials questioned why an administrator of the Carroll County-owned Mountain View Nursing Home requested funds for emergency resuscitation carts when the home has a DNR policy. They were told the staff or visitors might need resuscitation.

County-owned nursing homes and hospitals admit they have had "unwritten" or "unspoken" policies of not resuscitating patients—without patient consent. Besides the homes with a no-code policy, four others will not resuscitate residents unless they expressly ask for it.

Most poor are white, says Urban League head

Urban League President John Jacob said in his Jan. 21 "State of Black America" address, "This recession is helping to uncover America's dirty little secret: that the victims of poverty, unemployment, and hardship are predominantly white. White people are most of the unemployed, most of the poor, most of the welfare recipients, most of the food stamp recipients.

"Over the past decade or so, Americans bought the myths of the right wing, that people are poor, are jobless, because of personal failings; that poverty and joblessness are black problems; that government can't help solve society's problems.

"They bought those myths that turned the poor into the so-called underclass, dehumanized into something different and less worthy than the rest of us.

"But in 1992, you have former executives on unemployment lines; former white collar workers on soup lines; former factory workers on welfare lines."

Jacob warned, "This recession won't be

fixed by smoke and mirrors or by political grandstanding. . . . It will be fixed by directly addressing the long-term structural problems in our economy that make us less competitive and waste our human resources. That means heavy investment in job-creating infrastructure programs. It means heavily targeted investments in educating our children, training our work force, and retraining our people for a high-tech world."

Sanctions also hurting the U.S., says Iraq

Iraqi Minister of Trade Mohammed Mehdi Saleh told reporters in Baghdad Jan. 31 that the international trade sanctions against his nation are also hurting the U.S. economy. "The sanctions work both ways," Saleh said. "They are biting not only Iraq but also the West. They have forced General Motors, for example, to lay off workers and lose business."

Saleh referred to a \$500 million deal concluded in 1989 under which GM would have set up a plant in Iraq to assemble 90,000 vehicles a year. The deal is now blocked.

Saleh also said the United States was losing an annual \$1.1 billion on blocked rice sales to Iraq. Before the embargo, Iraq had been the largest purchaser of U.S. rice, purchasing almost a quarter of all rice exported from the United States.

Ohio homeless coalition seeks foreign aid

A coalition based in Columbus, Ohio, which represents over 400,000 homeless people in a five state area, has applied for financial aid from 21 foreign countries. Several advocates for the homeless from Ohio, Michigan, Indiana, Illinois, and Wisconsin said they have lost all hope that President Bush and the Bush administration would respond to their needs.

"We're frustrated and angry about the fact that our government can sit down with the Soviet Union and talk about an aid pack-

age for their hungry people, but cannot help the hungry in our country," said Jim Cain, associate director for the Ohio Coalition for the Homeless.

Ohio Gov. John Voinovich, whose welfare cuts last year will leave close to 80,000 people without aid in April of this year, is also a target of homeless advocates' outrage. The number of homeless is already pushing 150,000 in Ohio.

Ad exposes Kiss. Assoc. crimes against Croatia

A full-page advertisement in the Jan. 25 *Washington Times* exposed Lawrence Eagleburger and other partners in Kissinger Associates, Inc. in corrupt, genocidal acts against Croatia. The ad, sponsored by former U.S. Ambassador to Romania David Funderburk and Howard Phillips' Conservative Caucus, called for the United States to recognize Croatia.

"Thousands of innocent Croatians have been killed . . . in part, because the Yugoslav communist army has been given the green light for aggression by . . . [the] deputy secretary of state, Lawrence Eagleburger.

"In one of the greatest scandals of the modern political era, President Bush has placed in charge of U.S. policy for Croatia, a man who, for years (as President of Kissinger Associates), was in the pay of agencies of the Yugoslav communist government. . . . The effort to halt . . . German recognition . . . was begun on Dec. 2 by Lord Carrington . . . also an adviser to Kissinger Associates. . . . The man blocking recognition of Croatia, Lawrence Eagleburger, and his colleague, Brent Scowcroft . . . made from \$500,000 to \$1 million annually' as employees of Kissinger Associates 'dispensing advice and counsel to other governments—often communist—and wiring business deals.' "

The ad exposes official military and financial aid from the U.S. government, World Bank, and the International Monetary Fund in support of Yugoslav-Serbian oppression.

At the top of the page is a cartoon depicting a sinister Scowcroft and Eagleburger counseling the wide-eyed George Bush,

while a bloody knife is plunged into Croatia and a man leans out of a "Yugo" automobile and stuffs money into Eagleburger's pocket.

Judge Bryan denies LaRouche recusal motion

Judge Albert Bryan, Jr., in a tersely worded order on Jan. 28, denied the motion to recuse himself from considering Lyndon LaRouche's motion to vacate his sentence. Bryan also ordered the government to respond to LaRouche's motion within 30 days.

On Jan. 22, LaRouche, two of his co-defendants, and his attorneys, including former U.S. Attorney General Ramsey Clark and Odin P. Anderson, filed a 2255 motion seeking to vacate his sentence because his conviction and detention were unlawful. Based on massive amounts of newly obtained evidence, the motion charged that "the prosecution conducted and participated in a conspiracy and concerted action with others to illegally and wrongfully convict him and his associates by engaging in outrageous misconduct, including financial warfare."

The motion charged that Bryan had made significant legal decisions approving the government's bad-faith, forced bankruptcy of companies run by associates of LaRouche, in the summer of 1987, over a year before LaRouche's Alexandria trial. The bankruptcy actions halted all loan repayments, yet LaRouche was charged with mail fraud because loans were then not repaid.

The motion also argued that Bryan's history as a member of the Foreign Intelligence Surveillance Court and his Classified Information Procedures Act rulings at trial mean that he cannot fairly judge the claims raised pertaining to Executive Order 12333, under which the investigation of LaRouche was authorized.

In his order, Bryan stated that the affidavit of bias which accompanied the recusal motion "sets forth no facts which indicate a personal, as opposed to judicial, bias. . . . The court's comments at sentencing are comments in response to issues raised by defendants at that time . . . these issues . . . [are] not sufficient reason for disqualification."

Briefly

● **ORAL ARGUMENTS** on Rochelle Ascher's petition for appeal were scheduled by the Virginia Supreme Court for Feb. 14. The court will then decide whether to grant her an appeal. Ascher, an associate of Lyndon LaRouche, was convicted of "securities fraud."

● **NEGOTIATIONS** for the North American Free Trade Agreement will be concluded by the end of February and presented secretly to U.S. senators, Carlos Ramirez reported in the Jan. 29 Mexican daily *El Financiero*. Only if the reaction is sufficiently favorable will it be officially submitted to the Senate.

● **'WHAT SEEMS MOST** of all like a conspiracy is that every theory about what happened to [President John F.] Kennedy is dismissed as a 'conspiracy theory,' " wrote London *Daily Telegraph* writer Robin Lee, in a Jan. 29 commentary. "A good many of Stone's theories . . . strike me as far more plausible than the 'facts' supplied in the Warren Commission's report."

● **'ACCORDING** to congressional officials, the White House had considered March 15 as the deadline" to approve his "economic recovery" package, the Jan. 30 *Washington Post* reported, but George Bush told Congress that they have till March 20 "to avoid allusions to the Ides of March, the date in 44 B.C. when conspirators led by Marcus Junius Brutus assassinated Gaius Julius Caesar."

● **FRED GOLDBERG, JR.**, currently IRS commissioner, has been named by President Bush to become assistant treasury secretary for tax policy. Goldberg has alternated between professional work assisting in the leveraged-buyout looting of U.S. industry, and running the federal enforcement that has favored such looting.

● **HOUSTON** Post gossip columnist Betsy Parish on Jan. 27 fueled speculation that the GOP is backing Gov. Bill Clinton of Arkansas, setting Democrats up for a fall in November.

Editorial

Telling the truth for once

No matter how much the U.S. media and the gaggle of dwarfs running in the presidential primaries try to claim otherwise, the U.S. depression is strictly a domestic product.

U.S. workers used to be the most productive in the world, but that was in the days before the bubble economy, before the disaster of Reagan-Bush free-market economics. Those were the days when the United States was a model to nations like Japan.

It is useful to look at what Japanese Prime Minister Kiichi Miyazawa is actually saying about the problems now besetting the American economy, rather than the quoted-out-of-context sentences ventilated in the mass media with the intention of generating anti-Japanese hysteria. He and other Japanese political leaders have been trying to evoke a sane response from U.S. political leaders to the present U.S. economic debacle, which is threatening to bring down the world economy as well.

A recent interchange in the Japanese Diet is exemplary of the kind of discussion now going on in Japan, and so sadly lacking in the United States—with the exception of the LaRouche campaign for the Democrat presidential nomination.

On Feb. 3, one member of the Diet's Budget Committee asked the prime minister whether or not he had been able to convey to President Bush, during his visit, the Japanese experience with the American work force.

Contrary to press reports, this member of parliament, Representative Muto, pointed out that one of the problems in American auto factories was the poor quality of the management. In American factories, he said, with an American work force managed by Japanese, productivity was actually higher than in their Japanese counterparts. The prime minister replied that he did have the opportunity of discussing this point with the U.S. President.

After a further interchange Prime Minister Miyazawa addressed a point which we, too, have frequently emphasized—that production cannot be judged by the standards of the Gross National Product (or the Gross Domestic Product) because it is foolish to equate the

production of infrastructure or useful goods, with the proliferation of money market services or fast food chains. Indeed at the end of the Second World War, when the United States was an industrial giant compared to every other nation, approximately one-half of our work force was engaged in directly contributing to the production of useful goods.

Today the figure is perhaps a quarter of that amount, while the remaining three-quarters are involved in the service sector in one or another capacity. Such a structural imbalance is a fundamental dislocation in our economy.

Let's look at what Miyazawa had to say: "Looking at the past 10 years, the interpretation of producing goods or creating value has become very loose. The problem is that everyone believes value can be created in the money market. [The decline in] producing goods by the sweat of our brows, a type of work ethic, is related to various things."

He added: "There is probably even a connection with computers. People graduating from the universities are going to Wall Street for high salaries. As a result, the number of engineers who actually make things is shrinking. . . . We have these leveraged buy-outs where those without their own money can buy up companies, and then, unable to pay the interest on those debts, they fall into bankruptcy."

Miyazawa then addressed the same problem which is emerging in the Japanese economy to create a "bubble economy." He concluded, "After this bubble burst, both countries now have a lot to clean up in the aftermath, and all of our people learned a lot from this. It is very important to build things of productive value, with the sweat of our brows. This may sound like a sermon, but what I have said is what I feel. When President Bush talks about education, I believe he is trying to reiterate the above kind of message."

The American people should view Prime Minister Miyazawa as a friend. He is trying to direct us back to the clear conception of economics last seen during the Kennedy presidency, the kind of economics represented by the programs of Lyndon LaRouche.

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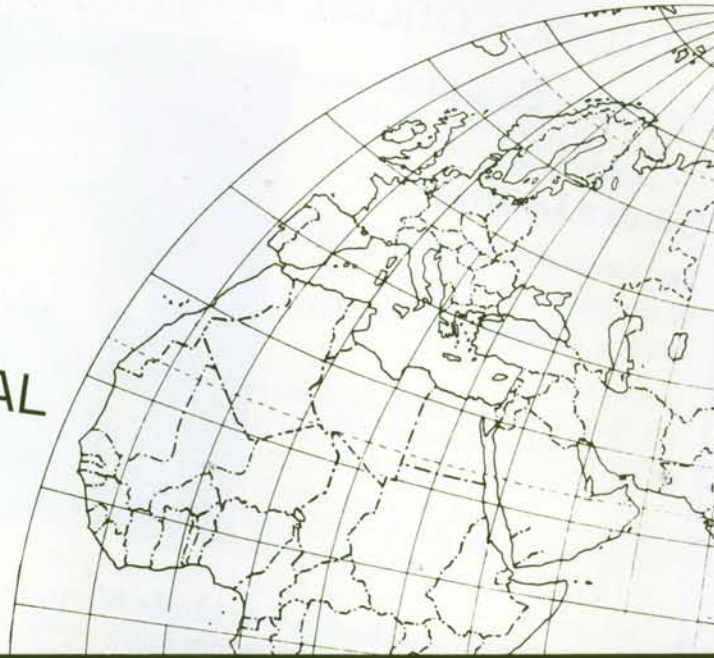
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