

# EIR

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Ibero-American military spending: the big lie  
The economic stakes in Thailand  
George Bush flees Panama in tears

**The U.S.-Russian entente  
that saved the Union**



# DOPE, INC.

## Is Back!

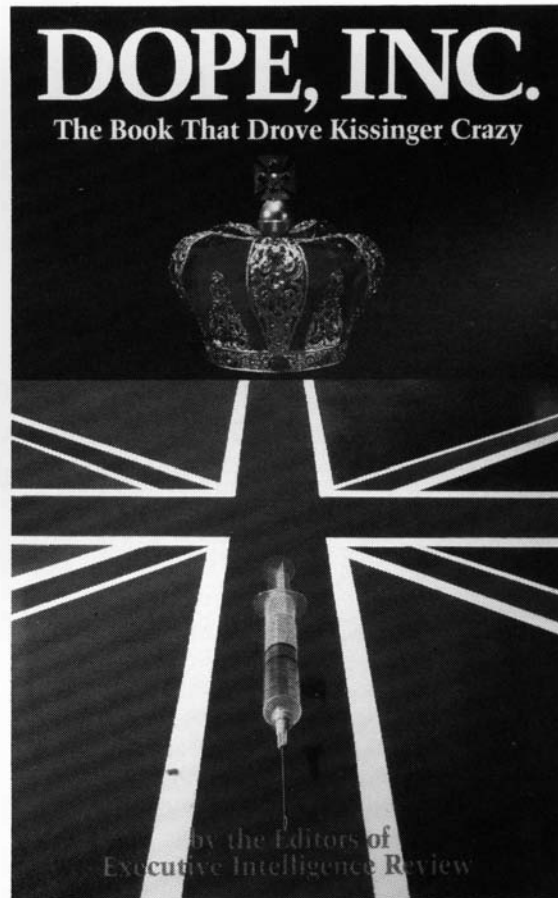
**T**he history-making book 'Dope, Inc.' is now available, after being out of print for five years. The third, expanded edition of the explosive best seller bears the title: "Dope, Inc.: The Book That Drove Kissinger Crazy."

This overview of the global narcotics trade, with a preface by American political economist Lyndon LaRouche, shows that the international trade in illegal narcotics is doubling every five years, with profits in 1991 alone of nearly \$1 trillion. Thus, drug money today represents the largest pool of liquid capital in the world.

Also exposed is the destruction of developing-sector economies by consortia of international bankers, which replaced the national economies with drug economies. Other chapters tell the real story of the organized-crime link to "Dope, Inc.," from the Bronfmans and Kennedys, to the British assassination bureau Permindex, to the Anti-Defamation League.

Finally, in an appendix, Lyndon LaRouche's 1985 "Proposed Multi-National Strategic Operation Against the Drug Traffic for the Western Hemisphere" appears in full, a 14-point plan for defeating the drug traffickers for good.

"Dope, Inc." was first published at the end of 1978, when the war on drugs could have been won. Politicians heeded the bankers instead of the warnings in this book. The war can *still* be won, if we force them to listen now.



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## From the Editor

**I**n our two long packages this week we mount a vigorous defense of republican military establishments: the ones which are attempting to defend their countries in Ibero-America today; and the ones which defended the United States against destruction 130 years ago in the Civil War. But we don't cherish any romantic illusions about wars—war is truly hell, and any person with any semblance of sanity will do all that he or she can to prevent it.

This stands in pointed contrast to the British oligarchy and its various insane cothinkers, notably among the American establishment. Perhaps it has been so long since a war was fought on American soil, that some of our native bluebloods cannot evoke the horror and shedding of innocent blood that comes with war, only a small part of which directly results from military clashes. All over the world, the Anglo-Americans are fomenting wars.

In the *International* report we warn of the growing danger that the war raging in former Yugoslavia—around *Sarajevo*, the flash-point for World War I—may expand to other parts of Europe and the Middle East. The Transcaucasus continues to heat up; while we do not endorse every judgment made by the Armenian historian interviewed in this issue, we emphatically agree that regional and world peace will only be served if each country's potential for contributing to economic development is exploited, and the bloodbath called to a halt.

America's "Civil War" against the secessionist South was in fact a *defensive* war against British aggression, as the *Feature* documents, in which our nation owed much to an alliance with Russia. This is a debt that should be repaid today by offering Russia development aid, but not a penny to the debt-sucking International Monetary Fund.

Likewise, the Ibero-American armed forces face the necessity of fighting the war declared against them by narco-terrorist armies who enjoy the financial resources of Dope, Incorporated. Not only is the United States, in its campaign to strip that defense of material resources, shamefully allied with our historic enemy, the British oligarchy, on the aggressor's side, but as the *National* lead article reports, U.S. officials have been licensed by our Judiciary to join the attack on our allies' sovereignty with thuggery as well as financial force.

*Nora Hamerman*

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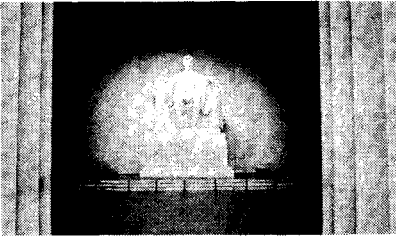
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**Correction:** Due to an error in last week's issue, the last word of the article "Whittle Attempts to Capitalize on Disaster in U.S. Education" was left out. The full sentence on page 67 should have read, "But until noble aspirations have concrete agendas which address the lack of intellectual standards, students are not safe in any of our schools, public or private."

## Ibero-American stock 'boom' could be a bust

by Cynthia R. Rush

The latest propaganda from *Business Week* and other Wall Street investment experts is that Ibero-America is the new "growth area" of the world, emulating the Asian Tigers with booming stock markets and investment opportunities galore. The June 15 *Business Week* dedicated its cover story to "Latin America, The Big Move to Free Markets," with subheads blaring that "Latin Financial Markets Are Sizzling," and "U.S. Companies Benefitting." The magazine coos over the U.S.-trained, English-speaking Ibero-American "whiz kids" who are "pushing aside nationalist graybeards who ruled for decades," and working in coordinated fashion to produce economic miracles.

But on June 4, the U.S. Treasury Department's sudden announcement that it had called a meeting of 11 Ibero-American finance ministers for June 24-25 in Washington, suggests that not everyone is confident that all is as rosy as the story portrays. If the Ibero-American boom should suddenly go bust, U.S. banks could be in big trouble, since they are the primary beneficiaries of the speculative orgy taking place on the continent. Citicorp has already taken \$200 million of the loan loss reserves it set aside to cover bad debt to Ibero-America, and transferred it to cover bad real estate debt, arguing that the lesser developed countries (LDC) debt crisis is now "resolved."

President George Bush has his hands full with political troubles at home, including a volatile banking and economic crisis and uncertainty over his political future. Bush has already faced two crises in Ibero-America this year—one in Venezuela on Feb. 4, and the other in Peru in early April—both stemming from those populations' rejection of the U.S. strategy of imposing "democracy" backed by the International

Monetary Fund's (IMF) free market austerity reforms.

Given the actually fragile nature of most Ibero-American economies, were there to be another Venezuela or Peru, and the potential for this is great, it would deal a death blow to Bush's phony democratization campaign. At a time when Bush is trying to ram through the North American Free Trade Agreement (NAFTA) with Mexico, the centerpiece of his hemispheric policy, he can't afford such problems.

What the U.S. administration needs above all is some guarantee of economic stability in Ibero-America which, at bottom, is a political question. Hence the finance ministers' meeting, which is being described as "unprecedented" by many observers.

The meeting is to be chaired by U.S. Treasury Secretary Nicholas Brady, and it is officially intended to discuss an unexciting agenda of trade, debt, and investment developments in the region, as well as further Bush's Enterprise for the Americas free trade initiative, which many are calling moribund. But a Reuters wire published in the June 5 Buenos Aires daily *Ambito Financiero* reported more forthrightly on Washington's nervousness over Ibero-America's continued ability to apply IMF policy, and quoted an unnamed Treasury official who said that a major purpose of the ministers' meeting will be to reinforce Ibero-America's "orientation" toward free market reforms.

### Stock market mania

The stability which the United States seeks rests largely on its ability to enforce IMF policies now in place throughout the continent, while maintaining the myth that the speculative stock market booms under way in countries such as Argenti-

na, Chile, Brazil, and Mexico are the reflection of an "economic recovery" allegedly spurred on by the Fund's neo-liberal economic reforms.

This "recovery" in fact is really the product of dismantling what remained of these countries' protectionist, or mercantilist, economic structures, and opening them up wholly either to foreign investors, or domestic ones who've brought back flight capital, to make a killing in a speculative orgy which has nothing to do with real production or the health of any of the economies involved.

Argentina is a case in point. According to the June 4 *Financial Times*, starting last year, the Buenos Aires stock market was hit with an "avalanche of money" which has caused prices to rise; the influx of money from abroad, which is "fleeing low international interest rates," continuously pushes up the price index, attracting more money, and forcing the index even higher. Since the beginning of 1992, an average of \$42 million has entered the country every day, part of which goes to the stock market. President Carlos Menem's economic policies helped establish "investor confidence," the *Times* explained.

On June 4, the Argentine daily *Clarín* described this feeding frenzy as the "market bicycle." One's own capital is no longer enough, the paper explained, "so you borrow. In the market, the buyers pay only 30% of a share and borrow the other 70%, hoping to pay it off with a sale within days or weeks. There are some companies which, to buy shares, offer the banks the chits they obtain for their credit card sales. For every 100 pesos to be collected, the banks advance them 95 pesos (21 days before), and with those funds the companies go to the market to buy stock."

### **Precarious stability**

No matter that Argentina's manufacturing sector is being wiped out by a flood of cheap foreign imports, or that Venezuela, with a \$5 billion fiscal deficit and disastrous economic situation, could face a financial blowout by September. Those Ibero-American companies whose stock is booming on the market for reasons unrelated to production are "the new darlings of Wall Street," *Business Week* gushed. They need only show "their formidable resumes showcasing how they survived debt and depression, weathered hyperinflation, and sailed the waves of shock therapy."

Similar booms are evident elsewhere, and for the same reasons. The June 14 *New York Times* reported that prices on the Brazilian stock market have increased 40.9% this year alone; in Chile, the gain in dollar terms has been 35.4%; in Mexico, 29.4%.

But because these market booms have nothing to do with real economic processes, they can shift on a whim—at the first whiff of scandal or political uncertainty. Discussing the Argentine market, the *Financial Times* commented on June 4 that "it is vulnerable to an unpredictable shift in investor sentiment, say cautionary voices. This could suddenly turn

the virtuous circle vicious, sending prices crashing and flight capital winding its way back to Miami bank accounts as quickly as it left."

On Monday, June 15, the Brazilian stock market dropped 8% in response to new rumors of corruption involving President Fernando Collor de Mello, who is already embroiled in scandal, and whose ability to comply with an IMF agreement is in question. On the same day, the Mexican stock market dropped by 67.34 points, or 3.7%, and dropped another 10% on June 17. That decline was reportedly due to selling from investors worried about comments made by the as yet undeclared presidential candidate, H. Ross Perot, criticizing NAFTA.

The drop of Mexican mutual funds and equities listed in New York the previous week, prompted the *Wall Street Journal* to editorialize on June 15, "No Mexican or foreign investor in Mexico is likely to deny that the fortunes of the Mexican stock market are directly tied to the fortunes of the proposed North American Free Trade Agreement." The *Journal* went on to warn that if NAFTA were not approved, it could bring down the Mexican stock market.

### **Controlling unrest**

*Business Week* does admit that there is one hitch in the Ibero-American economic boom. "As Latin leaders look beyond downtown Buenos Aires and São Paulo . . . they see the immense underclasses still untouched by the bonanza. If the new money doesn't lift the poor, this latest boom, like all the others before it, is sure to go bust."

As rampant poverty, spread of disease, and collapse of infrastructure demonstrate, IMF policy over the past 10 years has done nothing to "lift the poor." In an effort to keep the lid on social unrest caused by wretched conditions, the Anglo-American establishment is promoting social control programs such as Mexican President Salinas de Gortari's National Solidarity Program, or Pronasol. Backed by an enormous propaganda machine, Pronasol selectively hands out rewards such as electricity or water in exchange for political support, maintaining the illusion that the poor are benefiting from Salinas's free market policies.

Aside from speculators and quick-buck artists, the real beneficiaries of these policies are U.S. creditor banks. The June 15 *New York Times* reported that Citicorp, with large investments in many local Ibero-American companies, has benefitted from rising stock prices. Many of these investments occurred when the bank accepted stock in a company in exchange for a bank loan that could not be repaid. Citicorp chairman John Reed recently revealed that the value of Citicorp's various stock investments was now *greater* than the original amount of the loans that were exchanged for the corporate stock.

Kevin J. Mulvaney, head of global banking at the Bank of Boston Corp., added that in some cases, loans are proving to be worth more than banks had estimated years ago when they set aside reserves to cover expected losses.



# IMF puts squeeze on Yeltsin's Russia

by William Jones

A dogfight broke out among fellow monetarists at the 1992 meeting of the Bretton Woods Committee on June 15, the day Russian President Boris Yeltsin arrived for his summit with President Bush. The fight centered around the problems which have arisen in the International Monetary Fund (IMF) negotiations with Russia. The Russian government, under tremendous pressure from a populace just beginning to feel the full force of the announced free market austerity policies, has been forced to "go slow" on a number of issues in order to avoid total social revolt in the country. Yeltsin's appointment of leading members of the military-industrial complex to key government posts—in particular the appointment of Viktor Shumeiko as deputy prime minister—did not sit well with the IMF, nor did the slowdown in the pace of privatization of Russian state enterprises.

The fight centers around the \$24 billion "aid" package promised by the Group of Seven countries (United States, Canada, United Kingdom, France, Germany, Italy, and Japan) to assist the former Soviet Union in instituting "shock therapy." Because of the skepticism about Yeltsin's ability (and perhaps will) to implement these ruinous policies, the IMF is balking on giving Russia anything more than technical assistance. The precondition for Russia's seeing any of the promised \$12 billion, is an agreement with the IMF. But if the funds are not forthcoming—and quickly—the ability of the Yeltsin government to continue the "shock therapy" will be seriously impeded, possibly leading to an anti-Yeltsin coup.

## Sachs fears monster he unleashed

Even the architect of the IMF "shock therapy" program for Russia, Harvard economist Jeffrey Sachs, one of the main speakers at the Bretton Woods meeting, was getting a bit nervous. Sachs complained that an agreement could be reached in the next two weeks but for the short-sighted attitude of the IMF, and warned that the deal was "excessive, unnecessary, and increasingly dangerous." The economic conditions in Russia were "still very precarious. . . . We are at a critical juncture where days and weeks will count," Sachs said. Sachs tried to explain away the conflict between the IMF and Russia as a "misunderstanding" which simply needed to be cleared up—but quickly—and blamed the growing

impasse on the "IMF technical staff," whose work, in Sachs's words, "had been anything but satisfactory."

IMF Managing Director Michel Camdessus, who immediately followed Sachs, disagreed. "There is no difference between the IMF staff and the IMF management," he asserted, reiterating the decision of the IMF to "limit itself to technical assistance" and "to watch the economic programs begin to work." The IMF is demanding that the promised \$6 billion ruble stabilization fund be used for building up reserves, rather than for clearing the balance of payments deficit. The IMF also wants Ukraine included in the "ruble area," despite the fact that the Ukrainians want to get out and Russia is willing to let them go. The IMF is also demanding that Russia foot a larger chunk of the Soviet debt than Russia is prepared to handle. "In view of conditions in Russia," said Camdessus, "we shouldn't dispense funds without conditionalities." Camdessus demanded a "bold and comprehensive approach" rather than "the seductive charms of a more gradualist approach. . . . We could not support a program that would be less than adequate," he said, adding that it would be a "disservice" to those countries which had already caved in to an IMF austerity program.

Sachs was not the only person concerned about a sudden turn for the worse in Russia. Zbigniew Brzezinski, former national security adviser to Jimmy Carter, who spoke on the political situation in Russia, struck a warning note, saying that there was great "pressure for further fragmentation and possible reaction" in Russia. Brzezinski also raised the question which was in the back of everyone's mind: "What happens if Yeltsin disappears from the scene?" By way of an answer, Brzezinski noted that the Army is the "most viable institution" in Russia, and that it is rapidly becoming a voice heard more often in the political life of the country, but that it is "dissatisfied and demoralized." Vice President Aleksandr Rutskoy "is developing cogent arguments for an alternative, and has even written on the role of the Army," warned Brzezinski. "The *nomenklatura* is still in place." He compared Yeltsin to Ataturk, the Turkish nationalist who in the first two decades of this century also had to build a nation-state out of the ruins of an empire.

The other stumbling block for the IMF "shock therapy" is the U.S. Congress, which must approve a \$12 billion increase in the United States IMF quota, a prerequisite for realizing any of their schemes. Sen. Richard Lugar (R-Ind.), speaking in the afternoon session, warned that the votes just weren't there to increase the quota for the moment. Perhaps the Yeltsin appeal to the U.S. Congress may gain that legislative support for passage, but the odds still seemed to be stacked against it. And whatever the vote may be, for the Yeltsin government it is rapidly becoming a question of "damned if you do, damned if you don't." Barring any new moves towards a real aid package for Russia—rather than for the bankrupt IMF—the future of the Yeltsin government looks very bleak indeed.



# Japan outlines its growing economic role

by Kathy Wolfe

The Japanese government has challenged the Bush administration's right to run the world economy into the ground in a series of blunt new reports on world trade and production issued June 8-10.

To the "Report on Unfair Trade Practices" issued on June 8 which denounced the United States for trade violations (see *EIR*, June 19, p. 6), has now been added another major report by the Ministry of International Trade and Industry (MITI). The second MITI report issued on June 10 is called "Challenges for Asia and Japan's Economic Cooperation—Asia as a Nucleus for World Economic Growth." It states that Asia can't depend on the United States any more, and that Japan will have to take leadership in Asian economies.

A third report by Japan's Ministry of Agriculture on June 10, entitled "The Basic Direction of New Policies for Food, Agriculture and Rural Areas," tells Bush to take a walk on demands that Japan open its rice markets. "Japan needs to keep a steady supply of rice throughout the year by depending basically on domestic products," the plan says. Another Agriculture Ministry report just out predicts a shortage of over 900,000 tons a year of rice and of major grains and oilseeds by the year 2000.

Although the first report was roundly denounced by White House spokesman Marlin Fitzwater, there has been no subsequent comment on it or the other reports in the U. S. or British press, a sure sign that London and Washington are worried. "For America to be told the truth is not pleasant," said MITI Minister Kozo Watanabe on June 9, "but our position is that from now on, Japan will say the things that must be said, and do the things which must be done." His comments have caused shocked silence.

## Asian economic locomotive

As the United States drops off the world economic map, Japan must take the leading role in improving the economy of Asia, to help the whole world, says the new MITI 1992 white paper, "Challenges for Asia." Asia can't trust the United States as a trade partner, since the United States may hit Asia any day with protectionist measures. The reason for this is that Bush has bankrupted America, MITI points out. "Asia's continued dependence on the U. S. market may add

fuel to American trade protectionism, considering America's twin deficits in finance and trade," the report says.

"In order to act as a locomotive for the world economy, Asian countries should make efforts to expand their own markets. Asia achieved a 5.8% growth in real production in 1991 when world production dropped 0.3%. . . . If economic developments in the NIEs [newly industrializing economies] and ASEAN [Association of Southeast Asian Nations] nations expand to China, Indochina, and even to South Asia, Asian nations can help expand the world economy." NIEs include Korea and Taiwan. ASEAN includes countries such as Thailand and Malaysia. Japan has invested extensively in heavy industry in all these countries.

Japan should increase imports from Asian countries, invest more in them, offer them yen loans to improve their infrastructure, and train more of their people, it said.

## Food is a national security issue

The Ministry of Agriculture meanwhile published a blueprint for the future on June 10 entitled "The Basic Direction of New Policies for Food, Agriculture and Rural Areas."

The report argues that self-sufficiency in rice is a matter of national security, despite Bush administration demands to be allowed to dump rice on Japan and bankrupt Japan's small farmers. The answer is "No," says the report. "Japan needs to keep a steady supply of rice throughout the year by depending basically on domestic products," the plan said. Japan consumes 10 million tons of rice a year.

Japan's overall food self-sufficiency rate is exceptionally low, it says, noting that rice is the only food in which Japan is self-sufficient. Since stable food imports cannot always be guaranteed in the future, "Japan should use its own resources first in order to maintain a stable supply of food for itself."

There is likely to be a shortage of major grains and oilseeds by the year 2000, the Agriculture Ministry said, and forecast that world rice consumption is likely to exceed production by 900,000 tons in the year 2000.

The Agriculture Ministry's new plan for the 21st century, entitled "Basic Directions," also calls for modernization of Japanese rice production. Agriculture Minister Masami Tanabu in a May speech said, "I don't think consumers will continue to support farmers if farmers are kept away from competition, and rely on the government for subsidies." Clearly he meant domestic competition.

The Agriculture Ministry proposes to support farms financially and encourage smaller farms to incorporate into larger groups, to help create business-minded rice farmers. Farms of over 10 hectares now account for only 0.4% of Japan's 3.8 million farms. Under the plan, farms with 10-20 hectares of paddy fields will account for 80% of rice production, and the total number of farms will fall to 2.5-3.0 million by the year 2000. Costs on the average farm will decline by 40-50% as farms increase in size over the next decade, it says.

# What's at stake in Thailand

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*This report is based, in part, on discussions which took place during author Chris White's recent visit to Japan and Thailand.*

The wrecking operation against the Kingdom of Thailand, coordinated by friends of Henry Kissinger and his fellow Trilateralist Lane Kirkland's AFL-CIA, amounts to a declaration of war against all the countries of Southeast Asia, and against the policy commitments among those countries and Japan, which ensured that last year, for example, while the world economy as a whole continued to slide into economic dissolution and collapse, the economies of East Asia continued their recent pattern of growth, estimated for the year at 5.8%.

## **Two perspectives for Southeast Asia**

Since the middle of the 1980s, Thailand has been the centerpiece for the implementation of a policy which the Japanese call "flying at the head of the flock." Under this policy, the kingdom's manufacturing sector has grown at rates in excess of 12% per year for each of the last five years, and achieved 13.8% growth during 1991.

Under this policy, industries which are becoming outmoded relative to the internal advances achieved, or intended, in Japan itself, have been shipped out to nations of Southeast Asia, such as Thailand, Indonesia, and Malaysia, where the development of export-based manufacturing capabilities has been used to promote internal improvements and upgrading.

Prior to the U.S.-led overthrow of Philippines President Ferdinand Marcos six years ago, Thailand and the Philippines were quite comparable. Per capita Gross National Product was about the same. Export earnings were about the same. Over the intervening period, Thailand's per capita GNP has doubled, and the volume of exports has equally doubled. The Philippines under U.S. puppet Corazon Aquino stagnated.

In the process, 5% of Japan's domestic manufacturing capacity has been shipped out. This has been mutually beneficial. Japan has alleviated an internal labor shortage, not by importing workers, but by exporting certain classes of industry. Countries such as Thailand have developed new capabilities. Where Thailand used to be mainly an exporter of primary products, such as rice and forest products, the share of primary products in its exports has declined, as food processing, manufacturing and assembly industries have been added as capabilities.

In food-rich Thailand, this has not been done at the ex-

pense of domestic consumption. For example, well before Florida's Vindicator food irradiation plant came on line, the technology of nuclear irradiation of food was being employed in Thailand to help preserve foods for domestic consumption and for export. Thai sausages, a local favorite, and chickens, were equally part of the feed for the local irradiation plant.

The policy has not been ad hoc. By the end of this century, the intention is that Taiwan and the Republic of Korea would be brought up to the level of economic functioning which characterized Japan itself by the end of 1980s, and that the nations of Southeast Asia, with a population in excess of 250 million, would be developed to the levels which Korea and Taiwan attained at the end of the '80s. The realization of this intent is presently the agenda of working groups brought together from the ranks of governments, industries, universities, and research institutions of the countries concerned.

The aim is to create the economic conditions which can permit the balance in East and South Asia to be shifted away from the peasant-based economies of the continental and subcontinental land masses, to a coastal manufacturing and sea-based trading operation, in which the littorals of the Java Sea, the South China Sea, and the Sea of Japan come to predominate economically.

## **A principle of least action**

The late plasma physicist Winston Bostick used to point out that the "flying vee" flight pattern of a flock of geese involves a principle of physical least action. The air through which the birds fly is organized into a more coherent form, better capable of supporting flight, with less effort expended for the same result by each bird. The effect ripples backward from the lead bird through the weaker members of the formation, and produces vastly superior results than it would if the birds flew alone, or adopted some other formation.

So it is with the Japanese conception of "flying at the head of the flock." Advances are supposed to help organize a pathway for the more productive advance of all. Thus, as discussion proceeds on elaboration of the end-of-decade target for East Asia as a whole, so a parallel process is under way inside Japan itself.

This involves two aspects: One includes an ongoing scientific and technical research commitment to develop economic alternatives to the oil- and carbon-based fuels which almost exclusively provide power to a modern economy.

This involves work on the technology of a hydrogen-powered economy, in which water would be the source of hydrogen, and water the by-product of hydrogen use, on fuel cell applications for generation of electricity, among others, on magnetic levitation for transportation and the related matter of the electric car, and on magnetic pulse power sources for ships.

The other aspect involves the improvement of Japan's domestic economic infrastructure such that the country would become the manufacturing and trading gateway for all of East Asia by early in the 21st century. Here, the focus is on the area between the Bay of Ise and the city of Nagoya on the Pacific Coast, and the opposite coast on the Sea of Japan. The idea is to build up a new bi-coastal, multi-modal transportation hub, capable of supporting and serving the new industries which will come to dominate in the next century. This hub will be, as it were, perpendicular to the Tokai route between Tokyo and Osaka, by way of Kyodo and Nagoya, which has so far been the main axis for development in Japan.

Thailand, never colonized, food rich, with about 55 million people occupying an area comparable to that of France, is the strategic key to the whole perspective. Japan, dependent on imported resources, lacks strategic depth economically. The buildup of development potentials in the nations of Southeast Asia, which are separated from Japan by sea and ocean crossings as wide as those which separate the U.S. eastern seaboard from northern Europe, has been an effort to build up such depth.

### **The war against Thailand**

The AFL-CIA-sponsored war against Thailand, which the Asia Foundation speaks of openly as the first in a new domino theory, to be spread into Indonesia and Malaysia, is a war against this whole approach.

This is clear from the internal protagonists. Anand Banyachul, the interim prime minister imposed by the U.S. embassy in the wake of the violence it provoked, is the man who, as a previous prime minister, created the conditions for the AFL-CIA's current operations. A former ambassador to Washington, D.C. and intimate of Henry Kissinger, he wrecked Thailand's tariff structure and deregulated interest rates and prices of food, oil, and electricity, all in the name of the free market. He also permitted the non-governmental organizations (NGOs) and environmentalist groups which helped organize the recent events, to set up shop and operate in Thailand.

Then there are the two generals who have been most prominently associated with stirring up the unrest. One of them, Chavalit Yongchaiyut, a former chief of staff of the Thai Army, is funded by the notorious Bank of Bangkok, a dope bank and the local affiliate of the Hongkong and Shanghai Bank, and is close to the local interests of Seagram's liquor lord, the U.S. dope baron Edgar Bronfman, through Tejapaiboon and the local Kloster Beer interests. Chavalit funded motorbike terror gangs during the recent events at 380

baht a head (\$1 is roughly 25 baht). Together with portable-telephone-toting bank clerks, they made up the hard core of what Cable News Network and other news outlets called "the rising Thai middle class."

The other officer, Maj. Gen. Chamlong Srimuang, is widely known as the Pol Pot, or the Ayatollah Khomeini, of Thailand. A Teraveda Buddhist, Chamlong derives his political program from the Buddhist bible, the *Phra Tripidok*. He is considered a heretic by Thailand's mainstream Buddhist monks. He has an eight-point program, and a demand that the Thai Constitution be modified to encompass them. They include: that man and wife should live together as brother and sister; that one vegetarian meal per day is sufficient for all; that five or six coconut shells of water, per day, is enough for all; that one should be satisfied with living arrangements of about the same dimensions as a coffin, seven spans from the outstretched little finger to thumb wide, and 12 spans long, with a privy dug in the middle, covered for sleeping, and the wife/sister in a bunk on top.

The NGOs which Anand permitted into the country have in the meantime become the political base of Chamlong. His is effectively the program which the U.S. embassy and the friends of Kissinger, together with the AFL-CIA, are supporting, against Japan's perspective for the region.

It shouldn't be much of a surprise. Chamlong's program is what the International Monetary Fund calls its "basic needs" program. It is quite comparable to the regime in a Hitler concentration camp, as also in its genocidal effects. It is a policy which is intended to destroy the basis for existence of nations and populations.

In 1974, during the post-Watergate administration of Gerald Ford, Henry Kissinger ordered his National Security Council staff under Gen. Brent Scowcroft to prepare policy documents on population growth as a threat to U.S. national security interests. The documents were classified and the policy adopted under the document heading National Security Study Memorandum 200. Among the 18 countries identified as particular threats to U.S. policy, because of their population growth, were Thailand and Indonesia.

In the same period, the New York Council on Foreign Relations commissioned study groups which prepared the so-called 1980s Project, and went on to staff the Carter administration, which implemented the project. The CFR declared two models of so-called Third World development acceptable: Mao Zedong's China, then still in the last fling of the Cultural Revolution, and an unidentified country in Southeast Asia. It was not named, because at the time of writing the proportionally biggest genocide in recent history was under way within its borders; the country was Pol Pot's Cambodia. There, the teachers, the doctors, the literate, even the bespectacled, were slaughtered, while modern machinery and even electrical wiring were destroyed as inimical to the interests of the "New Cambodia."

This is what Kissinger et al. are attempting to unleash in Thailand.

# The collapse of the Maastricht Treaty: What will Europe do now?

by Poul Rasmussen

The rejection of the Maastricht Treaty on European Union by the Danish voters in the referendum of June 2 has thrown all of Europe into crisis. Decades of preparations and six years of negotiations and planning of a European Community (EC) political and economic strategy have been thrown out of the window. As *EIR* has emphasized, this is a very good thing, since the treaty would have stripped the nations of Europe of the very sovereign powers they urgently require to solve the economic crisis (see *EIR*, May 22, 1992, "European Union: the Monster of Maastricht").

Now, a number of far-reaching and important questions concerning the future of Europe have to be answered, very quickly.

First of all, is the Maastricht Treaty dead or alive? Technically and legally speaking, it is definitely dead. According to the Treaty of Rome, the legal foundation of the EC, any amendment to the original treaty has to be agreed upon by all member states. Therefore, the Danish "no" vote makes the Maastricht Treaty null and void.

But within hours of the Danish "no," German Chancellor Helmut Kohl and French President François Mitterrand issued a joint statement assuring the world that the "Maastricht process" would continue as scheduled, and that any renegotiation of the treaty was totally out of the question. At the European Community foreign ministers' meeting in Oslo on June 3, less than 12 hours after the Danish referendum, the ministers from the 11 other member states issued a strongly worded statement confirming that the Maastricht Treaty would be ratified and implemented on schedule, leaving Denmark behind.

In other words, the EC's bureaucracy in Brussels is claiming that the Danish rejection did not change a thing, except to isolate the Kingdom of Denmark from the rest of the European Community. But it's not that simple. The British *Sunday Times* on June 7 quoted a high-level German diplomat attending the ministers' meeting in Oslo, "The response of EC ministers is a hopeless bluff. The problem is not a Danish problem—it's our problem."

Not only would an implementation of the Maastricht Treaty in contemptuous disregard of the Danish referendum be a serious breach of international law, but the Danish "no"

vote sparked such opposition to the treaty in all the other member nations, that any attempt to ram the treaty down the throats of European citizens would now be a highly risky political adventure. At this point, the governments of France, Germany, and Great Britain lack the political strength to do so.

The Danish "no" has also unleashed confusion in the ranks of the British elite. The anti-Maastricht faction, comprised of both Tory and Labour members of Parliament, claims a majority large enough to kill the treaty when it comes up for a vote in the Parliament this fall. While Prime Minister John Major, about to inherit the chairmanship of the Europe Community on July 1, attempts to keep the Maastricht house of cards from collapsing, two of his ministers have joined the anti-Maastricht ranks. Queen Elizabeth confirmed her support for the pro-Maastricht forces in a speech in France on June 9, where she said that Great Britain's place is in the "heart of Europe." Her intervention occurred at a time when the Royal Family is under attack due to scandals concerning Prince Charles and Princess Diana.

## Vote was not against Europe

Despite all declarations to the contrary, some kind of a replacement for the Maastricht Treaty has to be found. And it has to be found very quickly, otherwise Europe will go into an unprecedented political and economic tailspin.

On June 9, the British government proposed to amend the treaty in such a way that it would satisfy the Danish population. Danish Minister of Economic Affairs Anders Fogh Rasmussen politely rejected the British offer, stating that a simple amendment would not suffice. Nevertheless, on June 10, the German government signaled that the British suggestion ought to be looked into. The process of changing the Maastricht Treaty has begun, all denials to the contrary.

Some are wishfully thinking that the problem could be dispensed with by having a second Danish referendum. But the Danish Constitution simply does not allow for a question to be put to a referendum twice. There have to be serious changes in the treaty if a second referendum is to be held.

But even were it possible, a second referendum would not be much help for the Maastricht partisans. A Gallup poll



German mining and energy workers protesting against layoffs in July 1991. The sign reads: "Send [Economics Minister] Mølleman to the unemployment line, not the workers!" Danish and German economists are warning that the Maastricht Treaty will lead to massive unemployment and poverty.

commissioned by the Danish newspaper *Berlingske Tidende* a couple of days after the June 2 referendum still showed 51% "nay" and 49% "yea." The poll also showed that 81% of the Danish population favored strong political and economic collaboration among the nations of Europe. The Danish vote was clearly not a vote against Europe, but specifically against the kind of European Union formulated by the Maastricht Treaty.

During the weeks leading up to the Danish referendum, the text of the Maastricht Treaty came under close scrutiny. Several hundred thousand copies of the Danish translation were circulated by the government, and people actually read it. Not everyone could understand all the legal mumbo-jumbo, but the Danish people voted on it, and they rejected it.

### Killing the ghost of Locarno

Since the process of reformulating the political and economic program for Europe has already begun, it would be prudent to take a closer look at the flaws of the Maastricht Treaty itself, and from there to point to alternatives for Europe.

On May 8, a Danish member of the Trilateral Commission, former minister of social welfare, and the "shadow government" minister of foreign affairs of the Social Democratic Party, Ritt Bjerregaard, wrote a commentary in the Danish newspaper *Politiken* (see excerpts in *EIR*, May 22). It was titled "Ghosts on the Map of Europe," and it dealt with two historic treaties, the Rapallo Treaty of 1922 between Germany and the Soviet Union, and the Locarno Treaty of

1925 among Germany, Poland, Czechoslovakia, Italy, France, Belgium and Great Britain. According to the arguments of Bjerregaard, it would be in the best interests of Denmark to support the Maastricht Treaty as the historical continuation of the Locarno Treaty.

A closer look at the Locarno Treaty shines light on some of the major political flaws of the Maastricht Treaty today.

The Locarno Treaty was an attempt to correct some of the security problems of Europe left unsolved by the Treaty of Versailles in 1919 and the League of Nations Covenant. Although German Minister of Foreign Affairs Gustav Stresemann and his French colleague, Aristide Briand, both got the Nobel Peace Prize for their work on the Locarno Treaty, its real architect was Gen. J. Smuts, a leading member of the British Round Table, according to British historian Carroll Quigley. As Quigley wrote: "The British believed that the peace of eastern Europe and that of western Europe were quite separate things and that it was their concern to maintain peace in the west, but that any effort to extend this to eastern Europe would merely involve the West in 'every little squabble' of these continually squabbling 'backward' peoples. . . . The Locarno Pacts of 1925 were the first concrete achievement of this British point of view, as we shall see."

The major flaw of the Maastricht Treaty was exactly that of Locarno. Making a closed club of rich nations in the European Union would simply repeat the Locarno folly of trying to secure western peace and prosperity without dealing with the problems of eastern Europe and the former Soviet Union. This was and is a very dangerous illusion. The Maastricht Treaty was rushed through ministerial meetings in December 1991 in order to, as quickly as possible, raise a new iron curtain between the rich nations of the West and the poor nations of the East.

Any replacement of the Maastricht Treaty must remedy this dangerous folly. Political and economic collaboration in Europe must include *all* of Europe. The ghost of Locarno must be killed. Any new treaty must be based directly on East-West collaboration.

### An economic disaster

From an economic standpoint, there were very serious flaws in the entire matrix of the Maastricht Treaty which included the European Union, the European Central Bank, and the European Monetary Union. In the leading Danish economics magazine *Boersens Nyhedsmagasinet* of May 14, two Danish economists issued serious warnings about the European Monetary Union. Vice Director of the Bank of Jutland (Jyske Bank) Anders Dam warned that the monetary union had been created too hastily and on false presumptions. He was seconded by the director of the Hafnia Investment Bank, Peter Wendt, who said, "There is simply no economic theory backing up the creation of the Monetary Union."

Neither Dam nor Wendt could accept eliminating the concept of national economic policy made necessary by

granting all economic powers to technocrats in a Central European Bank. Both of them feared massive unemployment as a result, and, as Dam pointed out, this would start in the economically weaker nations, but it would quickly spread to the rest of Europe. Also, Dam said that there is absolutely no economic foundation for the idea of eliminating national currencies. The only thing gained would be saving a little money by not having to exchange European currencies. The price for this small saving, would be the elimination of the concept of national economics, Dam said.

On June 11, a group of leading German economists, including the veteran reformer Klaus Schiller, came out with a list of similar arguments.

The overall economic and political perspective of the Maastricht Treaty was totally wrong. Reading Section IV, "The Economic and Monetary Policy," makes it clear that the method is an iron-handed financial policy like that of the International Monetary Fund. Article 104, Section 1, would prohibit the proposed European Central Bank and the existing national banks from allowing any deficit spending on the part of national governments, counties, municipalities, or other public authorities. In the case of an eventual budget deficit, Article 104 equips the European Council with the authority to impose penalties, including fines and the rescinding of credits, to teach the offending nation to "behave" itself. It is exactly that kind of policy which would have led to mass unemployment and poverty in large sections of Europe.

## Principles of national economics

With the entire Maastricht process in shambles, the question is now, what shall be done instead? First of all, any "grand experiment" of dissolving national economies must be stopped. And it should not be replaced with any British proposal for a "European free trade zone" either.

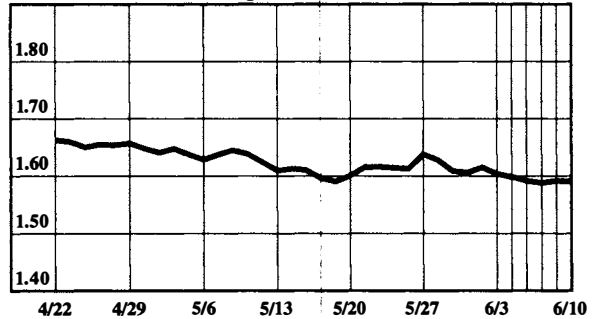
Instead, there must be collaboration among sovereign nation states, what Charles de Gaulle called the "Europe of the Fatherlands," and common economic policies must rest upon the principles of national economics. This means that the principles of building a national economy, as described by great economists like the German Friedrich List and the Americans Henry C. and Mathew Carey, must be applied to any future accords of the European Community. Lyndon LaRouche's Paris-Berlin-Vienna Productive Triangle of infrastructure and energy development, proposed just after the fall of the Berlin Wall, can be the basis of such cooperation.

If done in this way, the European Community of the future, which would include both east and west, would have concrete infrastructure projects and other physical economic projects as the central issue of collaboration. Instead of an EC Commission imposing its oligarchical will upon the individual nations by dictating the color of sun glasses or the length of bananas, governments of sovereign nations would be collaborating on economic policies in order to increase the productive power of labor.

## Currency Rates

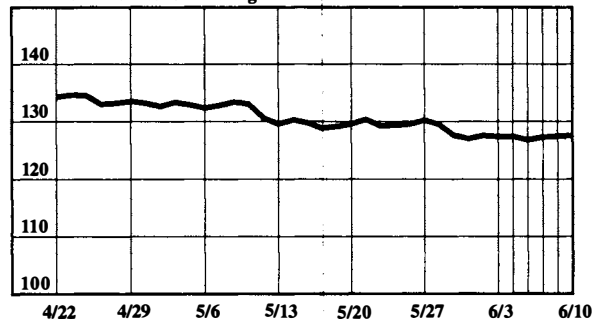
### The dollar in deutschemarks

New York late afternoon fixing



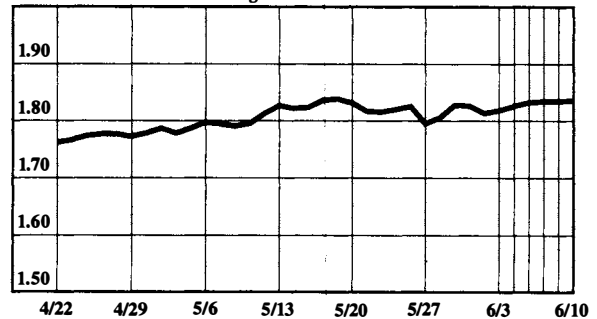
### The dollar in yen

New York late afternoon fixing



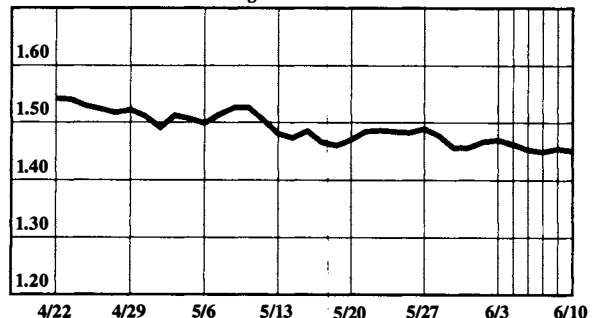
### The British pound in dollars

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing



## FDIC reports record bank profits

*The Federal Deposit Insurance Corp.'s banking statistics are a fantasy, designed to hide an awful truth.*

**C**ommercial banks in the U.S. earned a record \$7.6 billion in profits during the first quarter of 1992, according to the Federal Deposit Insurance Corp.'s (FDIC) latest *Quarterly Banking Profile*.

Three major factors were cited by the FDIC for this belief-defying performance. First, the banks profited significantly from the drop in interest rates, by increasing the spread between what they earned on their assets and what they paid on their liabilities. Net interest income was \$2.8 billion higher than the first quarter of 1991.

Second, the lower interest rates increased the banks' profits on sales of securities in their own investment portfolios. Gains from securities sales added \$682 million to the year-to-year improvement in earnings.

Third, many of the banks cut back or eliminated their shareholders' dividends, and retained the money. Retained earnings contributed \$4.7 billion of the \$7.6 billion in ostensible profits.

While the banks booked profits on every transaction they could, they also systematically understated the losses on their loans, primarily on their real estate loans.

U.S. commercial banks had \$854 billion in commercial real estate loans as of March 31, an increase of \$3 billion over the end of 1991 and an increase of \$16.5 billion over the first quarter of 1991. While banks would prefer to make no real estate loans at all, the loans have increased anyway, because the banks have chosen to roll over many unpayable loans rather than admit their losses.

Total loan loss reserves increased a mere \$704 million during the first quarter, to \$55.8 billion. From a year ago, the reserves have increased just \$754 million.

Meanwhile, the banks' reported non-current loans and leases have dropped. Non-current loans and leases stood at \$75.3 billion at the end of the quarter, \$691 million less than the end of 1991, and \$8 billion less than March 31, 1990.

In a period in which real estate developers and other businessmen have claimed it is almost impossible to get loans, in which personal and corporate bankruptcies are skyrocketing, and in which some of the biggest real estate companies in the world are collapsing, how is it possible that the level of non-performing loans is decreasing?

It isn't. The banks are cooking the books.

Let's take another look at the \$854 billion in real estate loans. The banks' total real estate exposure is actually significantly greater, because of the use of real estate as collateral for other types of loans, but the \$854 billion is more than enough to make the point.

The claimed \$7.6 billion in profits is just under 0.9% of the total real estate loans, meaning that a drop in property values during the quarter of just 1% is enough to wipe out this alleged profit.

Over the past 12 months, the banks have reported \$20.2 billion in profits. A 2.4% drop in real estate values is therefore sufficient to wipe out all the profits claimed by the bank in the past year.

A drop in real estate values of just 16% is enough to wipe out all the reported profits for the U.S. commercial banking system since 1984!

According to the FDIC, commercial real estate accounts for \$372 billion (44%) of all the direct real estate loans made by banks. Of that amount, \$20 billion has been classified as past due more than 90 days or on accrual, and another \$4 billion is past due 30-89 days. Were the banks to write off just the \$24 billion they admit is past due, that would wipe out virtually all the banks' reported profits since the end of 1990.

Commercial real estate values have dropped 50% or more in most major markets. For example, in New York City, Citicorp recently sold an office building previously valued at over \$250 million, for \$119 million, prompting the *Financial Post* of Toronto to comment that the sale "sliced the value of all Manhattan real estate in half." An Olympia & York office tower in Manhattan, which O&Y valued at \$600 million, was recently valued at just \$200 million.

A 50% drop in commercial real estate values means that the banks should write off half the value of their commercial real estate loans, or \$186 billion. That step alone would wipe out 78% of the banks' claimed \$239 billion in equity, leaving just \$53 billion. That would drop the banks' claimed equity capital ratio from 6.96% to just 1.54%

These numbers may seem dramatic but, if anything, they understate the banks' actual losses. The real estate bubble has popped, and trillions of dollars of alleged value of U.S. real estate has evaporated. These dollars, which banks, companies, and individuals counted on their balance sheets as assets, are gone. That is what the bankers and the regulators are trying to hide with these ludicrous statistics.



## The economy is another Collor scandal

*Despite the government's economic incompetence, the international financial elites are backing Marques.*

**T**he economic recession induced by the subservient free-trade policies of the government of President Fernando Collor de Mello has not only proved useless in stopping inflation, but is returning as a deadly boomerang, threatening to decapitate the scandal-ridden government. Despite brutal austerity imposed through high interest rates and drastically reduced public sector spending, inflation is over 20%.

Although there was some small increase in industrial activity, largely the result of an increase in exports and a good harvest, during the first quarter of 1992, unemployment has continued to grow. In the industrial sector of São Paulo alone, there have been 84,000 jobs lost this year through mid-May, representing a 4.91% reduction in employment. The total number of unemployed in São Paulo has passed 1 million.

The picture is still worse, when one learns that Collor's monetary policy has caused a dramatic loss in fiscal income, not only due to the collapse of economic activity in general, but also because as many as 40% of the total number of tax-liable individuals have refused to pay their taxes, in a clear act of civil disobedience to a government considered lacking in credibility.

The accounts of the National Treasury are a good barometer of the internal damage the Brazilian economy has suffered. Tax income, which had already fallen 20% in 1991 over the previous year, fell an additional 8.6% during the first four months of 1992, in comparison to the same period in

1991. In absolute numbers, this meant that the government received the equivalent of \$3 billion less in tax revenues, suggesting that the emergency tax bill approved in late 1991 is a failure.

As if this weren't enough, Brazil's high interest rates have resulted in an 86% increase in the growth of both domestic and foreign debt service during this same period. Also during this period, debt service on government bonds rose by 302%.

The consequence of this situation is that the Collor government is not going to be able to meet the objectives agreed upon with the International Monetary Fund (IMF), specifically regarding its fiscal deficit. For example, although the government managed to achieve a 2.67% primary surplus of the Gross National Product (GNP), despite the fall in tax collection, it is still less than the 4.58% goal agreed to with the IMF.

Regarding the so-called operational deficit (that which, for the IMF bureaucrats, results from adding financial charges to the primary surplus), the picture is alarming. Because of the uncontrolled emission of government paper, the operational deficit rose to 5.91% of GNP, instead of the IMF-dictated goal of 2.90%.

Despite this economic disaster, which was revealed to the public at the same time that the scandal of President Collor's campaign treasurer broke into the open, Brazil's monetary authorities, and particularly Economics Minister Marcilio Marques Moreira, have received the unqualified support of the

international bankers and financial institutions. The solution Minister Marques has proposed to the IMF is to just change the evaluation criteria of the agreement with the IMF, since the government is imposing the brutal public austerity measures which is really what the IMF wants.

For example, U.S. Ambassador Richard Melton told the press within hours of the Collor scandal becoming public that accusations of government irregularities do not affect Brazil's image abroad. Brazil's prestige remains intact, he insisted, thanks to its economic policy. "My impression is that things are going well in that sense," Melton told *Folha de São Paulo* on May 27.

Salomon Brothers investment house produced a recent report entitled "Brazil: Implications of the Accusations Against President Collor," which stated that the charges would not lead to either an economic or political crisis. The report emphasized that Minister Marques will emerge with his credibility reinforced, and that the most probable impact of the scandal would be to pose a temporary obstacle to the government's ability to impose tax reform.

In addition, IMF Managing Director Michel Camdessus took advantage of his visit to the Earth Summit conference in Rio de Janeiro to propagandize among congressmen, business leaders, and newspaper publishers in favor of Collor's tax reform bill, which is being presented to Congress as an "urgent measure," a "last ditch" effort to revive the corpse of Collor's economic program.

And last but not least, U.S. President George Bush used his own brief visit to Rio to promise Minister Marques that the U.S. Federal Reserve would intervene to help Brazil reach a negotiated foreign debt restructuring with its creditor banks.

## Dropping three zeroes

*The government is downplaying its currency reform as having only "psychological effects" on the economy.*

Given the way the ruling PRI party majority in the House of Deputies is "considering" the monetary reform bill presented by President Carlos Salinas de Gortari, it will undoubtedly be approved without changing even a comma. The reform is being presented as something "urgently needed" for the national economy, but at the same time spokesmen for the PRI are downplaying it in public, calling it a "neutral reform" whose "psychological effects" will give "the impression that things cost less and that the peso has recovered against the dollar."

The majority of Mexico's citizens aren't buying either line.

According to an editorial in the June 17 issue of *Siempre* magazine, something doesn't smell right. "The specialists hold the opinion that this arrangement will lead the country's economy in the same direction as that of the European Community, that is, to create a common currency among the members of the trilateral pact made up of the U.S., Canada, and Mexico, or toward the so-called Enterprise of the Americas initiative in which the entire continent is to be involved."

"If this is the essence of the arrangement," continued the editorial, "then Mexicans should understand that we are being hoodwinked."

After presenting its reform bill to the House of Deputies, the federal government has spent much time, money, and effort to try to explain how its "psychological effects" will work, and to try to refute challenges

such as those expressed in *Siempre's* editorial.

According to official reports that have appeared in the news media, the last six months of 1992 will be spent printing up a new currency.

From Jan. 1, 1993 onward, the present currency will co-exist with "new pesos," from which three zeros will have been stripped. Judging by the confusion just the announcement of the plan has generated, some analysts are saying that "they aren't taking zeros away from the peso, since this has always been the unit. Rather, they are adding zeros on to make it equal to a thousand."

If one wants to truly speak about "psychological effects," one could say that this monetary reform will, in fact, drive the national economy insane, while sponsoring its dollarization, i.e., precisely what the government was intending all along.

Guillermo Martínez Domínguez, an "old guard" economist, correctly noted in his column in *Siempre* that eliminating three zeros from the peso would bring its nominal price against the dollar to its lowest level in Mexican history.

Its "psychological effect" will obviously be to induce everyone to try to buy as many American greenbacks as possible.

This is, if the truth be told, exactly what occurred in Argentina some years ago when that currency, the austral, began to circulate in place of the old peso, which has just been stripped of six zeros. Fifteen days after the austral appeared, it suffered an abrupt

devaluation.

One Mexican comedian summed up the likely psychological effect of the "new peso" as follows: "If I have a car that costs 100 million pesos, with the new currency it will be worth 100,000 pesos. Will it be possible to buy with 100,000 pesos what I was able to buy before with 100 million old pesos? While I'm preparing myself psychologically, I think I'd better buy dollars."

Of course, Mexicans of little means will also be affected by the dollarization phenomenon. Their skimpy wages (along with the meager salaries of the bureaucrats) will go into buying dollars, which, at the current exchange rate, will become available at slightly over three pesos.

This phenomenon has also occurred (and is occurring) in Peru. In that country the inti replaced the old sol by eliminating six zeros. The inti is now being turned into a new sol by stripping away another bunch of zeros. The result, of course, is that none of the three currencies have any real value.

The infamous Ocoña Street in Lima (the so-called "lender of last resort" or "free market," otherwise known as the currency black market) shows in all its crudeness that the only real currency in use today is the dollar, and particularly the narco-dollar. Ocoña Street is flooded by workers, street vendors, and domestics who want to exchange their pathetic wages for narco-dollars.

This is what Salinas de Gortari's monetary reform is all about. And this is what Milton Friedman really meant a few weeks ago, when he advised that "a small economy like the Mexican" one should assimilate itself to the dollar, doing away with the central bank and submitting to the monetary policy of the U.S. Federal Reserve System.

# Business Briefs

## Labor

### Most young U.S. workers lack basic skills

Sixty percent of U.S. workers aged 21 to 25 lack the basic reading and writing skills needed in the modern workplace, according to the U.S. Secretary of Labor's Commission on Achieving Necessary Skills, the *New York Times* reported June 7. Only 68% of U.S. white adults read at an 11th grade level or better, while only 31% of U.S. black adults do, according to a recent report from the Urban League.

Since minorities will account for over half the U.S. work force by 2005 (10.1% Asian, 15.8% black, 27.8% Hispanic, according to the Bureau of Labor Statistics), the crisis in educating inner-city youths, who are predominantly minorities, has many worried. Sen. Bill Bradley (D-N.J.) told the *Times*, "Children of white America and their future will depend increasingly on the talents of non-white America. If we have fewer people with sufficient skill levels, we won't compete as well against other national economies. Children of white America will have a future where their economic prospects will be less than they might otherwise be. This is a matter of real enlightened self-interest."

## Trade

### Canadian textile reversal threatens free trade pact

Canada's sudden reversal on the issue of textiles and their yarn content now poses a threat to the ongoing talks on a North American Free Trade Agreement (NAFTA).

In early June, according to the *Journal of Commerce*, Canadian negotiators informed U.S. officials that Canada could no longer agree to a new trade rule that would require that all garments and textiles must be made from North American yarn in order to qualify for duty-free status. Previously, under the U.S.-Canada agreement, the origin of the yarn was not a consideration, as long as the fabric used in the garments or textiles was woven in either

the United States or Canada.

The sudden reversal by Canada on this issue is the result of intense political pressure from Quebec, where most of Canada's textile and apparel industry is located. Canadian Prime Minister Brian Mulroney has set elections for this fall in a bid to save his faltering political career, but with strong sentiment in Quebec to use the election to hold a referendum to secede from Canada, Mulroney's government is acutely sensitive to any demands originating in Quebec.

In British Columbia, Prime Minister Michael Harcourt told delegates to the Canadian Labor Congress in Vancouver on June 8 that "if a deal is reached, this government will recommend rejection." He said he had written Mulroney asking that Canada withdraw from the negotiations, the June 9 *Toronto Financial Post* reported. He said that NAFTA is an obstacle to economic development. "Clearly the U.S. is attempting to set itself up as the hub of the wheel with Canada and Mexico as the spokes."

## Monetarism

### Former IMF boss attacks IMF program

The International Monetary Fund's (IMF) package for the Community of Independent States (CIS) will lead to mass impoverishment, charged French central bank head and former IMF director Jacques de Larosière at the concluding session of the International Monetary Conference in Toronto, according to Germany's *Handelsblatt*. The IMF-dictated price-liberalization in the former Soviet Union must lead to a massive impoverishment of the population and to political disintegration, de Larosière told the paper: "You can quote me on that."

The article, by correspondent Klaus Engelen, paraphrases de Larosière extensively. The freeing of prices under pressure from the IMF in Russia and the other republics will drive up the income of the still intact "monopolies" and "impoverish the broad masses who hope for market economy and democracy. . . . This process of impoverishment, with its running inflation and declining real wages,

could easily lead to political explosions, and a market-oriented transformation could no longer be implemented."

The IMF programs make no sense in the former Soviet republics, he said. What is required are "new reform and aid strategies, which cannot be found in economic textbooks or in expert papers." A threatening "economic and political debacle" must be prevented by providing technical aid and less money transfer.

De Larosière proposes "boards" of managers and experts from industry, trade, banks, and insurance to be sent to the CIS states.

"De Larosière's devastating judgment on the IMF reform strategy towards the CIS states is a sensation to insiders of the western aid efforts. Never has a western central bank head put such big question marks behind the IMF reform policies for the CIS states that are supported by western governments," commented *Handelsblatt*.

## Dope, Inc.

### Former Soviet states see drug trade grow

The former Soviet Union is in the process of becoming a center of drug trafficking and international money laundering, in significant part because of the "frantic race for capitalism" and the attempts to make the ruble convertible. So documents a new report by a U.N. anti-drug task force, headed by the former Colombian ambassador to Hungary Enrique Parejo González, who survived an assassination attempt by the drug mafia in Budapest some years ago.

The report warns that the drug abuse problem in the areas of the former U.S.S.R. is "bound to develop exponentially in the near future. . . . All the ingredients are there: unemployment, poverty, a phase during which freedom is carried to an extreme, fascination with western modes of life, the appearance of new drugs and 'business' in all its forms, which will encourage new dealers and proseytism."

The report, featured in the June 9 *London Financial Times*, says that 3 million acres of territory in the former U.S.S.R. are under marijuana cultivation, while there are also

## Briefly

100,000 acres of opium poppy fields in Russia alone. Newly opened borders are not patrolled, and new routes for exporting drugs have been created through the Caucasus, replacing former routes through the Balkans.

### Organized Crime

#### Philip Morris in league with mafia?

Reliable police sources in Germany charge Philip Morris tobacco company with collaboration with Italian crime circles which smuggle Marlboro cigarettes into Italy. In December 1991, the Italian government temporarily banned Philip Morris brands, charging, among other things, that the smuggling networks also were heavily involved in heroin and weapons trafficking through the Balkans.

Current information is that the company arrogantly circumvented the close scrutiny of the cigarette black market for its U.S. products, by setting up a Polish-based independent company which then received cigarettes from a Brazilian Philip Morris factory, allegedly for Polish distribution. The cigarettes were shipped to the Frankfurt on Oder German-Polish border crossing to get a Polish customs seal, and then were smuggled via Switzerland by truck, or Bulgaria and Albania by boat, into Italy. Philip Morris's defense is, "you can't blame us for what third parties do with our cigarettes."

### Industry

#### Japan's biggest companies face sharp profit falls

Japan's biggest international companies have been hit with big profit falls in past months, the London *Guardian* reported June 6. Minolta and Japan Air Lines suffered losses, and Sony's parent company recorded its first-ever annual operating loss. Fujitsu, Mazda, Nikon, and Daihatsu all saw profits fall by 60%; Toshiba and Mitsubishi Electric saw profit falls of 50%; Nissan and NEC profits fell 40%; and Hitachi profits by 30%.

At Toyota Motor's Thara plant, the assembly line has been working at half of capacity since May due to lack of demand, and Nissan will cut the number of models and parts it produces by 30% over the next two years, the *Guardian* reported.

The Japanese government is under growing pressure to take measures to reverse the economic problems. The recent annual meeting of the industrialists' association, the Keidanren, called on the government to "make all possible efforts to attain a speedy economic recovery." The vice minister for international affairs at the Ministry of International Trade and Industry, Noboru Hatakeyama, said that MITI's index of average industrial production was down by 4.7% for the first quarter of 1992 compared to last year, and down from last quarter 1991. This is "the first time since the oil crisis of 1973-74" that industrial figures have been so poor.

### Health

#### Insects may transmit AIDS

Experiments show that the HIV virus that causes AIDS can be transmitted by insects, the May 1992 edition of the publication *AIDS Forschung* reported in an item entitled "HIV Transfer by Insects: Preservation of HIV Infectivity During Update and Regurgitation by the Stable Fly, *Stomoxys Calcitrans L.*"

The summary of the new findings read: "The stable fly, *Stomoxys calcitrans L.*, is known to transfer a number of infectious agents, such as the virus of equine leukemia, a retrovirus. Transfer is effected by scraping a bleeding skin wound, uptake of a few microliters of blood, regurgitation of a portion of the ingested blood minutes later onto a new victim's skin followed by scraping a new wound underneath the regurgitated substance. . . .

"Thus, the prevalent opinion that it is practically impossible for even a few infectious units of HIV to be transferred by blood-sucking insects, is not supported experimentally. However, it remains open whether or not this dose of virus is able to replicate in the infected skin lesion and to spread into the adjacent tissue."

● **CHINA** is negotiating with Ukraine to buy an aircraft carrier currently being built in Ukraine. Last year, China concluded a contract with Russia to buy 24 SU-27 jet fighters, the most modern Russian fighter. The SU-27 is said to be capable of in-flight refueling, which will give China's military a much wider range of air operations.

● **COMMERCIAL** retaliatory measures against the European Community were to be announced June 19 by the United States, which has accused the EC of unfair subsidies for soy beans, wine, and cognac, and other products representing \$2 billion worth of U.S. imports.

● **THE WINTER WHEAT** crop in the United States will be 5% lower than the government forecast in May, the Agriculture Department has announced. The 1992-93 winter wheat crop is now put at 1.54 billion bushels, as rainy weather in the Southern Plains has trimmed yields.

● **RUSSIA** and Japan will sign an agreement on space technology cooperation on the occasion of the visit of Russian President Boris Yeltsin this September, the *Yomiuri Shimbun* reports.

● **THE COLLAPSE** in early June of a large Swedish real estate holding company, Coronado AB, may threaten its two largest creditors, the troubled Nordbanken, which has already received two injections of bailout cash from the state, and the Wallenberg family's SE Banken, Sweden's largest. SE Banken just reported its first-ever operating loss.

● **NORTH KOREA** has offered to stop producing plutonium if the International Atomic Energy Agency provides it with alternative technology for nuclear power plants, South Korean news reports say. Yonhap news agency quoted a source as saying the North Koreans want enriched uranium and related technology, and the offer "is noteworthy but we need to closely watch whether it came from its sincere attitude."

## Ibero-American military budgets are new U.S. target

by Dennis Small and Peter Rush

On May 26, Peru's Finance Minister Carlos Boloña told a nervous audience at Rockefeller's Council of the Americas in New York, that they should not worry about the Peruvian situation getting out of control. The military is in check, he reassured them, because they are being financially strangled: They are not being given the budget they require to decisively win the war against the Shining Path (Sendero Luminoso) narco-terrorists in that country. Interrogated as to how this was being done, Boloña explained, according to Peruvian press accounts: "We've told them that our budget availability has a limit, and therefore any request for resources must be accompanied by a proposal for who should lose those resources, which seems to have achieved positive results."

No Peruvian military leader has yet pointed out to Boloña—at least not publicly—the obvious answer to his bad faith question: Cut the budget line for *debt service payments*, and use it instead for the war against Sendero.

Even former Peruvian Prime Minister Manuel Ulloa, no enemy of the banks, to be sure, was frank about the matter. In comments to a meeting of the Inter-Action Council in Querétaro, Mexico in early June, Ulloa stated flatly that "Shining Path receives from the narcos more money than the state gives to its Armed Forces." Independent estimates by *EIR* confirm this conclusion: Sendero's budget of about \$720 million a year in drug money is more than two-thirds larger than the pathetic \$429 million that was budgeted for the entire Peruvian Armed Forces in 1990!

This situation is unfortunately not unique in Ibero-America: It is only the starkest example of how Washington's policy of financially starving the continent's armed forces is directly handing military superiority to the forces of narco-terrorism and Khmer Rouge-style genocide.

### Robert McNamara's three big lies

This result is intentional. For years, the Anglo-American financial establishment has been embarked on a policy to discredit and dismantle the militaries of Ibero-America, since these institutions—along with the Catholic Church—are considered to be the only viable centers of resistance to Bush's new world order.

The policy was most fully elaborated in the 1990 book *The Military and Democracy*, which was financed by the U.S. government and has become known as the "Bush Manual" (see *EIR*, Jan. 11, 1991). Over recent months, the strongest weapon in the establishment armamentarium against the military has been the propaganda line that the lack of development in Ibero-America and the Third World is due to their excessive military expenditures. Military cutbacks are needed in the post-Cold War world, they intone.

This line of argument is based on Three Big Lies first promoted by Robert McNamara, the former U.S. defense secretary and former president of the World Bank, in a paper he issued in April 1991. In that document, "The Post-Cold War World and Its Implications for Military Expenditures in the Developing Countries," McNamara asserts:

1) Military expenditures in the Third World, and Ibero-America in particular, constitute a giant share of these countries' GNP.

2) These military expenditures are not only large, but they are growing by leaps and bounds.

3) This military spending is the reason why health, education, and other social expenditures receive very little money in these countries.

McNamara's proposed solution is simple enough: Slash military outlays by *half* by the end of the decade.



*Army tanks on parade in Colombia outside the Justice Palace in Bogotá, Colombia in July 1985, four months before the building was taken over by the M-19 narco-terrorists. Throughout Ibero-America, the military has been instrumental in preventing nations from being taken over by the drug mob.*

McNamara writes in his paper:

“Can such large [military] outlays, in countries so drastically in need of capital to accelerate the rate of economic and social advance of their 5 billion inhabitants, be reduced? My answer is yes. This paper will put forward the proposition that . . . the tying of financial aid to developing countries to reductions in military expenditures can lead to less risk of war among Third World nations and to cuts in their military expenditures, as a percent of GNP, of more than half by the end of the decade. The end of the Cold War offers dramatic opportunities for the nations of the world to move in this direction. The international organizations, including financial institutions such as the World Bank, can catalyze the process thereby accelerating economic and social development without reducing security.” And lest there be any confusion, McNamara explains further: “I strongly urge the linking of financial assistance, through ‘conditionality,’ to movement toward ‘optimal levels’ of military expenditures.”

This call for military cutbacks from one of the architects of the Vietnam War did not go unheeded. His successor at the World Bank adopted it as official World Bank policy a few months later, at the September 1991 annual meeting, as did the bank’s sister institution, the International Monetary Fund. In fact, as recently as early June, in his speech to the Rio Earth Summit, IMF Managing Director Michel Camdes-

sus explained that the cause of poverty in the world is not his agency’s austerity demands, but rather the military spending of beleaguered Third World nations. “For years we have heard that the pressing needs for defense . . . were an obstacle,” Camdessus stated. “Is it not time, at last, to take advantage of the reduction in global tensions and to rechannel resources to more productive and useful uses? . . . Non-productive expenditures are only too abundant in the world. Suffice it to cite military expenditures which have been left virtually unchanged despite the prospects opened up by the end of the Cold War.”

McNamara’s pioneering April 1991 paper was supposed to provide the statistical backup for all of these subsequent calls to action. In it are presented a set of tables comparing expenditures on health, education, and the military, as a percentage of Gross National Product (GNP) in various countries. McNamara’s general point is that the first two categories are relatively low, because the last is so high—i.e., if you’re poor, blame it on the military.

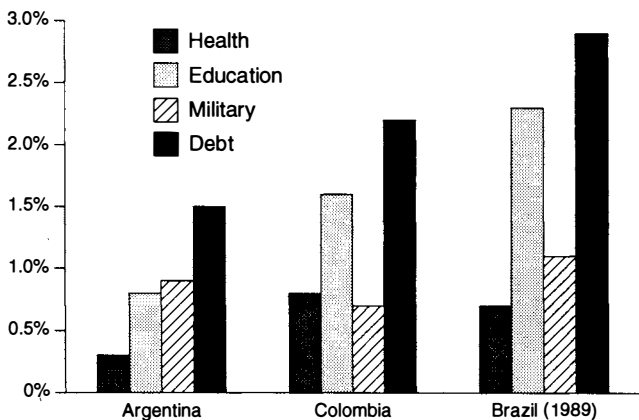
But there is a curious thing about McNamara’s tables, in which there is one budget line missing from all of them: the amount the governments spend on *debt service*, on payments on both the internal and the foreign debt!

Perhaps this was a simple oversight by the otherwise brilliant economist? Would it be overly presumptuous to ven-

FIGURE 1

**McNamara's big lie:  
government expenditures in Argentina,  
Colombia, and Brazil, by sector, 1990**

(percent of GNP)

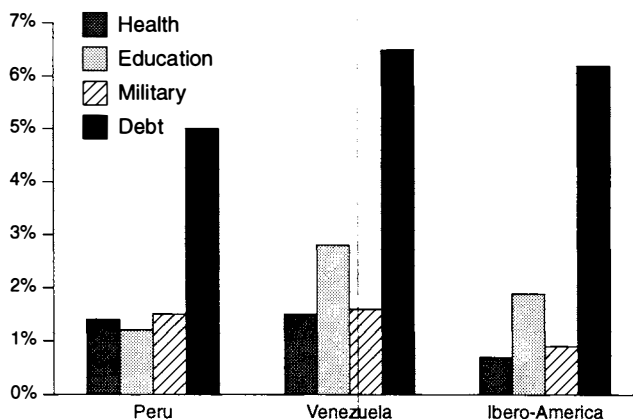


Sources: ADLA, Argentina; Comptroller General of the Republic of Colombia; Planning Ministry, Brazil; Army Newspaper, Brazil; IADB.

FIGURE 2

**Government expenditures in Peru, Venezuela,  
and all Ibero-America, by sector, 1990**

(percent of GNP)



Sources: Central Reserve Bank, Peru; Finance Ministry, Venezuela; IADB ; own estimates.

ture that, perhaps, Mr. McNamara left these figures out *on purpose*, because he did not want people to compare military and other budget expenditures with debt payments? Could it be that he did this because the full figures show that, contrary to McNamara's Three Big Lies:

1) Military expenditures are *not* the lion's share of the budget. In 1990, Ibero-America spent almost *seven* times as much on debt service (a whopping \$52 billion) as it did on the military (a mere \$7.8 billion).

2) Military spending is *not* growing. Over the 1980s, military spending collapsed in Ibero-America (by two-thirds in Peru; by 36% in Chile; by 70% in Argentina).

3) The military budget is *not* the reason that spending for health and education is low. Rather it is the dramatic reduction of overall government spending, along with a rise of debt payments—both of which have occurred on the orders of Washington, the IMF, and the creditor banks—which has led over the course of the 1980s to the decimation of spending on health and education, by over 50% per capita in countries like Peru and Mexico.

It is IMF policies, enforced with an iron hand by Bush's New World Order, which are destroying health, education, and the military in Ibero-America—all for the purpose of salvaging Wall Street's failing banks.

**Dissecting the fraud**

McNamara's lies are exposed by simply looking at *official government budget statistics* in some detail (see box).

Figures 1 and 2 show the nature of McNamara's lies most directly. For each of the countries shown, the first three

categories correspond to those presented by McNamara: health, education, and military expenditures, as a percentage of GNP. McNamara uses those three sectors to point to the allegedly horrifying spectacle of a country like Argentina spending three times as much on the military (0.9% of GNP) as it does on health (0.3% of GNP), and more than on education (0.8% of GNP). But the missing category, which is nowhere to be found in McNamara's entire analysis, is expenditures on the debt, which in the case of Argentina are at least 1.5% of GNP, i.e., two-thirds greater than defense expenditures. Colombia and Brazil each spend three times as much on debt than they do on defense, as a share of GNP, whereas Peru and Venezuela each spend in the range of four times as much. The average for Ibero-America as a whole, shows that less than 1% of GNP is spent on the military, whereas over 6% is spent on servicing the debt of McNamara and his banker friends. If they are so concerned about health and education expenditures in Ibero-America, which are admittedly pathetically low, why don't McNamara and the IMF call for slashing debt expenditures by the governments of the continent?

The case of Mexico is singled out in Figure 3 because it is so dramatic. That country, which is constantly cited by the Bush administration and the IMF as the model for the rest of the continent, channels 16% of its entire GNP into usurious interest payments to the banks—leaving a criminal 0.2% for health and 1.5% for education. Needless to say, the Mexican military also gets the short end of the stick—about 0.3% of GNP.

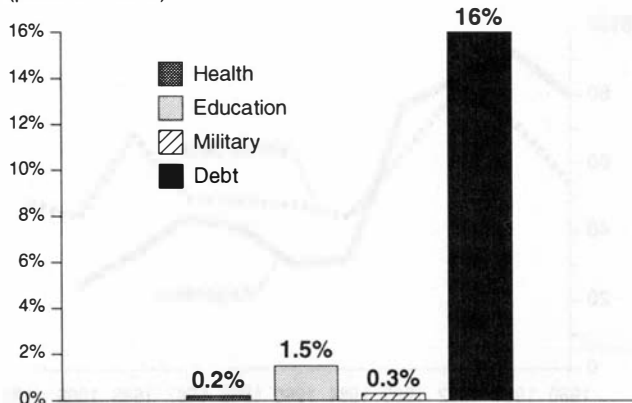
Figure 4 looks at the Mexican picture over the course of the last decade. Here the reader can see that debt expenditures



FIGURE 3

**Government expenditures in Mexico, by sector, 1990**

(percent of GNP)

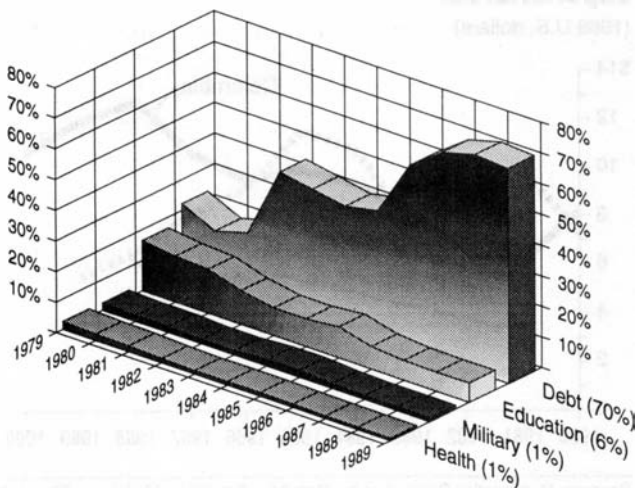


Sources: Ministry of Planning and Budget, Mexico; IADB.

FIGURE 4

**Mexico: government expenditures, by sector**

(percent of total government expenditures)



Source: Ministry of Planning and Budget, Mexico.

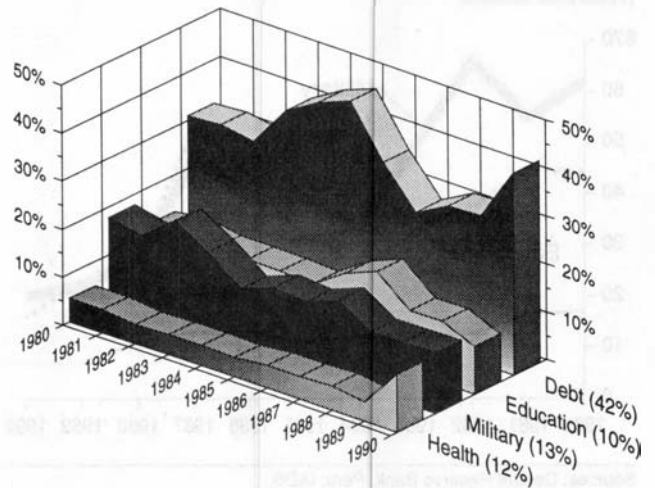
have zoomed over the 1980s, to the point where they today consume 70% of the entire government budget. Unless this cancer is removed, there is no way that there will be any money left over for productive expenditures by the Mexican government.

Figure 5 shows the same parameters for the case of Peru. Here the debt line does not take up as much of the budget as in the case of Mexico ("only" 42%, compared to Mexico's 70%), but it clearly overshadows every other expenditure

FIGURE 5

**Peru: government expenditures, by sector**

(percent of total government expenditures)



Source: Central Reserve Bank, Peru.

area. Also note its sharp relative increase over the last few years.

But the real story of the Peruvian budget, in particular, cannot be seen by looking at relative shares of the budget alone. This is because the absolute amount of that budget has collapsed over the course of the 1980s: In 1980, it was \$349 per capita, and by 1990 it had plummeted to \$157 per capita, a decline of 55%. Within this overall total, defense spending dropped by 68% (a bigger decline than the average for the whole budget); education fell by 65%; and health dropped by 59%, down to the scandalous level of only \$7 per capita spent in 1989 (see Figure 6). Is it any wonder that the cholera epidemic struck Peru like a thunderbolt in February 1991?

Nor is Peru the only country in Ibero-America whose military expenditures plummeted over the 1980s as a result of IMF policies. In fact, virtually every single nation has undergone the same process, as Figures 7, 8 and 9 demonstrate. This directly disproves McNamara's lie that military spending is on the rise in Ibero-America.

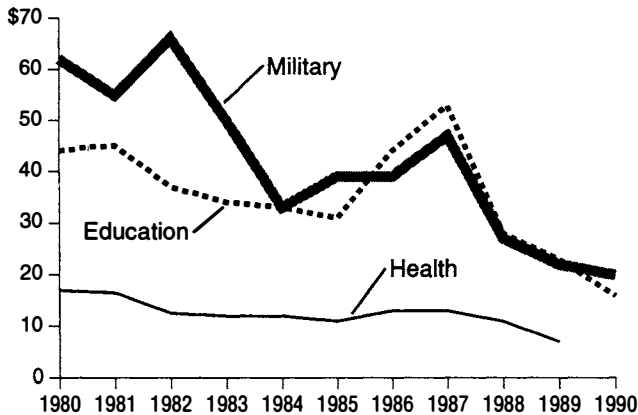
Take the case of Chile, which supposedly has one of the more protected military budgets in the continent (Figure 7). Defense spending there dropped from \$86 per capita in 1980, to \$55 per capita in 1988—a 36% decline. Similarly in Brazil, a favorite target of the demilitarization crowd, military expenditures are estimated to have fallen by a third, from \$37 to \$25 per capita, between 1980 and 1989. (Data covering the intervening years between 1985 and 1989 was unavailable).

Oil-rich Venezuela is also spending less per capita on the military today than it was in 1980 (Figure 8). And the nation of Argentina leads the continent in the relative collapse of its

FIGURE 6

**Peru: per capita expenditures on health, education, and military**

(1988 U.S. dollars)

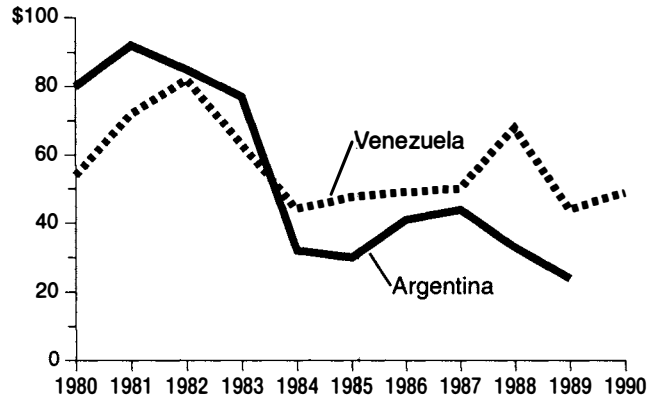


Sources: Central Reserve Bank, Peru; IADB.

FIGURE 8

**Argentina and Venezuela: per capita military expenditures**

(1988 U.S. dollars)

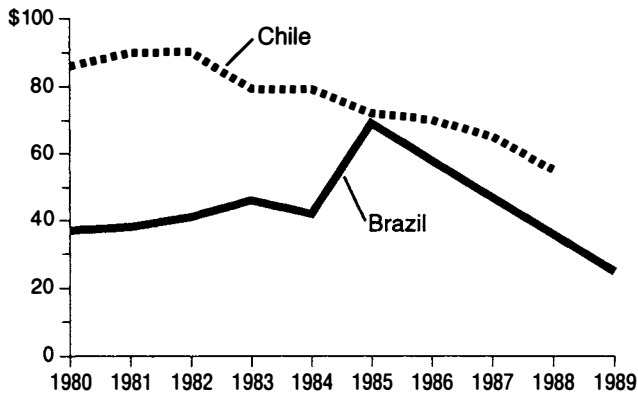


Sources: ADLA, Argentina; Finance Ministry, Venezuela; IADB.

FIGURE 7

**Brazil and Chile: per capita military expenditures**

(1988 U.S. dollars)

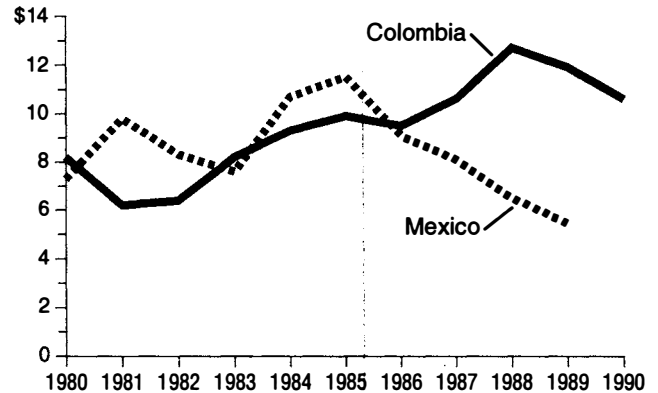


Sources: Planning Ministry, Brazil; Army Newspaper, Brazil; Finance Ministry, Chile; IADB.

FIGURE 9

**Colombia and Mexico: per capita military expenditures**

(1988 U.S. dollars)



Sources: Comptroller General of the Republic, Colombia; Ministry of Planning and Budget, Mexico; IADB.

per capita defense expenditures (by 70%), principally in the aftermath of the Malvinas War. Of the countries studied, only Colombia had an increase in its per capita military expenditures between 1980 and 1990—but its absolute level remains among the lowest on the continent (\$10.6), rivaling even Mexico in this regard (Figure 9). The reader should recall that Colombia is a country where there has been a shooting war going on for a decade between narco-terrorist guerrilla movements and the nation's military. Outside of Peru, it is the country that perhaps most requires hefty mili-

tary expenditures in order to be able to defeat the well-organized and well-financed forces of narco-terrorism.

**A menace to national sovereignty**

These graphs should not be considered as cold statistics. The cutbacks already imposed on the military insitutions of Ibero-America have brought some of them to the edge of extinction as fighting bodies, and have thereby endangered the very national sovereignty of these countries—which is of course precisely the objective sought by McNamara and the

Bush administration.

One of the areas hardest hit has been that of purchases of military hardware. According to an April 5 *New York Times* analysis, Ibero-American spending in this area is less than \$1 billion today, down from \$3 billion in the 1970s. Colombia, for example, now purchases only light weapons to fight the heavily armed narco-guerrillas. The Peruvian Armed Forces report that they have only four helicopters capable of flying over the Andes Mountains—i.e., which are of any use in the war against Shining Path. And Argentina can't even afford spare parts for its existing equipment, leaving half its fighter aircraft, 20 helicopters, 250 armored personnel carriers, and its one aircraft carrier out of commission.

Even worse is the impact that wage cutbacks have had on army personnel and morale. In Venezuela, real wages for the military have fallen 30% in five years; in Brazil, by over 25%; and in Argentina, officers today earn less than half of what they did in the early 1980s. In Bolivia, military wages have also plummeted by half. The situation in this country is so bad, according to the Mexican daily *Excelsior*, that, henceforth, officers from sergeant on up will have to purchase their own uniforms, and will soon have to pay for their own meals.

The situation in Argentina is equally bad. Since wages have declined so sharply, it is estimated that 50% of the officers and non-commissioned officers of the Argentine

## The method used in EIR's study

The primary statistics employed in this study came from official government sources in the respective Ibero-American countries—from central banks, finance ministries, and so forth. In all cases, these official budgets are reported in current units of the local currency. Thus, to make them comparable, it was necessary to convert them to constant dollar terms.

An exercise was done employing the IMF's published average exchange rates for each year for each country, but the results were considered unreliable and in some cases contained unexplained anomalies. This is probably due to problems introduced by applying average exchange rates in cases where there were frequent massive devaluations, changes in the name and value of the national currency, etc.

An alternative method was applied, in which the Inter-American Development Bank's published figures for each country's annual government budget as a percentage of GNP were taken, and applied to the IADB's constant dollar values for GNP. This produced a constant dollar value for the total government budget in each year. Then, the official national sources were used to obtain the annual expenditures on health, education, military, and debt, as percentages of total expenditures in that year. These percentages were then applied to the total constant dollar budget, as derived above, to obtain constant dollar values for each of the indicated categories.

We consider the results to be an acceptable first approximation, but also find some areas that raise some doubts.

First of all, each country provides numbers that are sometimes inconsistent or hard to believe. For example,

the figures for Argentina's total debt payments are surprisingly low, and indicate that the official budget numbers used may not reflect the totality of debt payments actually made. As a result of such problems, even the IADB, the IMF, and the World Bank have thrown up their hands, despairing in some instances of getting usable numbers. In this connection, it should also be pointed out that McNamara's numbers often differ from those employed by *EIR*, including significant anomalies for military expenditures, in both directions—i.e., his numbers are higher than ours in some cases, and they are lower in others.

Finally, we should note that the "debt expenditure" category used in this study is *not* the same as measures of "foreign debt service payments" that are normally used in studies of a country's foreign debt. Specifically, the government's debt expenditures reported in this study include payments on both its foreign and its domestic debt (i.e., debt owed to domestic creditors), and they exclude debt payments made by private creditors, even when these are guaranteed by the government. "Foreign debt service" normally includes only payments made to foreign creditors, by both the government and private debtors in the nation. To put it schematically, total debt payments consist of:

- 1) Foreign debt
  - a) government debt
  - b) private debt
- 2) Domestic debt
  - a) government debt
  - b) private debt

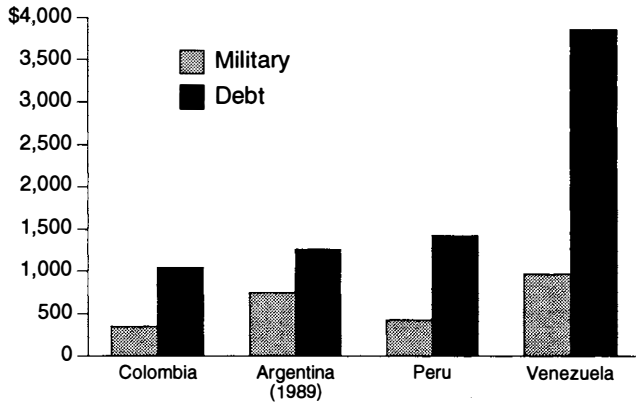
and

$$\begin{aligned} \text{"Foreign debt service payments"} &= 1a + 1b \\ \text{"Government debt expenditures"} &= 1a + 2a \end{aligned}$$

FIGURE 10

**Military versus debt expenditures in Colombia, Argentina, Peru, and Venezuela, 1990**

(millions U.S. dollars)

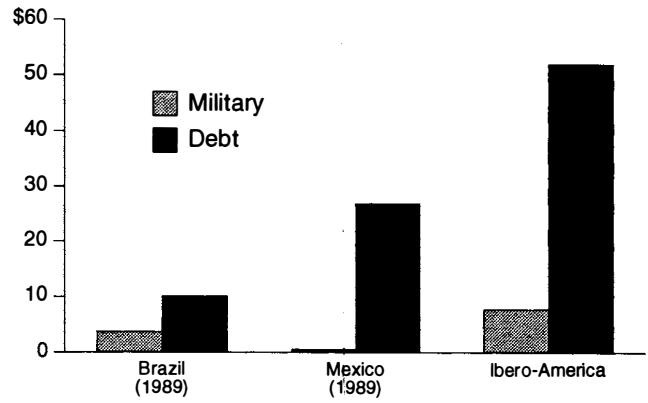


Sources: Comptroller General of the Republic, Colombia; ADLA, Argentina; Central Reserve Bank, Peru; Finance Ministry, Venezuela; IADB.

FIGURE 11

**Military versus debt expenditures in Brazil, Mexico, and all Ibero-America, 1990**

(billions U.S. dollars)



Sources: Planning Ministry, Brazil; Army Newspaper, Brazil; Ministry of Planning and Budget, Mexico; IADB; own estimates.

Army have had to find a second job just to make ends meet. This is in violation of regulations, but the military brass have had to look the other way while a virtual “part-time” army has come in to existence. Needless to say, “discipline has fallen in proportion to the decline in wages,” according to the Buenos Aires newspaper *Página 12*.

The situation in Brazil is also a disaster. Spain’s EFE wire service reported earlier this year that the budget for the Armed Forces is so low that they can scarcely feed their troops, and that as a result, it was recently decided to give the troops Mondays and Fridays off during the month of June, in order to not have to provide lunches for the personnel. The Brazilian newspaper *Jornal do Comercio* confirmed on April 10, that food is already scarce in the Army barracks.

But perhaps what has caused most concern of all among the Brazilian high command, is a report prepared by active duty officers which documents, according to the April 29 issue of *Veja* magazine, that Rio de Janeiro military personnel are so impoverished that one in four, or 25%, are forced to live in “favelas” or shantytowns. In the favela of Jacarezinho, a slum that is particularly drug- and crime-ridden, some 58 military personnel of various ranks were discovered to have their residences there.

**Winning the war**

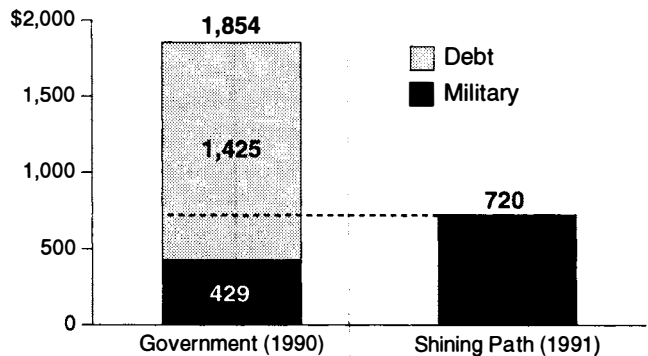
Figures 10 and 11 provide the answer to Finance Minister Boloña’s sarcastic question reported above: If you want to increase the military budget, what shall we cut, gentlemen?

What can be cut, Mr. Boloña, are the usurious debt payments, which are destroying the nations of Ibero-America in every sense.

FIGURE 12

**Peru: Shining Path’s military expenditures are bigger than the government’s**

(millions U.S. dollars)



Sources: Central Reserve Bank, Peru; IADB; own estimates.

The Colombian government, for example, which in 1990 gave its military only \$350 million to do battle against the narco-terrorists, that same year spent three times that amount, \$1.044 billion, in payments on the public debt. By cutting debt payments by only a third, the military budget could be *doubled!*

Venezuela in 1990 spent \$970 million on its military, but its debt payments were four times that amount, at \$3.871 billion. And Brazil, whose military is being decimated through an inadequate budget, dangerously low wage levels to its soldiers and officers, and an all-out assault on its acqui-

sition of modern technology, spent \$10.1 billion on debt payments, compared to the meager \$3.7 billion deployed to the military. The next time President Fernando Collor's government, or his Finance Minister Marcilio Marques Moreira, tells the Brazilian military that "there is just no money" to cover their requirements, the officers should point to the debt payments and explain that the military budget could grow by 135% if the debt payments were simply cut in half. This might anger Brazil's bankers, but it would at least leave the country in a position to defend its sovereignty.

When we look at Ibero-America as a whole (Figure 11), the nations of the continent in 1990 paid almost seven times as much for debt service (\$52.0 billion) as they spent on all military expenditures (\$7.8 billion). This goes a long way toward explaining why McNamara "forgot" to include these debt figures in his analysis. Once they are considered, it makes it impossible to justify the destructive cutbacks being imposed on the continent's military institutions, as a "necessary economy."

In the final analysis, what is at issue is a fundamental issue of national security.

Take the case of Peru, as shown in Figure 12. In 1990 the government found the resources to pay its domestic and foreign creditors \$1.425 billion in debt payments, but could only muster \$429 million for its military, which is at war—

all-out war—against the Shining Path butchers. The horrible irony of this situation is that Sendero's sponsors, the international drug cartels and the bankers who back them, were not so miserly: Shining Path received an estimated \$720 million in 1991, in order to prosecute its total war against civilization in Peru. This is 68% more than the corresponding military budget of the national Army!

What would it take just to give the Peruvian Army a budget comparable to Sendero's? A mere \$291 million, which could come by declaring a moratorium on only 20% of the government's annual debt payments of \$1.425 billion. In other words, if the Alberto Fujimori government—which claims to have declared all-out war against Shining Path—also declared a war *economy* and stopped paying only a fifth of its debt service, the Peruvian military could at least get as much money as Sendero does.

Actually, it would be far more appropriate for the government to declare a total moratorium on all debt service payments for the duration of the war, and to use the saved resources (\$1.425 billion per year) to double or triple the country's military expenditures, and to simultaneously channel resources to begin lifting the economy out of the devastation which IMF policies have visited upon that nation.

This would surely be the best way to answer Robert McNamara's Three Big Lies.

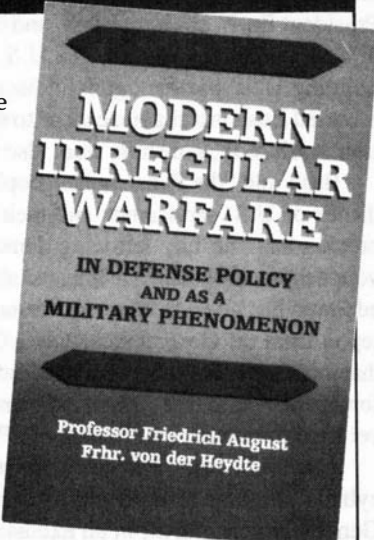
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## Bush flees Panama in tears, tour called 'a disaster'

by Carlos Wesley

Stung by the setback to his reelection campaign when he was forced to leave Panama in tears during his first foreign trip since he vomited on Japanese Prime Minister Kiichi Miyazawa, U.S. President George Bush ordered the U.S. military to take reprisals against Panamanian nationalists. On June 16, soldiers of the U.S. Southern Command broke into the home of Panamanian Cong. Gerardo González, ransacked the place, and removed family documents, including the passport of one of his sons.

The raid against Congressman González, a leader of the opposition PRD party and a former vice president of the country, was condemned by leading Panamanians from all sides of the political spectrum as a violation of Panama's national sovereignty. The U.S. government was also condemned for violating González's parliamentary immunity by carrying out the illegal raid.

"If they can do that to him despite his prominence and his parliamentary immunity, what about the rest of us, how can anyone be secure in their homes and property?" was the question on the mind of many Panamanians, said one. The timing of the raid, exactly one day after the U.S. Supreme Court under Chief Justice William Rehnquist affirmed that the United States has the right to kidnap, torture, and even murder foreign nationals anywhere in the world under the Thornburgh Doctrine, also did not go unnoticed. The Thornburgh Doctrine, which was used against Panamanian Gen. Manuel Antonio Noriega, was developed by current U.S. Attorney General William Barr. The first application of the doctrine was during the 1989 invasion of Panama ordered by George Bush over the Christmas holidays, in which an estimated 4,000 Panamanians, mostly civilians, were killed.

### A 'Roman conqueror'

The incident for which the soldiers are now taking reprisals occurred on June 11, when police used tear gas against demonstrators protesting Bush's presence and turned a rally at Panama's Plaza Porras that was intended to shore up his sagging reelection campaign in the United States—by showing Panamanians happily acclaiming the triumphant Bush for having ordered the bombings which wiped whole neighborhoods out of existence and killed their relatives, friends, and countrymen during the invasion—into a fiasco.

Instead, voters back home and people all over the world saw Bush driven to tears, when, just as Panama City Mayor Omaira ("Mayín") Correa called on the hand-picked crowd in the plaza to give the U.S. President a "warm welcome," clouds of tear gas reached the podium and overwhelmed President Bush, Barbara Bush, and other dignitaries, forcing him to cancel his speech. As U.S. Secret Service agents, pointing Uzis and handguns indiscriminately at the crowd, escorted Bush in a chaotic escape to the U.S. military installation at Albrook, gunshots were also heard.

Bush told "the Panamanian people"—an all-American audience of U.S. servicemen and their families gathered at Albrook—that "no tiny left-wing demonstration is going to set your democracy back." He bragged about the millions the United States has given to shore up "democracy" in Panama. But a report from the General Accounting Office shows that most of that money went to shore up banks and pay interest on Panama's foreign debt, and that 70% of aid earmarked for the poor hasn't yet been disbursed, the *Washington Post* reported.

The U.S.-installed government of Guillermo "Honeybuns" Endara blamed the disturbances on supporters of General Noriega. But, in an exclusive interview with Cable



News Network (CNN) on June 12, Noriega said that Bush himself provoked the protests by going "to my country in an arrogant manner, as the Roman conquerors used to visit their colonies, in a way insulting to a country that has still not found all its dead." Noriega said that the bodies of those killed in the invasion were "thrown into common graves," and "mutilated with flame throwers." Parents are still searching for their children, he said.

### **Americans have been fooled**

"I am here because of a lie," said Noriega, who was convicted on trumped-up federal drug charges in Miami, Florida after he was made a prisoner of war by the United States. "I am a political prisoner. My trial was a political trial and my punishment will be a political punishment."

He said it was good that the scenes of the tear gas incident were televised in the United States. Americans "have been fooled" about Panama. "Both the Reagan and Bush administrations distorted the truth."

Bush's visit to Panama was condemned by the international media as a blatant election ploy. It was "a cynical, disgraceful act which, in the best of cases, was devoid of political and human sensitivity," commented Mexico's *Unomasuno* in a June 12 editorial. "Did he expect the relatives of the dead and disappeared in the Dec. 20, 1989 invasion to come and welcome him with songs and flowers, as did the beneficiaries of that interventionist act?"

Even *La Prensa*, an anti-Noriega mouthpiece for the U.S. State Department's "Project Democracy" crowd in Panama, had warned in an editorial that Bush's trip needed to be handled "with great respect for the sentiments of those who lost their loved ones."

The White House brushed aside "strong recommendations" from the U.S. military in Panama that Bush not hold a public rally in Panama, according to the June 15 *Wall Street Journal*. A military expert said that the U.S. Southern Command was "deeply worried" about the possibility of uncontrollable demonstrations. "The one question that was most asked at Southcom was: 'Why in hell is he doing this? Why is he coming down?'"

According to the June 14 *Los Angeles Times*, a week before the trip, U.S. security officials warned that Bush "faced serious danger." But "Bush's political advisers ignored the risk," reported the *Times*. "They wanted television pictures showing Bush speaking to cheering Panamanians about returning democracy to Panama."

The day before his arrival, two American soldiers were shot. One of them, Cpl. Zak Hernandez of Puerto Rico, died on the spot. The other, Sgt. Ronald Marshall of Arkansas, was gravely wounded. Bush was undeterred.

In fact, just moments before the tear gas fiasco, Bush told Endara not to worry about "the tiny, tiny handful of people that are protesting." Joking about the recent bloody California riots in which scores of Americans lost their lives, Bush

said Panamanians "ought to go up to San Francisco and get an idea of what a real protest is like."

### **Brazilians call Bush 'the sterilizer'**

The Panama tear-jerker occurred as Bush was on his way to the Earth Summit in Brazil, where he found the going just as rough, if not as dramatic, as in Panama. Days before his arrival, Rio de Janeiro was flooded with leaflets declaring, "Bush out of Brazil! The Amazon is Ours!" The leaflets, signed by Brazil's General Confederation of Workers, the Brazilian Confederation of Women, the National Union of Students, the National Confederation of Tenant Associations, and other organizations, attacked the "sell-out government of [President] Collor de Mello" for laying the "red carpet for Bush and company, who have come to Brazil to try to steal our Amazon" with the excuse of protecting the environment. "Besides that, they want to impose birth control, to sterilize our women en masse, and to dismantle our Armed Forces to ease their getting control of our resources," said the leaflet.

Putting the lie to Bush's claim that the opposition to him comes from the "left-wing," Brazilian "leftist" organizations were notably absent from among those protesting his visit. Neither Brazil's CUT labor federation, nor the Workers Party, with which it is affiliated, two of the most prominent groupings in Brazil's "left," voiced any notable opposition to Bush.

At the Earth Summit itself, President Bush found himself at odds with nearly every other country in the world and isolated from the main U.S. allies. As if that were not enough, Bush had to settle for inferior accommodations because the Emir of Kuwait got the presidential suite at the hotel first, and wasn't about to give it up to the leader of the allied forces that "liberated" his country from Iraq during the Gulf war. Meanwhile, some in the Bush entourage, including Secret Service agents and reporters, had to bed down in warehouses—"hourly rate hotels," as one report daintily called them—equipped with water beds, ceiling mirrors, porno movies, and hot tubs.

It has been "a tough, weird political year at home," Bush told reporters at a news conference in Rio. If anyone "senses anxiety" about politics on my part, he said, "they may be right." Bush whined that he is the victim of "witchhunts" by U.S. congressional committees that are investigating his relationship with Iraq before the Gulf war, and his alleged role in delaying the release of the Iranian hostages in 1980 to improve the election chances of the Reagan-Bush ticket.

The whole trip was "a disaster," admitted White House officials. A stopover in Venezuela that, according to the press there, was to give a boost to embattled President Carlos Andrés Pérez, was scratched. While Bush was still in Ibero-America, his top campaign strategist, Charles Black, was telling the viewers of the CNN Evans and Novak program that "we realize we could lose the election."



# European Parliament calls for abolition of death penalty in U.S.

*The European Parliament denounced the recent executions in the United States and called for the abolition of the death penalty, in a resolution passed by a great majority of the assembly in Strasbourg, France on June 11. The motion was initiated by a faction of conservatives.*

*The resolution expresses the shock felt in Europe over the "increasing number of executions over the recent period," the execution of mentally retarded prisoners and those whose guilt is not proven, and the fact that there are now 2,500 people on death row.*

*The resolution was translated from the German by EIR.*

The European Parliament,

A. deeply concerned about the recent growing number

of executions in the United States of North America,

B. shocked at the execution of Robert Alton Harris on April 21, 1992, who had spent 14 years on death row in the San Quentin prison in California,

C. shocked at the execution in the electric chair of Nollis Nee Martin on May 12, 1992 in Tallahassee, [Florida] after rejection of his appeal by the Supreme Court, whereby his appeal was based on the claim that the prisoner could not be held responsible for his actions, due to insanity,

D. further shocked at the execution of Roger Coleman on May 21, 1992 in Greensville, [Virginia] whose guilt has been put into serious doubt by many leading American figures,

E. in recognition of the fact that Kenneth Richey, a citizen of the European Community, was convicted by a court in

## LaRouche: Law has been separated from truth

*Democratic presidential candidate Lyndon LaRouche addressed the following statement on June 14 to the European Parliament after learning of its strong stand against judicial barbarism represented by capital punishment in the United States. In the wake of winning the North Dakota primary, LaRouche vowed to go into the Democratic National Convention campaigning for an economic recovery program, and on the issue of the death penalty—from the standpoint that he lays out here.*

I wish to congratulate the European Parliament, both for its resolution on behalf of general abolition of the death penalty and also for the very useful frankness of the Parliament in describing the unwholesome condition which exists in the United States presently.

I would wish to call to the attention of the Parliament, that in my view, although I think it necessary to campaign for the abolition of the death penalty as such, that we must focus upon a particularly nasty feature (which has not escaped the attention of the Parliament) of present U.S. practice: That is, it is the ugly, shocking reality that, in

the United States, leading institutions, such as federal courts and prosecutors, are currently arguing in many locations that actual innocence—or what is called in U.S. practice "colorable claims" to innocence—should not be considered a reason for delaying the execution of a condemned prisoner.

This tendency, which threatens to become hegemonic in U.S. jurisprudence at this time, indicates that the United States has reached a point, at which law is being separated in the most radical way from all considerations of truth and falsehood, right and wrong, good and evil. This threatens to impose upon the United States, internally and in its foreign affairs, a radical positivist misconception of law which, at least in form, is more evil and more degenerate than the worst expressions of abuse of law under the former Nazi regime in Germany.

Not only do we have to be concerned with criminal justice matters, but we have to recognize that the same state of mind which disregards the claims of innocence of a prisoner facing execution is also the axiomatic basis for frequent disregard of other expressions of the natural rights of persons: Economic justice and social justice are being discarded in U.S. domestic relations, and also in foreign policy relations, with the same abandon and disregard for truth and justice, of right and wrong, which is expressed in the horrifying spectacle of the execution of Roger Keith Coleman in the Commonwealth of Virginia.

Ohio, and with reference to the fact that there was no court-accepted evidence against Kenneth Richey, and there were well-founded reasons to put the justness of his conviction into doubt,

F. in consideration that it is even more serious, that, as in the most recent case of the execution of Roger Coleman, there often exists serious doubt about the actual guilt of the convicted person, and that their execution precludes all possibility that a mistaken court decision could be corrected,

G. concerned about the lack of leniency shown to persons who have committed crimes during adolescence, and to mentally retarded persons,

H. with reference to the fact that in the past many mistakes have been made in connection with the death penalty, and that these mistakes can never be rectified,

I. in view of the fact that according to the most recent report of Amnesty International, 2,500 people in the United States are sitting on "Death Row" awaiting execution,

J. in the fear that the resumption of executions in some states can be an incentive for other states to follow this example,

K. gladdened by the courage of Governor Cuomo, who has intervened against the proposal to reintroduce the death penalty into New York State,

L. in reference to its [European Parliament's] resolution of March 12, 1992 (Part II, Point 7 of the Protocol bearing that date) on the death penalty,

1. rejects the death penalty and demands its revocation in all countries of the world;

2. calls upon the legislative bodies, the governors, and the appeals authorities of the various U.S. states, as well as the President and the Congress of the United States of America, to prevent executions from being carried out;

3. calls on candidates for high offices in the United States, to set an example by rejecting the application of the death penalty;

4. especially insists on the urgent necessity to practice leniency toward minors or mentally retarded individuals who have committed capital crimes;

5. commissions its delegation for relations with the United States, to stress anew the European Parliament's position against the death penalty, when the delegation meets in Washington and New York at the end of June;

6. calls upon the President and the [European] Council to do all in their power to ensure that Kenneth Richey is not executed;

7. calls upon the [European] Council to request that the U.S. government enact laws exempting U.S. citizens who have been condemned of a capital crime in a member state of the EC, from extradition to the United States;

8. commissions its President to convey this resolution to the Commission, the Council . . . President Bush, the governors of all U.S. states, as well as to the majority and minority leaders of both houses of Congress.

## Monarchy option brings new dangers to Balkans

by Mark Burdman

Yugoslav-Serbian Crown Prince Alexander, claimant to the throne of the House of Karageorgevic, will return to Belgrade on June 27, *EIR* has learned. He was invited for his first visit to Serbia since his much-publicized visit last October, by the Serbian Orthodox Church Patriarch Pavle, in a message delivered over the June 13-14 weekend. The date of his arrival is symbolic; June 28 is the national day of remembrance of Serbia's defeat in Kosovo in 1389 at the hands of the Ottoman Turks, and tends to be a day of nationalist fervor among certain elements.

Informed sources insist that the possibility that the House of Karageorgevic will be formally restored soon is very real. One Serbian-origin insider in Europe admitted during a background discussion: "I formerly thought the idea was ridiculous, but there is enough despair now in Serbia to change my mind. It is an option now, things have gotten so bad." He said that the decisive role is played by the Serbian Orthodox Church, which since late May has been conducting a public mobilization to bring down the Milosevic regime. This contrasts to a centuries-old Orthodox Church practice of public acquiescence to the regime in power.

Alexander's scheduled return introduces a new element of danger to the war-torn Balkans. As *EIR* has warned, the reinstatement of the monarchy in Serbia could catalyze bringing back monarchies in many other countries there, starting with Romania and Bulgaria. The process could then swiftly be extended to Georgia in the Caucasus.

Responsible figures in Croatia and Bosnia-Herzegovina worry that the return of the monarchy will provide a "legitimacy" to the Serbian wars of aggression, which does not exist in the eyes of the international community as long as the tyrant Slobodan Milosevic remains in power. As Paul Tvrtkovic, spokesman for the government of Bosnia and Herzegovina in London, warned in a letter published in various British newspapers June 15, "it is under the royalist insignia" of the majority faction in the anti-Milosevic opposition in Serbia "that the most appalling crimes in Bosnia and Croatia are being perpetrated." What he is referring to is that the brutal "neo-Chetnik" militias of Vojislav Seselj, who have carried out the worst atrocities in Sarajevo, Vukovar, and elsewhere, are committed royalists. As Milosevic's star has fallen, Seselj's has begun to rise.

Bosnians and Croatians fear that the worst is yet to come.

On June 16, the two newly independent nations formally signed a mutual defense pact, the first such bilateral treaty in Europe since World War II.

### 'The violence will persist'

Fears of what would likely happen under Alexander's rule were heightened by his own statements in an interview with France's *Le Figaro* June 11, where he made clear that the war will continue under his prospective rule. He also lined up strategically with the provocative policy of London, Paris, and Washington, which portrays the conflict as a consequence of German ambitions in the Balkans.

Faithful to the public relations needs of the moment, Alexander portrayed himself as the arch-reformer, insisting that he wanted to install a "democracy under the auspices of constitutional monarchy." In his view, Milosevic's departure from the political scene is now inevitable. A "government of national salvation to install democracy" would be set up, with the foundations of the society being "the Army and the people," and his own role being more that of an arbiter than a "little bridge" between various social forces: "I would like to establish durable and solid bridges. I am in contact with all the forces which, in Yugoslavia, believe in the virtue of democracy." He would meet all such forces, he said, in Belgrade.

The democratic mask came off when the question was posed whether he thought it were "utopian" to think of a monarchy "in what was Yugoslavia," given that Slovenia, Croatia, and Bosnia-Herzegovina were now independent states recognized internationally. Alexander's reply exuded contempt for these new nations: "In most of the ex-Yugoslav republics, power is in the hands of communists, who have traded their former faith for an obsessional nationalism, in order to maintain themselves in power. Constitutional monarchy, respectful of democracy, is the only response to the problems of the region. Its installation must begin in Belgrade itself, where it is necessary to end, through it, the communist dictatorship. But in Zagreb, too, a change must manifest itself. The least that one can say, is that democracy is not very familiar to [Croatian President] General Tudjman. In truth, it is even totally unknown in Croatia. In Bosnia-Herzegovina, [President] Mr. Izetbegovic dreams of an Islamic state, which is not, perhaps, the best democratic reference. I admit that these states are independent. But it is necessary, at the same time, that the rights of their minorities be respected. As long as these rights are not recognized and guaranteed, one can be sure that the violence will persist."

When France's *Le Figaro* asked him about his views of Europe's position toward the crisis in former Yugoslavia, the would-be monarch attacked former German Foreign Minister Hans-Dietrich Genscher for changing Europe's "impartial" position when the European Community recognized Slovenia and Croatia. "Everything is happening as if Germany had not learned the lessons of a recent past."

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## Interview: Ivan Culic

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# Bosnian refugees pouring into Croatia

*While the focus of the firefight in the Balkans has moved to Bosnia, Croatia remains under the thumb of Serbian black-mail. Culic is the president of the Croatian Democratic Union in Villeurbanne, France. He was interviewed on his return from Croatia, by Eric Sauze, of the Lyons bureau of the French bi-weekly newspaper Nouvelle Solidarité. The interview appeared in its June 12 issue.*

**EIR:** What is the situation in Croatia?

**Culic:** It has not changed; it has even gotten worse with the arrival of refugees from Bosnia. I was in Zagreb, and especially in Split. Every day, 3,000-4,000 new refugees arrived: They were housed in sports arenas, movie theaters, sleeping on the ground without mattresses. There is also the problem of food: There is plenty of food, but no equipment to prepare it. So, the refugees can only eat canned goods, when there are any; that was why I went, to bring food in.

But the morale of the Croats is good. We are certain that Croatia will be freed without European aid, because we expect nothing from Europe, especially not military aid. The attitude of the European Community (EC) and the United Nations would be rather inhibiting, because the Serbs are continuing to shoot, while we are respecting the cease-fire. At the front, people are nervous; they cannot live with this situation.

**EIR:** What is happening at the front?

**Culic:** It's a disaster: All the villages are abandoned. I was 50 kilometers from Split, in my hometown, and all I saw were two dogs and a donkey walking around. On the other side, 500 meters away, there are the Serbs. There is no water or electricity. But the Croatian Army has good morale. Up to now, it did not have any weapons, but it now possesses light arms. The fields are mined on both the Serbian and Croatian side, and therefore, it's very difficult to attack; so, they have to remain at their positions, but that cannot last.

**EIR:** Then what do you expect to do?

**Culic:** If the EC and the United Nations do nothing to get Croatia out of this situation, it is certain that we will retake our territory by force.

**EIR:** What do you think of the attitude of Europe?

**Culic:** I've told you: We expect nothing from Europe, which, to the contrary, is seeking to preserve the Yugoslav state—even though Europe already recognized Croatia several months before. Yugoslavia no longer exists, and really it has never existed: It was artificially created in 1918 from the Treaty of Versailles. First called the "Serb, Croat and Slovene Kingdom," it was christened Yugoslavia in 1932. For centuries each of these states had a different culture, religion, writing, and language, and even their populations never wanted to live together. For example, from about A.D. 925-1200, Croatia was the "Croat Kingdom" led by King Tomislav, and was then rejoined to the Kingdom of Austria-Hungary, the same as Slovenia. By comparison, Serbia, and also Macedonia, were Turkish colonies up to the first Balkan War, about 1884. Thus, there were very different states. The proof is that, within what has up to now been called Yugoslavia, there were four official languages and two styles of writing. Under these circumstances, can one talk about the Yugoslav nation and language?

**EIR:** What do you think of a European embargo on arms and oil against Serbia? Since the principal importers of oil are Romania and Greece, the latter being an EC member, it would be easy to set this up.

**Culic:** Sure, but it will never work. Remember Iraq. There are always countries which don't respect the embargo. We know, for example, that Yeltsin's Russia is continuing to provide direct aid to the Serbs, to which they are tied by religion. The Russians and Serbs are Orthodox.

**EIR:** What are the ties between the Russian and Serbian Orthodox Churches?

**Culic:** On the one hand, both are politically active, and, on the other, some of the United Nations representatives in Vukovar [in eastern Croatia near the Serbian border] are Russians completely run by Serbia. I am thinking especially of one general who is there and who is overtly aiding the Serbs. The weapons and the energy supplies are coming from Russia, with Romania as the intermediary, which is very difficult to stop. It would possibly be easier to prevent Greece from allowing weapons to go through, because, as you said, it's an EC country, but the problem with Greece is different because of Macedonia.

**EIR:** What are the relations between the Croat government and Bosnia?

**Culic:** I've just spoken with some refugees: There are nearly a million who have come through Croatia and have decided to establish themselves here. By contrast, from the standpoint of policy, Mr. Aliya Izetbegovic, the Muslim President of Bosnia, did not get involved in the Croat problem until after the Serbian offensive against his own country. But since then, the relations between our two countries have been excellent, to the point that Mr. Izetbegovic is considering form-

ing a confederation with Croatia. Croatia has recognized Bosnia and has no territorial claim whatever on that republic, which, in fact, is comprised 20% of Croats and 40% of Muslims. We should be perfectly able to envisage a confederation between Bosnia and Croatia, with each remaining a sovereign state. But, for this, Bosnia cannot be divided, which is what the Serbs want, or it will cease to exist. Despite a certain tendency toward excessive nationalism, the Croat government is completely favorable toward the establishment of a Bosnian republic.

**EIR:** What would Croatia need to get its economy restarted?

**Culic:** Croatia needs energy supplies, roadways, and railroads. We no longer have highways and our railways have not been upgraded for 50 years. So, in order to have tourism and industry, we need transport infrastructure.

## Refugee situation is nearing disaster

*On May 17, Croatian Foreign Minister Zvonimir Separovic sent an urgent letter to the foreign ministers of the Conference on Security and Cooperation in Europe (CSCE). The following was translated from the French:*

Europe and the world must know that, at this moment, more than a million people in ex-Yugoslavia are no longer living in their homes. The flight of inhabitants of Bosnia-Herzegovina before the terror of the ex-Yugoslav Federal Army and before the Serbian and Montenegrin terror is taking a dramatic turn. Croatia has already taken in 350,000 refugees from Bosnia-Herzegovina, but the system for protecting refugees is on the threshold of catastrophe.

The latest information is that in Zagreb, a train has arrived from Slavonsky Brod with 1,500 refugees who are continuing to stay in the railcars at the Zagreb central station, because the receiving facilities are saturated. From the same source yet another train has arrived with more than 1,200 refugees. In Split, there are more than 2,500 refugees from Bosnia-Herzegovina who are living in buses. From the center of Bosnia, they are expecting 25,000 refugees (the majority of them coming from Zenice). The flood shows no prospect of abating. Croatia is taking them in, but it is unable to take care of them.

Europe must decide: Either take in the refugees or help them survive.



*The town wall of the Adriatic seaport of Dubrovnik in Croatia. The Serbian-run Yugoslav Army and the Chetnik irregulars have renewed bombardment of this ancient, non-military city, which had earlier been declared by Unesco a cultural treasure. Now, France's Secretary for Humanitarian Affairs, Bernard Kouchner, has floated a proposal to further divide the country by separating Dubrovnik from Croatia.*

**EIR:** Have you met with the Croat leadership?

**Culic:** I met with the mayor of Split, who talked with me especially about humanitarian problems, because Split is the way station for refugees from Bosnia. In Zagreb, I met with Croat ministers whom I have known from some time. They explained to me that if the Americans aren't helping Croatia, it is because they have no historic past. Born only 150 years ago [sic], they cannot understand what it is to lose your country, which is in the process of happening to the Croats right now. The Croats have a history—we were just looking at a book, tracing the history of Split from 300 B.C. to the present. Then, one of these ministers jokingly brought up the fact that back when Croatia already had a National Assembly, the goats were still chomping grass in New York.

**EIR:** What do you think of the humanitarian corridors of Bernard Kouchner [France's secretary of state for humanitarian affairs]?

**Culic:** Some of my friends who were with Mr. Kouchner on New Year's Day in Dubrovnik, told me that he had tried to make a personal profit from the situation and that he wanted to make Dubrovnik an independent city detached from the rest of Croatia, which is totally unacceptable for the Croats. Since then, Kouchner has never come back to Croatia.

**EIR:** What is the fate of the refugees from Bosnia?

**Culic:** Eighty percent of the Bosnians are remaining in Croatia, because Slovenia doesn't accept them. Two days ago, Italy—as did the Albanians—refused to receive 2,000 Bosnian refugees. So, in Croatia, there are 800,000! We are launching an appeal for international aid on their behalf so we can send them food, medications, and clothing. These refugees will be able to remain in Croatia, but we have to feed them.

In Lyons and in France as a whole, we have addresses where we can take personal donations, but now, this is not enough; we need to have aid at the state level, given the scope of the problem. The EC has food surpluses that it often throws out, rather than send it there!

**EIR:** Would you like to add any other remarks?

**Culic:** On my way to Split, I went through Zadar, a town of 150,000, which is attacked by the [Serbian] Chetniks every day. For the last three weeks, there has been no water or electricity. There is no production any more, and even the factories that were untouched cannot open. People are living in shocking hygienic conditions. Europe must do something. It cannot let these cities die a slow death!

**EIR:** Why is there no water or electricity in Zadar?

**Culic:** Because the electricity comes from an area under Serbian occupation. They have cut everything off in order to pressure the people, and will not restore water and power unless they get gasoline in exchange.

**EIR:** What do you think about an eventual intervention by Turkey?

**Culic:** Turkey is dissatisfied with Serbia's attitude, but it's waiting for the U.S. to give the green light before intervening. The Serbs want Turkey to intervene in the Balkans in order to be able to denounce Bosnia as a fundamentalist state. But the Bosnians are not Muslim integrists: These are people you rub shoulders with every day. . . . Moreover, 8-9% of the Croatian people are Muslims and, of the 43-44% of the Bosnian population who are Muslims, 20% have declared themselves Croats.

But, of course, you know that it was Tito who set up the Muslim nationality. Earlier, that didn't exist as a nationality. This has divided the people. It was as if one were talking about a Catholic nationality—it's a religion, not a nationality. Before that, people would just consider themselves Serbs or Croats, that's all.

# Balkan war the pretext for Anglo-American reshaping of NATO

*Francis A. Boyle is a professor of international law at the University of Illinois at Urbana-Champaign. This interview was conducted by Joseph Brewda on June 16.*

**EIR:** According to a report in *Newsweek*, the U.S. Pentagon is drawing up a scenario to intervene militarily against Serbia in the Serbian-Bosnian war, with a force of 30-50,000 U.S. and European troops. This seems particularly noteworthy in the context of the NATO foreign ministers meeting in Oslo, Norway in early June. There, U.S. Deputy Secretary of State Lawrence Eagleburger secured at least a partial agreement to transform NATO into a force potentially deployed outside of western Europe, and also for potential use in so-called peace-keeping purposes. Eagleburger demanded that the first use of NATO in these two new capacities be to protect food shipments to Bosnia. The U.S. government seems to be bent on using NATO against Serbia in the same way that it had used European countries and others in the war against Iraq. What is your view of this?

**Boyle:** I read that *Newsweek* article too, and the question that immediately came to my mind is, where are they going to get 30-50,000 troops? It's clear to me that that is what they have in mind; that it would take that number of troops to do the job as they see it in the former Yugoslavia. The only place they are able to get 30-50,000 troops on fairly short notice is by drawing on NATO troops, which means primarily troops of the United States, Britain, and other NATO countries.

This, then, gets into the question of the proposed transformation of NATO by the Bush administration. I think planning for this goes back to at least the fall of the Berlin Wall in 1989 and the collapse of the Warsaw Pact, when it was very clear that NATO as constituted at that time had no further purpose or role to play in Europe. NATO was originally set up, allegedly, as a collective self-defense pact, to defend the NATO member states from an armed attack by the Soviet Union or other members of the Warsaw Pact. Once the Warsaw Pact collapsed, it was clear that there was no legal role for NATO to play.

But there always was a secondary reason for the existence of NATO, and that, of course, was to keep Europe under U.S. and British control. That has always been the secondary motivation for NATO.

**EIR:** Which has now become primary.

**Boyle:** That's the point. The presence of 150,000 U.S. troops in Europe (there had been 250,000, but it is now being scaled down), under whatever pretext or guise, means that the U.S. government—and the British, they also have troops there—keep control over Europe. They can keep control over the further integration of Europe, and also keep control over the German people. Because they do not trust the German people. This is one way for the U.S. to keep its political, military, and diplomatic domination over Europe, despite the fact that it is no longer an economic superpower, and the European Community [EC] has the potential to evolve into an economic superpower (I'm not talking of its military potential here, but its economy).

So they had to come up with some other rationale to keep U.S. forces in Europe. The rationale they came up with was to argue that instead of serving the purpose of collective self-defense, NATO forces could be used for so-called peace-keeping missions in other countries in Europe.

First, there's a lot of propaganda here, regarding these so-called peace-keeping forces. These troops, such as those suggested for use in Bosnia, are not being used for peace-keeping purposes. Apparently, what the Pentagon, and Bush and the British, have in mind, is the offensive use of NATO troops, particularly U.S. and British troops, to police eastern Europe, the Mediterranean, and perhaps part of the former Soviet Union. That's really what they have in mind with their so-called new world order.

The label, "peace-keeping force," is a lot of nonsense. The historical practice of truly peace-keeping forces wielded by the U.N. prohibits any sort of offensive use of military force. Peace-keeping troops carry nothing more than side-arms. What they are talking about here, 30-50,000 troops, is an offensive use of military force. Some people may think

this is a good idea, but clearly this is not peace-keeping: It is offensive use of military force to control and dominate this particular area.

**EIR:** At the Oslo meeting, the U.S. intent seemed to be to make NATO, in effect, into the military arm of the Conference on Security and Cooperation in Europe. At the upcoming CSCE heads of state summit in Helsinki in July, Bush will reportedly try to ram this through.

**Boyle:** That's right. Remember, this is something that has been well planned. There is a very interesting article in the April issue of *NATO Review* dealing with the upcoming CSCE meeting in Helsinki. The author, Christopher Anstis, director of the International Security Policy and CSCE Affairs Division of the Department of External Affairs of Canada, traces all these developments back to the Paris CSCE summit meeting of 1990. He says that this proposal has been bouncing back and forth from the CSCE to NATO, and he traces it from Paris, to a meeting in Berlin, to a meeting in Prague. Now we had the Oslo meeting, and then we go back to Helsinki next month. This is an article in an official NATO publication, basically conceding that this is something they have had in mind since November 1990, and probably before that. So clearly, this is something that has been well organized, well orchestrated.

**EIR:** But there is no legal connection between NATO and the CSCE at this time.

**Boyle:** There is none at all, and this is clearly Bush's agenda to make one.

What Bush wants to do, in order to keep U.S. control or domination over Europe, is to have NATO, which the U.S. and British control, transformed into the military arm of the CSCE, as opposed to having the CSCE rely on the WEU—the Western European Union—which is supposed to be the military arm of the EC. Bush is afraid that NATO, and U.S. forces and British forces, will be moved out of the picture, and the Europeans will assume responsibility for their own defense, their own peace-keeping operations, and a variety of things like that. So, what Bush and the British are trying to do is to turn NATO into the military arm of the CSCE.

Now this proposal clearly violates the terms of the NATO pact, which can only be triggered in the event of an armed attack on a member state. Moreover, there is an area restriction, since NATO forces can only operate north of the Tropic of Cancer. But now they're also putting into effect a NATO rapid reaction corps, apparently designed to intervene in Third World countries in the Mediterranean, outside of NATO area restrictions, and also illegally exceeding the lawful authority of NATO to simply serve as nothing but a self-defense pact [see box].

There is no authorization anywhere in the NATO treaty to engage in peace-keeping operations, military intervention, or anything else. It is strictly limited to operations in the

## NATO powers restricted to Atlantic self-defense

North Atlantic charter, Article 5: "The Parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all, and consequently they agree that, if such an armed attack occurs, each of them, in exercise of the right of individual or collective self-defense recognized by Article 51 of the Charter of the United Nations, will assist the Party or Parties so attacked by taking forthwith, individually, and in concert with other Parties, such action as it deems necessary, including the use of armed force, to restore and maintain the security of the North Atlantic area."

event of armed attack on NATO state members. No one is threatening to attack NATO state members. Now the Soviet Union has dissolved, so there is no threat. So they are now trying to create a new justification.

**EIR:** What Eagleburger was demanding at Oslo are overt violations of NATO's charter.

**Boyle:** That's correct. What is being attempted is a fundamental alteration of the original purpose for the establishment of NATO, and the provision of troops to Europe stationed under the auspices of the NATO charter. The CSCE has approved in principle this transformation of NATO from a collective self-defense pact into some type of organization for the use of military force. But that change would, as a matter of law, require an amendment of the North Atlantic Treaty, which some call the NATO charter, which would in turn require the approval of the parliaments of the NATO member states.

What Bush and the British are trying to do here is to have NATO transformed simply at the request of the CSCE, and bypass any amendment to the North Atlantic Treaty. It's really a subterfuge. They are trying to get away with this, without an amendment to the NATO pact, so as to avoid debates on the advisability of this within the parliaments of the various NATO members states, where I think there would be an awful lot of opposition by the European people, even the American people, to this fundamental transformation of NATO.

So, Bush is trying to cut a backroom deal here, with his cohorts and proxies in Brussels, London, and The Hague—the Netherlands government has been used as a stalking horse



here, as it has always been used by Bush—also Oslo, to try to cut a deal with them, behind the backs or over the heads of the parliaments in Europe and also in the United States and Canada.

**EIR:** What the Bush administration is trying to do is also a violation of the laws of all the individual NATO member states, it seems, since any revision in the NATO treaty requires various forms of parliamentary consent or even revision in constitutions.

**Boyle:** Bush is trying to avoid all the requirements of domestic constitutional law, in every one of the NATO member states, because he realizes the obstacles to actually transforming NATO into an offensive military force. If it is actually put up for a free, fair, and open debate in any of these parliaments, I suspect it would not pass. Now each country has different constitutional requirements that would have to be satisfied in order to bring this transformation into effect. For example, Germany, where it would actually require an amendment to the German Constitution. Bush and his proxies in Germany are trying to bring this about right now.

Here in the U.S., the reason why Bush is trying to do this, without following the normally required legal procedures, is that he knows full well that if this matter was ever debated openly and publicly before the Senate and House, it would probably be rejected by the American people. In the Senate, this amendment to the NATO pact would require the advice and consent of two-thirds of the Senate present and voting, as required by the Constitution. I doubt very seriously that Bush could get two-thirds of the Senate to agree to an amendment of the NATO pact to transform NATO from a collective self-defense organization into some kind of international police organization. Bush and [Secretary of State] James Baker know it.

Also we are talking about \$100 billion per year out of our budget that goes to keeping U.S. military forces in Europe. Bush would lose on the money alone. There is no way that if the economic consequences of this proposal were brought to the U.S. people and Congress, anyone in their right mind would vote to approve it.

Now as for the House, the House has several different roles in terms of implementing legislation here. They would have to pay for the whole thing. There would have to be status-of-forces agreements renegotiated. There are all types of legislation that would have to be amended and approved to do this, if Bush were to do it in the appropriate way.

Second, in the event that they try to use U.S. forces for offensive intervention, that would be subject to the requirements of the War Powers Act, which would ultimately give both Houses of Congress the final say on the deployment of U.S. military forces for offensive purposes in eastern Europe or the former Soviet Union. So Bush wants to avoid that, and would rather cut a deal with his cohorts and proxies in NATO and the CSCE.

This is the same thing which he did in the war against Iraq. Rather than come clean, and be honest with Americans, Bush just cut backroom deals at the U.N. Security Council, bribed, threatened, and intimidated members of the Security Council to get his vote, and then after getting his vote, turned to Congress and said: You can't give me anything less.

**EIR:** It seems that Bush wants to ram through this revision at the Helsinki CSCE summit in July.

**Boyle:** As this *NATO Review* article makes clear, that is their agenda. Bush and the British easily control NATO, there is no question about it. The CSCE is not that easy—the Russians will be there, and the French, who we do not necessarily always control, and there might be some objections. But I take it Bush is meeting now with Boris Yeltsin and trying to get him to sign on to this whole thing. So, if he can line up Yeltsin, they will all show up at Helsinki, and he can ram the thing through the CSCE, and present us all with a *fait accompli*, unless the people and parliaments of Europe, the U.S., and Canada start raising a fuss.

**EIR:** It is striking that the pretext used at the Oslo conference was the Serbian war against Bosnia and Croatia, even though the Bush administration had earlier encouraged Serbia to launch its military adventures. In fact, Lawrence Eagleburger had had business relations with Serbian strongman Milosevic, when Eagleburger was a partner of Kissinger Associates.

**Boyle:** Eagleburger is a Kissinger protégé. Bush is a Kissinger protégé. All these people learned at the hands of Kissinger. Kissinger thinks in classic *realpolitik* terms. And what classic *realpolitik* teaches us in this situation, as the U.S. government sees it, is that there is a power vacuum in eastern Europe, with the collapse of the Warsaw Pact. They want to rush in there, and dominate and control as much of eastern Europe as they can, before the Russians are in a position to reassert themselves. This is also the reason why the International Monetary Fund requirements are being imposed on eastern Europe; it is an attempt to dominate eastern Europe economically. And now this NATO revision is an attempt by the U.S. and U.K. to dominate eastern Europe militarily. I think that's what their agenda is here, to rush into what they perceive to be a power vacuum and take as much political control as they can.

There is an alternative—for the EC, CSCE, and WEU to go it alone—but the U.S. and U.K. do not want that. They don't want the people of Europe getting together and solving their own problems, and putting together their own economic, political, and military system that could in theory compete with the U.S. and U.K.

We saw the same thing in the Mideast. Once the Soviet Union collapsed, the U.S. moved against Iraq and gobbled up all the Arab oil fields, grabbed up the entire Persian Gulf except for Iran. Now they are setting the stage for a grab of eastern Europe.

# Russia adopts new interventionist posture in 'Grachev Doctrine'

by Konstantin George

The failure of the West to provide credits and technology transfers to stabilize the physical economies of Russia, Ukraine, and the other new republics created from the dissolved Soviet Union, is leading to the revival of a Moscow imperial thrust, now directed against the non-Russian former Soviet republics. Western insistence that Russia accept the humiliating conditions of International Monetary Fund (IMF) shock therapy policies has abetted the worst tendencies associated with sections of the Muscovite elite.

The very shock therapy which has devastated the society at large, has reinforced the privileged financial status and power of the old *nomenklatura*. The Russian regime, with western connivance, is compensating for Russia's losses by doing to the other republics what the IMF is doing to it; namely, using its economic and other powers to keep them weak and unstable, and thus create the conditions for renewed Russian domination in the future.

The resurrection of a Moscow imperial tendency has become a fact of life to all the European non-Russian republics, above all in Ukraine and the Baltic states. In the words of Gen. Lt. Ivan Vasilyevich Bizhian, first deputy defense minister of Ukraine, a Ukrainian patriot who spent 31 years in the Soviet Army, and with whom this writer had the pleasure to chat in the Netherlands on June 9: "The problem we face is that Russia wants to have all the former Soviet Union again under its control. It is doing everything possible to prevent us from building our own independent nation. We see this in my own area, namely the military, as an example. They are making it as hard as possible for us to build our own Armed Forces, even though our right to do so was stipulated in the CIS [Community of Independent States] agreements signed in Minsk and Alma Ata. We always discuss this problem with western governments, but somehow they do not seem to understand it."

Konstantin Grishenko, head of the arms control department of the Ukrainian Foreign Ministry who accompanied Bizhian, added the following insight: "All the republics are successor states to the dissolved Soviet Union. The problem is that Russia does not see itself as simply one of the successor states, but as the continuity of the Soviet Union. They are like Serbia, which sees itself as the continuity of Yugoslavia, and, like Serbia, reserve for themselves the so-called 'right'

to intervene on behalf of their nationality on another nation's territory."

## The 'right' to intervene

These are no abstract concerns. Russia has officially announced as policy the "right" to militarily intervene in any of the former Soviet republics on behalf of ethnic Russians. The policy was proclaimed on June 5 on Russian television by Russian Defense Minister Gen. Pavel Grachev, and is known informally throughout the former U.S.S.R. as the "Grachev Doctrine."

I asked General Bizhian to comment on the "Grachev Doctrine," and the general replied: "I was waiting for you, in fact hoping for you to ask that question. That is exactly the problem. The Russian defense minister, Grachev, appeared on Russian television, so everyone could hear it, and said that Russia can intervene militarily outside its territory to protect the rights of Russians living on the territory of another nation."

General Bizhian stressed that Russia insists on pursuing its territorial claims against Ukraine, beginning with the Crimea. The Crimean case shows the hypocrisy of talk in Moscow about the "rights" of Russians being allegedly "infringed on." The Crimea, where ethnic Russians make up nearly 70% of the population, has complete special autonomy and its own parliament and administration, a status ratified by the Ukrainian Parliament in Kiev. In fact, autonomy has gone so far toward accommodating the ethnic Russians, that the absurd situation exists where the 30% Ukrainian population of the Crimean region of the Ukrainian nation do not have a single school where classes are in the Ukrainian language.

## Provoked by NATO

There are two sides to the "Grachev Doctrine." One, the interventionist side, is an impermissible violation of international law. The other is an admonition that Russia will not tolerate any other foreign military presence or interference on the territory of the former Soviet Union.

This second aspect ought not to be ignored in the West since, contrary to the "Cold War is over" slogan, it hints at the potential for armed conflicts within and among the independent countries where the U.S.S.R. used to rule, to

explode into global ones. Grachev was provoked, in this regard, by the NATO MC-400 document, ratified by the NATO defense ministers at the beginning of June, which envisions the territorial scope of future NATO interventions to include not only the entire Mediterranean, Suez Canal, and Near East as "out of area" deployments, but the "Black Sea region" and "the former Soviet Union" as well. Grachev made sure to state his views to a western visitor, when he met with former U.S. President Richard Nixon on June 5.

Turning to the Russian prerogatives that Grachev asserts vis-à-vis other independent countries, Grachev told Nixon, "If the honor or integrity of the Russian population in any region of the CIS is infringed upon, and not only in Chechnya, I will undertake decisive measures, up to and including sending troops to not allow discrimination, attacks, and rowdy-like behavior against Russians."

Chechnya, an autonomous republic of the Russian Federation in the North Caucasus, was the site of a coup last autumn by ethnic Chechen General Dudayev, who then seceded from the Russian Federation, declaring an "independent Republic of Chechnya." Announcing the withdrawal of the Russian garrison from Chechnya's capital, Grozny, together with all arms and equipment, Grachev said that any sign of Chechen interference would lead to the sending of Russian air-borne forces.

Grachev has also drawn a line in the months-long conflict in Moldova, a former Soviet republic that nestles between Ukraine and Romania. He warned the Moldovan leadership that if Moldovan attacks do not cease against the Slavic-inhabited Dniestr region which, because it has never belonged to Romania, refuses to stay with a Moldova that intends to become part of Romania, the Russian 14th Army based in the Dniestr region will openly side with the Slavic forces.

The growing dominance of the policies associated with the "Grachev Doctrine," consigning the former Soviet republics to a Russian sphere of influence, has been reflected in the Yeltsin appointments to senior positions in the Russian Defense Ministry on June 8, and in Yeltsin decrees and Russian policy statements issued before his departure for Washington.

Three of his five top Defense Ministry appointees are generals who have advocated keeping, for as long as possible, a large Russian military presence in the Baltic, Central Asia, and other regions outside the Russian Federation. They are: Gen. Col. Viktor Dubinin, now first deputy defense minister and chief of the Russian General Staff, formerly commander of the Northern Group of Forces in Poland; Gen. Col. Valery Mironov, now deputy defense minister, who had commanded the Northwest Group of Forces, as the Russian troops in the Baltic are called; and Gen. Col. Georgi Kondratyev, also a deputy defense minister, who had commanded the Turkestan Military District in Central Asia.

The "Grachev Doctrine" has been endorsed by the Russian government, and forms part of the hidden agenda of the

American-Russian summit meeting. The signal to this effect was given by Russian Foreign Minister Andrei Kozyrev, in an interview with the Paris daily *Le Monde* on June 6, before his departure for pre-summit meetings in Washington. He declared that "exchanges of territory" between Russia and other republics "cannot be excluded," singling out Crimea and the Dniestr region of Moldova as examples.

### **The Caucasus conflict**

While Russia will escalate pressure on Ukraine to cede Crimea, neither Russians nor Ukrainians foresee an armed conflict between the two largest Slavic nations.

The first application of the "Grachev Doctrine" will, in all likelihood, occur in the Caucasus. The ground for this was laid in a June 15 declaration by Russian Parliament President Ruslan Khasbulatov, who warned Georgia that Russia would send troops and occupy the Georgian region of South Ossetia, unless Georgia stopped its military operations there against the Ossetians who want to leave Georgia and join Russia. South Ossetia borders on North Ossetia, an autonomous republic of the Russian Federation, and the parliaments of both regions have passed resolutions for a united Ossetian homeland within the Russian Federation. Khasbulatov said that "the situation in South Ossetia already qualifies as genocide, with the mass expulsion of Ossetians from their historic homeland." The statement added a corollary to the "Grachev Doctrine," by embracing military intervention outside Russia's borders on behalf of any national grouping enjoying autonomous status within the Russian Federation.

The Khasbulatov declaration was clearly coordinated with President Yeltsin, who, on the same day, issued a decree restoring the pre-1917, czarist-era rights and position of the Cossacks, including their local self-government and land-owning status. The decree restored the Cossacks' traditional role as defenders of the Russian state borders, above all in the volatile Caucasus. Yeltsin's decree instructed the Russian Defense Ministry to draft proposals for deploying Cossack units in the Russian Armed Forces "for the protection of state borders and maintenance of public peace."

The Khasbulatov declaration also came after a six-day stay in Ankara, Turkey, where the hidden agenda of that visit was to refine the "understanding" of Russo-Turkish spheres of influence concerning the Caucasus.

Any move into South Ossetia would create a precedent for future moves against other republics, and against Georgia itself. South Ossetia is one of two Georgian "autonomous" regions bordering on Russia. The other, Abkhazia, lies on the Black Sea coast, and includes the port of Sukhumi, where Russians are the largest ethnic group, and the Georgians are a minority. The "made in Moscow" Crimea conflict will be either soon defused or enter a new Russian-provoked escalation. The test will come on June 23, when the postponed summit between Yeltsin and Ukrainian President Leonid Kravchuk finally occurs.

# Will Czechoslovakia break into pieces?

by Angelika Beyreuther-Raimondi

With a voter participation of 85%, Czechs and Slovaks went to the polls over the weekend of June 6-7 in order to choose their respective state parliaments in Prague and Bratislava, as well as the federal parliament in Prague. The voters' choice was clear: Many of the so-called "dissidents" who shaped the political climate immediately following the 1989 revolution, have dropped out and were not reelected. Nor was Foreign Minister Jiri Dienstbier able to make it over the 5% hurdle with his Citizens' Movement.

In these times of uncertainty and transition, about one-third of the Czech electorate sought refuge with Czechoslovakia's "strong personalities" and with "Mr. Shock Therapy," Prime Minister Vaclav Klaus. The core of Klaus's campaign team consisted of an American consulting firm, with plentiful funding and equipped with a bank of psychologists and advertising specialists. They cleverly and accurately assessed the current popular mood. The youth especially went for Klaus "the American." Nevertheless, Klaus's expectations of getting more votes, and consolidating all the voters of the earlier Citizens Forum, did not pan out. Indeed, Klaus's cohort, the neo-liberal economics minister and "Mr. Shock Therapy No. 2," Vladimir Dlouhy, did not even make it into the Czech state parliament with his Democratic Citizens' Alliance (ODA).

Many votes went to small parties. Out of a total of 42 parties, however, only a few made it over the 5% hurdle into the parliament. More than one-third of the Slovakian electorate chose the populist Vladimir Meciar.

Meanwhile, bitterness over the course of developments since the 1989 revolution is on the rise; there is great fear of unemployment and of the enormous growth of criminality. Even though the living standard did not drop any further during the months leading up to the election, a second big wave of price hikes is expected to hit as soon as the new government is formed. Apparently, the young people who helped Vaclav Klaus with their votes did not care to believe the statistical data about the immense collapse of industrial production in the country, or did not understand that the death of Czechoslovakia lies in following in the footsteps of the United States.

President Vaclav Havel has now assigned Vaclav Klaus the task of forming a government. The two winning parties, Klaus's Czech Democratic Citizens' Party (ODS) and the Movement for a Democratic Slovakia (HZDS) of Slovakian

former Prime Minister Vladimir Meciar, have begun talks which are expected to lead to forming a coalition government.

Vaclav Klaus has stated that the economy will continue to be converted to the market principle at a whirlwind pace, and that the Czechoslovak state, which has now been put into question by many Slovaks, must continue to exist as a functioning federation: But, "if we are unable to hold Czechoslovakia together as a reasonable federation, then we will quickly and reasonably decide otherwise." In that case, according to Klaus, the "silken revolution" will be followed by a "silken divorce."

Meciar, along with all other Slovakian political figures, has been pointing to the devastating effects of Klaus's shock therapy program on the Slovakian part of the country, and won the election only because he promised more social safety nets along with a slower "reform agenda" with more state economic dirigism. But it is doubtful whether Meciar will be able to force the monetarist Klaus into adopting a different economic and financial policy. Since Klaus's ODS badly needs a large Slovakian coalition partner in the government, it will most likely make some concessions in Slovakia's favor. According to Meciar, "Slovakia will only be ripe for the market economy in the far distant future. The state can't just suddenly leave its citizens in the lurch." But Meciar insists that Vaclav Klaus is still the only Czech politician "who is respectable and who keeps his word."

## A young state

Czechoslovakia is a young state. It was founded in 1918, and its two constituent republics were only formally subordinated by the constitution it adopted in 1968. Whether Czechoslovakia will continue on as a federation, or will take the form of a loose alliance of states, or even separate into two completely independent, sovereign nations, is an open question. Meciar wants to secure Slovakian sovereignty by having it adopt its own constitution, confirmed by a referendum. If it comes to that, the Czech region is sure to follow suit with its own referendum over the future form of the state. But regardless of the outcome, the prospective Klaus-Meciar government will doubtless be a transitional one. The federalist Klaus insists on a common economic and financial policy, and Meciar will not be able to make this palatable to his constituency.

Moreover, the particular form of government will not be the crucial question for the future of the citizens of Czechoslovakia. If economic and financial policy remains in the hands of the monetarist Klaus, this crucial region of central Europe will not become the flourishing, prosperous industrial and agricultural surplus producer which it should become in order to counteract the growth of poverty worldwide. Instead, tensions and easily provoked conflicts between national groupings will turn this region into another permanent crisis zone.

# Thailand: The coup continues

by an EIR Investigative Team

The process initiated by U.S. government and intelligence agencies to destroy the institutions of sovereignty in Thailand, which provoked a bloody crisis and the collapse of the government in May (see *EIR*, June 12, "U.S. AID Runs Overthrow of Thailand's Government"), took another dramatic leap forward in mid-June, when constitutional law was virtually overthrown in the appointment of a new prime minister following the resignation of Gen. Suchinda Kra-prayoon.

Suchinda, who had been selected as prime minister by a duly elected coalition of five parties in a general election, resigned after violent demonstrators provoked ill-trained troops (and profiled commanders) to open fire. The tragedy has created precisely the conditions desired by the "Project Democracy" controllers in Washington, who are committed to the destruction of the Thai military as a viable institution capable of defending the nation's sovereignty.

On June 10, the president of the Parliament, Arthit Uraitat, a member of the elected five-party coalition allied with the military, betrayed his party and defied the electoral process defined in the Constitution by refusing to propose to the king the candidate for prime minister selected by the elected coalition, retired Air Chief Marshal Somboon Rahong. He proposed instead the darling of the U.S. and World Bank interests, Anand Panyarachun. Sources within Thailand report that the U.S. embassy was active in armtwisting party leaders to override the constitutional order and appoint Anand.

## Anand not a member of Parliament

One irony of the Anand appointment is that he is not an elected member of the Parliament. The hue and cry of the various non-governmental organizations (NGOs) which ran the demonstrations, all financed from abroad by the Project Democracy networks run by U.S. intelligence, was that Suchinda should not be allowed to serve as prime minister because he, too, was not an elected member of Parliament. One of the concessions made by the military-linked parties after the bloody events of May was an immediate amendment to the Constitution to include such a requirement. This was done, and passed by the Parliament on June 10, followed only a few hours later by the appointment of Anand, thus breaching the new law! It is revealing, although not surprising, that the pro-

testers are no longer concerned with this issue.

The intent of this virtual coup was expressed in the British and American press in the following days. The British Reuters wire service gloated over the destruction of the military in a June 11 release: "Many of the generals-turned-politicians and their allies who formed a narrow parliamentary majority after March general elections said they were considering retiring from the fray after the reappointment of Anand. . . . With the Sammakhi Tham (the leading military-linked party) breaking up and with the junta-appointed Senate stripped of its legislative powers by a constitutional amendment, political analysts said the traditional grip of the military on Thai public affairs could be finally loosened."

The crisis is not over. Anand has announced that he will call elections for September or October. The danger is that an alliance between retired generals Chavalit Yongchaiyuth and Chamlong Srimuang, with extensive support from the Anglo-Americans, could emerge the victors. Chamlong, the mayor of Bangkok who led the demonstrations, including the call for his student followers to physically breach police barricades protecting the palace and the Parliament buildings, is a raving anti-growth ascetic, wrapped in a cloak of "Mr. Clean," and a member of a fundamentalist Buddhist sect which has directly confronted the ruling council of Buddhism in Thailand.

Chamlong has aligned himself with General Chavalit, who is generally regarded by Asians as the candidate of the CIA. Chavalit is also reported to be backed by the Chinese and British-linked Bangkok Bank, which has been widely reported as a key link in the drug money-laundering from the Golden Triangle. High-level sources in Thailand report that Chavalit has created around him a circle of "gangsters, tycoons, and local bosses" who have brought Thailand to a level of lawlessness that threatens not only its continued economic development, but its very existence as a nation. This is precisely the operation being encouraged by the so-called "democratizers" in Washington.

One potential danger sign resulting from the destabilization and weakening of Thailand is the current renewal of hostilities by the genocidal Khmer Rouge in neighboring Cambodia. Thailand has played a key role, with Japan, in bringing about a peace settlement in Cambodia, and was in the process of negotiations with Japan to work jointly in the economic development of that war-torn nation. This depended on the disarming of the Khmer Rouge, which had agreed to the disarmament process, obviously under pressure from their Chinese sponsors. In mid-June, the Khmer Rouge bolted from the peace agreement and launched new military operations, which could only have happened with approval from Beijing. With the U.S. destabilization of Thailand threatening to undermine the (largely Japanese sponsored) economic development of the Association of Southeast Asian Nations (ASEAN), George Bush's "old friends" in China may well be preparing to move into the region.

# Armenia can be an important factor for peace in the Transcaucasus

*The following interview with Mr. Shirvanian appeared in a special supplement of the May 1 issue of the French bi-weekly newspaper Nouvelle Solidarité. Mr. Shirvanian is a historian and the director of the Paris-based publishing house Sevig Press.*

**EIR:** In the conflict in Nagorno-Karabakh, the western powers have taken the side of Turkey rather than Armenia. Can you explain this?

**Shirvanian:** Of all the Muslim countries in the Middle East, Turkey occupies a most peculiar position. The Turks resolutely opted for a pro-western policy nearly 70 years ago, since Ataturk established the Turkish republic. The fact that Ataturk exchanged the Arabic alphabet for the Latin alphabet was a turning point. Since that period, Turkey has had a pro-western policy, and is a secular republic where religion and the state are, in principle, separated.

After the collapse of the Soviet empire, it is evident that the West preferred to see the secular Turkish model applied throughout the Muslim former Soviet republics, rather than the Iranian, Saudi, or Libyan models. Hence the western interest in the Turkish model for economic, social, and cultural development.

**EIR:** We are seeing the outlines of a struggle for influence being drawn between Turkey and Iran, to establish their hegemony in this region. While the spread of the Turkish practice is not a small advantage for Turkey, the Iranians have always been deeply ensconced there. Can you elaborate on this?

**Shirvanian:** While the West wants the Turkish model to win this contest, nonetheless Iran does have a role to play. Iran has been and remains a key country in the region.

Relations between Armenia and Iran are very old. Let's not forget that, even before Jesus Christ, we were neighbors. The Kingdom of Armenia was one of the kingdoms of the empire of the Shahanshah—not so very long ago—even though in practice Armenia has always maintained its independence. Thus, there are many historical ties between the Armenians and the Iranians.

Today, these ties still exist. For example, there is a very large Armenian diaspora in Iran; close to 300,000 Armenians who have been living there now for over four centuries, especially in the region of Isfahan, but also in the capital, in Teheran. They are also in Tabriz, the capital of what is called Iranian Azerbaijan. The Iranians and Armenians have known each other for more than 3,000 years.

Otherwise, the whole region of the Caucasus and especially Armenia with its present-day borders (with Nakhichevan, Azerbaijan, and also Georgia), used to be part of, until the beginning of the 19th century—not so very long ago—of the Persian Empire. The Persians withdrew when the Russians came at the beginning of the 19th century. There was the annexation of Georgia in 1801, and of Karabakh with a part of Azerbaijan in 1813. Having been dominant in the Caucasus and the region around it for centuries, Iran has left its cultural imprint on it.

To get back to Armenia! The only two open borders toward the outside are, to the north, Georgia which allows it access to the Black Sea, and to the south, Iran. To the east, Turkic Azerbaijan and, to the west, Turkey are not, since the new order, very friendly neighbors toward the Armenian people. Armenia represents a key strategic position for the Iranians, since it is through the former that they can have access to the Black Sea. For its part, Armenia finds access to the south in Iran, especially to energy wealth (oil and natural gas).

In effect, the number-one problem of the Armenian economy today is the lack of energy, especially because of the Azerbaijan blockade, which, until recent years, provided us with our oil and natural gas energy supplies.

**EIR:** Is it not precisely the need to have this opening with Iran which makes the claims formulated by certain Turkish leaders unacceptable to Armenia? After all, they hope to get direct access to Azerbaijan by going south of Armenia, which means closing the Armenian border with Iran.

**Shirvanian:** Without attributing to modern Turkey an old pan-Turkic and pan-Touranian ideology, we still have to acknowledge, in the string of peoples extending from the

Bosphorus to China, including present-day Turkey, that Azerbaijan and the Muslim former Soviet republics are mostly Turkic. The only link which separates these two great masses is tiny Armenia—the 30 kilometers of the southern width of Armenia, in effect, breaks up the homogeneity of this stretch.

Evidently, for Turkey, as well as for Azerbaijan, it is very tempting to complete the junction. It is not a question, for the Armenians, of ceding some part or other of their territory: Already Armenia's present borders represent only one-fifth of its historic territory. It is not in the interest of Armenia to cut itself off from Iran and to become surrounded only by Turks in the east, south, and west.

As for the Iranian mediation, it must be acknowledged that, for the moment, their efforts have resulted in a ceasefire that has held, for better or worse, for more than a month. Sure, there are skirmishes every day, but there are no longer the battles on the grand scale there were a month and a half ago. Last April 11, there were still Azeri attacks on the north of Karabakh and the massacre of about 100 Armenians in the village of Maragha.

The Iranians also have a certain amount of influence on the Azeris, in addition to the Armenians, because their mediation seems to be impartial.

This is not the case with the Turkish mediation, because Turkey considers Karabakh to be part of the Republic of Azerbaijan, with the Armenians of Karabakh being only a minority community for whom they would eventually reserve nothing more than cultural and religious autonomy. Whereas for us, this is a matter of a struggle for liberation and self-determination.

Apparently the Iranians have showed a far more neutral attitude both toward the Armenians and the Azeris, and the fact is that their efforts have had better results than Russia, the Community of Independent States, or the Conference on Security and Cooperation in Europe.

**EIR:** What is the dominant influence in the former Soviet Central Asian republics?

**Shirvanian:** Iran has stakes in the Central Asian republics; Tajikistan, for example, despite its Turkish name, speaks Farsi, and seems to be much closer to Iran than to Turkey. But the other republics are, for the most part, closer to Turkey. However, it's important not to simplify the problem and say that all these republics, because they use the Turkic language, are the day after tomorrow going to become dissolved within a Turkish empire that would extend from China to the Bosphorus. You have only to look at the Arabs' efforts. For a long time now, the Arabs have been trying—without ever succeeding—to achieve Arab unity; however, they have the same religion, the same language, and are situated in the same geographic area, without discontinuity.

Iran does seem to want to export the Islamic revolution, but I am not persuaded that this is its primary objective. Iran has been a great power for millennia, has experienced

different regimes, and we have even witnessed religion take second place when, during the Iran-Iraq War, one Muslim people—the Iranians—fought another Muslim people—the Iraqis. National sentiments, even with the mullahs, won out over religious ones.

Certainly, Iran has a role to play in the geographical area of Central Asia. The Iranian tradition is characterized throughout history by tolerance. The Iranian empire, from the beginning, was very much more tolerant toward other peoples and toward minorities. That is what created the grandeur that was Iran, and which has allowed it to play an important role in this region. The present regime could be an obstacle for the West because it is too extremist, too fundamentalist. But regimes come and go, and the fundamental interests of great countries remain. And Iran is one of them in this region.

**EIR:** What are the advantages that Armenia has?

**Shirvanian:** Unfortunately Armenia is only a small territory which is about the area of Belgium. Its geographic location is very unfavorable, surrounded by people and by neighbors who are not very well disposed toward it, which is the least one can say. But the 3.5 million inhabitants of present-day Armenia can be an important factor for peace, good-neighborliness, and regional cooperation.

The Armenians, particularly since the massacre of 1915 (but well before the massacre, there were Armenians who lived in the diaspora) have been brought into living with nearly every other people on earth. They know their neighbors: There are 300,000 Armenians in Iran; they are in Iraq, Syria, Lebanon, Turkey, Georgia; there were also about 400,000 in Azerbaijan up to four years ago, that is, before the massacres of Sumgait, Baku, and Kirovabad. They have a faculty for adaptation and dialogue with different peoples, religions, and cultures.

Thanks to a rather high level of culture, Armenia would be able to have a fairly rapid rate of development, if it were not for the Azeri blockade, which for the last three and a half years has handicapped all development. In spite of that, Armenia, among all the former Soviet republics, is the only country to have three years of peaceful democracy. There have been regular elections, there is an elected President, an elected Parliament, there has been no civil war, democracy is alive, and its leadership makes an effort under difficult conditions to respect the rules of a state under law. This is not the case in the other neighboring republics; Azerbaijan recently saw the eviction of its elected President. The same fate was reserved for the Georgian President, who had won 90% of the votes a few months earlier.

The political maturity of the Armenians can constitute a point of stability and in this political maturity, the role of the diaspora can be important, because the contacts, exchanges, and reciprocal visits bring a new spirit which wishes to come out in this tiny country.



## MRTA terrorist chief captured

*The Fujimori government is significantly escalating its anti-terrorism campaign, but the war is far from won.*

**P**eruvian security forces delivered a major blow to one of that country's two major insurgencies on June 10, when Victor Polay, the head of the Tupac Amaru Revolutionary Movement (MRTA), was captured along with several other top MRTA leaders as they were preparing to hold a special congress in Lima. According to Peruvian Interior Minister Juan Briones Dávila, the MRTA commander may well be the first candidate for a life sentence, a measure just decreed as part of the government's new, get-tough anti-terrorism campaign.

Polay had been arrested once before, during the Alan García administration, but had escaped along with 50 other terrorists, by digging a tunnel out of a "maximum security prison."

The arrest of Victor Polay was made possible by a police raid several weeks earlier on an MRTA hideout in Lima, which netted the number-two man of the MRTA, Peter Cárdenas Schulte. Cárdenas was the head of the terrorists' military apparatus in Lima and of their national logistical operations. The MRTA's computerized archives were also seized, and yielded extensive information about the organization's finances and structure, its internal discussions, details on terrorist targets for the next 12 months, and, most importantly, the planned visit of Polay and other MRTA chieftains to Lima for the national MRTA meeting.

One day after the arrest of Polay, police succeeded in capturing the 16-year-old son of Shining Path's (Sendero Luminoso) imprisoned number-two man Osmán Morote Barrionuevo.

The teenager was captured, along with four other Senderistas, while in possession of weapons, dynamite, and a large amount of terrorist propaganda.

The arrests come in the midst of a series of new anti-insurgency decrees by the government of President Alberto Fujimori, designed to contain the bloody acts of terrorism that have virtually paralyzed this country, such as the recent car-bombing of a Lima television station which led to five deaths, more than a score wounded, and the station demolished, and which prompted the condemnation of Pope John Paul II. Among the latest measures decreed are a 10 p.m.-5 a.m. curfew on vehicular traffic through the streets of Lima, the cordoning off and military protection of areas surrounding television stations, strict control of the sale of certain chemicals used in the production of explosives, and an increased police presence on city streets.

On June 9, Commander-in-Chief of the Peruvian Armed Forces Gen. Nicolás de Bari Hermoza announced that the military would be organizing volunteer "citizens' brigades," along the model of Peru's armed peasant brigades, to try to uproot Shining Path from Lima's sprawling, desperately poor shantytowns. General Hermoza stressed that the urban brigades would only receive arms as necessary, and that they would be under the strict training and leadership of the Army.

In addition, Finance Minister Carlos Boloña has announced a 50% increase in the country's pitiful anti-

subversion budget, largely to beef up military intelligence.

All of these measures, while necessary, fall short of what is actually needed to stop the barbaric narco-terrorist onslaught against the Peruvian nation. Until the Fujimori government halts the bleeding of the nation's scarce resources by the international creditor banks and International Monetary Fund, the hideous conditions in the Army—where weapons are obsolete and soldiers sometimes go on patrol without bullets or boots—will continue, and the new urban brigades, like their peasant counterparts, will go largely unprotected.

Shining Path has nonetheless felt the heat from the government's new measures, and has been obliged to set up terrorist sanctuaries inside neighboring Chile for some of its more beleaguered forces. At the same time, however, Shining Path is exploiting the situation, turning its Chilean "sanctuary" into a money-making venture. Reports are already coming out of northern Chile that businessmen in the area are being forced to pay protection money to its terrorists, and those who don't pay are being kidnaped for ransom. At least one terrorist bomb has been exploded in the commercial zone of a northern Chilean town, prompting the commander of Chile's Army to warn on May 27 that the border must be reinforced.

Colombian police have also announced the discovery of a dynamite cache that was shipped to Colombian terrorists by their Peruvian counterparts, and former Peruvian Prime Minister Manuel Ulloa told a meeting of the Inter-Action Council in early June that Shining Path is expanding across the continent, financed by the drug trade. "Today, the great risk to democracy is from the drug trade linked to this kind of fundamentalist movement," said Ulloa.

## Trade war is part of Euro-Corps fight

*Anglo-American mistrust of Franco-German plans for a genuine European defense stems from economic concerns too.*

Germans are aware that in 1990, most foreign governments, including NATO partners, opposed German reunification, and many remain opposed to this day, said Chancellor Helmut Kohl before an extended party executive meeting of his Christian Democrats in Bonn June 15. Many of the problems Germany faces with other western states have to do with this antipathy, Kohl hinted.

Hopes that Kohl's recent letter to the White House, protesting a stream of arrogant *démarches* from leading U.S. officials on the Franco-German army corps, had calmed relations with Washington, were dashed on the eve of the June 19 meeting in Bonn of the foreign and defense ministers of the nine-member Western European Union (WEU). The meeting, which was to pass a "European" mandate distinct from NATO and authorize the establishment of a new, standing WEU military staff of 40 officers by October 1992, was greeted by new Anglo-Americans attacks on Bonn and Paris.

In an interview with the June 14 German daily *Frankfurter Allgemeine Zeitung*, outgoing commander-in-chief of NATO forces in Europe, U.S. Gen. John R. Galvin, voiced doubts over assurances that the Franco-German corps was not undermining NATO.

British Minister of Defense Malcolm Rifkind, in the June 15 London *Financial Times*, charged the German government with intending to withdraw from NATO, which is the "single most important example of European defense collaboration that exists at the present time." Rifkind said that the British-authored concept of a rapid de-

ployment corps (under British command, naturally) within the framework of the western alliance was "very different from the French and German concept of a European corps." He voiced strong objections to the concept pushed in Bonn and Paris that the WEU should be linked to the political institutions of the European Community (EC) and be developed into its military leg.

Rifkind asked, "Will the relationship between the Franco-German corps and NATO be the same as the current German relationship [with NATO] or the current French relationship? It must be one or the other, and the indication so far is that the relationship would be closer to the current French than the current German one. If that is true—and I say, if—then clearly we would have to see the Franco-German corps as weakening rather than strengthening NATO."

Robert Kimmitt, U.S. ambassador to Bonn, expressed similar views in a speech on June 15 at an event of the Konrad Adenauer Foundation in Bonn.

Having Germany under firm Anglo-American control has been a prime aim of Washington and London since NATO was formed. Alfred Dregger, past chairman of the Bonn parliamentary group of the Christian Democrats and their longtime defense policy spokesman, addressed the issue of NATO "command and control" on June 16 in an interview with Germany's leading business daily *Handelsblatt*. Reiterating proposals to turn the WEU into a "military arm of the EC" along the lines of Franco-German accords signed in La Rochelle, France on May 21, Dregger

declared: "The United States and Great Britain have to realize that not everything can remain the same, and this also includes their dominance in the command structure" of NATO.

The fact that this appeared in the most widely read economic daily the day after Rifkind's attack, signals that the key issue involved goes beyond the military sphere and is, indeed, an economic one.

Gen. Jörg Schönbohm, assistant defense minister of Germany, let out this "inner secret" in a presentation at a security policy panel of the Friedrich Ebert Foundation in Bonn on June 15. Schönbohm said that in terms of military policy conduct, nobody had the right to blame the German government, which had made sure that all NATO partners, and the U.S. most of all, were kept fully informed about all steps taken together with Paris in the development of the Euro-Corps over the past months. Charges made by Galvin were ill-placed, he declared.

His view of the U.S. attacks on Germany, Schönbohm said, is that economic considerations are shaping American views on the Franco-German defense project, turning it into a welcome scapegoat for other things. "In NATO, we're basically sitting in the same boat as alliance partners, but as soon as the European Community is entering the agenda, we are a key world market competitor to the [United] States," he said.

This relates directly to defense industries. As long as the NATO structures exist, the alliance is also a multi-billion-dollar market for Anglo-American-produced military goods. Against the background of an increasing framework of cooperation between the aerospace sectors of French and German industries, genuine European defense structures are the last thing strategists in London or Washington would want.

# International News

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## ***Court finds Greenpeace lied about seal hunting***

A court in Oslo recently acquitted film-maker Magnus Gudmundsson of libel against Greenpeace for his film "Survival in the North," which exposes Greenpeace's lying campaign against seal-hunting, according to the June 10 bulletin of Putting People First. One of the points the court found was that Greenpeace fabricated film footage in an anti-seal-hunting film.

Gudmundsson was acquitted of all seven counts of libel. However, the court deemed null and void four points made in the film, including a comment made by Danish journalist Lief Blaedel that Greenpeace "engaged in swindle and deceit." Gudmundsson is appealing these four points.

Greenpeace announced that it was fully satisfied with the verdict even though the court confirmed that the organization knowingly made false statements that hunters skinned seals alive.

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## ***French Anglophiles hail Queen's visit***

The "good old 'Entente Cordiale'" between Britain and France is recalled in the lead editorial on June 9 in *Le Figaro*, on the occasion of the arrival in France of Queen Elizabeth II and Prince Philip, for a four-day state visit, headlined "Vive la Reine!"

Author Thierry Desjardins ridicules those who assert that Europe of the year 2000 will be constructed around a "Paris-Bonn axis." Of course, he comments sarcastically, there is much to be happy about in the recent Franco-German reconciliation, but "it would not be good to forget that, throughout the course of this century, the British and the French often found themselves on the same side, when things were becoming a bit rotten. . . . Whether one wants it or not, Europe will only work with London, Bonn, and Paris, France, having as its vocation to serve as a link between the British and the Germans, as well as to serve as a link between northern Europe and Medi-

terranean Europe."

On June 10, Queen Elizabeth II was hosted by Paris Mayor Jacques Chirac at the Hotel de Ville. As the London *Independent* noted the next day, the Hotel de Ville was where Britain's King Edward VII signed the Entente Cordiale with the French in 1903.

In her statement, Edward VII's granddaughter stressed that the Entente Cordiale had stood the tests of the 20th century, without formal commitments: "The Entente Cordiale was not intended as a formal treaty with legal obligations or commitments. It worked as an informal point of reference, a reminder of all that our countries have in common, and an earnest expression of our determination to stand together."

As *EIR's* readers are aware, Lyndon LaRouche has pointed to the "Entente Cordiale" as having ultimately led to World War I.

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## ***Israeli paper blasts Rio as 'bombastic happening'***

"The Earth Summit Farce," is the title of the lead editorial in the *Jerusalem Post* June 3, which agrees with those who characterized the gathering in Rio as "the witchcraft summit." The *Post* warns that the environmentalist movement "has been taken over by Luddites, coercive utopians, mindless bureaucrats, and New Left types who have changed their bankrupt Red passports to Green. . . . That such unrealistic, grandiose and mostly unnecessary programs have polluted real environmental concerns is nothing short of tragic. If anything, the doomsday scenarios conjured by fanatic environmentalists—such as scare forecasts of ozone layer depletion and global warming—only serve to destroy the credibility of pragmatic environmentalists. Those who would sacrifice the welfare of humans for the sake of preserving a subspecies of an obscure snail are enemies of progress. They will not improve the world's environment. They will cause poverty and death."

The *Post* continues: "The facts do not support most of the sham environmentalists' theories. The Earth is not warming. The use

of fossil fuels does not cause Earth temperatures to rise, nor does sulfur dioxide." NASA's claims about the ozone hole's enlargement "have proved baseless. Ozone measuring is far too young a science for any such predictions. . . . What the real pollution problems need is sober attention, not a bombastic 'happening' in a carnival atmosphere."

It concludes, after an unfortunate endorsement of the U.S. Clean Air Act: "What the world needs is not Green hysteria abetted by ego-tripping millionaires, but democratization and free-market industrialization."

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## ***Terrorists threaten EIR Lima bureau***

The offices of EIR News Service in Lima, Peru were the object of a terrorist threat, on June 5. The door of the elevator on the floor where the offices are located, was painted with the hammer and sickle insignia of the narco-terrorist gang Shining Path.

The incident took place in the midst of a bloody escalation of terrorist incidents in Lima. Also on June 5, a Peruvian television station was bombed, in a terrorist attack that resulted in the death of a journalist and other station employees, including several security guards. Dozens of people were wounded and over \$50 million in damage was caused when 600 kilos of dynamite aboard a stolen truck exploded in front of the station. Earlier, the television station had received numerous threats for its favorable reports on the recent intensification of the anti-terrorist campaign by the Peruvian government.

A spokesman for EIRNS said that the terrorist threat against the Lima bureau offices, occurred following documentation in *EIR's* Spanish-language publication *Resumen Ejecutivo de EIR* of the fact that the U.S. government is implementing a strategy that paves the way for the bloody Shining Path communists to take power. In fact, according to the spokesman, organizations under the control of the United States, such as the Inter-American Commission for Human Rights of the Organization of American States, have visited Peru several times since

October 1991 without once condemning the atrocities committed by the narco-terrorists. Instead, during their first trip, the OAS commissioners met with Shining Path's number-two man, Osman Morote, in his prison cell, and held similar meetings with the two most infamous imprisoned Peruvian drug traffickers, "to assess the human rights situation in Peru." These meetings were nothing but an apology for the genocidal war being waged by Sendero against Peru, said the spokesman. Not surprisingly, he added, the very next day after some Peruvian journalists denounced the Inter-American Human Rights Commission stance in favor of Shining Path, the bomb squad had to be called to disarm a device left on the doorstep of their news organization.

### ***Syria may suspend Taif Accords on Lebanon***

An unnamed Syrian official, who is part of the Middle East negotiating team, raised the possibility of Syria suspending the Taif Accords in an exclusive interview appearing in the June 11 issue of *Washington Jewish Week*. Under the Taif Accords, Syria is bound to withdraw its forces in Lebanon to the Bekaa Valley by September. According to the Syrian official, this would not be possible so long as Israeli air raids and actions continue.

The official said: "The Syrian troops in Lebanon are at the disposal of the Lebanese government. When the Lebanese Army is strong enough, maybe there won't be a need for the Syrian troops. When Israel's attacks on Lebanon stop—but these attacks are not stopping, so the Lebanese Army needs Syria's help."

### ***Protesters in Moscow demand: 'Free LaRouche'***

Twenty-five demonstrators picketed the American Embassy in Moscow on June 12, carrying signs that demanded freedom for jailed economist and presidential candidate

Lyndon LaRouche. It was the first public demonstration on behalf of LaRouche's freedom ever reported in Russia. The demonstrators also denounced the policies of the International Monetary Fund, George Bush, and Russian Deputy Prime Minister Yegor Gaidar, the IMF's strong advocate in Russia.

The demonstration for LaRouche's freedom was addressed by E. Novotvorskaya, a well-known human rights activist who leads the Democratic Society. Russian journalists interviewed demonstrators, while an American cameraman was observed videotaping the picket line. Representatives from the demonstration delivered material on the LaRouche case to embassy personnel, including the internationally circulated leaflet from the May 15, 1992 Day of Action for LaRouche.

### ***Dispute stalls reopening of Sino-Vietnam border***

A dispute has delayed the reopening of the rail link between Hanoi and Beijing, Vietnamese officials told Reuters on June 12. Last month Vietnam accused China of violating its sovereignty by signing a contract with a U.S. oil firm to exploit part of the disputed Spratly archipelago in the South China Sea.

The road border was officially reopened on April 1 after the two countries normalized relations last November. The Vietnamese had hoped the old rail link to Beijing would be reopened on June 1. Now Vietnamese border officials say they will stop even small traders from crossing beginning June 15 unless their Chinese counterparts comply with agreements on customs formalities. Capt. Tran Van Thong, deputy chief of the border station at Friendship Pass, said that on May 13, Chinese workers began building a railway signal box 500 meters inside Vietnamese territory and on May 27 started rebuilding the road link 200 meters beyond the point Vietnam considers the frontier line. He said Vietnam had protested to China.

## **Briefly**

● **LYNDON LAROCHE** commented on the marital troubles at Buckingham Palace on June 13, and some proposals should Princess Diana and Prince Charles divorce. "It has been suggested by no more a person . . . than author Anthony Burgess that a remedy might be possibly that the son of the divorced union . . . might become William V. Now, I must say that is really no solution at all. After all, William I, who acquired the throne in A.D. 1066, was in fact an illegal immigrant to England. Not a good start at all for a young boy!"

● **TARIQ AZIZ**, Iraq's foreign minister, called on the U.N. to lift sanctions against his nation at the Rio summit on June 10. Aziz described the environmental destruction from the U.S.-led allied bombardment during the Gulf war. "The decisive solution to ward off the dangers of disease and pollution in Iraq lies in the lifting of the comprehensive blockade imposed upon our people," he said.

● **GEORGIA'S** Vice President Yoseliani survived a bomb attack on his car on June 13. He was injured, but apparently not severely. The authors and motives for the attack are unknown. The attack on Yoseliani is the latest of numerous bomb attacks against leading figures in Georgia as well as against the transport grid, power stations, army posts, and administration buildings.

● **THE ARAB LEAGUE** backed Palestine Liberation Organization charges that a Mossad hit team killed PLO official Atef Bseiso in a resolution passed in Cairo June 10, and called "on the international community to take the necessary measures that can put an end to Israeli terrorism."

● **'GEORGE BUSH, The Unauthorized Biography'** is being serialized in Italian by the Italian Catholic monthly *Chiesa Viva*, in Brescia, the home town of the late Pope Paul VI. The forthcoming, 700-page exposé is by *EIR* contributors Webster Tarpley and Anton Chaitkin.

# The U.S.-Russian entente that saved the Union

by Konstantin George

**From the Editors:** *Both Russia and the United States today find themselves at a historic turning point. As Russian President Boris Yeltsin comes to Washington for his summit with President George Bush in mid-June, both nations face economic catastrophe, with dangerous and unpredictable consequences.*

*Russia has taken decisive steps to throw off the shackles of communism, but is now battling for its economic survival, in a volatile situation which could lead to World War III. Hordes of "free market advisers" from the West have descended upon that nation, demanding "reforms" which are making the situation worse, day by day. Yet Russia has another tradition which could and must be drawn upon instead: the "American System" of national political economy, the economics of Alexander Hamilton, Henry Clay, and Count Sergei Witte.*

*The United States, too, has forgotten the economic policies which made possible its industrial development in the last century. For this, we have to thank the influence of Great Britain—the power that backed the Confederacy in its drive to dismember the United States.*

*Americans also do not know the fascinating story that is the subject of this report: the story of the Union's alliance with the Russia of Czar Alexander II—who freed the serfs in 1861, two years before Abraham Lincoln's Emancipation Proclamation. Russia's alliance with the United States was absolutely critical to the Union victory in the Civil War, the defeat of the British strategic design. The lessons of this fight are most relevant to the tasks facing both nations today.*

*This article is based upon a longer report that appeared in The Campaigner magazine in July 1978.*

The crowning period of U.S.-Russian collaboration was during the Lincoln administration, when a wartime alliance between the United States and Russia was negotiated by U.S. Ambassador to Russia Cassius Clay (1861-1862 and 1863-1869). This is a chapter of American history which is no longer known today by



*Officers of the Russian Navy in New York City, engraved from a photograph which appeared in Harper's Weekly, Nov. 7, 1863. The arrival of the Russian fleet in New York and San Francisco forced Great Britain to back down from its plan to attack the Union and recognize the Confederacy as a separate state.*

Americans: It was Russia's military weight and threats of reprisals against Britain and France, that prevented any British-led intervention against the Union.

America and Russia shared the conception of transforming this wartime pact into a permanent alliance based on developing Russia into a technologically progressive nation of 100 million, combined with an industrialized United States with a population approaching 100 million by the end of the nineteenth century. This combination was seen as an unbeatable axis for implementing a worldwide "Grand Design," an ordering of sovereign nations committed to economic and technological progress—the "American System" of political economy, against the British Empire's "free trade" policy of keeping the colonial world in perpetual backwardness and misery. Ambassador Clay specifically considered his own mission to be the forging of an alliance among the United States, Russia, and the Mexico of President Benito Juárez, committed to the spread of republicanism around the globe.

## Two opposing alliances

The American Civil War was a global political war that came—several times—within a hair's breadth of global shooting war. The global battle lines were drawn between two international alliances: the Union and the Russian Empire, arrayed against the Confederacy in alliance with England and France—the Russell-Palmerston alliance with their tool, "Petit" Louis Napoleon (III).

The Union's survival and ultimate victory was achieved in part thanks to the influential "American" faction in Russia, to whose outlook Alexander II tended. This faction stuck to its guns, despite all British threats, to ensure the survival and development of the United States for the common interest of Russia and America.

At several of the most critical junctures of the Civil War, the Lord Russell-Petit Napoleon axis was on the verge of declaring war on the Union. Each time, they were forced to weigh the consequences of a fully mobilized Russia's declaration of war on England and France. Russia's huge land armies were ready to roll over the Ottoman Empire and India, thus ending British political domination of an area extending in a great arc from the Balkans through the Middle East to London's subcontinental "jewel" of India.

Had Russia not lined up with the Union, a wavering London-dominated Bismarckian Germany, with no anti-British continental powers nearby, would have been able to swing nationalist elements in the German leadership into joining Britain and France as a junior partner. The fact that Russia allied with the Union and mobilized to fight if necessary, guaranteed that if a global war erupted, German national interests, which could not tolerate the elimination of the United States and Russia and a Europe under the complete domination of England and Petit Napoleon, would lawfully assert their control over German policy and move against London.

In short, the "concert of powers" rigged game that had characterized European affairs since the Congress of Vienna

was over. The means of British political control over the continent would go up like an exploding cigar in the faces of Russell and Palmerston.

The cornerstone of Britain's operational policy, from no later than 1860 on, was to dismember both the United States and Russia. This was the prelude to enacting a "new world order," devoid of sovereign nation states, an order centered on a British-controlled Grand Confederacy, labeled by British policymakers "The United States of Europe."

### **A history of collaboration**

What was achieved during the Civil War by the two "superpowers" was the consummation of a quarter-century-long bitter struggle by factions in the United States and Russian against the London-orchestrated political machines in their respective nations. From 1844 to 1860, British agents of influence repeatedly sabotaged earlier potentialities for the alliance to develop. It was a quarter-century punctuated with missed opportunities and tough lessons learned, as a result of which the strategic perceptions and capacities for action of the foremost of the U.S. Whigs and their Russian counterparts were shaped and increasingly perfected.

The foundation of U.S.-Russian collaboration was laid in the 1763-1815 period. It was the product of the political influence exerted within Russia by the networks organized by Benjamin Franklin in the Russian Academy of Science (whose leading members were followers of the tradition of technological progress established by the collaboration of Gottfried Leibniz and Peter the Great) and through the American Philosophical Society.

In the period from 1776 to 1815, Russia twice played a crucial role in safeguarding the existence of America. During the Revolutionary War, the acceptance of Epinus' draft of a Treaty of Armed Neutrality by Russian Premier Count Panin was not only key in thwarting Britain's plans for building an anti-American coalition in Europe, but also marked a signal triumph by the Russian friends of Benjamin Franklin, in wresting political hegemony away from the pro-British Prince Potemkin. In the War of 1812, Russia, under Czar Alexander I, submitted a near-ultimatum to England to hastily conclude an honorable peace with the United States and abandon all English claims of territorial aggrandizement. The American negotiators were the first to confirm that only the application of Russian pressure produced the sudden *volte-face* in Britain's attitude that achieved the Treaty of Ghent.

One may also note that directly prior to the War of 1812, through the negotiating efforts of John Quincy Adams (at the time United States Minister to Russia), exponential growth rates in U.S.-Russian trade were achieved. By 1911, the United States had by far and away become Russia's largest trading partner.

The event that completed the molding and toughening of the commitment to entente of the Russian and American fac-

tions was the 1853-56 Crimean War. Russia's humiliation, and the acute realization that British policy was orienting toward actual dismemberment of the Russian Empire, together with the accrued lessons of the missed opportunities of the 1844-46 period, burned in the requisite lessons. The fundamental point that could no longer be ignored was that Russia would have no security as a nation, let alone prosperity, unless it committed itself to the abolition of serfdom and a policy of industrialization to fortify itself against the British monarchy.

To most Americans today, the image of the Crimean War connotes a war waged by "civilized" England and France against "semi-barbarous" Russia, with the clearest image being the romantic drivel of Tennyson's "Charge of the Light Brigade." In 1854, most of the American population was avowedly pro-Russian in its attitude toward that conflict. The Whig press, led by the *New York Herald*, was openly advocating a U.S.-Russian alliance, in response to Russia's repeated requests for assistance.

The United States Minister to St. Petersburg, T.H. Seymour, in a line of argument that illustrates the Whig thinking at the time, repeatedly warned the foolish President Franklin Pierce and his Anglophile Secretary of State William Marcy, what Britain was up to. He wrote to Marcy, in a letter dated April 13, 1854: "The danger is that the Western powers of Europe . . . after they have humbled the Czar, will domineer the rest of Europe, and thus have the leisure to turn their attention to American affairs."

Under the rotten Pierce and Buchanan administrations, alliance was out of the question, but the process that was to define the Grand Design was developed in the years 1855 to 1861.

### **On the eve of the Civil War**

During those years, the Russian "American faction" led by the new czar, Alexander II, Foreign Minister Alexander Gorchakov, and a group in the Russian Navy Ministry under the Grand Duke Constantine (which included the minister of war, Count Dmitri Miliutin, and the minister of finance, Mikhail Reutern), battled the feudal provincial nobility, which formed the social backbone of the "British faction" within Russia. Gorchakov, the central figure in determining the American faction's policy moves, was not overly concerned, during this period, that the United States government, under the wretch Buchanan, would ignore and reject Russia's offers of cooperation. His goal was much more sophisticated: to gain the acceptance of the American Whig grouping of the entente foreign policy perspective. This goal was achieved.

Thus, from 1855 on, Russia renewed as a standing offer the donation of Alaska to the United States, under the anti-British Empire conditions enunciated first in 1845. This standing offer was followed up with numerous substantial project offers to American capitalists.

Most notable were the Russian government's Siberian-Far East and Near East development packages. In 1858,



Russia proposed an agreement with the United States for cooperation in developing trade with China. In conjunction with this offer, Russia unilaterally opened the entire Amur River basin region (the maritime Provinces of Siberia) to free trade with the United States. The series of development proposals had begun as early as June 18, 1855, when Russia offered to extend its facilities to the United States in negotiating a commercial treaty with Persia, a step that would have begun the process of ending British hegemony in the region. During the 1858-60 period, United States ambassador to Russia Francis Pickens wrote on numerous occasions urging U.S.-Russian joint trade and economic expansion to effect a strategic shift against England.

On Jan. 12, 1859, Pickens wrote: "Russia can hold a more certain control over Europe by her influence in the East, and she wishes the U.S. to tap the China trade from the East in order to keep England out."

On April 17, 1860, after talks with officials of the Russian Foreign Ministry, Pickens conveyed an urgent warning to Washington that a full U.S.-British rupture was close, concluding with this advice: "It is thus imperative that we keep an able Minister here . . . to produce through Russia a strong organization of the Baltic States against the power of England."

This letter is of extraordinary historical significance, as it testifies directly that the relevant factions in the United States and Russia were convinced—correctly—that danger of a British-inspired conflict against the United States was rapidly increasing. Pickens's policy, reflecting the views of Alexander II and Gorchakov, was geared to imminent or actual war conditions, conditions of acute danger to the survival of the American republic. The Russian government had arrived at precisely such an evaluation in the spring of 1860, and, under Gorchakov's direct personal supervision, dispatched a top-level covert intelligence mission to the United States, headed by Col. Charles DeArnaud. That team was to play a decisive role in stymieing the Confederacy's 1861 *blitzkrieg* strategy.

With the advent of the Lincoln administration, the U.S.-British rupture came to a head. All the Russian economic development proposals of the preceding five years were ripe for implementation. American Whigs, led by Lincoln, Clay, Admiral Farragut, and others, were preparing to launch a policy to develop Russia industrially and militarily.

In the Western Hemisphere, the end of British control over Ibero-America and Canada was considered imminent. The deputy foreign minister of Colombia expressed this sentiment: "The United States Civil War is a step in the direction of the United States' mission, to regenerate the whole continent, and . . . the United States and Russia, the two great Northern powers, 'Colossi of two continents,' if they could identify their interests, would be the surest bulwark of the independence of the world."

Canada was all but ready to be annexed by the United States in 1861. By 1860, the United States government was

receiving a tidal wave of petitions from western Canada urging annexation to the United States. Similar agitation was widespread in Lower Canada (Québec). The *Nor Wester*, a newspaper in the Red River settlement that serviced the western region, wrote in an editorial, "England's policies leave us no choice but to break."

This, then, was the strategic conjuncture in 1860, when Britain utilized the last portion of the traitor Buchanan's term in office to launch its project for Southern secession.

### **Ambassador Clay and Lincoln's policy**

President Lincoln's top priority in foreign policy following Fort Sumter was forging a strategic alliance with Russia. Lincoln was aware that under the political hegemony of Foreign Minister Gorchakov, Russia was modernizing. The freeing of the serfs had occurred in the spring of 1861, and a vast program of railroad building was under way. Lincoln was also aware that both Gorchakov and the czar were pro-American and anti-British.

In May 1861, in choosing his personal envoy to St. Petersburg, Lincoln went outside all normal channels, and selected the nephew of American Whig statesman Henry Clay, Cassius Marcellus Clay, as his ambassador to Russia.

Clay viewed his primary task as developing and consolidating the Russian elite into an unbeatable political machine, such that it would acquire the talent and muscle necessary to see through Russia's full-scale industrialization. Clay brought with him many copies of one of the primary treatises of the "American System" of political economy, Henry Carey's book *The Harmony of Interests: Agricultural, Manufacturing, and Commercial*, hand-delivering them to Alexander II, Gorchakov, Navy Minister Prince Dolgoruky, Grand Duke Constantine, and a host of other high officials and industrialists. Clay toured the major cities, delivering speeches to thunderous applause from captains of industry, regional and national government officials, and merchants, expounding on the need for Russia to industrialize. His speeches were reprinted throughout the Russian press, and the name Henry Carey became a household word in Russia.

In his memoirs, Clay described the effect of his industrialization drive in Russia:

"A large class of manufacturers was aggregated about Moscow. . . . England was our worst enemy in the world and I sought out how I might most injure her. Russia with her immense lands and resources, and great population, was a fine field for British manufactures, and she had made the most of it. I procured the works of H.C. Carey of Philadelphia, and presented them to the Foreign Office, to the Emperor himself. So, it began to be understood that I was the friend of home industry—the 'Russian System.' I encouraged the introduction of American arms, sewing machines, and all that, as far as I could; the mining of petroleum, and its manufacture; and got the United States to form a treaty preventing the violation of trademarks in the commerce of the two na-

## Henry C. Carey and the American System

*Economist Henry Carey, perhaps more than any other individual, kept alive the American System of political economy, against the British free traders. From the late 1840s until his death in 1879, Carey's leadership in that effort, as exercised through Abraham Lincoln's Treasury Department, enabled the development of the United States to occur.*

*The following material was taken from Carey's The Harmony of Interests: Agricultural, Manufacturing, and Commercial. More extensive excerpts, as well as documentation on the American System in Russia, appeared in EIR, Jan. 3, 1992.*

The foremost practitioner of free trade in the nineteenth century was Great Britain. As Carey explained, "The object of [Britain's] colonial system was that of 'raising up a nation of customers,' a project 'fit only,' says Adam Smith, 'for a nation of shopkeepers.'" Carey cites example after example of intentional British economic discrimination against its subject nations: In 1710, "the House of Commons declared, 'that the erecting of manufactories in the [American] colonies had a tendency to lessen their dependence upon Great Britain.'" In 1750, this was followed with a prohibition against "the erection of any mill

or other engine for splitting or rolling iron . . . but pig-iron was allowed to be imported into England duty-free, that it might then be manufactured and sent back again. At a later period, Lord Chatham declared, that he would not allow the colonists to make even a hob-nail for themselves. . . ."

In contrast, said Carey, the United States had a different mission. "Two systems are before the world. The one looks to increasing the proportion of persons and of capital engaged in trade and transportation, and therefore to diminishing the proportion engaged in producing commodities with which to trade, with necessarily diminished return to the labour of all; while the other looks to increasing the proportion engaged in the work of production, and diminishing that engaged in trade and transportation, with increased return to all. . . . One looks to increasing the quantity of raw materials to be exported, and diminishing the inducements to imports of men, thus impoverishing both farmer and planter by throwing on them the burden of freight; while the other looks to increasing the import of men, and diminishing the export of raw materials, thereby enriching both planter and farmer by relieving them from payment of freight. . . . One looks to increasing the necessity of commerce; the other to increasing the power to maintain it. . . . One looks to pauperism, ignorance, depopulation, and barbarism; the other to increasing wealth, comfort, intelligence, combination of action, and civilization. One looks towards universal war; the other towards universal peace. One is the English system; the other we may be proud to call the American system."

tions. So, when I was invited to Moscow, it was intimated that a tariff speech would be quite acceptable. A dinner was given me by the corporate powers of Moscow. . . .

They got up a magnificent dinner; and with the American and Russian flags over my head, I made a regular tariff speech. It was translated into Russian as I spoke, and received immense applause. It was also put in Russian newspapers and into pamphlet form, circulated in the thousands all over the Empire. This touched England in the tenderest spot; and whilst Sir A. Buchanan and lady [the British ambassador, who was present] was too well bred to speak of it, one of the attachés was less discreet and shouted how much I threatened British trade. The dinner was photographed at the time.

"I found that the argument which I had made for years in the South, in favor of free labor and manufactures, as cofactors, was well understood in Russia; and since emancipation and education have taken a new projectile force, railroads and manufactures have the same propulsion as is now exhibited in the 'Solid South.'"

Clay's speech concluded with the Russian industrialists toasting the "great American economist Henry Carey."

Clay also went to work paving the way for the military alliance that would dismantle the British Empire, and in conjunction with this, negotiated with Russia the construction of a Washington-St. Petersburg cable, via the Pacific through San Francisco and Vladivostok. Here is how he motivated the cable project:

"If we have to battle England on the sea, and should Russia be our ally, we shall have means of much earlier intelligence than she. . . . I think ourselves fortunate in having this great power as our sincere friend. We should keep up this friendly feeling, which will finally give us an immense market for our commerce, and give us a most powerful ally in common danger. We will and must take a common interest in the affairs of Europe."

After the war, Clay summarized his mission as follows:

"I did more than any man to overthrow slavery. I carried Russia with us and thus prevented what would have been a strong alliance of France, England, and Spain against us, and thus saved the nation."

The entente concept of Clay and Lincoln was developed in full, in a Clay dispatch to Lincoln from St. Petersburg,

dated July 25, 1861:

"I saw at a glance where the feeling of England was. They hoped for our ruin. They are jealous of our power. They care neither for the North nor the South. They hate both. The London *Times* . . . in concluding its comments on your message [Lincoln's July 5, 1861 message to Congress] says: 'And when we prefer a frank recognition of Southern independence by the North to the policy avowed in the President's message, it is solely because we foresee as bystanders that this is the issue in which after infinite loss and humiliation the contest must result.' And that is the tone of England everywhere. . . . If England would not favor us whilst following the lead of the anti-slavery policy—she will never be our friend. She will now, if disaster comes upon our arms, join our enemies. Be on your guard. . . .

"All the Russian journals are for us. In Russia we have a friend. The time is coming when she will be a powerful one for us. The emancipation [of the serfs] move is the beginning of a new era and new strength. She has immense lands, fertile and undeveloped in the Amoor country, with iron and other minerals. Here is where she must make the centre of her power against England. Joined with our Navy on the Pacific coast we will one day drive her [England] from the Indies: The source of her power: and losing which she will fall."

The communication concluded with advice to Lincoln to "extend the blockade to every possible point of entry, so that if England does intervene—she will be the aggressor before all the world. Don't trust her in anything."

### **From the Russian court**

In this earliest phase of the developing entente, the Russians were pro-American, though cautious. The caution was a lawful expression of a legitimate Russian concern: The Russians demanded to know if Lincoln would stand firm and fight the conflict through to preserve the Union. This was precisely the line of questioning of the czar's first meeting with Clay in July 1861, culminating with the question of what the Union would do should England intervene. Clay advised Lincoln: "I told the Emperor we did not care what England did, that her interference would tend to unite us the more."

After this U.S. reassurance, Russia stood firmly behind its U.S. alliance. The policy was elaborated in a lengthy personal communication from Russian Foreign Minister Gorchakov to President Lincoln, dated July 10, 1861:

"From the beginning of the conflict which divides the United States of America, you have been desired to make known to the federal government the deep interest with which our August Master [Czar Alexander II] has been observing the development of a crisis which puts in question the prosperity and even the existence of the Union.

"The Emperor profoundly regrets that the hope of a peaceful solution is not realized and that American citizens, already in arms against each other, are ready to let loose upon their country the most formidable of the scourges of political society—civil war.

"For the more than eighty years that it has existed the American Union owes its independence, its towering rise, and its progress, to the concord of its members, consecrated, under the auspices of its illustrious founders, by institutions which have been able to reconcile union with liberty. This union has been fruitful. It has exhibited to the world the spectacle of a prosperity without example in the annals of history. . . .

"The struggle which unhappily has just arisen can neither be indefinitely prolonged, nor lead to the total destruction of one of the parties. Sooner or later it will be necessary to come to some settlement, which may enable the divergent interests now actually in conflict to coexist.

"The American nation would then give proof of high political wisdom in seeking in common such a settlement before a useless effusion of blood, a barren squandering of strength and of public riches, and acts of violence and reciprocal reprisals shall have come to deepen an abyss between the two parties, to end in their mutual exhaustion, and in the ruin, perhaps irreparable, of their commercial and political power.

"Our August Master cannot resign himself to such deplorable anticipations . . . as a sovereign animated by the most friendly sentiments toward the American Union. This union is not simply in our eyes an element essential to the universal political equilibrium. It constitutes, besides, a nation to which our August Master and all Russia have pledged the most friendly interest; for the two countries, placed at the two extremities of the world, both in the ascending period of their development appear called to a natural community of interests and of sympathies, of which they have given mutual proofs to each other. . . .

"In every event the American nation may count on the part of our August Master during the serious crisis which it is passing through at present."

Lincoln was deeply moved on receipt of this Russian policy statement, telling the Russian ambassador: "Please inform the Emperor of our gratitude and assure His Majesty that the whole nation appreciates this new manifestation of friendship. Of all the communications we have received from the European governments, this is the most loyal."

Lincoln then requested permission, which was granted, to give the widest possible publicity to the Russian message. This was crucial. The U.S.-Russian alliance was no secret pact. Quite the contrary, by mutual agreement between the two nations, the arrangement was given as much publicity as possible, as were the reasons behind it and its absolute necessity to the Union. Only later was the historic entente sold by Anglophile historians as a Russian move for "balance" on the European continent.

### **Sabotage efforts by a 'fifth column'**

Clay's success in consolidating the Union-Russian alliance produced more than a mild panic in London, and the British fifth column in the U.S. government began to lobby Lincoln for Clay's recall and replacement. The removal of Simon Cameron as secretary of war, on the grounds of rank

incompetence, was to become the object of a “double judo” by the British agents of influence.

In the spring of 1862, Lincoln was persuaded by William Seward and his allies to replace Cameron with the traitor Edwin Stanton as secretary of war, while Cameron was shunted off to become the new U.S. ambassador to Russia, replacing Clay. Clay was bitter over the move, and begged Lincoln to allow his nephew, who had accompanied him as his assistant, to succeed him. Despite these protests, Clay was recalled, leaving St. Petersburg in June 1862, the same month in which Cameron arrived.

Clay fought these dirty maneuvers tooth and nail, pointing out to Lincoln that the purpose of appointing Cameron to St. Petersburg was to ensure no effective American presence and communication with the Russian government during the most critical phase of the Civil War. Clay wrote to Lincoln in June 1862: “I had made arrangements to stay here and made the necessary expenditures accordingly. I have several thousands of roubles of property here, which is usually turned over to successors—but Mr. Cameron cannot buy: He says he will positively ask leave to retire from this post at the end of the next quarter, the 1st of September next. He proposes to come home on your leave of absence, and then remain.”

This letter makes clear how transparent the traitors’ maneuver was: Get Clay out, put in Cameron as a rump, three-month ambassador in name only, and then leave the U.S.-Russian entente severed during precisely the phase of Civil War in which the danger of overt British military intervention was greatest.

Two things were to deny the British-agent conspirators the fruit of these evil schemes. Clay, though losing the recall battle, was to return in short stead to St. Petersburg, as we shall see; and Gorchakov and the American faction in Russia did not budge from their policies. The Russians, too, had their British faction surrounding the czar, but the czar and Gorchakov, like Lincoln, never wavered.

Clay fought back. Denied for the time being the ambassadorship, he used the period of his return to the United States to organize nationwide public support for the entente with Russia, and for immediate emancipation of the slaves in the United States.

Upon arriving in Washington, Clay gave Lincoln a blunt strategic briefing on the European situation: “All over Europe governments are ready to intervene in America’s affairs and recognize the independence of the Confederate States.” Clay argued that “only a forthright proclamation of emancipation” and alliance with Russia “will block these European autocracies.”

In a speech in the American capital, Clay began his public speaking tour for the consummation of the U.S.-Russian entente:

“I think that I can say without implications of profanity or want of deference, that since the days of Christ himself such a happy and glorious privilege has not been reserved to

any other man to do that amount of good; and no man has ever more gallantly or nobly done it than Alexander II, the Czar of Russia. I refer to the emancipation of 23,000,000 serfs. Here then fellow citizens, was the place to look for an ally. Trust him; for your trust will not be misplaced. Stand by him, and he will, as he has often declared to me he will, stand by you. Not only Alexander, but his whole family are with you, men, women and children.”

Clay’s policy of utilizing the strategic options available to the Union to forestall English-French armed intervention, was readily accepted by Lincoln in both areas: movement towards emancipation, and securing the Russian alliance. Lincoln immediately commissioned Clay to sound out public opinion in his native border state of Kentucky on emancipation, before applying the policy nationally.

It was now dawning on Stanton, Seward, and the fifth column that their coup in removing Clay from the ambassadorship was backfiring. Clay, in the United States, with constant personal access to Lincoln, was a far more dangerous adversary than Clay in St. Petersburg.

Seward advised Lincoln that Clay’s speaking activities were “dangerous,” that his “unrestrained agitation for emancipation will drive Kentucky into joining the secessionist States.” Lincoln accepted this “advice” to mend shaky domestic political fences, and, as Cameron’s resignation as ambassador to Russia had just occurred, promptly reappointed Clay to his ambassadorship. Clay wrote an immediate acceptance letter to Lincoln:

“I avail myself of your kind promise to send me back to my former mission to the Court of St. Petersburg and where I flatter myself that I can better serve my country than in the field under General Halleck who cannot repress his hatred of liberal men into the ordinary courtesies of life.”

## Russia saves the Union

During Clay’s absence from St. Petersburg from June 1862 until the spring of 1863, there was no wavering of Russia’s support for the Union. Cameron arrived in St. Petersburg in June 1862 with instructions from Lincoln to secure an interview with the czar, to “learn the Russian monarch’s attitude in the event England and France force their unwelcome intervention.” After the interview, Cameron was able to report to Lincoln: “The Czar’s spokesmen have assured me that in case of trouble with the other European powers, the friendship of Russia for the United States would be shown in a decisive manner which no other nation will be able to mistake.”

Cameron wrote the following on the Russian political situation to Secretary of State Seward in July 1862: “The Russians are evincing the most candid friendship for the North. . . . They are showing a constant desire to interpret everything to our advantage. There is no capital in Europe where the loyal American meets with such universal sympathy as at St. Petersburg, none where the suppression of our unnatural rebellion

will be hailed with more genuine satisfaction.”

Already by the Civil War’s summer 1862 campaigns, every knowledgeable leading political figure in Europe and the United States was drawing the conclusion that foreign intervention in the American Civil War in support of the Confederacy would be taken as a *casus belli* by Russia.

The autumn of 1862 was extremely critical for the Union. England and France were on the verge of military intervention on the side of the Confederacy. On the Union side, everyone was girding for an Anglo-French invasion, an invasion which could include British allies Spain and Austria as well. Anglo-French pressure on Russia to abandon its pro-Union stance was stepped up to fever pitch. The Union’s salvation depended on Russia.

Lincoln, in this darkest hour of his administration, sent an urgent personal letter to Russian Foreign Minister Gorchakov for delivery to the czar. Lincoln believed correctly that France had already decided to intervene and was only awaiting a go-ahead from England. Lincoln was under no illusions that if the Union was to be saved, it would be saved by Russia. And Russia came through.

We quote here in full Foreign Minister Gorchakov’s reply to the President, drafted in the name of Czar Alexander II. It is one of the most critical documents in American and world history:

“You know that the government of United States has few friends among the Powers. England rejoices over what is happening to you; she longs and prays for your overthrow. France is less actively hostile; her interests would be less affected by the result; but she is not unwilling to see it. She is not your friend. Your situation is getting worse and worse. The chances of preserving the Union are growing more desperate. Can nothing be done to stop this dreadful war? The hope of reunion is growing less and less, and I wish to impress upon your government that the separation, which I fear must come, will be considered by Russia as one of the greatest misfortunes. Russia alone, has stood by you from the first, and will continue to stand by you. We are very, *very* anxious that some means should be adopted—that *any* course should be pursued—which will prevent the division which now seems inevitable. One separation will be followed by another; you will break into fragments” (emphasis in original).

Bayard Taylor, secretary of the legation to St. Petersburg, acting under Lincoln’s instructions, gave the U.S. reply:

“We feel that the Northern and Southern States cannot peacefully exist side by side as separate republics. There is nothing the American people desire so much as peace, but peace on the basis of separation is equivalent to continual war. We have only just called the whole strength of the nation into action. We believe the struggle now commencing will be final, and we cannot without disgrace and ruin, accept the only terms tried and failed.”

Gorchakov reiterated Russia’s stance, giving Taylor the

following message to convey to Lincoln.

“You know the sentiments of Russia. We desire above all things the maintenance of the American Union as *one indivisible nation*. We cannot take any part, more than we have done. We have no hostility to the Southern people. Russia has declared her position and will maintain it. There will be proposals of intervention [by Britain]. We believe that intervention could do no good at present. *Proposals will be made to Russia to join some plan of interference*. She will refuse any intervention of the kind. Russia will occupy the same ground as at the beginning of the struggle. *You may rely upon it, she will not change*. But we entreat you to settle the difficulty. I cannot express to you how profound an anxiety we feel—how serious are our fears” (emphasis in original).

How many Americans today know that Russia intervened, at this October 1862 darkest hour of the American Republic, to save it? But every American citizen knew it then, and the entire proceedings were ordered published and distributed throughout the nation by a joint resolution of Congress.

France was promoting an “armistice” plan that would have effectively stopped Lincoln’s prosecution of the war and rendered permanent the split in the Union. Britain’s Lord Russell favored the plan, “with a view to the recognition of the independence of the Confederates. I agree further that, in case of failure, we ought to ourselves recognize the Southern States as an independent state.”

The British cabinet was now plunged into debate on whether to intervene, with all eyes and ears nervously awaiting the signal from St. Petersburg of what Russia’s response to Britain’s overtures would be. In the midst of the debate, Lord Russell received a telegram from British Ambassador Napier in St. Petersburg advising him that Russia had rejected Napoleon’s proposal of joint intervention. On Nov. 13, the British cabinet reached its decision: “It is the cabinet’s belief that there exists no ground at the moment to hope that Lincoln’s government would accept the offer of mediation.”

We give the final word to Czar Alexander II, who held sole power to declare war for Russia. In an interview to the American banker Wharton Barker on Aug. 17, 1879, he said:

“In the Autumn of 1862, the governments of France and Great Britain proposed to Russia, in a formal but not in an official way, the joint recognition by European powers of the independence of the Confederate States of America. My immediate answer was: ‘I will not cooperate in such action; and I will not acquiesce. On the contrary, I shall accept the recognition of the independence of the Confederate States by France and Great Britain as a *casus belli* for Russia. And in order that the governments of France and Great Britain may understand that this is no idle threat; I will send a Pacific fleet to San Francisco and an Atlantic fleet to New York.

“Sealed orders to both Admirals were given. My fleets

arrived at the American ports, there was no recognition of the Confederate States by Great Britain and France. The American rebellion was put down, and the great American Republic continues.

“All this I did because of love for my own dear Russia, rather than for love of the American Republic. I acted thus because I understood that Russia would have a more serious task to perform if the American Republic, with advanced industrial development were broken up and Great Britain should be left in control of most branches of modern industrial development.”

### The Russian Navy arrives

The second half of 1863 and early 1864 mark the second critical phase of the Civil War period, where again the world came very close to a British-instigated eruption of global war. The second half of 1863 witnessed even more earnest British deliberations on intervening, this time on a now-or-never basis.

By July 1863, desperation gripped Lords Russell and Palmerston. The South's invasion of the North had failed at Gettysburg. The violent anti-war movement in the North, including the bloody New York City draft riots, had also failed.

As of July 4, 1863, the Union controlled the entire length of the Mississippi, cutting the Confederacy in two, while Lincoln's naval blockade had become almost completely effective. The British grand strategy of dismembering both the United States and the Russian Empire and creating the “United States of Europe” as a satrapy was crumbling into dust.

In these utterly desperate circumstances, Britain was crazy enough to go to war, and almost did. Throughout the summer of 1863, thinly disguised ultimatums were repeatedly hurled at Russia by Britain and France, and the British were deliberating on intervening against the Union.

World war almost came in the late summer and fall of 1863. The fact that it did not was not a result of British policy in and of itself, but because joint U.S.-Russian war preparations and preemptive actions raised the penalty factor to a threshold sufficient to force Britain once again to withdraw from the brink.

It was in this context that the entire Russian Navy arrived in the United States on Sept. 24, 1863.

Russia's policy, from 1861 on, was war avoidance as long as Britain did not intervene militarily against the Union. From 1861, Russia developed a war-fighting strategy in the event Britain could not be dissuaded from intervening. One critical strategic aspect of this contingency plan concerned the deployment of the Russian fleet.

To avoid a repetition of the disaster of the Crimean War, where the fleet was bottled up and attacked in the Baltic and Black Seas, Russia's Navy was placed on constant alert status during the United States Civil War, ready to set sail and head

for the United States to join up with the United States Navy and provide a maximum combined naval capability that would be directed against the vulnerable island state of Britain. The timing of the fleet's departure from Russian ports was decided on the basis of highly accurate Russian intelligence estimates that considered the outbreak of world war to be imminent. These estimates cohered with the fact that Britain's propensity to go to war in late 1863 was far greater than even during the intervention proposal period of late 1862.

The fleet that came on Sept. 24, 1863 to U.S. waters—on both coasts simultaneously—came under arrangement of a U.S.-Russian political-military alliance which would become fully activated in the event of war. Cassius Clay, during his tenure as United States ambassador to Russia, spoke openly and continuously of a U.S.-Russian alliance. No ambassador, without being subject to immediate recall, could do such a thing if such an alliance did not actually exist. Russian Foreign Minister Gorchakov also announced officially, in a communication to his ambassador, Stoeckl, that the alliance existed:

“I have given much thought to the possibility of concluding a formal political alliance . . . but that would not change anything in the existing position of the two nations . . . the alliance already exists in our mutual interests and traditions.”

To this memo, dated Oct. 22, 1863, Alexander II added the comment, “*très bien*” (“very good”).

### How the Russian Navy was built up

The actual history of U.S.-Russian military-technological collaboration, both before and during the Civil War, makes a mockery of the revisionist historians' claim that there never was a Russian-American alliance. The origins of the modern Russian Navy itself attest to this. John Paul Jones, or “Pavel Ivanovich Jones” as he was called during his service in the Russian Navy, did not arrive in Russia in 1788 by a miracle and receive a commission as a rear admiral in Catherine the Great's Navy. Nor was it mere chance that a document drafted by Jones in 1791, following his Russian tenure of duty, was adopted by Russia as the basis for reorganizing its fleet into a modern Navy.

From 1781 on, Princess Catherine Dashkov, the head of the Russian Academy of Sciences, was in correspondence with Benjamin Franklin and his great-nephew and Paris secretary, Jonathan Williams—the future superintendent of West Point, who is revered as the father of the United States Army Corps of Engineers. Dashkov functioned then and later as a liaison channeling Franklin and Williams's political, scientific, and military writings into the Russian Navy Ministry and the Russian Academy of Sciences, where they were promptly translated and circulated.

It was through similar network arrangements among leading figures that Alexander Hamilton's *Report on Manufactures* was translated and widely circulated in Russia by 1783.

In the period of Whig resurgence, beginning in the 1840s,



the strong military ties connecting the United States and Russia were fashioned. It was the former U.S. Army Corps of Engineers officers who supervised the construction of Russia's first railroad. The individuals who were to become the naval commanders of both powers during the Civil War were already committed in their own minds to the policy of entente between the two powers, based on their mutual commitment to progress, no later than the Crimean War years. In the extensive fraternization and discussion that occurred among the Mediterranean squadron commanders (Farragut, the Grand Duke Constantine, Lessovsky, and others), a powerful U.S.-Russian military alliance against Great Britain came to be viewed by the participants as a historical necessity.

After the Civil War began, the implementation of a joint U.S.-Russian naval buildup began. Long before the Russian fleet was en route to the United States, a vast stream of American military aid had already begun transforming Russia into a first-rate naval power, soon to be technologically superior to Great Britain. The abrupt transformation of backward Russia into a first-class naval power was the subject of many fear-ridden commentaries in the *London Times*. In 1861, Russia still had no shipbuilding facilities for ironclads. By mid-1862, Cassius Clay's "Russian system" had not only established new shipyards capable of turning out ironclads (of the latest American designs, built to American specifications), but also the necessary metalworking, machine tool, and armaments enterprises—all with completely indigenous materials and labor force.

By the end of the Civil War, Russia had 13 ironclads, equipped with 15-inch guns, constructed from the blueprints of the *U.S.S. Passaic*—warships that nothing in the British Navy at the time was capable of sinking.

### 'God bless the Russians'

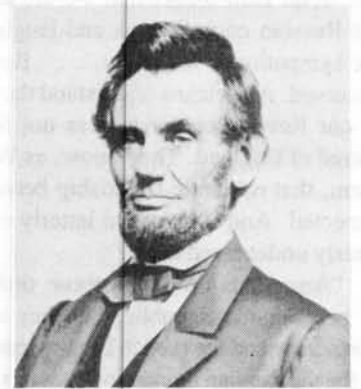
On Sept. 24, 1863, the Russian fleet dropped anchor in New York harbor. America exploded with joy. *Harper's Weekly* took special pride in pointing out the American design of the ships and the armaments on board:

"The two largest of the squadron, the frigates *Alexander Nevsky* and *Peresvet*, are evidently vessels of modern build, and much about them would lead an unpracticed eye to think they were built in this country. . . . The flagship's guns are of American make, being cast in Pittsburgh."

New York City was "gaily bedecked with American Russian flags," the fleet's officers were given a special parade with a United States military honor guard escorting them up Broadway past cheering crowds.

British newspapers began an angry howl, denouncing "Lincoln's threats of war" against Britain and launching a press campaign "poking fun" at the "Americans, who have been hoodwinked by the Russians."

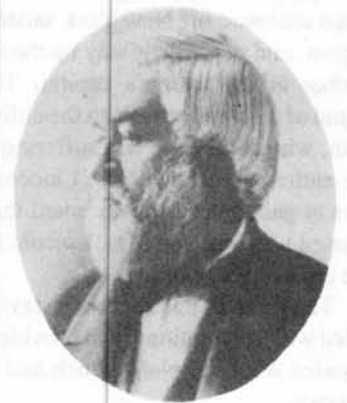
*Harper's Weekly* ran an editorial in reply to this English psychological warfare campaign which expressed the prevailing consensus in the United States:



Abraham Lincoln:  
"Please assure His Majesty that the whole nation appreciates this new manifestation of friendship."



Czar Alexander II: "I shall accept the recognition of the independence of the Confederate States by France and Great Britain as a *casus belli*."



U.S. Ambassador to Russia Cassius Clay:  
"I did more than any man to overthrow slavery. I carried Russia with us."



American System economist Henry C. Carey. His views were well known in Russia, and formed the policy foundation of the Russian-American alliance.



“John Bull thinks that we are absurdly bamboozled by the Russian compliments and laughs to see us deceived by the sympathy of Muscovy. . . . But we are not very much deceived. Americans understand that the sympathy of France in our Revolution for us was not for love of us, but from hatred of England. They know, as Washington long ago told them, that romantic friendship between nations is not to be expected. And if they had latterly expected it, England has utterly undeceived them.

“Americans do not suppose that Russia is on the point of becoming a Republic, but they observe that the English aristocracy and the French Empire hate a republic quite as much as the the Russian monarchy hates it; and they remark that while the French Empire imports coolies into its colonies, and winks at slavery, and while the British government cheers a political enterprise founded upon slavery, and by its chief organs defends the system, Russia emancipates her serfs. There is not the least harm in observing these little facts. Russia, John Bull will remember, conducts herself as a friendly power. That is all. England and France have shown themselves to be unfriendly powers. And we do not forget it.”

The Russian fleet was to remain in United States waters for seven months, departing in April 1864 only after both Russia and the United States had fully satisfied themselves that all danger of war from Europe had passed. Throughout the stay there were continuous celebrations, festivities, and a daily public outpouring of American gratitude. The Russian ships stationed off New York sailed in December for Washington, and made their way up the Potomac River, dropping anchor at the nation’s capital. This commenced another round of celebrations. With the unfortunate exception of Lincoln, who at the time was suffering a mild case of smallpox, the entire cabinet and Mrs. Lincoln hosted the Russian officers at gala receptions on board the flagship. The Russians toasted Lincoln, and Mrs. Lincoln led a toast to the czar and the emancipation of the serfs.

The Russian Pacific fleet’s stay in San Francisco was also filled with celebrations, and provides further evidence of how detailed were the plans which had been worked out for the alliance.

During the Civil War, the United States had only a one-ocean navy, and it patrolled the East Coast while the Pacific Coast remained unprotected by U.S. naval forces. Under these conditions, the Russian fleet at San Francisco filled the wartime function of a U.S. Pacific fleet. Recall here the testimony of American Admiral Farragut and Russian Atlantic fleet commander, Admiral Lessovsky, corroborating the czar’s reference to the existence of sealed orders for the Russian fleet’s intervention on the side of the Union should England or her allies attack Lincoln’s government.

We now cite the testimony of Pacific fleet commander Popov to establish the case that not only the Russian fleet in the Atlantic, but the czar’s Pacific fleet, as well, was under such orders. In the winter of 1863-64, rumors swept San

Francisco that an attack by the Confederate raiders *Alabama* and *Sumter* was imminent. The California government appealed to Admiral Popov for protection. Popov’s reply, citing his orders for the contingency of a British or a Confederate naval attack on the West Coast, demonstrates beyond a doubt that London’s continuous denunciations of a “secret alliance” between Russia and the United States during the Civil War period were based on reality:

“Should a Southern cruiser attempt an assault . . . we shall put on steam and clear for action. . . . The ships of his Imperial Majesty are bound to assist the authorities of every place where friendship is offered them, in all measures which may be deemed necessary by the local authorities, to repel any attempt against the security of the place.”

The United States West Coast was never attacked.

### The postwar outlook

The central determinant of world politics through the period from 1863 to 1867 was the drive of American Whigs and the Russian government to consolidate their wartime alliance into a permanent entente. Throughout the 1860s, American and Russian “Whigs” continuously pushed to secure this permanent alliance, even, in the American case, under the enormous handicaps that emerged after Lincoln’s assassination.

At the height of the celebration that engulfed the United States following the arrival of the Russian Fleet, on Oct. 17, 1863, *Harper’s Weekly* ran an editorial which expressed the nation’s dominant public sentiment. The editorial called for a permanent alliance with Russia, as the international strategic anchor to guarantee world peace and economic development for decades to come. This document—despite its spurious equation of Poland’s aspirations for national sovereignty with the secession of the Confederacy—speaks eloquently of the hope for a lasting Russian-American alliance:

“It seems quite doubtful, under these circumstances, whether we can possibly much longer maintain the position of proud isolation which Washington coveted. . . .

“The alliance of the Western Powers [Britain and France], maintained through the Crimean War and exemplified in the recognition of the Southern rebels by both powers conjointly—is in fact, if not in name, a hostile combination against the United States.

“What is our proper reply to this hostile combination? . . . Would it not be wise to meet the hostile alliance by an alliance with Russia? France and England united can do and dare much against Russia alone or the United States alone; but against Russia and the United States combined what could they do?

“The analogies between the American and Russian people have too often been described to need further explanation here. Russia, like the United States, is a nation of the future. Its capabilities are only just being developed. Its national destiny is barely shaped. Its very institutions are in their cradle, and have yet to be modeled to fit advancing civiliza-

tion and the spread of intelligence. Russia is in the agonies of a terrible transition: the Russian serfs like the American Negroes, are receiving their liberty; and the Russian boiars, like the Southern slaveowners, are mutinous at the loss of their property. When this great problem shall have been solved, and the Russian people shall consist of 100,000,000 intelligent, educated beings, it is possible that Russian institutions will have been welded by the force of civilization into a similarity with ours. At that period, the United States will probably also contain 100,000,000 educated, intelligent people. Two such peoples, firmly bound together by an alliance as well as by traditional sympathy and good feeling, what would be impossible? Certainly the least of the purposes which they could achieve would be to keep the peace of the world. . . .

“At the present time Russia and the United States occupy remarkably similar positions. A portion of the subjects of the Russian Empire, residing in Poland, have attempted to secede and set up an independent national existence, just as our Southern slaveowners have tried to secede from the Union and set up a slave Confederacy; and the Czar, like the government of the Union, has undertaken to put down the insurrection by force of arms. In that undertaking, which every government is bound to make under penalty of national suicide, Russia, like the United States has been thwarted and annoyed by the interference of France and England. The Czar, like Mr. Lincoln, nevertheless, perseveres in his purpose; and being perfectly in earnest and determined, has sent a fleet into our waters in order that, if war should occur, British and French commerce should not escape as cheaply as they did during the Crimean contest.

“An alliance between Russia and the United States at the present time would probably relieve both of us from all apprehensions of foreign interference. It is not likely it would involve either nation in war. On the contrary, it would probably be the best possible guarantee against war. It would be highly popular in both countries. . . .

“The reception given last week in this city to Admiral Lisovski [Lessovsky] and his officers will create more apprehension at the Tuilleries and at St. James than even the Parrott gun or the capture of the Atlanta. If it be followed up by diplomatic negotiations, with a view to an alliance with the Czar, it may prove an epoch of no mean importance in history.”

### The end of the entente

The fact that such a post-Civil War epoch of peace and development, based on a formal “superpowers” entente, did not materialize, requires no long-winded explanation. Lincoln’s assassination by a British conspiracy cost the United States Whigs the Executive. After Lincoln’s death, the White House and the cabinet fell under the sway of British agents of influence, sealing the fate of the entente.

A year and a day following Lincoln’s death, on April 16, 1866, the czar narrowly escaped assassination. This galva-

nized the American Whigs into action. The Republican congressional leadership drafted a resolution, which was overwhelmingly passed by Congress, authorizing the dispatch of a special envoy to Russia “to convey in person to His Imperial Majesty America’s good will and congratulations to the twenty millions of serfs upon the providential escape from danger of the Sovereign to whose head and heart they owe the blessings of their freedom.”

Assistant Secretary of the Navy Gustavus Vasa Fox was selected to head the mission. On Aug. 8, 1866, Fox, accompanied by Ambassador Clay, formally presented the joint resolution of the Congress to Alexander II, with Russian Foreign Minister Gorchakov standing in attendance. The American delegation went on a national tour, with entertainment, fireworks, and parades everywhere.

The U.S. delegation’s tour marked the postwar high-water mark of the entente. After late 1866, the cabinet of the Johnson administration, under Secretary of State Seward’s direction, successfully implemented a containment strategy against the Whig goals. The British consolidated their position in Canada, one step in reestablishing British imperial hegemony on a global scale. The consolidation included the murder of Alexander II at the hands of a British-deployed assassin in March 1881.

Humanity, then, came very close to securing the world for global industrial development, with a United States-Russian entente as its strategic core. The prospects for entente and the objective capability of a United States-Russian alliance to finish off the City of London exist today. We dare not fail a second time.

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# High court okays U.S. right to overseas kidnaping

by Leo F. Scanlon

On June 15, the U.S. Supreme Court ruled that the Executive Branch of the U.S. government may violate the sovereignty of foreign nations, abrogate treaties ratified by the U.S. Congress, and forcibly abduct foreign citizens who are indicted in U.S. courts. The 6-3 ruling in *U.S. v. Alvarez Machaín* (91-712) effectively renders null and void over 100 extradition treaties between the United States and other nations, and strikes a resounding blow against the rule of law in international affairs.

Writing in dissent from the majority, Justice John Paul Stevens concluded that "most courts throughout the civilized world will be deeply disturbed by the 'monstrous' decision the Court announces today. For every nation that has an interest in preserving the rule of law is affected, directly or indirectly, by a decision of this character."

Within hours of the decision, leaders of governments across Ibero-America and Europe expressed shock and amazement. In Sweden, Prime Minister Carl Bildt joined his visiting Chilean counterpart in identifying the ruling as "not acceptable." In Spain, where the entire judiciary spoke out in disgust, the Federation of Associations of Progressive Jurists branded the decision a "miserable" violation "of international law, the sovereignty of nations, and, above all, human dignity." The conservative Professional Association of the Magistracy found the ruling "surprising and strange, we know no precedent for it." A government spokesman said that the matter would be taken to the European Community for further consideration.

The reaction of the Mexican government was the clearest reminder of the brutal power politics which the United States is conducting. In response to the ruling, the Mexican government suspended the operations of all U.S. law enforcement

agencies active in that country, but reversed its position within 24 hours, and accepted the ruling as a *fait accompli*.

The Alvarez Machaín decision is the second major signal from the Court that it will not impede the implementation of the "Thornburgh Doctrine" as implemented by Attorney General William Barr. That doctrine asserts the extraterritorial jurisdiction of any U.S. law which the Executive Branch considers necessary for the conduct of U.S. foreign policy. The first decision supporting this imperialist theory came in the 1990 ruling in *U.S. v. Verdugo Urquidez*, (88-1353) in which the Court said that U.S. criminal law extends beyond U.S. borders but the protections of the U.S. Bill of Rights do not. The Court will rule soon on the matter of the abduction of Verdugo Urquidez as well, a decision which is expected to complete the overhaul of traditional extradition law.

Alvarez Machaín has not yet been tried, and this decision was a ruling on a pre-trial motion, which narrowly addressed the question of whether the abduction violated the terms of the extradition treaty with Mexico. Thus, the case will now go back to the California courts, which initially ruled the government actions illegal, and broader questions involving the violation of customary international law can be raised in future pre-trial motions or on appeal. In the interim, no sovereign nation dare underestimate the implications of this "monstrous" attack on the rule of law, or the desperate impulses of the Bush administration which crafted it.

Behind the arrogant bluster of the Court stand the reckless policies of an imperial bully intent on destabilizing the government of a smaller neighbor, in order to impose an economic system which will murder the citizens of both. The Mexican political system is scheduled to be battered by new rounds of corruption scandals which will flow from revelations elic-

ited during the trial, and opposition to this atrocity, or the North American Free Trade Agreement, is expected to take a back seat to survival during the coming storm.

### **Treaties mean what we want them to mean**

The legal issues in the Alvarez Machaín case stem from the kidnaping and murder of Drug Enforcement Administration (DEA) agent Enrique Camarena by Mexican drug dealers. The resulting conspiracy indictment charges 22 persons, including Dr. Humberto Alvarez Machaín, with participating in the crime. To date, seven of the 22 have been brought to court in California to stand trial on the charges, of whom three have been brought before the court by means of covert forcible abduction from a foreign country.

The Ninth Circuit Court of Appeals ruled, in *U.S. v. Caro Quintero* (the lead figure in the conspiracy which included Alvarez Machaín) that "it is axiomatic that the United States or Mexico violates its contracting partner's sovereignty, and the extradition treaty, when it unilaterally abducts a person from the territory of its contracting partner without the participation of or authorization from the contracting partner where the offended state registers an official protest."

Article Nine of the U.S.-Mexico Extradition Treaty specifies that if one partner refuses an extradition request by another, the case must be submitted to the courts of that party for prosecution. Mexico has tried and convicted and sentenced to very long jail terms those members of the conspiracy who have been apprehended. In addition, Mexico protested the kidnaping, demanded extradition of the kidnapers (some have been given asylum in the United States), and has prosecuted some of the kidnapers involved.

On the basis of these two points, the California District Court and the Ninth Circuit Court of Appeals ruled that the kidnaping violated the treaty, which had been duly invoked by Mexico, and therefore the United States had no jurisdiction to try Alvarez Machaín, who should be returned for trial in Mexico.

The Bush administration appealed this ruling, arguing that the Mexican government has no basis to protest since it knew that the United States considers abduction a legitimate act, and has only weakly protested in related cases. The administration contends that the Executive Branch is bound by the terms of the treaty only if it is invoked, and not when a unilateral action is taken outside the treaty. The U.S. Supreme Court agreed that "to imply from the terms of this treaty that it prohibits obtaining the presence of an individual by means outside of the procedures the treaty establishes requires a much larger inferential leap, with only the most general of international law principles to support it. The general principles cited by respondent simply fail to persuade us that we should imply in the United States-Mexico Extradition Treaty a term prohibiting international abductions."

The "general principles" so summarily dismissed include the fundamental premise, that the purpose of negotiating such

a treaty (which is self-executing, and is therefore the law of the land), is to bring order to such situations, and prevent escalating acts of retaliation. Stevens points out that the government's argument transforms every provision of the treaty "into little more than verbiage." Chief Justice William Rehnquist, the author of the opinion, admits that "Respondent and his *amici* may be correct that respondent's abduction was 'shocking' . . . and it may be a violation of general international law principles."

But such considerations are irrelevant, since the decision of whether to return Alvarez Machaín to Mexico is "a matter for the Executive Branch," and any contrary ruling would constitute an interference by the courts with the right of the Executive to conduct foreign policy. This point was emphasized by the U.S. State Department, which reiterated that the kidnaping was authorized at the highest levels of the U.S. government, and represented the consensus of an interagency group which reviewed all implications of the action.

The gap between the mind of Rehnquist and the authors of the Constitution is highlighted by a decision in an 1824 customs case, written by Justice Story, and quoted in Stevens's dissent. Story wrote: "*It would be monstrous* to suppose that our revenue officers were authorized to enter into foreign ports and territories, for the purpose of seizing vessels which had offended against our laws. It cannot be presumed that Congress would voluntarily justify such a clear violation of the laws of nations."

### **Corruption and vengeance as foreign policy**

Justice Stevens speculates in his dissent that the administration's bizarre logic is based on the desire to attain vengeance for the brutal murder of a U.S. agent, and cites Tom Paine's warning that an "avidity to punish is always dangerous to liberty" because it leads a nation "to stretch, to misinterpret, and to misapply even the best of laws."

The history of this case portrayed in the court documents is even worse: the war on drugs has become little more than the stage for political corruption, and is now debasing the law, as well as the law enforcement officers caught in this swamp.

Throughout the motions filed by the Bush administration in the case, it is noted that the Mexican government has been a silent partner in the sordid affair—by withholding protest in the kidnaping of Verdugo Urquidez, and others, for example. It is also stated that secret negotiations, conducted by the office of the Attorney General of Mexico and the DEA, were held to arrange for the swap of Alvarez Machaín for Isaac Naredo Moreno, a fugitive residing in the United States, who was wanted for stealing money from Mexican politicians.

The negotiations broke down when NBC News ran an inflammatory mini-series which alleged widespread corruption in the Mexican government. That charge will be the centerpiece of the trial of Alvarez Machaín, which will rock the Mexican system to its roots.

# Establishment media throw tantrum over LaRouche North Dakota victory

by Suzanne Rose

When Lyndon LaRouche won the Democratic presidential primary with over 7,000 votes in North Dakota on June 9, it placed before the voters for the first time a real alternative to the collapsing Bush and Clinton campaigns. The threat of an anti-establishment campaign with teeth beginning to emerge around LaRouche's policies, during the weeks before the Democratic convention, therefore sent the controllers of the establishment media scurrying to find any means to blunt the movement's impact.

Leading the pack, Associated Press attempted to cover up the LaRouche vote, falsely declaring Perot to be the winner. LaRouche was initially credited by AP and other media outlets as the top vote-getter in a field which, on the Democratic side, included Charles Wood, a Nevada-based businessman and populist; Tom Sheikman, a North Dakota comedian believed to be a stand-in for Governor Bill Clinton, whose name did not appear on the ballot; and the write-in candidacies of Clinton and Perot. The early versions of AP stories slanted coverage along the lines: "Perot Write-in Fizzles," while admitting LaRouche won by saying that "LaRouche Leads in Quirky, Meaningless Election." At 3:00 a.m., Cable News Network began lead coverage with "Bizarre Shocker: Convicted Felon LaRouche Wins Primary."

But by 4:00 a.m., AP had reversed its course. The new AP reports appeared, for example, in the Moline, Illinois *Daily Dispatch* on the afternoon of June 10, under the headline "Perot Wins in Write-in Contest," reporting on a supposed write-in duel between Clinton and Perot. Only buried at the end could one read that with 97% of the precincts counted, LaRouche led with 7,000 votes, with Perot in fourth place with 4,700 votes. By 7 a.m. on June 10, national network television news shows and papers such as *USA Today* followed AP in lockstep, by not even mentioning that there had been a North Dakota presidential primary. Only coverage outside of the United States drew attention to the LaRouche victory.

AP then brought in a second phase of the coverup. By the evening of June 10 it issued a new wire trumpeting a Perot write-in victory, crediting him with 5,000 more votes than had been reported previously. Papers which on June 10 had reported the story from AP wires saying "Perot Campaign Fizzles," reversed themselves on June 11, generally reporting that Perot had won with 8,900 votes, and omitting

any coverage of LaRouche.

By contrast, election officials contacted by EIR News Service at the Bismarck Board of Elections were completely ignorant of these Perot totals up through closing on June 12. One bemused board employee even asked a caller to fax her a copy of the AP wire story from the *Los Angeles Times*, which had reported the new Perot totals on the previous day. Election officials continued to be quoted, as, for example, in a UPI wire story datelined June 11, expecting a 10% write-in vote for Perot. At closing time on June 12, the State Board of Elections faxed out totals which continued to place LaRouche in the lead with 7,072 votes and Perot with 5,866 votes, with 800 out of 804 precincts reporting.

On June 12 LaRouche campaign spokeswoman Debra Freeman held a press conference at the National Press Club in Washington, D.C., and charged AP with dirty tricks and "fabricating" election results. She said AP's story of a Perot victory was strange, to say the least, after reports had come in from all over the state on election eve that Perot's write-in campaign had fizzled. AP reported the LaRouche campaign charges the next day. While sticking by their story, they reduced their totals for Perot by 500 votes.

## New write-ins for Perot 'discovered'

But on June 15, the Election Board employees told callers they had rechecked around the counties to verify the LaRouche-Perot Democratic totals, and had somehow discovered 3,000 more Perot votes from counties that had not previously reported. Even this current reading, however, is unofficial until the election is certified on June 24. LaRouche campaign chairman Mel Klenetsky said that it will be determined over the next week how these new write-in votes appeared. Since they were write-ins and the methodology for counting them is unclear (as to whether they should be considered Republican, Democrat, or independent), "there is plenty of room for hanky-panky."

The LaRouche victory was not unexpected. There has been long-standing support in North Dakota for LaRouche and his policies. In 1982, LaRouche supporter Anabelle Bourgois, running as an independent for the U.S. Senate, received more votes than any other independent since the 1930s, according to the *Grand Forks Herald*. In 1984, Bourgois, a dairy farmer, won 17% in her bid for governor in

the Democratic primary. LaRouche received 11.9% in the Democratic presidential primary, while Claire Blomquist, running on LaRouche's policies, garnered 35% for agricultural commissioner. In this most recent primary, LaRouche swept the rural counties and the Indian reservations.

Even though this month's primary election was a "beauty contest" having no effect on the delegate selection process, LaRouche campaign organizers had a strong sense that it was not business-as-usual in this state. The first indication was the fact that at their April 3-5 state convention, the Democratic Party selected 12 uncommitted delegates and only 3 for the party's choice, Clinton, out of their 15 delegates for the Democratic National Convention.

On June 3, John Ruby, a popular radio talk show personality on the NBC station KFVR, took a presidential preference poll, asking viewers to call in their choice: Bush, Clinton, or Perot. The poll did not mention LaRouche's name. The phone lines were jammed for several hours. The result was announced by Ruby when a caller called in to talk about LaRouche. Ruby said his listeners had selected Perot, LaRouche, and Bush, in that order.

In the days leading up to the election, LaRouche campaign organizers reported widespread recognition and support for his candidacy at cattle shows, auctions, agricultural fairs, and from labor, pro-life, and farm activists. Many

meetings were held with people who had been victims of judicial harassment, who recognized that LaRouche was a political prisoner for his opposition to establishment economic policies. As LaRouche said to the voters in his statement of thanks, which appeared on the front page of the *Grand Forks Herald*, the political establishment is "savagely cutting the production of food at a time of murderous worldwide shortages of food. This, of course, is the leading issue in North Dakota, and it expressed itself in the way it did in the results yesterday."

North Dakota is the leading producer of the high-protein durum wheat used in the production of pasta. Over the last decade, 500,000 people have been forced to leave the state, because government policy has collapsed the farm economy, forcing farmers off the land. According to one trade union leader, it is impossible to get a full-time job in the state. Since 1988, drought and free trade have had a detrimental effect on the state's economy. The U.S.-Canada Free Trade Agreement has allowed the dumping of Canadian wheat in North Dakota.

### 'Wild Bill' Langer's heritage

Political activists in the state have been regularly railroaded into prison. "Wild Bill" Langer, who was governor in the 1930s and U.S. senator in the 1940s and '50s, survived a

## LaRouche candidates win in California

Candidates identified with the political and economic program of political prisoner Lyndon H. LaRouche racked up some important victories in local and state California elections June 2, demonstrating LaRouche's growing appeal to the electorate, even though his own vote total was kept to 1% in the Democratic presidential primary.

Alice Robb won the Democratic primary for the California State Legislature in the 65th Assembly District. Mrs. Robb took 60% of the vote, devastating her establishment-endorsed opponent Ray Strait, who reportedly spent tens of thousands of dollars trying to defeat her.

Mrs. Robb, a 75-year-old retired teacher from Yucca Valley, is a longtime LaRouche activist and supporter who made her ties to LaRouche the leading edge of her campaign. "First and last I am a LaRouche supporter. My campaign is his campaign," she would say to everyone. A veteran of many campaigns, she had been previously elected to the Lucerne Valley School Board and currently sits on the San Bernardino Democratic County Central Committee.

Mrs. Robb made water development a major issue of her campaign, calling for rapid implementation of the North America Water and Power Alliance (Nawapa) project as the antidote to state's worsening water shortage. She will face off against two-term Republican incumbent Paul Woodruff in the November general election.

LaRouche candidates also did well in other races. Elliot Graham won the primary in the 43rd State Assembly District. In that same district, LaRouche activists won five of the seven seats on the Democratic County Central Committee. Fifteen other LaRouche supporters were elected to the Democratic County Central Committee positions elsewhere in the state.

In other State Assembly races, Andrea Ingraham was given 40% of the vote, in what was probably the most media-covered campaign of the LaRouche slate, while Don Tirey garnered a surprising 30% in San Jose against incumbent John Vasconcellos, who was considered unsailable.

Other significant results included George Hanna with 30% for State Senate in Orange County; Scott Gaulke with 16% in the 29th Congressional District against incumbent Henry Waxman; and Art Dunn with 14% running against Rep. Leon Panetta, chairman of the House Budget Committee.

number of attempts by his political enemies to railroad him out of office, beginning with three conspiracy trials in the 1930s. Langer won the Republican nomination for governor in 1934, after having been convicted of charges which were later overturned, even though most of the press labeled him a "convicted felon." He hated the eastern establishment, the British and their banks, and the Minneapolis Grain Exchange. Langer's hatred of the British was so strong, that when Winston Churchill came to visit the United States in 1952, Senator Langer called up North Church in Boston and told them to light two lanterns in the belfry.

Earlier in his career, Langer assisted North Dakota's Non-partisan League to set up the State Bank of North Dakota. The Bank of North Dakota was established by an act of the North Dakota Legislature in 1919 to serve agriculture and industry in the state. It was overseen by the State Industrial Commission, which included the governor, the agricultural commissioner, the attorney general, and the president of the bank. The state's tax dollars were deposited in the bank, and the funds were used exclusively to finance industry and agriculture in the state. Its records were open to the public. Langer also set up a state-run mill and grain elevator in Grand Forks to protect farmers from the looting of the establishment speculators.

### **The ADL-controlled opposition**

Opposition to LaRouche's policies in the state has been concentrated in the farm networks associated with the grain cartel-funded Anti-Defamation League (ADL), such as current North Dakota Agriculture Commissioner Sara Vogel. In 1983, during the height of the farm crisis when thousands of farmers, bankrupted by the high interest-rate policy of Paul Volcker, were being forced off the land—the Anti-Defamation League started a campaign to rid the farm belt of political resistance. They established captive farm groups like the Iowa-based Prairiefire, under the direction of ADL asset Dan Levitas, which would steer farmers into impotent forms of resistance.

On Feb. 13, 1983, U.S. marshals under the control of the ADL attempted to gun down farm activist Gordon Kahl, and instead were killed by Kahl. The countryside was terrorized while Kahl was hunted down and killed. ADL networks attempted to use this incident to purge the state of "political extremism." Out of this incident, the myth was fostered: "If you try to oppose the banks, you'll get the Kahl treatment." James Corcoran, an ADL-linked journalist, wrote the book *Bitter Harvest*, about the Kahl incident, in which he profiled the "right-wing" farmer who protests the two government agencies most oppressing farmers—the IRS and the Federal Reserve—as a terrorist.

An NBC movie based on the book but entitled "Manhunt in North Dakota," was aired during prime time the evening before the primary. It was a clear message from the media to voters that if they broke with the establishment choices in the primary, the only alternative would be violence and anarchy. As the election results show, their plan backfired.

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## **Books**

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# **None dare call it Christian**

by Leif O. Johnson

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## **None Dare Call It Treason . . . 25 Years Later**

by John A. Stormer  
Liberty Bell Press, Florissant, Mo., 1992  
625 pages, paperbound, \$5.95

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*None Dare Call It Treason* is one of the most famous among the wave of anti-Communist books written to put Barry Goldwater in the White House in 1964. Seven million copies were distributed; Stormer, then the head of the Missouri Young Republicans, member of the Missouri GOP Central Committee, and superintendent of a Christian school, became a well-known spokesman for the right-wing circles around the John Birch Society. I had my first impression of John Stormer two years ago, when I was campaigning against Satanism at a LaRouche literature table. I encountered Brad Hicks, the number-two Satanist in the St. Louis area and one of the persons I was battling.

Since it is rare these days that one meets one's adversary face to face, I took the opportunity to talk with Hicks. We discussed the nature of man, God, and Satan, and I finally asked Hicks how he became a Satanist.

"Because I was a student all the way through high school at John Stormer's Christian Academy," he replied. As my eyebrows rose, Hicks continued: "Stormer always taught that Satan rules the world, and I believed him. I'm not a hypocrite, I practice what I believe."

I never saw Hicks again, but his words struck me. If Stormer, the 10-year head of the Missouri Association of Christian Schools, was teaching his students that Satan rules the world, was he teaching them that man is essentially evil? That would mean that God's crowning creation is a being by nature incapable of doing battle with Satan, or indeed, heeding the commandment to go forth, multiply and subdue the earth.



## Stormer's idea of treason

Stormer's new paperback *None Dare Call It Treason . . . 25 Years Later*, throws light on the question. The book is a reprint of the original, with an equally long addendum containing a chapter entitled, "Why Do Our Leaders Betray Us?" Here Stormer asks why organizations like the Trilateral Commission and Council on Foreign Relations are "soft on communism." The reason, he says, is because they "share the same foundational philosophy and beliefs" with the communists. "It is a 'conspiracy of shared values,'" Stormer declares. And how does Stormer identify the philosophy that he claims has undermined the republic? He says the problem is that U.S. leaders share with the communists a belief in "the basic goodness of and eventual perfectability of man."

That is an astounding statement. Karl Marx, like his British liberal preceptors and today's U.S. elite, believed that man is a talking beast. Communism, like all totalitarianism, substitutes "correctness" in service to rulers, for any spiritual notion of "goodness."

Who *does* believe in the "basic goodness" of mankind? The foremost creed (there are others) is traditional Christianity, which affirms that God is good, and God out of His goodness created man in His image, endowing man with creative reason and with the ability to govern his actions through love of his fellow men and the Creator. To deny man's "basic goodness" is not simply to say that man's lower instincts give him a tendency to sin which free will must combat. It is to approach the Manichean belief that an evil power with status equal to God created earthly mortals; it is certainly not Christian!

Stormer tells us that in 1965, he finally found an emotional meaning for the words, "Christ died for our sins" and asked God for forgiveness "*on the basis that I believed that Jesus Christ—God in the flesh—had already taken all my punishment*" (emphasis in original). Christ "died as my substitute on the Cross." Yet Stormer still insists after this experience, that the reason for our national woes is that "Man, by nature, is in rebellion against God." Apparently Christ was crucified to save John Stormer from discomfort, but He is no Redeemer. There exists no New Dispensation in which the Christian can imitate Christ in pursuit of His injunction, "Be ye perfect, even as your Father is perfect." Stormer gets a ticket to Heaven, but man's inner being is the same old lump of evil.

Perhaps to prove the case that Stormer's "accepting Christ" has nothing to do with redemption, the new section of this book continues the bitter, vengeful, humorless diatribe of the first section, written 25 years ago. Persons and institutions are indiscriminately tarred as "Reds." Out-of-context quotes, fallacies of composition, sheer falsehoods, bespeak a pathological disregard for truth. The grand villain on the scene is still Gus Hall, who is influencing the U.S. Catholic Bishops and the rejection of Robert Bork for the Supreme Court. The heroes are Oliver North, George Bush, J. Edgar Hoover, and the late Joe McCarthy.

## Don't dare mention drug-dealing

One omission stands out. In all Stormer's enumerations of communist subversion in American churches, schools, businesses, unions, government and media, he never mentions the dope trade, the most effective destroyer of our nation. In Stormer's view, for example, Castro's crime is that he is a "self-proclaimed communist." Hardly news. Stormer never identifies Castro's control of a large share of U.S.-bound drug trafficking through the Anti-Defamation League-linked mobster Robert Vesco, who lives and deals in Castro's Havana. In his grand list of Red maneuvers, Stormer is silent about KGB and Communist Chinese narcotics warfare against the West. Much less does he take on the International Monetary Fund and World Bank, which order indebted Third World governments to expand their drug revenues, or the Bush administration's active promotion of the Maoist narco-terrorist takeover of South America.

And what about the staggering evidence that Oliver North and his erstwhile boss, George Bush, financed much of the Contra operation by aiding the Medellín Cartel's drug trafficking into the United States? North and the Contras are "anti-communists." Crimes committed by anti-communists are, of course, necessary heroics in defense of liberty against godless communism. Since the crimes weren't crimes, those who protest them are therefore communists, dupes, fellow-travelers, humanists, and liberals.

Stormer's solution to the crisis in America is: first, Darwinian "free enterprise" in which the unfit perish; and second, police-state inquisitions to guarantee "internal security" against the omnipresent Gus Hall and against people who make trouble for Colonel North. This would be done on behalf of freedom, patriotism, and, of course, "Christianity."

Was Brad Hicks telling the truth about John Stormer?

In this review, I wanted to make one simple point. But I should add that a profound and extensive treatment of the beliefs which communism and the U.S. oligarchy have in common, is found in *The Science of Christian Economy and Other Prison Writings*, by Lyndon H. LaRouche, Jr.

## Books Received

**Ecocide in the U.S.S.R., Health and Nature under Siege**, by Murray Feshbach and Alfred Friendly, Jr., Basic Books, New York, 1992, 376 pages, hardbound, \$24.

**The Third Wave, Democratization in the Late 20th Century**, by Samuel P. Huntington, University of Oklahoma Press, Norman, Okla., 1991, 366 pages, hardbound, \$24.95.

# Southern Baptists set anti-masonic probe

by Anton Chaitkin

The Southern Baptist Convention (SBC) voted on June 10 to investigate Freemasonry in all forms, and to prepare a report on whether Masonry is compatible with Christianity. The SBC annual meeting, representing 15 million church-goers, voted overwhelmingly for the resolution introduced by Dr. James L. Holly, M.D., of Beaumont, Texas.

Dr. Holly's presentation was reportedly greeted by "thunderous" applause. His call to create a special new committee to study the problem was countered by a bureaucratic maneuver, in which an amendment was immediately passed without discussion being allowed. By the amendment, the question was referred instead to the existing cult-investigating committee of the SBC's Home Mission Board. Though that committee had already squelched previous proposals to investigate Masonry, Holly told *EIR* that the Home Mission Board now has a mandate from the whole denomination. "We will keep on top of them," Holly said. "They will have to make a judgment."

The approved resolution reads as follows:

"The Southern Baptist Convention in annual session June 9-11, 1992 at Indianapolis, Indiana, directs the Interfaith Witness Department of the Home Mission Board to study the compatibility with Christianity and Southern Baptist doctrine of the organization known variously as the Masonic Lodge, Masonry, Freemasonry, and/or Ancient and Accepted Rite of Freemasonry. The study is to encompass any and all branches and or lodges thereof. Furthermore, the convention charges the Home Mission Board with the responsibility of bringing a report with recommendation to the Convention which is to meet in Houston, Texas, June, 1993."

## Warning against racist secret societies

The SBC also adopted a companion resolution against secret societies, which reads in part: "we . . . call upon all Christians to . . . [avoid] any association which conflicts with clear Biblical teaching, including those teachings concerning the taking of oaths, the secrecy of activities, mystical knowledge, or racial discrimination. . . ."

Dr. Holly told *EIR* that this resolution was aimed at the historical affiliation of Freemasonry with the Ku Klux Klan.

The masonic order is a pillar of the reigning Anglo-Amer-

ican establishment, and the broader implications of the Baptists' anti-masonic initiative have been noticed by nervous Freemasons, pro-masonic church officials, and national news media. The June 1992 issue of *Virginia Masonic Herald*, internal publication of the Grand Lodge of Virginia, tried to reassure its members with an article headlined "Baptist Group Declines Probe of Freemasonry." But this masonic "victory" referred only to the fact that the Home Mission Board turned down previous requests to investigate Masonry, and the *Herald* conceded that the issue was now to be considered by the full convention in Indianapolis. The article excerpted a non-approved 1985 SBC resolution, calling Masonry a "spiritually devastating and ungodly brotherhood of satanic darkness." The *Herald* quoted Rev. Johnny Jackson of Little Rock, Arkansas, former chairman of the SBC's Home Mission Board, warning of "divisiveness" caused by those who are "extremist or militant" on the masonic issue.

As Dr. Holly circulated thousands of anti-masonic pamphlets to Baptist leaders throughout the nation, some Baptists may have tried to make the church appear publicly lined up with Masonry. The Indiana state section of the SBC conducted a door-to-door mass recruitment drive in the days leading up to the national meeting, culminating in an evangelization rally on June 6. The rally was held at the Freemasonic Murat Temple in Indianapolis, the country's largest Shriners temple.

## Controversy before meeting

The Associated Press ran a national wire story on the controversy leading into the Indianapolis meeting. AP quoted Robert C. Singer, grand secretary of the masonic Grand Lodge of New York, saying that the opposition to Masonry is "based on misunderstanding," conceding that there are "certain religious overtones in ritual work," and pointing out that 14 U.S. Presidents have been Masons.

At least three other Protestant denominations, the Lutheran Church-Missouri Synod, the Assemblies of God, and the small Presbyterian Church in America, oppose masonic membership. The Roman Catholic Church recently reaffirmed its longtime ban on Freemasonry, calling such membership "a serious sin." With the Southern Baptist Convention's initiative, denominations encompassing a majority of U.S. Christians now have taken steps to oppose Freemasonry.

Perhaps most dangerous to the masonic order is the SBC's reference to "racial discrimination." Many African-Americans are members of the separate black freemasonic structure, which had some ties to the early 19th-century anti-slavery struggle and a vague association with the modern civil rights movement. But if the brutal truth of Masonry's central role in creating and sustaining the Ku Klux Klan were to be widely discussed, America's racial minorities might look with increased hostility upon the masonic order as a whole.

# Al-Kassar arrest revives scandal of Bush role in Lockerbie coverup

by Jeffrey Steinberg

Just when George Bush thought that he had forever buried the Lockerbie scandal, authorities in Spain early in June nabbed fugitive narco-terrorist Mansur Al-Kassar. As a result, one of the President's worst fears may have been revived.

Al-Kassar, a Syrian national with ties to the regime of Hafez Assad in Damascus, had been accused in 1989 of masterminding the Dec. 21, 1988 bombing of Pan American Airlines Flight 103 over Lockerbie, Scotland, in which 270 people perished.

At the time of the Lockerbie tragedy, Al-Kassar had been secretly employed by the U.S. government as the so-called "second channel" negotiating the release of American hostages held in Beirut, Lebanon. Al-Kassar had, according to congressional testimony, received an estimated \$2.5 million from Oliver North's secret Iran-Contra Swiss bank accounts for his role in providing Soviet-made weapons to the Nicaraguan Contra rebels. Al-Kassar's ties to the Reagan and Bush administrations apparently continued long after the Iran-Contra scandal was exposed and North, Adm. John Poindexter, and others were booted out of the government.

According to a report prepared by former Israeli intelligence officer Juval Aviv, Al-Kassar was still working with a CIA team in Frankfurt, Germany in the autumn of 1988, when he agreed to help Syrian-sponsored terrorist Ahmed Jibril, the head of the Popular Front for the Liberation of Palestine—General Command, plant the bomb on board Flight 103. According to the Aviv study, Al-Kassar had infiltrated several members of his Bekaa Valley heroin-smuggling ring onto the baggage handling crew at Frankfurt airport, and they had been able to bypass Pan Am security to plant the bomb on the plane, using the same *modus operandi* by which they were regularly smuggling heroin into the United States.

After U.S. Rep. James Traficant (D-Ohio) released sections of the Aviv report, Bush administration officials adamantly denied the charges. A House Government Operations subcommittee held hearings last year probing allegations that the Drug Enforcement Administration (DEA) had been using one of Al-Kassar's drug couriers as an informant and may have inadvertently abetted the planting of the bomb on Flight 103 by sanctioning a "controlled delivery" of heroin through

Frankfurt airport for which the bomb was then substituted.

Despite DEA public denials, well-placed DEA sources have told *EIR* that the agency's Paris office was aware of the links to the Al-Kassar smuggling ring and had vehemently protested to headquarters. Paris DEA also apparently obtained evidence that CIA personnel had tipped off associates of Al-Kassar of his imminent arrest should he return to Paris. That warning was delivered in January 1989, within weeks after the Lockerbie bombing.

Furthermore, the West German federal police agency BKA revealed in 1990 that it had evidence that Al-Kassar was indeed in Frankfurt throughout much of December 1988, and that Al-Kassar had sold explosives at that time to members of the Baader-Meinhof Red Army Faction terrorists that were later used in the assassination of Germany's top banker, Alfred Herrhausen. Herrhausen, the chairman of Deutsche Bank and an important adviser to Chancellor Helmut Kohl, was killed in November 1989 by a bomb.

*Time* magazine devoted its April 27 cover story to "The Untold Story of Pan Am 103." The article, by senior *Time*-Life correspondent Roy Rowan, revived the Aviv allegations about Al-Kassar's role in the Lockerbie massacre, and pointed to the Syrian's collusion with the Frankfurt-based CIA team. Rowan went beyond the initial Aviv report and published new details:

- In January 1990, Pan Am attorney James Shaughnessy, Aviv, and a former U.S. Army polygraphist traveled to Frankfurt to administer lie detector tests to two Pan Am baggage handlers, Kilin Caslan Tuzcu and Roland O'Neill. Both men were on duty the day Flight 103 blew up. According to testimony given by the polygraphist to a Washington, D.C. federal grand jury, both men flunked the tests. The specific areas in which he said the two men were most clearly lying dealt with the switching of bags and the planting of the bomb aboard Flight 103.

- After Pan Am arranged to have Tuzcu and O'Neill travel from Frankfurt to London on a pretext of company business, British authorities refused to detain or arrest the men, claiming that they viewed them as "scapegoats."

This bizarre behavior of the British authorities lent credence to charges first published by syndicated columnist Jack Anderson in 1990 that President Bush and then-British Prime

Minister Margaret Thatcher had secretly agreed in April 1989 to bury the truth about Syria's role in the Lockerbie tragedy because it would politically blow up in their faces.

### **Government interference in federal court?**

When the *Time* magazine story hit the newsstands, Thomas C. Platt, the chief judge of the U.S. District Court for the Eastern District of New York, was furious. Platt is presiding over a complex civil suit captioned *In Re Air Disaster At Lockerbie, Scotland on December 21, 1988*. The primary action involves a suit by relatives of the victims of the Pan Am Flight 103 bombing, who are suing the airline for millions of dollars, claiming that the airline was responsible for the bomb getting on board because of seriously flawed security procedures. Pan Am in turn is suing the U.S. government, claiming that the CIA and other agencies had been complicit in the bomb plot.

Initially, Judge Platt had gone along with Pan Am discovery requests against a number of U.S. government agencies, including the CIA, DEA, Defense Intelligence Agency, National Security Agency, and the State Department. However, after a series of highly irregular *in camera* briefings from government officials, the contents of which neither Platt nor the government is willing to disclose, Platt reversed every one of his discovery orders and effectively foreclosed Pan Am's ability to pursue the Al-Kassar and related issues.

In a motion filed with Judge Platt on March 28, Shaughnessy detailed the court's action: "The court noted that the government had approached the court *ex parte* and had suggested that, instead of submitting the documents for the court's review, the government simply provide a series of *ex parte* briefings to the court. The court also recounted in the order that the court had accepted the government's *ex parte* proposal and, in fact, had received *ex parte* briefings from the government on undisclosed dates by undisclosed government employees concerning undisclosed subjects. Based on those *ex parte* briefings, the court quashed the subpoenas defendants had served on the federal government agencies."

When the *Time* magazine story was published, the Lockerbie case had just gone to trial. According to sources close to the case, Judge Platt considered fining Pan Am several million dollars, based on his suspicion that the *Time* story had been arranged by Pan Am executives in order to influence the jury.

The case against Pan Am is now in the final stages of trial. Regardless of the outcome of the primary suit by the families against Pan Am, it seems unlikely that Judge Platt will permit any evidence to surface that might jeopardize the Bush administration coverup.

### **Protection may have been lifted**

Despite the widespread allegations about his role in the Lockerbie massacre, and despite standing Interpol alerts and arrest warrants in several countries, Al-Kassar had enjoyed

a charmed existence for the last four years. He traveled back and forth between Damascus, and his villa in Marbella, Spain. Not even the fact that Spanish police photographed Al-Kassar meeting with Medellín cocaine cartel kingpin Pablo Escobar Gaviria (and Siris Assad, the son of Syria's powerful vice president, Rifaat Assad) deterred his travels.

Al-Kassar's troubles ostensibly began after the bombing of the Israeli Embassy in Buenos Aires, Argentina in March, when his name surfaced in newspaper accounts as a possible suspect in the bombing that left several people dead and scores injured. More recently, the Buenos Aires daily *Página 12* published photos of Al-Kassar in Damascus wining and dining Argentine Ambassador Munir Menem. Munir Menem is the brother of President Carlos Menem. The Menem family originated in the same Syrian village as the Al-Kassar family. When word leaked out that arrangements had been made to grant Al-Kassar and a number of his associates Argentine citizenship and Argentine passports, all hell broke loose.

In mid-June, Argentine magistrate Efraín Rosales Saadi, the man who granted the passports to Al-Kassar and his friends, was found dead, according to an Argentine source in Europe. If the report is accurate, his death occurred less than a week after Al-Kassar's arrest in Madrid. Al-Kassar was taken into custody on an arrest warrant from another Argentine judge, charging the Syrian with obtaining false Argentine documents.

According to an Israeli source, following Al-Kassar's arrest, Spanish authorities searched his Marbella home and discovered a safe filled with diaries and business papers. The Israeli source reports that Al-Kassar is now spilling his guts to the Spanish police about his work for the Reagan and Bush administrations, the secret dealings between Washington and Damascus, and the bombing of Pan Am Flight 103, including his personal role in developing the cover story that Libyan intelligence, acting on its own, had blown up the plane.

Juval Aviv, the New York City-based private investigator who conducted the initial investigation for Pan Am, is circumspect about where the Lockerbie probe will go from here: "The *Time* magazine story has fortunately put things back in perspective, and the arrest of Mr. Al-Kassar could lead to a real breakthrough in the case. I still stand by my original investigative report. I have no doubt that the Syrians were deeply involved in the Lockerbie bombing, as were the Iranians and elements of Libyan intelligence. In my initial investigation, I developed evidence of a kind of 'Terror, Inc.' engaged in both narcotics smuggling and terrorism for hire, running out of the Middle East into Europe. I cited the involvement of Libya in the Pan Am plot and I even referenced Mr. Al-Kassar's links to Tripoli.

"I was deeply disturbed last year when the U.S. Department of Justice indicted the two Libyans and left the world with the impression that Syria and Iran were blameless. Now, perhaps, in spite of that action and in spite of the events in federal district court in Brooklyn, the full story will come out."

## Jesse's way to 'rebuild America'

*Jesse Jackson is threatening to mobilize a youth rebellion behind Felix Rohatyn's pension grab scheme.*

While other news media coverage of Jesse Jackson's June 12-14 National Leadership Summit has focused on presidential candidate William Clinton's choreographed critique of one of the rappers on Jackson's program, public attention should rather be paid to Jackson's promotion of the "Rebuild America" plan drafted for his Rainbow Coalition, and presented to the "summit" by Wall Street investment banker Felix Rohatyn.

Jackson called upon the 200 summit participants to gather at a point mid-way between the Los Angeles riots and the July Democratic National Convention, in order to take advantage of the "arithmetic" of a three-way presidential race to mobilize for action regarding the conditions that led to the Los Angeles disturbances.

Jackson invited Lazard Frères partner Rohatyn, who otherwise has received attention recently due to his 30-year business association with populist billionaire H. Ross Perot, to present the coalition's plan of action to the summit. Rohatyn's plan is to have Congress establish an American Development Bank, which will invest \$500 billion during the next five years and over \$1 trillion within 10-15 years into infrastructure.

Details, such as what infrastructure projects are to be built, and how the financing will work, are hazy. Rohatyn said that an additional 5¢ per gallon gasoline tax, to be added every year for the next 10 years, would both provide investment capital and retire other bonds issued to finance the scheme.

What Rohatyn made absolutely

clear—and Jackson emphatically endorsed—is that the leading purchasers of the bonds, at a level of over \$300 billion, are to be employee pension funds, rather than banks or other private capital sources.

With him at the speakers' table was New York City Finance Commissioner Carol O'Cleireace, who made it to the big time with Rohatyn a decade and a half ago, when, as trustee for the pension fund of New York District Council 37 of the American Federation of State, County, and Municipal Employees, she channeled funds in her trust into Rohatyn's Municipal Assistance Corporation's ("Big MAC") accounts. "There is a big line," she stressed, "between what we want to do . . . and the rape and pillage of . . . employees' pension funds." Rohatyn repeatedly assured the group that these would not be "junk bonds," of the type that his Wall Street cronies had sold to pension funds throughout the 1980s, but would be "investment-grade fiduciary instruments."

After the Rohatyn panel presentation, Jesse Jackson personally grabbed the floor microphone to monopolize the "audience" question period. "Mr. Rohatyn has mentioned a figure of \$500 billion," he said, "I'm interested in that figure," and lied that no presidential candidate had proposed investment in infrastructure on that scale. He emphasized that he, Rohatyn, and O'Cleireace had extensively discussed the plan "to get the pension funds," and had prepared to jointly present it to this summit. He

then asked panelists House Majority Leader Richard Gephardt (D-Mo.) and Senate Banking Committee Chairman Don Riegle (D-Mich.) to explain how they would enact the Rohatyn plan, warning, "Slavemasters didn't end slavery, the slaves have to end it. . . . If Congress is too paralyzed . . . we're going to have to take it to an electronic town meeting." In his prepared luncheon address following this panel, Jackson threatened that there would be "massive direct action by young America, this fall," led by what he called "the rappers and the hip-hoppers." Gephardt and Riegle pledged to draw up legislation and try to get it through Congress. Rohatyn assured the support of the business community and O'Cleireace agreed that labor leaders would agree.

When this reporter asked Jackson why he didn't mention Lyndon LaRouche, the winner of the North Dakota Democratic presidential primary, who had proposed massive infrastructure investment without robbing pension funds, he asked, "Did he win?" and denied that the plan was robbery.

That afternoon, Mayors David Dinkins of New York City, Raymond Flynn of Boston, Elihu Harris of Oakland, California, and Cardell Cooper of East Orange, New Jersey told the group that the level of their support for any presidential candidate would depend on that candidate's endorsement of "The United States Conference of Mayors' 1992 Emergency Jobs and Anti-Recessionary Initiatives," consisting of proposals for funding public works and jobs out of monies cut from the defense budget. Harris and Cooper told this reporter, as did Rep. Kweisi Mfume (D-Md.), who also addressed the group, that they spoke for themselves, but had nothing to do with the Rohatyn pension fund scheme.

## Republicans move to change 12th amendment

With the still-unannounced independent presidential candidacy of Texas billionaire H. Ross Perot looming on the horizon, Sen. Slade Gorton (R-Wash.) and some of his Republican colleagues have introduced a constitutional amendment which would provide for a run-off election for President and vice president of the United States if no candidate received a majority of votes in the Electoral College.

The bill would annul the present Twelfth Amendment to the Constitution, which says that in the case where no candidate has a clear majority in the Electoral College, the House would choose the President from among the three candidates receiving the most electoral votes, while the Senate would choose the vice president from among the top two vice presidential candidates. Each state would have one vote.

According to the Gorton proposal, the chief justice of the Supreme Court would decide if there were no clear majority in the Electoral College and call for a run-off between the two candidates with the most votes. This would be followed by another general election and another vote in the Electoral College. If there were a tie vote in the Electoral College, the chief justice would cast the tie-breaking vote.

Gorton indicated that "the primary purpose of his proposed amendment is to preclude the election of the President and vice president by Congress." One of the prime backers of the Gorton amendment has been Sen. Mitch McConnell (R-Ky.), an ardent advocate of more restrictive federal campaign financing, explicitly in order to attempt to cripple the campaigns of "outsiders" like Democratic presidential candidate Lyndon LaRouche.

Campaign operatives for Perot have already begun asking candidates for the House to consider publicly committing themselves to supporting the winner of the popular vote in their districts, rather than giving their vote to the candidate of their particular party.

## House committee approves aid to CIS

The House Foreign Affairs Committee approved on June 10 the bill submitted by the White House authorizing aid for the nations of the Community of Independent States. The committee decided quickly on the issue, bypassing the usual subcommittee hearings. Both the Democratic and the Republican leadership were anxious to make some progress in approving the measure for Russian President Boris Yeltsin's visit to Washington which began on June 16.

Embedded in the legislation is a \$12 billion quota increase in funds for the International Monetary Fund (IMF). President Bush had asked Congress in April to pass the bill in time for the Bush-Yeltsin meeting, but foot-dragging on foreign aid issues was exacerbated this year by election year considerations, and it has been clear for some time that that schedule would not be met.

The IMF quota increase, in particular, will be a major bone of contention, with longstanding opponents to the IMF not likely to be appeased by simply mixing it with aid to Russia.

Several amendments were adopted in the committee mark-up, but none are considered an obstacle to passage of the legislation. Committee chairman Dante Fascell (D-Fla.) warned against any attempts to sabo-

tage the legislation by the addition of "killer amendments." Rep. William Broomfield (R-Mich.), the ranking Republican on the committee, characterized the aid bill as "probably the most important foreign policy question we will face this year."

As yet, there is no agreement in the House leadership on when the bill will be taken up in full session. Similar legislation has also been introduced in the Senate, but this also has not been scheduled for floor debate.

## NAFTA faces growing opposition

A number of amendments recently introduced in both houses of Congress pose a serious threat to the passage of the North American Free Trade Agreement (NAFTA) with Mexico.

Rep. Henry Waxman (D-Calif.) and House Majority Leader Richard Gephardt (D-Mo.) have gathered 200 signatures on a resolution which warns that they will not support a NAFTA agreement without strong environmental or food safety provisions. Fifty-seven of the signatories had previously voted for giving the President a "fast track" negotiating authority on NAFTA but, with growing popular opposition to the treaty, are now reassessing their support.

Similarly in the Senate, Sen. Donald Riegle (D-Mich.), long critical of NAFTA, has introduced a resolution which would allow Congress to amend the agreement in five areas: 1) monitoring and enforcement of fair labor standards; 2) monitoring and enforcement of environmental standards; 3) establishment of a fair rule of origin (North American content is required for a product to enjoy preferential tariff status under the agree-

ment); 4) clearly established arrangements for dispute settlement; and 5) adjustment assistance for displaced U.S. workers.

Although the "fast track" authority given to the President would allow no amendments by the Congress after the treaty is negotiated (an unconstitutional move), the Riegle amendment would allow Congress to amend the treaty in the designated areas. One lobbyist commented that if the Riegle resolution passed, "we might as well kiss NAFTA goodbye."

## **B**rown pinpoints need for productivity rise

The American Technology and Competitiveness Act introduced on May 21 by Rep. George Brown (D-Calif.), chairman of the House Science, Space, and Technology Committee, calls for a "pro-growth investment package."

The bill addresses not only manufacturing technologies and R&D, but also changes in the tax code to promote investment and capital formation, education and training, and a permanent R&D tax credit.

The goal, Brown said, is to "accrue a 'critical mass' of investment in our high-technology and manufacturing base. . . . This investment then becomes the driver for increased productivity."

In a speech before the Small Business Innovation Research Conference in Bethesda, Maryland on June 4, Brown dismissed the claim that there had been a strong rate of growth during the Reagan years, pointing out that there has been a "grinding national economic decline" which has continued for two decades." The best "single measure of national wealth and eco-

nomie growth," said Brown, "is the rate at which productivity grows."

## **E**nergy bill: no power for the U.S. economy

The Comprehensive National Energy Policy Act, passed in the House on May 27 by a vote of 381-37, does not provide any solution to the country's growing energy crisis. The combination of wasteful environmental and conservation measures, combined with provisions for the deregulation of critical energy industries, dwarfs any small positive steps the bill might include for nuclear energy, or anything else. The legislation reflects the hated National Energy Strategy, produced by the Department of Energy in the second year of the Bush administration.

Because of the predominance of the free market ideology among the so-called conservatives in Washington, the legislation includes further measures to deregulate energy production. The large companies which built and paid for the electricity transmission system in this country, will now have to make it available to small non-utility producers. The utilities have warned that this could increase instabilities in the electricity system, and possibly cause interruptions of service.

The oil industry, which in terms of exploration and new drilling is almost shut down, has been blocked from exploiting reserves off the continental shelf, and could be forced to sell back offshore leases already obtained for drilling.

Through a provision of the energy bill, the Nuclear Regulatory Commission could issue a one-step construction and operating license for nuclear

power plants which would reduce the amount of time and money utilities have to spend battling judicial impediments placed in their way by the environmentalist lobby.

## **P**ressure builds for use of force in Balkans

More voices are being raised in the Congress calling on the United States to lead a U.N. or NATO military operation in Yugoslavia. Most prominent of these has been Sen. Richard Lugar (R-Ind.), who, at a press conference on June 10, said that the mere threat of military force was "not credible." Lugar called for the U.S. to lead a military operation to ensure "stern enforcement of a cease-fire in Yugoslavia, before it's too late."

Lugar, playing to any lingering "nostalgia" over Desert Storm and Operation Provide Comfort (the military operation to bring supplies to the Kurds), called for an "assertion of leadership" on the part of the Bush administration, which, he lamented, was avoiding issues of foreign policy in the midst of a presidential campaign which has predominantly focused on the domestic situation.

Lugar said his statement had not been coordinated with the White House.

Sen. Joseph Biden (D-Del.), chairman of the Senate Foreign Relations Committee, held hearings on June 11 on the situation in Yugoslavia. Lugar indicated that Biden was preparing a resolution calling for military intervention, but as yet Biden has not submitted any proposal.

For the moment, military intervention is still at the level of talk. Sources at the Pentagon indicate that there is no interest there in any such intervention.



# National News

## White House lies about heroin epidemic

The Bush administration is continuing to lie about the failure of its so-called war on drugs. A white paper recently issued by the White House Office of Drug Abuse Policy contradicts reports by the Drug Enforcement Administration (DEA) and other law enforcement agencies that the United States is being flooded with cheap, high-grade heroin.

An increase in heroin seizures in recent months, the paper claims, "may" be due to improved drug interdiction efforts. The report also claims that hospital emergency room reports of heroin overdoses and deaths, which are vastly underreported, have not increased sufficiently to warrant panic.

Over a year ago, the DEA had issued a report warning that heroin from the Golden Triangle region in Asia was flooding the New York City area, and that drug-trafficking organizations were diversifying into heroin because of plummeting cocaine prices. Since then, Ibero-American drug cartels, led by the Cali Cartel of Colombia, have started shipping heroin into the United States produced from poppies grown in countries like Brazil and Colombia, rather than traditional sources of supply in Asia.

## Scowcroft: U.S. must dominate Europe

Defending the "new world order" project as a unique chance to revive the original Anglo-American agenda pursued under Woodrow Wilson in 1919 to impose "law and order" and firm "rules of conduct" throughout the world, National Security Adviser Brent Scowcroft called for a revival of the alliance put together for the war against Iraq, in an interview with the Vienna daily *Die Presse* on June 11.

Scowcroft claimed that the United States does not want to play the role of the world policeman, but said that he viewed the United States as the "natural leader" of the alliance. "No other state can mobilize the democratic industrial nations, those that have economic and military power, in the interest of a world of 'law and order' and

appropriate conduct. We've done a good job in the Gulf war," he said.

"In these days after the Cold War," Scowcroft said when asked about Henry Kissinger's scenario of a new balance of power, "I rather think of America as the natural leader of a power collective, than in terms of *realpolitik* of the balance of powers."

On European integration, Scowcroft said that it is fine as long as the U.S. keeps control of it. European military cooperation, as envisioned in the European Corps project of France and Germany, he said, is good only to the extent that it does not interfere with NATO. If that is the case, however, "the U.S.A. has a problem." The role of the United States in Europe will decrease with greater European integration, Scowcroft admitted, "but the presence of the U.S.A. should not slide below the level of real influence."

## O'Connor leads pro-life march, life threatened

New York Cardinal John O'Connor led a pro-life march in New York City in on June 14. Cardinal O'Connor told a mass before the march that the police had received a call the night before from a woman who threatened that if she saw him at the protest, "she would shoot me." (He added, "despite the possible pleasure that would give my auxiliary bishops.")

Instructing marchers not to respond to hecklers or carry signs, he led some 2,500 Catholics down Lexington Avenue, in a march where "prayer marshals" led recitations of the rosary in front of an abortion clinic. Several hundred abortion activists yelled "Nazis," and "keep your rosaries out of our ovaries" at the marchers.

## Energy research funding skewed, report finds

The U.S. Department of Energy (DOE) has issued an internal report on its fiscal year 1993 budget which concludes that science and energy projects tend to be budgeted in inverse proportion to their importance, the June 5 weekly newsletter of the American

Physical Society reported.

The projects funded by the DOE were ranked on their contribution to the energy supply and economic growth, ability to reduce imported oil vulnerability, and technical and market risk. The DOE will spend \$5.5 billion out of its total budget of \$19.4 billion this year on environmental cleanup of facilities, and \$0.5 billion on conservation and renewables, while nuclear fission, fusion, magnetohydrodynamics, and other promising technologies languish.

On June 2, the DOE and the Republic of Hungary signed an agreement for the U.S. to "help" the Hungarian Ministry of Industry and Trade with administrative and technical assistance on energy. It includes assistance in regulation of public utilities and low-level radioactive waste disposal, information systems to "support energy policy decisions," and other areas in which the U.S. has not resolved its own policy.

## Black Caucus to fight 'death penalty' judge

The Congressional Black Caucus will "go full tilt" to defeat President Bush's nomination of Edward E. Carnes of Alabama to the Eleventh Circuit Court of Appeals (Georgia, Alabama, and Florida), Rep. John Conyers (D-Mich.) told the June 11 *New York Times*. Conyers said the chances of defeating Carnes's nomination are excellent.

Carnes, the 41-year-old head of the Alabama Attorney General's Capital Litigation Section, is known for sending defendants into the arms of "Yellow Mama," the nickname for Alabama's electric chair. The Senate Judiciary Committee recently approved his nomination by a 10-4 vote. Carnes, who wrote Alabama's death penalty law, was quoted in the *International Law Journal* in 1991: "The problem defendants have is 99.9% of them are guilty as hell. I don't care what kind of defense strategy you have, the jury that hears the facts is going to give a death sentence."

In one case, where an Alabama district court found a black woman's death sentence illegal because the prosecution used jury strikes to eliminate 12 blacks and had secured an all-white jury, Carnes tried to have the ruling overturned by the Eleventh Circuit. Carnes has fought to limit the appeals death

row inmates can make to federal courts, where 40% of capital defendants succeed in having their convictions overturned.

Carnes would replace retiring Judge Frank M. Johnson, Jr., one of the two judges on the three-judge panel who struck down bus segregation in Montgomery, Alabama in 1956.

## ADL 'rights' award goes to judicial killer

Virginia Attorney General Mary Sue Terry received the "Defender of Human Rights Award" from the Anti-Defamation League (ADL) on April 16, the May 22 *UJF Virginia News* of the United Jewish Federation of Tidewater, Virginia reported. At the time, Terry was engaged in a nationally publicized legal battle to force the execution of Roger Keith Coleman.

A week after she received the award, the Virginia Supreme Court refused a stay of Coleman's execution, and upheld Terry's position that "actual innocence" is not a legal ground upon which an execution can be halted. Coleman was electrocuted on May 20.

The award was presented to Terry at the annual luncheon of the ADL Virginia-North Carolina region. ADL Fact Finding Department director Irwin Suall was a special guest.

## 'Bloody Mary' jails political opponent Ascher

Rochelle Ascher, the first of 16 indicted political organizers associated with Lyndon LaRouche to be prosecuted by the Commonwealth of Virginia, surrendered to authorities in Loudoun County June 15, and began serving her 10-year sentence. Ascher joins LaRouche, who is still serving his 15-year sentence at the Federal Medical Center in Rochester, Minnesota, as the only other organizer confined to prison.

"A monster like Virginia Attorney General Mary Sue Terry, who would put to death a man like Roger Coleman with a colorable claim to innocence, obviously believes she is beyond the law when it comes to political prosecutions against the LaRouche movement," commented Nancy Spannaus, who is

running against Terry for Virginia governor in 1993. "She'll be boasting now, but eventually the population of Virginia is going to find her vicious lawlessness intolerable."

Ascher was tried in January 1989 on charges of borrowing money without registering as a "broker-dealer," fraud in soliciting loans, and conspiracy to defraud. The charges were blatantly political, especially since, at the time of the indictments, corporate loans had never been ruled by the Commonwealth to be "securities." That decision was made three months after the 1987 indictment of Ascher and her co-defendants.

Ascher's trial was equally outrageous, as she was subjected to a Loudoun County, Virginia jury which had been virtually brainwashed by hostile media coverage, and which was flagrantly prejudiced against LaRouche. The animus of the jury was writ large in its decision to sentence Ascher to an unprecedented 86 years in jail!

Ultimately, trial Judge Carlton Penn reduced the sentence to 20 years (with 10 suspended), and it was ruled that Ascher could remain free on bond while she appealed the decision. The Supreme Court of Virginia eventually heard the case, but upheld the verdict with an arrogant decision which ignored facts and law. In early June, the court refused to stay execution of the sentence while Ascher continues her appeals up to the Supreme Court of the United States.

## White FBI agents suing the bureau

An all-white association of FBI agents is suing the Federal Bureau of Investigation over its settlement of a civil rights suit by black FBI agents.

The group, FBI Agents Association, filed a civil suit on June 11 demanding access to personnel records and other material that might show that the FBI is carrying out reverse discrimination as the result of the tentative settlement of a complaint by a group of black FBI agents called "Badge," that they had been subject to prejudicial treatment by the bureau's hierarchy, the *New York Times* reported.

Rep. Don Edwards (D-Calif.), a former FBI agent, told the *Times* that when he was with the bureau, there was definitely a "white old boys" clique that ran things.

## Briefly

● **WARREN LINDNER**, the U.S. head of Global Forum and an organizer of the Earth Summit, has been accused by environmental groups of diverting \$1.7 million in forum funds to his own organization, Our Common Future, the June 8 *Houston Chronicle* reported.

● **ARMAND HAMMER** was an "operative of the Comintern" during the 1920s, in charge of providing funds for the Communist International, the Milan daily *Corriere della Sera* reported on June 11, based on newly released information from the central archives of the Soviet Communist Party.

● **THE JUSTICE** Department and other Executive agencies falsified documents produced for the House Banking Committee, in order to cover up ties of the Bush administration to pre-war Iraq, new documents show, columnist Jack Newfield reported in the May 28 *New York Post*.

● **THE BUSH** administration has slashed the aid request for the Philippines by two-thirds over what had been requested previously, supposedly because Congress did not appropriate as much overall foreign aid money as requested, and other countries are higher priorities, the June 14 *New York Times* reported.

● **ROBERT GATES**, the head of the CIA, inadvertently confirmed that the Versailles system is over, at a Committee for National Affairs forum. When asked whether the U.S. would act militarily against Serbia, Gates said, "Sometimes I feel that we are back in 1908, and that it is more useful to get out my pre-World War I history books in order to better understand the situation which is evolving."

● **THE U.S. SUPREME** Court in early June upheld a lower court ruling in favor of states banning write-in votes. The court held that the bans are legal and not a violation of a citizen's constitutional rights. Many groups view the ruling as an attempt to kick all potential protest candidates off the ballot.

## Editorial

### *Stop judicial murder*

"Thou shalt not kill" is one of the tenets of western civilization, even though there are occasions, such as just war and self-defense, when a higher, life-saving imperative supersedes the commandment. Judicial murder, the execution of criminals, is not one of these, and almost all civilized nations have recognized this by taking the death penalties off their books. Not so the United States, which is now reintroducing executions, and even curtailing the right of appeal of prisoners sentenced to die.

In the United States it has come to the point that establishing one's innocence will not prevent an individual from being executed, if he or she has failed to meet court deadlines. Thus the distinctions between good and evil, truth and falsehood, are no longer a primary concern of our legal system. The possibility of executing an individual who may very possibly be innocent, is no longer a deterrent to carrying out the death penalty in the United States.

The Supreme Court certainly reflects the politics of the Reagan and Bush administrations, in riding roughshod over the most basic human rights. Should Bill Clinton win the Democratic nomination and be elected President of the United States, we can expect no improvement. Clinton has presided over two executions so far this year, and a young retarded black man in Clinton's state of Arkansas, Barry Lee Fairchild, is now awaiting execution, because he confessed to a capital crime after being beaten.

In the United States, there are currently over 2,500 death row inmates, and the number of those actually executed is steadily growing. On the night of May 20, Roger Keith Coleman was killed in Virginia's electric chair. He was the second prisoner in the United States to be executed that day, and the 19th to be executed so far this year. Already, the number of Americans executed in 1992 exceeds the total number of executions in 1991, when 14 were killed.

This is a clear reversal of the landmark 1972 Supreme Court decision which effectively declared that all existing capital punishment laws violated the Con-

stitution's Eighth Amendment clause against "cruel and unusual punishment." The decision was based on the court's conclusion that death sentencing procedures were "arbitrary and capricious and pregnant with racial discrimination."

The majority opinion stated: "It is the poor, the sick, the ignorant, the powerless, and the hated who are executed in America. [The law] leaves to the uncontrolled discretion of judges and juries the determination whether defendants committing these crimes should die or be imprisoned . . . these discretionary statutes are unconstitutional."

After a 10-year moratorium in which the death sentence was not imposed, state statutes have been rewritten to attempt to address these objections, by allowing the prosecution and defense to argue whether or not the death penalty should be imposed. But capital punishment is not a technical question. The revival of the death penalty today is part of the general malthusian disregard for the sanctity of human life, which is a symptom of profound moral deterioration in the United States.

Still, there is hope. A resolution to outlaw executions is now being circulated within the Democratic Party, by supporters of Democratic presidential candidate Lyndon LaRouche, among others. It has been signed by a number of prominent Democrats from all currents in the party. The European Parliament has also passed a resolution condemning this reversion to barbarism, and calling upon all the nations of the world to abolish capital punishment.

Every literate person should know that the death penalty is not a deterrent to crime. In fact, execution by the state has the effect of legitimizing violence in the society, and therefore increases crime. What the death penalty brings forward, is the sense of sanctioned violence and revenge. This is not the emotion of justice.

When the state executes an individual, even when there is no question of possible innocence, every one of us is diminished. We are not only killing possibly redeemable souls, but we are destroying ourselves, by denying the sanctity of human life.

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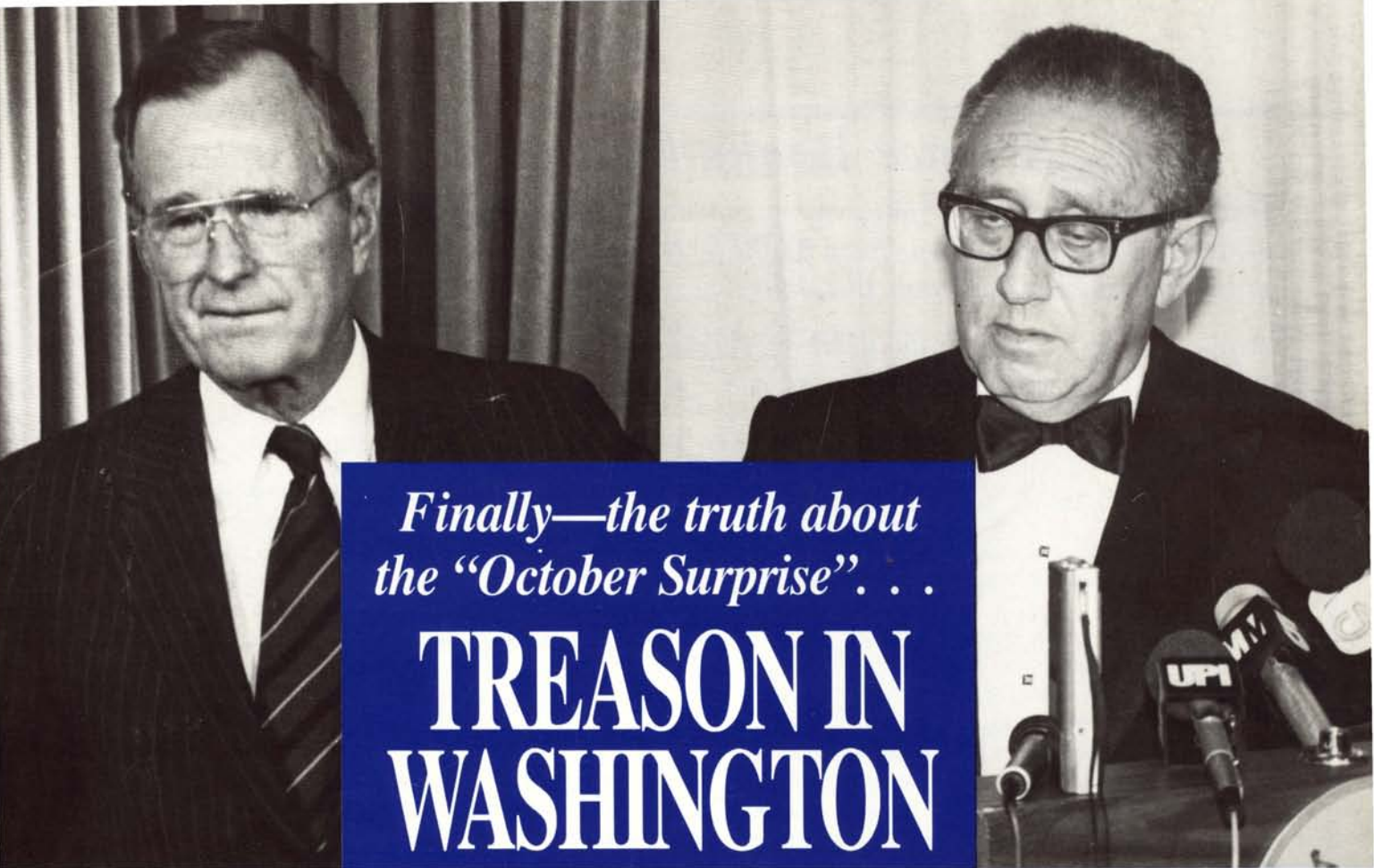
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