

EIR

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Gonzalez launches flanking attack on the Fed
Interview: Jordan's Crown Prince Hassan
LaRouche, out of jail, takes the high ground

**An emergency plan for China
for the next hundred years**



COLD FUSION

Challenge to U.S. Science Policy

The ground-breaking discovery announced by Martin Fleischman and Stanley Pons on March 23, 1989 has been received, not with scientific debate, but with a crude political witch-hunt. Compare what the anti-science mob is saying, with what Lyndon LaRouche writes in a 173-page science policy memorandum issued by the Schiller Institute.

Lyndon LaRouche



"These cold fusion experiments, taken together with other experiments exhibiting related kinds of anomalous results, should become featured elements of a special research project—a 'mini-crash program' of fundamental research—enjoying the moral and material support of appropriate public and private institutions of the United States and other nations."



Paul Ehrlich

Given society's record in managing technology, the prospect of cheap, inexhaustible power from fusion is "like giving a machine gun to an idiot child."



Jeremy Rifkin

"It's the worst thing that could happen to our planet."



Nature magazine

"The Utah phenomenon is literally unsupported by the evidence, could be an artifact, and given its improbability, is most likely to be one."

The New York Times

"Given the present state of evidence for cold fusion, the government would do better to put the money on a horse."



LaRouche's memorandum is available for \$25 postpaid from

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Lyndon H. LaRouche, Jr.

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In Denmark: EIR, Post Box 2613, 2100 Copenhagen ØE, Tel. 35-43 60 40

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From the Editor

One hardly needs to justify attention to the country which comprises one-fifth of the world's population: China. It has been a focus of concern for *EIR* and our founder for many years. After Lyndon LaRouche and his wife, Helga Zepp-LaRouche, visited Taiwan in 1988, he wrote a groundbreaking article, "Behind the Mask of So-called 'Communism,'" which was published in *EIR*'s Sept. 30, 1988 issue, and which dealt in depth with the enemies of China's development as a nation in this century.

During his unjust political imprisonment, LaRouche also completed, exactly one year ago, a major essay, "History as Science: America 2000," in which China's future was one of the major topics. The following quote from that writing (in *Fidelio*, Fall 1993, p. 45) makes a fitting introduction for this week's *Feature*:

"The current policy of mainland China coheres with the same kind of bungling ignorance witnessed in the World Bank's ruinous collapsing of Poland's best coal mines. Masses of displaced, unemployed workers from the interior of China, are being herded into streams of desperate nomads, seeking coolie-wages employment, into the 'Auschwitzes' of the littoral's 'enterprise zones.' . . . At those wage levels, under the prices for goods and housing within such China maquiladoras, the nomad labor will die at accelerated death-rates; perhaps not as rapidly as slave-labor from wartime Auschwitz, but according to the same principle. At those prices, China could not reproduce the quality of labor it consumes in production, although some China entrepreneurs will become prosperous (for a while) from the dying heap of bodies of used-up such 'nomad' labor.

"It is in the face of such inevitable results of continuing present policy-structures, that this writer, writing now in his capacity as economist and historian, projects a Renaissance for China. Without a thoroughly radical revolution in economic policy-shaping assumptions, a new, global 'dark age' is presently an early inevitability, perhaps beginning only a few years ahead. Yet, here we are proposing a most optimistic economic-development program."

The draft program we publish here, represents the first outcome of the effort to put flesh on the bones of the "most optimistic" program LaRouche called for.

Nora Hamerman

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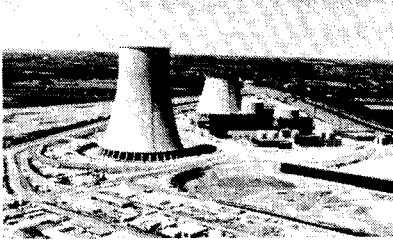
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From a draft program by Jonathan Tennenbaum. The crisis facing China's economy today is the result of the refusal to carry out the kind of infrastructure-based industrialization which Sun Yat-sen had correctly identified in the 1920s as essential to the long-term survival of the country. With the methodology of the LaRouche-Riemann economic model, we can define the paths China must take to launch itself on a real development path.

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Greenspan raises legality of Fed as Gonzalez attacks

by Anthony K. Wikrent

In a most peculiar reference to the legal mandate of a central bank—or lack thereof—U.S. Federal Reserve Chairman Alan Greenspan told the Bankers Club in London on Feb. 1 that the rapid growth of trading in financial derivatives the past few years reinforces the requirement for central banks to oversee monetary policy and payments systems to protect the integrity of the financial system, “whether written in law or not.”

This is the first time Greenspan has voiced concern about the derivatives markets, in which an estimated \$1.5 trillion *per day* are traded in various financial instruments such as futures and options. But this is not nearly as significant as his queer reference to the legality of a central bank’s operations and objectives.

What is emerging, as Rep. Henry B. Gonzalez (D-Tex.), chairman of the House Committee on Banking, Finance, and Urban Affairs, presses forward in his efforts to force greater accountability on the Fed, is a conflict over two views of law. Gonzalez insists that the U.S. Constitution has meaning, and that its rule of law applies to all areas of policy in national life, including monetary and financial policy. The Federal Reserve cannot, of course, openly argue that it is exempt from the rule of law. But its response to each of Gonzalez’s thrusts of the past few months (such as former New York Fed president Gerald Corrigan’s defense of entertainment tickets provided to Fed staffers by the banks they supposedly regulate); the actions of the Fed since October 1987 to save the various financial markets (such as propping up the Dow Jones Industrials Average through the use of stock index futures contracts); and now Greenspan’s remark that the Fed will preserve and protect the financial derivatives markets, “whether written in law or not,” clearly demonstrates that Fed officials believe law subserves monetary and financial policy to the exclusion of everything else.

“The problem,” U.S. American System economist Lyn-

don LaRouche explained on Feb. 2, is that “we’ve got a bunch of yuppies in Europe and in the United States, who are sitting at their personal computers or similar devices, and making money out of thin air, but at the expense of real business and real people. We’re destroying the economy by a kind of cancer of speculation, which acts just like a metastatic, malignant cancer, eating at the whole of our economy: We gobble up assets; we sell off assets; we strip assets; we downsize—all for the purpose of feeding this margin of profit into this game called derivatives, and similar kinds of speculation.

“These people are fanatical.

“What’s the issue? The issue is, first of all, like most prosecutors that I’ve known in this country, the Fed officials lie all the time. Why should anybody be surprised about that? They’re looting the American people! Are they going to say that?”

Crisis accelerates

Greenspan’s defense of the Fed’s extra-legal practices is obviously prompted by the rapidly accelerating derivatives-related crises. On Jan. 28, Aetna Life and Casualty Co., one of the ten largest diversified insurance outfits in the United States, announced that it was laying off an additional 4,000 employees and charging \$1.28 billion against earnings this quarter to cover \$825 million in losses arising from \$15 billion in guaranteed investment products Aetna sold to pension funds in the 1970s and 1980s.

If one firm’s financial gamble from 15 years ago is just now resulting in 4,000 Americans losing their livelihoods, one trembles to think what carnage awaits us as the derivatives debacle of the 1990s plays itself out. In just the past few months, at least four derivatives disasters have come to the public’s attention: Ferruzzi, *boom*. Metallgesellschaft, *boom*. Banesto, *boom*. Codelco-Chile, *boom*. It’s as if some god-forsaken infantry unit has strayed into a minefield.

On the other hand, one recalls Michael Lewis, in his book *Liar's Poker*, about selling bonds at Salomon Brothers in the 1980s, describing how trainees and new salesmen were "allowed" to "blow up" some of their customers by selling them bonds that more seasoned Salomon veterans knew to be bad investments. It certainly sounds like someone out there is getting blown up. The question is, who planted the mines, and how long before they blow themselves up? Another question is, are these explosions not occurring more frequently? And, are they not becoming more powerful, and thus more dangerous?

Morgan's Banesto shell game

Some of the answers may emerge soon. On Jan. 27, Gonzalez sent letters to Fed chairman Greenspan and J.P. Morgan and Co. chairman Dennis Weatherstone, demanding a full accounting of J.P. Morgan's relationship with Banco Español de Crédito (Banesto) of Spain, one of the more recent explosions that have lit up the horizon. According to unconfirmed reports, Morgan had used Banesto to construct an elaborate financial shell game between New York, Mexico, and Spain that included the use of derivatives contracts (see *EIR*, Jan. 14, "Derivatives Cancer Claims More Victims in Europe").

Gonzalez explicitly demanded to know, "Did J.P. Morgan engage in any derivatives transactions with Banesto? If so, please list the type of instrument and the dollar amount of any transaction. Has any money been lost on those transactions as a result of Banesto's problems?" Gonzalez also asked Greenspan, "Has any other U.S. counterparty lost money on derivatives transactions with Banesto as a result of Banesto's current problems?"

Gonzalez demanded complete details of Morgan's application to the Federal Reserve to establish Corsair Limited Partnership (the "vulture fund" Morgan used as the vehicle for investing in Banesto), including a list of "all general and limited partners," and a full accounting of any and all attempts by employees of Morgan "to sell or attempt to sell" any securities related in any way to Banesto. Gonzalez also questioned "the safety and soundness of bank holding company 'vulture funds,' (i.e., partnerships created to invest in bank or bank holding company stocks) such as the one J.P. Morgan set up to invest in Banesto stock," and demanded that the Fed chairman list all such "bank vulture funds . . . their bank holding company affiliate . . . [their] total assets, liabilities, and capital," as well as explain how the Fed supervises and examines such "vulture funds."

The Fed's 17-year secret

On the same day these letters were sent, the staff of the House Banking Committee released its report entitled "The Federal Reserve's 17-Year Secret," on the Fed's attempt to withhold transcripts of Federal Open Market Committee meetings from the public. The FOMC is the policymaking

organ of the Fed, comprised of the seven board governors and five of the 12 regional Fed bank presidents, which sets target ranges for U.S. interest rates and the growth (or collapse) of the U.S. money supply, and issues direct orders to the Open Market desk of the New York Federal Reserve Bank, which carries out the day-to-day tasks of implementing FOMC policy.

Fed officials have for years argued that the deliberations of the FOMC could not be made public, lest the deliberative process would be impeded and the smooth functioning of the financial markets imperiled. When pressed, they have insisted that there is simply no record of FOMC meetings extant. But in a delightful display of investigative tenacity, committee staff obtained 3,000 pages of transcripts of the secret FOMC meetings covering 1976-78 from the Gerald R. Ford Library in Ann Arbor, Michigan. The transcripts were given to the library by the late Arthur Burns, chairman of the Fed from 1970 to 1978.

The Banking Committee staff report painstakingly details how Fed officials repeatedly lied and dissembled as they sought to prevent the dark secrets of central banking from being revealed to public scrutiny. The Burns transcripts show that such stonewalling was endemic in the 1970s as well, and include Fed officials considering possible ways of avoiding the Sunshine In Government and Freedom of Information Act (FOIA) laws of 1976.

"Upon reading the transcripts," the report states, "the Banking Committee discovered that the Federal Reserve not only has a policy of redacting transcripts given out under FOIA requests, but it attempts to skew the information in the directives issued after each FOMC meeting. For example, in 1976, the Federal Reserve made a decision not to release complete minutes of its FOMC meetings, even with a five-year lag, which had been its policy up until that time. The Federal Reserve instead decided to release a 'summary' of its meetings. But in reality, they were 'padding' the summary with boilerplate materials about the economy. Concerned that someone might notice, then Federal Reserve Chairman Arthur Burns ordered his staff to add pages to the summary to look like there were substantial discussions taking place. His instructions . . . were that he did not want anything that remotely resembled 'padded' minutes, but he directed his staff to 'produce several additional pages.'

"A reading of the transcripts revealed that the FOMC members and staff discussed what should or should not be included in the Memorandum of Discussion (detailed minutes in paraphrased form) which had been made available to the public up to 1976. A communication from Joseph Coyne, Assistant to the Board, to Chairman Arthur Burns, describing material that the FOMC should consider withholding is included in this report."

The Banking Committee report results from the most recent effort of the Fed to avoid public disclosure: In a series of hearings before the Banking Committee which began in

January 1992 and concluded in October 1993, Gonzalez eventually forced Fed officials to reveal that, contrary to Greenspan's and the other officials' misrepresentations before the committee, there do exist transcripts of FOMC meetings dating back to 1976. The report "provides evidence that Federal Reserve officials planned to deceive and mislead Congress in their testimony at the Oct. 19, 1993 House Banking Committee hearing in regard to the inventory of transcripts at the Federal Reserve and that the officials carried out their plan at the hearing," the report states.

No grounds for secrecy

In a news release accompanying the report, Gonzalez wrote, "Once the public has the opportunity to read some of the . . . transcripts obtained by the Banking Committee, they will see that the Federal Reserve has no grounds for keeping this information secret. The reality is that by keeping its meetings secret, the Fed fancies itself as appearing all-powerful and all-knowing. Like the Wizard of Oz, the Fed tries to keep the curtains closed—to do otherwise would be to reveal that the person pulling the levers is a mere mortal after all. . . . The transcripts . . . reveal that in the 1970s, then Federal Reserve Chairman Arthur Burns decided to secretly make complete transcripts of each FOMC meeting even as he told the public and the Congress that the FOMC would no longer be taking minutes."

Gonzalez's release went out on the Dow Jones newswire, and was sent to the major newspapers in the many cities where the Fed has its branches. But, except for a small item buried in the back of the *Wall Street Journal* on Jan. 28, there has been no coverage in the U.S. press. Rather, *Fortune* ran a four-page article on Feb. 7 lauding Greenspan and the Fed for being "determined not to repeat the mistakes of the 1970s." More specifically, "just as generals are judged by whether or not their armies control the field when the smoke clears, Fed chairmen are judged by what happens to prices," *Fortune* decreed. This mantra of "price stability" has been used by virtually all press commentators to dismiss the issues raised by Gonzalez, conveniently defining the criteria for judging the Fed as holding inflation in check—obviating any consideration of the accelerating derivatives debacle and the physical economic depression. The complete lack of interest by the press in the scandalous attempt by the Fed to avoid public disclosure stands in sharp contrast to the feeding frenzy the media have engaged in over Zoe Baird, Adm. Bobby Inman, and the allegations over Whitewater.

The republic is ill-served by these whorish press pundits, but then, they are only aping the institution they so slavishly defend. "The function of the Federal Reserve chairman is *to lie*," LaRouche explained on Feb. 2. "That has always been the function of the Federal Reserve chairman—to tell lies. That goes with the job. This is not something he does only on Tuesday. It's something he does seven days a week—that is, if you ask him any question which seeks a truthful answer."

Chernomyrdin declares shock therapy is over

by William Engdahl

A preliminary outline of an economic policy for the controversial new government of Viktor Chernomyrdin in Russia was outlined at a recent international economics conference in Switzerland. In response to a question from *EIR* Jan. 29 at a press conference during the World Economic Forum in Davos, Prime Minister Chernomyrdin declared, "Russia will not backtrack to the old system. We must consolidate a market economy. But we say, 'No shock therapy.' Rather, we in Russia need, simply, therapy. We have seen the end in Russia of the period of what I call 'market romanticism.'"

Chernomyrdin's remarks were doubly significant, because they were delivered only days after the resignation of the last remaining "reform" advocate from the earlier Yeltsin government. Boris Fyodorov, the finance minister, left denouncing the Chernomyrdin cabinet, accusing it of irresponsible hyperinflationary policies which threatened even more chaos in Russia.

Behind the sometimes heated rhetoric of exchanges between members of the Chernomyrdin government present at Davos and western critics, including Harvard "shock therapy" guru Jeffrey Sachs and his Swedish monetarist business associate Anders Aslund, the first outlines of a Russian economic strategy began to emerge. From what was said, the following three broad areas of emphasis appear likely under Chernomyrdin.

The role of military industry

First, as indicated, the experiments since Jan. 2, 1992 with International Monetary Fund (IMF)-imposed "shock therapy" monetary policies are over. These policies, as numerous Russian delegates emphasized to *EIR* in private discussions, dictated freeing 70 years of state-controlled prices to "world market" levels in an economy in which a functioning market did not yet exist, as all production was still effectively under the state budget.

What Sachs prefers to ignore is that it was precisely his "shock therapy" recipe for immediate chaos which forced a desperate government and central bank over the past two years to print more and more rubles in order to provide the population with means to buy basic essentials such as food and fuel. When the IMF demanded that the Russian govern-

ment of pro-shock therapy Vice Prime Minister Yegor Gaidar then slash state credits to industry in order to "stabilize" the budget deficit, huge state enterprises began to issue inter-enterprise credits to each other, simply in order to avoid social chaos of 40 million unemployed with no infrastructure of social security or unemployment insurance existing outside the framework of the enterprises themselves, which under the Russian system provide housing, health, schooling, and social services for its employees.

Chernomyrdin has begun to group a number of non-monetarist economists around him, including Shatalin and Leonid Abalkin, who had worked under the Gorbachov government to shape the "500-day reform" which was abandoned in favor of that of Harvard's Sachs with the transition to the 1991 Yeltsin government.

Second, in reply to a question from this journalist as to the possible role of the military industry, a disproportionate share of the overall economy of the former Soviet Union, in rebuilding basic civilian infrastructure, Chernomyrdin replied, "How to bring military industry capacities to work for this change is a major focus of my government. Already we have begun on a small scale in the past year or so. Russia's military industry has enormous potentials in human resources, technological resources. We will now increase emphasis on the transformation of these resources for changing the overall civilian sector. This is a very key issue for us." He referred to using military capacities, for example, to rebuild the country's delapidated railway transport infrastructure as one area of discussion.

Third, as Chernomyrdin's own background in Russia's enormously important oil and gas industry (as head of Gasprom and, earlier, the Ministry of Natural Gas, during the late 1980s) would indicate, he plans to concentrate efforts on upgrading the collapsing infrastructure of oil and gas both for urgent domestic needs as well as for export to earn needed hard currency. "We are pursuing programs with various western firms including European, for joint investment in helping rebuild our oil, gas, as well as nuclear energy capacities," the prime minister added.

A Hamiltonian credit approach?

According to First Deputy Minister of the Economy Yakov Urinson, for the first time since the Yeltsin government came to power in late 1991, Russia will also pursue a policy of some form of "directed credits" aimed at high-priority investment projects. "Credit will go to stimulate certain enterprises, and will be cut off to other non-essential ones," Urinson stated. He also indicated he expected the dramatic rate of contraction of industrial output, which fell 16% in 1993, to begin to stabilize later this year.

The dumping of the ill-advised IMF shock therapy policies in Russia is long overdue, and an absolutely necessary precondition for real economic reconstruction. This was underscored in the remark of Islam Karimov, the President of

Uzbekistan, who stated to conference participants, "Shock therapy has split Russia apart. The surest way to boost the influence of Zhirinovskiy in Russia would be to continue with such radical reforms as the IMF shock therapy."

But merely abandoning the ill-intended "shock therapy" is by no means sufficient to put Russia onto a healthy industrial and agriculture stabilization path. How the government deals with the country's huge monetary inflation will be a critical test. The IMF and western monetarists such as Sachs and Aslund demand that Moscow abruptly stop printing money to "solve" the problem of monthly price inflation of 20-30% at the end of December. Chernomyrdin himself acknowledged this as a priority problem in comments before the audience of 900 leading western businessmen on Jan. 30. "Russia's dilemma is that we must lay the foundations for a real market economy within the next 5-10 years or we will face political chaos, collapse, and a threat to international security," Chernomyrdin said. "The prophets of doom are wrong. The latter we will not allow. But our number-one economic difficulty at present is inflation. We are under enormous pressure to repay the 4 trillion rouble debt to industry and agriculture which has built up. But we realize this is a problem feeding inflation. Last year we stopped paying our workers wages for 3-4 months in a conscious effort to control this inflation. Now, in 1994, we have as a result these huge back debts to pay. We must pay them. And the outflow of capital must be stopped."

The problem of capital flight

Grigory Yavlinsky, one of the economists advising Gorbachov on the "500-day plan" in 1990-91, was less optimistic. "What the government has forecast, in my view will not happen. By spring we will have a resurgence of inflation, a stabilizing in summer, then, by the autumn harvest time, the government will again be forced to print money to ensure a harvest." He called for measures to stop the huge capital flight, which he estimated in 1993 to have been \$15 billion, which was sucked out of the economy by local functionaries and mafias of regional party bosses into western banks. "The government can only stop this if it stops giving export monopoly preferences to select enterprises," he said.

Yavlinsky, who makes no secret of his ambitions to succeed Yeltsin as President, added, "We closed down our markets in the CIS, a serious mistake. We stopped our flow of trade, on insistence of the IMF. This has merely increased the monopolization inside Russia. Now we are in danger as well of losing our internal markets."

Perhaps the most appropriate summary of the situation in Russia was stated by former Finance Minister Boris Fyodorov who told conference participants, "I urge you in the West to not exaggerate recent events in Russia, because so far, nothing 'bad' has happened. You should wait before finally judging the Chernomyrdin government to see what they do." But the time for real results is becoming urgent.

Russian scientists debate LaRouche's economic policies

by Rachel Douglas

Before an audience of 90 invited guests, the distinguished veteran of Russian space science Dr. P.G. Kuznetsov announced in Moscow on Jan. 27 a new "International Complex Special Program" called "President." Dr. Kuznetsov issued an "Appeal to world political leaders, the world scientific community, and the hierarchs of all confessions," in which he explained its purpose: to apply the experience of developing life-support systems for spaceships and orbital stations, to the question of the survival of human life on Earth. Kuznetsov argues that such survival has nothing to do with monetarist practices and everything to do with "the principles of natural science . . . which Lyndon H. LaRouche calls 'physical economy.'"

A major presentation to the gathering, co-sponsored by the Schiller Institute in Moscow, was made by Prof. Taras V. Muranivsky, who developed the history of the warring schools of economics: the monetarism of Adam Smith and David Ricardo, and physical economy from Leibniz through LaRouche.

Interested members of the audience, which included other scientists who worked on Soviet space programs, as well as specialists from other fields, will meet monthly to further the "President" project launched by Kuznetsov.

In his appeal, Dr. Kuznetsov took note of LaRouche's status as a political prisoner, a fate he also shared. He said, "It was with great surprise that I learned that [LaRouche has been] incarcerated in Rochester, Minnesota. Having become acquainted with LaRouche's scientific views, which reflect anguish for the future fate of mankind, I am convinced that this is a case of persecution 'for convictions.' . . . Since I personally had the opportunity to taste the 'charm' of incarceration 'for convictions' (ten years under Stalin and a year and a half under Brezhnev), I cannot be reconciled with such a fate befalling another prisoner of conscience."

Threat of genocide

Dr. Kuznetsov further raised the question of whether "world government" should be on the agenda for mankind. "The first phase of work," however, "will entail the development of a program of a 'national President.' This means that

there will be a certain historical period, during which those elements in any national economy will be identified, which will remain valid in a system of management for the further course of the history of mankind." Citing the U.S. presidential campaigns of Lyndon LaRouche, Kuznetsov called LaRouche "the first person who does not want to be a President *cum* fire chief, dashing from one fire of the economy to another. He proposes a physical approach to global problems, which cannot be solved by the monetarists."

The reason for addressing "the hierarchs of all confessions," said Kuznetsov, is that "we see a growing danger of genocide for the greater part of mankind, in the form of conflict among confessions. This conflict is bred by the world monetary system. . . . The existence of a developed life-support system [for Earth] will make it possible to solve difficult social problems in the contemporary world and will create the conviction that the world really is guided by the reason of the Creator. I believe that our work is dictated by reason or the Creator's will. . . . Man, in his scientific creativity, comprehends the will of Providence and needs the support of the hierarchs of all churches."

The science of physical economy

The Moscow debate over LaRouche's ideas was extended further with a quarter-page article in the widely read Russian daily *Nezavisimaya Gazeta* of Jan. 29 by Prof. Taras Muranivsky, one of the participants in the Moscow symposium. Professor Muranivsky, an Academician of the International Ecological Academy, described the science of physical economy as developed by LaRouche as the best means by which to understand the failure of so-called economic reforms in Russia. The article appeared on *Nezavisimaya's* "polemics" page, since Muranivsky replied to a Jan. 4 article by economists Valeri Fyodorov and Stella Boiko, who maintained that the reforms failed because social reproduction cannot be regulated and economic processes are generally "unknownable."

In his reply, Muranivsky wrote:

"Economic science is highly politicized. . . . A new paradigm in economic science, which in my opinion will make

it less politicized, is the physical economy of the American economist, corresponding member of the International Ecological Academy (IEA) Lyndon LaRouche, about whom *Nezavisimaya Gazeta* has already written (May 5, 1993, Oct. 1, 1993 and elsewhere). True, LaRouche himself considers the well-known German thinker Gottfried Leibniz to be the founder of physical economy. In Russia, D. Mendeleyev, S. Witte, V. Vernadsky and others developed ideas close to this conception.

“For physical economy, economic processes are not the ‘free market’ and not money. It opposes the monetarist idea in economics, the idea based on the principle that economic science is ‘the science of how to get rich.’ In physical economy, the main goal of economic development is the continual growth of production on the basis of scientific and technological progress. The market and money are viewed as necessary instruments for economic relations.

“Contemporary reformers acting on the basis of monetarism are essentially attempting to ‘cure’ not the economy itself but money, which is a system serving the economy. But proclaiming money as the aim and essence of people’s lives leads to corruption at the top, the gangsterism of mafia structures, criminal elements running wild in society, and other problems. . . .

“The monetarist-mercantilist approach is the reason reformers cannot clearly define the goal of their intended reforms or the paths to overcome the growing crisis. Thus in Russia, first the goal was proclaimed to be acceleration, then perestroika, and finally the ‘market economy.’ But all these are methods, not goals. As a result of the development solely of trade manipulations, production is continuing to decline already for the second year. The country is losing its scientific and technological potential, the so-called conversion of the military industrial complex has assumed distorted forms, and there is a growing threat of massive unemployment.

“Breakdowns in the economy cannot be ignored even by the most zealous supporters of ‘a free market.’ They present this, however, as so-called objective regularities, cycles, inevitable crises, etc. LaRouche has told of American experts who tried to explain their inability to understand the reasons for undesirable processes in the economy by invoking Kondratyev’s ‘long waves’ or other ‘objective’ regularities.

“Physical economy explains economic depressions accompanied by severe social conflicts as the result not of ‘objective laws,’ but of the lack of common sense (or even the presence of bad intentions) on the part of the political leaders who are formulating and implementing economic policies.

“To criticize erroneous views on economic processes does not at all mean to reject the need for a philosophical analysis of them. The goal of any science is to find the truth. Economic science is called upon to study the sources and means on which the normal life, prolonged existence and progressive development of human society depend.”

Lyndon LaRouche Comments

We can’t afford not to go into space

The following is excerpted from Lyndon LaRouche’s “EIR Talks” radio interview of Feb. 2:

EIR: Recently, the Schiller Institute, of which you are a founding member, had a conference in Moscow, and a veteran of the Russian space science program, Dr. P.G. Kuznetsov, announced a new, special program, called “President.” This was an appeal on his part to the world leaders to apply the knowledge of sustaining life in space to the survival of human life on Earth. What advice can you give for helping to put this kind of program into policy, in various parts around the world?

LaRouche: Dr. Kuznetsov is one of the world’s leading experts on the matter of sustaining human life in space orbit—the Russian program for these long-term space expeditions that they did, the tests. So, he knows, really, whereof he speaks, from that standpoint; he’s probably one of the world’s leading authorities on that sort of thing, if not *the* world’s leading authority.

I’ve always taken the view, as did the founders of the space program in the United States—the Kennedy program during the 1960s—that, when we’re going into space, and developing space technologies, we are testing the limits of man’s capability, and we’re developing discoveries and technologies which operate to sustain man at the limit of known human capability. The obvious thing is, for example, as I emphasized in connection with my Mars design, back in the winter of 1986 and into the spring of 1986, that if we can build a city on Mars, sustain a group of engineers and scientists for the purpose of work in space nearby on spectroscopy, on phased-array kind of antennae, then we can certainly make the desert habitable on Earth.

Similarly, when we take man to what is, relatively, the limit of man’s endurance—life in the zero or fractional gravity in space—if we can keep people alive under those conditions in space, we can keep them more easily alive on the planet Earth. So, in general, in all scientific work, ever since at least the time of Plato, with the work of Eudoxus in geometry, whose principle was always, as was Plato’s: Drive every proposition to its uttermost limit, and look back at the whole problem from the standpoint of this uttermost limit; and you’re most likely to find discoveries.

So, he’s saying something which is startling, perhaps, to people who don’t recognize the principle, but probably not

to him, nor to me. Go to the limit. From working at the limit, then bring it back home to benefit people on Earth. That's the way to make progress.

EIR: Many people look at the collapse of American cities, the collapse of industry and agriculture, the decline of societal values, and they throw up their hands. They say, "We can't even solve these problems. Why should we be thinking about space travel and space development?"

LaRouche: If you look at the history of the 1960s Kennedy crash program for the manned lunar landing, we got, back on Earth—effectively in the pockets of the average American—14¢ for every penny we spent on space. The logic is: Spend on space, it automatically comes back to Earth, if you've got a viable economy.

Our problem today on this planet is not that we have a shortage of money, though some people will tell you so; particularly, those people who are trying to rent money out to you at exorbitant, usurious prices; the people who call you up and ask you to take a credit card, when you don't have a job; that kind of theory.

If we look at the composition of the employment of the labor force as a whole, we find that the percentile of people who are producing physical goods, or maintaining them, has *collapsed* over the past 30 years. And that, of the number of people who are employed, not counting the growing 17-20 million people who are *unemployed* of the labor force—just taking the people who are employed, we find that the composition of the employment includes a lot of make-work, like hamburger-flippers; that's not employment, that's make-work. It doesn't contribute any wealth to the economy, but we all have to pay for it. We pay for it taxes; we pay for it in food stamps, for people who are underpaid and so forth, and so on. We pay for it in the loss of tax revenue base, to maintain school systems, to maintain other essential public functions. For example, we have sewer systems and water systems, all over the country, which are collapsing of old age under pressure of this cold snap recently.

Everything is rotting away, because we have the wrong economic policy on Earth. So, it's not a matter of saying, "We can't afford to go into space": We can't afford *not* to go into space.

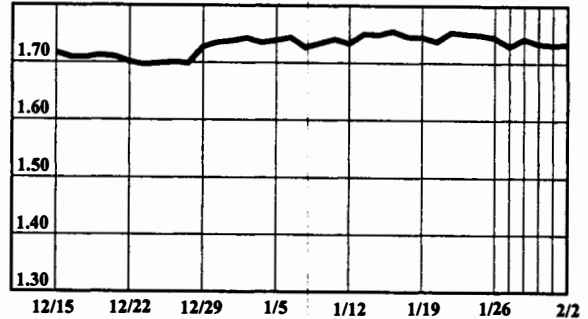
Of course, we have a shortage of money. Why do we have a shortage of money? Because too many people are still listening to people like Phil Gramm, and let Phil Gramm dictate their ideas on national economy, national budgets, and the way the economy is run.

Get rid, in the United States, of the free trade, and deregulation, and privatization policy, which we see has destroyed the economies in eastern Europe over the past four years; and is now destroying Russia, and turning Russia into a hate-filled adversary, a global thermonuclear power, brimming with hate against us for the cruel things we've done to it. Why should we do those things to ourselves?

Currency Rates

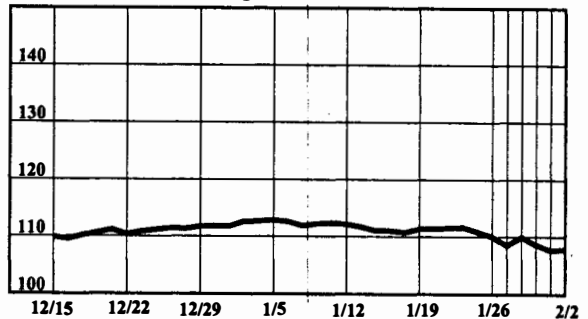
The dollar in deutschemarks

New York late afternoon fixing



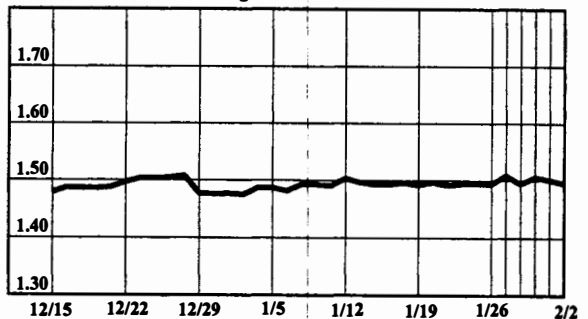
The dollar in yen

New York late afternoon fixing



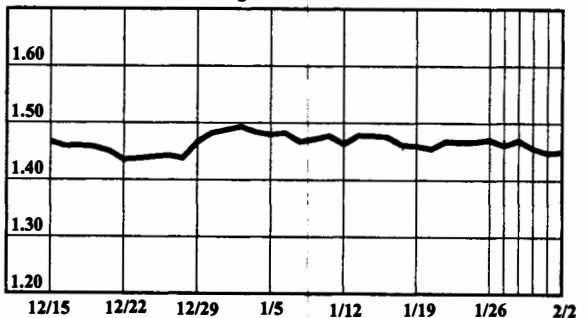
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



Fed to bring China financial AIDS?

by K. Wolfe

U.S. Treasury Secretary Lloyd Bentsen announced during a Jan. 20-21 trip to Beijing that Federal Reserve Chairman Alan Greenspan will soon visit China, to give "technical assistance" in restructuring China's central bank on the model of the U.S. Federal Reserve System. He failed to mention that the Fed's brand of 19th-century British free trade banking has bankrupted the U.S. economy.

"I'm afraid it may be another chapter of Jeffrey Sachs goes to Moscow," one World Bank source told a journalist Jan. 27. Sachs is the Harvard economist who has wrecked Russia by demanding International Monetary Fund "shock therapy" there. Apparently, the New York Wall Street bankers represented by Bentsen and Greenspan (formerly of Wall Street) want to put China through the same shock.

"From what I hear, Greenspan will preach some basic U.S. monetary doctrine, from the viewpoint of the U.S. banking system," he said. "They will go in and assume that all China has to do is change their banks and make 'em operate on a profit basis, and 'Why don't they just do it?!' " Such demands for shock therapy banking in China may be foolish, he said, but "there are a lot of Americans that dumb, making those recommendations in the ex-Soviet Union and eastern Europe."

At a Jan. 21 press conference, Bentsen and Chinese Finance Minister Liu Zhong-li announced that, in addition to the Fed, another half-dozen U.S. agencies, from the Treasury and the Internal Revenue Service on down, are being called into China. Bentsen said that China must move to such free trade programs to keep Most Favored Nation trade status with the United States, and to get into the General Agreement on Tariffs and Trade.

A Federal Reserve-type system could also promote the political breakup of China, which many geopoliticians in London have called for of late. The Fed's "open market operations" have given New York bankers on Wall Street control over Washington. In China, where financial warlords from Shanghai to Canton are already laughing at central government, this would be explosive.

Bentsen did not disclose when Greenspan would visit, but Hongkong banking sources said U.S. Fed and Treasury officials have already made several trips to China and others are spending February in Beijing and Hongkong.

'Open Door' bankruptcy reorganization

China's touted "economic miracle" is a complete fraud, as *EIR* has documented, so it comes as no surprise that Bentsen and Greenspan are drafting financial reforms appropriate to a general bankruptcy reorganization.

At a Jan. 21 press conference, Bentsen and Chinese Finance Minister Liu Zhong-li announced the re-opening of the "Sino-U.S. Joint Economic Committee," which has not met since 1987, and will now meet twice a year. The JEC, Bentsen and Liu said in a statement, will push for one of the Anglo-American foreign bankers' pet projects: opening up domestic Chinese renminbi currency deposits to foreign banks. "Secretary Bentsen highlighted the U.S. interests," the statement said, "in China's efforts to develop and reform domestic capital markets, including improving opportunities for participation of foreign financial institutions," Xinhua News reported Jan. 21. "Minister Liu indicated that China will, on an experimental basis, allow foreign financial institutions to engage in renminbi business and will further expand geographic areas opening to foreign financial institutions to additional major cities."

Due to the huge speculation in China, wealthy individuals in coastal cities have amassed over \$200 billion worth of Chinese renminbi deposits, the *China Daily* reported recently, while millions in the rural interior live at below-subsistence levels.

This is one form of "financial AIDS" from Wall Street. "We want a piece of that action," an official at Citibank's Shanghai branch told *EIR* Jan. 28. Currently, Citibank and a dozen other Anglo-American banks are licensed to have branches only in Shanghai and Canton. Citibank expects that these branches will be empowered to take Chinese currency deposits by the second half of 1994, and then expand across China. After that, the sky's the limit, the official said: Citicards, Citibank Visas, and so on will flood China.

The Bentsen-Liu JEC meeting also established three subcommittee-level joint working groups, whose U.S. "advisers" will flock to China, on "monetary and banking issues," "foreign exchange reform," and "investment and economic cooperation," the joint statement said:

1) The U.S. Treasury Department will send advisers from the Comptroller of the Currency, the IRS, Customs, and others, to reorganize China's banks and bank regulation, tax, and foreign exchange systems.

2) The Securities and Exchange Commission will send officials to reorganize China's speculative stock markets.

3) The Federal Reserve will send Greenspan and others to reorganize China's central bank, national credit, and bank loan policies.

American System or British System?

What China needs is a banking system modeled on the original 1791 "American System" National Bank of Alexander Hamilton, the first treasury secretary of the United States.

Hamilton's bank—not the 1913 Federal Reserve, which was set up by British advisers on Wall Street—industrialized the United States.

Hamiltonian national banking has also been a big success in Japan, Taiwan, and South Korea. In fact, advisers from Japan's banks, Finance Ministry, and central bank have been in Beijing for months, urging China to create such a system, Tokyo banking and diplomatic sources have told *EIR*.

"The alternative to the Fed, a model which looms large in China's part of the world, is the Japanese banking system," one Washington banker told *EIR*. "The Chinese have the idea that they as a government should have some hand in where their economy goes—as do the Japanese, the South Koreans, and the Taiwanese."

Hamilton's "American System" depends on totally private commercial banks and private industrial companies, committed to "enterprise" in which the individual has perfect freedom. With it, however, goes a government national bank, which issues large amounts of low-interest credit, but keeps it from flowing toward inflationary speculation, by credit standards.

Hamilton, and Abraham Lincoln after him, used a national bank *discount* window for credit standards. In this system, private bankers may make any loan they like, and the national bank issues credit by joining in loans; it *discounts* a banker's loan for him. The national bank then judges whether or how much to participate in a loan—based on whether it be productive. The nation is lending, not borrowing; no government debt is involved.

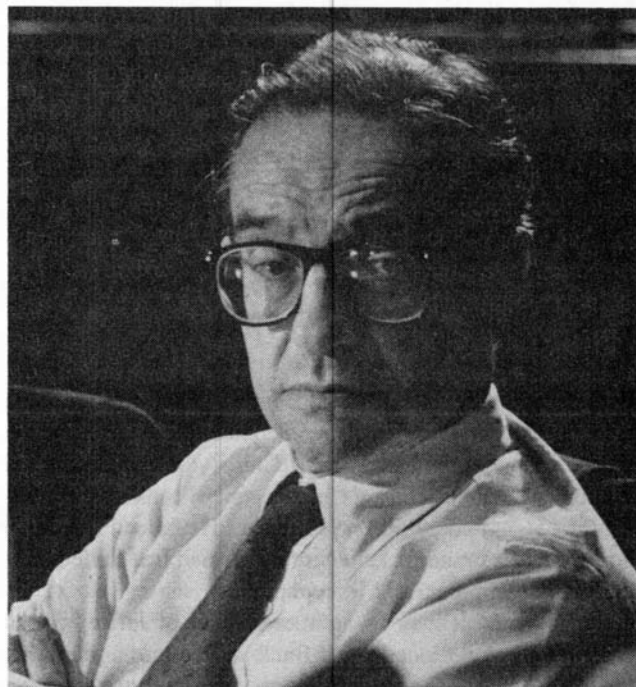
This system is no big secret. It was adopted by Japan in 1871, by Taiwan in 1905, and by Korea in 1950. It industrialized all three and was in place in all three countries including Japan until the mid-1980s.

It is also a system which makes plenty of sense for transition from a total "command" communist banking system such as China's. At present, China has no private banks whatsoever, just a few small loan companies. The cabinet (State Council) decides on a credit budget each year, and the central bank dutifully hands the money out to state enterprises and other state-owned banks.

The most obvious thing to do would be to privatize all but the core of the central bank, and set up a Hamiltonian-style national credit discount window.

"But the U.S. doesn't go for that," the Washington banker complained. Wall Street's Messrs. Greenspan and Bentsen want to set up a "competing plan," he said, on the Federal Reserve model. "If a banking system is going to be completely privatized on a for-profit basis, with liberalized interest rates and so on, you're not going to be able to do a lot of that tuning of your economy, and what technology it acquires."

"The major change we hope Alan Greenspan will make will be to move the Chinese central bank toward Fed-style open market operations," an official at Citibank Shanghai told *EIR*. Most U.S. free trade attacks on East Asia are aimed



Federal Reserve Chairman Alan Greenspan will be traveling to China soon to set up a Federal Reserve-style banking system, when what China needs is a Hamiltonian national bank.

at demanding they import this Fed system, which opponents in Japan call "Financial AIDS."

Under the post-1913 Federal Reserve System, modeled on the Bank of England, no national judgment on where credit goes is permitted. Instead, everything is privatized, and the central bank is owned by the private banks. The government borrows large sums from private banks, who amass a huge "treasury debt." The central bank then issues credit by what is called "open market operations": the central bank pays the private banks to buy a portion of this cancerous government debt.

In it, the private banks control not only the central bank and central bank credit, but by holding the government debt, they control the government itself. This is precisely how Wall Street in New York has come to run the U.S. government in Washington.

Such a system could become a threat to China as a nation. China today has no national debt in the hands of its banks—but it does have a major problem with regional "banking warlords" in the "free zone" coastal cities such as Canton, Shenzhen, and Shanghai. The supposedly nationalized banks in these cities have been taken over in fact by the local drug and real estate mafia, who have kidnapped all the credit coming to them from Beijing.

Simple privatization of these regional banks by letting the mafia take formal title, and then putting a large sum of central government debt into their hands, would be the end of national government in China.

China's float may pop the financial bubble

by Michael Billington

The Chinese government's decision to let its currency (the yuan) float freely as of Jan. 1, in line with the demands of the International Monetary Fund (IMF), the General Agreement on Tariffs and Trade, and the "friends" of China such as Milton Friedman, is likely to provoke a near-term currency crisis which could burst the bubble both in China and in the Hongkong financial control center for global speculation in the cheap-labor pool on the mainland. The official rate of 5.8 yuan to the dollar was devalued by 33% to 8.7 yuan to the dollar, equal to the "swap" rate at which certain foreign and privileged companies were previously permitted to exchange their currencies. At the same time, the "third" currency, the Foreign Exchange Certificates, issued only to foreigners but increasingly used as an accepted currency (trading between the official and the swap rates), was eliminated.

The People's Bank of China, which is becoming a central bank along the lines of the U.S. Federal Reserve, announced that the new unified rate would be allowed to float, with the only control mechanisms being bank intervention in the market and currency exchange controls. Although the yuan has still not been made convertible, it will now be easier for domestic financiers, backed by illegal funds from the likes of George Soros and the Hongkong dope banks, to try to manipulate a big slide in China's currency. Worse, foreign bankers are clamoring for Beijing's foreign exchange controls to be lifted altogether, making the yuan freely convertible like the Mexican peso, so that foreign banks can begin massive bank operations in Chinese currency and capital flight.

An edict to ban the circulation of foreign currency was issued by the People's Bank of China, but was quickly modified by an announcement that the Hongkong dollar will be accepted as legal tender in the South. Some 30% of the currency of Hongkong, which is pegged to the U.S. dollar, already circulates on the mainland, primarily within Guangdong province. The Taiwan dollar is also virtually legal tender in Fujian province. Beijing has not been able to control credit generation in these areas, since Hongkong interests bypass Beijing by issuing Hongkong dollar credits.

In December, the *Hongkong Standard* reported that China had officially *agreed* to allow the Hongkong dollar to circulate freely in the Special Economic Zones of Shenzhen and Zuhai. This acknowledgment of the existing reality was seen as a step toward full convertibility of the yuan. Also, the Bank of China recently joined the Hongkong and Shanghai Banking Corp.

and the Standard and Chartered Bank as an official *issuer* of the Hongkong dollar, in preparation for China's takeover of Hongkong in 1997.

Other emergency measures were announced to try to prevent panic and rein in inflation, which is over 20% per annum in the cities, the highest in five years. Price controls were reimposed on basic foods after a 30% leap in grain prices earlier in December. Import restrictions were announced Dec. 31, aimed at both preserving foreign reserves and protecting national industries, especially machinery and electronics. However, the United States is demanding that China *increase* its imports to reduce the positive balance of trade that China enjoys with the U.S. due to the massive textile and other light industry exports. China's mild efforts to protect its heavier industries will likely meet with U.S. countermeasures.

The end of the two-tier currency rate has dealt another blow to the already endangered state sector, which comprises most of China's heavy industry. These firms were allowed to purchase hard currencies at the official lower rates, which functioned as a form of subsidy. New regulations were issued simultaneously, providing state sector firms the "right" to fire their employees. The guaranteed right to a job (the "iron rice bowl") for the critical but shrinking layer of skilled industrial labor is crumbling. The IMF has repeatedly blamed all economic problems on the "inefficient and overstaffed state enterprises," proposing that they be privatized and stripped down in size—a prescription which has destroyed the productive economies of Russia and eastern Europe.

The other dramatic economic reforms announced at the Third Plenum in November are also being implemented, although their effectiveness will not be measurable right away. These include: a new tax system, which is aimed at forcing the southern provinces to send more money from the speculative boom into the Beijing coffers, new investment banks in agriculture, industry, and for export-import, which will be responsible for state support for production and trade; an "independent" central banking system; and a vastly expanded market in stocks, gold, and currencies.

Shanghai reemerging as a banking center

Shanghai is reemerging as the center of the new "socialist market economy" in China, and many foresee it regaining its pre-communist-era role as the hub of Asian finance. As Reuters reports: "It is no coincidence that the new [foreign exchange] trading floor will be situated in a mansion that housed the former Central Bank under Kuomintang rule." In fact, such mansions date back to the virtual British colonial rule in the 19th century. The banking houses which have served as government offices under the communists are being sold back to their original owners, such as the Hongkong and Shanghai Banking Corp. and the Swire group. Those in London and New York who view these developments as more than symbolic are more than willing to provoke chaos in order to carry out their policies.

Economic reforms questioned in India

by Ramtanu Maitra

Indian Prime Minister P. V. Narasimha Rao told the monied influentials gathered at the World Economic Forum at Davos, Switzerland that while India will continue with its economic reforms, it will do so only in a "credible manner." "Laws cannot be changed overnight," Rao said, defending the concept of mixed economy, as formulated by the late Prime Minister Jawaharlal Nehru and practiced in India till now. Further, he said that the collapse of communism and rejection of the command system does not necessarily mean total acceptance of the market economy.

"I am clear in my mind that each society has to find its own 'middle way,'" Rao said, "suited to the genius and circumstances. In the new-found enthusiasm for change, governments should not go overboard and plunge large chunks of their people into mass misery. They have no right to do so. . . . Their schemes must take full note of such contingencies and make allowances for them."

But the Indian prime minister did not allude to backtracking on economic reform even once, and instead, spoke glowingly about the economy as a strong stimulus to global integration. He said India, among a few developing countries, is fortunate in being able to absorb new technologies, "except when our progress itself tends to create some uneasiness in some quarters."

Indignant at the policy of "technological apartheid" coming from the industrialized countries, Rao said that while it was recognized that those who invested in furthering the frontiers of technology expected returns, there should be no other "extraneous" conditions. "We do not necessarily argue against that expectation but we believe that when the price is paid, there should be no other extraneous or unreasonable restraints. In case of an unwarranted insistence on such conditionalities, the challenge would be to develop the necessary peaceful technologies at the national level. We must seek to reaffirm, as a matter of high principle, the spirit of enquiry which is central to human progress."

Pressure at home

Meanwhile, in India, with less than four weeks until the annual budget is presented by the Rao government to Parliament, economic reform is being discussed more than ever. Recently, during a five-hour meeting with trade union leaders, Finance Minister Dr. Manmohan Singh was told that the proposed banking reforms, as suggested by a govern-

ment-commissioned report, are not acceptable. The unionists argued that the current "sickness" in the banking sector was a result of decisions that had allowed "unconcealed political use of banks and their resources," and that almost three-fourths of the outstanding debts of the banks are directly attributable to the corporate sector. Instead of taking punitive actions against these private industrialists and businessmen, New Delhi is promoting the concept of handing over the banks to the private sector, the union leaders alleged.

The question is also being raised as to whether the economic reforms are aiding in the development of the physical economy. The Finance Ministry reports that in the last 30 months, India's foreign exchange reserves have gone above \$10 billion, a sixfold increase since the reform programs got into motion; inflation has come down to 8% from 17%; and exports have grown, bringing the trade imbalance to a mere \$1 billion. But a scan of the real economy shows a different picture. Latest data on industrial production show growth of only 1.6% during April-September 1993 over the same period in 1992. The manufacturing sector marked a miserable 0.6% in growth. India's industrial sector is in deep recession.

The Bombay magazine *Business India* reports that since July 1991, fiscal consolidation has resulted in larger cuts in developmental, not non-developmental, expenditures. Even such pro-reform economists as Jagdish Bhagwati and T.N. Srinivasan admit that the reduction in the budget deficit has been brought about "partly by a reduction in developmental expenditure."

Most of the cuts are in infrastructure—roads, irrigation, power. The power sector requires a complete overhaul as well as a large dose of new generation capacity. But the Seventh Five-Year Plan (1985-90) witnessed an addition of 21,400 MW in generating capacity and the construction of requisite transmission and distribution networks—with the target at 22,245 MW. But the Eighth Plan (1990-95), the victim of the economic reforms, had an initial target of 48,000 MW. This was then scaled down to 38,000 MW, and then again to 30,000 MW. The trajectory now is that only 26,241 MW of new capacity may be installed—nearly a 50% cut in need-based capacity. Some believe only 20,000 MW will be completed by 1995. The failure to finance the power sector is itself evidence of the government's inability to generate wealth.

Now the government has hiked the prices of rice, wheat, sugar, cooking gas, gasoline, and kerosene. The ostensible purpose is to mop up about 33 billion rupees from the market before March 31, the end of the fiscal year. However, the price hikes will severely affect the poor, on whose behalf the economic reforms were supposedly launched, and the hike in gasoline prices will affect everybody.

With the infrastructure sector's performance going from bad to worse, interest rates being kept at 15%, and a rise in gasoline prices when oil prices internationally are doing down, the economic reforms comfort no one in India.

Algerian chaos deepens, as IMF applies screws

by Christine Pierre and Dean Andromidas

After the fiasco of the National Conference of Algeria's political parties, the Algerians find themselves in a political and military situation that is more chaotic by the day.

The national conference on Jan. 25 in Algiers was, as everyone expected, a thorough fiasco. Organized by the regime to create a nationwide rallying against the Islamists, not a single major party wanted to participate and thereby lend its support to the military. The National Liberation Front (FLN), historically the party of the revolution, the MDA of Ahmed Ben Bella, as well as the FFS of Aid Ahmed all stayed away because the Islamists of the Islamic Salvation Front (FIS) had not been invited. Did death threats from the Islamic Armed Group (GIA) against everyone who took part dissuade them? One need not be an ace at modern Algerian politics to realize that it is no longer possible to keep the Islamists on the sidelines.

Hence, the regime found themselves, on Jan. 25, thoroughly isolated, faced with a country where everyone, from the political parties of the unions to the leading historic associations, is convinced that there must be talks with the FIS. In December 1991, in the wake of the FIS victory in the legislative elections—3.2 million votes against 1.6 million for the FLN—the military decided to “put an end to the democratic process.” That was how the High Commission of State was born, set up to run the country for three years until Jan. 31, 1994. The military counted on profiting from this period to stabilize a disastrous economy and thus to create the necessary conditions for defeating the Islamists.

Far from winning their gamble, the military find themselves today with a far worse situation on their hands. Three years of the draconian austerity policies of the International Monetary Fund (IMF) have created conditions for a virtual blossoming of the FIS and a very severe crisis in the institutions that came out of the war for independence.

‘Painful, difficult, and costly’

The Algerian government has agreed to negotiate with the International Monetary Fund a rescheduling of its \$27 billion foreign debt. An Algerian delegation was expected to arrive in early February in Washington to work out the details. Algerian Economic Minister Mourad Benachennou, a

former executive director of the World Bank from 1982 to 1990, admitted the agreement would be “painful, difficult and costly.”

It is hard to believe how much more painful it could be when Algeria is devoting virtually all of its \$10 billion in foreign exchange earnings to servicing its \$27 billion foreign debt. The government announced another 20% cut in wheat supplies, already scarce. Another round of austerity is sure to lead to massive social unrest.

The IMF is expected to grant a “standby” agreement in return for implementing another round of “liberal reforms,” and deeper austerity. The IMF accord is expected to include a 30-50% currency devaluation, a further liberalization of foreign trade, restructuring of the public sector, a steep rise in domestic interest rates, elimination of food and other subsidies, and eliminating the government deficit. In return, the IMF is expected to extend a few hundred million dollars in standby credits and release other funds that have been blocked.

Economy already collapsed

The Algerian economy has been in a state of collapse for the last several years and these measures will put them well under zero. Already 90% of its foreign exchange earnings, mostly from oil and gas, go to service its debt. The further weakening of oil prices has led to a \$1.5 billion drop in export revenues. It was recently revealed that Algeria had stopped paying the principal on much of its foreign debt, although interest payments are said to have continued. Foreign exchange reserves are said to be at zero. While Algeria's industrial sector is relatively modern and efficient, industrial production is functioning at 30% or less capacity because of lack of spare parts or foreign exchange and credits. Unemployment, said to be as high as 50%, is expected to increase by another 1 million under the IMF accord.

French economic experts report that Algeria would need at least \$4 billion in new credits this year alone if any progress is to be seen in the economy. Despite IMF promises of credits, Algeria is expected to lose millions of dollars worth of other credits that have been committed for industrial projects. So far, the big international creditors have opposed a rescheduling of the debt. France holds 50%, Japan another 25% of the debt, and the United States is the third largest creditor. Last autumn in an economic conference in London, a representative of the Japan Export Import Bank, a governmental institution that guarantees Japanese private commercial loans for Japanese firms, announced that if Algeria rescheduled its debt it would not only stop future credits, but would suspend any loans already promised.

Government manipulations

The national conference was called as a “last chance,” an appropriate way of describing the desperate situation in Algeria. Those who know the country well report that whole

regions are no longer under control of the military, but of the FIS. The war has also gone from the stage of being “pre-civil war,” to being simply a civil war. The Jan. 26 issue of *Le Canard Enchaîné* of Paris cited figures from French military intelligence that on Jan. 18 alone, 250 people died as a result of the fighting. Other sources say there are 350 deaths a week. That is many more deaths than in the end stages of the war of independence with France.

A good number of observers of Algeria consider it a miracle that the military command is still in power. Those who don't believe in miracles attribute it to some 30,000 elite troops trained in France. The situation within the Army itself has deteriorated: Recently it was reported that some 250 officers defected.

While the country becomes further and further engulfed in civil war, the regime not only has no plan to propose for Algeria, but is resorting to little tactical maneuverings. Hence, the government multiplied the lies and low-level manipulations in an effort to bring all the parties into the national conference, including the FIS, all the while ceding no ground to the latter. The parties were all told, in the hope of convincing them to attend, that the FIS leaders in prison—Madani and Belhadj—had agreed to allow four FIS leaders, currently in prison, to attend the national conference. The kindly military, we were told, went so far as to free, just before the conference, 700 Islamic political prisoners, an act which doesn't go very far, considering, according to *Le Canard Enchaîné*, that General Touati had told his buddies that there were currently 15,000 Islamists in prison.

Overall program needed

But the Algerians' salvation lies neither with the present power of the military nor with the FIS, such as it is. Whereas the military in power have been a disaster, even the best people in the Islamic camp complain that the FIS lacks program. Only an overall plan will allow the life-forces of Algeria to come together and lay the basis for the country's future. But, a plan is not an arithmetical callup of forces—two from FIS, plus one from the FLN, plus a half from the military: First, there must be a definition of the Algerian citizen. The great monotheistic religions define man as being made in the image of the Creator, endowed with reason and using his creative powers for creating better moral and material conditions of existence for human beings. These concepts, which inspired the renaissance periods of leading civilizations: Christian, Muslim, Jewish, etc., should be enshrined in the constitutions of nations. Then, an economic program should be defined which will permit Algeria to return to full employment and growth thanks to investment in industry and agriculture. This means a total repudiation of the IMF programs and all forms of economic liberalism. Algerian patriots will find among economists like France's Jean-Baptist Colbert, America's Alexander Hamilton, or Germany's Friedrich List, the models for building national economies.

Swine fever continues rampage in Germany

by Rosa Tennenbaum

Swine fever is still on the march in Germany. While the disease alert was called off in the southern state of Baden-Württemberg, in northern Germany, the heartland of German hog farming, the disease continues to take a toll. There are almost daily reports of new outbreaks, while large tracts of land have been forbidden to have any trading in hogs. And it looks like it will remain that way for some time to come, since the measures taken so far by the European Commission of the European Community are not aimed at halting the march of the disease as soon as possible. Every week, another 2,500 animals, virtually all of them healthy, are killed off. Even though the EC headquarters in Brussels has reduced the radius of the cordoned-off areas from the scandalously large 100 km down to 20 km, such an area is still three times as large as necessary to combat the disease from a veterinary standpoint.

Many might ask why the disease wasn't stopped in its tracks a long time ago, given these exaggerated measures. It is because using the methods being applied under the prevailing policies, it would be impossible to eliminate the disease—even if you eliminated the virus itself by killing off every hog in Germany. And indeed, that is precisely the direction which Brussels has mandated. In November and December alone, over 520,000 hogs were put to death in the state of Lower Saxony. When one considers that all of these animals were healthy, virtually without exception, the enormity of this senseless butchery becomes evident. The hogs are killed as follows: A troop of men comes to the farm and grabs one pig after another with a large electric prod, killing it with a high-voltage shock. The farmer looks on helplessly, and must then pay the men for the job: Each worker gets DM 25 (\$15) per hour, plus free room and board.

'Hog-free' zones

An earth-moving machine is then used to pile up all the cadavers into a heap, where they remain until they are transported for final disposal. After the troops leave the farm, all is deathly still—not a grunt can be heard. After such an action, according to veterinarians' reports, the farmer is usually left in a state of shock, while the family members cry their eyes out over the senseless killing of animals. But there is no mercy: The death commandos proceed to the next farm to continue their gruesome work, until the entire region has been made “hog-free.” The sheer numbers of hogs killed has

turned into a major disposal problem. The disposal plants cannot handle the flood of cadavers, even though they are working around the clock. The state government has had to rent 12 refrigerated warehouses where the cadavers are kept in deep freeze until the disposal plants have free capacity.

And even though not a single hog has been left in areas where once tens of thousands were being fattened, the disease marches on, because the virus has time on its side. It takes three weeks for an infected animal to show symptoms. During this period, the animal could have been put into another stall, or transported into a new part of the country, since hog farming is not what it used to be. A hog today is no longer allowed to remain in the same stall from birth to slaughter, but, according to the current agricultural theory of specialization, it must change its abode many times during its short life. It could have been born, for instance, in Hohenlohe county, which specializes in breeding suckling pigs, after which it may be fattened in the Oldenburg district, the center of hog feeding, then finally to be slaughtered in any one of Europe's various regions, or perhaps consumed overseas.

This "globalization" is highly favorable to the spread of the virus, whereby Germany—the "land of the middle," as Wilhelm von Humboldt called it—offers ideal conditions for its spread, namely, large amounts of goods being transported, especially to and from eastern Europe; open borders; and an agricultural system based on many smaller farms located relatively close to one another. On top of this, the virus can also be transmitted by rats; and this is what makes the kind of campaign being waged by the EC Commission entirely useless. Wild boars, whose population has been growing too quickly recently, are also becoming victims of swine fever. Sick boars often stagger into towns and transmit the disease to domestic hogs.

It is also possible that the disease is being spread via infected pigs and suckling pigs which have been deliberately sent out by hostile trading interests. The war for market share, which is being waged with ever-increasing brutality, along with the fact that the swine fever has enabled Dutch and Danish trading firms to break into regions which were formerly served domestically, has certainly given grounds for such suspicions.

"Isolation and extermination" are Brussels' watchwords for combatting swine fever. But what is being exterminated is not the virus, but the pigs—not to mention the farmers. Many stalls have stood empty for the past two or three months, and have been ordered to remain so until May. That means that for six months, the farming operation has absolutely no income, although the fixed costs remain the same. For the officially ordered killing off of his animals, the farmer receives the current meat price of DM 2.20 per kilogram. He receives no compensation at all for the time he is not permitted to keep hogs.

Even if the quarantines are lifted this May, and given the absurd measures which have been taken, veterinarians think

that is extremely doubtful, it will still be months before the farmer once again can see any money for his efforts. It takes about three years to build up a new herd of sows, i.e., three years of labor and operating costs, and extremely low income. The buildup is shorter for pig feeders, but many of them will not have enough liquidity to survive the blood-letting.

Immunization would work

In fact, a simple method exists to immediately stop the plague dead in its tracks: immunization. The serum is available, and the pharmacological industry already has stockpiles of the vaccine; and yet, it is not being used. The last major outbreak in the early 1980s was stopped in a single week. Infected animals were killed and destroyed, while all the rest in the endangered areas were given precautionary vaccinations. Within days, swine fever was nipped in the bud, and the losses were minimal. But today it is forbidden to vaccinate hogs, even though no one has ever doubted the effectiveness of the treatment. Why? Because Denmark regularly exports pork to Japan, and the Japanese demanded that the animals not be vaccinated because, according to their reasoning, vaccinated animals could be virus carriers and could bring it into Japan.

Such fears have also been expressed by U.S. interests which likewise import pork from European Union members. These fears are dismissed by veterinarians as "completely groundless." They argue that even though in the past millions of animals had been vaccinated, there was not a single case of the disease being transmitted by vaccinated animals. With the current strategy, on the other hand, people are already reckoning on the plague being spread to faraway lands. The risk of transmission today is certainly orders of magnitude higher than it was when stocks were still being vaccinated.

These, however, are ideas which one may not express today without being branded as a kook. German Agriculture Minister Borchert recently issued an explicit warning against bringing up the idea of vaccination. Politicians in Bonn are even balking at vaccinating wild boars, as has been urgently demanded by the state of Mecklenburg-Pre-Pomerania. Borchert is more intent on "structural change" than he is on defending the interests of family farms whose very existence is being threatened. And swine fever has been a big help in implementing this structural change.

Experts say that the strategy of "isolation and extermination" will not only fail to halt the disease, but will do the opposite. Many say that we are on the threshold of an even more massive outbreak, and that the plague will continue its march unhindered, thanks to the measures taken by Brussels. Thus, the plague will not only take hundreds of thousands of healthy hogs and "eliminate them from the food chain," as the bureaucrats pompously describe this senseless killing, but at the same time will wipe out tens of thousands of family farms. And that's what the politicians call "structural change."

The U.S. water supply system is imploding

by Richard Freeman

Ancient water mains and water processing systems, which deliver tens of billions of gallons of water daily throughout America, continued to rupture during the cold snap which started in mid-January and continued into February. No phase of the economy functions without reliable water delivery: from the growth of agriculture to the working of industry, from the societal prevention of disease to personal biological survival.

The media, relying upon "common sense," has portrayed the breakdowns as caused by the "the cold"; that is not true. Rather, the cause is the lack of infrastructure redundancy. Corrosion on an older pipe generates critical weak points. Then, temperature swings—not the cold itself—cause the pipe to contract and expand, a process that corroded pipes or pipes made of cheap materials cannot handle. Examples of the national picture include:

- On Jan. 21, a pre-Civil War, 138-year-old water main burst in Brooklyn, New York, creating a gaping crater in the middle of Fourth and Clinton Streets that looked as if a meteor had hit the street. The escaping water formed a winter lake that ran over four blocks, flooding and damaging dwelling units along the way. In turn, the water undermined and broke a gas line. Hundreds of families lost power, water, and heat. The nearby Battery Tunnel had to be closed for over 10 hours.

While Mayor Rudolph Giuliani toured the area, a resident asked him if he was going to raise taxes now that the area had become waterfront property.

- In Philadelphia, the ruptures of aging water mains became so frequent that the water system was losing 100 million gallons of water a day, an amount equal to the water supply of several medium-sized cities. By Jan. 24, the city reservoir system's water supply had plunged to one-third the 1 billion gallon level that is required. In response, Philadelphia's water utility cut water supply down to a trickle for 547,000 of its citizens, and cut off water altogether to others.

- In Atlanta three mains broke, leaving practically the whole city with water only for cooking and minimum hygiene—no showers.

- In Maryland on Jan. 19, work crews were repairing 47 water main breaks, and 21 breaks the following day. In Washington, D.C., a water main break in the Municipal Building closed the driver's license bureau and sent water

into the police cellblock. A break in a downtown Washington fast-food restaurant sent water cascading down Metrorail escalators and flooded one mezzanine level at the Farragut North train station.

No action on a national plan

The water delivery system in the United States comprises 436,000 miles of pipes, enough to span the circumference of the earth more than 15 times. Each year, there is a break for every 3.7 miles of water main in place. Thus, over 117,000 miles of water piping sustain one break each year. U.S. public works projects replace only 2,300 miles of pipe per year—less than 2% of those that experience breaks.

The lack of commitment to funding infrastructure is the cause of this problem. In turn, this was caused by 1) the depression, which has dried up tax revenues on both federal and local levels, and 2) the widespread acceptance of the budget-cutting mentality typified by Wall Street darling Sen. Phil "Landfill" Gramm (R-Tex.). This lunatic ideology views improvements and even maintenance of infrastructure as less important than so-called "cost-efficiency" accounting.

Take the old cast iron pipes in the nation's water systems that, when corroded, cannot handle the temperature and pressure stresses. Some 48% of the nation's water main system is cast iron; the percentage in older cities is 70-90%. The iron pipes in older cities on the East Coast and in the Midwest range from 100 to 140 years old.

Newer forms of ductile iron, that can handle many of the problems described above, do exist. But installing just one mile of the more elastic ductile iron in densely populated areas can cost \$1 million. This places the true unpaid bill, for just replacing the cast iron pipes in the nation's water system, at \$210 billion. This does not include the cost of fixing and repairing ductile iron pipes that have corroded.

Cortez White, general manager of the Washington Suburban Sanitary Commission in D.C., which covers a 4,700-mile system, reported, "In 1986, we identified \$700 million worth of projects we considered critical, but the number grew so big [in the intervening years] *we don't even calculate it anymore. We just don't have the money to do it,*" he said (emphasis added). The commission experiences, on average, 1,200 water main breaks a year.

Harmful bacteria, including the potentially deadly cryptosporidium, were found in the Milwaukee water system in 1993, and were suspected in the Houston and Washington water systems. This comes from not regularly cleaning pipes or valves. The last time the valves in Washington were even systematically tested was 20 years ago.

At the current rate, most area utilities replace only about a dozen miles of pipe each year, which translates into the fact that it would take more than 200 years to rebuild each area's water supply system: in reality, they won't last that long. The United States as a nation has abandoned reliable delivery of water; unless that policy is reversed, the economy will die.

The rise of corporate hog farming

Corporate farms and slave labor are making the United States the lowest-cost producer for pork.

Midwest farm states are under pressure from food and trading monopolies to change their laws, which have protected family farm livestock producers from exploitation by corporations. Over the past several years, there has been an intense effort by cartel-controlled meat producers to get around or suspend laws against corporate hog farming.

In Minnesota, speculators and corporate monopolies are bypassing existing law, which says that no corporation can invest in the production of livestock unless it is engaged in breeding stock. Some 1,200-2,400 sow set-ups are springing up around the state, producing male pigs as well, which then can be sold for slaughter, circumventing the law.

In some cases, 25-30 farmers are banding together to set up these giant hog-producing operations. The rumor is that the cartel conglomerate ConAgra is financing their set-ups. Other farmers are becoming finishers who feed the pigs until they are ready for slaughter or sale, under contract to the cooperatives, which furnish the feed and medicine and pay a set price for the pigs. The contracts are only for a year, and when the cartel-backed producers drive out the family farmer, the cartel is free to drop the price.

Family hog farmers who went bankrupt in the 1980s because of low prices, are reporting that they cannot get credit to restart hog raising, even though they still have their buildings. However, they report, credit is available even to those farmers who had large debts which had to be restructured, for setting up corporate hog farms. The farmers report that credit is coming from the Farm Credit Sys-

tem's Bank of Cooperatives. The FCS was established by the government to maintain the supply of low-cost credit to the nation's family farmers.

Publicists for the meat cartels, which want to control production from the farm to the slaughterhouse, claim they must have top-down control over the production process, or "vertical integration," a process which has already impoverished chicken growers, to supply the demand for low-fat cuts. Once the monopolies drive out their competition, including smaller processors and packers, and reduce supplies and raise prices, meat of any kind will be a specialty which only wealthy yuppies preoccupied with low-fat diets will be able to afford.

Similar efforts to rescind or suspend laws against corporate hog farming are under way in Iowa, Nebraska, and Kansas. Well-organized lobbies for the cartels are telling the legislatures that if the laws don't change, they will lose their markets to states where "low-cost" hog production is permitted, namely impoverished rural areas such as North Carolina and Arkansas, where Tysons and Murphy Farms have set up.

Behind these demands are companies such as IBP and ConAgra, which record 20% rates of profit, while the family farmer or grower in most cases is recording a negative profit. IBP, headquartered in Dakota City, Nebraska, is the world's largest processor of beef and pork. Its goal, say spokesmen, is to become the world's least-cost producer. Securities analysts rate them as the dominant low-cost producer.

What does this mean? When told

that IBP was buying a hog processing plant in Logansport, Indiana, a spokesman for the Commercial Foods Workers Local 280 told *AgriNews*, "Given a preference of no jobs at all or IBP, I would let the plant sit empty. I think the community would be better served." He said the company, which has five plants in Iowa and one in Nebraska, and hog-buying stations all around the region, exploit their workforce and have a bad safety and environmental record.

Cartel companies get generous tax breaks and grants. IBP received \$3 million in state and local grants to purchase the defunct Wilson Foods hog-processing plant in Logansport. Additionally, it will be taking advantage of various enterprise zone schemes being sponsored by the Iowa legislature, and the federal government's new enterprise zone initiative. Depression-ravaged areas will be allowed to entice corporations to set up shop by suspending federal and local safety, labor, and tax regulations.

Pushing the expansion of corporate hog production in Missouri is the New York investment banking house of Morgan Stanley, which has been lining up investors for Premium Standard. Premium has moved into the desperately poor farming area of northwest Missouri, where family farmers have been driven out of business. There it has set up hog confinement buildings capable of housing 700,000 hogs a year. The workers at these giant facilities, mostly formerly self-employed family farmers, will earn starting salaries of \$13,000 per year. Premium was granted an exemption from the state's corporate farming law and allowed to set up their own packing plant. According to the *Kansas City Star*, the stench from the lagoon which was dug to contain the urine of these hogs reaches five miles away.

Business Briefs

Health

WHO warns of escalating tuberculosis epidemic

The World Health Organization (WHO) predicted on Jan. 25 that at least 30 million people will die of tuberculosis between 1990 and 1999, and said the death rate will increase dramatically in countries where the disease has proven resistant to drugs.

"This tragedy is totally unnecessary," WHO Director General Hiroshi Nakajima said in presenting the findings at the headquarters of the U.N. agency in Geneva. "We have the tools and cost-effective strategy to control this disease," he said. "There is no rational reason why tuberculosis deaths should be allowed to continue to increase."

WHO said at least 3.5 million will perish annually from TB by the year 2000. It estimated 7 million people will die in East Asia and the Pacific, 6 million in sub-Saharan Africa, and 3 million in North Africa. WHO officials said that unless governments provide adequate funding, the epidemic will worsen.

WHO officials identified HIV (human immunodeficiency virus, which causes AIDS) as one of the main factors contributing to the dramatic rise in TB. The agency predicted that the spread of HIV will account for at least 25% of tuberculosis deaths in the future; in 1990, HIV-positive victims accounted for only 4% of TB cases.

Finance

Liquidity bubble can blow, says Swiss daily

The liquidity bubble in international financial markets could easily blow, the Swiss daily *Neue Zürcher Zeitung* warned in its weekly column on the Eurobond markets on Jan. 25.

The paper remarks that U.S. mutual funds have poured \$200 billion per year into foreign countries, especially into the so-called "emerging markets" in Ibero-America, east-

ern Europe, and Asia. Yet, this is only a small portion of the overall liquidity of mutual funds. Now pension funds and insurance companies are beginning to achieve more international diversity. According to Warburg Securities in London, this could lead to a capital flow of another \$300 billion.

But stability of this capital flow is not guaranteed, according to *Neue Zürcher Zeitung*. The "pressure of liquidity" causes "distortions" in international financial markets, which could let the "liquidity bubble" blow.

Other potential threats to the stability of financial markets are the "social and political tensions" connected to the process of global restructuring, i.e., the drive for the cheapest labor markets. These tensions are now causing doubts about the "established" idea that the process of global restructuring will advance continuously. Even in western Europe, the paper notes, the combined effect of austerity measures and globalization has created a "potential for political instability."

Demographics

European death, birth rates called 'alarming'

Surging death rates, plunging birth rates, and an unstoppable crime wave have reached "truly alarming proportions" in eastern and southeastern Europe as the result of economic and social reforms, according to a report released in January in Geneva by Unicef. The report does not mention that these "reforms" have been undertaken under pressure from the International Monetary Fund and advocates of so-called shock therapy.

The report documents the impact of the economic slump on living conditions since 1989 in nine countries. The crisis has hit children more than any other social group. The report states, "These costs are not only the cause of unnecessary suffering and waste of human lives, but also represent a source of considerable instability and social conflict that could threaten the entire reform process." In Russia, Ukraine, Romania, Albania, and Bulgaria the crisis is worsening, author Giovanni

Cornia warns. The rise in child deaths and the fall in nutrition and school attendance are already worse than in Ibero-America during the "lost decade" of the 1980s. Marriage rates have fallen by 35% in eastern Europe, and the birth rate has fallen so low that population levels are bound to fall.

Unicef Executive Director James Grant said that immediate action was needed to compensate for the human costs of the reforms, and that bilateral aid programs were all too often driven by short-term commercial interests rather than the needs of the receiving country.

Death rates were up 9% in Romania, 12% in Bulgaria, and 32% in Russia. The yearly number of deaths rose by 500,000 in Russia over 1989-93. This was partly due to the spread of diphtheria and tuberculosis, and also to rises in deaths due to murder, accidents, poisonings, and suicide. In Poland, suicides rose by one-third over 1989-92.

Debt

Third World total reaches new highs

According to the World Bank's World Debt Tables for 1993-94 released in January, the total debt of all developing countries rose 3.5% in 1992 and is expected to have risen by 6.5% in 1993, or a total of \$164 billion over the last two years.

The report summary attributes this increase to five factors, including: substantial positive net flows, including long-term debt, net use of International Monetary Fund (IMF) credits, and short-term debt, projected to be \$90 billion; a positive cross-currency valuation change of \$23 billion; capitalization of interest through debt rescheduling, projected to increase debt stock by \$15 billion; and a projected reduction of \$10 billion in the stock of interest arrears.

The summary reports that for two dozen severely indebted low-income countries, mostly in sub-Saharan Africa, the total debt stock has tripled since the beginning of the 1980s. "This increase [to \$204 billion] has taken place despite substantial debt forgiveness

Briefly

● **RUSSIA** has a real jobless rate of 19 million, thanks to Yegor Gaidar and his free market advisers, Deputy Finance Minister Boris Furmanov declared on Jan. 25. The official figure is 1 million jobless. Yuri Yarov, head of the national unemployment administration, recently said the real jobless rate is 9 million.

● **MILK PRODUCTION** worldwide fell another 1% to 518 million tons in 1993, *Agra-Europe* reports. Production is expected to drop even more because of the lack of feed and continuing slaughtering of whole herds in the industrial nations. In the former Soviet Union, production dropped 9%, and in eastern Europe 8% last year compared to 1992. Only India reported a rise, of 4%.

● **THE BRITISH** Labour Party has presented data demonstrating that taxpayers bear a higher tax burden today than in 1979 when Labour lost to Margaret Thatcher, opening 14 years of conservative rule. According to the study, the "Thatcher revolution" lowered direct taxes but dramatically increased indirect and "social security taxes," called National Insurance Contribution.

● **10,000 ITALIAN** winegrowers from the Emilia Romagna wine region demonstrated in January against the European Union plan to take one-third of Italian wine production (528.4 million gallons) off the market and transform it into low-grade liquors. Farmers' losses are estimated at about \$320 million, which would throw many into bankruptcy.

● **JAPANESE** scientists from Kirin Brewery, together with Twiford International, Inc., its California-based subsidiary, have perfected a biotechnology to produce microtubers which reduce the cost of potato production fivefold, UPI reported Jan. 27.

● **ACID RAIN** control measures have had little effect, *Nature* magazine reported in January. Anti-pollution measures have also cut down emission of bases, chemicals that help neutralize acids.

by bilateral creditors of both official development assistance—some \$15 billion—and non-concessional debt," the report says.

The role of IMF anti-development and usury policies is not mentioned.

Medicine

Vaccine for liver cancer may be close

American and Chinese researchers have developed a vaccine for liver cancer that triggers the immune system to recognize and kill the disease in rats, the journal *Science* reported in January. The vaccine was developed after 10 years of research at Case Western Reserve University School of Medicine in Cleveland, Ohio and at the Tumor Immunology and Bi-therapy Center at the Eastern Institute of Hepatobiliary Surgery in Shanghai.

"I want people to know that cancer can be overcome in the future," Dr. Ya-Jun Guo, the group's principal researcher, told UPI. He was the center's director before joining Case Western a year ago. Man-Sun Sy, a pathology professor at the medical school working with Guo, told the *Cleveland Plain Dealer* that more animal studies will be needed to determine whether the vaccine can combat other forms of cancer.

Guo and researchers in China developed the vaccine by fusing tumor cells from rat livers with B-cells, a type of white blood cell in the immune system. One set of rats injected with only tumor cells died within 60 days. But when researchers injected tumor cells fused with the B-cells into rats, their immune system attacked the tumor cells. Researchers said T-cells, which play a significant role in protecting the body against disease, also were especially active.

In another group, the rats were injected with the hybrid cell combination and then cancer cells that were not fused. The hybrid acted as a vaccine and the rats did not develop cancer. Guo said he also found the hybrid was effective in fending off tumors already implanted in rats. Testing is to start later this year on humans in China.

Dr. Stanton Gerson, of the Ireland Cancer Center at University Hospitals of Cleveland, said it can take only 18 months in the United States for laboratory treatment to jump from animals to humans once work is published in *Science*. "There's a lot of examples of animal vaccines, but this is unique in that it uses immune cells," he said.

Mali

Trade unions attack IMF 'adjustment' programs

The national executive bureau of the National Union of Mali Workers (UNTM), which groups the country's 12 trade unions, on Jan. 24 denounced the negative effects of successive structural adjustment programs of the International Monetary Fund (IMF), Mali Radio reported.

In a statement read by Mamadou Doumbouya, the board "observed that Mali has been engaged in structural adjustment programs for more than 12 years" and has "fully implemented all the social and economic measures jointly adopted by the IMF, World Bank, and the government." But, "the structural adjustment programs created great chaos by sanctioning the liquidation of state companies and enterprises, causing the reduction of the salaried work force through a wave of unprecedented retrenchments, and fostering voluntary retirement."

The attack came as the economic crisis is worsening following France's decision to allow the currency of the CFA franc zone in Africa to be devalued. The UNTM demanded "a return to a Malian currency in a period compatible with the desire for dignity of the Malian people, and failing that, a Malian commitment to work for an independent common African currency." Mali left the franc zone in 1962 and operated its own currency, the Malian franc, until it rejoined in 1984.

To compensate for devaluation, the unions demanded a 50% salary rise, payment of wage arrears owed since 1987, tax cuts, pension increases, and a 50% rise in the guaranteed minimum wage.

An emergency plan for China for the next 100 years

by Jonathan Tennenbaum

The following is excerpted from a draft program entitled, "The Renaissance of China: An Emergency Plan for the Next Hundred Years."

Contrary to the opinion of many supposed experts, the much-trumpeted "investment boom" in China actually marks a downward turning-point in a process of economic and social breakdown. If the present trends are not reversed in the years immediately ahead, a combination of destructive forces unleashed inside and from outside China will literally tear that nation apart.

In fact, a profound crisis has been building up for decades. In its inner core this crisis is rooted in the injuries done to the mental powers of China's younger generations under the "Cultural Revolution," in the suppression of China's classical culture, and of the best influences of Indo-European culture. These injuries, symptomized by a predominance of extreme forms of pragmatism among the nation's intellectual and managerial elites, greatly aggravate the impact of serious errors in economic policy made over the last four decades. These errors center on the refusal to carry out the kind of infrastructure-based industrialization of China's economy, which Sun Yat-sen had correctly identified in the 1920s as essential to the long-term survival of the country.

Now, by opening the floodgates to looting of China's labor force and shaky infrastructural base by foreign investors and corrupt domestic elements, the recent "liberalization" policies are acting to precipitate that slowly developing crisis into an uncontrollable explosion.

The magical aura of the "investment boom" distracts attention from the fact, that wealth is being transferred from the rural economy of the interior, to the coasts, and exported abroad; whereas the interior is starved for investment and China's essential problems—the predominantly agrarian, pre-industrial structure of its labor force and the urgent need to modernize its basic infrastructure—remain unsolved.



A digitally controlled machine tool on display at an exhibition of the People's Republic of China in New York City. China's essential problem is that the industrial base is too small to maintain itself and at the same time provide the goods and improved infrastructure which the agricultural sector urgently requires.

Meanwhile, a "get rich quick" mentality spreads everywhere, corroding the moral quality of the nation's elites, and weakening their ability to make the kind of long-term decisions upon which this vast nation depends.

That is exactly the result desired by the Anglo-American circles who originally designed the World Bank's China policy, and who have maintained a special kind of economic and cultural warfare against China for many decades. Now it appears that they have succeeded in luring China's leadership into a trap from which there is no escape.

The looming disaster has already announced itself in many ways. The crisis in agriculture is still in its early stages, but has already shaken the country. Its immediate expression is a collapse in the purchasing power of farmers. Part of this derives from the distortion of the internal economy caused by the "free trade" measures adopted by the government, especially the "boom" taking place in and around the Special Economic Zones. To this is added, increasingly, the effects of corruption and speculation on a grand scale. However, the resulting short-term destabilization of the internal economy is detonating a more fundamental, physical crisis: the growing inability of China's industrial and infrastructural base to maintain itself while meeting the increased requirements of the agricultural sector. The increasing severity of bottlenecks and even breakdowns in the vital energy, transport, and water systems signals the fact, that the basic physical infrastructure of the country is neither being adequately maintained nor expanded at the necessary rate.

At this point it would not be enough to respond to the symptoms of the crisis one by one. The modes of thinking must be changed, which led to those errors.

We hope this paper, which is submitted for discussion and does not claim to be the "last word," will assist in that process of reflection. It is designed to be read together with two other documents: 1) the recent work by Lyndon LaRouche, "History as Science" (see *Fidelio*, Fall 1993); and 2) an essay of Michael Billington entitled, "Toward an Ecumenical Unity of East and West: The Renaissances of Confucian China and Christian Europe" (*Fidelio*, Summer 1993).

The example of Sun Yat-sen

Dr. Sun Yat-sen's efforts to modernize China provide an indispensable, recent point of reference for the kinds of things which must be done now. China would not be in its present deep crisis, if Sun Yat-sen's policy of infrastructure development and industrialization had been followed. He clearly recognized, back in the 1920s, that China's future depended on accomplishing three interconnected *physical* tasks:

1) Modernizing the entire infrastructure of the country, with emphasis on railroads and water systems (including flood control) and upon opening the interior of the country.

2) Launching a rapid process of industrialization, employing the most advanced technologies available in the world at that time. Sun Yat-sen understood this to include a vast development of energy production and the related infrastructure.



Dr. Sun Yat-sen. His efforts to modernize and industrialize China provide an indispensable point of reference for what must be done now.

3) Urbanization, including the building of many new cities.

To this, Sun Yat-sen added what he considered to be the most important thing of all: a change in cultural outlook. We would propose to call this an “educational renaissance.”

These measures, and only these measures, could enable a sufficient rate of growth in the productive powers of labor, to guarantee the long-term survival of China.

This fact is clearly demonstrated if we examine the situation of China’s agriculture. It is impossible for China to feed itself without moving toward vastly more capital-intensive, energy-intensive forms of agriculture—both directly, in terms of machinery, equipment, and chemical products used on the farms, and indirectly, in the form of improved water systems, energy, and transport. This process has already begun, and will accelerate greatly in the coming period.

The problem is, that China’s industrial base is far too small to maintain itself and at the same time provide the goods and improved infrastructure which the agricultural sector urgently requires. This problem is aggravated by the “boom” in the Special Economic Zones, which is diverting the existing industrial activity toward export and an over-expansion of services, and even further away from the needs of agriculture. So, we witness a collapse in the purchasing power of China’s farmers at exactly the time when they need to invest massively in the capital stock of their farms.

If we look, for example, at the case of Germany in the

nineteenth century, we see that freeing of the peasants from “communal” feudalism, and the establishment of private family farms, was the means to dramatically increase the capital-intensity of agriculture. However, this only worked because it was part of a very conscious policy for *industrialization*, organized by Freiherr vom Stein, the brothers Wilhelm and Alexander von Humboldt and their allies, and which emphasized at the same time rapid development of infrastructure and an educational renaissance. Sun Yat-sen had very much the same kind of process in mind for China.

The mess we find now, is the accumulated result of 70 years of *not having done what Sun Yat-sen proposed*. Many useful and important things have been accomplished, but the Chinese economy still retains its predominantly agrarian, pre-industrial character—a mode in which it can no longer sustain itself.

Fortunately, China now has available a range of technologies whose productivity far exceeds anything which was available in Sun Yat-sen’s time. This provides an essential means for compensating for the lost time.

Above all, China has nuclear technology, which provides a source of power thousands of times more concentrated than any previously known. The hope for China is to mobilize the kinds of capabilities which China’s scientists and engineers have demonstrated—in producing nuclear reactors, thermonuclear weapons, rockets, and satellites—and apply them broadly to the needs of the population and the economy as a whole.

The following central element of our proposed plan illustrates what kind of mobilization we have in mind.

The simplest and most easily solvable precondition for China’s future is *large quantities of electric power*. China requires, going into the next century, a *minimum of 1,000 gigawatts of electric generation capacity*, provided at a fraction of the present electricity cost per kilowatt-hour in real economic terms. In the course of the twenty-first century, China’s power consumption will expand still further, to many times that figure.

The initial elevenfold expansion of electricity generation can only be accomplished using nuclear energy. It requires industrial mass production of simple, robust, inherently safe nuclear reactors. This is something China could easily do, if the task were made a national priority. The most suitable reactor technologies are already known to Chinese specialists.

With that, most of the material difficulties presently hindering China’s development, will easily be overcome. China need only concentrate—parallel with the expansion of nuclear power—on rapid development of high-speed railway and inland water transport and water management infrastructure. Focus a smaller, but decisive portion of that total effort on research and development of new technologies which will revolutionize infrastructure in the first decades of the twenty-first century. These include, for example: magnetic levitation; new types of high-speed ships, including magnetohydrody-

dynamic propulsion; controlled nuclear fusion; hydrogen technology; “clean” nuclear excavation methods, and so forth.

Provided the infrastructure effort emphasizes capital-intensive, energy-intensive forms of employment, and occurs in the context of an educational renaissance, nearly everything China needs will come into place by itself. Through the process of rebuilding and expanding the nation’s basic physical infrastructure *in this energy-intensive, capital-intensive way*, we also transform the structure of employment, recruiting tens of millions of unemployed and underemployed into increasingly skilled activities, and laying the foundation for *an industrial labor force more than five times larger than China’s present one*.

Infrastructure development also lays the basis for an urbanization process emphasizing the establishment of many new cities. We shall outline, below, our proposal for building 1,000 modern industrial cities based on nuclear power.

With assistance from Germany, France, United States, Japan, and other industrial countries, facilities for mass production of reactors, utilizing the most advanced production technologies, could be built up within a few years. The response of various nations and institutions to this proposal would be a good test of who is truly interested in China’s development. Technology transfer and other assistance in setting up assembly-line production of nuclear power plants and related infrastructure will have a positive economic effect a million times greater than all the present investment in China’s Special Economic Zones. If foreign assistance is not forthcoming, then China is perfectly capable of doing it herself; it will only take longer.

When Sun Yat-sen wrote his “International Development of China” proposal back in 1921, he emphasized that the participation of foreign countries in the infrastructural modernization of China, through investment of modern capital goods and know-how, would not only be good for China, but could prevent a deep economic depression in the industrial nations which would lead to a new world war.

This prophetic analysis of Sun Yat-sen applies also today. If the advanced industrial countries would agree to assist China in the kind of development we are proposing—instead of looting its “cheap labor” and breaking the country apart through the chaos of the “free market”—then this would greatly lessen the impact of the present worldwide economic crisis. However, this would require placing relations between China and other nations on a completely different basis than the IMF-World Bank-GATT policy, which is nothing but a reincarnation of the British Empire’s infamous “free trade” policies under the umbrella of a corrupted United States.

What is required in general is a return to classical principles of *national economy*, principles which were the basis for the rise of Germany, the United States, France, Japan, and other nations as industrial powers, and which are *completely opposed* to the British “free trade” system.

These are the principles put forward by Gottfried Wil-

helm Leibniz, applied by Alexander Hamilton and Mathew and Henry Carey to the United States, pioneered by Gaspard Monge and his Ecole Polytechnique in the development of France, by the Prussian reformers and Friedrich List to the industrialization of Germany, taken over by the Meiji Restoration in Japan, and so forth. They emphasize the development of *labor power*, which is based on the creative capacity of the individual to generate, assimilate, and transmit technological progress. They emphasize the role of the state:

- in promoting scientific and technological progress;
- in providing basic physical infrastructure, health and education;
- in generating credit for the expansion of the economy, directing investment preferentially into technological improvements in infrastructure, agriculture and industry;
- in regulating economic activity, maintaining a price structure coherent with the costs of production and necessary rates of reinvestment in the productive sector;
- in defending the national interest against domestic and foreign speculators and special interests, and protecting and promoting productive forms of private enterprise.

People often ask, “Where will the money come from to finance China’s development?” This is a misplaced question, as Sun Yat-sen clearly understood. Money is never the problem: It is only paper. In a sovereign nation, the monetary system is the creation of the state, which regulates and directs the use of money as an instrument of the real physical-economic activities of society. Development is entirely a matter of deployment and improvement of the *labor power* of the nation, its ability to generate, assimilate, and transmit increasing rates of technological progress, which is the source of the nation’s wealth.

The best and most important monetary tool for such development is the type of national banking system pioneered by Alexander Hamilton, the first treasury secretary of the United States. In this system, the National Bank introduces new issues of currency into the economy, by extending low-interest credit *exclusively* for the purpose of technologically progressive investments in the productive sectors of the economy. The functioning of such a banking system has been described in a number of documents available from *EIR*, especially our special issue dedicated to the 1791 bicentennial of Hamilton’s “Report on Manufactures” (*EIR*, Jan. 3, 1992). We focus on the *priorities* for such investment, which is not limited by money, but by the available resources of labor and physical equipment that can be set into motion by suitable issuance of National Bank or other credit.

The looming disaster in China’s economy

Aside from certain circles in the West who are maliciously spreading disinformation about the real situation in China,

belief in the existence of an “economic boom” results mainly from the common tendency to confuse superficial appearance with reality. On the lowest level, today’s businessmen tend to think that if they and their friends are making money, then everything is fine. A close look at the agricultural and industrial figures, discounting for inflation, suggests a more sober view. But increases in material output (even measured per capita), do not in themselves demonstrate that the economy is actually growing. Relatively short-term developments in an economy must always be evaluated in the context of the “long cycles” of investment upon which the maintenance of a nation’s productive base depends. Placed in that context, the present “boom” is revealed to have little real substance, diverting attention from the real problems—including a chain-reaction of breakdowns caused by neglect of long-term investments in China’s basic infrastructure.

Fictitious growth

To illustrate this point, consider first a typical example from western capitalist economies.

Suppose that, as a private investor, I have acquired a railroad, perhaps through the present wave of insane privatization moves in many countries. Portions of the equipment of that railroad, particularly things such as track beds, switches and signals, bridges, tunnels, and other fixed facilities, have long life-times, 30-40 years and more. A competently run railroad must always set aside substantial sums for maintenance, modernization, or eventual replacement of this basic capital. But, suppose I simply stop carrying out all but the most urgent repairs, allowing the whole system to gradually run down and decay, and instead divert the sums formerly destined for long-term investment and maintenance, into the category of “profits”! I can get away with this—for a while!—because the effects of neglect of maintenance of “long-cycle” equipment only becomes apparent, in the form of serious breakdowns, after many years.

With these new “profits,” I might do several things. I might purchase railcars and locomotives, thereby apparently expanding the operations of my railroad. I might simply pay out the money to my stockholders as earnings, or perhaps invest them in some form of speculation. In any case, I have created a “boom” for my company. My credit rating improves; my stock gains on the market. The boom lasts 5-10 years, maybe more. I must only be careful to sell my shares and get out of the business before the track bed falls apart and the bridges begin collapsing! In the end, the railroad is virtually destroyed, while I walk home a rich man.

Exactly this monstrous sort of looting process is responsible for the accelerating decay of the infrastructure and industrial base of the United States, Great Britain, and, increasingly, other western nations. In a somewhat different way, the same thing was a major cause of the collapse of the Soviet Union and has been happening on a gigantic scale in China as well.

Consider the case of Chinese agriculture. The Chinese

farmers’ ability to feed the population depends upon a vast infrastructure of canals, reservoirs, irrigation and drainage systems, water pumps, and so forth. This is an infrastructure which has been built up, in some cases, over thousands of years. Whatever changes are made or otherwise occur, the overall performance of that infrastructure—as measured by such parameters as irrigation water delivered per hectare (1 ha= 10,000 m²=2.47 acres) and per capita of the population—must at the very least be maintained. Not only the canals, pipelines, and so forth must be repaired and replaced, but we must also correct for such effects as erosion, accumulation of silt, and salination of soils.

As agricultural production expands, and the infrastructure is expanded and improved, an increasing expenditure is required per capita and per hectare to compensate for the various processes of wear and decay. In fact, even to maintain a *fixed, constant level of agricultural productivity*, the level of expenditure would gradually increase.

Note also that the factor of variation in weather and other natural conditions must be taken into account; we cannot define the necessary level of maintenance expenditure only in terms of conditions prevailing in “good years.” Recent flood disasters provide a clear lesson for that. Economic policy must take into account the implicit existence of “long cycles” of recurrence of extreme natural conditions.

These simple observations pose obvious questions: Has China been maintaining its water and related infrastructure, as measured by such long-term criteria? Or has it done the same sort of thing as the railroad owner of our earlier example: diverted resources which would be needed for the long-term portion of infrastructure maintenance, into what appears to be growth in other economic sectors? If so, then the dangerous possibility suggests itself that the accumulated “unpaid” maintenance costs—taken not only for agriculture but for the economy as a whole—might grow to be much larger than the total output of the economy. In that case, we are headed toward the physical equivalent of bankruptcy: a *physical breakdown crisis*.

Low taxes—a miracle?

Before proceeding further, let us look at some of the practices of China’s “Special Economic Zones” from this standpoint. Here, for example, foreign investors are attracted by “miraculously low” tax rates, “cheap labor,” and easy recuperation of profits. In exchange, the foreigners bring capital, for example in the form of modern production equipment, which China urgently requires.

Examining only one aspect of this, it would appear that the installation and operation of a modern factory increases the productivity and net output of China’s economy. But such first impressions do not take account of the fact, that no factory is productive *in and of itself*. To produce requires electricity and other energy, raw and semi-finished materials, and transport infrastructure to bring those materials in and to bring out the finished product; for the factory’s workers and their fami-

lies there must be housing, medical facilities, schools, and so forth. And, where does the labor itself come from?

Thus, we cannot count the output of that factory as a margin of growth, unless we consider in balance the real costs to the domestic economy taken as a whole, of providing the labor, the infrastructure, and everything else upon which that production depends. Directly or indirectly the entire economy of China—not only the local region, for example, on the coast—must pay those costs.

In a well-run economy, the taxes paid on company income cover a fair share of government-funded maintenance and improvement of basic infrastructure and other public facilities used by the company and its employees. The “miraculously low” taxes in China’s “Special Economic Zones” simply signify, as in our previous example of the railroad owner, that a major portion of apparent profits being carried off by foreign (or domestic) investors, is fictitious.

In fact, the present “investment boom” is accompanied by increasing reports of severe breakdowns in transport and energy supplies. At the same time, in the interior of the country, farmers are rioting against the excessive tax burden placed on them. This symptomizes the fact, that the “boom” is based on a looting process against the infrastructure and the population of the country.

Let us look at another facet of this phenomenon.

The myth of ‘cheap labor’

The appearance of a foreign investment-led economic boom is based to a large extent on the illusion that labor costs in China are low. In fact, they are extremely high, as Sun Yat-sen already emphasized when he wrote:

“It is commonly thought that China is the cheapest country to live in. This is a misconception, owing to the common notion of measuring everything by money. If we measure the cost of living by the value of labor, then it will be found that China is the most expensive country for a common worker to live in. A Chinese coolie, a muscular worker, has to work 14 to 16 hours a day in order to earn a bare subsistence. This miserable condition among the Chinese proletariat is due to the nondevelopment of the country, the crude methods of production, and the wastefulness of labor.”

When millions of rural unemployed migrate from the interior to the coasts to be employed in the “Special Economic Zones,” is this cheap labor? As Sun Yat-sen implies, we must measure the cost of that labor, not in the paltry money wages they might receive, but in terms of what it really costs the Chinese economy as a whole to produce and maintain those people. For example, how much labor is required, in China today, to produce the physical consumption of a worker and his family, whether employed or not, at any given standard of living? Since a nation can only deploy a maximum of 100% of its labor force, we must express this cost, in first approximation, in terms of the allotments of labor force required to produce various categories of the total consumption of households. A comparison of China with, for example,

the United States or western Europe, immediately demonstrates the illusion of the concept of “cheap labor.”

Take the former West Germany, for example, whose population-density is roughly comparable to the average of the central, southern and eastern provinces of China. In Germany, the farmers make up less than 4% of the labor force, or about 1.8% of the total population. On average, *the labor of a single German farmer produces the food for the consumption of 55 persons*. This is measured in terms of present German standards of nutrition. In China, 65% of the work

The appearance of a foreign investment-led economic boom is based to a large extent on the illusion that labor costs in China are low. Labor is actually cheaper in Germany than in China. Germany maintains a much higher quality of labor power at a far lower cost, than what it costs the Chinese economy to maintain its much lower quality of labor.

force is directly engaged in agricultural production, or about 28% of the total population; which means that a single Chinese farmer feeds less than four persons on the average—hardly more than his own family—at a significantly lower level of calorie and protein intake than in Germany.

This situation is not changed, if we consider in addition to food, all other items in the “basket” of goods and energy consumed by an average household—keeping in mind that the household consumption of manufactured goods is an order of magnitude higher in Germany than in China. Approximately 12% of the total German labor force produces the household consumption of the entire population. China needs 70% of its work force to do that, at a vastly lower standard of consumption.

Thus, labor is actually *cheaper* in Germany than in China! In fact, Germany maintains a much higher *quality* of labor power at a far lower cost, than what it costs the Chinese economy to maintain its much *lower* average quality of labor.

What do we mean by “quality”?

The “quality” of a work force is not simply determined by the specific skills of its members, but rather by their ability to constantly assimilate and apply new technologies, to *improve*, in that way, *the productivity of their own labor*. This is a creative activity, based on the development of sovereign, individual mental powers. But in order to fulfill this function, the families which produce the work force must be

provided with ever-higher standards of housing and household consumption, with better health care, better and generally longer education for the children, and so forth.

A policy of “cheap labor” means technological stagnation; and that, ironically, makes “cheap labor” the most expensive labor!

Population control makes the problem worse

We wish to note in passing, that the tactic of trying to slow or even stop population growth actually aggravates the problem it is supposed to solve. Looking only at one side of the economic equation, it appears that additional population is a drain on resources. This is only true under conditions of technological stagnation, as we emphasized earlier; provided that technology advances at a sufficient rate, the “carrying capacity” of the economy grows faster than the population, because each new individual produces much more than he or she consumes. Hence, the real problem is not population growth at all.

In addition, the abrupt slowing of population growth leads within a few decades to a dangerous inversion of the population pyramid and aging of the population. That means a shift in the ratio of labor force to total population, so that each working-age person must support more and more non-working people.

Another very serious problem is created by the population control policy: In the coming period, in which the technological level of production must be increased rapidly, the average length of education must grow. That means that fewer working-age persons will actually be working, since most will leave school later. As a result, the ratio of producing to non-producing population will be even less favorable.

The only solution is to replace the policy for abrupt population control, by a policy promoting rapid progress of technology in an energy-intensive, capital-intensive mode. We shall discuss some of the key points of such a policy more further below.

China has not industrialized

For reasons of their own, some Anglo-American circles have recently been propagating the myth that China represents an “emerging superpower.” The sheer geographical size and numerical population of the country, placed alongside some advanced high-technology capabilities in military-related areas, might suggest a plausible argument to that effect. Plausible or not, the implication is totally misleading. Examining the physical parameters *for the economy as a whole* reveals that in crucial respects China’s development lags more than 100 years behind that of leading industrial nations such as the United States, Germany or Japan. In fact, China’s economy is characterized by a thin “crust” of relatively modern science and industry, floating on a gigantic mass of pre-industrial backwardness.

This result is, of course, not accidental, but stems from a

TABLE 1

Comparison of some basic physical-economic parameters: China 1953-89 vs. Germany 1853-89

	Population density persons/km ²	Consumption		Rail density km/1,000 km ²
		Steel kg/capita	Energy kg/capita	
China 1953	61.3	3	0.1	2.5
Germany 1853	66	6	0.33	12
China 1960	69	18	0.46	3.5
Germany 1860	70	13	0.44	21
China 1970	86	17	0.35	4.3
Germany 1870	76	32	0.72	35
China 1980	103	32	0.61	5.2
Germany 1880	83	44	1.04	63
China 1989	116	47	0.86	5.5
Germany 1890	91	75	1.42	79

very deliberate policy of the Maoist leadership in past decades, as exemplified by the “Cultural Revolution.” This policy is also completely in line with the strategy of the World Bank-IMF apparatus, which is committed by all means to prevent the transformation of China and other so-called developing nations, into modern industrial powers.

In **Table 1** we juxtapose the development of China between 1953 and 1990 to that of Germany over the same timespan, only *100 years earlier*.

In spite of the relatively rapid growth of energy and other production figures—which might at first glance seem to parallel German industrial development in 1850-90—it would be not be correct to conclude that the Chinese economy has undergone a real industrialization process. Although a significant industrial sector exists, it has not transformed the essentially agrarian character of the Chinese economy as a whole.

The obsolescence and excessive age of plant and equipment throughout much of China’s basic industry points to another sharp discrepancy compared to a country undergoing a real process of industrialization. The latter should show—as Germany did in the nineteenth century up through World War I—a high rate of turnover of plant and equipment associated with successive technological improvements.

Instead, in China—as in the Soviet Union—the growth of industrial production was mainly accomplished by simple multiplication of the number of production facilities; the average factory has a *very low turnover of basic equipment and low rate of technologically based increase in productivity*. This kind of “Big Bang” expansion is characteristic of war

cult to sustain as time goes on.

Thus, factories will be found operating virtually indefinitely with the original machinery installed when the plant was built, and kept running by much labor- and time-consuming repair work. As a result of this, the impressive growth of nominal production figures conceals a growing mass of technological obsolescence of the base. That mass of obsolescence exerts a tremendous drag on the economy, eating up labor, energy, and materials at low efficiency.

The low rate of technological improvements means for the worker the repetition of the same *quality* of activity from year to year. Such monotony stultifies exactly the creative component of mental powers of the workers, which is the unique source of real economic growth.

The continuation of these practices finally leads to an economic collapse.

The following analogy illustrates one aspect of this. Suppose I am a farmer, and I decide to make new improvements each day on my farm. First, I build new fences. When they are finished, I dig some new irrigation and drainage canals and put in pipes to bring water for my animals. Next I purchase more pigs and chickens. After that I install some stoves in my house to improve its heating. Then I build more sheds to house the increasing number of livestock. And so on and so forth. My whole operation is expanding impressively, but so is my work load. Nothing is truly permanent—every addition and improvement I make on my farm, increases the total effort required to keep the farm in operating condition. If I continue expanding in the indicated way, there will come a point when, even by working 24 hours a day, I can no longer maintain everything. So my farm begins to break down: The fences collapse while I am feeding the chickens; the water supply starts to leak while I am fixing the stoves; the rabbits eat holes in the shed and the animals run out, the irrigation ditches become clogged with silt and the crop is destroyed, etc.

This problem arises when the farmer (as we implicitly assumed) fails to increase the technological level of his own labor; in this case, the accumulation of capital stock eventually leads to a *decrease* in the overall productivity of the farm.

We have a case of the “falling rate of profit,” which has become a monstrous problem in China.

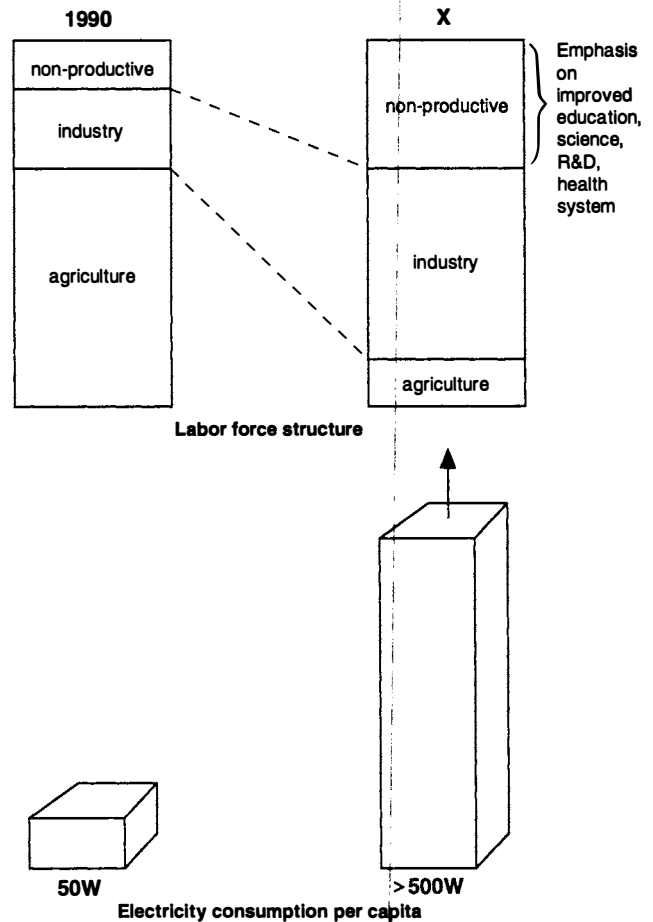
The path of solution

In “History as Science,” Lyndon LaRouche writes:

“To provide an alternative to the looming collapse of China (and other nations) we require three elements:

“1) We must introduce adequate rates of scientific and technological increases of the per capita and per hectare physical-productive powers of labor, to reverse the collapsing of potential population-density to values far below the actual population-density.

FIGURE 1
The development of China's labor power



“2) We must induce adjustments in ‘cultural paradigms’ to the effect of motivating popular generation and assimilation of effective scientific and technological advances in productive and related practice.

“3) We must foster that ‘cultural paradigm’ with large-scale projects which provide the needed climate of progressive change in mankind’s per capita mastery over nature.

“This latter includes a set of *priorities* for investment, placing the emphasis upon scientific progress, and upon increasing capital-intensity and energy-intensity concentrations as consistent with scientific progress. These are priorities for allocation of relatively scarce resources of investment and credit under relatively more favorable terms.”

Key parameters of the development path

The path for China’s future is a path of development of *labor power*. This involves a progressive shift of employment from agricultural forms of employment into industrial and infrastructural employment (see Figure 1). For purposes of first approximation, the development process can be

of first approximation, the development process can be thought of as *motion toward a hypothetical point "X" in the future, at which the labor force structure of China will correspond roughly to that of the major industrial nations in the late 1960s*. The development, of course, does not stop there, but the segment from here to "X" suffices to define most of the immediate priorities.

The structure of employment must shift in the manner described above; the percentage of work force employed in industry must shift from less than 20% today to 50% or more at point "X."

Associated with the increase of industrial employment and the overall capital-intensity of the economy, the per capita and per hectare total energy consumption must increase by an order of magnitude.

The increase must be even more drastic for electricity, which represents the highest general quality of energy use.

The average availability and quality of water supplies to agriculture, industry, and household consumption must also improve dramatically.

The intensity of transport, as measured in ton-kilometers per year, per capita, and per square kilometer, must increase by an order of magnitude. And finally, health and education systems must be dramatically improved.

The investment cycle of the economy, as reflected in the categories of physical output C , V , d , T , and S' must satisfy the set of constraints defined by Lyndon LaRouche*:

- 1) $S'/(C+V)$ must increase;
- 2) C , V increase, in terms of technological quality as well as quantity;
- 3) C/V , a measure of the capital-intensity of the economy, must increase;
- 4) The relative weight of capital goods-producing industries must increase relative to the consumer goods sector, as components of C ;
- 5) d increases, with emphasis on increasing expenditures for scientific research, health and education; but, at the same time;
- 6) $d/(C+V)$ must grow more slowly than $T/(C+V)$: Non-productive activities should amplify the productivity of the productive sector;

* Denote by T physical output of the economy in tangible goods and energy. Let C signify that portion of T required to merely maintain the existing capacities of agriculture, mining, industry, and infrastructure in terms of plant and equipment. Denote by V the portion of physical output which must be consumed by the households of goods-producing labor, in order to merely maintain the prevailing quality of the productive labor force. Denote by d the consumption of nonproductive activities, including household consumption of the nonproductive section of the work force, for example, administration, commerce, services, and so forth. Finally, denote by S that portion of physical output which is left over when the above expenditures are subtracted. S' represents the margin of physical output which is available for additional investment in the expansion of the economy. See also Lyndon LaRouche, *The Science of Christian Economy*, Washington, D.C.: Schiller Institute, 1991, pages 288-89.

- 7) the average level of technology must increase.

Four essential tasks

To accomplish the transformation of China's economy indicated above, four things are absolutely essential:

- A) water and transport infrastructure
- B) nuclear energy
- C) urbanization
- D) an educational renaissance

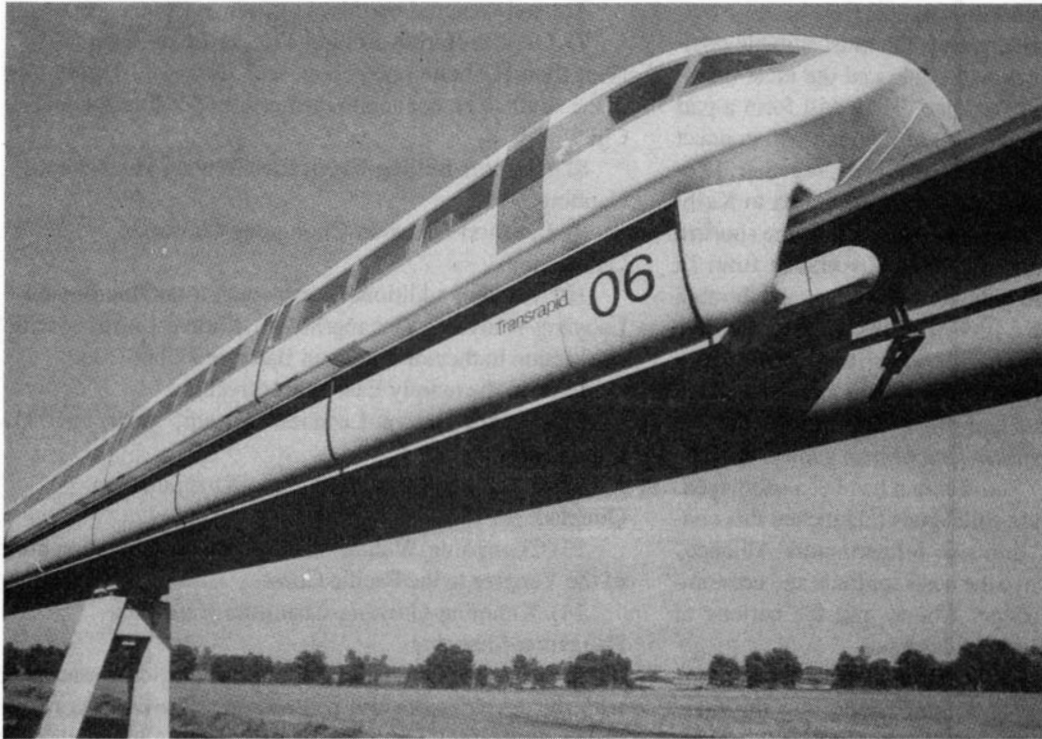
In order to achieve the most rapid and efficient development, these four elements must be combined into one. For this purpose we propose the following concept:

Infrastructure modernization shall be concentrated at first in a system of *development corridors* in which the relatively highest density of economic activity and the largest flows of goods, materials, and energy are generated. The system of corridors shall be designed from the standpoint of development of the country as a whole, considered also in reference to the economic-geographically defined infrastructural geometry of the Pacific-India Ocean Basin and of the Eurasian supercontinent as a whole.

The backbone of the corridors is formed by 1) high-speed railroad trunk lines (2-4 tracks in each direction) for freight and passenger transport, together with main lines of distribution of electric power, gas, oil, and later hydrogen; 2) a greatly expanded and modernized system of inland water transport and water management, including new canals and harbors, and exploiting new technologies for high-speed shipping; 3) in addition to high-speed rail, a national system of magnetic levitation (maglev) connections will be developed to provide passenger transportation between major urban centers at maximum speeds of 400-500 kilometers per hour.

The high-speed rail/maglev system is highly efficient and avoids massive, unsolvable bottlenecks and waste that would develop, if the coming dramatic increase in long-distance passenger traffic were left to road transport and civil aviation. Later, maglev will take over an increasing share of freight transport in the medium- to high-value category. In maglev systems, the motor is located in the track, permitting automatic control and a tremendous increase in the density of movement as well as speed. In this way, a single maglev line in the future will be able to transport as much freight as five or more rail lines or superhighways. An additional advantage of the maglev is that it can operate on much tighter curves and gradients than conventional rail, and thus becomes comparatively much easier to build in a rugged, mountainous terrain such as that of most of China.

Along the infrastructure corridors and especially at the "nodal points" of the corridors, nuclear power-generating centers are to be built, producing both electricity and process heat for industrial use. The most suitable nuclear technology for this purpose, available today, is the high-temperature reactor (HTR), incorporating the advantages of absolute, in-



The German-built Transrapid maglev system. China's infrastructure corridors should include a national system of maglev connections between major urban centers.

added. New industrial cities (nuplexes) shall be developed around the nuclear centers, and surrounding each of them would be a harmonic array of smaller cities and towns. Approximately 1,000 large nuplex cities of between 500,000 and 1 million inhabitants will have to be developed over the next 100 years.

These new industrial cities shall be constructed with a triple purpose. First, they shall aim at the highest possible rates of technological progress in industrial production. Second, they shall function as living museums for the education of the population and the work force in particular; for this purpose, industrial plants and laboratories shall be organized with provision for large numbers of visitors and apprentices. Third, the cities shall be designed as architectural jewels and cultural centers for music and the arts, with emphasis on the best currents of classical Chinese and Indo-European culture. The surrounding towns shall be developed on the same principles, only on a smaller scale.

Infrastructure corridors: the general context

Infrastructure corridors are best considered as bands 75-100 kilometers in width, and centered on navigable rivers and canals, and high-speed rail/maglev connections and incorporating main lines of power and water distribution. Rail trunk lines and major rivers/canals are like the main veins and arteries of the human body. They only perform their function properly if they are extended by a vast fabric of "capillaries"—secondary roads, railroads, and canals—spread throughout the corridor's area and into the sur-

rounding territory. The main arteries and smaller arteries of national importance must be the responsibility of the central state; while many of the "capillaries" are built and maintained by provincial and local authorities. But, like the human body, the entire network must function efficiently for the national economy, considered as an indivisible whole. It is completely impossible to develop an efficient infrastructure on the basis of "market mechanisms" or related forms of "spontaneous," decentralized decisionmaking.

The main infrastructure corridors in China should be in harmony with the economic geography and future infrastructure development of the Eurasian supercontinent and the Pacific/India Ocean Basins taken as a whole.

In terms of water transport, the enormous potential of the Pacific and Indian Oceans Basins emphasizes opening up the interior of China, via improved rivers and canals, to ocean-going shipping. In effect, large parts of China's interior become "part of the Pacific coast." Sun Yat-sen recognized the national and worldwide importance of improving and expanding China's inland waterways, whose potential is nearly unlimited. He correctly placed a high priority on making the Huang He (Yellow River) navigable for modern shipping all the way to Lanzhou, on modernization of the Grand Canal, on improvements of the Yangtze and the Xi Jiang river systems and new south-north connections linking all three basins.

From the standpoint of Eurasia's land infrastructure, we would first like to quote Sun Yat-sen:

"Regarded from the principle of 'the most suitable posi-

would first like to quote Sun Yat-sen:

"Regarded from the principle of 'the most suitable position,' our projected railways will command the most dominating position of world importance. They will form a part of the trunk line of the Eurasian system which will connect the two populous centers, Europe and China, together. [Referring to his projected line from Northeast China to Kashi (Kashgar), Sun Yat-sen continued:] This will be the shortest line from the Pacific Coast to Europe. Its branch from Ili will connect with the future Indo-European line, and through Baghdad, Damascus, and Cairo, will link up also with the future African system. . . . There is no existing railway commanding such a world-important position as this."

Due to two world wars and other wars in this century, and decades of Anglo-American geopolitical games, the Eurasian system described by Sun Yat-sen has been sabotaged. Recently, the author and his colleagues relaunched this concept in a proposal for a "Eurasian Infrastructure Alliance" which would greatly improve the basis for trade and economic cooperation among Europe, China, and the nations of South and Central Asia, Russia, and Japan.

There are, in fact, three main transport corridors running from the Atlantic to the Pacific and connecting the main population centers of the supercontinent (Figure 2, pp 36-37). Within those corridors (i.e. within 50 kilometers of a future system of trunk lines) live nearly 25% of the total Eurasian population and an estimated more than 70% of the urban population. The mean population-density within these development corridors is approximately 150 inhabitants per square kilometer, or 15,000 inhabitants per kilometer of the trunk line.

Infrastructure corridors in China

The location of the future main axes for infrastructure development for China, requires detailed study; here we wish only to provide a very rough first approximation (Figures 3 and 4).

Inland water corridors include:

1) Huang He (Yellow River), to be made fully navigable by modern shipping all the way to Lanzhou, plus development of Wei River.

2) Yangtze river system, to Yibin; future connections to Chengdu and to various north-south waterways.

3) The Xi Jiang river system, navigable for modern shipping from Guangzhou to Nanning, plus north-south connections.

These mainly east-west water corridors complemented by:

4) Fully modernized Grand Canal.

5) Additional north-south waterways, including a Xi Jiang-Yangtze connection and proposed Yangtze-Huang He water transfer routes.

6) Development of the Liao River and a combined Yalu-Sungari-Amur system.

The rail-centered corridors include:

7) Qiqihar-Harbin-Beijing-Tianjin-Jinan-Xuzhou-Hangzhou-Fuzhou-Guangzhou, with improved connections to the south to Hanoi and to the north to Vladivostok and Chita.

8) (Harbin)-Beijing-Zhengzhou-Wuhan-Guangzhou-Nanning.

9) Lanzhou-Chengdu-Chongqing-Guiyang-Guangzhou.

10) A major additional north-south trunk line Baotou-Luoyang-Nanyang-Yichang/Shashi-Xinhua-Liuzhou, with connection in the north to Ulan Bator and Ulan-Ude.

Plus, in the mainly East-West direction:

11) Beijing-Baotou-Lanzhou-Urumqi, with continuation to Alma Ata.

12) Lanzhou-Xi'an-Zhengzhou-Xuzhou-Jinan-Qingdao.

13) Chongqing-Wuhan, with suitable continuation north of the Yangtze to the Pacific Coast.

14) Kunming-Guiyang-Changsha-Nanchang-Hangzhou-Shanghai.

In the future there will be additional corridors associated with the development and colonization of present dry areas in the north, including one running from Qiqihar through Inner Mongolia into Xinjiang, and eventually extending into a reclaimed Takla Makan, and at least one corridor extension connected with the development of the Ordos region down to the Qinglingshan Mountains.

One thousand nuclear-powered cities

It is impossible to develop a modern industrial labor force suitable to China's needs, without dramatically increasing the rate of urbanization from the present 26% to over 70%. This could never be accomplished without the construction of large numbers of new cities. In fact, if we look forward at the next 100 years, taking into account even a modest increase in population, it is clear that we shall need new cities for 1 billion people!

At the same time, China's per capita consumption of energy must rapidly increase by an order of magnitude from its present "nineteenth-century" level to a level characteristic of the advanced industrial nations. Once that point "X" is reached, energy supplies per capita will continue to increase many-fold again, to levels required by the technologies of the mid-twenty-first century.

The most efficient method available to accomplish these combined tasks is to develop industrial cities based on nuclear energy. We could call this "nuclear-powered urbanization."

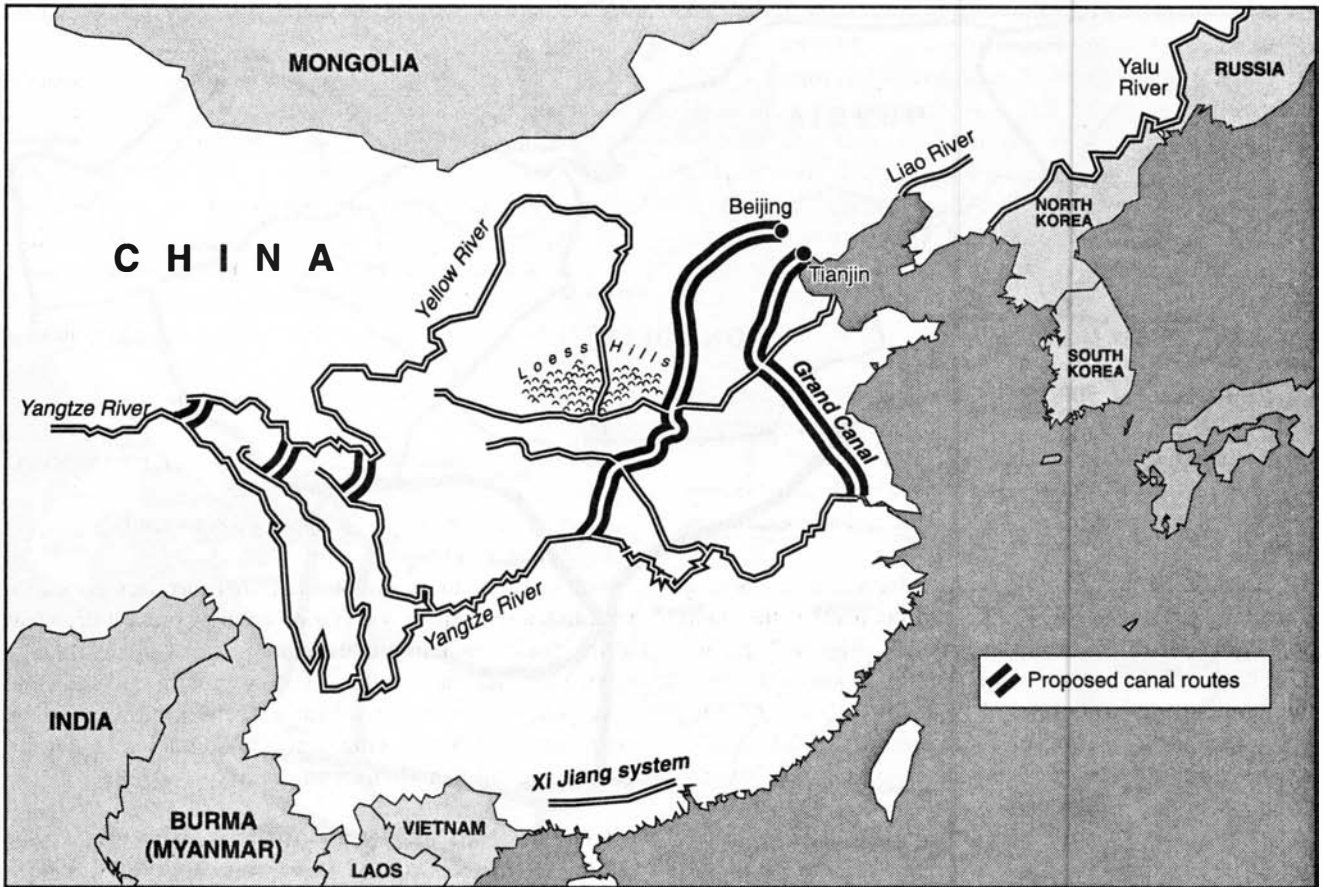
Using the high-temperature so-called "potato reactor," it is now possible to construct nuclear sources of power, that:

1) are simple, fool-proof and inherently safe;

2) can be constructed in large numbers using industrial mass-production methods;

FIGURE 3

China's infrastructure corridors: waterways



capacities;

4) can be installed without danger in the major population centers;

5) generate no atmospheric or water pollution;

6) can use thorium as well as uranium fuel;

7) generate thermal output at more than 700° C for high-efficiency electricity generation or direct use as industrial process heat;

8) are ideal power sources for integrated industrial complexes operating at very high efficiencies in terms of utilization of energy, materials and labor.

China is presently constructing its first HTR reactor.

In the typical case, an industrial complex with adjoining urban center will be built around a group of HTR modules, each in the range of 100-500 MW of thermal output. More modules can be added as the industrial city expands.

Now, with the emergence of "second generation" nuclear technology, typified by thermomodular HTR, the advantages of nuclear-powered cities have greatly increased. Within the infrastructure corridors described above, the average density of new cities will eventually reach 3 per 10,000 square kilo-

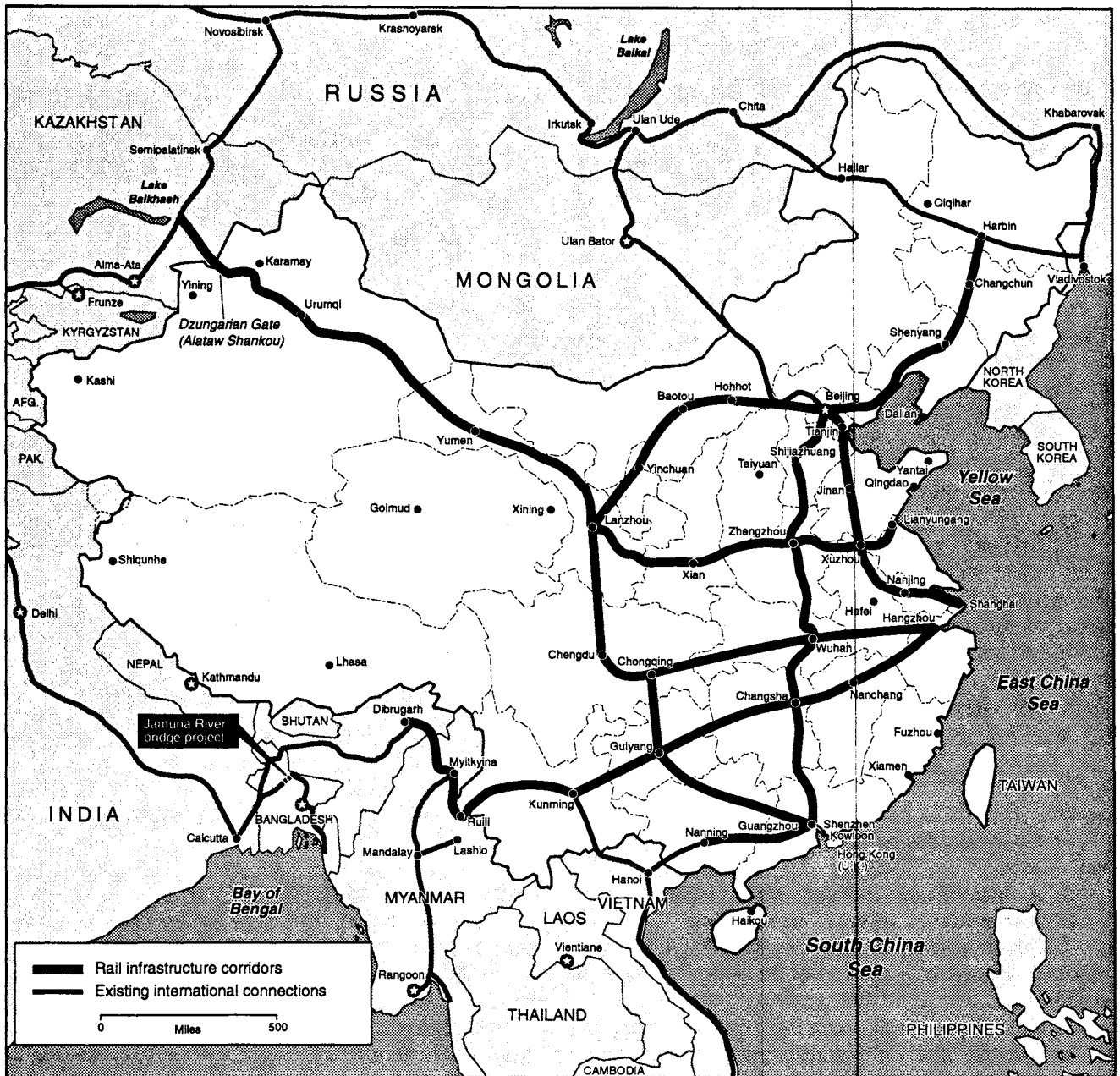
meters, or an average distance between cities of approximately 70 kilometers.

Why nuclear energy?

Without a "crash program" for nuclear power generation there is no solution for China. The present official energy policy, whose central pillar is a massive expansion of conventional uses of coal, would constitute national suicide if continued into the medium-term. The emphasis on coal (and, to a limited extent, hydroelectric power)—even though China possesses all the know-how and technology for nuclear energy and has already built its own nuclear power plants—is typical of the short-sighted pragmatism of present policymaking. One cannot go into the twenty-first century using the technology of the nineteenth century.

What is wrong with relying on coal? We have already pointed to the criterion of *energy flux-density* or *power density* which delimits the level of productivity attainable in a given technology. The problem is, that the power density of coal (and other conventional fossil fuel technology) imposes such a low level of productivity that the Chinese economy

FIGURE 4
China's infrastructure corridors: railways



will collapse, if it continues to base itself on that mode of power production.

We might illustrate the principle involved with a simple analogy. Why are there no coal-fueled, steam-powered airplanes? The answer is, that steam engines are too heavy to power a usable airplane. More precisely, the *power to weight ratio* of steam engines—a parameter closely related to energy flux-density—is too small.

Similarly, China's economy will never be able to "take

off" without going to nuclear energy. The present economic policy is doing the equivalent of trying to power an airplane by using a steam engine! We might embellish the analogy by adding, that the "China airplane" is becoming heavier all the time, and if it does not take off soon, it will sink into the mud.

The simplest illustration of the vast superiority of nuclear technology is the fact, that *per unit of thermal (or electric) power generated*, a present-day nuclear power plant requires

approximately 60,000 times less fuel by weight than a power plant using coal, oil, or gas. This fact reflects the vastly larger energy flux-density intrinsic to nuclear reactions as compared with processes of chemical combustion.

For example: A coal power station producing 1,000 megawatts of electric power, consumes 3 million tons of coal per year (about 38,000 railroad cars), whereas a nuclear power plant generating the same power of 1,000 MWe requires merely 50 tons of uranium fuel per year, (including the weight of transport containers).

The much higher energy flux-density of nuclear processes is reflected also in the parameters of nuclear power stations—although the implicit advantages have been limited so far for technical reasons. The core of a nuclear reactor is typically an order of magnitude smaller than the combustion chamber of a fossil fuel plant.

Already, our observation concerning fuel consumption has rather obvious implications for China. At present, even with China's extremely low per capita energy consumption, about 50% of China's railroad capacity is tied up by transportation of coal. Under the present policy, urgently needed expansion of rail capacity will simply be swallowed up by the increase in coal consumption.

The more profound implication is for the productivity of labor. Compare the "energy productivity" of a coal miner with that of a uranium miner. How many thousand times more energy can be produced from the uranium mined by one worker, compared to the coal miner's output? What happens to the effective productivity of an average railroad worker, if the railroad is used to move high-quality goods instead of hundreds of millions of tons of coal?

A similar remark applies to the productivity of land use. The mining, transportation, and distribution of coal take up considerable areas of land. What happens when we try to raise the per capita energy consumption by a factor of five? What will that look like in the densely populated cities and provinces of China, where land is scarce, and where the burning of hundreds of millions of tons of coal is already producing a severe degradation of the environment?

Effectively, the decision to rely on coal is a decision *not* to raise per capita consumption to the levels needed for China's industrial transformation.

Concerning hydroelectric power, it is often said that this is the cheapest source of electricity. But, taken in an overall context of physical economy, that is not generally true. The first point is, that hydroelectric power is fixed to a very limited range of physical locations, and thus lacks flexibility. This is particularly true when there is a tradeoff between water control and water power functions. Second, hydroelectric power stations require on the order of 10-20 times more material for their construction than nuclear plants—not counting additional expenditures caused by possible need to transport power from a remote site to centers of consumption. Finally, the construction of hydroelectric power stations in-

volves a lower technological quality and mostly a relatively low quality of labor power compared with nuclear. Thus, to the extent we consider infrastructure construction additionally as a *means to educate and develop the work force*, the potential impact of hydropower construction is much smaller. Nuclear energy is associated with a high level of qualification, a larger percentage of engineering, technical and scientific labor in the total bill of labor.

This is not to say that hydropower plants should not be built. For example, where flood control and water management requires the construction of dams, we should obviously exploit the hydropower potential also. But the main emphasis for China's national energy policy must be a massive expansion of nuclear power. The hydroelectric power from the planned Three Gorges Dam, once completed, would only provide about 2% of the additional power China will need, going into the next century.

Water, energy and productive power

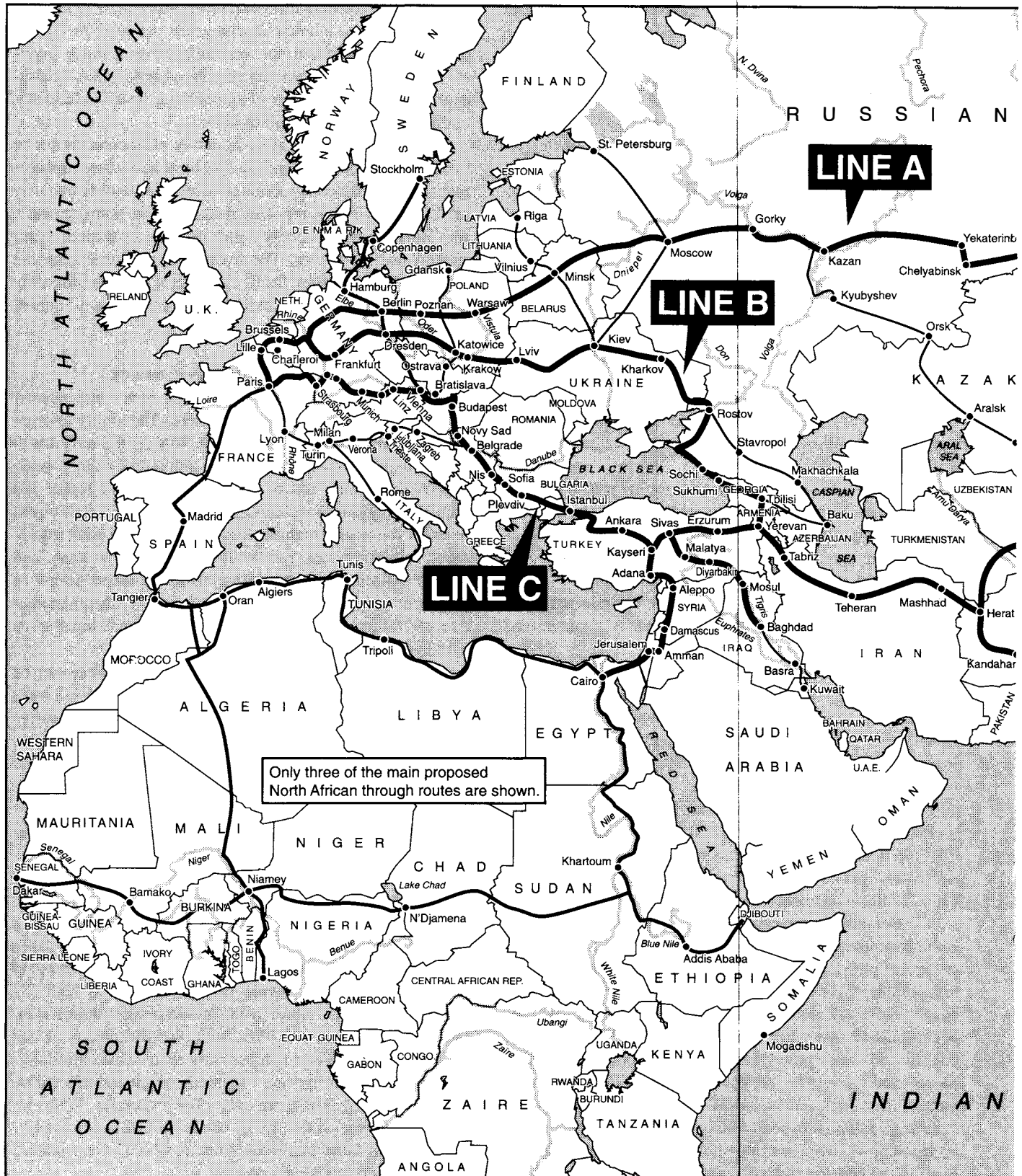
The converse relationship between water and nuclear technology should be emphasized here. The ability to organize and improve the overall water flow on the territory of China, depends specifically on the amount of energy available per unit area and per capita of the labor force. We require energy to move earth, to produce and install pipes, to build dams and manufacture water management equipment, to pump water, for treatment water and sewage, and so forth. Reliance on primitive, labor-intensive forms of employment in water projects leads exactly to the phenomenon of "falling rate of profit" and to the breakdown crisis we have described above.

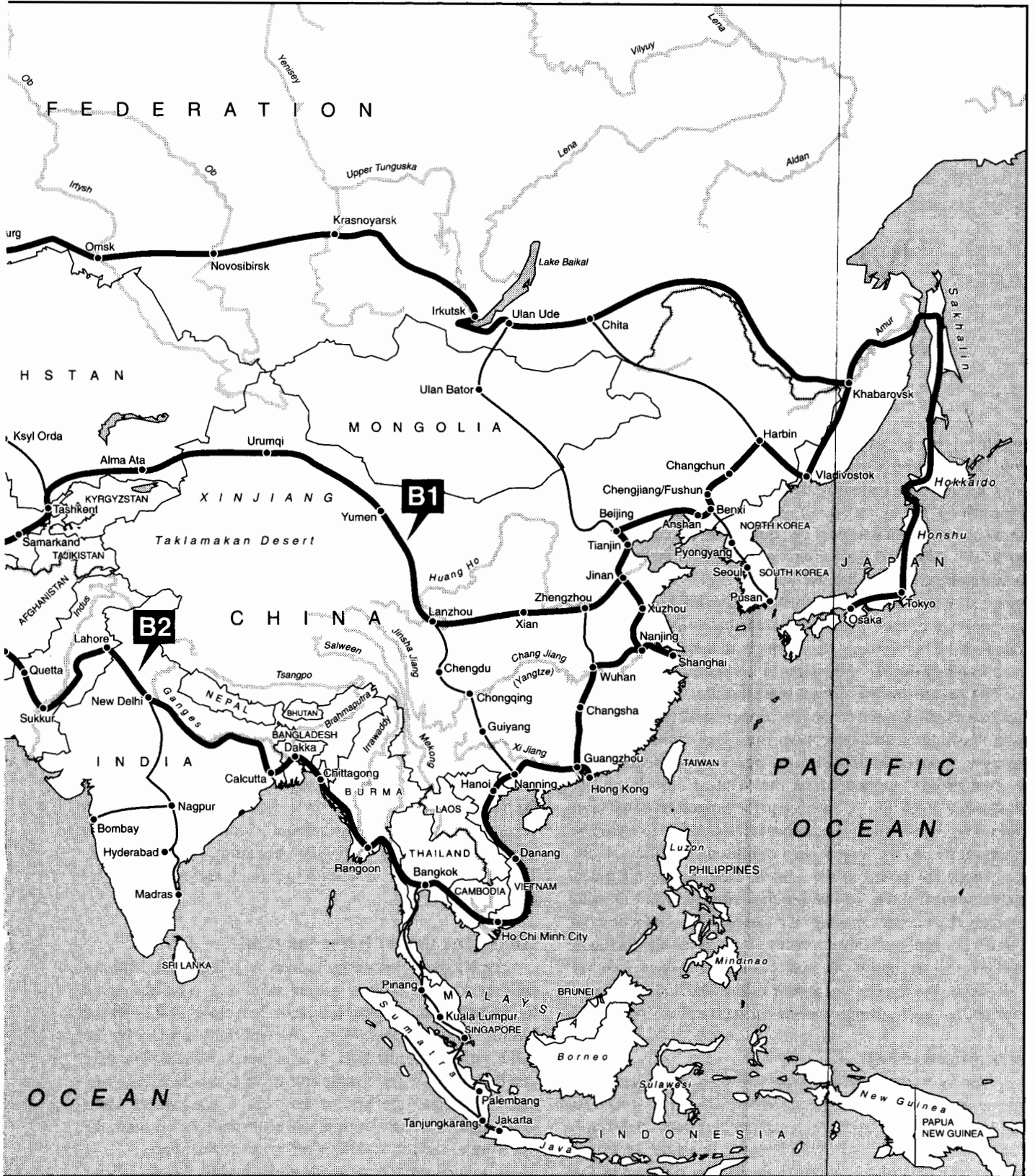
Looking at this the other way, consider what can be done, if the potential of nuclear energy is applied on a large scale to such urgent undertakings as comprehensive management of the combined Huang He and Yangtze basins. We can grasp this in one way, by regarding large-scale nuclear-powered pumping of water as the inverse of hydroelectric power.

If the total hydroelectric potential of China is approximately 380 gigawatts, consider what could be done, if we used a few hundred gigawatts of nuclear energy to pump water where we want it! It will be no problem, for example, to move great quantities of water into the dry north, using pipelines and aqueducts. One gigawatt of power can pump 100 cubic meters per second of water over a height of 1,000 meters. This would provide irrigation water to feed 1-2 million persons or more, using modern agricultural techniques for dry climates. Also, with plentiful power we can tap subterranean water sources on a large scale. Similarly, we gain the power to drain vast areas which are affected by chronic flooding. These are only a few examples. When we can apply power on this scale, where and when we want it, we can finally tame the forces of nature which have produced such suffering in China's past.

FIGURE 2

The Eurasian rail system: locomotive for development and peace





Peres, Arafat push Mideast 'Marshall Plan' at Davos

by Joseph Brewda

Israeli Foreign Minister Shimon Peres and Palestine Liberation Organization Chairman Yasser Arafat held marathon talks at this year's annual World Economic Forum in Davos, Switzerland. Speaking on Jan. 30 to 1,000 leading international businessmen who attended the forum, Peres and Arafat forcefully reiterated their urgent call for a "Marshall Plan" to economically develop the Middle East. Although they received an unusual standing ovation, there has been virtually no reportage of their call; newspapers have instead concentrated on the two leaders' discussions relating to hammering out secondary details of the Israel-PLO accords.

The reason for the virtual blackout is not hard to find. Leading establishment circles in London, especially, as well as in Washington and some other European capitals, remain strongly opposed to the Mideast peace accords that were so dramatically announced on the White House lawn last September. Both the opponents and the supporters of the plan know that unless there is massive infrastructure investment in the region, to the tune of tens of billions of dollars, there is no hope for peace in the Middle East. It doesn't much matter what the size of the Jericho entity will be, or who controls the border crossing; the peace plan stands or falls based on economic development. It is precisely for such reasons that recently released political prisoner Lyndon LaRouche, the intellectual author of the Marshall Plan conception, has been strongly calling for such a plan since 1975.

Economics is key

"The most important levers for changing the situation are justice for all and a strong economic platform on which to build the future for our children and our childrens' children," Arafat told the gathering, with Peres at this side. "I would propose the idea of a new Marshall Plan for our area of the

world. Stability is not possible without a strong economic platform. Today in Palestine, as I told President Clinton during our first meeting, we have unemployment of 58%. Do we want another Somalia or do we want a Singapore in the region? We have the highly educated, skilled manpower with which to transform the region, but we need your help."

"Extremists thrive in a climate of poverty," Arafat cautioned.

Arafat described the Middle East region as "the strategic link between Europe, Africa, and Asia. The area called Palestine is the central link between East and West, and it is the cradle of the world's three main religions—Christianity, Islam, and Judaism. We must give the people in our region hope that we will build our economy. We want to build an economy based on open, private markets. To give merely an indication of what we are looking at, our [PLO] plans foresee the need for net investment of \$13.5 billion per year for seven years. Forty percent of this amount would go to build public infrastructure and to rehabilitate necessary public services. The remaining 60% would go to private sector industry investment."

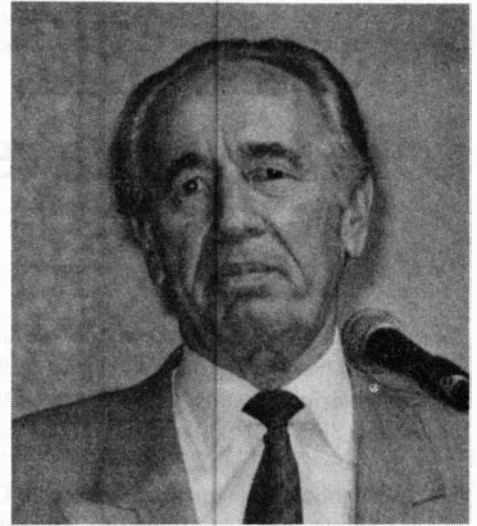
'Drive the desert from the land'

For his part, Peres emphasized that "we must offer our children a better economic chance." Peres, who has called for a \$50 billion regional Marshall Plan since 1986, told the forum: "Over the last decade, \$1 trillion was spent by the nations of the Middle East on armaments. If we devote only one-half of this it can change entirely the Middle East economy. Let us turn the Middle East into a land where water flows, land is fertile; let us take the desert from the land, the salt from the water, and the violence from the people."

In related comments made over the last months, Peres



Yasser Arafat (left) in Bonn, July 1993, and Shimon Peres in Jerusalem, November 1993. The two statesmen received a standing ovation at the Davos World Economic Forum, but when are the business and political leaders who applauded going to cough up the funds to back a Mideast development plan?



has called for nuclear-powered desalination of seawater for the region, the construction of a Mediterranean Sea-Dead Sea canal, the building of a major sea port at Gaza, and other necessary infrastructural developments.

Peres announced to the forum that both sides had made a preliminary agreement to convene a conference in Amman, Jordan, possibly as early as February, to focus on the economic development requirements of Middle East peace. "Europe has become so productive that today all you can produce is unemployment," Peres said in a chiding tone. "Export your unemployment to us and help us build new markets. Our average annual income in the entire region is some \$1,000 per capita. If we are able to increase this in the near term to \$3-4,000, this would go a long way to lessen the pressures for violence in the area. We both suggest OECD governments give their industries export credit guarantees, and encourage their industries to come into the region and select regional projects that are suitable. If you will help us to prosper economically, peace will endure forever."

Success is possible

Commenting on Peres and Arafat's remarks, LaRouche emphasized that the peace plan can succeed. Speaking on the "EIR Talks" radio interview on Feb. 2, LaRouche stated, "If people say it can't happen, why did the British agents, who were crawling all over that Davos conference of about 1,000 leading businessmen, work so energetically on the press coming out of that meeting—a meeting where both Arafat and Peres had been strongly applauded by these businessmen—and induced the press in most cases, to put out a report, which, in point of fact, relative to what was said, was fraudulent? Because that section of the British intelligence service is trying to stop this thing from functioning. And therefore, they don't want people in the United States, in particular, to hear the truth."

"It can work. There are many problems and pitfalls. But

Peres is a statesman; he's not a nickel-and-dime politician in some odd-corner country. He's looking at this as a world problem; both of them understand it: That the Middle East is the crossroads of East and West, of North and South. They know that what they're doing is beneficial, not only to their region. It's the only hope for their region. They also know that, perhaps, this is a keystone, a cornerstone, for solving many other problems, of North-South, East-West, and so forth."

Pledges of aid not honored

Meanwhile, the same forces opposed to the plan are continuing to block the necessary funds from flowing into the region. At an "international donors' conference" convened in Washington last October, representatives of western governments stuck to World Bank claims that only \$3 billion of aid over 10 years was needed for the region—an amount Arafat denounced as "peanuts." So far, not one penny of this aid has been released.

According to a leading Palestinian economist based in the West Bank, the economic situation in the Occupied Territories is worse than ever. "None of the donors have honored their pledges," this source declared. "This includes the U.S. Agency for International Development, the State Department, the World Bank, and even the European Community." With the canceling of work permits for Palestinians by the Israelis, the situation is becoming even worse. He said that the World Bank has been holding up funds on the excuse that the Palestinians have not set up the machinery to disperse funds. He said this was a "lie" and that the machinery was there. The U.S. Agency for International Development has even stopped aid that was traditionally given prior to the agreement. This same source said that the recent tour of Israel and the Occupied Territories by U.S. Commerce Secretary Ron Brown was a lot of hot air. "All Brown did was push for the lifting of the Arab boycott and lecture us about free trade."

Save Bosnia, parliamentarians told in Malaysia conference

by Laith Shubeilat

Laith Shubeilat is a former member of the Jordanian Parliament and a member of the Secretariat of the International Parliamentarians Against Genocide in Bosnia and Hercegovina.

The International Parliamentarians Against Genocide in Bosnia and Hercegovina convened in Kuala Lumpur, Malaysia over Jan. 22-23, organized jointly by the Institute of Strategic and International Studies (ISIS) and the Malaysian Parliamentarians Committee. Malaysia is one of the few countries of the world where a government is outspoken and clearly critical of the new world order policies of genocide against Bosnia. Prime Minister Dr. Mahathir Mohamad, who has acclaimed a respectable international status for his firm policies and stands opposing the prevailing international hegemonic policies being passed through the different organs and instruments of the United Nations, gave the keynote opening address to the conference in the presence of President Alija Izetbegovic of Bosnia. He called upon the parliamentarians to cause their respective "governments to help change the situation in that unfortunate country and save the valiant people of Bosnia and Hercegovina."

The prime minister indicated that the Serbs, by shelling Sarajevo in May 1992, the same month that the United Nations accepted the new Republic of Bosnia and Hercegovina as a member state, "had served notice that they care nothing for world opinion or the norms of human behavior." Dr. Mahathir went on to refute the British argument that a civil war is going on there, saying it was nothing less than a war of conquest by the Serbs abetted by others who have their own hidden agendas. "Bosnians are being killed," he said, "and Bosnia and Hercegovina was about to be dismembered. But neither the European Union or the United Nations Security Council took decisive actions." Moreover, he added, "the Bosnians, with the consent of the U.N., are placed at the mercy of their Serbian oppressors."

'Chamberlain lives'

The Malaysian prime minister criticized the Vance-Owen plan as contradicting the U.N. Charter and the London International Conference and emphasized that "the Geneva process, now presided over by [Lord David] Owen and [Thorvald] Stoltenberg, is bent on forcing the Bosnians to accept Serbian occupation as a basis for settlement." He warned that

history is repeating itself, and that "the spirit of [Neville] Chamberlain lives and the result is another holocaust."

Commenting on the despicable ethnic cleansing, complemented with the rape and murder of young girls, women, and children, he said, "The so-called civilized world is horrified but is not prepared to stop the Serbs. Yet woe betide any little developing country which violates even the most trivial of human rights." He warned that "unless the civilized world puts a stop to what is going on in Bosnia-Hercegovina, weak nations will know no freedom. *Might will always be right.*"

Commenting on the contradictory statements concerning military action against the Serbs coming out of the French, British, and Americans, he noted: "I really do not know whom to believe." Not only do they not act, he said, but they prevent the Bosnians from defending themselves. "The western nations could not have done worse if they were to hold down the Bosnians so as to enable the Serbs to batter them. It is abetment and no less!"

He criticized U.N. Secretary General Boutros Boutros-Ghali, the U.N. Security Council, and western governments, calling on them to take effective action to stop Serbian brutality. He called on the parliamentarians to exert pressure on their governments to pressure the U.N. Security Council to implement the various resolutions which the council has already passed criticizing the U.N.'s refraining from the use of "all necessary means" to ensure delivery of humanitarian aid, adding that the U.N. "safe areas" have been relentlessly turned into areas under siege.

Suit prepared against Britain

The prime minister's address was an excellent start for the deliberation sessions that followed, where the participants almost unanimously touched on the same points with the same fervor. A paper was presented by Prof. Francis Boyle, an expert on international law who has worked closely with the Bosnian government. Boyle's paper explained how he had won two International High Court rulings naming genocide in Bosnia and Hercegovina, and how these rulings were and still are ignored by the Security Council. Boyle called upon any one or a group of sovereign states to sue Great Britain and/or any of the permanent members of the U.N. Security Council for complicity in genocide. He stated that his files are ready, the papers are drawn, and he is awaiting to be authorized by any member nation of the U.N. to move. This action could turn the

tables on the protectors of aggression and expose them in the eyes of public opinion, Boyle insisted.

The other papers and discussions from the floor were very valuable. Taher Masri, the speaker of the Jordanian House, thanked Malaysia for taking the lead on this issue and called upon that nation to continue to lead an international movement to save Bosnia, offering Jordan's support for such efforts.

The next conference, which is expected to take place in Europe (Strasbourg or Brussels), should be organized such that a larger number of parliamentarians, especially from Europe and the international community, attend. Many delegates in Kuala Lumpur noticed that there were many countries absent from the conference, and felt that this should be carefully studied, to determine whether it was due to logistical or similar difficulties, or due to political pressures.

Such an assessment is especially warranted because the delegates in attendance could not help but notice that the first draft declarations presented to the conference were very much below the expectations for such a conference. The argument that the declarations should not embarrass the Malaysian government had no credibility in front of the firm, honest, clear positions advanced by Dr. Mahathir Mohamad in his official speech; this same observation holds true for the excellent closing speech by the Malaysian foreign minister, Datuk Abdullah Ahmad Badawi. Fortunately, the conference called for a committee to redraft the final declaration, and this was accomplished.

Documentation

The final declaration of the conference, released Jan. 23, included the following points:

- "The conference therefore calls for the termination of the so-called Geneva peace talks and calls for a new international conference to replace the ongoing mediations and talks, and this Conference of Parliamentarians will campaign for such a conference."

- "The conference requests the United Nations to act with urgency to lift the siege of Sarajevo, Mostar, Tuzla, and other cities."

- The conference calls upon "all states to consider ignoring the illegal arms embargo on Bosnia-Herzegovina by providing military weapons, equipment, supplies, and troops to Bosnia-Herzegovina in accordance with United Nations Charter Article 51."

- The conference is concerned and distressed that the mediators have acted against the principles encapsulated in the United Nations Charter and the London Conference; it is also concerned that these mediators are not accountable to either the United Nations General Assembly or to the European Parliament, and that they have arbitrary powers to formulate policies which are contrary to all civilized standards. . . .

- The conference "regrets that Great Britain, France,

and Russia have used their influence in the Security Council to deny Bosnia-Herzegovina adequate means to defend its sovereignty. . . . The conference calls on Great Britain, France, Russia, and other permanent members of the Security Council to take cognizance that the world community will hold them responsible for the Security Council's failure to act in accordance with the United Nations Charter and the Convention Against Genocide."

- "We call upon all nations committed to justice and the principles of the United Nations Charter to consider suing those permanent members of the Security Council they feel to be responsible, in the World Court, to rectify this situation, and to confirm the right and the obligation of each signatory of the 1948 Convention Against Genocide to 'prevent and punish' genocide."

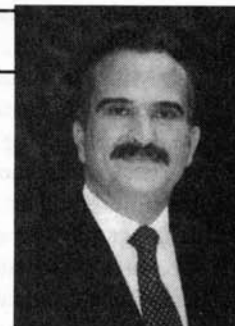
Statements of participants

Bosnian President Alija Izetbegovic: "All of us present here today know that an evil resulting in the crude violation of international law and human rights can never be characterized as purely local in nature and presents a challenge to all." Adding that although "some political leaderships" do not share this view, "it is still not too late. It is important that common people of all countries understand the dangers of the fascism and refashioned Bolshevism which once again have raised their head and threaten mankind and our shared values." He added, "There is no example in history where force and violence have been stopped by an appeal."

Francis Boyle, professor of international law, in his working paper "United Nations and the European Community: Responsibility and Failure," called on parliamentarians to ask their governments to sue Britain, France, Russia, and the United States before the International Court of Justice at The Hague for aiding and abetting genocide in Bosnia. "The four countries deserve to be sued for aiding and abetting genocide in Bosnia and for not doing anything to prevent the carve-up of Bosnia-Herzegovina which violates the Racial Discrimination Convention." He warned that if governments did not act now they might be the next on the list to be "eliminated" under the same techniques used by the so-called new world order.

Doris Pack, representing the European Parliament, told Malaysia's *New Straits Times* that the Vance-Owen peace plan had aggravated the war, that in fact, the 22-month war "began" after the Vance-Owen plan agreed to the drawing of the lines within Bosnia to split the state into three regions. "Lord Owen must go," she said.

Abdel Bari Atwan, a Palestinian parliamentarian, suggested that Muslim nations that controlled oil and related resources must impose economic sanctions against the western countries which are blocking action to save Bosnia. "The Palestinians had to wait 45 years for a single United Nations resolution to be passed to alleviate our plight. Under the present circumstances, the Bosnians may have to wait as long or even longer if we rely only on discussions and negotiations."



'Let us speak of the creation of a new tiger in the region'

His Royal Highness Crown Prince El Hassan bin Talal of the Hashemite Kingdom of Jordan was interviewed by Muriel Mirak-Weissbach at the Royal Court in Amman on Jan. 23, 1994.

EIR: Your Royal Highness, our magazine has been campaigning for a peace-through-development perspective for the region, based on massive infrastructure projects. Central to our approach is the proposal for nuclear energy plants for desalination, "nuplexes" which would serve also as centers for research and education. Before commenting on this, could you outline your conceptual approach to economic development in the context of the ongoing peace talks?

Hassan: Looking at the region, I think first of all we have to define that what we are talking about is, within the process as things stand, essentially, the north of the peninsula. We are not as yet talking about integration between the manpower resource-rich countries of the north of the peninsula, whether Israel or the neighboring Arab countries or Egypt, and oil. Unfortunately, energy is excluded from the discussions in the multilaterals to date. And I just wanted to refer to integration by saying that if the demand, which I think is a plausible one, for the integration of disciplines—energy, water, and environment—is realized, then hopefully we can talk about the theme of investment and trade on the basis of a concept that is served by an infrastructure.

But I would just like to start by the infrastructural point to say that it is very difficult to talk about a model when transnational thinking is not yet in place. In the early 1970s the Israelis represented a vision of the Middle East toward the year 2000 and they allocated roles in terms of the specialization of Israeli technology in certain fields, the manpower capacity of Egypt, we might aspire today to be a center of capital in terms of financial market and labor, but I think it is very difficult to talk specifically of these roles in the context of a tangible dividend to the peace process, unless we identify clearly to whom that dividend is to be addressed.

To start with first things first and speaking of a model, I think the concept of a Human Resource Development [HRD] package for the region is an essential point of departure in that it embodies anthropolitics. There I would just like to say

that in terms of political economy, international financial organizations have not been given the green light by governments on the board, shall we say, of the IBRD [International Bank for Reconstruction and Development—World Bank], to take, on a non-discriminatory basis, human resources development seriously. I say non-discriminatory—it's evident in our discussion with the World Bank to date, and we expect things may well evolve and change, that there is still a reference to movement from subsidy to development. Of course this takes different forms in different contexts. You talk of the United Nations organizations; it is a context of grants, and grants within the context of the amelioration program of the United Nations, which was proposed to us in September of last year; it includes moving from the subsidy approach of UNRWA [U.N. Relief Works Agency] to the development approach of the other organizations of the U.N. family, say Unicef [U.N. Children's Fund] or UNDP [U.N. Development Program], and beyond.

In terms of security and social security, I just want to make it clear that whereas in the 1970s the refugee camp was perceived as the breeding ground of radicalism within the region, the Jordanian approach in addressing population centers—what the World Bank calls euphemistically "spontaneous urban settlements"—our approach was very clear, that development is in a sense a catalyst, if not a panacea, provided it is taken on a non-discriminatory basis. So we would envisage a decade where we do not refer to "camps" or to "Palestinians"—or to "Jordanians" for that matter; we refer in the abstract to poverty and unemployment. I go back to the U.N. approach; it is one of grants and the evolution from subsidies to development. I go back to the World Bank approach, and that is one obviously of loans and a movement through institution building, from direct assistance to income-generating projects in concentrated urban areas, urban sprawl. And I compare that with your experience in the Asian Pacific context, by saying it is probably a little early—and I've said this to those who advise us continually on the importance of liberalization, on the fact that the way to deal with poverty is not through extending a social safety net but rather of moving toward economic alternatives. Economic growth, employment, naturally, deal with the residual problems of

social insecurity. But I would like to say that there is a certain particularity about the case of demography in this region as a whole, which is borne out by the overburdened lexicon of terms like “displaced persons,” “refugees,” “returnees,” “stateless persons,” victims of one form or other of demographic upheaval, including the last wave of Palestinian and Jordanian returnees from the 1991 Gulf war.

There is an eternal quality to addressing the refugee question, rather similar possibly to the movement of mass migration in the context of Germany. Eight million Germans contributed to the development of a modern Germany and the economic miracle, but I don't think in terms of civil rights that Germany has ever closed the book on family reunion, family reunification. I don't think there has as yet been a realization of the Helsinki principle of free mobility of labor. So I think if you look at the refugees, you have to look at it in two contexts. Obviously the political upper stratum has to be maintained, and this is something that some countries regard almost as seditious. When we speak about the refugees, it is almost as though we were trying to up the ante, as though we were trying to create a certain embarrassment over the context of the Declaration of Principles. We are not. We accept that the Declaration of Principles speaks about the fourth of June.

When we went to the donors conference in Washington [in October 1993], we were excluded initially from the steering committee, simply because we didn't attend Oslo [the secret Israeli-Palestinian negotiations in Norway]. And I felt that our participation in the steering committee was essential, if we were to envisage a Jordanian-Palestinian middle ground between strategic Israel on the one side, and strategic oil on the other. We of course are referred to as full partners in the peace process, and I will leave it to you to discern the difference between so-called “full partnership” and “strategic association.” We would like to be part of that strategic overview. We would like to be able to contribute to stability and security by a clear understanding of our role within the regional model. But I do not think it is for any individual party to the conflict to suggest that that model, for example, should be one of integration without unilateral liberalization measures, as has been suggested in independent reports that we have read from international financial institutions. We would like to see the same yardstick applied in terms of liberalization measures to *all* countries in the region, maybe at two speeds, maybe at three speeds. But, I think the acceptance of a MEFTA, a Middle East Free Trade Association, or a GATT approach, is possibly the only way of developing the kind of interdependence that we seek in coping not only with incidental crises—the crisis of the moment is the debate over the Arab boycott. Our position on that is very clear: that we would like to move progressively through a discussion of secondary and tertiary boycotts in a context of building a regional free market. The examples of Greece, Portugal, and



A Palestinian refugee at the U.N.'s Baqa'a camp in Jordan. “We are trying to support Palestinian identity by creating a window of investment in which the international community can participate if it so chooses.”

Spain have already been mentioned, and the incentives they have received and are continuing to receive as part of their drive to become not only members of the European customs union, but also of the European Union (EU).

We have unfortunately been motivated by disincentive for too long. I don't want to be clumsy about it, but they continue to pressure us to remove the Arab boycott, to liberalize within the context of the economic restructuring package, which we are conspicuous and alone in having implemented. To play the functional role of supporting the Palestinian economy in the territories through the creation of institutions dependent on Jordanian central banking, does not to me suggest that we are in any way trying to hegemonize Palestinian will. On the contrary, we are trying to support Palestinian identity by creating a window of investment in which the international community can participate if they so choose. Obviously the choice of investment in Israel and through Israel is a very clear one. But if we are to speak of parities and to speak of vision of the Middle East, and in reference to energy in the nuclear context, I would just like to say that when a study was done by the IAEA [International Atomic Energy Agency] in the mid-'70s, it was suggested effectively that we might need nuclear energy regionally by the year 2000. Well, we are approaching the year 2000 today, and energy conspicuously is a taboo subject of the discussions of the multilaterals. I'm not talking about electricity grids and

The idea of a dual-purpose nuclear capability, in the Gulf of Aqaba, is an extremely attractive proposition, provided of course it is approached in the context of peace by the four littoral countries.

services; I'm talking about a serious discussion of an interrelated nature, of energy, water, environment.

EIR: Regarding water, which you have stressed repeatedly as constituting the key parameter to development in the region, what do you think of the proposal of using nuclear plants for desalination?

Hassan: I'm a layman, but the idea of a dual-purpose nuclear capability, in the Gulf of Aqaba, is an extremely attractive proposition, provided of course it is approached in the context of peace by the four littoral countries. Maybe I've gone into a little more detail on the energy demand, but it seems to me, going back to the IAEA study, that it should be comprehensive development, including the use of the gravitational drop of 900 meters in the context of the Red Sea-Dead Sea Canal; every single contributing factor, a solar pond in the Dead Sea salt bands, for example, is regarded as a plus, for the regional requirements of development. But again, I would like to say, that if this megaproject would be focussed within the context of a regional development vision, then all the better.

EIR: What is the status of the Red Sea-Dead Sea Canal project?

Hassan: Independent consultants have approached us, and I have mentioned their names to the World Bank. We do not have a parameter to work by, because of the fact basically, that the riparians, if I can call them that, in the context of the Dead Sea development, have not developed a shared vision of the complementarity in that important region. So it is still very much the piecemeal approach. Politicians such as the foreign minister of Israel speak of Aqaba, Eilat, free zones, railways, electricity grids, and so forth, but until now a founding committee—and it is now rather late in the day to admit this, for a regional development whereby the ten-year development of the Dead Sea salt bands on the Israeli side are complemented by ten-year development on our side—the link-up has not taken place. So in a sense we are committing the time-consuming and frustrating mistake of focussing our efforts on the piecemeal, while losing sight of the objectives.

Speaking of the objective, I'd just like to make it very clear that the resolution of the border dispute in the southern rift is an essential contributor to revitalizing that shared real estate, if indeed it is to be shared for purposes of develop-

ment. So it is rather interesting that, whereas in the case of the Golan Heights and in Lebanon, you could argue that they are discussing vital terrain, in this instance it is only through the resolution of the boundary dispute that this terrain can become accessible and vital for regional development.

EIR: What is the status of discussions of a customs union, as an agreement among the three sovereign parties?

Hassan: It is two sovereignties and one jurisdiction, as things stand, but even that jurisdiction is still under debate. I'm not quibbling with sovereignty or jurisdiction, but all I am saying is that the suggestion that we have been trying to put forward to get out of this impasse of an overwhelmingly strong reality of a \$60 billion economy, is that we do again need that non-voting chairman, the sponsor of the peace talks, to develop with us certain concepts: the concept of the GATT model, which needs to be very finely crafted, effectively, in the context of the Middle East region.

I go back to the need to define the Middle East region particularly in the European context; for example, when you say Mediterranean basin development, how does it impact the development on the eastern Mediterranean? I mentioned earlier the need to speak of complementarity between Arab oil and the human resource-rich north of the peninsula. But the concept of a GATT model, I would think, should be best proposed by a third party, because in the nature of bilateral political negotiations, they are basically an exercise in achieving reciprocal concessions which may be identified as an extension of an agenda, but of course are not going to be put into play as pegs by which we mark our progress in the peace process, simply because one essential ingredient is absent, and that is the aspect of international integration. I would very much like to see a proposal by the international community of an acceptance of a recommendation made by governments in the region for the creation of a MEFTA, or the creation of a GATT model for the region; picked up seriously by the international community, giving credence to the creation of an MECDB, a Middle East Cooperation and Development Bank, or an MEDB, a Middle East Development Bank, as a regional mechanism for investment in 1) infrastructure and 2) the kind of projects that fit in the development of vision. But at the moment there is nothing.

EIR: *Le Figaro* announced that the MEFTA proposal would

be launched at the Davos symposium in Switzerland. Can you tell me more about it? Is there a worked-out draft which has already been discussed?

Hassan: Well you made me jump when you suggested that it would be presented at Davos, because if it's going to be presented by anyone, I imagine that would be myself, and I don't even know if I'm going to be in Davos on Jan. 30. [He did not attend the Davos forum, and no MEFTA plan was presented—ed.] I don't know, based on the Washington discussions and the Geneva discussions, the state of the bilaterals with the Israelis, whether this is going to be possible. All I would say is that certainly the concept of the MEFTA has to be drafted by a qualified international economic forum, such as Davos. It might be perhaps not a launching, but a throwing out of the idea, around which I would hope that the participants in the Davos symposium could then chart the course of their thinking toward a regional investment program.

As you know, the Israelis have spoken of the importance of regional investment seminars, but I just said, "How can you jump to the concept of the investment seminar without clarifying what the ground rules of participation in regional investment are going to be?" I think that a contextual paper on a MEFTA pointing out some of the problem areas that we will continue to encounter, including the tariff regime, including the selected free zone or graduated free zone approach, all of these issues need to be discussed very clearly before we speak of a regional investment seminar, by way of ensuring that seminar is well prepared and potentially successful.

EIR: Could you clarify the conceptual parameters of MEFTA in your view? The North American Free Trade Agreement, on which this idea seems to be modelled, has been subjected to criticism, among others, from our magazine, because it involves "outsourcing," the transfer of U.S. factories to Mexican "cheap labor," which constitutes a downgrading of productive capacities, not development. NAFTA has been attacked because of the dollarization aspect as well.

There seem to be two schools of thought regarding the creation of a free trade area in the Middle East; one sees it as simply a free trade zone, with Israel at its center, dedicated to speculative financial investment, including instruments like junk bonds and derivatives—those very instruments now wreaking havoc in the economies of the United States and Europe; the other envisions liberalization of some structures to facilitate investment and trade, as a means to allow real economic growth, predicated on massive infrastructure projects, advanced technologies, upgrading and developing labor skills. The World Bank, according to the reports it has released, favors the former approach. This is the approach also presented by international banking groups in December at a Jerusalem conference which wanted to turn the region into a

speculator's paradise, a "Hong Kong" in the bad sense.

Hassan: Let us speak of the creation of a new tiger in the region. I'm glad that you mentioned education and technology; clearly complementarity between a new Hong Kong in the context of Israel and the Occupied Territories, is a thought which would remain isolated from the rest of the region if education and technological disparities or asymmetries were not addressed within the regional context, which to my way of thinking should include an emphasis not only on the countries we've mentioned—the north of the peninsula and the Gulf—but possibly other eastern Mediterranean countries as well. Turkey and Cyprus, for example, may well contribute to this eastern Mediterranean concept!

Certainly, in terms of outsourcing and downgrading of productivity, I think if I'm not mistaken, that when you look at the purchases of the Gulf region and the increasingly high cost of finding suitable projects for offset arrangements in the Gulf, it appears to me that there are many, particularly subcontractors, possibly even in the G-7 [the Group of Seven top industrial nations] who would welcome the possibility of being based in the region in the context of joint venturing, which would be clearly beneficial to us in terms of improving our technological capabilities, making more relevant our educational experiment, expanding the base of our manpower, while at the same time obviously increasing productivity. I think in that sense, maybe the analogy between the U.S. and Mexico might also be a reflection of the attitudes of the Mexican population in terms of the work ethic. I do not want to be detrimental. And of course, a reflection of their population explosion. In terms of productivity in the case of a broad G-7 association, it seems to me that the productivity is plummeting anyway in many of the countries referred to, and the possibility of a synergy to contribute to a revival of productivity and to the integrating of this new Middle East region into the world might be a welcome filling of a void. You have ESCAP [U.N. Economic and Social Commission for Asia and the Pacific] going all the way to the borders of Turkey; you have European integration in the broader sense; you even have a South African region developing potentially. But somehow we do live a void, caused largely by mercantile bilateral considerations and the shunning of regional approaches.

Obviously when you meet in a conference in Israel, the environment is geared to promoting Israel. But I would like to say that I feel that there is a third school in Israel, that also believes that Israel should become a part of the Middle East region on the basis of not obviating disparities that create greater criticism of "moderate approaches," whether their own or ours, but contributing effectively to the development of a centrist school in politics regionally. Because after all, it is going to be the measure of the success of the political center in vindicating policies of peace, that will safeguard the peace process over the years ahead, what I described as

the role of "warm peace."

I would just like to say that the third school mentioned, for liberalization of financial structures and massive infrastructure, is a steep order. I can appreciate that this is a major challenge over a period of a decade, a major frustration for people who want to move quickly. There is this obsession with moving quickly. We don't have six days or six weeks or six months; we want to break out into the region. I would say that breaking out into the region is also to be done with clearly identified phasing. It has to be a graduated process. That is why I started talking about HRD. When I met Mr. Peres and we spoke of projects, I said very clearly, projects are all very well, but we do not want to see the rich becoming richer and the poor becoming poorer. You mentioned Hong Kong; Hong Kong is now facing enormous problems in terms of its integration into the neighboring environment. So are we supposed, in terms of the ideologies generated by increased disparity, to envisage the exact anathema of the peace process or maybe one of the justifications of the peace process, a spiral of extremism? While we watch beyond the pale the rise of this artificial phenomenon which is not rooted in the region? Or are we to expect that the non-voting chairman would propose something of a regional order that would have the dual objective of containing potential violence and offering something for all?

EIR: You have compared the region several times to the Benelux countries [Belgium, Netherlands, Luxembourg]. Those economies function to a large extent as part of an economic process driven by the industrial giants, France and Germany. Here, speaking of the region in this broader sense, Iraq is the only national economy with comparable industrial potential. What do you view the embargo in this light and the perspectives for the future?

Hassan: I think that any plausible ERF approach has to include not only Iraq but Iran as well. And that may be where a certain contradiction in the World Bank approach lies. I mean, they spoke of ERF in Cairo, they included Turkey, Iran, and Iraq as potential partners, and I think this is essential to avoid those voids, or that wild card draw. I'm delighted, for example, to see Syria proposing Law Number 10, which received such wide coverage in the *Wall Street Journal* the other day—new investment legislation.

The dynamics of the German and French economies is a point well taken. In the sense of human resource development, the possibility of freedom of mobility of labor, particularly for Palestinian labor in the regional context, is a moot point. It is going to come up again and again in the context of southern Lebanon. Here, on water issues, we are talking about a 70-mile radius of conflict, so clearly there has to be employment found within the region. If the states of the southern Gulf are going to find it difficult to open their doors along the lines that they have done over the past two decades,

then I think that Iraq is a potential source of employment. There's no doubt about it. And I think one of the most painful aspects of the boycott is the treatment of the Iraqi people, in that there is not only a cruel fate being meted out to the generation of the young which is described amply in an independent report which I'd like very much to present to you. We did a survey of a number of reports, including the Unicef report, which spoke of the death of a million people under the age of five. What this does to the national psychology is unthinkable. Iraq will obviously be considering infrastructure and rebuilding. The international community will obviously be focussing on the attendant reconstruction projects, which I would imagine would emphasize essentially infrastructure for some period of time to come.

What I would like to suggest is that Iraq is also a throughput country, not only from Aqaba to the Gulf, but also from Central Asia through Turkey, from eastern Europe through Turkey, possibly through Turkey and Iran. I think this idea conceptually of inviting an extension, if you will, from the east, of ECO [Economic Cooperation Organization] cooperation which essentially should include Pakistan, Iran, and were it not for the instability, Afghanistan. It should also extend so that ESCAP effectively meets the West Asian region, rather than continuing to create obvious disparities. How does the embargo affect the concept? Obviously it affects it negatively. The embargo is arcane when it comes to talking about economic regional planning. The discriminatory nature of the embargo is borne out by the fact that no truth seems to meet the public eye about the situation on Iraq's Syrian, Iranian, and Turkish borders, and frankly, I think it has been well interpreted by some of our western visitors here as political pressure on Jordan—to do what exactly, one doesn't really conclude. But, that is how things stand. I think we really have to move to a higher level, from talking about embargos and boycotts to talking about liberalization and removing protectionism, to use different terminologies, and pointing toward the future of the Middle East region.

EIR: As the region becomes the crossroads for trade and industrial development, between Europe and Asia, it also becomes the cultural crossroads. You recently hosted a conference here on the inter-religious dialogue, an institution which you have promoted over years. Can you tell me how you see the evolution of this dialogue with the Vatican in the peace process?

Hassan: Our Center has devoted many years to the dialogue, not only with the Vatican, but with representatives of the churches of the eastern community. And of course when we speak about the moral authority in the cradle of civilization, we are talking about the shared moral authority, based on richness in diversity and respect for the positions of others. We started this dialogue over 15 years ago. We maintained the same core group, we created a ripple effect, which invited

the interest of individuals and institutions. We did not jeopardize the dialogue by entering into the hot water of metaphysics, but we rather spoke about values and in particular tried to emphasize the importance of youth and youth participation. The objectives of the Center would be very clear that, as with our proposal for a CPC, a Conflict Prevention Center for the region, we feel that there is no indigenous center of inter-religious dialogue, with the exception possibly of the Ecumenical Institute, which was set up with Jordanian support in 1966 before the occupation. It is sad, that you immediately move to "Vatican dialogue" as though Christianity were a foreign state; when speaking of Christians in this part of the world, I think of the all-important complementarity between nationalism, as was discussed in the last dialogue session, and religion, as important because it contributes to the development of a shared identity. If we want to avoid the kind of confrontation that we see in the former Yugoslavia, then we have to understand a little bit more about each other.

What is the curricular expression of all of this? I think the question of inter-religious dialogue is essential at the level of higher studies in universities. I'm rather uneasy about the term "comparative religions," because I don't consider it an expressive term, but I think inter-religious dialogue is essential. In the value system, I would like to bring your attention to the discussion by the European Broadcasting Union in Prague of a European values survey, which picked up on a decline of religiosity in terms of religious attendance among European youth and the increase of the discussion of values and spiritual issues. Here you can see the opposite, in the sense of an increase of religious attendance, yet a lack of awareness of the universal search for ethical representation, on a universal basis.

So I would see the Center as important in developing a shared ethical perception of not only live issues—the environment, for example—or philosophical issues—the Creation, as another example—but also of the important shared commitment in terms of values to the ethos of intra-regional arrangements. For example, when you speak of the CSCE [Conference on Security and Cooperation in Europe], the value system is rooted in what may be termed the Judeo-Christian tradition. And I wonder why, when speaking of "Islam international" as a way of addressing Islam as Islamic extremism, why it is so conveniently forgotten that a moderate representation of Islam in terms of the value system is omitted. I think it is partly because Islam consciousness as well as indeed Arab consciousness, whether Arab-Christian or Arab-Muslim, is not a part of the western academic tradition. The academic tradition is largely an orientalist tradition, and consequently we get studied by the western desire to study us and to acquire knowledge. So I hope that this notion of the endangered species approach—one day we love the Kurds, and the next day, we love the Shi'ites, and the third day, we love the Palestinians—it's all very well, but rather

piecemeal and haphazard—can be replaced by a feeling that the region can represent itself in intra-regional academic discussion and, of course, in forming future leaders.

EIR: This is important, because the understanding in Europe and the United States not only of Islam but even of the Judeo-Christian tradition is limited, biased, and in many cases wrong. The focus should be, but is not, on trying to identify those moments of greatest achievement of each tradition, for example in Islamic and Arab culture, in Baghdad or Andalusia, and to understand those philosophical and moral currents which gave rise to such achievements.

Hassan: A specific case in point, which comes up in the "Facsimiles" (another project within this context), of shared Abrahamic and particularly Jewish tradition, is the interest in Maimonides. What we are trying to look at in terms of extracting manuscripts is the way in which, if you recall, Sepharad '92 and Andalus '92 could be dovetailed, dovetailing the cultural traditions of Jews and Muslims in Spain. I have been trying to invite the Catholic authorities in Spain to take an interest not in the traditional reconciliation, but in focussing on a shared interest in a heritage of prosperity in civilizational terms. There again, I mention "Facsimile" and the beautiful work done by the Patrimonio Nacional in Spain. They gave me a wonderful volume of the *Cantigas de Santa María*, which is reproduced in full color. To actually feel these things in your hand is something that young people would really be tremendously motivated by in this part of the world, and particularly if it applied to civilizational achievements and shared achievements, whether in astronomy or irrigation or mathematics or whatever it may be. But unfortunately, this is just not accessible to us. And this is why again I go back to the cultural authorities in different European countries, and say, "Where is your cultural outreach?"

EIR: That brings me to my last question, which is, how do you assess the elites in Europe and the United States? You mentioned the non-voting sponsor of the peace talks several times, and now we have been discussing broader educational issues, which are important for creating a new civilization. Would the elites in Europe and United States appreciate what you are talking about?

Hassan: Well, I love the word "elite," because it's "a—" meaning "without," if I may make a farcical interpretation, and "lite," "without reading." [laughs] I would say, it's "aliterate." I don't have to be charitable, but to be factual, they are just too obsessed with the priorities of the moment, whether domestic priorities, whether global political priorities generally of a mercantile nature, which I can't sit here and deplore. I mean most of the time we have been speaking about the economic future of the region. But there is very little globalism in the so-called global vision. This is what I find so frustrating, after having been educated in the West,

having been exposed for the whole of my adult life to intercultural dialogue of one form or another, to feel that at every meeting, I have to reintroduce and put my credentials on the table and explain once again my motivations and point of departure.

I go back to Yehudi Menuhin's observations on the former Yugoslavia, when he proposed the creation of a Parliament of Cultures. I say the notion is rather an attractive one. We don't talk of a Parliament of Cultures as the usual repetitive exchange of accusations and acrimony which may be relegated to the political sphere, but a Parliament of Cultures in terms of an exchange of values and ideas about promoting shared civilizational values. Hence my call during my visit to Germany, for example. It may be a litany of omissions in terms of intercommunal experiences between Muslims and believers of the other faiths, in developing a shared civilizational approach. I think the good news is the approach we used in the Independent Humanitarian Commission, to try to aspire through centers, such as the one we referred to, to be a lobby for the powerless, the NGOs, the non-governmental organizations. The problem, in the final analysis, is that one feels one is the powerless lobby for the powerless. The media, again, have a major role in this; the superficiality of the media is a major problem. But when we look two years down the road and the so-called celebration of 50 years of the United Nations system and we consider the

work of the international Commission on Governance—is it governance in the Orwellian sense?

EIR: Yes.

Hassan: —or can we try to make enough noise to make it governance in the civilizational and spiritual sense as well?

EIR: There may be some hope, in the United States and Europe, in that the leaders there, having experienced the last four years and the failure of their economic, political, as well as cultural approach to post-1989 eastern Europe and the former Soviet Union, are being forced to reassess fundamentals regarding economic policy, relations among sovereign nations, and basic moral and cultural values. Some, in the West, are beginning to recognize that these values have been lost and that they are exporting cultural degeneration, not culture. There's reason to hope that the elites may be forced to look back into their own histories, to the postwar period of a de Gaulle and an Adenauer, for example, and farther back, to seek out the principles they have lost.

Hassan: You mentioned de Gaulle: He was one of the few heads of state in my short lifetime who actually *listened*. Bruno Kreisky, again a tremendous interest in reaching out, in *listening*; Olof Palme, for a short period of time, again, a tremendous interest. But today, I would hesitate to comment.



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Beijing tries to strike a balance in South Asia

by Ramtanu Maitra and Linda de Hoyos

In 1955, Zhou En-lai, premier of the People's Republic of China, and Jawaharlal Nehru, prime minister of India, representing the world's two most populous nations, met in Bandung, Indonesia for the famous conference organized by Indonesian President Sukarno that is credited with launching the Non-Aligned Movement. Among the Five Bandung Principles signed by the ranking leaders of the developing nations attending was a resolution for peaceful coexistence.

The concept was shattered in August 1962, when China launched its surprise military attack against India, grabbing sections of Indian territory along India's northeastern perimeter. The Chinese attack so shocked Nehru, that veteran observers in Delhi believe the Chinese invasion led to his death in the spring of 1964.

The invasion brought Indo-Chinese relations to a frigid standstill, made even worse by the 1971 decisive tilt toward Pakistan by U.S. Secretary of State Henry Kissinger in the Bangladesh War, as part of Kissinger's opening bid on the "China card."

No thaw came to relations between the two Asian giants until 1987, when Prime Minister Rajiv Gandhi traveled to Beijing. Even so, relations did not "pick up" until September 1993, when Prime Minister P.V. Narasimha Rao visited Beijing and signed a "peace and tranquility agreement."

By the end of 1993, a Chinese military team was in New Delhi, a visit that featured for the first time ever a call to an Indian port by a Chinese naval vessel commanded by an admiral. The Chinese delegation came to negotiate a mechanism by which the local commanders along the line of control in the disputed territory can meet regularly, and an agreement by which either country would pre-notify the other of military exercises. (Both sides have already begun to reduce troops at their mutual border, as both want "to divert resources from military to economic areas," according to Chinese Ambassador to India Cheng Ruishang.) Meeting with the heads of the Indian Army, Navy, and Air Force, the Chinese delegation also discussed scheduling regular visits to military training institutes of both sides.

The reason for the change in Sino-Indo relations is not bilateral. With the 1989 demise of the Soviet Union, the India-Russia versus Pakistan-China fault lines no longer hold in Asia. Both countries are eager to ensure that Central Asia,

with the emergence of five newly independent republics, becomes a zone of stability rather than conflagration widening from Afghanistan. And both countries are vulnerable to separatist pressure. China is threatened in its northwest by a separatist movement of Muslim Uyghurs backed by the Turkish government, and implicitly by the United States. India is also targeted by separatist Muslims in Kashmir and by both Islamic and ethnic separatist insurgencies in the Northeast.

Pakistan the loser?

One correlative of Beijing's developing of relations with New Delhi, is a downplay of its military alliance with Pakistan, forged in the early 1960s. On Dec. 26, Pakistani Prime Minister Benazir Bhutto traveled to China—the first visit to a foreign country during her new prime ministership. Bhutto's eagerness to win favor in Beijing was evident. "Pakistan regards its relations with China as a cornerstone of its foreign policy," she said upon arrival. "Pakistani-China friendship is a model of inter-state relations . . . and has stood the test of time and changing global trends."

By the end of the visit, Bhutto and Chinese Prime Minister Li Peng signed five documents, including a trade agreement for trade routes through the Pakistan-held part of Kashmir and southern Xinjiang, also involving Kyrgyzstan and Kazakhstan. However, the accord on military cooperation, which Pakistan had promoted as the highlight of the trip, failed to materialize. A Chinese Foreign Ministry spokesman reported that Pakistani Defense Minister Aftab Shaban Mirani was present at the signing, but no Chinese military counterpart attended.

China's unwillingness to forge a new military agreement may be conditioned by Washington's placing of limited economic sanctions on China in August 1993, when China sold M-11 missiles to Pakistan, claiming that the missiles violated the Missile Technology Control Regime.

However, Bhutto did not fare well on other prime security areas. On Pakistan's dispute with India over the contested state of Kashmir, Li Peng said India and Pakistan must resolve the conflict through patient dialogue—that is, backing India on its insistence on resolving the conflict through the bilateral Shimla Accords of 1976. Although Bhutto asked Beijing to play an "important balancing role" in the Kashmir dispute, the Chinese Foreign Ministry spokesman reiterated that the Kashmir problem is a historical issue between India and Pakistan and could only be solved by them.

In early January, the British *Daily Telegraph* reported that China had notified both the Indian and Pakistani foreign secretaries, two days before their Jan. 3-4 talks, that China will not accept any form of independence for Kashmir. In explaining the note, a Pakistani diplomat who accompanied Bhutto to Beijing reportedly said that "the Chinese said the Americans are already undermining them through Tibet and Xinjiang, and Kashmir would become another hotbed of anti-Chinese activity."

Russian peril created by Anglo-American policy

Lyndon LaRouche was asked about the CIA assessment of Ukraine, in his weekly "EIR Talks" radio interview with Mel Klenetsky on Jan. 27. His critique of the scenarios for Russia and Ukraine forms a fitting context for the article which follows, on the history behind today's events.

EIR: A recent CIA report which was presented to the Senate Intelligence Committee by CIA director James Woolsey, predicted a possible civil war in Ukraine. Woolsey said he sees the hyperinflation and unemployment in Ukraine and the secession moves in Crimea, as leading to possible civil war, and maybe even Russian intervention. Do you think of this as a possibility, and what could it do to the global strategic balance?

LaRouche: I think that, insofar as that is what Woolsey said, that Woolsey's off base. Yes, all kinds of things are possible in respect to Ukraine. The Russian policy at present is a Third Rome, imperial policy, whose constituency base is the combination of the Russian military and the Russian security forces establishment. What we have to see is not the possibility of problems in Ukraine; there obviously is a very immediate threat to the stability of Ukraine, a threat which is being created largely by the policies of the governments of Britain and the United States. So, if we don't like what's happening to Ukraine, or we want to lament it, let us remember that beginning with George Bush's "Chicken Kiev" speech, in support of his great Communist buddy Gorbachov, in Kiev, that U.S. policy toward eastern Europe and the former Soviet Union has been to kick the true independence movements in the face, in favor of conciliating the old apparatus in Moscow—a conciliation which really doesn't work.

What Woolsey said in part is true. But to say it in isolation, as though this were simply something that involved Ukraine by itself, is wrong. The reason Ukraine is in trouble, is because of the Thatcher-Bush policies of shock therapy and International Monetary Fund conditionalities, and also the way that Thatcher and Bush played games with first Gorbachov, and then Yeltsin, around the theme of maintaining Russian hegemony, as long as the Russians—first Gorbachov and then Yeltsin—were willing to carry out the financial and related policies demanded of them by the financial circles of London and New York City.

It is this financial policy which has brought forth the Rush

Limbaugh of Moscow, Vladimir Zhirinovskiy, as a symptom—not a cause, but a symptom—not of fascism, but rather of a Russian Third Rome global thermonuclear hostility, a new Cold War with hot implications, toward the United States in particular.

That's the danger. It's from that danger that the threat to Ukraine flows. U.S. policy, the Bush policy on auto-pilot—which is what people like Safire want, or the *New York Times* wants, the continuation of that lunatic policy, at a time that it has already driven Russia into a Third Rome military, or military-tinged, imperial policy—that is the threat to Ukraine. To ignore that factor, that *that* is the threat, and that our own policy is causing the threat, that's a fallacy in composition. Woolsey is wrong. He's right in his facts, but he's wrong in his analysis.

EIR: Continuing on this Third Rome imperial policy, Kozyrev, the foreign minister of Russia, has been discussing the various problems that Russia has, and how Russia should handle its problems in the "near abroad," that is the contiguous republics from the former Soviet Union. How should the United States and the West respond to this concept of a spheres of influence policy?

LaRouche: The term "near abroad" as used by the Russians means "Russian Empire." Before the invention of modern republics, which occurred effectively during the middle of the 15th century, the world was dominated by empires. That is, in some region of the world, there would be a dominant power, such as the Russian power in its own region, the Russian Muscovite power, and the Muscovites would dominate a number of peoples around them, who would have some degree of cultural or other autonomy, be recognized as separate, but would be under the fiefdom of Moscow. Now that's what this "near abroad" means. Moscow is saying: These countries which were either formerly part of greater Russia, or which were formerly spheres of influence of imperial Russia, such as Poland or so forth, or northern Iran at least, the Caucasus and so forth—these belong to us. Either they are part of the Russian Empire or they are border regions which we insist on dominating without any outside interference.

That's what the term "near abroad" means in practice. What it signifies is that the mentality of the Russian leaders, including the Yeltsin state apparatus and the Yeltsin-Chernomyrdin government, has already been committed to a Third Rome imperial Russian perspective; and that this perspective is based on military hostility, a military posture, an enemy image against, particularly, the Anglo-American powers. That's where we stand. And to piddle around with trying to analyze "near abroad" as if it meant "vertically challenged" instead of "short" is just nonsense. This is imperialism. And unless we change our policy, that's what we are going to have: a thermonuclear global power called the Russian Empire looking down our throats as we tear ourselves apart.

Ukrainian nationalists protest against the New Yalta

by Vasyl Kolomatsky

President Clinton's visit to Moscow in January was devoted to geopolitical problems and further development of the April 1993 Vancouver agreements, in the light of the new political situation in eastern Europe, after Boris Yeltsin's dissolution and physical destruction of the Parliament in September-October 1993, and the Russian elections in December, when Russian nationalists expressed their aspirations to gain power. The superpowers, no doubt, are ready again to divide the world into spheres of influence by turning the East European countries into "a buffer zone," while consigning the former Soviet republics to the sphere of Russian influence.

Two weeks before Clinton's Moscow meeting with Yeltsin, Russian newspapers changed their tone from "non-interference" to a stress on "vital Russian interests in the near abroad" (former Soviet republics), while international mass media intensified their propaganda for the "Partnership for Peace" plan. I can imagine how much effort it took the President to convince the East Europeans to accept this plan. Populist actions in the style of Vladimir Zhirinovskiy, like playing the saxophone in a Prague jazz bar, could hardly sweeten the bitterness and disappointment of the Visegrad group countries, which are still in the unblinking gaze of the Kremlin boia.

But obviously, Washington's most important international move was the signing of the American-Russian-Ukrainian agreement on the dismantling of nuclear weapons located in Ukraine. Having adopted the principle of nonproliferation as a higher axiom of foreign policy, and exploiting the catastrophic state of the Ukrainian economy, Washington exerted unprecedented pressure on the Ukrainian authorities around the question of nuclear disarmament.

Three hundred years of colonial rule

We have had 300 years of colonial rule by Moscow, two instances in this century of declaring independence (1918, 1941) and of rapidly losing it under blows from the Kremlin, an attempt to become part of western society met with rejection by the egotistical West, and, finally, nuclear weapons as a means of restraining Russian nationalists, while the whole world fails to understand these Ukrainian defensive con-

cerns. The Ukrainians have never in their history waged wars of conquest, never had colonies, but were often used as a tool in somebody else's game.

To understand the thinking of contemporary Ukrainians, one has to look into the past. The original version of the Pereyaslovsky Treaty of 1654 has been lost, and many historians consider it a military alliance between Russia and Ukraine, signed only for the lifetime of hetman Bogdan Khmelnytsky. It was extended by Russia, however, for an indefinite period of time without any negotiations. And with time, the rights of Ukrainians were limited more and more. First, the electoral prerogatives of the Ukrainian troops were eliminated, then Ukrainians were not allowed to elect the [church] metropolitan, and ever greater political power was gradually concentrated in the hands of czarist officials.

Hetman Mazepa decided to end this dependency on Russia, at the beginning of the 18th century. During the northern war between Russia and Sweden on Ukrainian territory, he joined forces with Charles XII of Sweden and attempted to destroy the army of the Russian Czar Peter I. But Charles XII and Mazepa were defeated in the battle of Poltava, which decided the fate of Ukraine for many years. Such acts of vandalism as the destruction of Baturin and the annihilation of all its 6,000 inhabitants became a symbol of the cruel lot of Ukrainians in the Russian Empire.

Then came the rule of Catherine II (1762-96), a period of so-called enlightened absolutism, which Russian historians like to give as an example of wise statecraft. Catherine II corresponded with Voltaire and was considered to be a rather enlightened figure of her age. It was she, however, who destroyed Zaporozhskaya Sich, the stronghold of the Ukrainian national army. She suppressed an anti-Polish uprising called the Koliivshina in the right bank Ukraine. She introduced serfdom in Ukraine, and distributed huge estates to Petersburg officials and court titles to Cossack elders, which started the process that became known as Russification.

Ukraine experienced persecution as a nation under all the czars. The "reactionary" Czar Nicholas I smashed the Brotherhood of Kirill and Methodius and sent the Ukrainian genius Taras Shevchenko into the Army for ten years. The

“progressive” Czar Alexander II, for his part, issued two edicts banning the Ukrainian language (1863, 1876) and systematically persecuted the Ukrainian cultural association Gromada, which united the best Ukrainian forces in St. Petersburg. Another “soft” czar, Nicholas II, again banned Ukrainian as a language. Then, both the Bolsheviks and the White Army under Denikin fought against the troops of the Directory. Lenin was the author of the words, “Ukraine can be free only in union with Russia,” while Denikin said, “No Russia will ever recognize the independence of Ukraine! Never! There is no Ukraine, there is only the Southwest Territory [of Russia].” Thus there was no great difference between those antipodes.

Eventually the pacifist “left” government of Vinnichenko refused to accept the military services of the “rightist” Skoropadsky and, as a result, lost Ukrainian statehood under the armed blows of the Bolsheviks. This military defeat during the Civil War was one of the most important events, which forced Ukrainians to think hard about the role of the army in the existence of a state.

Soviet rule brought enormous suffering to Ukraine. The famine of 1932-33 alone cost the lives of 4-6 million people. The famine was caused artificially by the Bolsheviks, in order to drive stubborn peasants into collective farms.

When fascist troops entered West Ukraine on June 30, 1941, Yaroslav Stetsko in Lviv [Lvov] proclaimed the independence of the Ukrainian state. Within a few weeks, all the members of the Ukrainian government were imprisoned in camps. At that point, Ukrainian patriots founded the Ukrainian Insurrection Army (UPA) and fought on two fronts—simultaneously against the Communists and against the fascists. Once again, military victory eluded the Ukrainians.

Since the fall of communism

On Dec. 1, 1991 in a referendum on independence, 92% of the votes expressed the will of Ukrainians to live in a sovereign country. But then new difficulties arose in relations with Russia. These included Russian claims on Sevastopol in the Crimean Peninsula and on the Black Sea fleet, and demands for immediate removal of the nuclear weapons.

Meanwhile, the Russian press fanned tension around Ukraine by creating an image of Ukraine as a hostile country. There have been many articles painting the situation in darker colors than reality. As a member of the Ukrainian community in Russia, I can say with certainty that it is absolutely impossible to publish or broadcast a point of view treating Ukraine’s independence as the natural result of its people’s fight for independence. We have a paradoxical situation, where two peoples who lived in one country for 300 years have completely contrary notions about their common history and stress completely different aspects of that history. A Russian would not be able to tell you who Hetman Vygovsky was and what was his greatest victory, although he defeated a 150,000-strong army under Aleksei Trubetskoy and de-

stroyed the Russian cavalry. This historical ignorance feeds into an explosive ideological potential of enormous force, which may be detonated in time.

The question naturally arises: When will Russian society put on the agenda the question of political unification of the “fraternal republics” and eliminating the delusions of those dangerous and crazy Ukrainian nationalists? I think this will depend on many factors. First of all, if the crisis in Ukraine becomes a full-scale economic collapse, Russia will not so much aspire to take over its territory, but will resort to the strategy of making Ukraine a colony abroad.

Second, it will greatly depend on who succeeds Yeltsin. Third, the West will have a say. When Peter I trampled Ukraine after the battle of Poltava, the West could only express its sympathy in the press. The world has changed since then, and the West has more substantial influence on Russia. But when “President Zhirinovskiy” sees before him a Ukraine without nuclear weapons, Russia will take the offensive for sure. He would then earn in Ukraine the same fame that Peter I did, expressed by the Ukrainian word “*kat*” (butcher).

This excursion into history, recent and remote, helps us explain the feelings of Ukrainians as they watched President Kravchuk promise to ship all the nuclear weapons to Russia. Almost all the political parties in Ukraine protested, nor did the idea have support among the citizens.

There was even a protest action in Moscow. Four members of the Organization of the Ukrainian National Movement (Rukh), which is officially registered as a public organization by the Moscow authorities, approached the American Embassy with Ukrainian emblems and a poster: “Clinton! By disarming Ukraine you are arming fascism!” The protesters delivered to the embassy a letter addressed to President Clinton, which included the following: We “wish to express our concern and protest about the unprecedented pressure exerted by your administration on the leadership of Ukraine, on the question of nuclear disarmament.” The letter ended with the words: “Considering also that nuclear weapons have a good record as a reliable military deterrent, we ask you to postpone the question of nuclear disarmament of Ukraine until it can be said with all certainty, that there is no further threat from Russia to the sovereignty of the young Ukrainian state.”

The participants in the demonstration were arrested by the police, detained for nine hours, and then released until trial. The hearing took place on Jan. 20 and ended in a warning to three participants: Viktor Gumenyuk, Miroslav Chmelik, and the author of this article. Pyotr Kostik was acquitted. This event once again demonstrated the uneasiness of thinking people in the present political situation, as well as the undemocratic behavior of the Russian authorities and an attempt to suppress by force the peaceful expression of opinion. Is this not a metaphor for what may happen to Ukraine when the last warhead leaves its territory?

The author is a member of the Schiller Institute in Moscow.

Ditchley hails new Russian imperialism

by Mark Burdman

“Anglo-German realism,” seeking to accommodate to a newly emerging Russian Empire, will prevail over those “American hawks” who hope to do something to stop the advance of the Russian imperium, according to the London *Guardian*’s Martin Walker, who participated in a Jan. 21-23 conference at Ditchley Park in Britain, attended by various high-level officials, to discuss “Russia’s search for a post-communist identity.”

Walker writes that the “the bizarre anomaly of the past five years” has ended. “Russia is now acting as an international player, with its own interests and spheres of influence, and its new self-assertiveness has inspired a new school of American hawks, who believe that we are watching the re-creation of the late and unlamented Soviet Union.”

He predicts that this “new American hawkishness” is “beginning to seep out from the Pentagon and State Department, and rumble through the op-ed pages and in the Senate Foreign Relations and Armed [Services] Committees,” even if it is “not yet American policy.”

After itemizing the various signs of Russian imperial resurgence, Walker writes: “In recent NATO and other top-level meetings, including a session at Ditchley Park this weekend that brought high British and German officials together with Americans and a handful of attendees from the various republics of the old Soviet Union, it was clear that a western consensus has yet to emerge on Russia’s real ambitions in its near-abroad [border states]. . . .

“The question the West has yet to answer, is the degree to which Russia can now be allowed to have legitimate security interests beyond its borders, and be able to act on them. With 25 million ethnic Russians in the near-abroad, and Yugoslav-style ethnic clashes erupting in an arc of instability along the Russian frontier from Moldova through the Caucasus to Tajikistan on the Afghan and Chinese borders, Russia has security problems. All the world’s new near-nuclear trouble spots, from North Korea to Indo-Pakistan, from Iran-Iraq to Ukraine, are uncomfortably close to Russia. And so is Islamic fundamentalism.”

Keeping Russia under control

Walker’s article suggests that any Russian imperial aims can be kept under control: “Britain and Germany, and other Europeans who have institutional memories of dealing with

a 19th-century czarist Russia which seems uncannily similar to that of our elected Czar Boris and his weak Duma, are taking a realist line. If Russia is going to become a dangerous neighbor, it can be warned off. Until then, they reckon that Russia’s legitimate interests will have to be defined and accepted, so long as they follow the U.N. and other accepted rules of peacekeeping.

“There are places like the Caucasus and Central Asia where the West might even welcome Russia playing a stabilizing role that we all know—after Bosnia—the West cannot stomach. At the least, that means only intervening by invitation and with international approval, having a clear exit strategy and operating under the eye of international observers.”

From the French side, leading strategist Thierry de Montbrial, head of the IFRI think-tank in Paris, suggested in the daily *Le Figaro* that new Russian Prime Minister Viktor Chernomyrdin “has already shown himself a flexible and pragmatic politician, who deserves our best wishes.” According to de Montbrial, all the major recent events in Russia, including the rise of Vladimir Zhirinovskiy, the downfall of the Fyodorov-Gaidar and Sachs-Aslund economic shock therapy groups, make clear that President Boris Yeltsin’s rise won’t bring about Russia’s entrance into the era of “democracy and the market economy.” De Montbrial says that fear that Russia is returning to “the old demons of imperialism” is too simplistic a view. It is impossible to move from a communist system to a system of “hard and fast liberalism. . . . The dogmatism à la Jeffrey Sachs could only lead to disaster: hyperinflation, capture of the economic ‘circuits’ by the mafia, aggravation of the living conditions for the majority of the population, expansion of the sentiment of humiliation.”

De Montbrial says the western experts should not be chiding Russia for its failings, when the West seems incapable of solving its own economic problems. “Let’s stop . . . demanding from others that they do what we are not accomplishing ourselves, in these incomparably more favorable conditions.”

De Montbrial offers soothing comments about Chernomyrdin, calling him a “centrist” who has decided to follow “the Chinese experiment” instead of Harvard’s. He may be the “prototype of a communist *aparatchik*, but he “has his feet on the ground” and is capable of “firmness and flexibility.” Thus assured, de Montbrial writes: “As to the question of the return of imperial Russia, we must, there as well, relativize things. Neither the Americans, nor the Europeans, nor the Chinese have the slightest desire to get involved in Central Asia. The West, which didn’t succeed in reaching a consensus around a policy toward Yugoslavia, is not, by the evidence, ready to ‘assume’ Ukraine.” According to de Montbrial, Russian Foreign Minister Andrei Kozyrev’s seeking a U.N. mandate to assure stability within the former Soviet Union for Russians, with western financial aid, is “less absurd than it would seem at first.”

U.S. demands Guzmán be freed

State Department officials are traveling to Peru to demand that the Shining Path trials be overturned.

Even as Shining Path's narco-terrorist allies opened a second front in the Americas in Chiapas, Mexico, the Clinton administration escalated the U.S. campaign, begun by the Bush administration, to stop the one anti-terrorist war in the Americas which has had dramatic success: Peru's war against Shining Path.

During a January visit to Peru, Assistant Secretary of State for Inter-American Affairs Alexander Watson and National Security Council adviser Richard Feinberg demanded that Peru eliminate the extraordinary military justice system which has sent hundreds of narco-terrorists off to jail, and that all trials of those already sentenced be overturned. Such an act would return Peru to the days when terrorized civilian judges freed terrorists as fast as the Army and police arrested them.

President Alberto Fujimori rejected this latest demand out of hand. Following a two-hour meeting at the Presidential Palace with Watson on Jan. 20, Fujimori informed the press that Watson had requested that his government order civilian courts to review all sentences handed down by military courts against terrorists, including that of Shining Path mastermind Abimael Guzmán, currently serving a life sentence.

"This is a risk which I cannot accept, and I think that judges in the United States would also not accept it. If this happened, most likely Abimael Guzmán would go free, with other terrorist criminals, under the argument that no evidence exists. The suggestion cannot be accepted," said Fuji-

mori angrily.

Until terrorism is entirely defeated, Peru will continue to try terrorists in military courts with anonymous judges, and keep its other emergency measures, Fujimori said, even if this means the United States won't release \$105 million in promised aid. Five terrorist attacks alone do \$105 million worth of damage, he noted.

Peruvian officials had hoped that Watson's visit signalled that the Clinton administration was breaking with the insane strategy initiated by the Bush crowd of isolating Peru for its decision to save the country from what Fujimori rightly called "a Latin American Cambodia," a narco-terrorist assault which has left over 26,000 people dead and inflicted some \$25 billion of damage to the economy in 12 years of war.

With defeated terrorists surrendering to authorities by the hundreds (110 turned themselves in during January in the Alto Huallaga area alone), the time had come for those in Washington who screamed that harsh anti-terror measures would fail, to admit they had been wrong.

This did not occur. From his arrival in Peru on Jan. 18, Watson attacked as "regrettable" Fujimori's decision to put Peru on a war-footing against terrorism on April 5, 1992. The U.S. delegation met first, not with government officials, but with the National Human Rights Coordinator, a group which defends the terrorists. The government had invited the delegation to visit Ayacucho, to see for themselves how the government has restored peace in the province where Shining

Path once imposed its terror at will. They refused, and instead held an unscheduled meeting with leaders of a gaggle of opposition parties, all of which oppose the anti-terror fight.

Peruvians were outraged. "Never in memory has there been such patronizing behavior between the U.S. and Peru," wrote *Expreso*, a newspaper usually eager to support U.S. initiatives. *Expreso* noted, as did many in Lima, the irony that it is the "ex"-Marxists running Peru's human rights groups who are fawning over U.S. officials these days; "traditional antagonists of U.S. presence in Peru" follow U.S. orders, "old socialists . . . who didn't think twice about changing Moscow for Washington."

The Catholic Bishop of Ayacucho, Juan Luis Cipriani, warned that the U.S. government is basing its actions on "totally biased information." While U.S. officials speak only of human rights violations, "never before has such hope and optimism been seen as there is today," now that terrorism is being defeated. "I admire the American people, but I ask a little more humility and respect toward the Peruvian people," Cipriani told *El Comercio* Jan. 20.

In his column Jan. 24, a dean of Peruvian journalism, Patricio Ricketts, asked: "Why and by whom was the U.S. government disinformed and disoriented?"

Some Peruvian papers suggested that the architect of this U.S. debacle was Feinberg, the former president of the Inter-American Dialogue, the pro-drug bankers' lobby which has much of the U.S. Congress and the Executive branch marching to its tune. Feinberg was not initially included in the delegation, the Peruvian press noted, but he moved in at the last minute. Pro-terrorist "human rights" activists have been warning that not all in Washington agree with the current policy.

Sovereignty and the nuclear issue

Brazilian nationalists in the Congress offer a splendid response to the Foreign Ministry's "beggars' diplomacy."

The globalist factions that tend to dominate Brazilian diplomacy have become panicky over the recent decision by Brazil's Senate Foreign Affairs Commission to postpone ratification of several nuclear safeguard agreements: the Quadripartite Agreement signed in December 1991 with Brazil, Argentina, and the International Atomic Energy Agency (IAEA), and the Tlatelolco Treaty amendments. The reaction of the U.S. State Department, according to the magazine *Relatorio Reservado*, will be to block the sale of eight ships to the Brazilian Navy. U.S. Secretary of State Warren Christopher will fly to Brazil in late February to discuss the Senate decision, among other matters.

The State Department's policy, a continuation of that of the Bush administration, is the doctrine of "technological apartheid," which uses the pretext of nuclear nonproliferation to deny advanced technology to the Third World.

Sen. Dirceu Carneiro, in a bold act of defiance against the enormous pressures of the Foreign Affairs Ministry (Itamaraty), and especially of Strategic Affairs Secretary Adm. Mario Cesar Flores, stated that under the contested agreements, "we fear that the IAEA could end up making ad hoc inspections" of Brazilian nuclear installations, which would in effect give the agency—that is, the powers of the United Nations Security Council which run it—the same prerogatives that gave formal legal justification to their scandalously unilateral behavior in inspecting Iraq's nuclear installations immediately following the "sur-

gical bombings" of Desert Storm.

Even before Foreign Affairs Minister Celso Amorim had a chance to respond, Finance Minister Fernando Henrique Cardoso, a member of the Inter-American Dialogue and a mooted presidential candidate, denounced the Senate vote as "unfortunate," given the impact such a decision could have on various commitments, especially in the economic and financial arenas. "The international repercussions are negative; nothing in this day and age can justify Brazil's failure to adhere to nuclear safeguard clauses," Cardoso lamented.

Foreign Minister Amorim added: "The decision to postpone consideration of the agreements, in particular the Tlatelolco amendments, prevents us from participating in an important meeting of the Organization for Banning Nuclear Weapons in Latin America, in which Argentina and Chile have already taken part as full members." According to Amorim, the lack of an agreement with the IAEA will keep Brazil out of any international nuclear cooperation agreements and, supposedly, deny it access to sensitive technologies.

Speaking in the name of Itamaraty's globalists, the daily *O Estado de São Paulo* in its Jan. 17 editorial, "Splendidly Isolated," launched a direct attack on the group of nationalist senators who rejected the agreements:

"Thanks to a handful of senators who prefer to align themselves with the fallacious arguments of nostalgic informal advisers of the 'Great Brazil' persuasion, and who even appear to believe that Brazil is an enormous au-

tarchy that can grow despite what the countries around us say and do, the credibility that Brazilian diplomacy has constructed around the nuclear program has just gone down the drain. . . . We can credit the 'nationalists' of the Senate Foreign Affairs Commission for the splendid isolation Brazil faces through their lack of judgment."

The Senate decision, although potentially a temporary one, nonetheless must be seen as a dignified response to what we might dub the "beggars' diplomacy" that has been conducted by Itamaraty ever since the presidency of Fernando Collor de Mello. That "diplomacy" has unfortunately continued under the direction of Fernando Henrique Cardoso, who appears to be the actual decision-maker for current President Itamar Franco.

An example of this beggars' diplomacy can be seen in statements made by Foreign Minister Amorim during a recent visit to the United States. He lamented that, despite all the changes taking place in Brazil, "today a fully democratic country, with a free and vigorous press, active social movements . . . [and] deep structural reforms in the sense of economic liberalization and privatization substituting for the old protectionist practices . . . there appears to be a strong perception that bilateral relations have changed for the worse."

Amorim pointed out that in the early 1970s, when Brazil lived "under an authoritarian regime, [where] human rights were not respected, protectionism was the touchstone of economic policy and, in the area of international security, adherence to non-proliferation agreements was deliberately avoided," the country was more respected by the United States, despite the enormous pressures that led to a rupture of military agreements with that country.

International Intelligence

Zhirinovsky rattles sabers at NATO

"If a single bomb falls on the Serb towns, this will mean a declaration of war on Russia" and "we will punish" NATO, Russia's Third Rome ideologue Vladimir Zhirinovsky told cheering Serbs in Bijeljina, the eastern Bosnian town seized at the beginning of the Bosnian war, on Feb. 3.

He said it was up to the Serbs alone to decide where the borders of their state should be. Crowds of machine-gun-toting fighters and families replied with chants of "Serbia-Russia!" A banner greeted Zhirinovsky declaring, "We and the Russians are 200 million strong."

Veselin Djuretic, head of the Russian-Serbian Friendship Society, the group which sponsored Zhirinovsky's visit, ranted: "Why do they call you a Russian fascist? It is because they are afraid Russia will come out of its ideological slumber. We Serbs know what it is to be awake. And so it will be with Mother Russia."

Zhirinovsky also spoke to thousands of cheering Serbs in the devastated eastern Croatian town of Vukovar, which has been conquered by the Serbs, on Feb. 2, where he promised that Russia was ready to come to the Serbs' defense.

Separatist candidate wins Crimean election

Russian separatist candidate Yuri Meshkov scored a big victory in the Crimean "presidential" run-off elections, held on Jan. 30. Meshkov officially got 72.92% of the vote, against 23.35% for his opponent, Nikolai Bagrov, who had fought to keep Crimea as an autonomous region in Ukraine.

The choice of Meshkov as the candidate to lead Crimea's exit from Ukraine and future unification with Russia, betrays the fact that the exit process will be a carefully staged one, where each step will be coordinated with Moscow. Immediately after the vote, Meshkov stressed that Crimea would move "in stages" toward uniting with Russia, leaving maximum tactical flexibility in

the timing of this operation.

First, as he reaffirmed, on March 27, timed with the elections to the Ukrainian Parliament, Crimea will hold a referendum on becoming an "independent republic." Once that's accomplished, Crimea as an "independent republic" would immediately join the Community of Independent States and the ruble zone. Then, over an unspecified time, it would move toward joining Russia outright.

British demand austerity from South Africa

An editorial in the London *Times* on Jan. 25 demanded that the African National Congress work to lower standards of living in South Africa, and drop or dilute those "populist" aspects of its program which call for "reconstruction and development" of South Africa. The ANC is expected to win the April elections and head up the new South African government.

Under the headline "Waxing Populist: The ANC Must Not Run from Economic Reality," the editorial begins: "The African National Congress has revealed its blueprint for the economic policy it will pursue after elections in April. It is a populist package, irresponsibly delivered to the country's expectant black majority. This 'reconstruction and development program'—a patent misnomer—will only retard and distort South Africa's economy. And it represents a failure of statesmanship on the part of Nelson Mandela, sitting unhappily with the changes in favor of a market economy detected in recent ANC thinking."

The *Times* demands that Mandela use his popularity to convince black South Africans of the need for austerity: "Nelson Mandela cannot please everyone, and he should not try and do so. . . . It is Mr. Mandela's duty—both to his supporters and to the economy—to strip away false illusions, scale down expectations and avoid lavish promises. . . . The ANC must abandon this populist brew of Keynes and cant in favor of a plain-speaking commitment to judicious fiscal and trade policies, and to macroeconomic common sense."

London, Paris worry over Bosnian moves

The British and French governments are worried about the recent reorganization of the Bosnian Army, which apparently puts it in a better military position for defense against Serbia's aggression.

According to the French daily *Le Monde* of Jan. 25, the French Foreign Ministry is distressed at the military restructuring that is being carried out under the direction of Vice President Ejup Ganic. "At the moment, the Bosnian Army is going from strength to strength," said one official. "It has become a real army, inspired by a thirst for revenge."

Le Monde also reported that French Foreign Minister Alain Juppé, Prime Minister Edouard Balladur, and President François Mitterrand all told U.S. Secretary of State Warren Christopher the same thing—crush Bosnia—according to unnamed "American diplomats" who spoke to the newspaper following Christopher's visit to Paris. All three political figures "spoke the same language," namely that the United States must force the Bosnians to stop fighting and accept the Owen plan.

The same line was echoed by Geneva sources close to Lord David Owen, the European Community's pro-Serbian "mediator," in the London *Times* of Jan. 26: "If the Bosnians are really able to win the war, then good luck to them . . . but if this is wrong, then the Muslims are just going to have to lose more and more of their territory, as they have done throughout the history of the peace negotiations."

Poland's role in dope trade is exposed

The Polish weekly *Wprost* reported in December that Poland is becoming the best place for distributing narcotics to western Europe. The chief of the special department of the National Interpol Bureau said that since the outbreak of war in the former Yugoslavia, which traditionally served as a

transit point for drugs to western Europe, the Polish route has attracted drug gangs. Interpol is said to believe that the equivalent of millions of dollars of narcotics-tainted money is in Polish banks.

Colombian cocaine and West African hashish and marijuana make their way to Polish ports or airports, from which they are shipped to France, Germany, and Britain. On Dec. 1, for example, Polish customs officials seized a half-ton of marijuana that had arrived on a KLM flight from Lagos, Nigeria. It is said that the Italian Mafia and the Colombian Cali Cartel are involved in drug smuggling through Poland, with the Cali Cartel reportedly using Polish couriers to smuggle narcotics over the Polish-German border.

MSIA launches election campaign in Colombia

The Ibero-American Solidarity Movement (MSIA) in Colombia, associated with the policies of Lyndon LaRouche, has joined in an electoral alliance with two other organizations, National Participation and the National Reserve Alliance (ARENA), and will be fielding a full slate of candidates for the senatorial and congressional elections scheduled for March 13. National Participation and ARENA are largely made up of retired military officers and retired non-commissioned officers, respectively.

The program of the new slate is centered around a six-point program:

- 1) defense of the right to life, national sovereignty, and the Armed Forces;
- 2) fight against corruption and instability;
- 3) use of the Cusiana oil fields to industrialize the country and create jobs;
- 4) protection and strengthening of the agricultural and industrial sectors;
- 5) education to restore national values and Christian moral principles; and
- 6) great infrastructure projects for Ibero-American integration.

In registering its slate on Jan. 26, the alliance entered its first battle. As is the practice in Colombia, slates draw numbers to

determine ballot position. Despite drawing a number which would have placed the slate in a prominent sixth place (out of some 250 positions), slate representative and senatorial candidate Gen. Hernando Zuluaga (ret.) was informed that the number was "incorrect" and was given number 252 instead. A legal challenge has been undertaken.

Swedish colonel hits 'Partnership for Peace'

In an article in the Swedish daily *Svenska Dagbladet* on Feb. 1, Col. Bo Hugemark, the former chief of the department for military history at the Military High School in Stockholm, attacked the disastrous effects of NATO's "Partnership for Peace" policy, which denies membership in NATO to those eastern European countries that are seeking it, and offers them a "partnership" instead.

These countries "are politely stating their appreciation" for the arrangement, but they are "deeply disappointed," he wrote. "The image of Munich in 1938 is easily called forth by a Czech. The image of the far-too-late guarantee by England and France is seen by a Pole. The image of a new Molotov-Ribbentrop pact is seen by a person from the Baltic countries.

"Even Sir Samuel Hoare and M. Pierre Laval, the men with the plan to finish the war in Ethiopia by giving Mussolini a large chunk of land belonging to the victim, have had their worthy followers in Mr. Vance and Mr. Owen.

"On top of this treason, one must add the inability to push through the mandate that the U.N. troops have in Bosnia. The reason: pure sabotage on different levels. Evil will, not only incompetence and bureaucracy."

"Against this background," Hugemark concluded, "the unwillingness of NATO to accept more members is worrying, a signal that revanchism has a green light. The West might de facto have repeated Munich. They have, in any case, revived the world of Yalta; the Russian sphere of interest has been established."

● **BELARUS** President Stanislav Shushkevich was ousted by the Parliament on Jan. 26, ending in all but name the independence of Belarus, and preparing the way for its re-joining Russia. The Parliament, whose majority is overwhelmingly ex-communist, favors reuniting with Russia. Shushkevich was the only top-ranking figure resisting this policy. A successor has not yet been chosen.

● **EUROPEAN-WIDE** cooperation on ballistic missile defense technologies will be the most likely driving force for reversing the past years' technological stagnation in Europe, a well-informed strategist told *EIR*. He said that French-Russian technical-scientific discussions and cooperation in this domain were already far advanced.

● **NIKOLAI OGARKOV**, the author of the Soviet Union's war mobilization plan, died on Jan. 23 at the age of 76. He was chief of the General Staff of the Soviet Armed Forces and first deputy defense minister for more than seven years. In an interview with a Russian newspaper conducted on Nov. 1, 1993, Lyndon LaRouche described Ogarkov as "a very dangerous adversary, because he is sane."

● **JAPANESE** Vice Foreign Minister Kunihiko Saito on Jan. 31 flatly denied British reports that Japan is building a nuclear bomb. He said that the Japanese Foreign Ministry will "pursue the matter with the British Defense Ministry."

● **ARMENIAN** President Levon Ter-Petrosyan on Jan. 30 accepted a new Russian plan to end the war between Armenia and Azerbaijan. The plan provides for a cease-fire beginning Feb. 1. According to unconfirmed Russian media reports, the second phase provides for a Russian "peacekeeping" force to be stationed in "zones of conflict" starting on March 1.

Robert McNamara: a simple Aristotelian, underneath

by Daniel Platt

Promise and Power: The Life and Times of Robert McNamara

by Deborah Shapley

Little, Brown and Co., Boston, 1993

615 pages, hardbound, \$29.95

Deborah Shapley has gone to great lengths to convey the impression that she has produced a ponderous, scholarly tome, a definitive assessment of Robert Strange McNamara's role in history. However, the reader can search through all the 615 pages of this opus, and never find any discussion of the invariant feature of McNamara's career: He used each position of power that he held to implement Bertrand Russell's prescription for a dual-empire, feudal world order, where scientific and technological progress is suppressed, and human population reduced. There has been an inexorable logical consistency in McNamara's efforts, ranging from his early attempts to block a new generation of technology (with inevitable economic spin-offs) associated with strategic defense, to his conduct of a meat-grinder "population war" in Vietnam, to the broader, more ambitious "population war" he ran as the head of the World Bank. To bring about the imagined stability of a malthusian world, the world must be kept backward, and people must suffer and die. It is this ideology that connects the disparate episodes in the life of Robert Strange McNamara, and it is never honestly confront-

ed anywhere in Shapley's book.

Shapley examines, critically and in exhaustive detail, some of the shopworn controversies surrounding McNamara's career, in order to have the last word on issues such as whether he was responsible for the Edsel (he was not), or whether he lied in his public statements about the Vietnam War (yes and no, and it depends on how you assess the circumstances). Yet on some of the real lollapaloozas, ideas championed by McNamara that had the potential for changing history decisively for the worse, she proceeds as if there were no controversy at all. Shapley states, "He had the insight to develop the policy of Assured Destruction, which stabilized the U.S.-Soviet nuclear relationship for a generation." She is so anxious to avoid controversy on this point, that throughout the book she avoids the more common name for this policy, Mutually Assured Destruction (MAD), possibly because she is uncomfortable with the acronym. In fact, this concept did not originate with McNamara—we will discuss its genesis later.

Strategic MADness

Elsewhere, Shapley states: "Assured Destruction would remain the centerpiece of U.S. policy for a generation—and was ultimately adopted in some form by the Soviets—because it expressed an underlying truth of the nuclear age. Not only did it give Pentagon managers useful yardsticks for measuring the effects of various proposed additions to U.S. forces, changes in Soviet forces, and the shifting balance between them. It also showed that Robert McNamara, often derided for lacking human insight, had hit on a basic emotion-

al and political truth.”

Here Shapley reveals herself to be a True Believer, as evidenced by one colossal lapse of scholarship. No one who had a passing familiarity with the published writings of Marshal V.D. Sokolovskii and Marshal Nikolai Ogarkov could allow himself or herself to assert that MAD was “ultimately adopted in some form by the Soviets.” This is pure wishful thinking. In attempting to dismiss the utility of strategic defense, she writes that “for every dollar the United States spent defending itself from nuclear destruction, the enemy could neutralize that effort by spending only about one-third of a dollar in additional offense. . . . It was a critical fact of life, given the state of technology both in the 1960s and for 30 years after, even in the era of Star Wars.” In fact, as Marshal Sokolovskii noted in the first edition of *Soviet Military Strategy*, published in 1962, the advent of directed energy technologies proves the converse to be true.

Ironically, the closest brush with reality that one finds on this issue in Shapley’s book, is a quote from Soviet Premier Aleksei Kosygin. Responding to a lunchtime lecture from McNamara on the dangers of antiballistic missiles (ABMs) during the 1967 Glassboro meeting with President Lyndon Johnson, Kosygin said, “When I have trouble sleeping at night, it’s because of your offensive missiles, not your defensive missiles.”

Another assertion that ought to astonish the reader comes later, in the discussion of McNamara’s role as president of the World Bank: “McNamara’s early stress on the population problem did not stem just from inner gloom or his obsession with numbers. He had indeed found the single most important factor in the ill-understood economics of the developing world. He grasped that only if these societies attacked population growth (necessarily in keeping with their mores and religious customs) could the specter of advancing poverty be kept at bay.” Unfortunately, only *EIR*, of all the publications available to the American reader, has rigorously refuted the malthusian dogma. From Shapley’s generation forward, malthusianism has become an article of faith.

In the arena of Big Ideas, Shapley is a committed adherent to McNamara’s views. This is somewhat camouflaged, however, because she expends so many pages analyzing his faults, particularly in his conduct of the Vietnam War. She leaves no stone unturned in examining the wretched consequences of the famed “body count” approach. A quote from her personal interviews of McNamara corroborates *EIR*’s characterization of U.S. tactics as “cabinet warfare”: “I did not believe it was likely we could win a military victory. I did believe that the military action should be used as a prod towards moving to a political track: to increase the chance of initiating movement on the political track.” While emphasizing that McNamara’s approach diverged from classical military philosophy, Shapley provides no discussion of the classical philosophy itself, which would be necessary to illuminate the actual clash of ideas, and the true depth of the destructive-

ness of McNamara’s method. This applies not only to the question of Vietnam, where she is critical, but also on the topic of strategic doctrine, where she wholly approves.

Aristotelianism, bean-counting, and Harvard

The thesis that Shapley defends, is that McNamara was essentially a visionary who embraced lofty, noble, and humanitarian goals, but whose methodology was crippled by his obsessive commitment to systems analysis and “bean-counting,” i.e., the compulsive quantification of any process. She traces the development of this malady from his courses at Harvard Business School in what is variously termed financial control, management control, statistical control, or control accounting. She describes how later, as an instructor at Harvard in accounting, he joined a group of his colleagues who adroitly maneuvered themselves out of the World War II draft and into overseas commissions with the rank of U.S. Army captains, because of their training in the growing field of bean-counting. McNamara was promoted to the rank of lieutenant colonel with no combat experience (he was later destined to make many officers in his own image). He and some of his team members then parlayed their wartime bean-counting prowess into management jobs at Ford Motor Co., where McNamara ascended to power. He successively ran the Ford Motor Co., the Department of Defense, and the World Bank.

So, Shapley depicts McNamara as a man whose drive to realize magnanimous ideals is compromised by his obsessive-compulsive accountant’s approach to problem solving. In fact, McNamara’s problem has a name: It is Aristotelianism, and it is not merely a mistaken method, but a devastating epistemological disease. And Shapley is dishonestly concealing one whole side of the Aristotelian personality.

Lyndon LaRouche, in his published writings on epistemology and psychology, has rigorously developed the concept that an attempt to understand the universe by the Aristotelian methods of dividing phenomena into static categories, catalogues of “facts,” and demanding that every process conform to a linear algebraic function, is fundamentally irrational and leads inexorably to the kookiest manifestations of irrationality. No one should be surprised, for example, that years after the death of the famous Aristotelian Sir Isaac Newton (whose dime-store mechanical universe is still sold throughout the world), his personal papers revealed him to be predominantly occupied with dabbling in the occult. By the same token, in 1963, when McNamara was secretary of defense, articles by Edith Kermit Roosevelt appeared in New Hampshire’s *Manchester Union Leader*, describing McNamara’s participation in ritual “bathing in the full moon” on Roosevelt Island along the Potomac River. McNamara is a member of the Lucis Trust (originally named the Lucifer Trust), the preeminent New Age occult organization in America today. There is no mention of these proclivities in Shapley’s biography, but an insightful investigator of McNamara’s

marara's number-fixation *should expect to find them*. Scratch a bean-counter, find a moon-bather.

Because of her allegiance to much of McNamara's philosophy, it may be that Shapley wishes to suppress discussion of those activities which highlight his MADness. She does, however, provide one useful lead. She recounts how, when he took over the World Bank, he began travelling the world as part of an inseparable trio comprised of himself, his wife Margy, and a British assistant named William Clark, who "made no secret of being a homosexual." Shapley treats this arrangement rather gingerly (in contrast to her gratuitous and gossipy discussion of McNamara's relationship with Joan Braden, wife of columnist Tom Braden), but one item does come to light:

"In fact, McNamara found his way to some of his ideas through William Clark's address book. Clark was part of a group in Britain that had been angered by the way London acted toward its colonies ever since India and Pakistan won independence with the help of Lord Mountbatten in 1947. This group in a sense launched the concept of development; its political philosophy reached back to the Fabian Society of Beatrice and Sidney Webb. The Fabians sought to use government as an equalizer of wealth in Great Britain. However, since the new governments in the former colonies were not ready for such roles, the Fabians turned to outside programs that would develop the new nations more equitably."

The Fabians were, in fact, *opposed* to development, preferring the redistribution of existing wealth to the creation of additional wealth. This premise was integral to the Great Society programs of Lyndon Johnson, and Shapley accurately observes that McNamara wished to use the World Bank to bring the Great Society to the Third World. What is most interesting about the above paragraph, however, is the observation that "new governments were not ready for such roles, [so] the Fabians turned to outside programs." The World Bank became one such "outside program" to override national sovereignty and impose the Fabian model.

McNamara's introduction to Clark's clique could not have been his first contact with the ideas of Sidney and Beatrice Webb. It was the Fabian circles, and particularly the Webbs' colleague Bertrand Russell, who initiated the World Association of Parliamentarians for World Government, whose London conference in 1955 led in turn to the Pugwash Conferences. The Pugwash Conferences were a "back-channel" arrangement where the Anglo-Americans and the Soviets came to discuss certain principles of power-sharing, including a sort of "gentleman's agreement" about when and how nuclear weapons ought to be used. The second Pugwash Conference, held in Quebec in 1958, featured a keynote address by Dr. Leo Szilard, which put forth a fully elaborated statement of the Nuclear Deterrence and Flexible Response doctrines later adopted by McNamara as secretary of defense.

Russell and the Fabians cherished the belief that the terri-

fying power of nuclear weapons could provide the inducement for nations to surrender their sovereignty and accede to world government. In an influential article, published in the October 1946 *Bulletin of the Atomic Scientists*, Russell wrote: "If the atomic bomb shocks the nations into acquiescence in a system making great wars impossible, it will have been one of the greatest boons ever conferred by science." This coheres with the Fabian view that sovereign nations were unlikely to embrace the Fabians' peculiar notion of "development," and that therefore it were desirable to have "outside programs" to impose it.

Displaying a flair for euphemism, Shapley describes the inception of the Bretton Woods agreement, which created the World Bank and the International Monetary Fund (IMF): "The idea's evolution reflected the disposition of power during the era: the Americans made the basic proposal, which was imaginatively elaborated on by [John Maynard] Keynes and his British party as they crossed the Atlantic aboard the Queen Mary en route to the meeting." These financial institutions were to become the essential "outside programs," trampling on sovereignty and imposing misery throughout the globe. When McNamara took over the World Bank, he dramatically increased that institution's malthusian bias.

Blueprint for extinction

As an indication of the extremes to which McNamara's clinical Aristotelianism can carry him, he presented the following formula in a 1991 lecture to the United Nations on population:

$$ED = p \times c \times d$$

where *ED* represents environmental damage; *p* population growth; *c* consumption; and *d* represents a factor for the rate at which people exploit resources. Shapley, who was present during the address, gives a rather unsatisfactory explanation for the meaning of *d*, but it seems likely that McNamara intended it to be a factor for energy flux-density, since Shapley says it refers to the higher rates of resource consumption by "richer people." *Ergo*, the Aristotelian, who regards the world and its resources as static and fixed, is forced to conclude that to protect the environment, we must have fewer people who consume fewer resources at lower rates of efficiency. As *EIR* and other publications of the LaRouche movement have continually demonstrated, this prescription leads without fail to the extinction of the human species.

At the time McNamara's speech was delivered, he remarked to Deborah Shapley that his formula was "as important as Einstein's $E=mc^2$." One is tempted to discover a hint of condescension when William P. Bundy, a representative of the oligarchy which McNamara has loyally served, is quoted in the book's introduction, saying, "He's a rather simple man, underneath."

Giving life a chance

by Jutta Dinkermann

Wir durften nicht aufgeben!

by Karl-Eugen Siegel
Gütersloher Verlagshaus,
Gütersloh, Germany, 1993
190 pages, DM 19.80

At the end of 1992 the "Erlangen Baby" case sparked a heated debate on the question of whether the bodily functions of a brain-dead pregnant woman should be sustained, in order to keep her unborn baby alive. A year earlier, Gabi Siegel's husband decided to go ahead, in the certainty of a deep solidarity with his wife. His gripping diary, *We Were Not Allowed to Give Up*, depicts the course of the pregnancy and birth of their son Maximilian Matthias, who has since become a healthy, frolicking two-year-old.

The author makes it clear that he did not wish to write a book about his experiences. However, shortly after the first birthday of his son, he learned about the case of the Erlangen baby. Shocked and indignant that the majority of the population, the media, politicians, theologians, and doctors were calling for the immediate cutoff of life support systems from the "Erlangen mother," he decided to stand by the family's wishes by publishing his own experience (see accompanying article for the story of the Erlangen baby).

"The media had their sensation," he wrote, "of the alleged first case of a brain-dead pregnant woman in Germany. The headlines announced that here, a 'corpse was being used,' or even talked of a 'child of the dead,' or 'an orphan from birth,' coming into the world. Women's rights advocates and feminist politicians got into high dudgeon over the 'degradation' of the dead mother into an 'incubation machine.' I do not believe that I must explain what feelings I had in reading such coverage. Nor could I imagine that I would have stood up to, in the situation of that time, such unserious reportage about our case. All the more did I want to help by depicting our experiences and above all, by sending a signal."

On July 4, 1991, Gabi Siegel, then in her 16th week of pregnancy, was found unconscious on the street by a doctor passing by. The origins of her breakdown were not clear; the doctors told the author that his wife had suffered a massive lack of oxygen and that permanent brain damage was certain. They did not want to give him any hope for the infant and

made fighting to save the life of the mother their first priority. Here the husband intervened for the first time with the request to do everything possible for the mother *and* for the child.

Alone with his unconscious wife, he reported to her on his thoughts in his desperation. He even read from the book *On Family Life*, which deals with the sweeping and serious moral tasks of education, and states that through the education of one's own children, the moral fitness and maturity of people first become evident. They had talked together about this only days before Gabi's collapse. "We must now prove that we possess this moral steadfastness, and therefore are also qualified to raise a child," he said. "Even with what has happened, we three can overcome it."

The next day the mother's cerebral condition continued to be as bad as ever, and no information could be obtained as to which part of the brain was most severely affected. Because of her pregnancy, certain tests could not be carried out, which might have shed more light on this. The chief surgeon stated that other parts of Gabi's cerebral cortex could not take over the tasks of the damaged regions, because the shortage of oxygen had affected the entire brain. Before a clear determination could be made, days or even weeks would have to pass. The husband insisted unconditionally, too, on saving the unborn child, even though he was aware of the danger of physical or mental damage to the child. He knew that he was united with his wife, since they had shared their thoughts on various occasions.

In the ensuing days he was concerned not just for his wife, but also about his wife's aunt, who was hospitalized for a stroke. Mr. Siegel felt that the way the nurses were dealing with her was not in keeping with human dignity. "I must involuntarily think about Gabi; I believe it depends on the environment, whether a broken-down, nearly extinguished life is still worth living or not," he wrote in the evening in his diary. "What can a chained person do for himself? He needs help from someone who can break his chains." He got the idea of founding a nursing home, "in order to prove that our society is capable of breaking through the limits of capitalism and the market economy, and acting in a social and human way."

Gabi's father was shocked when he saw his daughter, and thought it would be better for her to die, since her condition had not improved and she would remain always under care. The husband confided to his diary: "I understand him, but I cannot accept it. Not out of selfish motives, but because even the life of a person needing constant care can be shaped as worthy of living. Besides, through this death undeniably a second life would be snuffed out, that of our child."

On the ninth day, the doctor confronted him with the reality that, because of the child, potentially important medications could not be administered to the mother. Therefore he had to think everything over again. Mr. Siegel was racked by doubts, but he stuck to his decision not to agree to anything that would induce abortion, as long as it was questionable

whether the therapy would really help bring better results for his wife.

'She and I are of one mind'

On the eleventh day, things grew dramatically worse. Gabi's pupils no longer reacted at all. The doctor told him, that the onset of brain death might possibly be at hand. When the encephalogram reached zero (which occurred on the 14th day), her brain would be irreversibly dead.

The diary of the following day testifies to his thinking in the face of this desperate situation: "You sit on the bed, caressing a body which belongs to your wife, speak with her, not knowing what her state is. . . . I am so happy to know that she and I are of one mind, that my thoughts are also Gabi's and hers are mine. This is the way also with decisions which come up and must be made. I am sure that she does not envy me these decisions."

After the neurologist informed him that he thought there was no longer a chance for his wife, but that the placenta was working quite autonomously, Mr. Siegel carried on a discussion that same day in an anthroposophist-oriented clinic, where his wife might possibly be hospitalized. The young doctor with whom he spoke already had considerable experience, and knew that many medical situations are unforeseeable. He appreciated Mr. Siegel's commitment and that they had also decided to take the risk of a handicapped child.

In the women's clinic of another hospital, he had a very different, probably more typical experience with the doctor in charge. This one designated Gabi as "a human incubator," and was for ending her life. Mr. Siegel was incensed and told him of his commitment. When he was then again invited at least to have an amniocentesis performed, in order to see whether the child had birth defects, he replied to the doctor that he neither wanted nor needed this, because "even a handicapped child can represent an enrichment of life. . . . Why do such children have no right to life? Because of society, which has not yet learned to live with handicapped people? Because it is alleged that such a life is not worthy of living?" "I have already had quite different experiences," he informed the nonplussed surgeon. The doctor was so impressed after this one-hour conversation, that he wished him good luck for the child with all his heart, and discarded the "human incubator" theory he had earlier expressed.

On the 36th day after her hospitalization, Gabi Siegel was taken to the anthroposophical clinic. Her husband, throughout this whole time, was on leave from his work and spent most of his time next to his "two." He read aloud, talked to them, had music played, and maintained bodily contact. The medical regime included physical, musical, and eurhythmic therapy. The care staff were involved, but had great difficulty understanding Gabi Siegel's situation. This changed only when they had the opportunity to speak at length with her husband. "Then you know how much he cares for her and the child," one nurse said.

'Proud of their mothers'

On the 86th day, she went into labor, and the child was delivered by caesarian section. The father was allowed to be present at the delivery and depicted the atmosphere in the operating room with the words: "They rejoiced with me that everything up to now had gone so well and without friction. We all really were happy. There were others who turned up, because it had been talked about all over the clinic. It cannot be described, it was for everyone who came a source of quiet joy. I think they came also to see the miracle. Our Siegel child, because at this point I had not yet picked a name for our son, weighed at birth 1.65 kg and was 38 cm long."

That evening, the first resuscitation of his wife was

The 'Erlangen baby' debate

A little over a year ago, a huge debate exploded in Germany over the so-called Erlangen baby. In the Surgery Department at the Erlangen University Clinic in Bavaria, an 18-year-old woman who was four months pregnant was being kept alive on life support systems until such time as the infant could be safely delivered by caesarian section. The apparatus involved heart and lung machines and intravenous feeding and parenteral feeding, while the progress of the child was monitored day and night by sonograms. The parents of the young woman had consented to these measures, and the clinic staff were fully engaged emotionally in the fate of the young woman and her unborn child.

The print media got wind of the extraordinary situation and printed numerous "pro" and "contra" opinions, which set off a lively echo in the letters columns. On Nov. 11, 1992 the German newspaper *Neue Solidarität* published an analysis of the controversy by Dr. George Goetz, MD, of Augsburg, the chairman of "European Doctors' Action."

Dr. Goetz quoted from the tangle of opinions expressed in readers' letters, much of which expressed rage at the medical profession: "What has happened, is undignified and irresponsible—this experiment sends chills up and down the spine—the woman is no incubating machine—the mother is degraded into a food supply—the child in a soulless incubator—a living corpse is sacrificed on the altar of modern technological medicine—a dignified death is more important than a pregnancy—you doctors are perverse desecrators of corpses—a scarcely tolerable perversion of humanity." He also cited newspaper reports which spoke not just of a "brain-dead pregnant

carried out after she suffered a circulatory collapse. The doctor asked him if he wanted to revive her again in the future. He would do it again, but huge problems might arise. On the next day, his wife grew worse and worse. Without the opportunity arising to revive her again, Gabi Siegel died the next night.

Their newborn son, Maximilian Matthias, now remained in intensive care, but on Dec. 13 he was released and went home with his father. "Max is a very outgoing, merry, and very playful child," he says in the final chapter. "We celebrated his first birthday with our relatives, with friends, the doctors, the nursing personnel and the therapists who had cared for us. Binding friendships came from this. . . . They all gave

their best and are happy with us that Maximilian Matthias is developing so successfully."

The book ends with the words: "Meanwhile Max has become 17 months old and understandably, like all children of his age, a true scamp. . . . But he knows our story so far only from his own experience and only from his view. This, too, will change some day, and he must perhaps have it out with others with polemical statements and commentaries about his unusual birth. . . . Perhaps this book will contribute a piece so that he and other children will be proud of their mothers, who often remain alive weeks or months and linger in a transitional condition, until their child has a real chance of surviving."

woman," but of a "corpse" and a "dead woman."

What is 'brain death'?

Dr. Goetz explained that when so-called "brain death" occurs, a special protocol is drawn up which establishes the criteria of brain death—unconsciousness (coma), lack of spontaneous breathing, pupil immobility, the lack of various reflexes, and especially, the absence of reactions to pain stimuli. A brain death protocol is required by law in Germany (as elsewhere) in order for organs to be donated. "The full, irreversible, permanent loss of functioning of the entire brain is thus the criterion for brain death," he wrote. This is "not to be confused with the coroner's certificate, which concerns a dead person, and involves different criteria, namely, lividity, cooling of the body, rigor mortis, and decomposition."

The Bavarian state assembly even got into the fray at the behest of the Green Party. A feminist member of the ruling Christian Democratic Union, Angelika Pfeiffer, expressed deep shock about the artificial maintenance of the pregnancy of a brain-dead woman, but as Dr. Goetz pointed out, "I too was shocked," since Pfeiffer's name figures on the list of 32 CDU dissidents who voted against their party for a "right to die" (euthanasia) bill in the federal parliament.

"Among the basic principles of the practice of medicine stands the lofty task of protecting life, and when it is in danger, of saving life, and preserving life until natural death, in conformity to human dignity. Today, a four-month-old baby has been proven to be alive (under ultrasound control) in the womb of the mother thanks to the intensive efforts of a medical team under the responsible direction of surgery professor Dr. Johannes Scheele."

Dr. Goetz also pointed to a joint declaration of the Evangelical and Catholic Churches of Germany in support of organ transplantation, which depends on a voluntary declaration by the donor while living. "The churches have

valued organ donation as a sign of charity and solidarity with sick and disabled people. Pope John Paul II, at the first International Congress of the Society for Organ Transplants, spoke of love, self-sharing, solidarity, and absolute respect for the dignity of man as the only fitting framework for organ transplants. Since 1976 more than 20,000 kidney transplants have been carried out in Germany alone."

Dr. Goetz then quoted a letter to the *Augsburger Allgemeine Zeitung* of Oct. 24, 1992, which "speaks from the heart of many women." The letter read, "Can no one then understand the parents' decision? Their child is dying and the only thing that remains is the unborn, unharmed life in their daughter's womb. They can give to their future grandchild what is forever gone and no longer possible with their daughter. I myself am pregnant and would also wish, if something happens to me, that my child can and may live on as part of me."

"In the Erlangen case it is not a question of artificial measures sustaining one person, but rather two persons—the brain-dead mother and a living human child of more than four months," Dr. Goetz wrote. "To send the brain-dead mother to her definitive death by unplugging the heart and lung machines, would definitively mean that her baby, which was healthy and wanted to see the light of day, would die. One cannot speak of any wish for death on the part of the unborn child. The result of a passive euthanasia in this case would mean two corpses. According to the German Constitution, Art. 2.1, an unborn child, whether healthy or sick, has 'the right to life and bodily integrity.'"

"How many people thank organ transplants for a happy life? The Erlangen baby may also rejoice, if in the course of the coming weeks, the constant readiness of the doctors and their medical collaborators succeed in prolonging life and thus bringing the unborn child to an optimal situation," Dr. Goetz concluded.

LaRouche takes high ground on policy alternatives

by Jeffrey Steinberg

A week after his release from federal prison after serving five years on phony, politically motivated charges, Lyndon LaRouche is already establishing himself as a significant alternative policy voice on such crucial strategic issues as the growing crisis in Russia and America's own domestic economic woes.

On Feb. 1, LaRouche appeared on the Larry King radio show, which airs on 350 stations across the United States and is also broadcast on Radio Moscow. Two days later, he was interviewed by a group of TV, radio, and newspaper reporters in the metropolitan Washington area.

At a press conference in northern Virginia, LaRouche offered his assessment of the Clinton presidency:

"We have at this moment a young President of the United States who is experiencing some difficulty, whose virtue as far as I have been able to see so far, is that he is much more open than his predecessor to considering policy. He recently said he thought we ought to look at the wisdom of IMF [International Monetary Fund] policies for Russia. Then his Vice President, Al Gore, said something similar in Moscow, and then, Strobe Talbott, his past close confidant and State Department representative, said we should have less shock and more therapy on the Russian situation. In response, a bunch of my non-friends among the neo-conservatives decided to go fishing in Whitewater. They are trying to get the President off course. . . . I would hope that, not by going to him and saying 'Please listen to me,' but rather, as a candidate and in related functions, saying publicly what I think the problems are and what should be done about them, I would be helpful in shaping or contributing to shaping a very anguished, a very frightened policy complex in the United States. That's my job."

LaRouche elaborated the point in his interview with Larry

King. Asked about his early 1980s collaboration with President Reagan's National Security Council in fostering the policy that President Reagan later adopted as the Strategic Defense Initiative, despite his status as a Democratic Party candidate for the presidency, LaRouche noted: "I've always taken the view that the presidency is a constitutional institution, and whether you like the incumbent or not, if you're a citizen of any influence, you have responsibility to try to assist the President in doing his job."

While voicing his support for the presidency, LaRouche minced no words in telling King about the gravity of the strategic situation, characterizing it as "the worst crisis of the 20th century. We see, for example, Russia. In 1989, we had the greatest opportunity for building world peace we've had this century if we had done the right thing, an economic development package. . . . Thatcher and Bush went with the idea of the IMF conditionalities. . . . As a result, what has happened is what I feared would happen if we didn't do the right thing. We've now got what is called a Third Rome Russian imperial impulse which is dominating the present government in Russia."

LaRouche then turned to the U.S. economy: "We have a worldwide economic collapse. It's collapsing here if you measure things in physical terms, as opposed to money bubbles. If we don't do something about it, the social effects and the political effects of the economic crisis are going to lead to some terrible things."

Later in his dialogue with King, LaRouche was asked to elaborate his plan for reversing the worldwide economic collapse. LaRouche stressed the need to restore the U.S. monetary system to its constitutional form by passing legislation to federalize the Federal Reserve Bank. He then gave the audience of several million households a mini-lesson in

American System economics: "Economy, as I know it, is based on the use of science and technology to increase the productive power of labor, which means we have to meet certain minimum requirements to sustain human beings, to develop the family, to educate people. . . . Essentially what you do is foist in the monetary process, investment in technological progress. You have to provide basic infrastructure, which is the responsibility of government either to provide it or see that the private sector does. You have to provide credit to foster business. You have to have a banking system which is looking and seeing who is a likely good risk to loan this money."

Adlai Stevenson blew it

In his meeting with reporters near Washington, D.C., LaRouche was asked to comment on the current race for state and federal office in Illinois, and on the prospects of candidates associated with him to score victories in the upcoming Democratic Party primaries. In March 1986, two LaRouche Democrats won the party's nomination for lieutenant governor and secretary of state, only to have gubernatorial nominee Adlai Stevenson III withdraw from the party slate rather than run with the LaRouche associates. Media throughout the Midwest have been ballyhooing the upcoming elections, in which LaRouche-affiliated candidates are again running for a wide range of offices, and have been warning about a potential repeat of the 1986 victories.

LaRouche had the following response to a question from WLS-TV, the ABC affiliate in Chicago: "Look at the forecast that had been made by Michael McKuen, the Democratic Party forecaster, in the summer of 1985, that candidates associated with me would take prime positions in the primary of the spring of '86. That came as no surprise to anyone. But I look more particularly at an interview which Adlai Stevenson later gave in the New Hampshire primary campaign of 1988 in a Vermont newspaper, which described in detail . . . that he was prepared to go with the ticket and that he stopped only because a certain member of Congress—Paul Simon—threatened him. He, who was going to become the governor, gave up a serious shot at the presidency, a position to which his father had aspired, because of some threat delivered through the mouth of Paul Simon. The problem and the qualification of candidates associated with me in Illinois today is that same problem. There is still a faction behind the threats that Paul Simon emitted to Adlai Stevenson in 1986 which doesn't want people associated with me to run. I think people should ask Paul Simon what that threat was, and then they would have the full answer on the competency of the candidates associated with me."

In response to a followup question from the same reporter, suggesting that the LaRouche candidates had "sabotaged" the Democratic Party, LaRouche posed a challenge to the Democratic leadership in Illinois: "If you look at what's happened to the Democratic Party in the state of Illinois in elections since the spring of 1986 as a result of this McCarthyite

witchhunt, which was launched through the mouth of Sen. Paul Simon, the Democratic Party of Illinois, despite all the failings of the Republicans in that state, have failed to secure a major position in any election since. I think the Democratic Party should give up the nonsense which it practiced in 1986 in ruining an Adlai Stevenson, with whom we had no quarrels and who had no quarrel with us, in ruining his chances for the presidency, which would have been a great distinction for Illinois, and say, 'We made a mistake and we've got to get these guys backing off.' So some people in the Democratic Party are the problem. . . . They're the ones who are running these kinds of lynchings. If the party gets rid of that kind of practice, lets the normal Democratic officials of the state come back into the game, we could put the party back together again, we can begin to win elections this year."

In a private comment to a reporter from *EIR* afterwards, LaRouche pointed out that, not surprisingly, the very same neo-conservative political apparatus that was behind Paul Simon's wrecking of the Stevenson-LaRouche Democrat opportunity for victory in 1986 is behind the ongoing effort to wreck the Clinton presidency through such follies as the Whitewater scandal.

Committed to full exoneration

In every recent interview and public statement, LaRouche emphasized his commitment to win full exoneration for himself and all his co-defendants in both his federal case and the state prosecutions in Virginia and New York. He elaborated on Feb. 3 in response to a question from Fox TV: "The fact is there in a letter from [former U.S. Attorney General] Ramsey Clark and [LaRouche's counsel] Odin Anderson to the Fourth Circuit summarizing the case. The same point was made summarily recently to the Justice Department. That is, the record shows, at present, that at all times relevant to the period of the indictment, from 1979 to the present, the government at all times knew that I and my co-defendants were completely innocent of the charges brought against us; and that the government, the prosecution acting for the government by means of lying, by suborning of perjury, by suppressing exculpatory evidence, and similar means, brought about a conviction through a massive fraud upon the court. So far the status is that the Fourth Circuit and the courts have declined to hold a hearing on the evidence (which involves six volumes of evidence), showing these facts that I have indicated, and the Justice Department has yet not begun the inquiry into this misconduct by government officials. This is the kind of thing that happens when you become a significant adversary. They think you are becoming too powerful in Washington and they decide they are going to try to destroy you. They had two choices: Shoot me or try to defame me and incarcerate me for life. They did the latter. It didn't work. I've got more influence on the world today than I did five years ago and I'm back. That's the way I am characterizing it."

New DOJ dirty tricks revealed vs. Inslaw

by Jeffrey Steinberg

Over a decade after officials of the Reagan Justice Department stole a proprietary software program from a Washington, D.C. computer firm and then proceeded to try to force the company into bankruptcy to cover their trail, the Inslaw scandal persists. During the late 1980s, two federal judges ruled that government officials used “trickery, fraud, and deceit” to steal Inslaw’s Promis data tracking software system, but after years of federal litigation and two congressional probes, an appeals court panel dismissed the case on technical grounds a few years ago, forcing Inslaw’s owners, Bill and Nancy Hamilton, to relaunch their legal battle from square one.

While that case is in the courts, new revelations have arisen, renewing calls by the Hamiltons, members of Congress, and one of the bankruptcy judges who presided over the case, for the appointment of a special prosecutor to get to the bottom of the so-called “Inslaw affair.”

In its Jan. 17 issue, *International Banking Regulator*, a weekly newsletter published by the *American Banker*, reported that the World Bank had received one of the stolen copies of the Promis software in approximately June 1983. The software package, outfitted to a VAX computer, was also linked to the International Monetary Fund (IMF) data center. According to the newsletter, “a senior DOJ official further told *IBR* that top Justice officials—one of whom is still at Justice and previously worked for the CIA—met with World Bank officials in June 1983 to discuss installing the VAX version of Promis ‘for security tracking’ purposes.” A computer specialist who worked at the World Bank at the time also confirmed to *IBR* that VAX Promis “suddenly showed up” at the bank “openly referred to by name as Promis.”

According to Bill Hamilton, shortly before the reported DOJ-World Bank pow-wow, the DOJ had purchased a proprietary version of VAX Promis, which Justice “claims it never allowed out of its possession.”

The added twist is that the version of Promis that was passed illegally to the World Bank and IMF was, according to the *IBR* story, booby-trapped to permit American spy agencies access to international banking data. “The bugged Promis software, according to former NSA [National Security Agency] and other intelligence officials, gave the super-secret spy agency the ability to directly access computers running the program. This access is made through a telecommunications ‘trap door’ the NSA is alleged to have se-

cretely embedded in the software. Any data that banks have on computers using Promis can be monitored by the NSA without the bank even knowing it, software security experts said.”

IBR cited an unnamed CIA officer who retired in 1991 saying that the bank spying program was approved personally by the late CIA head William Casey in 1983 in order to have an “early warning” about feared debt defaults by Ibero-American banks. The story also mentioned a series of reports from a Reagan administration secretary of state citing confidential bank wire transfer data obtained by such electronic eavesdropping as further evidence buttressing the Promis story.

On Jan. 4, World Bank staffers began a search of the agency’s software to determine whether any such “bugs” could be uncovered. Vice President and General Counsel Ibrahim Shihata ordered the search in response to a request by Inslaw attorney Elliot Richardson.

Probe of reporter’s death reopened

In another development, the *Arlington Journal*, a northern Virginia daily, reported on Jan. 19 that the FBI has suddenly reopened an investigation into the mysterious death of J. Daniel Casolaro in August 1991. Casolaro, a computer industry writer and investigator, was found dead in a motel room in Martinsburg, West Virginia, where he was to meet with a source who was reportedly going to provide crucial evidence of government spy agency complicity in the Promis theft. Although Casolaro’s death was ruled a suicide, the House Judiciary Committee, in its 1992 report on Inslaw, raised strong doubts about the cause of death.

Recently, Attorney General Janet Reno ordered a review of an in-house DOJ probe of the Inslaw affair ordered by Bush Attorney General William Barr. Barr rejected House Judiciary Committee demands for an independent counsel to probe Inslaw, and the DOJ’s report has been widely criticized as a blatant “coverup.”

In early January, FBI investigator Scott Erskine, with the anti-terrorist division, and Assistant U.S. Attorney Steven E. Zipperstein, interviewed several of Casolaro’s friends about their discussions with him just before his death. This was the first time that federal investigators attempted to gather such information about the Casolaro case. At the time of his death, Casolaro was working full-time on a book about the Inslaw scandal. He told friends that he had unearthed explosive documentation of the links between the theft of the Promis software and illegal U.S. intelligence operations, and that his trip to West Virginia would “really nail it down.”

With the law reinstating the special prosecutor’s function now speeding through Congress, there are renewed calls for the appointment of a special counsel in the Inslaw case. Congressmen from both parties are on record calling for a probe, and Sen. Orrin Hatch (R-Utah) voiced his support for a special counsel during Reno’s confirmation hearings last year.

OBE opponent takes office in Virginia

Dr. William C. Boshers, Jr. was confirmed as Virginia's new Superintendent of Public Instruction on Jan. 20. He was appointed by newly elected Republican Gov. George Allen, who announced during his first address to the legislature that outcome-based education (OBE) in Virginia is "dead."

Dr. Boshers, 47, a Richmond native, has been Superintendent of Schools in Henrico County, just outside Richmond, since 1981.

As Henrico County superintendent, Dr. Boshers was the first Virginia school official to speak out against the Virginia OBE program, called World Class Education Initiative. In response to a call by the administration of Gov. Doug Wilder for discussion of the program, Dr. Boshers wrote a position paper on Sept. 9, 1993, in which he said that OBE "appears to focus on 'slices of life' in exchange for fundamental skills and knowledge which are essential to holding jobs and raising families. . . . As professionals, we must emulate values which enhance citizenship and integrity, but the only exam for these virtues should be life itself. . . . If we protect young people from failure, we may prepare them for limited success." He proposed that the state "drastically alter their proposal" to focus on "standards for subject area content."

This interview, which is excerpted here, was conducted on Jan. 21 by Marianna Wertz for New Federalist newspaper.

Q: While you were superintendent in Henrico you were known for having supported prayer in the schools. You told the legislature yesterday in your confirmation hearing that this is a "free speech" rather than a religious issue. How do you view what should be done in the state for those who support prayer in school?

Boshers: [In Henrico County] we worked closely with our attorneys to formulate a plan regarding enabling students to have prayer in high-school graduations. That plan is legally sound and, I think, is one which said to our students that we're not going to teach a dogma or a faith. I don't think that the public schools should be used as a vehicle for that. But they also should not be places that are so innocuous that we don't understand one another as people, and the diversity that we bring, and that includes a religion, a faith.

Q: You told the legislature yesterday that you have a "very strong faith." Do you believe that prayer has a positive impact on children?

Boshers: Faith is foremost in my own life. So whether they are young people in my family or those with whom I work, I believe that faith and the mechanisms within it, like prayer, are critical to our existence.

Q: Governor Allen has made it absolutely clear, as he said, that OBE is "dead and buried." Will there be any actions taken to eradicate some of what might be called the deeply entrenched parts of OBE?

Boshers: In schools, we need to make sure that we have nurturing, caring environments that are well-disciplined, but that we focus on those skills for which we can be accountable, and for which young people can find success that will inherently lead to other kinds of achievement.

Q: You also told the legislature that the state "should have left sex education up to families, but now that we're in that business, I would not mandate it," and that you would prefer an "opt-in" system rather than the current one. Can you comment on that?

Boshers: I actually opposed public school divisions being responsible for Family Life Education [as sex education is called in Virginia], with the belief that families and churches should be the primary providers, because those issues are very difficult to teach in the absence of value judgments. I would work on the belief that the issue of Family Life Education should be debated in front of local school boards and superintendents, and if one school system chooses to take one approach, even though it may not be an approach with which I would feel comfortable, that should be their decision.

Q: Are you familiar with the atrocity that's been occurring in New York City with respect to the Rainbow Curriculum?

Boshers: I watched that through the media. Let me say, if a locality chose to set up clinics and distribute contraceptive devices, I would have to personally oppose that, because I don't believe that that's a part of our mission. But I also believe in local autonomy. And the decisions made in one local school division may not look at all like the decisions made in another. So I would respect local debate on those issues, with that being the prevailing test.

Q: How do you view Goals 2000, the proposed federal legislation?

Boshers: With great concern and caution, because I think some of the efforts to focus on standards could be very compatible with our work, but some of the discussions of opportunity to learn involve the same kinds of affective things which were rejected in Virginia.

Democrats reject GOP call for 'Whitewater' hearings

House Speaker Tom Foley (D-Wash.) rejected on Jan. 26 Republican demands that three committees hold hearings into the Whitewater-Madison affair, involving allegations of wrongdoing by President Bill Clinton. Minority Leader Robert Michel (R-Ill.) had written Foley requesting the hearings.

Foley indicated that he had spoken with Michel on the subject. "There is no evidence of any credible nature pertaining to any misconduct by the President or First Lady. None. Zero," he said. Under pressure, Attorney General Janet Reno had appointed a special counsel, Robert Fiske, Jr., a former U.S. Attorney in New York, to investigate allegations of misconduct by the Clintons regarding the collapsed Madison Guaranty Savings and Loan Association and its ties to Whitewater Development Corp. Despite the appointment of the special counsel, Republicans are now pushing for a congressional investigation.

In a letter to House Banking Committee Chairman Henry B. Gonzalez (D-Tex.), all 20 committee Republicans demanded hearings. A similar letter was sent to Senate Banking Committee Chairman Don Riegle (D-Mich.), signed by all the Republicans on that committee. Riegle would not comment on the letter, but said he had told Attorney General Reno that he was not inclined to conduct an inquiry because it could "jeopardize future prosecutions that may arise in this case."

End arms embargo against Bosnia, says Senate

The Senate approved an amendment to the 1994 Foreign Relations Authorization Act by a vote of 87-9 on Jan. 28, expressing the sense of the Senate

"that the President should terminate the United States embargo against Bosnia, pursuant to Article 51 of the U.N. Charter, and provide military assistance to the government of Bosnia and Hercegovina upon receipt of such a request."

Sen. Bob Dole (R-Kan.), the chief sponsor of the amendment, said that "by providing arms to the Bosnians we not only improve their ability to defend themselves, but enable them to protect and deliver critically needed humanitarian aid." Dole said the vote "sends a message and supports the President" in opposition to the position taken by the British and French.

Sen. Russell Feingold (D-Wisc.), a co-sponsor of the legislation, noted that the Bosnians appear to be doing quite well on the battlefield despite the embargo, but added that "you cannot help but recognize that over the course of time the Serbs—particularly supported from the outside over this entire period of time—have had an extraordinary ability to work their will and to create a disequilibrium at the negotiating table." He added, "There was no reason at all why [lifting the embargo] could not have been done a year ago."

NATO membership backed for eastern European states

By a vote of 94-3 on Feb. 1, the Senate approved an amendment to the 1994 Foreign Relations Authorization Act that supports the entry into NATO of Poland, Hungary, the Czech Republic, and other former Warsaw Pact states.

President Clinton's Partnership for Peace program is "a positive step toward maintaining and furthering their security" which prepares them for NATO membership "by the end of the century," Sen. William Cohen (R-Me.) said in motivating the amendment. "I

think it is important that we send a signal to the Russian military . . . that the United States is going to support the opening up of NATO . . . to those European nations who qualify, who measure up to the standards that we insist be met by NATO members."

Sen. Mitch McConnell (R-Ky.), the sponsor of the amendment, criticized the Clinton administration's go-slow approach toward NATO membership for eastern European countries.

Cut ties to Nambla or lose funding, U.N. told

In a unanimous vote on Jan. 27, the Senate called on the Clinton administration to sharply reduce funds to the United Nations unless the U.N. severs ties with the North American Man-Boy Love Association (Nambla) which promotes pedophilia. Last summer the U.N. gave consultative status to the Brussels-based International Lesbian and Gay Association which includes Nambla as one of its members.

Sen. Jesse Helms (R-N.C.), sponsor of the amendment, said the State Department is "horribly embarrassed about this episode, and they should be."

The amendment to the State Department authorization bill states that the United States should withhold almost \$119 million from international organizations in both fiscal years 1994 and 1995 unless the President certifies that the U.N. has no ties with organizations that promote pedophilia. The State Department issued a written statement, in response to a question taken on Jan. 27, that the United States was "firmly in favor of denying the International Lesbian and Gay organization any status with the U.N. if the pro-pedophilia groups in its membership are not expelled at its board

meeting in June. . . . It has always been the U.S. view that pro-pedophilia groups are reprehensible and have no place in any United Nations forum."

Gonzalez seeks repeal of 25th Amendment

Rep. Henry Gonzalez (D-Tex.) on Jan. 26 introduced a resolution to repeal the 25th Amendment to the U.S. Constitution dealing with presidential succession, because it allows into the presidency a person not voted by the people.

Gonzalez cited the resignation of President Nixon in 1974. "What happened in 1974?" he asked. "We had Chief of Staff Alexander Haig, and Secretary of State Henry Kissinger, both positions which are filled by appointment, not election by the people, saying, 'President Nixon, if you do not resign, we may invoke the 25th Amendment.' These two unelected officials were going to use the disability clause of the 25th Amendment to make a decision for the American people, to force the President out of office. Later, upon the attempted assassination of President Reagan in 1981, Alexander Haig, as secretary of state, was again on the scene, claiming to be in charge of the country when, in fact, there were three men ahead of him in the line of presidential succession. Such ambition, and such ignorance of our Constitution and the 1947 Presidential Succession Act, is precisely the danger inherent in the disability clause of the 25th Amendment.

"The result," he said, "is that we have a standing invitation in law, in the Constitution, to overthrow the President through the operation of the disability clause in the 25th Amendment."

Leach pushes regulation of derivatives market

In a bill introduced on Jan. 26, Rep. Jim Leach (R-Iowa) called for the establishment of a Federal Derivatives Commission, which would be comprised of the heads of the existing major banking and currency regulatory agencies, to regulate the derivatives market.

However, while the legislation mandates some form of supervision in order to prevent derivatives activity from leading to a financial collapse, Leach wants to maintain the independence of the Federal Reserve and the use of highly speculative derivatives as financial instruments.

Calling for "risk management," "strong capital requirements," derivatives "guidelines," and "internal controls," the Leach legislation falls far short of demands made by House Banking Committee Chairman Henry B. Gonzalez (D-Tex.) to bring the regulatory agencies, including the Fed, under the control of the U.S. government. Such proposals have been reflected in administration calls for "consolidating" the regulatory agencies into one agency under tighter government oversight.

Objections raised against GATT agreement

The 44 Senate Republicans sent a letter to U.S. Trade Representative Mickey Kantor protesting the subsidy provisions of the recently concluded General Agreement on Tariffs and Trade round, complaining that the agreement represents "industrial policy" that permits large increases in government subsidies for private companies.

One of the GOP targets is an R&D subsidy which the administration says

is needed to protect research programs at the National Institutes of Health, the National Aeronautics and Space Administration, and the national laboratories. Sen. John C. Danforth (Mo.), the ranking Republican on the Senate Finance Subcommittee on International Trade, said that by opening the door to increased government assistance to industry by Europe and Japan, the United States would be forced either to match the aid or give other countries a competitive advantage.

Nunn urges China MFN status be maintained

Sam Nunn (D-Ga.), chairman of the Senate Armed Services Committee, urged his colleagues not to revoke Most Favored Nation trade status for China despite its abominable record on human rights.

Appearing on "Meet the Press" on Jan. 30, Nunn said that restricting trade with China because of its human rights record would be "too heavy a weapon. . . . I think we have to deal with China on a level that continues the relationship, and I believe that they have to be persuaded to help us on sanctions [against North Korea], first of all, in letting it go through the U.N. and, second, cooperation to the maximum extent possible. Without China and without Japan, economic sanctions will not really have an effect on North Korea. . . . Our priority has to be . . . to prevent proliferation, to prevent the nuclear arms race.

The Clinton administration has said that it will not renew China's MFN status unless China improves considerably in the field of human rights. Secretary of State Warren Christopher indicated recently that China has not met the administration's requirements.

National News

Pentagon nominee has technology experience

In nominating Deputy Secretary of Defense William Perry to become defense secretary, President Bill Clinton said, "He has the right skills and management experience for the job. He has the right vision for the job. He's a real pro."

Sources have told *EIR* that Perry, the former director under Jimmy Carter of the Defense Advanced Research Projects Agency (DARPA), which is well-known for spinning off such civilian applications as "packet switching networks" in telecommunications, had more recently played a major role in developing stealth technology.

According to the *Wall Street Journal*, Perry has tried to preserve the capabilities of the defense industrial sector to manufacture advanced weapons as well as to meet present and anticipated needs. Although he believes that the defense sector must drastically shrink, he supports subsidization for parts of the defense industry, such as producers of nuclear submarines, tanks, and fighter jets, which have no civilian application. He wants what he calls "dual use" industries, such as semiconductors, communications, and advanced materials, to orient toward the commercial sector, while maintaining their military capabilities.

Drug epidemic rising again among youth

A University of Michigan team found that abuse of illegal drugs, as well as a new epidemic of legal inhalants, is on the rise again among U.S. youth. The study covered 50,000 youth, as part of a project funded by the National Institute on Drug Abuse. The head of the program stated: "We have the unenviable role of informing the country that drug use is making a comeback, that the epidemic is re-emerging." The study found a sharp jump in marijuana and LSD use starting in the 8th grade and reaching its height

in the 12th grade. Other substances being abused include prescription stimulants like Dexadrine and Ritalin, and inhaling ("sniffing") legal household products like glue and paint thinner.

Marijuana use among 8th graders has increased twice as fast as in 1992, and there is a special increase in high school topped by drug use among seniors. The study showed a 4% increase in marijuana use by seniors to 26%, as opposed to 21.9% in 1992. And, 6.8% of seniors were found to be using the hallucinogen LSD, up from 5.6% in 1992, which is near the 7.2% peak in 1975. This jump in use of marijuana follows 14 years of decline.

At a press conference where the results of the study were announced, Health and Human Services Secretary Donna Shalala stated, "Young people need to hear frequent and consistent messages about drug use. . . . A steady drumbeat. . . . Drugs are illegal—and will stay illegal." The comment was interpreted as a rebuttal of suggestions by Surgeon General Dr. Joycelyn Elders, to study whether legalizing drugs might reduce crime and violence.

Child sex abuse ring exposed in Minnesota

Nebraska attorney John W. DeCamp and Lyndon LaRouche associate Lewis du Pont Smith gave a press conference on Feb. 2 in St. Paul, Minnesota to expose the connection of a child sex abuse case in Jordan, Minn. to a nationwide kidnapping and prostitution operation run out of Omaha, Nebraska. DeCamp, a former Nebraska state senator and author of the book *The Franklin Coverup: Child Abuse, Satanism and Murder in Nebraska*, is the attorney for two of the victim-witnesses in Nebraska, Alisha Owen and Paul Bonacci.

DeCamp was a central figure in events surrounding the Nebraska State Senate investigation of the Franklin Community Federal Credit Union of Omaha, which was closed by federal authorities in 1988. Franklin's chairman, Republican Party influential Lawrence King, soon came under investigation for running a national child prostitution

network involving high-level figures. Victims of the network, including Bonacci and Owen, provided massive evidence of drug-running and satanic ritual murder of children, and Bonacci also testified to his forced involvement with a child prostitution and pornography ring operating out of Jordan. Bonacci independently identified some of the same suspects charged in 1983-84 by Scott County Attorney Kathleen Morris. Minnesota Attorney General Skip Humphrey dropped all prosecution of these cases.

On a radio program in Minnesota on Jan. 28, DeCamp revealed that he had viewed videotapes seized by police investigating the Minnesota ring, and said that the tapes confirm the involvement of high-level figures in the child prostitution ring.

Proposed law will not benefit Earl Washington

Draft legislation in Virginia that was prompted by the near-execution of death row inmate Earl Washington will not allow him to now prove his innocence in court, according to the *Richmond Times-Dispatch* of Jan. 27. Virginia Del. Clifton A. Woodrum, who was key in drafting legislation to allow death-row inmates to be able to introduce new evidence more than 21 days after sentencing, does not plan to change the proposed legislation to allow Earl Washington to benefit from it after his sentence was commuted.

On Jan. 14, just before leaving office, Gov. Doug Wilder commuted Washington's death sentence, because evidence makes clear that he is innocent, but gave him a life sentence instead, assuming that legislation would retroactively allow him to introduce that new evidence.

Now Washington is caught in exactly the bind his attorneys feared: Although his case forced the spotlight on the 21-day law, he has no recourse to introduce new evidence because he is no longer on death row.

Woodrum (D-Roanoke) said that in drafting the new bill, "I do not intend to serve as some kind of stand-in for Mr.

Washington's lawyer." Robert Hall, Washington's lawyer, said, "If the legislature isn't quick to amend it, then Earl will just plain drop out of sight."

Committee formed to defeat Oliver North

According to the *Richmond Times-Dispatch* of Jan. 27, a political action committee will make defeating Oliver North's bid to be the Republican candidate to unseat Sen. Chuck Robb (D-Va.) its highest priority. The PAC, called "Clean Up Congress," is led by a Republican, Woody Holton, son of former Virginia Gov. Linwood Holton (R).

The Arlington-based group attacked North's veracity and record in the Iran-Contra affair and endorsed rival GOP candidate James Miller III for the Republican nomination for U.S. Senate.

The *Times-Dispatch* also reported that Virginia's senior senator, John Warner (R), came close to calling on North not to run, in a CNN interview. He said, "So far as we know, no one in the history of the United States Senate—since 1789—has ever sat in this chamber that was convicted of a felony." North was convicted of lying to Congress, although his conviction was overturned on the basis that the prosecution was tainted by his immunized congressional testimony.

LaRouche associate Nancy Spannaus is the best known of Robb's Democratic opponents, since she ran last year for governor. The LaRouche movement exposed both the dirty Iran and Contra operations long before the scandals broke.

Church women protest pagan conference

Outraged women members of the Methodist and Presbyterian churches are inundating their clergy with letters protesting the churches' sponsorship of a pagan conference in Minneapolis last November. At that time more than 2,000 people, mostly wom-

en, gathered to "Celebrate and Re-Imagine the Divine." The conference was sponsored by the World Council of Churches and several major U.S. denominations, including United Methodists and Presbyterians. The *Minneapolis Star Tribune* reports that they got an unusually high volume of letters protesting their coverage of the event, called to "celebrate new and renewed understandings and expressions of Christianity."

The angered women are demanding that women on national denominational staffs who attended the conference be dismissed and that the churches apologize to their members for sponsoring a conference which is creating a new theology based on pagan rituals.

Superintendent promotes privatized D.C. schools

Washington, D.C. Public Schools Superintendent Franklin L. Smith is lobbying local legislators for implementation of a reform plan that would fundamentally alter the conception and functioning of public education in the city's schools starting this fall, according to the Jan. 27 issue of the *Washington Post*. Smith promoted school privatization one day earlier before a Senate subcommittee hearing and will address the Association for Supervision and Curriculum Development conference to be held in Chicago in March.

"A private company," he was quoted in the *Post*, "can pump money into schools more quickly by allocating resources more efficiently and avoiding the slow-moving bureaucracy." Ten to 15 of the capital's 165 schools are initially proposed to be run privately, most likely by Education Alternatives, Inc., which has also experimented with the notion of "enterprise" schools, each having power to manage its own budget, define its education program, decide how to spend money and contract for private services. Smith wants 50 of these initially as his plan envisions an ever-diminishing central administration whereby every school would eventually be granted the ability to buy any service without going through district administration.

Briefly

● **A HEMLOCK SOCIETY** front, the flag-ship of the euthanasia lobby, is suing Washington State to overturn the law banning so-called assisted suicide. The group "Compassion in Dying" is trying to circumvent the fact that its 1991 ballot initiative to allow physicians to kill patients was voted down, by having the courts enact euthanasia through a ruling.

● **HERB BRIN**, a 30-year ADL operative and publisher for the *Heritage Southwest Jewish Press*, defended his quoting of William Safire's attack against the nomination of Adm. Bobby Inman as secretary of defense only days before Inman withdrew. Brin's column came after an advertiser cancelled his ads and denounced Brin's attack on Inman and defense of Israeli false-flag spy Jonathan Pollard.

● **FBI DIRECTOR** Louis Freeh announced on Jan. 27 that the Bureau will move 600 special agents from supervisory and administrative slots to field positions in the war against crime, according to UPI. Freeh made the announcement with Attorney General Janet Reno. "We want a field-driven operation," he said. "For too many years FBI headquarters has been top-heavy with supervisors."

● **THE DEPARTMENT** of Health and Human Services announced a pilot "workfare" program for Florida on Jan. 27. The plan will put a two-year cap on Aid to Families with Dependent Children, after which recipients must find jobs. The plan, "Family Transition Program," will be tried in Escambia County (Pensacola) and Alachua County (Gainesville).

● **NINE LAROCHE** Democrats announced their plans to run in the Missouri primaries on Jan. 28. "Our candidacies are part of a powerful drive to make sure that the Clinton administration has the courage to reverse this 'free trade' de-industrialization at home and abroad," the slate's statement read. Headed by U.S. Senate candidate Nick Clement, the slate is fielding six congressional candidates and two for state assembly.

Editorial

Prevent a 'Final Solution' in Bosnia

In the face of open military intervention into Bosnia-Herzegovina by both Croatian and Serbian military forces, the United Nations is still holding back from taking any even remotely appropriate acts. Perhaps the most encouraging sign is the tentative Security Council threat to use air strikes in order to open the way for humanitarian aid; but what a small step that would be, were it ever carried out, compared to what is needed!

The Jan. 27 call by the U.S. Senate to lift the arms embargo against the Bosnian nation was welcome, but long overdue. Events are now rapidly moving to a point where the Bosnians will need more than just the ability to purchase arms for use in their legitimate self-defense. And even the U.S. Senate resolution, which expressed a policy previously endorsed by President Clinton, is still opposed by the British and the French governments, and even by Germany's Chancellor Helmut Kohl, who declared that lifting the U.N. arms embargo against Bosnia would prolong the war.

On Jan. 31, the correspondent on the spot for the French daily *Le Monde* warned that the Serbian authorities have started a general military mobilization of all citizens in Serbia, even calling up non-Serbian refugees living there. It is no secret that the Serb government, in open defiance of the United Nations, is now preparing for the total defeat of the Bosnians, unfortunately with the military cooperation of the Croatian government.

For several weeks, observers among the United Nations forces in former Yugoslavia have been noticing "important movements of troops of the Yugoslav Army," both in Bosnia and along the Bosnian frontier. Transport of heavy weaponry has also been detected by these observers; yet the United Nations has done nothing to stop it.

The virulent spokesman for the Russian "Third Rome" doctrine, Vladimir Zhirinovskiy, meanwhile warns the world, in a speech from Bosnian territory occupied by Serbia, that any military support by the West to Bosnia would be viewed as a cause for Russia to come to the military defense of the Serbs. "We will

punish all your enemies," he promised his Serb friends.

On Jan. 23, Pope John Paul II reiterated his call for action. He urged that the international community do "everything humanly possible to disarm the aggressor" in the Balkans.

"Unfortunately," he said, "despite many efforts, the war in the regions of ex-Yugoslavia continues to resist every attempt at peace and it shocks all of us, because of its cruelty and repeated violations of human rights. No, we cannot be resigned. We must not be resigned. Appropriate authorities have the responsibility to try everything humanly possible to disarm the aggressor and create conditions for a just and lasting peace."

The United Nations-imposed boycott against the Bosnians, based upon the flimsiest of pretexts, is a more immoral, more brutal form of appeasement than that practiced by the British toward Adolf Hitler at Munich, when the fate of the Czechoslovak nation was at stake. Then, the Czech government capitulated under pressure from British appeasers. Now, the brave Bosnian people have chosen to do the opposite—to carry on the fight against tyranny, against all odds. Now, John Major's government is taking on the mantle of Neville Chamberlain, as history repeats itself.

Will we need to fight World War III, waving the bloody shirt of the Bosnian martyrs, or will the world wake up in time?

We most heartily concur with the pope's statement. It is no longer sufficient merely to stop hindering the Bosnian people from their right to defend themselves. It is intolerable that we watch passively as a whole people is slaughtered before our eyes, down to the last man, woman, and child. If we fail to act, if we fail to fight now, we will have brought the consequences upon ourselves, consequences which will include the awesome threat of nuclear war, should Zhirinovskiy and his ilk turn Russia in the direction they threaten.

As the pope says, this is not the time for appeasement, but the time for effective action before it is too late. Disarm the aggressor!

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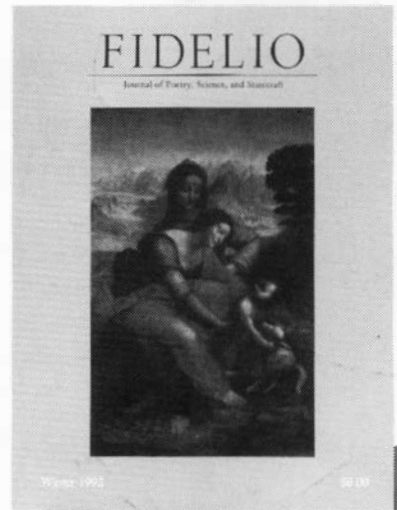
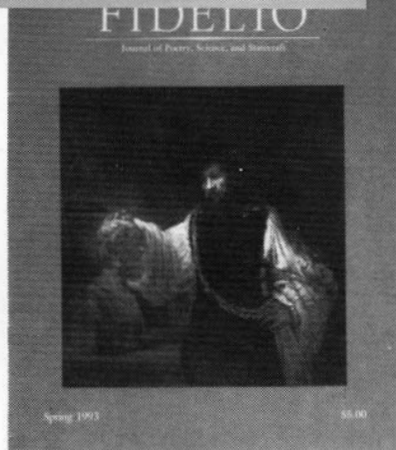
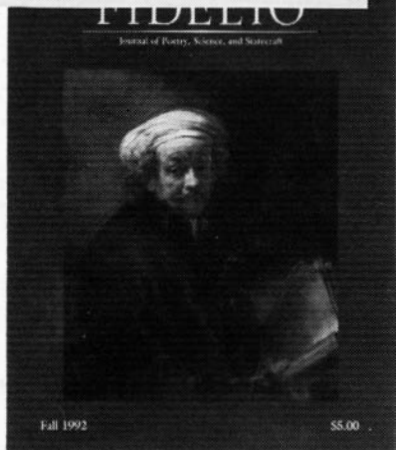
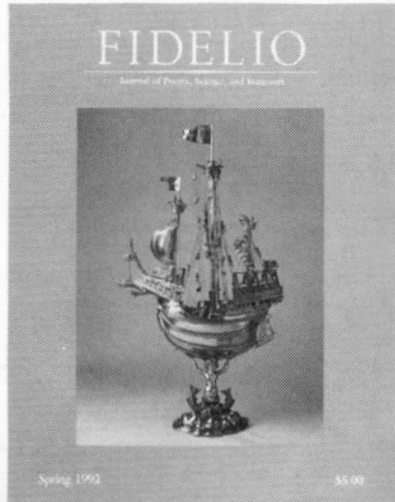
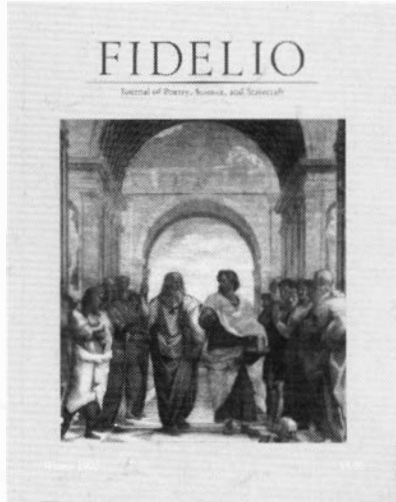
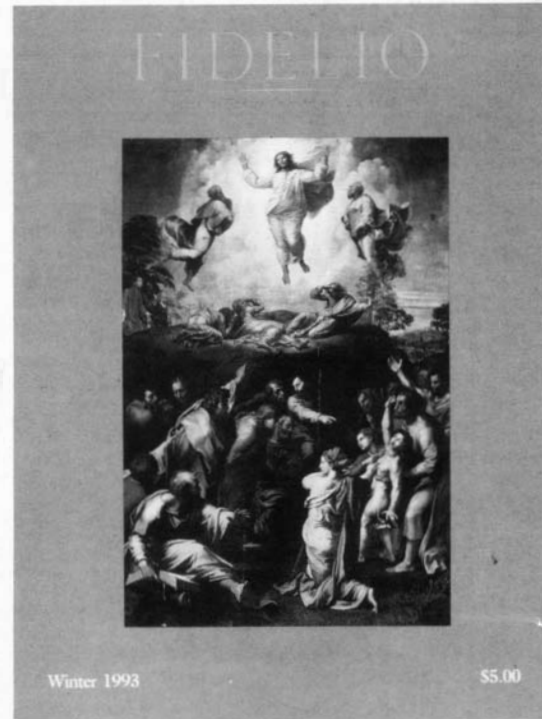
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