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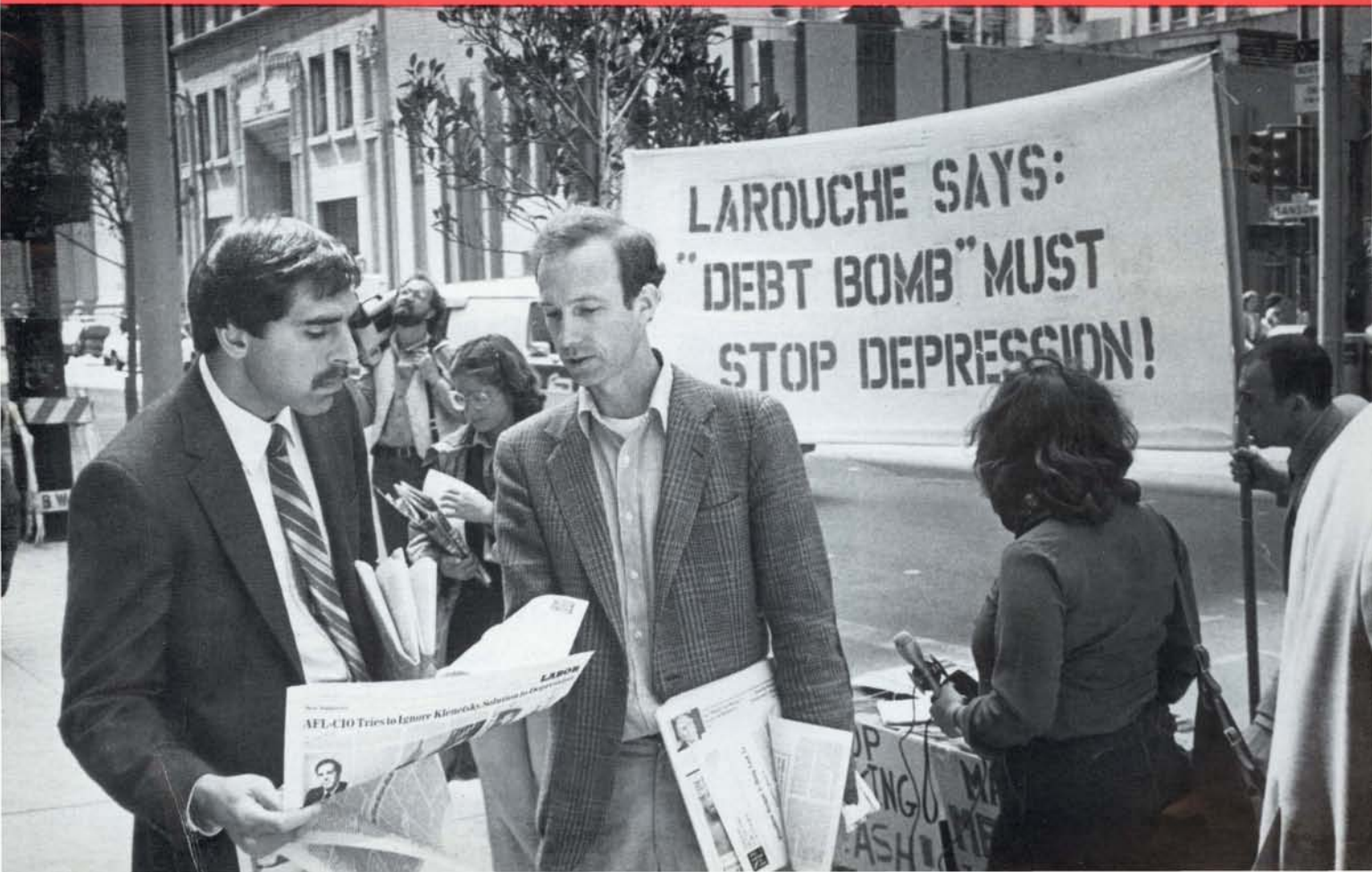
Executive Intelligence Review

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British cultural warfare caused African mess
Name Bush and North in CIA murder case
Spectator sports takes over Italian politics

**About to explode again:
Ibero-America's debt bomb**



EIR

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From the Editor

The photograph on the cover was taken nearly 14 years ago: to be precise, in August 1982 outside the offices of the Federal Reserve Board in San Francisco. In the center of the picture is LaRouche associate David Kilber, who is now leading a statewide revolt against California's New Age-modeled educational "reforms," as candidate for the office of state superintendent of public instruction.

In 1982, the "bomb" of the unpayable foreign debt was blowing up all over Ibero-America. The LaRouche political movement was mobilizing American public opinion in solidarity with the López Portillo government of Mexico and in support of Lyndon LaRouche's then recently written "Operation Juárez" proposal, for concerted action by the hemisphere's sovereign governments to found a new world monetary order on the shambles of the old one.

LaRouche's policies have not changed one iota in this regard. The "debt bomb" must be used to stop the depression; and the Federal Reserve must be nationalized, as the signs in the 1982 photo say—indeed, the entire world edifice of private central banks, as LaRouche specified in his May 26, 1994 press conference. What has changed, is that today the debt bomb has grown far larger and far more dangerous than in 1982. This is the subject of our *Feature* survey. On other fronts:

- In *International*, two stories point to a growing restiveness in France over the "Entente Cordiale" with Britain—one is the reprint of a polemic which appeared in the French press, the other a news report on a new political movement called Alliance Sarajevo.

- In *National*, a call for a National Conservatory of Music movement in the United States, on the occasion of a conference on that theme in Washington.

- In *Strategic Studies*, continuing the coverage of the LaRouches' visit to Moscow in April, read the transcript of Lyndon LaRouche's meeting at the Russian Academy of Sciences' Institute of Africa.

Russian scientists ask LaRouche: How did you discover the carefully guarded secrets of Soviet science? Read the question and LaRouche's answer in next week's issue. Also upcoming in *EIR*: The culture wars that America lost, back in the postwar 1940s and 1950s (LaRouche will indicate his part in the war against Norbert Wiener and John Von Neumann's kookery).

Nora Hamerman

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Feature



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12 Ibero-American debt bomb is about to explode, again

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U.S. says tracking real business is not its business

by Anthony K. Wikrent

The U.S. Department of Commerce has ceased entirely the reporting of measures of real economic performance—such as lumber or steel production, or shipments of cement or household appliances—effective with the April 1994 issue of the department's monthly *Survey of Current Business*. The muted public response to the end of this series of economic indicators is perhaps as great or greater a measure of how far the science of economics in the United States has degenerated into mere monetarism, than the cessation of the publication itself.

The *Survey of Current Business*, which is published by the Commerce Department's Bureau of Economic Analysis (BEA), will continue to be produced and distributed each month to its 11,000 subscribers. However, the section of blue-colored S-pages, entitled "Current Business Statistics"—generally referred to as "the blue pages" by BEA staff members—will no longer be compiled and published. Since August 1921, when the first *Survey of Current Business* was issued, the blue pages have brought together, in one place, monthly and quarterly economic data from a large number of private industry trade associations and U.S. government agencies, as well as the BEA itself. Much of this data consisted of solid measures of real economic activity, by weight or by units, rather than the dollar measures of economic performance, or the index measures (where, for example, what transpired in 1987 is used as the basis for a scale of 100, such as the Federal Reserve's index of "Industrial Production") which were so heavily manipulated in the 1980s, that they became increasingly suspect, and ultimately worthless.

Among the hundreds of economic and financial indicators and measures presented for the 14-month period preceding each month's publication of the *Survey of Current Business*, were: "Business incorporations and industrial and commercial failures" from Dun & Bradstreet Inc.; the monthly rider-

ship of urban mass transit systems, from the American Public Transit Association; the number of ton-miles of freight carried by Class I railroads, from the Association of American Railroads; tons sold of potash each month, from the Potash and Phosphate Institute; the millions of board-feet of lumber produced each month, as well as tons pulpwood, waste paper, woodpulp, paper and paper products, and newsprint, from the American Forest and Paper Association; tons of steel produced, and shipped, from the American Iron & Steel Institute; kilowatt-hours of electricity sold, from the Edison Electric Institute; dollar sales, orders, and shipments of machine tools, from the Association for Manufacturing Technology; the Association of Home Appliance Manufacturers' unit shipments of major household appliances; production of man-made fibers, from Fiber Economics Bureau Inc.; and the American Automobile Manufacturers Association's monthly series for number for retail sales and inventories of cars, trucks and buses.

From the U.S. government, the *Survey of Current Business* carried a few dozen key measures of employment, from the Labor Department's Bureau of Labor Statistics; from the Department of Agriculture, "prices received and paid by farmers," as well as other USDA statistics, such as production of fluid milk, eggs, and grain, slaughter of cattle, calves, hogs, sheep, and lambs—all in pounds or similar calibrations, rather than dollars; various banking and monetary statistics from the U.S. Federal Reserve and the Department of Treasury; the Department of Transportation's statistics on air travel, such as revenue-paying passenger-miles flown, as well as a highway construction cost index from Transportation's Federal Highway Administration; the Interstate Commerce Commission's monthly index of truck freight carried by Class I and Class II motor carriers; statistics on production of coal, coke, and petroleum, as well as refinery runs and other parameters of

energy use, from the Department of Energy; and monthly production, in tons, of sulfur, cement, gypsum, aluminum, copper, lead, tin, and zinc, and consumption of steel scrap, from the Interior Department's Bureau of Mines.

From the Commerce Department itself, there were monthly statistics for the dollar value of "Construction put in place" plus construction cost indexes; production by weight of various industrial gases; and many dollar measures of shipments by various industries, such as aerospace. The Bureau of Economic Analysis supplied its dozens of indicators from its National Income and Product Accounts, which are the only measures, that will be retained in the monthly *Survey*.

What the blue pages tracked

The individual trade associations or government agencies that originate the various data series will continue to report them. But, with the dropping of the blue pages from the monthly *Survey of Current Business*, these hundreds of measures of real economic performance will no longer be combined in one, central place, with one exception: About three-quarters of the measures will continue to appear in the Commerce Department's annual *Statistical Abstract of the United States*. But these figures appear in the *Statistical Abstract* in an entirely different format: as annual data, rather than the more timely monthly or quarterly data formerly available in the blue pages.

The importance of the type of economic statistics that will no longer be reported in *Survey* is readily admitted by anyone who has attempted to construct a time-series of data reflecting actual physical economic processes. Working with the data in the *Surveys* from the early 1950s vividly illustrates how the U.S. economy slid, slowly but inexorably, from the height of scientific achievement and industrial prowess, to the disgusting scrapheap of today, that peddles ever more arcane financial paper, while being unable to properly house and feed nearly a quarter of its resident population.

Where did the construction tractors go?

The least resonant reflections of decay are some of the measures now reported quarterly, such as unit shipments and new orders of rail freight cars from the Association of American Railroads, which were formerly reported on a monthly basis in the 1960s and 1970s. Then there are those measures that have simply ceased altogether. Both unit and dollar shipments of construction tractors and shovel loaders were reported by the Commerce Department's Bureau of the Census each month until 1982, when the data began being issued each quarter instead. The series ceased entirely at the end of 1989, because so few construction equipment manufacturers were left in the United States after the supposed "Reagan-Bush boom" of the 1980s, that the Census Bureau determined that to continue releasing the data would be tantamount to "divulging proprietary data." Such measures of capital goods production and consumption are quite

striking in their absence in the 1980s and 1990s. Other measures that existed in the 1960s, but which ceased several years ago, were industrial furnaces and ovens, motors and generators, and foundry equipment.

One very interesting measure was the dollar figure for factory sales of integrated circuits, first reported as \$5 million for all of 1961, and which rapidly grows to to over \$30 million a month in late 1968. Equally interesting is to see an average monthly figure for production of television sets first given for 1947, of 14,900, rapidly swelling to over 400,000 a month within three years.

Budget-cutting insanity

Thus, it is lawful that the reason why the Bureau of Economic Analysis will no longer compile these measures and present them in its monthly *Survey* so poignantly reflects the continuing collapse of the U.S. physical economy: The budget of the BEA was cut severely. As stated in a letter written by BEA Director Carol S. Carson on May 20: "The discontinuation of the Current Business Statistics section was part of BEA's response to budget cuts and was necessary to maintain the core areas of BEA's mission to prepare economic accounts. This year's BEA budget allocation from Congress was substantially less than projected expenditures, even after BEA initiated various economy measures."

BEA research economist Larry Moran, who now doubles as BEA's media contact person, explained that the Current Business Statistics "was not a mandated area of responsibility of BEA," but rather was a service to the *Survey's* readers which had been provided since the first issue was distributed to 1,500 users in August 1921. "We had to make a decision," Moran continued. "You have X amount of money, and if you do things that you're not mandated to do, you have less money to do the things that you are mandated to do. As a result, the quality of what you're supposed to do can suffer. The quality of our [National Income and Product Accounts] estimates are our primary consideration."

Asked if anyone in the Congress or in the Executive branch had complained about the discontinuation of the blue pages, both Moran and Douglas Fox, editor-in-chief the *Survey*, replied that they knew of none. Fox himself has received "maybe five letters or so, mostly from government documents librarians. One or two letters were the from private sector, probably economists." He believes that in the two months since public notice of the discontinuation of the blues pages was given in the February issue of the *Survey*, about 10-12 letters altogether have arrived at various Commerce Department and BEA offices, which have been passed around among staff members to keep them informed.

There is one final reflection in the April issue of the *Survey* of where the U.S. economy is headed: It reports on the results of the first attempt by the U.S. government to quantify the dollar value of harm done to the environment by national economic activity.

Canada 21 Council pushes globalization

by Benoît Chalifoux

The Canada 21 Council, a private group of high-ranking malthusians and globalists, has issued a report which proposes to define a new defense policy for Canada. Titled "Canada and the Common Security in the 21st Century," it locates Canada's defense within the U.N.'s drive for a "new world order" and the policy of globalization: dismantling the industrial capabilities of the West and shifting industry to cheap-labor zones in the Third World.

According to the report, "Challenges to common security are likely to arise from conflict triggered by involuntary migration, resource scarcities, and ethnic clashes. Canada must therefore develop policies to address the underlying causes of conflict through preventive action. We must complement our long-standing commitment to peacekeeping with a strategy that addresses the fault lines of conflict: continuing rapid population growth in the poorest regions, severe economic disparities, environmental degradation, and scarcity of criti-

cal resources."

The publication of the report in mid-March, under the auspices of the Center for International Studies at the University of Toronto, coincided with the official formation of a new special joint committee of the House of Commons and the Senate charged with reviewing Canada's foreign policy. This committee will, over the next nine months, hold public hearings across the country to get a sounding of Canadian public opinion and then submit its own recommendations to the government.

Since, according to the report, "there is no credible threat of attack on any of our allies in the foreseeable future," it is suggested, among other things, to entirely eliminate Canada's contribution of \$100 million per year toward NATO infrastructure, as well as to repatriate the brigades, battalions, and squadrons currently based in Europe.

The U.N.'s policemen

Could this be this some new isolationist policy? Not in the least. The council has quite simply decided to transform the Canadian Army into a police force deployed under the aegis of the United Nations, in order to oversee the application of new "environmental norms," the spread of "democratic" institutions, the "just distribution," of natural resources, and to participate in future "peacekeeping" operations which will, says the council, become more and more numerous.



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Thus, the council proposes, within the constraints of a fixed budget, to restructure the Armed Forces in such a way that the center of gravity would be moved from NATO toward the U.N., from Europe toward the Third World. And, this means changing the ideological hat: Malthusianism and post-industrial utopianism would henceforth constitute the credo for all Canadian institutions toward foreign policy.

In the economic domain, the report tells us: "In the past, development assistance has been dominated by large infrastructure projects that involved the transfer of substantial financial resources. Typically, particularly in the poorest countries, absorptive capacity was overwhelmed and the resulting benefits were limited. Canada's unique opportunity and comparative advantage lie not in high technology or heavy infrastructure development assistance but in the intensive development of human resources." This should be, according to the council, the "new" Canadian policy, independent of all outside influence, promised by Prime Minister Jean Chrétien during the election campaign in the fall of 1993.

If high technology is not advisable for the development of the countries of the Third World, "new 'good' jobs in industrialized countries will come in 'knowledge-based' sectors demanding people with more education, higher skills, and greater competence with technology."

It is therefore not surprising to see the council promoting a policy of free trade (the council entirely endorsed the General Agreement on Tariffs and Trade) and calling for Canada to eliminate "the broad range of tariff and non-tariff barriers that currently discriminate against southern nations."

Therefore, whereas the South used to be the supplier of natural resources to the marketplace for use by the industrial countries, in the future, it will become the supplier of goods to the marketplace (organized on the principle of local concentration camps) in order to subsidize the consumers of countries that have since become de-industrialized.

Malthusians and greens

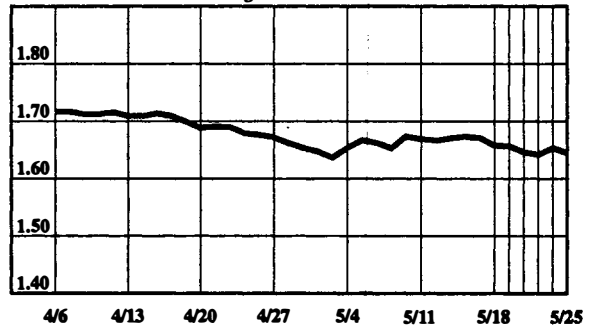
Members of the Canada 21 Council include leading proponents of malthusianism and the destruction of nation-states:

- Maurice Strong, longtime Club of Rome member, former secretary general of the U.N. Conference on the Environment and Development (alias "Rio-92"), chairman of Council for the Earth;
- Ivan Head, an executive member of the Aspen Institute, who was in 1984 named to the committee of the Inter-American Dialogue, which has targeted the sovereignty of Ibero-American nations for destruction;
- Thomas Axworthy, former executive secretary to Prime Minister Pierre Trudeau and associate member of the Center for International Affairs at Harvard University;
- John Polanyi, Nobel Prize winner in chemistry (1986) and founder and chairman of the Pugwash Group of Canada (1960).

Currency Rates

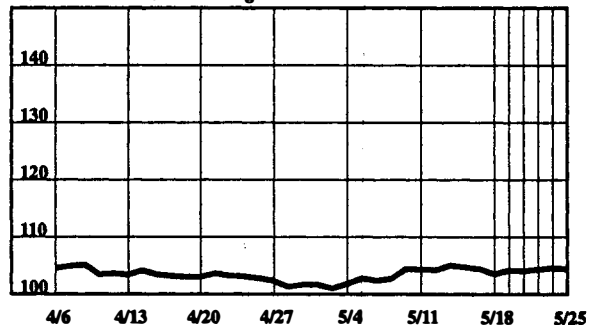
The dollar in deutschemarks

New York late afternoon fixing



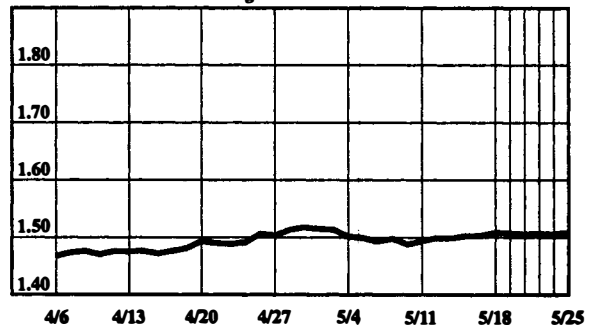
The dollar in yen

New York late afternoon fixing



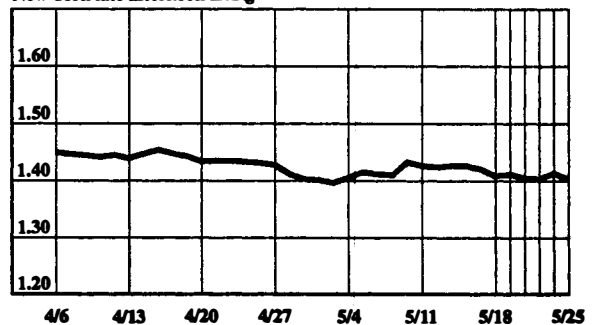
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



Greenspan calls for a bank bailout

Let the banks do what they want, and let the taxpayers pick up the tab, says the Federal Reserve.

Federal Reserve Chairman Alan Greenspan issued a clear call for a U.S. government bailout of the big derivatives banks on May 25, in testimony to the Telecommunications and Finance subcommittee of the House Energy and Commerce Committee.

"Regulators are going to have to judge the magnitude of the market losses that bank capital should be expected to absorb," Greenspan said. "In making this adjustment, regulators must recognize that there are some highly unlikely events—say, those that tend to occur only once in a half-century—that may call for government actions to backstop bank capital so as to avoid systemic problems."

While demanding that the government bail out the big banks by covering their derivatives losses, Greenspan arrogantly denied the duty of the government to regulate the derivatives markets. "Where we see opportunities for federal regulation to enhance private regulation, we should implement it," he said. "Where we perceive private regulatory failure, we should step in immediately. But we must keep in mind that federal regulatory intrusion in an inappropriate time or place can weaken incentives for private efforts and expose the overall system to greater risk."

What Greenspan is saying is that the government should take no action to dry up the largest speculative bubble in world history, but should instead keep the bubble going by guaranteeing it with the taxpayers' money. The "private regulation" of which Greenspan speaks, is nothing more than letting the banks do whatever

they want, the very policy which created this disaster.

Greenspan's statements came during the last of three Telecommunications and Finance subcommittee hearings on the question of increasing government regulation of the over-the-counter derivatives markets.

The case for such regulation was made by the General Accounting Office, which issued a report on the subject on May 18. The 196-page report, entitled "Financial Derivatives: Actions Needed to Protect the Financial System," noted "significant gaps and weaknesses" in the regulation of derivatives activities, and warned that the derivatives activities of the big banks and other financial firms could ultimately lead to a taxpayer bailout.

The GAO study examined the derivatives activities of 15 major dealers in the over-the-counter derivatives market, through the end of 1992. The dealers studied included seven bank holding companies (Chemical Banking, Citicorp, J.P. Morgan, Bankers Trust New York, Chase Manhattan, BankAmerica, and First Chicago); five securities firms (Goldman Sachs, Salomon Brothers, Merrill Lynch, Morgan Stanley, and Shearson Lehman Brothers); and three insurance companies (American International Group, Prudential, and General Re).

Together, these firms accounted for \$11 trillion of the \$12 trillion notional value of derivatives outstanding at the end of 1992, according to the GAO report. The banks dominated the list, taking the top six spots in terms of exposure, and accounting as a group for 63% of the total derivatives

market worldwide.

"This combination of global involvement, concentration and linkages means the sudden failure or abrupt withdrawal from trading of any of these large dealers could cause liquidity problems in the markets and could also pose risks to others," the GAO said.

The first subcommittee hearing, on May 10, featured testimony from former Securities and Exchange Commission chairman Richard Breeden, former president of the Federal Reserve Bank of New York Gerald Corrigan, and J.P. Morgan chairman Dennis Weatherstone. All three agreed that the derivatives market is under control, and that no additional regulations are needed. "Whatever else is true . . . the sky is not falling," insisted Breeden.

The second hearing, on May 19, featured Comptroller General Charles Bowsher, the head of the GAO.

In his opening statement at the second hearing, subcommittee chairman Edward Markey (D-Mass.) said that "both regulatory and legislative reforms" were necessary to "curb excessive speculation, abusive or fraudulent activities" in the derivatives markets. "In light of GAO's findings, I cannot agree with those who would argue that the 1,000 points of light of industry volunteerism and a few incremental changes by regulators can effectively address the risk posed by exotic derivatives," Markey stated.

Bowsher cited, as examples of the dangers, the huge losses recently reported by some U.S. companies, including losses by a U.S. subsidiary of the German Metallgesellschaft "that involved assistance of more than \$2 billion from 120 banks. . . . I might point out that that's larger than the Lockheed, Chrysler, or New York City bailouts, just to put that in perspective."

Berlin to Moscow by train in five hours

Renewed Russian interest in a modern rail link puts the option for a maglev system on the agenda.

When Russian President Boris Yeltsin proposed, at a May 13 meeting with German industrialists in Stuttgart, the construction of a high-speed rail link from Berlin to Moscow, he took his hosts by surprise. That the Russians would take the political initiative to revitalize discussions on grand infrastructure projects between the east and west of Eurasia had not been expected. The last time the Russians had talked about such projects was December 1992, when a joint statement on Russian-German cooperation was issued.

Yeltsin's proposal was endorsed on the spot by Chancellor Helmut Kohl and Transportation Minister Matthias Wissmann. Kohl said he wanted the European Union (EU) to fund such a project, and Wissmann said the issue would be placed on the agenda during the half-year German presidency of the EU which begins in July.

Unfortunately, neither side outlined a more detailed description of the project, which indicates that no such rail link has been planned out yet in the necessary engineering detail. Proposals for a high-speed railroad over the 2,000 kilometers between Berlin and Moscow have been made before, but on the political level.

For example, in the late spring of 1990, Russian Deputy Minister of Transportation Vitaly Budko met with Horst Gibtner, his counterpart in the East German transition government that was in power from March to October. Budko proposed construction of a modern rail line that would link Berlin with Moscow via Warsaw and Minsk, the capital of Belarus. He told Gibtner

that if the West funded the project, Russia would be willing to build its segment of the line from Moscow westward at the same time the Poles and Belarussians would build theirs, so that the project could be completed in less time.

In a discussion with this author shortly after the Yeltsin proposal in Stuttgart, Gibtner reported that Budko even made the "truly revolutionary step" of proposing—for the first time in 100 years of Russian infrastructure debates, since the Czarist-era cabinet minister Count Sergei Witte—that this line would be built with a European gauge, including on Russian territory. There would no longer be a need to convert trains coming from the West to the wider Russian gauge at Brest-Litovsk on the Belarussian-Polish border, and vice versa; trains could go through at speeds of 200 km per hour, covering the Berlin to Moscow distance in 10 hours with only minor interruptions at the borders of Germany, Poland, Belarussia, and Russia.

At that time, the European Community was not at all prepared to fund such "revolutionary" projects. It would have meant altering EU plans for the modernization and extension of the West European railway infrastructure grid, to define concrete projects into the East, after the fall of the Iron Curtain in late 1989. Not even in the spring of 1992, at the international Eurailspeed congress in Brussels, did development of railway infrastructure in the East (such as the Budko proposal) receive more than a vague, verbal statement of sympathy. Two years later, at the April 1994 All-European Transportation Conference in Crete,

the EU still would not do more than add some dotted lines pointing eastward on its project grid for "continental infrastructure development."

So far, eastern promises about rail projects haven't been more than statements of intent, either. There is still no construction work in Poland, which promised in 1990 to modernize its railway links with the West and the East so that trains can travel at 160 km per hour, nor has any concrete work been done on the Belarussian or Russian side.

But the Yeltsin proposal of May 13 has created a new political environment for discussion about transcontinental transportation projects, and once Kohl has placed it on the EU agenda, conditions will also change inside the western bureaucracy. Taking into account the average of two years of engineering studies and other administrative preparations that bigger infrastructure projects now require, it would still be possible to begin construction of the Berlin-Moscow line by no later than autumn 1996.

Modern magnetic levitation rail technology, already available with Germany's Transrapid experimental train, is, however, more appropriate for the envisioned Berlin-Moscow "project of the future" than conventional high-speed rail technology. Maglev trains, which run at twice the speed of the French TGV and German ICE, could make the Berlin-Moscow trip in five hours.

A draft proposal for a maglev line was first made in late 1989 by American economist Lyndon LaRouche in his proposal for a "Productive Triangle of Reconstruction, Paris-Berlin-Vienna." It still provides a solid basis for discussion of transcontinental grand infrastructure projects. It has been before all governments in Europe since 1989.

Business Briefs

Finance

IMF sabotaged Russian investment in rail

The International Monetary Fund (IMF) sabotaged Russian investments in the railway sector, by imposing a credit ban on all imports of rail cars and other material from traditional suppliers of the Russian railways, such as Deutsche Waggonbau AG (DWA) in eastern Germany.

The issue came up during the visit of a Russian delegation under President Boris Yeltsin to Germany in mid-May in which Yeltsin proposed construction of a high-speed rail and a highway link between Paris and Moscow through Berlin. The Russians, who backed down at the end of last year from promised state credit guarantees for DM 500 million (\$312 million) worth of purchases from the DWA plant in Ammendorf, will receive (despite Bonn's policy of not granting any new credit guarantees to Russia) a German government Hermes export credit guarantee for this deal, which will secure about 1,000 jobs at the DWA plant.

According to German sources, similar IMF credit bans also exist against imports of agricultural machinery and spare parts from Russia's traditional suppliers in eastern Germany.

Economic Policy

Avoid laissez-faire, Mahathir warns China

"God help China if it were to adopt . . . laissez-faire capitalism, the extreme type of market economy in which government is extraneous," Malaysian Prime Minister Mahathir bin Mohamad warned China in a commentary in the May 17 *International Herald Tribune*.

Mahathir's piece was excerpted from his speech on May 12 to the "1994 China Summit" in Beijing. At that meeting on May 11, British diplomat Peter Sutherland, current director of the General Agreement on Tariffs and Trade, demanded free trade in all of China. There must be "further liberalization," he said, or China will be kept out of the new World Trade

Organization, scheduled to replace GATT in January.

"China is being badgered and hectored to conform to systems that have been devised elsewhere for the benefit of different people," Mahathir said. But "Japan, China, South Korea, Taiwan, Thailand, Malaysia and Singapore, now commonly regarded as the East Asian 'miracles' . . . reject laissez-faire capitalism. Each has applied central planning and controls to some degree.

"A country like China which has known only a command economy for three-quarters of a century cannot . . . make a total and immediate switch. . . . As a result, China has managed to avoid the economic and political anarchy that the former Soviet Union has suffered. . . . China needs strong government. . . .

"The worst is the assumption that western countries can foist their principles on other nations by undemocratic means" such as "sanctions, arm-twisting, sustained campaigns through their media that they never hesitate to use," Mahathir wrote. "This proselytizing for democracy veils only slightly the objective: eliminating competition before it begins."

Europe

France, Germany key for integrating Russia

Franco-German cooperation will be vital in bringing Russia into an "economic axis with the West," German Foreign Minister Klaus Kinkel declared in Bonn on May 18, in a review of his first two years on the job. Kinkel said that the next 12 months will determine whether it is possible for the west European economies to integrate the Russians.

Kinkel said that the German chairmanship of the European Union, which will begin July 1, will present proposals for such an "economic axis" that would be pursued also under the French chairmanship which begins Jan. 1, 1995.

Kinkel portrayed the situation in Russia as "dissatisfying" and "worrying," and as more and more determined by nationalistic undertones, characterized by the decrease of Russian openness to western proposals for cooperation over the past few months. Russian

President Boris Yeltsin's health is not the best, and Bonn is aware of the risks implied in that for the political stability of Russia, Kinkel said. He called for western creativity in the effort to improve the dialogue with Moscow, rather than passively watching the situation deteriorate further.

Debt

German budget goes increasingly to debt

One out of every five deutschemarks of German taxpayers' money will be spent for debt service from January 1995 on, the German Parliament's accounting office forecasts in its latest report. For fiscal year 1995, there will be DM 100 billion (roughly \$63 billion) in the federal budget for debt service, the single largest item in the budget.

Debt service in FY 1994 already absorbed DM 74 billion; the increase by at least DM 26 billion is caused by payments due on the DM 400 billion "old" East German debt which the Bonn government took over in 1995. Acting under political pressure from the International Monetary Fund and other Anglo-American monetary institutions and banks, Germany took over this debt in 1990, upon the unification of the two German states.

The biggest share of the "old" debt (DM 230 billion) is held by the Treuhand agency in Berlin, which continues to carry out the deindustrialization of the productive sector of the former East German state under the slogan of "market economy."

Russia

Yeltsin admits economic crash is close at hand

"The economy of Russia is unfortunately close to a crash," Russian President Boris Yeltsin said on May 19, during a private session with industrial and financial leaders outside Moscow, the London *Guardian* reported. This is the first time during his presidency that Yeltsin has admitted that Russia's economy is at the point of collapse.

"Record slumps in industrial production

Briefly

were announced earlier in the week, and the President's comments were confirmation of worse to come in the second quarter. Industrial production is down 25% in the first three months of this year on the same period last year," the paper wrote. Sergei Glaziev, head of the Russian Parliament's Committee on Economic Policy, said the current budget would not solve any of the country's underlying problems. Industry, especially high-technology industry, faces a "real catastrophe," Glaziev warned.

Latest figures from the Russian Economics Ministry are forecasting a further 45% drop in the electrical and electronics industry in the second quarter of 1994, and falls of 34.8% in petrochemicals, 35% in light industry, and 23% in food production.

Kenya

President Moi looks for alternative to IMF

Kenyan President Daniel arap Moi on May 8 accused the International Monetary Fund (IMF) and World Bank of brutality for prescribing painful reforms without considering the social consequences. "We cannot continue swallowing the medicine all the time," Moi said, Reuters reported. "If we reach a difficult point with structural adjustment, we must halt and look for alternatives."

Moi wants to call off prices hikes on food demanded by the IMF. A review of the last 14 months of economic reforms was expected to be taken up by the Kenya African National Union, Moi's ruling party, beginning in May. Moi said the IMF demands have devastated the lives of ordinary citizens.

The opposition continues to defend the reforms. Opposition Parliament members Peter Anyang Nyong'o and Paul Muite admit that Kenyans have suffered from soaring food costs but insist, "Reneging on reforms is the proverbial cure that is worse than the disease," Reuters reported one as saying.

The "reforms" Kenya has implemented in the last 14 months include abolition of most price controls, removal of restrictions on export of profits and on domestic borrowing by foreign-controlled firms, and guaranteed free access to offshore credits for resident firms.

Space

Russo-German project will develop orbital carrier

A joint Russo-German project for the development of a commercial orbital space carrier was signed in Stuttgart at the corporate headquarters of the firm German Aerospace (DASA) on May 16, in the aftermath of Russian President Boris Yeltsin's trip to Germany.

The project envisions the conversion of the old Soviet SS-19 missile into a carrier for non-military launches, with a third stage put on top of that missile. The basic design for the third stage has already been made by the Russian firm Chrushevin, in a project called "rocket."

The electronics for the project will be developed by DASA, and once completed (scheduled for the end of 1996), the carrier will have the capacity to launch 1.5 tons of commercial cargo, such as telecommunications, research, or weather-monitoring satellites, into orbital positions.

Labor

Teamsters cease paying out strike benefits

The International Brotherhood of Teamsters was forced to cease paying strike benefits and to impose emergency dues in May. The 22-member IBT General Executive Board made the decision after the union's net worth fell to \$15 million in mid-May, from over \$150 million in 1992 when Ron Carey became president.

The union recently paid out over \$100 million in strike benefits in the strike against less-than-load trucking firms, the largest trucking industry strike in the United States since deregulation began in 1979.

The decision seriously undermines the union's negotiating position in the many, much smaller strikes that are continuing around the country. The IBT has conducted more than 50 strikes so far this year involving more than 1,500 workers. Under the Teamsters' bylaws, when the union's net worth falls under \$20 million, an emergency assessment of \$1 per month on each member is imposed.

● **TAIWAN** has developed its first magnetic levitation train model in Tsinhua University laboratory, and claims it is better than the technology published by both German and Japanese engineers. The *World Journal* reported on May 12 that Taiwanese engineers are applying for a patent.

● **CHINA** unveiled a \$40 billion plan to speed up expansion of its telecommunications network so that every urban family will have a phone by the year 2000, *China Daily* reported. Telephone exchange capacity is envisioned to grow from 42 million lines now to 140 million lines by the year 2000.

● **ETHIOPIA** is facing an increasing danger of famine, Dr. Kebede Tadesse, minister of social development, warned on May 19. He said the number of people needing food assistance has grown from 4.4 million to 6.7 million in 1994, and food need has grown from 577,586 tons to 895,000 tons.

● **COLOMBIAN** biochemist Manuel Patarroyo won Spain's Prince of Asturias prize for science for his creation of a synthetic malaria vaccine, Reuters reported on May 21. The vaccine, SPf66, should be ready for use in four years at a cost of less than 30¢ a treatment. Malaria infects 300 million and kills 3-5 million people a year.

● **FRESHMAN** enrollment in China's institutions of higher education will be reduced by 30,000 in 1994-95 due to lack of financial resources, a 3% drop from 924,000 enrollments in 1993-94, an Education Ministry spokesman told Xinhua news agency on May 10.

● **CASUAL TRANSMISSION** of AIDS has been acknowledged by the Atlanta Centers for Disease Control, the May 20 *Wall Street Journal* reported. A 75-year-old woman, married for 50 years, contracted AIDS after caring for her son for 11 months before he died. The woman had no known risk factors.

Ibero-American debt bomb is about to explode, again

by Dennis Small

You've heard it said that the Third World debt crisis of the early 1980s has been solved permanently. You've been told that the countries of Ibero-America, with Mexico in the lead, have reformed their economies and are back on the road to recovery. You may have even had the misfortune of reading the blather of high-paid idiots like the head of Citibank's Latin American operations, William Rhodes, who recently pronounced that Brazil was the last country of Ibero-America to resolve its debt crisis when it signed a "Brady" debt renegotiation, which he called "an historic day for Brazil."

Well you'd better think again. Because it is highly likely that 1994 is going to witness an explosion of the Ibero-American "debt bomb" that is going to make the 1982 crisis pale in comparison, and could well bring down the entire international financial house of cards with it.

Back in 1982, over \$300 billion in Ibero-American foreign debt nearly went up in smoke, as country after country was physically unable to make good on its debt service payments. The nations of Ibero-America, led by Mexico, came within a hair's breadth of forming a debtors cartel, proclaiming a joint debt moratorium, and forcing the reorganization of the world financial system. Only the political crushing of that initiative, followed by violent austerity imposed by the International Monetary Fund (IMF) and the creditor banks over the course of the decade of the 1980s, salvaged the situation for the banks.

This time around, the debt bomb that is about to explode has a destructive power an order of magnitude greater than the 1982 one, for the following reasons:

1) It has a *direct explosive charge* 2-3 times larger than the 1982 one, because the real foreign debt of Ibero-America now totals \$700-750 billion.

2) It will have a *multiplier effect* that is far greater, because this three-quarters of a trillion dollar cancer is today more intertwined than its predecessor with a gigantic international structure of speculative finances, in particular the highly insolvent world derivatives market. For example, there is a booming market in



Mexican President José López Portillo at a rally in support of his nationalization of the banks in September 1982. The nations of Ibero-America came close to forming a debtors cartel and forcing a reorganization of the world financial system, as Lyndon LaRouche had recommended.

Ibero-American debt and equity instruments piled on top of the debt bomb, not to mention extensive direct participation of U.S. and other foreign banks in the various national banking systems of Ibero-America.

3) The 1994 bomb is *more volatile* in its composition than a decade ago. This structural instability is a result of a dramatic shift away from sovereign national debt and into diverse forms of privatized capital flows over the last five years in particular.

4) The physical economies of Ibero-America are far *less resilient* today than they were a decade ago, and cannot continue to sustain the rates of looting required to keep the speculative bubble going.

It is, of course, impossible to predict precisely when the debt bomb will go off. It may be triggered by the ongoing collapse of the international derivatives markets. It could be brought on by the mid-May half-point rise in U.S. interest rates. Or it could detonate in the first week in July, when the Brazilian government attempts to impose its disastrous "Real" economic plan, which will instantly "dollarize" the continent's largest economy and open it up fully to unrestrained international financial looting. But whether the explosion occurs this year or next, the current course is suicidal, both for the world financial system, and more importantly, for the nations and populations being victimized by it.

The Brady-NAFTA revolution

The turning point in the evolution of this new debt bomb

began around 1989, with the infamous Brady Plan for debt renegotiation, and was consolidated with the 1993 approval of the North American Free Trade Agreement (NAFTA) among the United States, Canada, and Mexico. Named after Bush administration Treasury Secretary Nicholas Brady, this plan reorganized and consolidated certain categories of Third World debt at slightly lower interest rates, in exchange for major concessions in economic and monetary policy on the part of the debtor nations. To prevent any possible future renegeing on debt payments, and to open up the economies of Ibero-America to foreign financial looting, the Brady Plan has meant, inclusively:

- 1) full convertibility of local currencies with the U.S. dollar;
- 2) total central bank autonomy, which takes all control over national credit generation out of the hands of governments;
- 3) pegging the value of local currencies to the dollar, and limiting issuance of new credit to one-for-one backing in dollar reserves;
- 4) eliminating all barriers and regulation of foreign financial involvement in the domestic economies, including banking, stock markets, etc., which has greatly facilitated the laundering of drug money;
- 5) eliminating all tariff and other trade barriers, allowing foreign imports to flood the Ibero-American economies; and
- 6) dismantling the state sectors of the economies, and handing them over to foreign financial interests to use as

LaRouche and the 'debt bomb'

The use of the debt bomb was first proposed by Lyndon LaRouche on May 23, 1982 during a visit to Mexico, in the course of which he met with senior government officials, including Mexican President José López Portillo. In a speech to the Fourth Congress of the Mexican Labor Party, LaRouche specified how the Ibero-American countries, which were being destroyed one by one through genocidal financial conditionalities, could use their debt to impose conditions on the foreign bankers:

Latin America: "We want a gold-based monetary system!"

Bankers: "No, no, no."

Latin America: "You just lost \$200 billion."

Bankers: "Well, I guess we have no choice."

Latin America: "We want credit at 2% interest."

Bankers: "No, no, no."

Latin America: "You just lost \$200 billion."



Lyndon LaRouche addresses the Mexican Labor Party, May 23, 1982, on the policy of the "debt bomb."

the asset-base for the generation of further derivatives speculation.

The result of these measures—which have been adopted to a greater or lesser degree by the principal countries of Ibero-America—has been the full "dollarization" of their economies. This does *not* simply mean that the dollar has become increasingly used throughout Ibero-America. It means that the dollar is rapidly replacing the local currencies as *legal tender* inside the respective countries, and that entire national financial systems are becoming mere *onshore enclaves* of the giant *offshore* (i.e., unregulated) international financial system. This means that the national banking systems of Mexico, Argentina, and other countries are rapidly becoming virtual branch offices of the U.S. Federal Reserve System, which removes all semblance of sovereignty from these nations. This means the elimination of U.S. sovereignty as well, in that the generation of dollar-credit bubbles in these offshore markets is now completely outside U.S. government control.

It was precisely such arrangements which were locked in place by the 1993 NAFTA accord, in particular its secret financial protocols which this magazine documented and denounced at the time (*EIR*, Oct. 8, 1993).

These developments have meant a profound transformation of the way in which the debt looting of Ibero-America occurs. Compare the situation before 1989, with the situation today.

The debt bomb—then and now

In the 1980s, the international banks looted Ibero-America principally through the mechanism of *sovereign national debt*. In other words, gigantic foreign debts were foisted on these nations by a combination of usurious interest rates (the Volcker package of the late 1970s), rapidly deteriorating terms of trade, and massive orchestrated capital flight. Then the *governments* of these countries were used to impose economic policies designed to collect that debt on the bankers' behalf, using the powers of the state for that purpose. Where governments were not compliant with these IMF and related demands, they were pressured, blackmailed, or simply overthrown and replaced.

The bulk of the debt run-up in the 1980s was public foreign debt, i.e., debt either owed directly by the government or private debt guaranteed by the government. The principal source of debt service payments were gigantic trade surpluses, generated by slashing imports while raising exports sharply. In other words, resources were taken out of domestic consumption and investment, and sent abroad.

In the 1990s, the looting process is different.

Major changes took effect as George Bush entered office in early 1989, and the Bush-Thatcher "new world order" was inaugurated with great fanfare. Simultaneously, Bush allies were swept into power in every major country of Ibero-America, and began to fully implement the Bush free market reforms: Carlos Salinas de Gortari in Mexico (December

1988); Carlos Andrés Pérez in Venezuela (February 1989); Carlos Menem in Argentina (July 1989); and Fernando Collor de Mello in Brazil (December 1990).

The big trade surpluses of the 1980s have been replaced by the large, and growing, trade deficits of the 1990s, as free trade reforms have led to uncontrolled growth of imports. In order to pay for this deficit, and to cover the required debt service payments, the Ibero-American nations have been inundated with a flood of highly volatile speculative capital. If that flood reverses, or even just subsides—as has begun to occur in the first quarter of 1994—the nations of Ibero-America will be forced to default on their debt payments, and the debt bomb will detonate.

More broadly, sovereign national debt is rapidly and deliberately being supplanted in importance in the 1990s by various private and speculative financial flows. Since 1989, the bulk of foreign debt growth has been private, not public; entire chunks of the internal debt structure have become “internationalized,” or de facto foreign debt; and foreign portfolio investment and other purely speculative activity are growing astronomically.

In fact, the very institution of the nation-state itself has become a primary obstacle to the current one-worldist plans of the financial establishment, and they have thus targeted it for extinction, along with the principal institutions responsible with defending it, such as the national armed forces (see *EIR*'s forthcoming book, *The Plot to Annihilate the Nations and the Armed Forces of Ibero-America*.) As Citibank President John Reed put it in an infamous 1990 interview with the Brazilian magazine *Veja*: “Countries have disappeared from the face of the earth. Peru and Bolivia will disappear.”

The extension of NAFTA-type agreements to the entire continent is designed to deal with the final remaining problem that the banking crowd foresees: the danger that nations may try to buck the new world order by removing governments that will not defend their national interests. It has not escaped the bankers' notice that, of the four mentioned Ibero-American Presidents who implemented the Bush-Thatcher reforms starting in 1989, two of them—Venezuela's Carlos Andrés Pérez and Brazil's Fernando Collor—were subsequently thrown out of office as a result of their personal corruption and their adherence to these policies, and one of them (Pérez) is currently sitting in jail. With a continent-wide NAFTA, nations will be permitted to change governments if they like, but they will be prohibited from changing economic policy—by international treaty obligation.

Below, we present a detailed graphical report on the evolution and structure of this 1994 debt bomb, as well as case study documentation of the bankers' strategy—in their own words—focussed particularly on Venezuela, which is currently on the chopping block of these economic policies.

How the debt cancer went out of control

by Dennis Small and Peter Rush

There is a curious logic to the cancerous mass otherwise known as the Ibero-American debt: It seems that the more you pay, the more you end up owing. This is apparent from even a cursory glance at the official debt statistics made available by the World Bank. **Figure 1** tells the story for Ibero-America as a whole between 1980 and 1993. In 1980, the total official foreign debt was about \$257 billion. Over the course of the next 13 years, a cumulative total of \$372 billion was paid back to the banks in interest alone—i.e., this does not include any amortization payments. Yet despite the fact that the entire original debt of 1980 was paid back one and a half times over, the total foreign debt grew to \$513 billion by 1993. This is almost exactly *double* the original debt of 1980. In other words, $257 - 372 = 513$! That is what is known as “bankers' arithmetic.”

After the Brady Plan debt reorganizations of 1989 and onward, the foreign debt continued to grow, as did the process of looting. Nearly \$100 billion in additional interest payments were made between 1989 and 1993, and yet the

FIGURE 1
Ibero-America: foreign debt and cumulative interest paid
(billions \$)

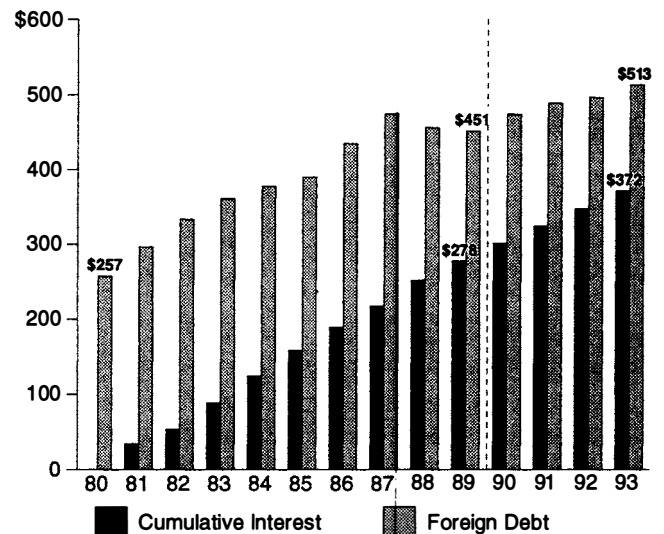


FIGURE 2

Argentina: foreign debt and cumulative interest paid

(billions \$)

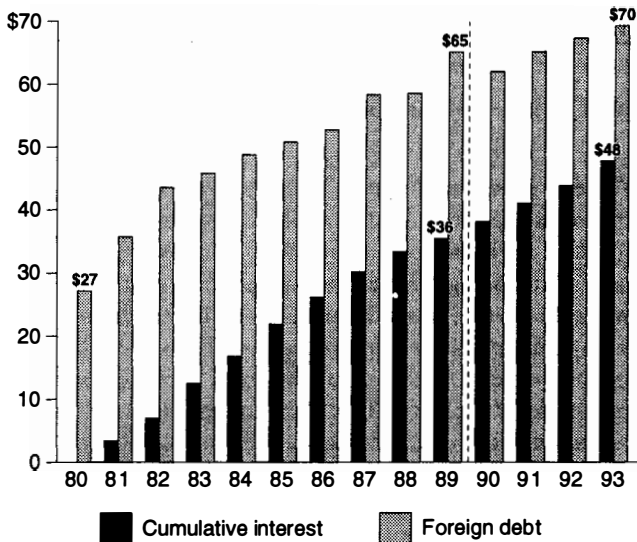


FIGURE 4

Mexico: foreign debt and cumulative interest paid

(billions \$)

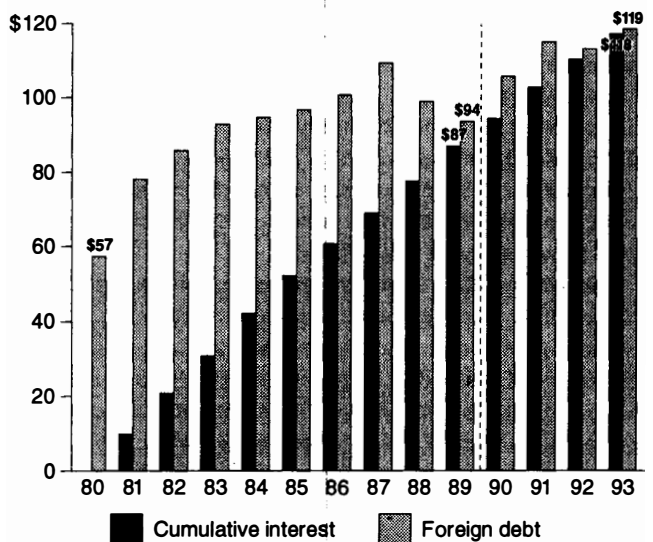


FIGURE 3

Brazil: foreign debt and cumulative interest paid

(billions \$)

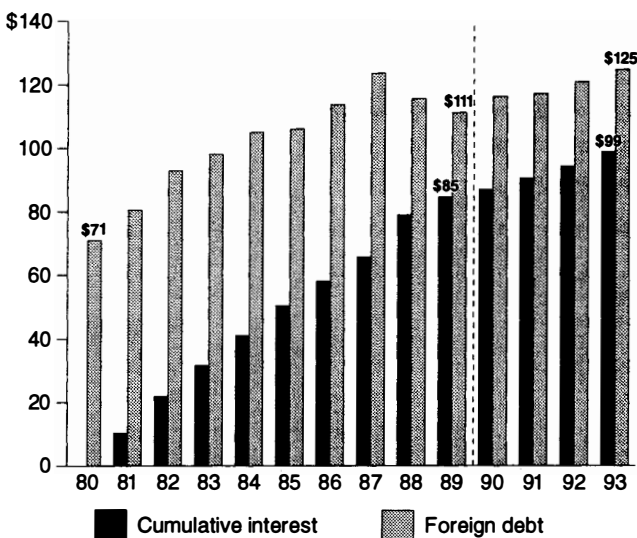
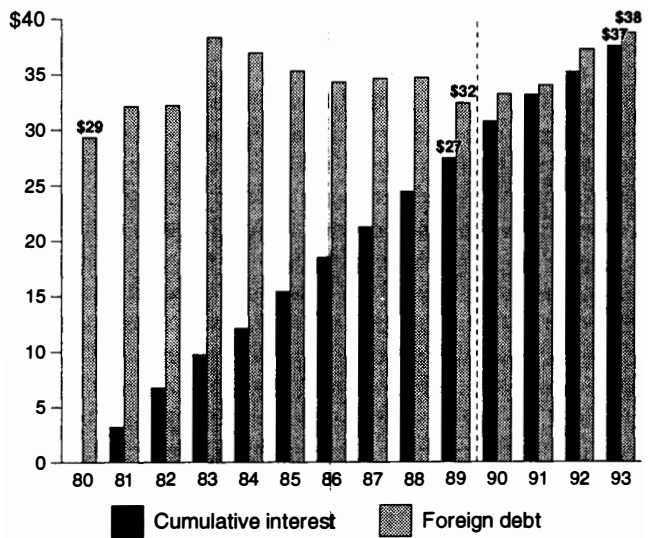


FIGURE 5

Venezuela: foreign debt and cumulative interest paid

(billions \$)



total debt grew in this period by \$62 billion. In Figures 2 through 5, we present the corresponding pictures for Argentina, Brazil, Mexico, and Venezuela—the four largest debtor nations in Ibero-America. Argentina’s foreign debt grew the fastest of the four over this period, rising by 260% from \$27

billion to \$70 billion, despite the fact that they paid \$48 in cumulative interest payments. The case of Mexico is even more shocking. Starting from a 1980 debt of \$57 billion, Mexico has paid more than twice that amount in interest payments alone: \$118 billion. And yet the total debt has



A tractorcade of farmers in Guadalajara, Mexico on Aug. 25, 1993, protesting the foreclosure of farms and the usurious cost of credit. Mexican farmers are being charged up to 34% for bank loans, driving them out of business and shutting down the nation's productive capacity.

also doubled, to a staggering \$119 billion. Again we have "bankers' arithmetic": $57 - 118 = 119$. Here, too, note that the debt continued to grow *after* the Brady consolidation, in fact at a more rapid rate than had occurred in the mid-1980s.

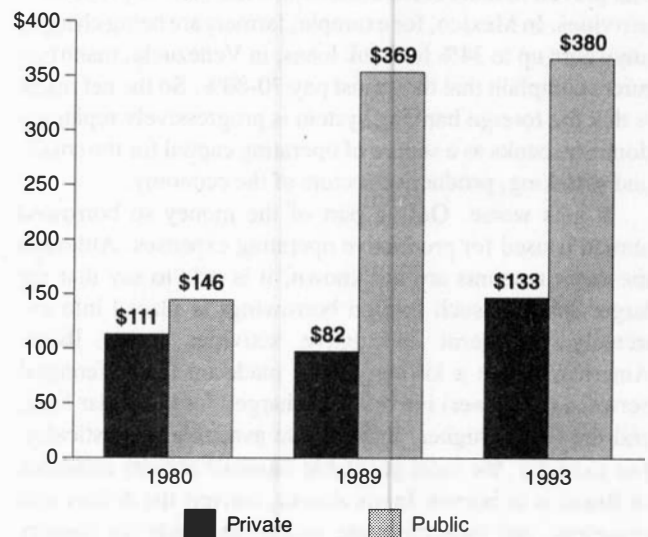
But now we must look at the changing composition of that growing foreign debt, in terms of the portion which is public (i.e., either owed directly by governments or guaranteed by them), and the portion which is owed by the private sector. We discover that the way in which the total foreign debt grew before 1989 is completely different from the way it happened after that turning point (see **Figure 6**). Before 1989, the entire growth was due to public sector debt, with private foreign debt actually shrinking in absolute terms, in part due to government takeover of substantial amounts of private debt in the mid 1980s in Venezuela and elsewhere. After 1989, the trend reversed: There was near-stagnation of public sector debt, while private sector indebtedness shot up from \$82 billion to \$133 billion, which accounted for over 80% of the total debt increase during this period. This is the first indication that Ibero-America's foreign debt has become progressively privatized since 1989.

This pattern holds for each of the major debtors in Ibero-America; but again, the case of Mexico makes the point most vividly. As **Figure 7** indicates, public debt grew from 1980-89, and then stagnated from 1989-93; while the private sector debt declined at first, and then grew particularly rapidly between 1989 and 1993, rising from \$13 billion to \$36 billion. The rate of growth of this private sector debt over 1989-93 averaged 29% per year, which is four times higher than the corresponding annual average growth rate of public debt from 1980-89 of 7.1%.

Why are Mexican and other private companies borrowing

FIGURE 6
Ibero-America: public versus private foreign debt

(billions \$)



so much money abroad? Is it because they are investing it in increased plant and equipment, buying capital goods abroad, or otherwise taking steps to raise output? If so, it could reasonably be argued that it will be offset by increased productive activity in the respective national economies. But that is not the case. A large part of this international borrowing is simply a replacement for loans that should be coming from

FIGURE 7

Mexico: public versus private foreign debt

(billions \$)

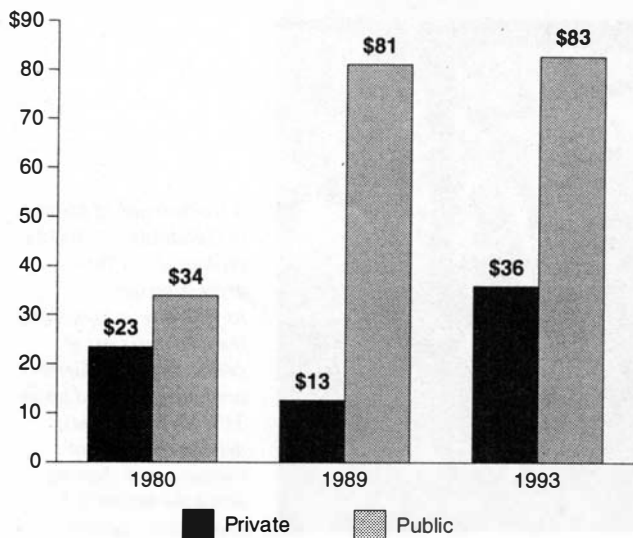
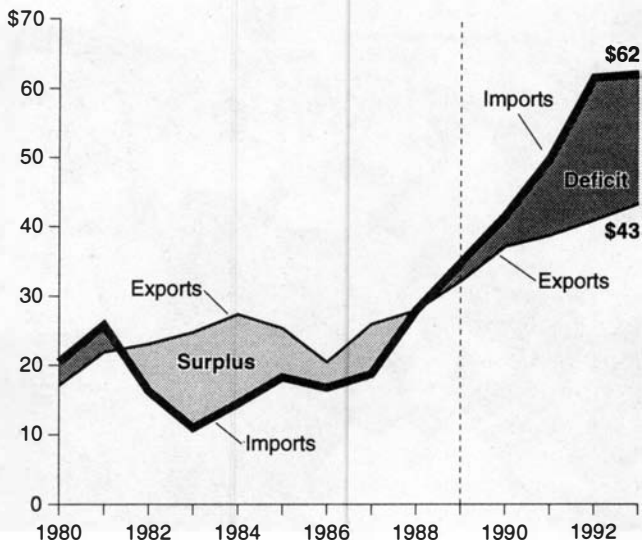


FIGURE 8

Mexico: balance of trade

(billions \$)



the domestic banking system, but which are unavailable or are prohibitively expensive, due to the onerous interest rates that prevail in most Ibero-American countries for productive activities. In Mexico, for example, farmers are being charged anywhere up to 34% for bank loans; in Venezuela, manufacturers complain that they must pay 70-80%. So the net result is that the foreign banking system is progressively replacing domestic banks as a source of operating capital for the small, and shrinking, productive sectors of the economy.

It gets worse. Only a part of the money so borrowed abroad is used for productive operating expenses. Although the exact amounts are not known, it is safe to say that the larger share of such foreign borrowings is placed into extremely short-term speculative activities inside Ibero-America, where a killing can be made on the differential between the (lower) interest rate charged for the dollar loan, and the (much higher) interest rate available domestically. For example, the most profitable financial activity available in Brazil is to borrow funds abroad, convert the dollars into cruzeiros, and then speculate with them inside the country on what is called the "overnight" market, where extremely short-term paper earns up to 54% interest *per month!* The money can then either be reinvested, or converted back into dollars and taken out of the country—a nice speculative killing, even when offset by Brazil's current monthly inflation rate of 43%.

This is truly hit-and-run finance, a banker's one-night stand, where capital flows into and out of the country virtually before it can be counted. It leaves behind no real wealth or productive activity, but only the gaping hole of the usurious

profit margin it has looted from the country.

Who is paying for the trade deficit?

One of the most visible effects of the radical free trade policies imposed on Ibero-America in the late 1980s, has been the sharp rise in imports flooding into the area. Although the North American Free Trade Agreement (NAFTA) is the model for such policies, the fact is that similar developments were well under way four or five years before NAFTA was signed in 1993, through the General Agreement on Tariffs and Trade (GATT) and other arrangements. As **Figure 8** shows, Mexico's imports began to soar in 1988, when they joined GATT, and have since soared to over \$62 billion in 1993. Under NAFTA, this trend is expected to continue and even accelerate.

Mexico is now importing everything under the sun, including numerous goods that it used to produce domestically. As a result, there is a wave of bankruptcies of domestic producers who cannot survive such "free trade" practices. This is especially damaging in the agricultural sector, where anywhere from one-third to one-half of all farmers are expected to disappear over the next year or two. And in manufacturing, entire sectors have been decimated by layoffs and plant closings, which has pushed real unemployment up to the 50% level.

As imports have skyrocketed, exports have stagnated, for the simple reason that the world economy is in the throes of a depression. This has led to a large and growing trade deficit which hit \$19 billion in 1993.

The same process is under way in Argentina (see **Figure**

FIGURE 9

Argentina: balance of trade

(billions \$)

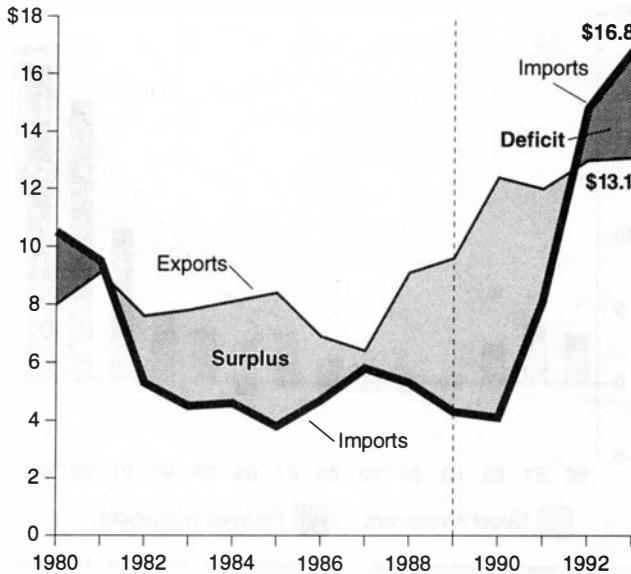
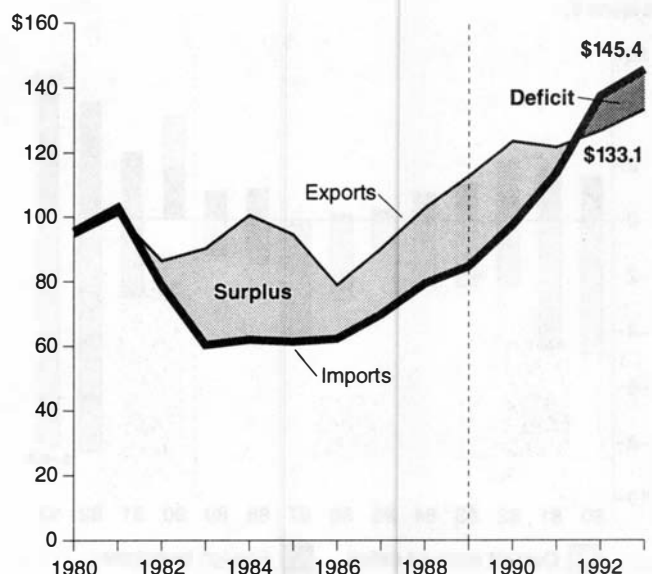


FIGURE 10

Ibero-America: balance of trade

(billions \$)



9), which has historically produced a large trade surplus from its agricultural sector, but which has now also developed a large and growing trade deficit, thanks to a fourfold jump in imports over just three years—from \$4.1 billion to \$16.8 billion. Worse still, some Argentine analysts expect the 1993 trade deficit of \$3.7 billion to soar to \$6 billion in 1994, as the free-trade binge pushes imports up to the \$21 billion level.

Although Brazil and Venezuela are not yet running trade deficits, the Argentine and Mexican cases have been enough to swing the total for Ibero-America into the red, beginning in 1992 (see Figure 10).

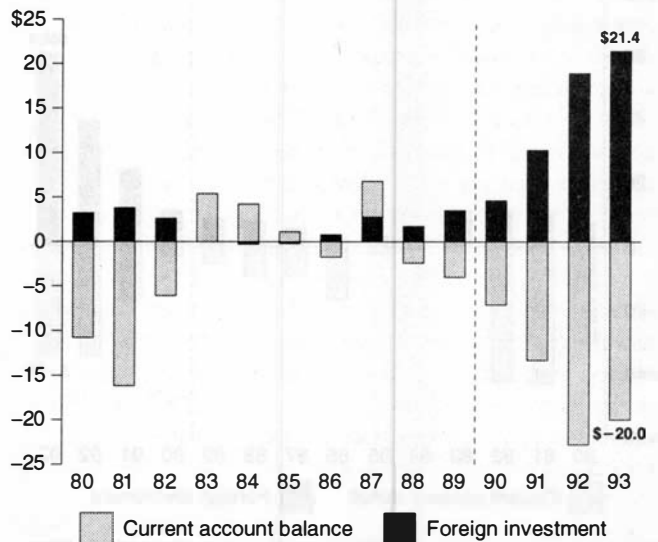
The shift in looting mechanisms referred to in the opening article of this package, is nowhere more clearly evident than in the following graphs showing the explosion of so called “foreign investment” to cover the mushrooming current account deficits in most countries of Ibero-America. As indicated above, the imposition of “free trade” policies on Mexico, Venezuela, Argentina, and other countries has led to a flood of imports uncompensated by comparable growth in exports. With the former trade surpluses turning to deficits, there is nothing left to pay debt service, so each country in this situation has in four years found itself with enormous deficits on current account, which are, roughly speaking, the sum of trade deficits and interest payments.

The only way a current account deficit can be sustained is by an equivalent flow of capital into the country. Figures 11, 12, and 13 show the changed nature of that capital inflow. In the late 1970s, up until 1982, Ibero-American nations also

FIGURE 11

Mexico: foreign investment versus current account deficit

(billions \$)



ran large current account deficits, which were a mixture of trade deficits and flight capital leaving the country. A major portion of these deficits were “invisible” because they involved secretive flight capital that was only detectable by the huge run-up in government borrowings abroad which were

FIGURE 12

Argentina: foreign investment versus current account deficit

(billions \$)

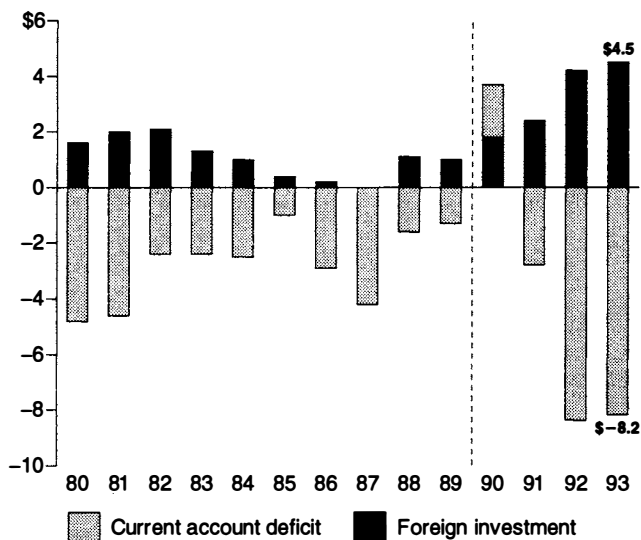


FIGURE 14

Mexico: foreign investment

(billions \$)

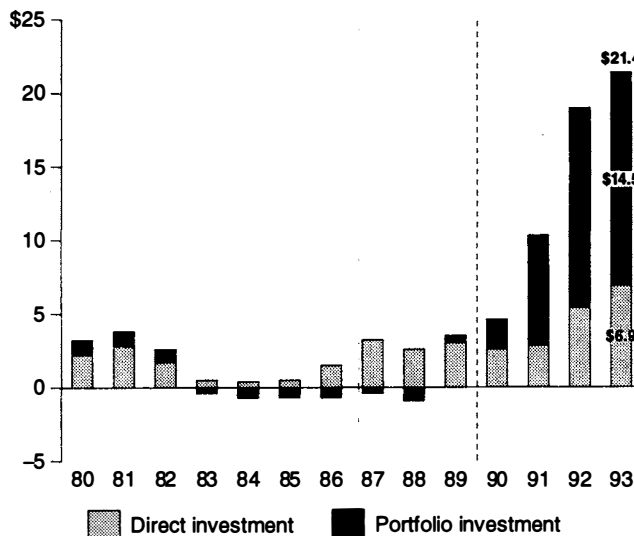
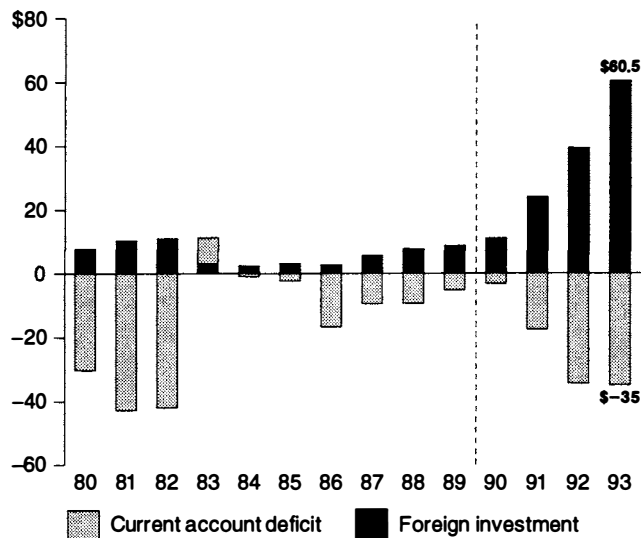


FIGURE 13

Ibero-America: foreign investment versus current account deficit

(billions \$)



As can be seen in the case of Mexico (Figure 11), starting in a small way in 1988 and taking off from 1991 forward, inflows of so-called “foreign investment” account for the vast bulk of the capital that permitted the country to run up such unprecedented current account deficits. The same pattern can be seen in Argentina (Figure 12), where foreign investment paid for fully half of the current account deficits, the rest apparently being covered by official government borrowings and other sources.

Figure 13 shows the figures for all of Ibero-America. Noted that figures from Brazil—which is still running a large trade surplus, while also receiving large capital inflows—change the pattern and cause foreign investment to appear larger than the aggregate continental current account surplus, which does not hold when observed on a country-by-country basis.

Portfolio speculation

Since the term “foreign investment” is a variegated category, determining the impact of these flows on the recipient countries depends on analyzing the composition of this category. **Figures 14-16** break it down into the two components customarily itemized in official statistics: “direct foreign investment” and “portfolio investment.” Direct investment refers nominally to investment in the physical economy, such as buying or building factories, stores, hotels, etc. Portfolio investment is basically stock market investments by country mutual funds and private individuals, plus depository receipts, which is to say, the purchase and sale of equity instruments that lead to the creation of no new physical wealth of any kind, and these are generally invested in for their

used to convert the capital-flight artists’ domestic currency holdings into dollars so the money could flee the country. Combined with the borrowings to cover the official current account deficits, the debt of Ibero-America overall zoomed from under \$100 billion in 1975 to nearly \$350 billion in 1982.

FIGURE 15

Brazil: foreign investment

(billions \$)

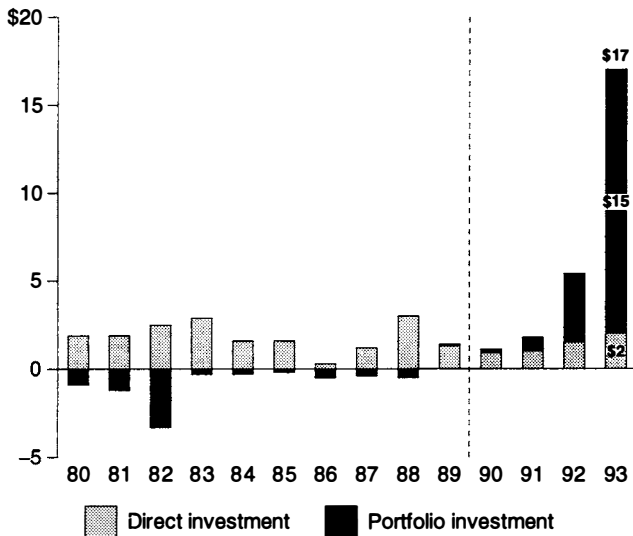
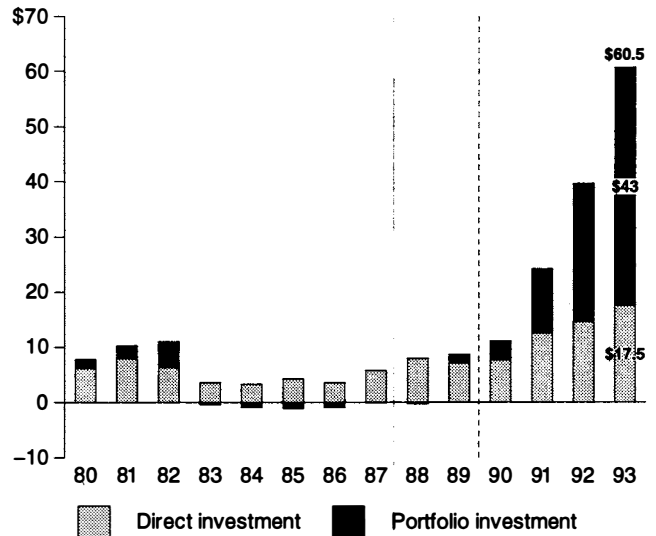


FIGURE 16

Ibero-America: foreign investment

(billions \$)



speculative potential.

Looking at Figure 14 on Mexico, we see that total foreign investment, from being a negative net sum from 1983-85, grew to just over \$3 billion in 1989, and since has ballooned to \$21.4 billion in 1993. Its composition has also altered radically.

More than two-thirds of all of the foreign investment flowing into Mexico has been portfolio investment in the last three years. This reverses the pre-1989 pattern, where during 1983-88, portfolio investment was negative, turning slightly positive at under half a billion in 1989, before taking off in 1991-93, reaching \$14.5 billion last year. This money is extremely volatile, especially since most of it has entered the country not to make long-term investments, but to take part in Mexico's stock market bubble of 1991-93, where the major gains were not in dividends, but in the exorbitant run-up in stock prices (see article, p. 24). If the stock market has a sustained decline, or a sudden crash, and investors don't believe it will come back any time soon, it will not be long before all the foreign money tries to leave at once, creating an unmanageable foreign exchange and balance of payments crisis.

Brazil (Figure 15) has sustained a similar vast inflow of portfolio investment, more than tripling in 1993 over 1992, a very dangerous development. Although the inflow in Brazil's case is not (yet) required to cover a current account deficit, if that money were to suddenly reverse and flow out, it would have devastating consequences for Brazil's foreign exchange position. And note that the quantity of direct foreign investment in Brazil is relatively negligible.

The picture for the continent as a whole is given in Figure

16. Nearly two-thirds of total foreign investment is accounted for by Mexico and Brazil, and within that, more than two-thirds of the total is portfolio. As for the portion of foreign investment reported as "direct foreign investment," if it represented direct investment in construction of new factories, it would at least be serving a positive growth function for the physical economy, by engendering production for domestic consumption and export. But sadly, this is largely not the case. Figures from Mexico for 1991 and 1992 show that the vast bulk of "direct foreign investment" has gone into tourism and services, and most of the rest into transportation and communications infrastructure geared to export, and not to developing the nation's domestic economy. Also, much of this money—in Mexico and overall in Ibero-America—is just a transfer of ownership of already existing productive companies from the state sector to private hands, as shown in Figure 17. Out of the only 29% of total investment that was direct, we estimate that more than one-third went to finance privatizations, which do not represent any new wealth being created inside the country. In the case of Argentina and Venezuela, for example, about 40% of total foreign direct investment went to pay for privatizations between 1991 and 1993.

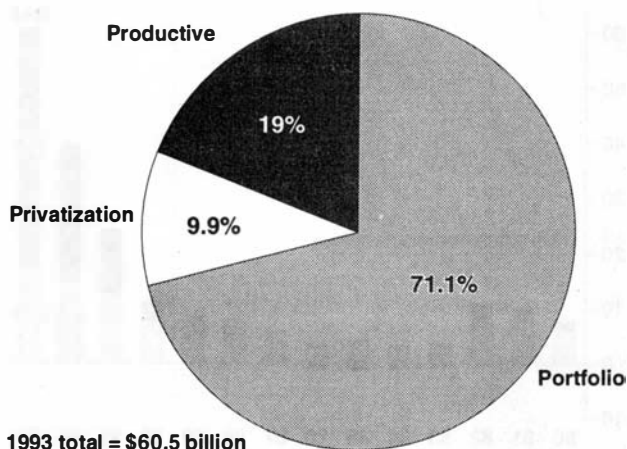
The broader picture is given in Figure 18, which shows the net sum of all resource flows into Ibero-America since 1980.

As can be seen, public and private long-term debt accounted for nearly the entire resource flow from 1980-82, when the first debt bomb was detonated by the banks. Private long-term debt immediately vanished, and public long-term debt gradually shrank to zero as well, and in the last few years has alter-

FIGURE 17

Ibero-America: productive versus speculative foreign investment

(percent of total investment)



nated between being zero and about \$5 billion per year.

In contrast, foreign investment, which in 1980-82 was less than one-quarter of resource flows, now accounts for more than 80% of the total, which is itself 60% larger than the total flow of resources before the 1982 debt bomb.

The absolute magnitude of total flows alone should be setting off alarm bells in top financial circles, since all inflows of capital correspond to outflows that each country must make in interest, profits, or dividends. The enormous run-up of net resource inflows since the low point of 1989—nearly a 900% increase in just four years—represents an astounding rate of growth of total liabilities against which interest or its equivalent must be paid. Yet, manifestly, almost none of this vast inflow has been invested in enhancing the productive capacity of the host countries which would represent the only way that servicing the new obligations would be “paid for” by the proceeds of the investment.

The real foreign debt

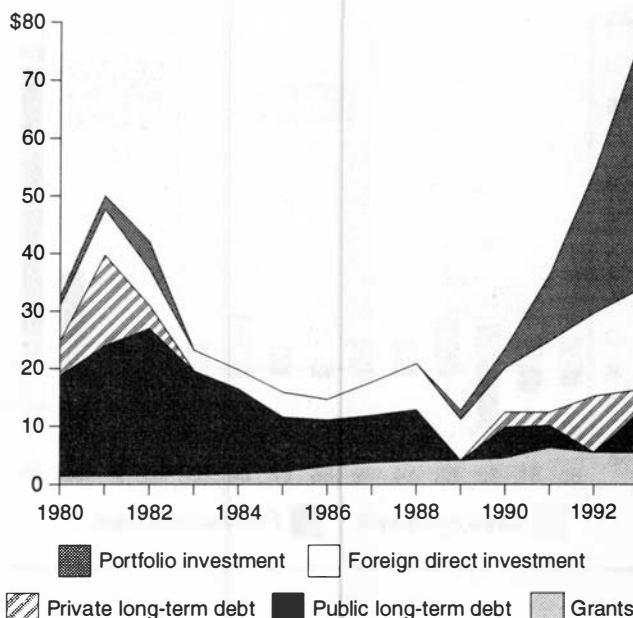
In reality, the picture is far worse than even this. With the brute force ending of high inflation, the institution of currency convertibility, and the dismantling of barriers to international banks’ and investors’ free market activities in most countries, a new category of debt has arisen, which is nominally domestic or internal debt, but which is in fact an *international obligation*, either because it is held by foreigners, or is directly denominated in U.S. dollars. In either case, such “internal debt” functions as if it were foreign debt, in that it can also flee the country at a moment’s notice.

The Mexican treasury bill, called the Cete, is an example of this. It is denominated in pesos, but two-thirds of the issue is owned by foreigners; and since there is free convertibility

FIGURE 18

Ibero-America: net resource flows

(billions \$)



from the peso into the dollar, any day that these foreign holders decide not to roll over their investment as it comes due, the government would be saddled by an unpayable dollar obligation.

This “internationalized internal debt” has become particularly important in Mexico, Brazil, and Argentina, as shown in **Figure 19**. The greatest quantity of this is found in Argentina, because Argentina has pegged its currency directly to the dollar on a one-to-one relationship, and has permitted dollars to become virtually legal tender inside the country. Argentina thus has dollar-denominated internal debt, about \$14 billion of it public, and \$19 billion of it private. Total real foreign debt is \$106 billion, a full 50% higher than official foreign debt of \$70 billion.

In the case of Mexico, we have to add to the 1993 official foreign debt of \$119 billion, another \$26 billion in foreign held Cetes and other public peso debt, plus \$38 billion in cumulative portfolio investment flows, which are also a de facto foreign obligation. Thus, Mexico’s real foreign debt totals about \$183 billion, which is also 50% larger than the official foreign debt.

In the case of Brazil, we must also add on to the official foreign debt the category of cumulative portfolio obligations, which totals \$20 billion. And we have also added on another \$21 billion in “internationalized” internal debt, which corresponds to about one-third of the total public internal debt of Brazil. Although Brazil, as of this writing, does not share the total dollar convertibility and one-for-one parity with the

FIGURE 19

Real foreign debt, 1993

(billions \$)

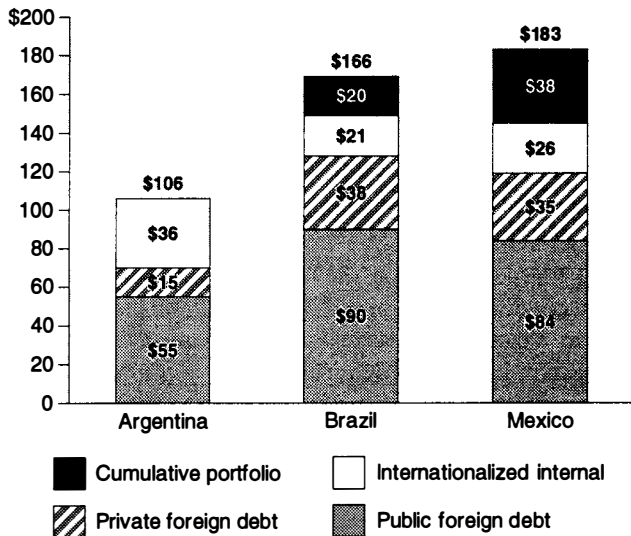
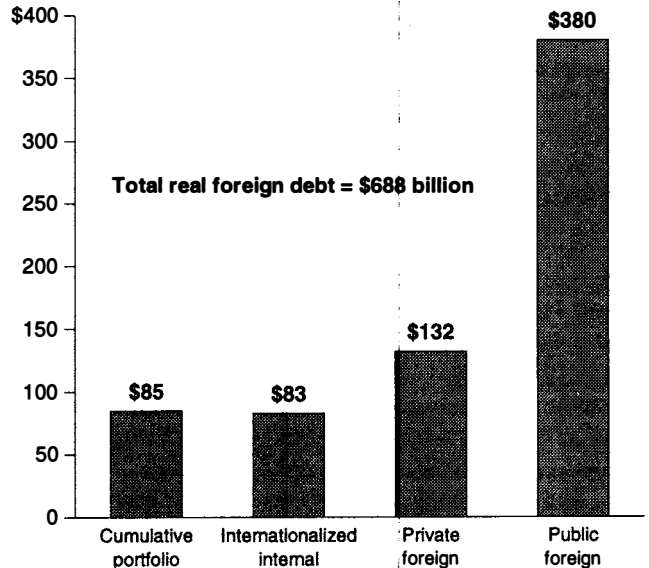


FIGURE 20

Ibero-America: real foreign debt, 1993

(billions \$)



dollar of neighboring Argentina—and thus its internal cruzeiro debt is not now a foreign liability—all of that will change on July 1, when the “Real plan” is implemented. Closely paralleling the notorious Cavallo convertibility reforms of Argentina, which produced the skyrocketing of “internationalized” internal debt in that country, it is expected that the “Real plan” will quickly produce similar results in Brazil. The implications of this for the explosive growth of speculative obligations is evident.

For the continent as a whole (see **Figure 20**), this category of internationalized internal debt, estimated at \$83 billion, adds 16% to the official foreign debt of \$512 billion. Adding the conservatively estimated \$85 billion in portfolio liabilities, Ibero-America’s real foreign debt can be estimated as at least \$680 billion. If accurate figures were available, there is little doubt that the true number would be closer to \$750 billion.

Again, comparison with 1982 is instructive. The enormous run-up in debt from 1975-82 was a mixed bag: Some of the loans were definitely used for infrastructure, especially in Mexico and Brazil, and other productive investments, while some of it simply turned around and left as flight capital. But the financial assault in 1982 prevented any of the economies from realizing the full fruits of whatever useful productive investment had taken place to that point.

Today, the situation is far worse. Having, with the exception of Brazil, returned to a regime based on large current account deficits, new inflows are paying the service on previous inflows, just as in 1975-82, new loans paid the interest on the existing mass of loans. This is a classic “Ponzi”-type

scheme, where early investors get paid their expected returns only from the proceeds of the paid-in capital of the most recent investors. The difference from pre-1982 is that far less of the capital flowing in is being invested in genuinely productive enterprises, and that the total obligations being created are now much larger than in 1982, around \$750 billion, compared to about \$330 billion in 1982. And, as mentioned, it is far more volatile. With most of the new money not in the form of loans, but in the form of hit-and-run speculative capital that can leave any time, countries can suddenly find themselves with not merely the evaporation of inflows, but with massive outflows that will wreck their financial systems virtually overnight.

The risk that this hot money represents was demonstrated in March and April in Mexico, when between \$6 and \$12 billion worth of these funds left the country, and the nation’s reserves were drawn down by (at the most conservative estimate) over \$6 billion to cover it. The flight was prompted by the combination of interest rate increases in the U.S. and the assassination of PRI presidential candidate Luis Donaldo Colosio on March 23. Its magnitude, over just a few weeks, proves just how volatile this money is. If Mexico has so far seemingly weathered the storm, it is only because it had sizeable reserves, and above all because the United States immediately announced that the Federal Reserve would back Mexico up to the tune of over \$6 billion. Not only has the underlying problem not been addressed, but now the U.S. financial system itself is directly beholden to this foreign-based Ponzi scheme.

Banks attempt to savage government of Venezuela's Rafael Caldera

by Richard Freeman

On May 2, in the Mexican daily *Reforma*, Venezuela's 79-year-old President Rafael Caldera, who had only been installed as President Feb. 2, using language once reserved for the early 1980s, called for a "debtors club" against the banks. In his column, Caldera cited the humorous, apocryphal anecdote of an old gentleman from Carupano, Venezuela, who told his sons that he wanted his epitaph to read: "He lived paying and died owing." Caldera likened the gentleman's situation to that of Venezuela as a whole, which, despite "debt renegotiation/debt reduction," would, because of usury, owe by the end of 1996 as much as it did in 1991 on its foreign debt.

In his article, Caldera drew the lessons of the conditionalities policy of the British-authored 1919 Treaty of Versailles, which ordered Germany "to pay 3% of its GNP in war reparations," and produced consequences the world still has cause to regret: depression, the rise of Hitler, and ravages of World War II. "It would be very serious," Caldera warned, "to ignore this lesson." Since taking power, Caldera and members of his government have escalated attacks on the destruction caused by International Monetary Fund (IMF) debt collection policies. But the debt is an Ibero-American continental problem. "The governments of Latin America," Caldera asserted, "should realize the need for a united effort to revise the terms of a relationship whose results will not be in any way conducive to international peace or to the strengthening of democracy."

These attacks on the IMF, as well as Caldera's call to renegotiate the so-called Brady debt (referring to the debt-restructuring scheme of U.S. Treasury Secretary Nicholas Brady, during the Bush administration), which constitutes \$17 billion of Venezuela's total \$34 billion in foreign debt, are enough to send shivers down the spines of bankers. But Caldera, whose anti-IMF stance is necessary to save the sovereignty of Venezuela, is not the only one on the attack. In fact, he launched his attacks to change the policy options governing Venezuela. But there are those who defend the current policies. Since the first minute of the first day that Caldera assumed office, the international banks—which hate economic nationalism—have waged a ferocious economic warfare campaign. Venezuela's currency, the bolivar, has been under tremendous speculative pressure, falling from 95

to the dollar down to 130. The banks led the movement in which more than \$3 billion in flight capital fled the country this year. Venezuela's level of internal disposable foreign reserves, held by its own central bank, is rapidly approaching depletion. Without such reserves, Venezuela cannot defend its currency, nor can it have the reserves to import food, on which it is heavily import dependent. A country without food can be subjected to riots and destabilization.

Just three weeks before Caldera took office, Venezuela's second largest bank, the Cisneros-linked Banco Latino, went bankrupt, followed within weeks by eight other banks. Combined, the bankrupt institutions hold 44% of the nation's deposit base. The Venezuelan banking deposit insurance agency, Fogade, had to spend \$6.1 billion bailing these banks out—more than half of Venezuela's federal budget.

Having battered the Venezuelan economy to the point that it is staggering, the international bankers believe they have Caldera in a vise. Then, the IMF and financiers delivered this ultimatum: Either Caldera should reverse his campaign promises—he promised social justice programs for Venezuela's huge number of poor—and implement draconian austerity policies, while crawling to the IMF for a \$1.5 billion standby credit to protect Venezuela's foreign reserve position, or Caldera would be faced with a coup.

In a series of interviews, international bankers and pro-IMF Venezuelan think-tankers detailed their plans, often in venomous language:

- "Different people, both inside Venezuela and bankers outside Venezuela, have told me that there could be a coup in Venezuela towards the end of the year. If Caldera can't make good his campaign promises to ship water and provide sewage and so on, there could be a social explosion," stated Jerome Levinson of the Washington, D.C.-based Economic Policy Institute on April 28. The well-connected Levinson is the former general counsel of the Inter-American Development Bank.

- "[A coup] is a real possibility. As you know, we had two coup attempts in '92. And the military situation [today] is not resolved 100%, and can become restless in the near future," threatened Miguel Rodríguez on May 6. (The two 1992 coups were nationalist and anti-IMF. Rodríguez would like to think the military can be induced to stage a pro-IMF

coup and overthrow Caldera.) From 1989-92, Rodríguez held the portfolios of both the the Planning and Finance ministries—i.e., as economics czar, he ran the insane free-market regime of President Carlos Andrés Pérez. Rodríguez is now comfortably ensconced in the United States, advising the World Bank on policy. Rodríguez demanded that Caldera must raise gasoline prices from 18¢ to 70¢ a gallon inside Venezuela, impose a harsh package of taxes that equal 10-12% of Gross Domestic Product, and submit to IMF conditionalities policies in return for a \$1.5 billion IMF standby credit. In a May 16 interview, Rodríguez revealed that he had traveled to Venezuela and spent much of the week of May 9-15 meeting with Finance Minister Julio Sosa Rodríguez and others in the cabinet—behind the back of Caldera—telling them to adopt the IMF package.

● If the Caldera government does “the wrong things, and if you have a situation that worsens in the foreign exchange markets for the banking system, then Caldera will either have to step down, or someone else step in,” warned George Goetz, the Zurich-based head of the Latin American division of Switzerland’s giant *Crédit Suisse* bank on May 5. Goetz warned that if Venezuela were to impose exchange controls in order to protect its currency and foreign reserves—a move that may well be necessary—“then that is the best way to get capital out of the country,” and if capital flees, he said, it won’t come back for a good long time: a direct threat of organized flight capital and credit boycott of Venezuela.

Why the attack on Venezuela?

A large question remains: Why is the level of attack on Caldera’s Venezuela so violent, seemingly out of proportion to the importance of the country’s economy? One shouldn’t look primarily for local explanations to understand the answer. The financial oligarchy views Venezuela as a beach-head in an international war.

The determining context for the Venezuelan battle is that the world financial system, which has been speculatively transformed into the biggest financial bubble in history, bigger than the South Sea and Mississippi bubbles, is now disintegrating. Many of the recent markets and “market reforms” opened up in Venezuela are the leading edge of an effort to take the cancerous, dollar-based financial bubble, globalize the dollar, and spread that cancer into every part of the globe (see *EIR*, May 28, 1993, “Finding a Cure for Derivatives, the Market Cancer”).

The methods for generating this bubble are different from those used to loot Ibero-America and the developing sector up through 1987, although they include the earlier ones. Like all cancers, the financial cancer has the characteristic that it must keep spreading to healthy living organisms (economies) and suck them dry to gain a few days more life for its existence.

Given the need of the London-Wall Street-Swiss-Venezuelan financial elites and the IMF-World Bank thugs to feed

the cancerous bubble, Rafael Caldera’s assumption of office Feb. 2 and attack on the IMF could not have come at a worse time.

First, the derivatives markets, which are keeping the bubble aloft, underwent reverse leverage with a vengeance during the first four months of 1994. Nearly \$2 trillion in market values—real as well as notional—of derivatives, stocks, and bonds was obliterated globally. The wreckage included the bankruptcy filing of the \$600 million in assets of the David Askins Hedge Fund in March; and the loss of several billion at the French state-owned banking giant *Crédit Lyonnais*.

Second, the entire market in Ibero-American debt is being called into question. The Florida-based *Latin Finance* magazine places total Ibero-American government and corporate debt, publicly traded on secondary markets, at \$1 trillion. Discounting double-counting, this figure may be between \$600 and \$750 billion.

At the heart of this market is Ibero-America’s \$125 billion Brady debt, the portion of Ibero-American debt owed to commercial banks that has been “renegotiated” since 1989, usually into 30-year bonds, owed by the Ibero-American debtor country. Mexico, Argentina, and Venezuela have signed Brady renegotiations, as has Brazil recently (although the stability of the deal is in question). With the tremendous amount of work that went into carefully crafting Brady deals (see below), the Brady debt is the most secure, and thus the crown jewel of the \$600-750 billion Ibero-American debt market. If it unravels, all other Ibero-American credit markets could become illiquid. That is what has started to happen. The Salomon Brothers investment bank maintains a Brady bond index (1990=100), which mirrors the Brady market. From a value of 258 in January, it plunged to 209 in March, and stayed there through April—a 20% drop. J.P. Morgan, Chase Manhattan Bank, as well as a few other commercial banks that dominate the Brady debt market, took millions, possibly billions of dollars of losses.

So when Caldera threatened an anti-IMF debtor’s club, the bankers’ collective heart (or what there is of it) leapt into their collective mouth. If Caldera stands firm, an international impetus can be given to reversing the cancer of this bubble. Therefore, the collective bankers cannot tolerate figures such as President Caldera or Alejandro Peña Esclusa, who represents the LaRouche option for global economic reconstruction, as well as opposition to the drug trade in Venezuela.

Recent history of the bubble

As important as it is, it is not just Ibero-America’s external debt that the bankers are preoccupied with: It is the interconnection between the external debt and Ibero-America’s internal markets, which have been made speculative and dollarized. Two years, 1987 and 1989, mark the new phase in the speculative bubble, in which Ibero-America, Asia, and, more recently, eastern Europe, were dragged into new speculative/looting arrangements. A brief history shows how.

The October 1987 New York stock market crash rudely awakened the financial world. The fall of the Dow Jones Industrial Average, which tumbled by 508 points on Oct. 19, and lost another 800 points in succeeding weeks, demonstrated that the bubble economy based on junk bonds and on the mergers and acquisitions orgy had reached a limit in its mode of operations. Junk bonds and leveraged buyouts (LBOs) were not abandoned: Rather, the "derivatives market," a new, more deadly speculative virus, was added to re-energize the cancer. Between 1987 and now, derivatives holdings of the large U.S. commercial banks alone have exploded six-fold, from \$2 trillion to \$12 trillion.

The strategy behind the new reliance on derivatives had two parts: to penetrate every corner of the advanced sector's capital and credit markets; and to spread them into the virgin territory of the developing sector to extract more loot.

In 1989, this was launched in a big way in Ibero-America. The vehicle: the Brady debt restructuring scheme, so named because it occurred under the aegis of then President Bush's Treasury Secretary, Nicholas Brady. Mexico became the first country to enter the Brady Plan. Under the plan, Mexico issued a new series of 30-year bond issues—dubbed Brady bonds—which were given to the commercial banks in exchange for which the commercial banks would write down the old bank loan debt that Mexico owed them. As a reward for participating, Mexico was granted a small forgiveness of both principal and interest, which was taken off the total amount owed on its debt.

However, from the beginning, the Brady Plan was a gigantic hoax:

First, it did not reduce the debt for more than a few years, nor was it intended to. In 1987, before the plan started, Mexico owed \$109.5 billion in foreign debt. In 1989, after the Brady rescheduling went through, the Mexican foreign debt fell to \$93.8 billion. But by 1994, because of usury's compounded effect, the debt has climbed to \$118.9 billion, exceeding the pre-Brady level.

Second, the public version of the Brady Plan was a smokescreen. Yes, under the public plan, the banks did get paid on the debt that was owed to them. But under the *real plan*, using the debt renegotiation as a weapon, London and Wall Street were able to impose a top-down plan to reorganize all the Ibero-American economies in order to loot them *internally*, on terms that would never have been possible even five years earlier. From World War II up till 1989, the banks were content to loot Ibero-American nations through collecting debt payments on bank loans and exploiting raw materials, a sort of external looting. After 1989, the banks hard-wired themselves into every internal feature of the economies of Ibero-America's nations, from the real estate market to the banking system; from the stock markets to the newly established derivatives markets. The banks partially dispensed with the nation-states as the means for extracting loot.

The true Brady process, which was started in germ form,

in little-known side agreements in 1989, was advanced further in 1993, when the congresses of the United States and Mexico, and Canada's Parliament passed the North American Free Trade Agreement (NAFTA). That agreement had a set of secret financial accords, that were explained in broad-brush, but without great detail, in Chapter 13 of the NAFTA agreement. *EIR* exposed those secret financial accords in its Oct. 8, 1993 issue.

The combined package of the Brady-NAFTA secret accords, includes the following working provisions:

1) forced selling off of a nation's patrimony of nationalized industries, often involving debt-for-equity financing packages;

2) opening up of each nation's financial markets allowing American banks in, and spreading the full array of dollarization services, including derivatives, mortgage pass-through bonds, hedging instruments;

3) dollarization of economies: In Argentina, the quantity of the country's internal currency, the peso, is strictly determined by the amount of U.S. dollars the central bank holds. Further, physical U.S. dollar bills make up a significant percentage of the Ibero-American nations' circulating physical money supply, amounting to 60% in Bolivia's and 40% in Peru.

4) tearing down nationalist Ibero-American trade barriers. As a result, Ibero-American nations are opened up to a flood of imports, causing trade imbalances, current account deficits, and addictive dependencies on dollar inflows in order to paper over the deficits.

5) building up huge speculative bubbles in stock markets, or *bolsas*, which have inflated valuations out of proportion to the worth of the country's industry, thus making these stock markets dependent on dollar inflows to maintain their artificial valuations;

6) international bankers can use the Brady debt as a secondary market instrument, which can be traded, discounted, and pyramided into secondary market bubbles;

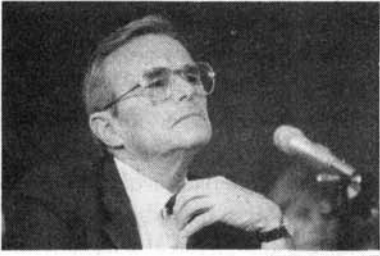
7) throwing farmers—who make up as much as 60% of the work force in some countries—off the land, creating "new land" devoted to real estate speculation;

8) creation of an extensive labyrinth of markets, through which drug money can flow anonymously at electronic speeds.

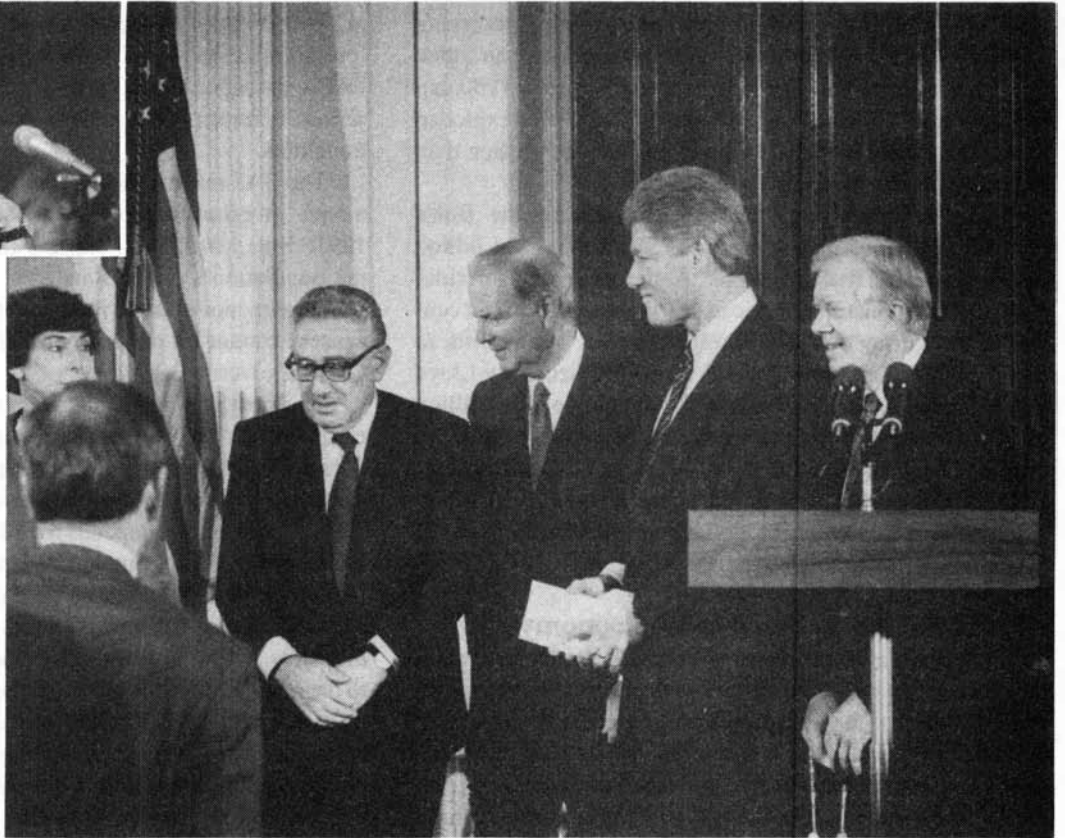
This sweeping restructuring forcibly transforms Ibero-American nations from predominantly agricultural economies into economies top-heavy with financial services and massive unemployment, denying them the right to develop the manufacturing-infrastructure base appropriate to sovereign nations.

The case of banking

Exemplifying this push is the U.S. move to take over the banking systems of Ibero-America, in a manner completely new to the latter.



A White House publicity event to promote the North American Free Trade Agreement, November 1993. Left to right: Henry Kissinger, James Baker, Bill Clinton, Jimmy Carter. Inset: Bush administration Treasury Secretary Nicholas Brady, author of the Brady Plan for debt renegotiation. The combined package of the Brady-NAFTA secret accords is subjecting Ibero-America to a devastating new round of looting by international financial interests.



Consider Mexico: In July, under the NAFTA financial accords, 30 banks, 18 from the United States and Canada, and 12 from Europe and Asia, will enter the Mexican market and physically set up shop. The Mexican banking market has \$17 billion (50.7 billion new pesos) of capital. On the very first day the foreign banks enter, they will have \$1 billion of capital in Mexico, instantly giving them 5.6% of the Mexican banking system's capital. The foreigners are supposed to be limited to no more than 25% of the capital of the Mexican banking system until the year 2000, when restrictive limits will be lifted. But, according to the April issue of *Latin Finance*, foreigners dominate entire aspects of the Mexican banking system: Already foreigners control "50% of the corporate investment market (bond and stock placements of Mexican companies) and 20% of corporate commercial banking." Foreigners will control derivatives trading.

Andrés Gluski, a Venezuelan who works for the Venezuelan division of the IMF, is aggressively pushing the same policy there, although proposing it as a solution to the widespread Venezuelan banking collapse!

Gluski, a protégé of Finance Minister Miguel Rodríguez during the regime of the now-imprisoned Carlos Andrés Pérez, helped engineer Venezuela's privatization program. On April 28, in a bizarre and shocking explanation of how the country's banking crisis can be solved, Gluski said: "The way you go about it—you get foreigners to buy our banks."

Asked whether the Venezuelan citizen would approve of that, and if there were some sovereign Venezuelan regulation that prevented it, Gluski gave the IMF line, conceding that, yes, there are regulations, but, that we Venezuelans "have some of the most open banking legislations. . . . [Foreigners] could set up general purpose banks in Venezuela. . . . Once established they can buy into Venezuelan banks. . . . They [foreigners] could certainly invest heavily in these *intervendos*, taking control."

Gluski even went to the absurd length of saying that in today's time of crisis, "Venezuelans would feel more secure putting their money into a foreign bank." Venezuela's banking system is small: Its 47 banks have deposits of only \$12.5 billion. Foreign banks could easily overwhelm and buy up the Venezuelan banking system.

The Wall Street and London banks have set up a secret method to back their huge stake in the Ibero-American banking systems. Jerome Levinson of the Economic Policy Institute reported that the IMF and World Bank are "very, very worried, though they will not say so in public," that 25-50% or more of the money in the Mexican banking system—and to a lesser extent in Venezuela—is from abroad, mostly U.S. dollars. These dollars take two forms: 1) dollar deposits, including large certificates of deposit; 2) dollar borrowings by the individual banks in each system. Without these dollars, the Mexican and Venezuelan banking systems could collapse.

The United States is also heavily entangled in preserving another artificial market, the value of the Mexican stock market, the Bolsa Mexicana de Valores. Between 1990 and the start of 1994, the capitalization of the Bolsa exploded from \$33 billion to \$215 billion, an amount greater than Mexico's Gross Domestic Product.

However, this year, the capitalization of the Bolsa plunged, falling by mid-April to \$175 billion, as \$11 billion of foreign capital fled the market. At the same time, speculative attacks against the Mexican peso, led the Mexican central bank to draw down its foreign reserves by one-fifth to \$19.5 billion. On April 25, U.S. Treasury Secretary Lloyd Bentsen announced a permanent line of credit of \$6.7 billion to Mexico's central bank, to shore up the plunging Mexican peso and help stabilize the shaky Mexican financial system. But, the United States was not being altogether altruistic: It was trying to protect the dollarized speculative financial system.

What CAP did to Venezuela's economy

By looking at an inventory of Venezuela's abundant natural resources—oil, coal, iron, and other minerals—one would think that the economy were in excellent shape. But that would be a mistake. An economy is not a list of natural resources, but the process by which the human species, acting as *imago viva Dei*, reproduces itself at expanding cultural and material levels. This requires capital-intensive, energy-intensive development in farms, manufacture, and such hard and soft infrastructure as water management, energy generation, and transportation, health services and education. In this process, a nationalistic government dirigistically directs credit.

This has not been going on in Venezuela for at least eight years. The government of Jaime Lusinchi (1982-87) neglected such policies. His successor Carlos Andrés Pérez, known as CAP (1989-93), vehemently rejected such a nationalistic approach. In 1989, CAP began implementing a radical free-market reform program, which continued even after CAP was impeached in mid-1993, pushed by his partisans who had infiltrated into the replacement government of President Ramón Velásquez. Between 1989 and 1993, the liberal free market enabling legislation that was rammed through, included: the Central Bank Law, which turned the central bank, which had been under the influence of the Congress and the Executive, into an "autonomous institution," meaning that it became the preserve of the private bankers; the Law of Public Credit; the Value Added Tax (VAT); the Gross Assets Tax; and the General Law of Banks. The General Law of Banks allowed for universal banking and 100% foreign banking, which means that foreign banks can buy up 100% of the Venezuelan banks.

In addition, CAP's cronies aggressively pursued privatization—selling off a share of Venezuela's state-owned national patrimony, starting with the telephone company. Also,

in 1989, Venezuela, desperate because of a sharp fall in its foreign reserves, arranged for a \$3 billion credit from the IMF's Extended Fund Facility, to shore up its depleted reserves. In return, Venezuela submitted to certain IMF conditionalities.

The CAP reform package attracted fistfuls of foreign hot-money investment into Venezuela, especially in 1990 and 1991. But, lawfully, it slashed the physical economy and the population's living standards. A collapse in the world physical economy intensified the problems. These combined causes account for the crises which are exploding under the Caldera government.

The most prominent manifestation is a tumultuous budget crisis, which the bankers are using to place Caldera into a vise. Venezuela's internal budget is, depending on the exchange rate for the bolivar, between \$10 and \$14 billion. Venezuela's budget depends for 80 to 90% of its revenues on its state-owned oil company, Petroleos de Venezuela S.A. (PDVSA). But the collapse of industrial production in the advanced sector has created a fall in oil use, and a crash in oil prices. Oil went from \$21-22 per barrel a few years ago, to the range of \$11-14, although the price temporarily inched up to \$17 per barrel. The drop devastated Venezuelan budget revenues. Moreover, punctuated by the Jan. 13 bankruptcy of the Banco Latino and, subsequently, eight other banks, the Venezuelan banking system, which provides the lifeblood for investment and circulation of goods, blew out. The bailout of the banking system will cost \$6.1 billion, including \$3.3 billion for Banco Latino. In addition, Venezuela owes \$1.5 billion in interest on its foreign debt, \$1.2 billion in interest on its internal government debt, and some principal repayment on some of its external debt. As the Economic Policy Institute's Jerome Levinson has warned, "The Caldera government is in a dilemma. He [Caldera] promised various social programs, but may not be able to have the money for them." This could lead, Levinson said, to a coup against Caldera.

Further, when Venezuela contracted in 1989-90 to turn its bad bank loans into 30-year Brady bonds, one stipulation was that Venezuela guarantee the principal amount on the Brady bond by securitizing it with a 30-year U.S. Treasury zero coupon bond. (A zero coupon bond pays no interest; instead, the purchaser buys the bond at a steep discount, usually paying only \$12-14 per \$100 of face value. The interest is capitalized, and at the end of 30 years, the purchaser receives the full \$100 face value. This functions like the old Series E U.S. savings bond.)

If Venezuela is unable or unwilling to make its interest payments on the Brady debt, the banks could demand and seize the zero coupon bonds as collateral. Levinson warned, "The banks could walk in and say to the Fed, 'you're holding this pursuant to the escrow agreement; the conditions have been met [i.e., Venezuela's non-payment of interest]. We demand our collateral.' "

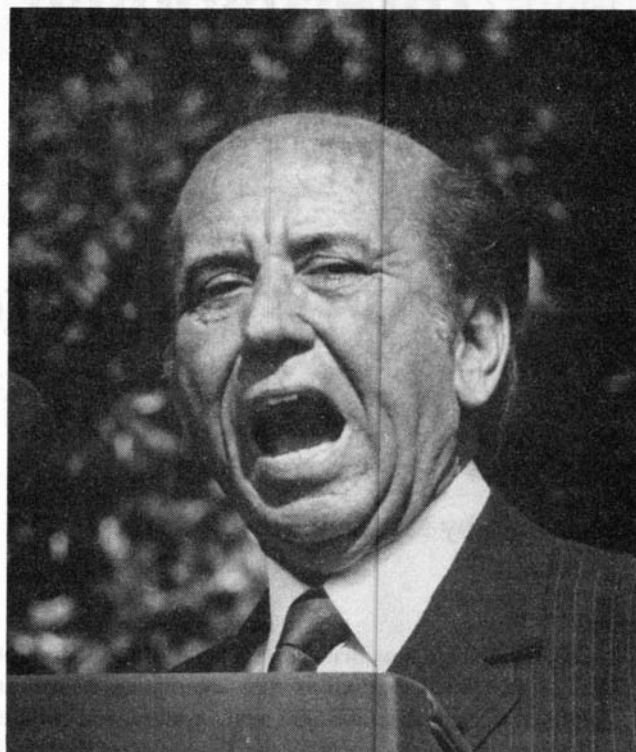
Moreover, the clock is ticking down on Venezuela's foreign reserve supply. Miguel Rodríguez stated that at the start of 1994, the central bank held \$12-13 billion in foreign reserves. But since then, \$3 billion have been drawn down in defense of the bolivar and/or lost through capital flight, leaving foreign reserve balances of \$9-10 billion. Of that, \$5 billion is in the form of gold, which is not liquid—or what is called, “disposable”—and \$3 billion was lent to Venezuela by the IMF in 1989, and is therefore also not disposable. (Venezuela must pay back the \$3 billion, starting this year, at the rate of \$600 million per year.) This leaves Venezuela with only \$1-2 billion in disposable reserves of its own. Meanwhile, Venezuela is effectively maintaining a two-tier foreign exchange market—an official market and a parallel black market. Supplying a limited sum through the official market, Venezuela is draining \$20 million in reserves down per day. The country is reaching a critical point.

Pincer movement against Caldera

“Venezuela must go to the IMF to get a \$1.5 billion standby credit, to handle its reserve situation,” Miguel Rodríguez stated May 16. Rodríguez believes that Caldera will have to do that, whether he wants to or not. “The Caldera government is weak,” Rodríguez gloated. If Venezuela goes to the IMF, it will have to submit to the harshest surveillance and austerity program, which will wreck the economy and could also bring out Caldera's political death. Rodríguez warned that without sufficient foreign reserves, it will be difficult to purchase imported food, on which Venezuela heavily relies. Whether this technical reason fully explains what is happening, Rodríguez said that businessmen are already talking about the difficulty of importing food.

Rodríguez then offered the following deadly prescription for what Caldera must do in order to guarantee the bankers' investment in Venezuela:

- 1) Deregulate the internal price of gasoline, precipitating a fourfold increase from 18¢ to 70¢ a gallon.
- 2) Restore the previous governments' Value Added Tax on consumer purchases, which Caldera had lifted for consumers.
- 3) Apply VAT taxes equal to 5-6% of Venezuela's GDP, and income taxes of an equal magnitude, so that taxes equal to a staggering 10% to 12% of GDP are applied.
- 4) Speed up the privatization process, selling off Venezuela's critical mining (PVG), oil (PDVSA), and some electrical companies. Selling the oil company, the largest part of the Venezuelan economy, could bring \$100 billion and part of the proceeds could be used, Rodríguez said, to pay down Venezuela's internal debt.
- 5) Withdraw the government's challenge to the autonomy of the Venezuelan central bank. Monetarist central bank head Ruth de Krivoy resigned on April 26, when Caldera attempted to institute a government intervention program of cutting interest rates, on a schedule of one cut every two



Former Venezuelan President Carlos Andrés Pérez, now in prison for corruption. His free market program ruined Venezuela's economy.

weeks. De Krivoy's resignation provoked a capital flight of \$700 million from Venezuela.

6) Cease all opposition to the IMF.

As early as March 21, a confidential report, issued by the City of London mouthpiece, the *Economist*, was backing up Rodríguez, threatening Venezuela with a “maxi-devaluation” unless Caldera put through a consumer VAT tax and adopted bankers' policies to “restore confidence.”

Rodríguez also proposed that Venezuela follow Milton Friedman's model for Chile applied by then-President, Patricio Aylwin, including the ruinous privatization of that country's social security system. Rodríguez is trying to arrange a Caldera-Aylwin meeting.

Miguel Rodríguez has reported that he and CAP used to dine with Henry Kissinger—well known for his death threats to heads of state who opposed his policies—in both Venezuela and the United States. In mid-May, Rodríguez made a foray to Venezuela, meeting members of the Caldera economic team. As a result, Rodríguez bragged that Caldera will adopt the policies he recommends, regardless of what Caldera believes he wants to do.

President Caldera's courageous attack on the IMF has struck a vulnerable part of the bankers' nightmarish global speculative bacchanalia. The full weight of the international financial powers is being deployed into Venezuela to attempt to bring Caldera down.

Rwanda a test case for U.N. dictatorship

by Linda de Hoyos

Led by United Nations Secretary General Boutros Boutros-Ghali, the United Nations is now attempting to use the slaughter of more than 200,000 men, women, and children in Rwanda to set a precedent for the dissolution of the principle of national sovereignty and to drastically enhance the one-world rule of the oligarchy through the U.N. bureaucracy.

In a statement reminiscent in tone of the shoe-pounding antics of Soviet General Secretary Nikita Khrushchov in the 1960s, Boutros-Ghali on May 25 called a press conference in New York to angrily denounce the world's nations, including the African nations, for what he termed the "genocide" in Rwanda. Boutros-Ghali claimed that the murdering rampage of Rwandan death squads represented a "failure not only for the United Nations; it is a failure for the international community. And all of us are responsible for this failure. Not only the great powers, but the African powers, the non-governmental organizations, all the international community. It is a genocide which has been committed. More than 200,000 people have been killed and the international community is still discussing what ought to be done."

The Egyptian diplomat also took the occasion to announce that contrary to his earlier pledge, he would seek another six-year term as U.N. secretary general.

Boutros-Ghali's rage centers on the refusal of the world's countries to accede to his demand for a 5,500-man U.N. Blue Helmet squad to seize and secure the Kigali Airport in Rwanda's capital for the U.N., right at the point that the Rwandan Patriotic Front (RPF), in its siege of Kigali, was on the verge of taking the airport. Although on May 13, the Security Council had authorized the use of U.N. troops in Rwanda, their deployment was postponed primarily due to intervention from the United States. On May 16, officials of the U.S. State Department and Pentagon—acting under guidance from Presidential Directive 25, which puts strict

conditions on U.S. participation in U.N. peacekeeping ventures—went to U.N. headquarters to argue that the Security Council mandate had no clear time limit and no clear mission. The United States also pointed out that neither side in the Rwandan war—neither the government forces nor the RPF—had agreed to the U.N. presence, thus placing U.N. troops in danger of getting caught in the crossfire, as the RPF had in fact promised they would be.

On May 17, the Security Council approved a mission for 5,500 Blue Helmets into Rwanda, rejecting Boutros-Ghali's plan that the U.N. take the airport, and limited to protecting civilian pockets in Kigali and refugee enclaves along the borders. Even with a reduced mission, Boutros-Ghali has received agreement only from Ghana, Ethiopia, and Senegal to send troops, all of them poorly equipped. Boutros-Ghali is still trying to get manpower from Egypt, Nigeria, and Zimbabwe. The United States has declined to send troops, saying that Rwanda is not a point of national interest. South Africa has also declined.

U.N. tries to cash in

Boutros-Ghali's demand that U.N. troops intrude directly into the fighting in Rwanda is not the only precedent being sought by the United Nations for gaining powers overriding national sovereignty.

James Gustave Speth, administrator of the U.N. Development Program, gave a speech to the State Department-linked African-American Institute on May 24, demanding that the U.N. place political conditionalities on the African countries. "The madness" of Rwanda must brought to an end, said Speth, and "therefore, I propose a phasing out of all arms trade and military assistance to Africa, over the next three years. This call might form the basis of U.N.-supported talks as to how this phasing might be achieved. We should

start with a focus on those countries that risk being on the verge of conflict, for example: Burundi, Zaire, Cameroon, Nigeria, and Algeria. Reversely, those that promote peace, security, and development within their borders [according to whose criteria?] should be rewarded by the international community with substantially higher levels of assistance.”

Speth also demanded that Organization of African Unity—operating under the U.N.—must receive monies to enable it to “effectively mount preemptive responses to potential conflicts. It is not enough to scramble when a conflict is in full swing, as we have found in the case of Rwanda. We should act preventively.”

Speth’s motivations are not humanitarian. As an official of the State Department in the 1970s, he led the study group for the Carter administration’s *Global 2000 Report*, which demanded the reduction of the world’s population to 2 billion—that is, the elimination of over 3 billion human beings!

Other plans are afoot. The U.N. Human Rights Commission moved on May 25 to pursue Nuremberg-style prosecutions of the perpetrators of mass murder in Rwanda. The draft passed by the commission bemoans the fact that so far “the primary responsibility for bringing perpetrators to justice rests with *national* judicial systems” (emphasis added).

Amnesty International, a subsidiary of British intelligence, has chimed in demanding that the U.N. create a “permanent international criminal court” to try people for war crimes, crimes against humanity, and other serious human-rights violations. There has been no mention of the bureaucrats of the International Monetary Fund (IMF) as being among the “perpetrators.”

The reality behind the crocodile tears

If Boutros-Ghali, whose grandfather signed over Egypt to the British Empire in 1899, were honest, he would lay the blame for the Rwanda debacle at the doors of such U.N. agencies as the IMF and the World Bank, and the two powers on the U.N. Security Council involved in the Rwanda situation from the get-go: Britain and France.

First, the IMF and the donor countries, in the course of 1993, reduced Rwanda to penury. As early as March 1993, the Food and Agriculture Organization was warning that drought would cause the starvation of up to 800,000 Rwandas—10% of the population. Nothing was done. Instead the donor countries placed pressure on Rwandan President Juvenal Habyarimana, to agree to a “national unity” government to include the President and his forces; liberal Hutu dissenters organized and sponsored by such U.S.-based organizations as Human Rights Watch Africa; and representatives of the Rwandan Patriotic Front, which is based in Uganda and believed to have covert British backing. To this end, the donor countries placed a funds embargo on Rwanda. Thus, at the point that Habyarimana was killed when unknown assailants downed his plane near Kigali Airport in early April, the Rwandan population was in a state of economic desperation.

As one visitor to Rwanda quoted by the *Baltimore Sun*

on May 8 described it: “Many persons in Rwanda were in a state of near famine. The dry season was very prolonged. The war cost a vast amount. The economic situation in Kigali was the most desperate I’ve ever seen. There were tons of beggars in the street.” In addition, the ratchet downward in the economy had produced a surplus of unemployed youth, who were scooped up by fanatical followers of Habyarimana into the Interahamwe civil militia, which became the killer-corps of the Tutsi minority and Hutu dissenters that has ravaged Rwanda in the last six weeks.

In short, Rwanda had been turned into a powderkeg by the political and economic manipulation of the IMF and the western powers.

Secondly, there is growing evidence that the Rwandan conflict was the final result of a manipulated proxy war between France and Britain on the African continent. In 1990, when the Rwandan Patriotic Front first launched its invasion of Rwanda from Uganda, French forces came into Rwanda, ostensibly to protect French civilians. In the next three years, France was Habyarimana’s major political backer, including using credits from the Crédit Lyonnais bank to enable Habyarimana to obtain arms. Evidence is accumulating that Habyarimana had armed and trained his killer Interahamwe militia over the last year, as his government was working with French advisers and with French troops in the country. Habyarimana’s widow has even gone so far, according to an interview she gave to *Jeune Afrique*, May 3, to accuse Belgian forces under U.N. auspices with gunning down the plane, causing the murder of her husband and the Hutu President of Burundi. The airport from which the plane was shot down with a SAM-7 missile, was under U.N. protection.

On the other side, the Belgians and British have been giving tacit support to the Rwandan Patriotic Front, based in Uganda. A Reuters wire on May 25 indicates the foreign power line-up. The RPF, “fighting the rump government in Rwanda, indicated it had withdrawn objections to a 5,500 U.N. force to protect civilians.” The wire happily noted, however, that RPF spokesman Patrick Mazimhaka told the press that French participation in the force “would not be welcome. We have a stormy relationship with France during this conflict.” Zairean President Mobutu, propped in place by France, has also sought to interfere in the negotiating process, and on May 26 called for the “demilitarization” of Kigali, now largely taken by the RPF, and the U.N. takeover of the capital.

Throughout central Africa, the inter-imperialist rivalries between France and Britain are a constant source of instability, ready to flare up into murderous violence as it did in Liberia and now in Rwanda, or even into full-blown war, as could be instigated between Cameroon and Nigeria, for example. At each such point, the U.N., led by Boutros Boutros-Ghali, will be on hand to demand the U.N. military deployment into the country, in what could be called a plot for the final dissolution of the African nation-state and the “final solution” of its people.

Fissures appear in Italian government

by Claudio Celani

At 9:00 on May 18, the first half of the European Cup soccer finale in Athens was over, and Milan A.C. was winning 2 to 0 against Barcelona. Only two minutes later, electronic media broadcast the news that the new Italian government had been approved by the Senate, with a tiny majority of two votes. The connection between the two events is not only by association, since Silvio Berlusconi is both prime minister and owner of the Milan soccer team. Italian politics has become more and more like a spectators' sport, after two years of outside-directed destabilization which wiped out all the traditional parties, and after an electoral reform which favored candidates with "image" and likelihood of success, against those who have ideas.

Thus, a reform that was supposed to bring in "stability" has produced a government composed of three almost totally antagonistic forces: Berlusconi's Forza Italia (Go, Italy), the Northern League, and the National Alliance. Forza Italia and the National Alliance agree on opposing the Northern League's program for a constitutional change in favor of decentralization of the state; but the National Alliance is against the free market economic policy pushed both by Forza Italia and the Northern League. This conflict is going to erupt pretty soon, since issues such as privatization of state-owned industries and constitutional reforms are priorities on the government agenda.

Free-marketeers are on top

Forces centered in the City of London are manipulating this conflict to make sure that the Berlusconi government is just a transitional phase down the road of national deconstruction. Above all, the international financial markets have imposed a radical free market agenda, composed of privatizations and deregulation of the labor market, embellished by a Reaganomics-style tax reduction for small and medium-size industries. In this sense, the Berlusconi program does not differ from the previous austerity program implemented by banker Carlo Azeglio Ciampi, except through proposals of infrastructural investment which sound fantastic on paper, but which nobody knows how to finance.

Ironically, the only forces which are opposing radical free market therapies in the government are represented by the MSI, the party that is heir to the Fascist tradition of Benito Mussolini. MSI leader Gianfranco Fini has taken official

steps to break with that tradition, by embracing democracy and the anti-Fascist Constitution, but international news media, among them the London *Daily Telegraph*, have launched a campaign against "neofascists in the Italian government," which has prevented the MSI from being given key government posts.

Experts also see the danger of the resurfacing of terrorism, as the threat of "fascism," built up by the media, could be used by left-wing extremists as a pretext to organize "anti-fascist" violence. A beginning of that was seen when, on May 14, one hundred skinheads marched on the streets of Vicenza, sporting Nazi symbols and flags, to the delight of the international media. A few days later, left-wing extremists assaulted the local "fascist" (MSI) office. Historically, both "left" and "right" terrorism in Italy have been run by the same forces, connected to the Stay Behind network and to British intelligence. The city of Vicenza is in the heart of the NATO structures where the Stay Behind network is most extensive. In the past, a scenario of "opposed extremisms" has been used as the background to implement political assassinations, as in the case of Prime Minister Aldo Moro in 1978.

With the MSI being kept in quarantine, the economic team of the Berlusconi government is in the hands of free-marketeers. The Treasury minister is Lamberto Dini, a banker who worked first at the International Monetary Fund and then at the Bank of Italy. The budget minister is Gianfranco Pagliarini, a budget analyst from the Northern League who wants the national budget to be checked by "private comptrollers." The finance minister is another technocrat, Giulio Tremonti. The International Monetary Fund has already announced that a package of combined budget cuts and new taxes is needed to fill a hole of 40,000 billion liras (about \$24 billion) in the 1994 budget. That figure could be increased, as part of the hole is due to missing tax revenues, which collapsed in 1993 because of unemployment. But already the first two months of 1994 showed a further decrease of 6-7% in tax income. Moreover, the state had to pay more than planned in social entitlements, such as unemployment benefits and pensions.

Foreign policy: a British foothold

More worrying than the presence of MSI ministers in the government is, however, the fact that the Foreign Ministry was assigned to Antonio Martino, a member of Berlusconi's Forza Italia. An economist from the "Chicago School," Martino is the only Italian member of Margaret Thatcher's anti-European Bruges Club. A foreign policy insider, Lucio Caracciolo, predicts that Italian foreign policy will shift more heavily against the French-German axis in Europe. Martino's first steps seem to confirm this analysis, as the new Italian foreign minister paid his first visit abroad to the British Foreign Office, to receive from Douglas Hurd the official stamp of "democracy." The British plan is to involve Italy in the Balkan conflict by having troops sent there as part of the U.N.

contingent. Italian blue helmets would be seen as neutral by no party in the Bosnian conflict, for historical reasons. Thus, British-supported official U.N. requests were left unanswered by the previous government. But now, Martino has given a positive answer, although on the condition that Bosnians, Croatians, and Serbians sign an official peace treaty.

Martino has no diplomatic or political experience. His foreign policy is supposedly suggested by his cousin, Ferdinando Salleo di Sagra, a former ambassador who is now general secretary of the Foreign Ministry. In a recent interview with the geopolitical magazine *Limes*, Salleo supported the idea of full integration of Russia into western financial structures, and praised the results of Harvard flea-market economist Jeffrey Sachs's shock therapy in Poland. Both Martino and Salleo are Sicilian, from Messina. Martino's father Gaetano, who was a foreign minister in the '50s, is the person who sabotaged the attempt by Italian patriot Enrico Mattei and President Giovanni Gronchi to establish an anti-imperialist alliance in the Mediterranean with U.S. President Dwight Eisenhower in 1956. After Eisenhower's intervention against the Anglo-French colonial expedition at Suez, Gronchi wrote him a letter, at Mattei's suggestion. Martino prevented that letter from ever being sent. Years later, Mattei was killed in a plane crash, on orders from the U.S. oil multinationals. Martino senior was a member of the famous Propaganda-2 (P-2) freemasonic lodge. His son could not become a member because when he applied, in 1981, Italian authorities discovered the lodge and disbanded it.

Prime Minister Berlusconi, however, applied and received a membership card. Later, he explained that he had joined the lodge because it opened the way for him to business deals in Latin America. The fact is, that in the past, Berlusconi, like most representatives of Italy's anti-communist establishment, made deals with power centers directly steered by the Scottish Rite of British Freemasonry. This makes him quite vulnerable to blackmail and destabilization. One example is Berlusconi's unsuccessful attempt to prevent the key Interior Ministry, which has control of police, secret services, and administrative centers (the Prefetti), from going to a Northern League representative. The League candidate, Roberto Maroni, was supported by the great protector of the P-2, former President Francesco Cossiga. Cossiga, who was consulted twice by Berlusconi and in between flew to London and back, sabotaged Berlusconi's attempt to appoint star prosecutor Antonio Di Pietro, and won his fight. Now that the Northern League controls police and secret service dossiers, they will use them not only against the opposition, but also against their government allies, as they have promised.

Another problem for Berlusconi is that the opposition will not play fair. Milan prosecutors have already opened an investigation into his business empire, and rumors that he would be subject to investigation for corruption on May 25 provoked a run on the lira and a collapse in the stock exchange. Berlusconi's plans to prevent his own impeachment

Parlato calls for tax on derivatives

Antonio Parlato, the newly appointed deputy minister for the budget in the new Berlusconi cabinet, declared that the first thing he will discuss with Budget Minister Giancarlo Pagliarini is a tax on financial derivatives, according to the daily *Corriere della Sera* of May 15. "What will I tell Pagliarini? I will pose the Soros case. Yes, George Soros, the Quantum Fund financier," he said.

Recently, *Corriere* reports, investment products such as derivative instruments have been introduced on the Italian market—i.e., specialized funds for speculation against currencies. "It is Soros and his stepsons who gamble by investing thousands of billions, thus influencing monetary trends," says Parlato, who will propose two urgent measures: "First of all, we have to regulate derivative finance. Put some limits to such operations. And then introduce a severe taxation of these fortunes, which are subtracting resources from the real economy. And only the right wing can do this. The left is working with international finance. Do you know who [Party of the Democratic Left leader] Napolitano went to meet in the U.S.A. before the elections? None other than George Soros."

Parlato is an MSI member of Parliament who was the first to raise in the Italian Parliament the issue of the infamous meeting of bankers aboard the royal yacht *Britannia*, quoting from *EIR*, back in the spring of 1993. Since then, he has repeatedly exposed "the plot against the Italian national economy." In that same year, Parlato filed a Parliamentary Interrogation on the case of Lyndon LaRouche, who was then in jail on trumped-up charges.

are known: a reform to put the judiciary under political control. But he is running against time. Furthermore, on July 5, his government ally Umberto Bossi, leader of Northern League is scheduled to go to trial, together with leaders of all parties that have ruled Italy for 40 years, accused of "corruption."

Berlusconi is looking for support among Catholics. He has announced an anti-malthusian policy, and appointed a Family Minister who is opposed to abortion and eugenics. He has met the pope and promised collaboration with the Catholic Church, "because the values of Christian tradition and culture belong to us."

A Crimean lever for partition of Ukraine

by Konstantin George

The "Parliament" of the Ukrainian autonomous region of Crimea, controlled by pro-Russian separatists, stopped just short of declaring the region's secession from Ukraine on May 20. The "Parliament" voted to put into effect the so-called Crimean Constitution of 1992, authorizing Crimea to become either an independent state, or affiliate with the Russian Federation outright. Parliament resolved to create a dual citizenship for Crimea's population, either Ukrainian-"Crimean" or Ukrainian-Russian, and introduce the Russian ruble to replace the Ukrainian karbovanets as the region's currency. Emulating the 1992-93 *modus operandi* of the Russian-directed secessionist operation in the Georgian region of Abkhazia, it was resolved to create a "Crimean Defense Ministry" and "Crimean Armed Forces."

Hours after these actions, tensions were deliberately fueled by Moscow. Russian President Boris Yeltsin issued a provocative declaration, warning Ukraine not to "use force" to suppress secessionism in Crimea. Over the next days, the main Russian TV station, Ostankino, which broadcasts throughout the former U.S.S.R., dispatched disinformation about Ukrainian troop reinforcements "pouring into" Crimea, alleging that Ukraine was about to employ armed force there. On May 23, Ostankino reported: 1) that 1,600 additional Ukrainian troops had arrived in Crimea, plus "several battalions of special troops"; and 2) that Ukrainian "special units" were planning to seize the TV center and the telephone exchange in Simferopol, Crimea's capital, citing to this effect "Crimean Interior Minister" Gen. Valeri Kuznetsov.

Ukrainian Deputy Interior Minister Valentin Nedigraylo denounced these reports as "complete nonsense."

Russian TV commentaries alleged that Russia and Ukraine had been brought to "the eve of war."

Moscow's insidious agenda

Russian TV commentaries aside, war over Crimea is improbable in the near future. Moscow's immediate aim is not for Crimea to stage a complete formal break with Ukraine and thus force a conflict. The real agenda is far more insidious, and enjoys the complete support of Great Britain. It is to escalate the Crimean situation continuously, as a lever toward the east-west partition of the Ukrainian nation.

The non-stop deterioration of the Ukrainian economy and impoverishment of the population have created strong support in the heavily Russified eastern and southern regions of Ukraine for a close affiliation with Russia. In Ukraine as a whole, with the crucial exception of west Ukraine, the economic and social devastation are eroding the popular will to resist a Russian return. This should not be misinterpreted as representing a majority support for such an outcome, but more of a fatalistic sense that nothing can be done to stop it. A national government acting to enforce an economic program in the interest of the nation and population could reverse this situation in short order. However, the prospects for this are all but zero at the present time.

It is not coincidental that the latest Crimean crisis erupted two days after the confirmation that a new deterioration at the national level was inevitable. The political signal occurred May 18, when the new Kiev Parliament elected as its Speaker the Socialist Party leader Oleksandr Moroz. The Socialist Party, which ran together with the Communist Party in an electoral bloc on a platform for Ukraine re-integrating with Russia, is nothing more than a front for the Communist Party. This shift of power in Parliament could augur a similar shift of power in the Ukrainian presidency. Presidential elections are set for June 26, and there is a high risk that the winner could be former Prime Minister Leonid Kuchma, who has campaigned for Ukraine's reintegration with Russia. So, Moscow has no intention of sabotaging what it views as its excellent prospects for cheaply reconquering most of Ukraine, minus the western regions, by going too far, too fast in Crimea.

It is not surprising that the chairman of the Crimean "Parliament," Sergei Tsekov, admitted on May 23 that the May 20 actions had been designed to avoid "other variants" that "would have led to an immediate break with Ukraine." To make sure that these tactics remain in force throughout the crisis, every action taken by "Crimea" occurs only after consultation and coordination with Moscow. To ensure this, Crimean "Vice President" Yevgeni Saburov arrived in Moscow soon after the crisis began, to coordinate moves between the Yeltsin regime and the Crimean separatists. Saburov himself had been handpicked by Russian Deputy Prime Minister Sergei Shakhrai, and arrived in Crimea from Moscow to fill his present post in early March.

London promotes partition

The problems of Ukraine are enormously compounded by the fact that the nation's partition is being promoted by Anglo-American financial forces, operating together with the Yeltsin regime in Moscow against Ukraine. These forces are centered around the Hollinger Corp., which has its headquarters in Canada. Its advisory board includes Britain's Lord Carrington and Henry Kissinger; its advisory board is chaired by former British Prime Minister Margaret Thatcher.

The criminal policy commitment of these forces to dis-

mantle the Ukrainian nation, can be documented in the lead editorial in the May 24 issue of the Hollinger-owned London *Daily Telegraph*:

"It may be that the Ukrainian state—which finds itself divided by one of the great cultural fault lines between western and eastern Orthodox Christianity—is not viable in the long term. If so, partition should be responsibly negotiated on the basis of mutual respect. Any attempt to carry out partition on another basis, such as Russia's present Serbia-style strategy of fanning inter-communal tensions and stimulating economic warfare, is fraught with the most incalculable consequences."

A further commentary embedded in a *Daily Telegraph* article on the Russia-Ukraine crisis made a similar point:

"Moscow appears to be trying not to provoke Kiev, believing that the economic and political crisis afflicting Ukraine will sooner or later force the country to rejoin the Russian orbit."

The late-May visit by British Foreign Minister Douglas Hurd to both Moscow and Kiev, should be seen in the light of this British policy, which Moscow agrees with, of no war, just a "peaceful" partition of the Ukrainian nation. Hurd met with Russian Foreign Minister Andrei Kozyrev on May 23. Both have the talent of being able to speak out of both sides of their mouths at once. Said Hurd: "We believe, as the Russian government believes, that Crimea is part of Ukraine. Sovereignty is not in question, so any dispute is up to the government of Ukraine to settle with the people of Crimea." This statement was made with the full knowledge that given the situation in the Ukrainian Parliament, and what could happen after the elections on June 26, the next Ukrainian government could make the Crimea issue superfluous by moving to have Ukraine rejoin the Russian orbit. Kozyrev supported Ukrainian sovereignty over Crimea, but stressed that the "wishes of the Crimean people must be respected."

The Crimean crisis will thus be kept alive to maintain the lever for future Ukrainian partition. Thus, predictably, the two days of talks in Moscow over May 24-25 between Russian Prime Minister Viktor Chernomyrdin and Ukrainian Acting Prime Minister Yefim Zviagilsky (who is in any case powerless) got nowhere, as did Kiev talks between Ukraine and a Crimean delegation.

On May 24, Hurd arrived in Kiev, to continue his informal mediation mission, or, more precisely, to pursue his hidden agenda of destroying Ukraine as a viable nation. Taking at face value Hurd's statement that Crimea is part of Ukraine, Ukrainian President Leonid Kravchuk hailed Britain's role: "I want to thank Britain for its support in the Crimean problem. I hope to have the same support in Britain and other parts of the world." The words of a man in complete desperation, or the words of a fool? History will provide that answer. For now, one can say, the words of a blind man.

British gameplan could fail, says LaRouche

Lyndon LaRouche, interviewed by the weekly "EIR Talks" radio show on May 25, was asked by interviewer Mel Klenetsky about the NATO Partnership for Peace, and Russian Defense Minister Pavel Grachov's request for a special status for Russia. "I don't think it's worth a hill of beans, this so-called Partnership for Peace," he answered. "The Russians will play it for every bit of lemon juice they can get out of that particular lemon; but even if they like the lemon juice, they're not going to marry the lemon. I'm not sure the Russians will even accept the Partnership for Peace at this point; though, being Russians, and being in their present circumstances, they're likely to play the situation to the full. It was a very bad idea, probably a British idea that somebody pushed around through the U.S. and elsewhere.

"It's the British game. The British have always tried to play the game with Russia, particularly in the 20th century, by setting up a kind of condominium with Russia."

He elaborated: "For example, the British orchestrated the Russian [Revolution], playing a German side and a British side, to bring to power either the Mensheviks or the Bolsheviks. So their little German game—a British intelligence operation run through German military intelligence, which really didn't quite fully realize what was going on—brought the Bolsheviks to power. Then Captain Hill of British intelligence went over there to work with Dzerzhinsky and Lenin and Trotsky, all of whom were quite witting of what was going on. So British intelligence set up the famous Russian secret police with Dzerzhinsky, the Cheka.

"Since that time, we've seen the British operation with the Communists, as with the Trust operation of the early to middle 1920s; with the postwar efforts to get a condominium at Yalta with Stalin; then getting a nuclear condominium with Khrushchov, beginning about 1955, and then going through various ebbs; then the attempt to get the perestroika agreements with Gorbachov.

"All the way through, the British side and people who are tied to the British way of thinking in the United States, have always tried to push this kind of a condominium, with the idea that if the major superpowers, both manipulated by Britain, could come to some kind of a working agreement, this kind of condominium could be a way of running the world."

But, LaRouche cautioned, "the Russians so far have not indicated that they're going to do what the British want, to have a civil war with Ukraine or with Transcaucasus. China is very well aware that the British are planning a civil war in China, to occur shortly after the breakup of the Deng dynasty. But the Chinese say, 'We're not going to do that.'"

Rao's meeting with Clinton opens door to U.S.-India collaboration

by Ramtanu Maitra and Susan Maitra

Despite the best efforts of the U.S. State Department's India-baiters and some pro-British elements in the Indian political system over the last few months, Prime Minister Narasimha Rao's meeting with President Bill Clinton has helped to clear up at least part of the misunderstanding between the world's two largest democracies. However, the ferocity of the opposition prior to the meeting indicates that both Prime Minister Rao and President Clinton would do well to build upon the meeting quickly and use the relationship to counter the forces seeking violence and chaos.

The May 19 summit between the two leaders has been highlighted so far in the Indian media for what did *not* happen, and little emphasis has been given to the positive outcome of the meeting. It was a matter of great relief to some in India that President Clinton did not threaten India with economic sanctions for failure to sign the Nuclear Non-Proliferation Treaty (NPT) document. It was also noted in New Delhi that the President had little new to say on the complex Kashmir issue other than reiterating that it should be resolved by India and Pakistan bilaterally. There is also no indication that President Clinton said anything particularly specific, or disturbing, vis-à-vis India's missile technology development.

In fact, what did *not* happen was best described by Prime Minister Rao himself at the press conference addressed by the two heads of state following their meeting. When a newsman asked whether President Clinton had put any pressure on him on various issues over which there exists a distinct difference of point of view, Prime Minister Rao said, "My arm is absolutely intact. The President did not even touch it."

Rumor mills against the meeting

As soon as the formal invitation to Prime Minister Rao to visit Washington was extended by Deputy Secretary of State Strobe Talbott, a personal friend of President Clinton, the rumor mills in India and the United States began churning out "source reports" pointing toward a hostile confrontation between the two leaders. Every difference that exists between the two nations was highlighted and blown up. Opinion polls were conducted asking people what position Prime Minister Rao should take when President Clinton demands that India sign the Nuclear Non-Proliferation Treaty, dismantle the

space program, and when he takes a pro-Pakistan position on Kashmir. The media were bombarded with articles spreading fear that India is on the way to signing the NPT or facing economic sanctions. A number of legislators, influenced by the campaign by the pro-British elements within the Indian bureaucracy and political layers, demanded postponement of the meeting. It is evident that the months-long anti-Clinton campaign carried out by the British media under the tutelage of the Hollinger Corp. and geopoliticians of the British kind had recruited a number of influential officials and fellow-travelers along the way.

The first sign that active efforts were being made to sabotage the meeting surfaced in April around the time that Indian officials held a round of talks with their American counterparts, ostensibly on the nuclear proliferation issue in London. There were indications that some individuals in the Indian External Affairs Ministry were involved in leaking the "secrets" of the London talks, apparently to embarrass the Rao administration and plant the idea that Prime Minister Rao was in the process of making a deal with the Americans on the nuclear issue behind the population's back. Concerned Indian scientists rightly came out with statements that any compromise on the nuclear and space programs would be suicidal for India in the long run. In the External Affairs Ministry, where a "dog-eat-dog" situation has existed for years, the Joint Secretary ranking officer in charge of the American desk was divested of his responsibilities on April 12.

In addition, one intelligence-linked correspondent, writing for a major English news daily, had gone to the extent of saying that the leader of the Indian delegation at the London talks, N. Krishnan, former ambassador to the United Nations and a bureaucrat of high integrity, was picked by Prime Minister Rao himself with little input from the Ministry of External Affairs. It has also been said that Krishnan was picked because of the former U.N. ambassador's flexible attitude concerning the signing of the NPT, an accusation which is highly biased.

Blast from Washington

While the fissiparous forces in New Delhi were actively trying to sabotage the talks, they were ably backed by the

same crowd based in Washington. First, a debate raged about the outcome of the London talks. Unnamed officials in Washington claimed that India had earlier agreed to multilateral talks, as proposed by Secretary Talbott, to de-nuclearize the South Asian region, but that New Delhi had backed out during the London talks. New Delhi, of course, denied any agreement to the multilateral talks at any point in time.

If the NPT and missile programs were the main targets of the Clinton administration, media reports from Washington indicated that there are other weapons available to hurt India. When U.S. Trade Representative Mickey Kantor urged India to complete its legislative process for copyright protection and follow through with effective implementation, the line went out that the U.S. Super 301 trade law would be used by President Clinton to browbeat the Indian prime minister during the summit. Little attention was paid to the clause that India, in fact, had been given an additional two months before being nominated as a "priority foreign country" in violation of intellectual property rights.

The last attempt to step up the tension was created well after Prime Minister Rao had landed in the United States. The media splashed on their front pages the statement of Undersecretary of Defense for Policy and the designated U.S. Ambassador to New Delhi Frank Wisner, who testified before a Senate subcommittee that the Clinton administration has no intention of promoting India's candidacy for a permanent seat on the U.N. Security Council and, instead, Washington would promote the candidacy of Japan and Germany. The statement was put in the light of the Clinton administration's allegedly deliberate attempt to slight India while the Indian prime minister is in Washington.

The positive signs

Although the meeting between Prime Minister Rao and President Clinton will help to clear up a lot of mistrust, it apparently did not meet with approval from one and all. For instance, Prime Minister Rao's speech before the joint session of the U.S. Congress, where the Indian prime minister urged better U.S.-India relations, was blacked out by the American media. One Washington paper carried a 50-word item on page three, while others didn't even mention it. In the electronic media, while Cable News Network covered it, neither ABC, CBS, nor NBC covered this significant event.

The wire service report which the Washington paper carried also said that the State Department, in its annual report on human rights, had criticized India, but did not mention the fact that John Shattuck, the assistant secretary for human rights who prepared the report, had praised India's measures taken to improve human rights and called its record in this respect "inspiring."

While these gestures are indicative of the hostilities borne by the cold warriors and pro-British geopoliticians against better Indo-U.S. relations, it is worthwhile to note what Pres-

ident Clinton said in the joint press conference. There is no question that President Clinton has no intention of making an "India tilt," but, at the same time, he is certainly ready to put India-U.S. relations in the right perspective. He made this clear when he said that he had been disturbed by the apparent strain or limitation on the relationship between the United States and India as reported in the press "not only here but in your country. . . . We have a very great stake, it seems to me, at the end of the Cold War, in having not only a friendly relationship but also a constructive and an operating relationship."

For New Delhi, this is a message that cannot be ignored. Prime Minister Rao's trip to Washington and his meeting with Clinton will not bring India major "victories" in the areas of its differences with the United States, but it clearly indicated an opening to work together in a time of extreme difficulty and danger.

Around India, the region is heavily strained, to the point of breaking. Russia, a longtime friend of India, is in complete disarray, with its economy torn to bits but its nuclear arsenal still intact. Meanwhile, the anger of the famished Russians is becoming focused against the West, which has so far treated the new-found freedom of the Russians as an opportunity to degrade and bankrupt them.

Not far from the southwest of India, near the African land mass, a new nation has emerged in Gaza-Jericho following years of domination by Israel and manipulation by the forces tied intellectually to the colonial masters in London. It is an opportunity to stabilize the situation in that part of the world and defeat the colonial interests. It is also a responsibility that India acquires because of its long association and promotion of the Palestinian cause. A friendly Washington, a vital requirement, will help India to meet this responsibility.

A similar situation has also emerged in South Africa, where the Father of Modern India, Mahatma Gandhi, lit the light of individual freedom in every black citizen's mind in the early part of this century. Almost eight decades later, after many deaths and much suffering, the opportunity has finally arrived to build South Africa for one and all and use it as the beacon of hope for the rest of Africa—a continent which has suffered more than any other and deserves attention more than any other continent. India, too, has a responsibility handed over to it by Gandhi, and this responsibility cannot be denied.

These are some of the tasks lying before India and the rest of the world. If the two largest democracies, of which both Prime Minister Rao and President Clinton spoke eloquently, can initiate a process to carry out these major responsibilities, the geopolitical and colonial forces can be pushed back, however temporarily. On the other hand, if the Rao-Clinton summit cannot be converted into collaboration for the sake of a greater good, few positive results will come out of it and the real victors will be those who seem to have suffered a set-back at this point.

England against Europe

A rare glimpse into the systematic British policy of sabotaging continental Europe is provided by French psycho-sociologist Jean-Claude Charra.

The author of this two-part commentary has kindly given permission to EIR to reprint it in full translation. Part I appeared in the Paris daily Libération last Nov. 24, while Part II was printed on March 12 in another newspaper, France-Soir. While the author does not plumb the full depth of all the historical issues at stake, Charra's essays constitute a "call to arms" mobilizing the French people against the ignorance and negligence which are allowing the British sabotage to go forward. Some subheads have been added.

For a long time, history professors have taught their students that the constant policies of Great Britain over the course of centuries consisted of maintaining the "Continental Balance." Under this modest appellation, it really was a question of its making sure that no bloc on the continent could have preponderance and thereby offend it. This action could be translated a lot more clearly with the formula: "Divide the continent to rule it."

After the shocks which have disturbed the world in this 20th century—two world wars and the Soviet threat to destroy the planet—certain people might have thought that this policy is now "old hat." They would be wrong. Great Britain continues, through an effort which has never been interrupted, to attempt to impede all unification of Europe.

The same people perhaps will think that this is an unfounded assertion, or even spiteful. To disabuse them, we are going to review the events chronologically, limiting ourselves to the most striking ones.

The Soviet threat

First of all, when, faced with the Soviet troops that threatened to overrun our continent, Chancellor Adenauer, Prime Minister De Gasperi, Jean Monnet, and Robert Schuman, among others, began to work to construct Europe, England deliberately remained aloof. In the face of the danger coming from the East, it was hard for it to be too openly opposed, and especially since the Americans were very favorable to this project. But it attempted, for its part, to erect a competing bloc, EFTA, with the small nations that were not participating in the Germano-Italo-French undertaking.

Only as the years passed did [England] realize that the European edifice was slowly but surely advancing and that

to remain too long outside of it, it would risk losing its grip on events. Then it asked to enter the Common Market. To participate in its construction? No, of course not: to attempt to slow it down and, if possible, to cause the undertaking to fail. Is this another spiteful assertion? Let us continue simply to examine the facts, always as chronologically as possible.

'I want my money'

From the outset of its entry, it dragged its feet—let us recall Mrs. Thatcher: "I want my money"—when the financial contribution was asked. In itself, this may perhaps not mean much more than the lack of serious negotiations on the part of other Europeans and singularly of France.

More significant is the fact that it refused to participate in joint enterprises, such as the Airbus when it started. Only when it realized that success was well under way, did it ask to take part in building this family of aircraft. But after Britain joined the consortium, British Airways always refused to buy Airbuses, continuing to purchase from the United States.

A similar analysis could be made for the Ariane rocket, in which it only had a token participation, a lot weaker than Belgium's.

Then there is the case of Westland, the British helicopter manufacturer, which was no longer able to assure its future on its own. Everyone remembers that the British defense minister proposed an alliance with the Europeans, but the Supreme Power took drastic action in the direction of the Centuries-Old Policy of that country, and Westland was sold to the Americans. Ever since, Great Britain has purchased its military helicopters from them.

This affair is very indicative of England's standing preference: especially not to reinforce Europe's industry and military, but to undercut it at every opportunity by allying with the competition, the Americans in this case, the Japanese when it comes to cars.

Policy and diplomacy

However, up to this point, we have looked at events only from the industrial angle. Now let us look at, the more generally political and diplomatic level.

Here, we can dissect what one could call a masterpiece: the agricultural negotiations in the GATT [General Agree-



France's Charles de Gaulle (right) and Germany's Konrad Adenauer. Britain's postwar relationship toward continental Europe has been to play the most divisive role possible, especially targeting any Franco-German alliance.

ment on Tariffs and Trade] framework. Let us briefly review the development of the matter.

In the second half of 1992, this problem came up, as if by accident, in the GATT talks. By accident? Evidently not. The Americans, who set the pace and the agenda of the negotiations, knew that Great Britain was chairing the [European] Community at the time and that they could count on its cooperation, especially since it was the British who were negotiating in the name of the Brussels Commission. Hence, an intense "forcing" [in English in original] for everything to be locked up during the British chairmanship: so much so that at Blair House [in Washington, where the GATT talks were conducted], since the compromise had not been drafted in time, the English, instead of entrusting this task to the country which would be taking up the Community chairmanship on Jan. 1, 1993, decided to give it into the care of the Americans.

It does not make us any more forgiving when we learn that at that point the negotiations were coming up against this or that word, against a comma or other points which may have appeared less important to someone who was not previously briefed.

Wedge between France and Germany

But how did this behavior affect Europe?

First of all, it weakened France in several areas. Since France was one of the main pillars of constructing Europe, to weaken it is that much more of a plus for England. If we export fewer farm products and import more, that will have a very harmful and lasting influence on our balance of payments, which is amputated every year by several billion francs.

But this is not all: It is a cause of division for the Europeans. Since our country represents 52% of the agriculture of the Twelve, that means that for our neighbors it involves a more or less marginal sector of their economy. But by flashing at them, thanks to GATT, a dazzling future in the other sectors of the economy, one can only incite them to desert the interests of French farmers.

Even more serious than this aspect, Great Britain is attempting to drive a "wedge" into the good French-German understanding upon which the future of Europe rests. If the maneuver has apparently failed so far, the shock has been rude, and the English can hope that other blows will enable them to carry it off. Moreover, the intense pressure to complete the negotiations on Dec. 15 has no other objective than that of embarrassing the Germans, who are going to be holding elections soon, and of trying to force them to line up on the Anglo-American position.

The International Monetary Fund and World Bank's recent coming to the rescue can only make one smile when the preponderant influence of the Anglo-Americans in these two organizations is recognized, but it also indicates to what an extent all forces are engaged in this battle to try to break Europe.

Attack on the culture front

This time, isn't this all? Not yet—England also invests long-term and attacks insidiously on all fronts, including the cultural one.

If the American Ted Turner had a warm welcome in this country for his project to invade Europe with American

cultural products, it is because the more the Europeans are "Americanized," the less they will be motivated to defend their national and European identities. And the more they will be passive before even further British attempts at destabilizing Europe.

But now we just have to examine what could be the crowning of this policy, a little like the cherry on top of the cake: the anti-French policy conducted by the English as a last resort, to drive the French out of the European undertaking. Let us cite a few facts there too.

When the French company Aérospatiale negotiated the buyout of a Canadian aeronautical firm, Mr. Brittan intervened to keep the operation from being finalized because that would overshadow British Aerospace. On another occasion, the same Englishman prevented the buyout of TAT [a British airline] by Air France, leaving practically no other way out except its acquisition by British Airways. In both cases, France is penalized and a British firm picks up the pieces.

Finally, let us cite one last fact: the move of Hoover, an American subsidiary, from France to Scotland. By itself the affair would have been minor if—by means of the huge media echo which, among other things, was given to the statements of the British government which, far from calming the waters, deliberately threw fat on the fire—it had not taken on a symbolic value in the eyes of the French which, added to all the other affairs which we have just brought up, leads them to say to themselves that Europe is decidedly playing against their interests and that we should get out as fast as possible. That was what had to be produced in the 1992 referendum [when French voters turned down the treaty establishing the European Union].

If that had been carried out, what a marvelous victory it would have been for the Centuries-Old Policy of Great Britain! Without it having been apparently reponsible, Europe would fall to pieces, and it would have been France's fault.

Europe must be built! Yes—but to what end?

The first project was that of the "Six of Little Europe" who wanted to constitute a structured outfit having friendly relations with the United States on the level of strict equality in all domains: political, economic, diplomatic, and finally, military.

Then, England's concept was added, which sees Europe as a "loose outfit," structured as little as possible on the political and military level, open to all winds on the economic level and encompassing a larger area within which, to use a simile familiar to the English, the United States would have to play the role of captain and Great Britain would be first mate, while France, Italy, and Spain would be the sailors. As for Germany, it could play the role of quartermaster.

Quite obviously, this way of seeing things is no longer European, but Atlantic, and in this case, Europe would remain definitively an American protectorate. Nonetheless, it

is toward this "Atlantic whole" which we are going at top speed, spurred on actively by England—hiding the whip!—after the entry of that country into the Common Market.

Where is Britain taking us?

Having gotten to this point, some are going to ask: But how does England manage to take Europe in this direction?

That's a good question. Thank you for asking me.

To start with, it can profit from its six-month turn as chairman of the Community, which comes to it once every 12 semesters. We saw the effects with the unspeakable "Blair House Accord" [of GATT] in 1992; but it is too episodic a situation to be sufficient.

In fact, the permanent tool at the disposal of the United Kingdom is simply the Brussels [European] Commission, which it uses in two ways:

- First, in a suicidal step, the Europeans having entrusted an Englishman with defending their interests abroad in general and with the Americans in particular, it profits fully from this capability. Thus, Mr. Brittan, who no longer even hides his complicity with the United States, was able to declare on worldwide television last year: "I am against the cultural exclusion." As Mrs. Thatcher, who has no words too harsh for the Community technocrats, would have said: "But what mandate, elective or otherwise, did Mr. Brittan receive anyway, which allows him to make such a statement beside the American negotiator?"

- Next, everything shows, that in purely European affairs, the British have succeeded in pulling off a "soft takeover" on the Commission. Let us see some examples: In the field of electricity, England seems to be the only one interested in Third-Party Network Access (ATR) [arrangements by which private electricity companies pay for access to the French public energy distribution networks to supply customers]. Despite the lack of enthusiasm from other Europeans for this measure, the Commission continues relentlessly to seek the means to impose it on other countries. The same for natural gas. The present efforts would lead to the disintegration of Gaz de France.

In reality, through these and other measures, *it seeks to deprive the French government of all ability to control what takes place on its territory*. It seems to have already attained this for air traffic, since, if this decision is not overturned, France will have lost all control in this domain in 1997. Now, let us stop for an instant at this example and look at a map of Europe: France is at the center, and it is obvious that everyone has an interest in crossing our country, not just by airplane, without seeking the permission of the French government.

By contrast, Great Britain is at the edge of Europe, and the French can go in any direction and avoid passing over England. France therefore has a considerable trump there, and what does it do with it? Nothing. It gives it free to the United Kingdom, whereas it could negotiate for it in a tough exchange for irreversible advances in other areas.

Perhaps you might say that the European Treaties provide for a liberalization of trade. Sure, but first they did not foresee a simultaneous opening to the outside world, which could be produced with the GATT accords, which are very pernicious for Europe in several domains.

Next, they called for simultaneous political, social, and defense construction. Now, on these last points, Great Britain “slams on the brakes” when it does not purely and simply block any improvement, as in the social aspects of a policy.

Raise the alarm

It is fine to realize this, but what should be done?

The most important thing is to inform the citizens of what is happening because, in a democracy, as long as they do not know, it is vain to hope that the situation will improve. And there, we run up against a block: Among the layer of politicians and the trade unions as well as among the media, *there exists a taboo which forbids publicly talking of the behavior of England in Europe*. If we can overcome this difficulty, the means for “turning the rudder around” will appear completely naturally. We can already expect some solutions:

- First of all, as long as an English Commissioner is defending European interests abroad, no improvement can be obtained.

- Next, the Council of the Community must vigorously take in hand the work of the Commission and France must exercise its veto as often as necessary: on the studies on the ATR and the dismantling of Gaz de France, the opening of the French airspace to English companies, among others, which does not prevent accords with the Germans, the Italians, and the Spaniards. All this, as well as the buildup of Europe’s social, political, and defense structures, will not yield very meaningful concrete results, which will require decades.

The military aspect

As for the military aspect of the construction of Europe, we have spoken very little of this up to this point. In this domain, there exists the Western European Union, whose headquarters is in London and which, theoretically, should serve as the framework for the constitution of a purely European defense. In fact, the British use the WEU as a means of preventing it. One example will suffice to illustrate this assertion:

In November 1992, one could read in the press: “France, Italy, and Spain propose to create a European navy air arm.” Admiral Lanxade, who provided this information, added that Great Britain would not have any objection to this project *on the condition that this force would not be permanent*.

What is a non-permanent force except a force which does not exist? Moreover, if we recall the hostile reactions at the time of the Franco-German brigade, it is useless to continue—the issue is clear: The only Europe acceptable by the English must be disorganized and entirely subject to the Anglo-American leadership on the military, economic, social, and hence political levels!

Uproar in France over Bosnia policy

by Katharine Kanter

Seen from a higher standpoint, the appearance of a new electoral movement in France, “Alliance Sarajevo,” founded by the Jewish writer Bernard Henry-Lévy, may turn out to be a true political turning-point. This is the first time since the death of Charles de Gaulle in 1970 where an issue of foreign policy other than some jingoistic hobby horse—an issue of strategic import to the world as a whole—has taken center stage of the public debate in France. The platform of Alliance Sarajevo rejects partition, upholds the territorial unity of Bosnia, and calls for lifting the arms embargo and executing all U.N. resolutions on Bosnia, i.e., enforcing air strikes.

The French population is being swept up in a wave of concern with the affairs of state, a thing potentially as threatening to the ruling elite as the mass political ferment created by Marshal Blücher’s military reforms under the Wars of Liberation against Napoleon. So the question is not at all whether one likes or admires Henry-Lévy, Mr. Herzog, Mr. Julliard, or the gaggle of elegant denizens of Parisian café society they have attracted, nor whether Henry-Lévy’s crony Michel Rocard may have his political hand strengthened in the upcoming presidential elections.

What is happening—and this has not escaped the frightened attention of French President François Mitterrand and his friends in London—is that the French population has broken out into revolt against a policy which they believe to be not only unprincipled, but a threat to the survival of the nation. This, at a point in time when the economic policies of Mitterrand, dictated by Anglo-Saxon financial interests, have led to over 6 million unemployed and squalid misery in the cities of a kind not seen in France since the early 19th century. In a country where the man in the street takes a personal interest in history (news kiosks on every corner stock dozens of popular historical periodicals), there has been readily drawn the parallel between Mitterrand’s alignment on London, and the Great War of 1914-18 in which over a million Frenchmen were immolated to serve British policy on what the British fondly call “The Continent.” This, we have ascertained in hundreds of conversations on the streets during leaflet distributions, where the word on everyone’s lips is: “Mitterrand is leading us down the path to world war.”

The Anglophile Mitterrand is definitely not amused by Henry-Lévy's move which, though he refers to it as a caper, has unleashed a frenzy of hostility throughout the French elite, regardless of political color. On May 26, Claude Cheysson, the former foreign minister, on national radio, was foaming at the mouth at the shame and irresponsibility of it all, that it must be a Frenchman breaking the European-wide consensus that Bosnia must die, and so forth. The day before, Mitterrand himself, making public his own privy remarks to the French cabinet meeting, said that the film *Bosna* is "shameful"; as for attacks on himself, the President personally, "Why do they have to criticize *me* for the policy? The Europeans will in any case do everything to prevent the arms embargo on Bosnia from being lifted "or it will be *total war*. But, *happily*, we are not yet at that stage."

The whole of British strategy in continental Europe rests upon France remaining tightly inside the straitjacket of the Entente Cordiale, Franco-British alliance which led to World War I and has been revived at each point in this century the British oligarchy decided to lead the world into war. To what grotesque lengths this has gone is shown by a recent incident, when the French government actually had David Lord Owen act as its spokesman in the Première Urgence affair. On April 8, some 11 Frenchmen from a relief agency called Première Urgence were kidnapped in Bosnia, their entire convoy, truck, and cargo included, stolen by the Serbians, who announced the men would be tried for "weapons trafficking." Première Urgence had enraged the Serbians by refusing to pay the medieval fines levied for the privilege of passing through Serbian-occupied territory. Owen told the press that he had received "assurances" from a Karadzic intermediary "in whom I have absolute confidence" that the Frenchmen would be freed, "in order not to spoil the atmosphere of the Geneva talks."

Shortly thereafter, on May 18, Mr. Mitterrand's squeaky-clean government caused to be paid to the Bosnian Serbs a *ransom of 250,000 new francs*, ostensibly to buy the hostages' freedom. So here we have a world power, France, with nuclear weapons, a permanent member of the U.N. Security Council, paying *ransom money* to a bunch of gangsters and rapists! Throughout the entire scandalous affair, the French government did everything to legitimize the idea that the self-declared "Serbian Republic of Bosnia" in fact exists, by sending an unending stream of French diplomats—including, unbelievably, the French ambassador to Sarajevo and Jean-Christian Ruffin from the cabinet of the defense minister—to visit the Serbian ruffians in their hideouts.

A well-informed French journalist, Patrick Sabatier, writing in the Paris daily *Libération*, mooted that the little game at the expense of the boys from Première Urgence was a show put on to allow Mitterrand, once they were freed, to run forward and call for lifting trade sanctions against Serbia. Sabatier added that the palaver over whether

or not France shall withdraw its U.N. contingent, was part of the deal with Milosevic, the United States being the target. Bosnian sources have indicated that the threats from French Prime Minister Edouard Balladur and Foreign Minister Alain Juppé in that direction are most likely coordinated with London, and are intended to leave British troops in top-down control of the terrain; in British military circles, it is now spoken of an "indefinite" presence of their men in Bosnia.

The Turkish and Pakistani Unprofor "peacekeeping" troops about to arrive in Bosnia will be placed under British command; most of the present Unprofor battalions, including the Malaysian, are now under the British. Gen. Sir Michael Rose is of course Unprofor Commander for Bosnia, and Brigadier Ridgway Commander for South-Western Bosnia; a Frenchman, Gen. Bertrand de Lapresle, who has, at least on paper, overall command for "ex-Yugoslavia," is about to be withdrawn and replaced by another Englishman.

In British eyes, this has become all the more necessary to ensure the "right" military outcome, because of the recent series of reversals for Serbia on Bosnian fields: At virtually each occasion, Serbia has been drawn into infantry battles.

In a tone offensive in the extreme—amazing how these Vichyites take to aping their British idols, and what a pity that the French language does not allow for class differentiation by accent!—a high-ranking French officer told *Libération* late in May that the French ministers' "threats" to withdraw their troops from Bosnia, were "a clear signal aimed at both Sarajevo and Washington. If the United States wants to arm the Muslims and encourage them to wage war, let them go the whole hog! Let them declare war on Serbia!" said the officer. A senior diplomat added: "Let's see whether the United States really accepts the Geneva plan, in other words, whether they can make it plain to the Bosnians that they should not count on any help to relaunch the war."

These French statements reflect, down to the last jot and tittle, the present British policy, and if they can ram it through, they will bring down the entire structure of international law, in recognizing the change of international borders by armed might. On May 21, Foreign Office Minister Douglas Hogg told the Bosnians to "recognize military defeat when it stares them in the face. They have got to accept that the military option has to be abandoned, that land has been seized by force, and there is going to have to be a degree of acquiescence in that." And General Rose chimed in on May 25: "The Muslims [sic] have no hope of regaining territory lost to the Serbians; to continue fighting is pointless."

Back in the United States, the battle rages on in the Congress and Senate over the arms embargo. On May 12, the Congress, at the initiative of Rep. Frank McCloskey (D-Ind.) had narrowly voted to lift the embargo. This went to vote in the Senate on May 25, in the form of a binding resolution; but foolishly, the U.S. administration intervened



A rally of Bosnians in Copenhagen, Denmark in April 1994 with the banner, "Give us weapons and we will defend NATO and the U.N." In France, a political movement has been launched to back that demand, and it is making President François Mitterrand (inset) mighty uncomfortable.

and had the vote put off till June 9, since President Clinton had given a speech to the U.S. Naval Academy about the need for "consensus" among the allies over Bosnia. In the interval, the administration perhaps expects that the Geneva talks will resume and that the Bosnians will sign partition, thus "solving" the problem—until, perhaps, the upcoming pan-Balkan war?

What consensus Clinton can hope from "stable" allies such as Mitterrand is a fraught point. Mitterrand has already been President of France for 13 awful years, and he cannot run for reelection in 1995. All around him, his political friends and acolytes rush to commit suicide or be suicided, the latest we know of being François de Grossouvre, who had the indelicacy to blow his brains out inside the Elysée Palace. Someone, in any case, is in a tearing hurry to sweep up before the new crowd pushes its way into those cobwebby recesses and archives. And one thing is certain: Bleak as things may look at present, the policy of the Entente Cordiale with England is on the outs. Out, too, will go Mitterrand's coalition partners, such as his "Gaullist" Foreign Minister Alain Juppé, author of a book entitled aptly enough, *Venice, the Temptress*.

As a British source commented to us, the mid-May talks between Yeltsin and Kohl over infrastructure for Russia cannot leave anyone with any brains in France indifferent; they are, he said, the death knoll for the Entente Cordiale.

Mitterrand's alliance with England has brought French industry and business nothing except growing chaos in Russia and a string of new colonial wars over pie-in-the-sky, namely who will get their hands on the raw materials once all the Africans have been killed off. In contrast, an alliance between France and Germany to develop Russia would solve, at a stroke, France's problems of creating a market for her heavy industry for several decades.

Which all goes to show, that what is bad for the Entente Cordiale, is good for the world. On Sunday, May 22, Bosnian President Izetbegovic landed in Paris for a 24-hour visit, ostensibly to attend M. Henry-Lévy's film *Bosna*, but in fact to endorse the Alliance Sarajevo electoral list. President Mitterrand, otherwise so addicted to an afternoon stroll, found time to denounce M. Henry-Lévy as a "war-monger," but had not a minute to meet with the Bosnian President.

Although one would not normally describe Izetbegovic as witty, back in Sarajevo he had just referred to the new "contact group" set up by England, France, Russia, and the United States to blackmail the Bosnians to sign onto partition, as a dog-and-pony show. "Who are these travelers," he asked, "wandering in without a clear mandate and with nothing special to say?" In Paris on Sunday, May 23, surrounded by hundreds of Bosnians at the film viewing, he made a short speech demanding that the West stop intervening in Bosnia, but simply lift the arms embargo.

Whom the gods would destroy . . .

In a paranoid fit, scandal-ridden Cuauhtémoc Cárdenas is blaming all his troubles on Lyndon LaRouche.

In a desperate attempt to divert attention from accusations made against him by Terry Reed and John Cummings in the book *Compromised: Clinton, Bush and the CIA*, Revolutionary Democratic Party presidential candidate Cuauhtémoc Cárdenas has accused U.S. Democratic presidential precandidate Lyndon LaRouche of being behind Reed and Cummings. The authors charge that Cárdenas was on the CIA payroll and collaborated in setting up a weapons factory for the Nicaraguan Contras.

This is the first time that Cárdenas himself has directly attacked LaRouche. For the past year, his henchmen have constantly attacked the American statesman, accusing him of being associated with the Mexican government in order to "discredit" Cárdenas.

In an interview in the May 23 *Proceso* magazine, Cárdenas announced that "we are consulting on the LaRouche people's publication of this, which implicates me in matters regarding weapons . . . one of that group's many fantasies. We'll see whether we go ahead with a lawsuit. If we decide to go ahead, we'll file." LaRouche's reply, published May 25 in *Reforma* newspaper, was unequivocal: "This is such an absurd statement that the only comment it deserves is, 'whom the gods would destroy they first make mad.'"

This characterization of Cárdenas during the recent period couldn't be more accurate. His star is waning. Although he has denied Reed and Cummings's revelations, the truth is that

he is becoming more deeply enmired in scandal every day. And the only person to emerge in his defense has been Felix Rodriguez (a.k.a. Max Gomez), the central figure in the Iran-Contra connection in Mexico mentioned in *Compromised*.

CIA man Rodriguez/Gomez, known even before the publication of *Compromised* as an agent of George Bush and Oliver North, is named by Reed as the man who introduced him to Cárdenas shortly after the latter had left the governorship of Michoacán state. Cárdenas was then a member of the ruling PRI party. The meeting was to discuss the setting up of a weapons factory in that state to supply the Contras. Reed asserts that Gomez told him at that time that Cárdenas "is in our pocket, don't forget that. I am personally paying him a lot of Agency money to make this project work. Don't pay any attention to what he does in today's meeting. He's ours."

On May 19, *El Universal's* Washington correspondent, José Carreño, reported that "a veteran former U.S.-Cuban agent of the Central Intelligence Agency has become . . . an involuntary defender of . . . Cárdenas by rejecting statements in the book published here in March." Carreño, who interviewed Rodriguez, said that the latter, "famous for participating in the persecution and death of Argentine guerrilla 'Che' Guevara in Bolivia, said that Terry Reed and John Cummings were 'liars.'" However, Carreño then reported statements by Louis Wolff, editor of *Covert Action* magazine, "better known for its expo-

sés of U.S. intelligence covert activities," who gave assurances that "Reed is reliable."

Reforma also published statements by Marivilla Carrasco, president of the Ibero-American Solidarity Movement, in which she charges that "British intelligence backs the armed uprising in Chiapas," and that the so-called Zapatista National Liberation Army is "an instrument of this international apparatus, headed in Mexico by Samuel Ruiz, Manuel Camacho Solís, and Cuauhtémoc Cárdenas, who have used it as a spearhead for destabilization."

Novedades columnist Juan Ruiz Healy also revealed in his "A Fondo" column on May 20 that "Cuauhtémoc Cárdenas last year traveled to a town very near Havana to participate in a ceremony with a very well known Cuban Santería priest." Some of Cárdenas's friends in the narco-terrorist São Paulo Forum, such as Fidel Castro and the Dominican Republic's ex-presidential candidate Francisco Peña Gómez, as well as the recently jailed Carlos Andrés Pérez of Venezuela, are all practitioners of Santería, according to several sources.

Perhaps this is why Healy dubbed the affair "Voodooagate," and emphasized that "Santería is far more than just a simple pagan rite which opposes the faith of Christian believers; it implies a network of connections and commitments which are not totally clear."

All these scandals hit Cárdenas after he bombed out in the country's first televised presidential debate on May 12. In the debate, it became clear that Cárdenas embraces the same International Monetary Fund economic program as his two opponents. As a result, his image as an "opposition" candidate was largely erased. Since the debate, he has dropped to third place in the polls.

Colombia legalizes drugs

Colombia's New Age Constitution is premised on the "pain and pleasure" principle, instead of natural law.

Despite the recent polls which say that 85% of the Colombian people absolutely rejects drug legalization, the Constitutional Court legalized personal possession of marijuana, hashish, heroin, cocaine, and any other drug one might imagine. The court is a creation of the Constituent Assembly convoked by President César Gaviria in 1991.

Thus, the Constitutional Court, by a vote of 5-4, imposed what the country's leading drug traffickers—from the jailed Carlos Lehder to the late Pablo Escobar—have long sought, only this time without having to bother with presenting a bill to Congress that would have triggered a heated debate and most likely a backlash within the population.

The court's argument in legalizing drug possession could not be more absurd. The five magistrates argued in their majority finding that the national drug law which punished drug possession and consumption "goes against Article 16 of the Constitution," according to which "every person has the right to self-development, without any more limits than those imposed by the rights of others and the legal order." To these magistrates, then, drug consumption is part and parcel of "self-development."

The Benthamite criteria of these magistrates demand that drug consumption not be penalized because "it is a behavior which in itself only concerns the one who observes it." That is, there is no higher principle guiding the human being than the primary instincts of pleasure and pain. If society becomes inundated with drug addicts

incapable of rational thought or decision-making, it is the problem of the individual and not of the state.

This is not the first time that the Constitutional Court has dictatorially imposed norms, supplanting the role of the Executive and Legislature. In 1993, the court ordered a teacher returned to her job after the families in the traditional Catholic town in which she taught had forced the school to fire her for teaching pornography to their children, disguised as "sex education."

Further, the court had ordered the Education Ministry to make a sex-education curriculum mandatory in all Colombian schools. That curriculum, one of the most pornographic on the Ibero-American continent, is officially premised on the concept that sexual pleasure is "the inalienable right" of the infant, the youth, the elderly, and so on.

In the drug legalization case, the origin of the court ruling was a request for court protection on the part of an individual of Indian origin named Alexandre Sochandamandou, who claims to be the leading philosopher in Colombia of the "New Age" and who runs a center of "metaphysics" in the capital city of Bogotá. Sochandamandou presented a suit for court protection of his right to freely consume his drug, and the judges, the majority of whom also belong to the New Age current, did not hesitate to accept that guardianship, without concerning themselves with the opinion of 35 million Colombians, the majority of whom are *not* drug addicts.

Two days after the court ruling,

thousands upon thousands of Colombians spontaneously gathered in front of the Constitutional Court to protest its decision, forcing President Gaviria and the leading contenders in the May 29 presidential elections to denounce the ruling and to announce plans for a plebiscite that could facilitate its revocation.

Former presidential candidate Carlos Lemos Simmonds commented in a May 10 newspaper column that the court ruling "was no accident, but the consequence of a pernicious evolution from earlier on. Since 1990, when the state began to conduct a dialogue with the drug traffickers and turned into their interlocutor, the country has pursued a slow but steady process of concessions in which the traffickers and their clients always come out on top."

According to press reports, prisoners being held on drug possession charges are already being released from jail in many parts of the country, and drug abusers are walking up to policemen and taunting them by blowing marijuana smoke in their faces. Social workers report that consumption especially of *bazuco* (highly addictive cocaine base) among children and adolescents has soared in recent weeks, and that pressure for legalizing the drug trade is building again as a result.

While the vast majority of Colombians reject the legalization ruling, and the Catholic Church among other institutions has denounced it, there is a prevailing sense of impotence toward it, because it is a court decision against which there appears to be no legal remedy. The fact is that the entire Constitution from which the ruling draws its "legitimacy" was imposed through an illegally convoked Constituent Assembly, and as such should be thrown out and replaced by a code premised on God's own natural law.

International Intelligence

Russian patriarch calls for summit in Sarajevo

In a report-back meeting about Russian Orthodox Patriarch Aleksii II's trip to Serbia, Montenegro, and Bulgaria at the end of May, Metropolitan Kirill announced that Aleksii had called for a meeting of the world leaders of the Orthodox Church, the Catholic Church, and Islam on the territory of the former Yugoslavia, perhaps in Sarajevo.

Said Kirill, "The conflict in Bosnia and Hercegovina, which involves Orthodox Christians, Catholics, and Muslims, is a bloody conflict. It is not simply an ideological discord or intellectual confrontation, or incorrect theological dispute, but a war. And although that war is not religious, and religious motives should not be used to heat up passions, in fact, the front line passes, as it were, along the divides between faiths. The circumstances may have most dangerous implications for relationships between Orthodox Christians, Catholics, and Muslims all over the world."

Brits lured Argentina into Malvinas war

Peter Jay, the former British ambassador to the United States, revealed in a commentary published in the London *Times* on May 26 that a senior British Foreign Office official advised Argentina in 1979 to try to take back the Malvinas Islands (which the British refer to as the Falklands), thereby giving Britain a pretext for going to war against Argentina.

Diplomatic editor Michael Binyon writes that the official in question, who Jay says acted "without authority," was George Hall, who is now deceased.

The Jay revelations come in a review of a new book, *Mandarin*, the diaries of former British ambassador to the United States Sir Nicholas Henderson. Jay, who knows he is violating regulations about "confidentiality," asserts that "the time has come for greater openness." He gives the following account of his dialogue with "a senior Foreign Office man," whom he does not name:

"Jay: What is your mission?

"FO official: I am going to Buenos Aires to tell the Argentinians to do something about the Falklands.

"Jay: Like what?

"FO: Like seizing them.

"Jay: I beg your pardon?

"FO: You know, take them over.

"Jay: Do you have Ministers' authority to tell them that?

"FO: Don't be daft. Ministers are politicians. All hot air and no action. They will never spend the money to make the Falklands an economic proposition, nor to defend them militarily. We, the professionals, have to provide the only possible solution."

Thuringian ministry libels Civil Rights party

Anno Hellenbroich, deputy chairman of the Civil Rights Movement-Solidarity, held a press conference in Erfurt, in the German state of Thuringia, on May 19, calling upon the interior minister of the state to correct a scandalous public statement issued by his ministry about the party. The Civil Rights Movement is headed by Helga Zepp-LaRouche, a candidate for chancellor in the fall elections.

Interior Ministry sources had been quoted in press reports, saying that the Federal Office of Constitutional Protection (Bundesverfassungsschutz) was investigating the Civil Rights Movement, along with various "right-wing extremist parties." Such inflammatory statements, said Hellenbroich, could only lead voters to the manifestly false conclusion that the Civil Rights Movement is such a party. So far, he said, no adequate official explanation has been given; it is still unknown whether such investigations have been or still are under way.

Thuringian newspapers had earlier quoted a local parliamentarian saying that it was a scandal that the Civil Rights Movement was allowed to run in the elections, since it was "on the extreme right fringe."

Hellenbroich pointed out that prominent representatives of the American civil rights movement of Dr. Martin Luther King are members of the advisory board of the Civil

Rights Movement, showing how absurd it is to call the party "right-wing extremist." This line has been spread for years against the international associates of Lyndon and Helga LaRouche, by journalists linked to the Stasi (former East German secret police) and the Anti-Defamation League of B'nai B'rith, he said.

LaRouche interviewed in Italian magazine

"Wall Street Against Nations" is the headline of a two-page interview with Lyndon LaRouche in the weekly *L'Italia* the week of May 16. "Out of the jail where George Bush kept him for five years, the 71-year-old LaRouche has again become a factor in American politics," the magazine wrote. "LaRouche smiles when we ask him how he could, in a short time, turn from a political prisoner into the adviser to the prince. 'Today it is clear to many that the choices made by governments in the past years are wrong, while those I indicated have turned out to be systematically correct. But let us not forget that I am free only on parole.'"

The magazine reported that LaRouche's priority is his fight for full exoneration, "along with a scientific project: the completion of nonlinear mathematical instruments to measure economic development."

LaRouche, according to *L'Italia*, "does not avoid the issues and does not speak 'politically.' He himself says that he uses ideas 'like boxers use their fists.' Sometimes, especially on economic issues, the discussion becomes complex, difficult. One may not agree with everything he says, and some of his theses make you perplexed, but if you are used to the American parliamentary fauna, you are at least struck by LaRouche's unusual depth of thinking. For LaRouche, politics is 'living history' and the present is 'at least the span of four generations,' the historical memory of the leading class of people of his age today."

Asked to comment on the Italian situation, LaRouche said, in the magazine's paraphrase, that "what is taking place in Italy can be compared to living theater. Each party is given a characteristic role in the

play, and in order to have the character respect his or her role, you have to create a situation in which he or she will react predictably. The various characters will always react in the same manner toward each other. The director just puts on stage a couple of actors whom he controls, who will provoke the others' reaction."

Beijing pressures Taipei on islands

The People's Republic of China has sent in naval vessels and stepped up threats over the Spratly Islands in order to pressure Taiwan, Richard Grant, director of the Asia-Pacific Program at the Royal Institute of International Affairs (RIIA) in London, told *EIR* on May 16.

"They fear that Taiwan is slipping from their grasp," he said, "that the window is closing on reunification with Taiwan because of the generational changes occurring in Taiwan. So a lot of this military motion may be more directed toward Taipei, rather than toward Southeast Asia. . . . There are fewer and fewer Taiwanese who were born on the Mainland; they identify with Taiwan. This is causing greater demands for independence" on the part of Taiwan.

Beijing, he said, is flexing military muscle as "theater," to pressure Taiwan into a "peaceful" compliance with reunification, modeled on the Hongkong "One Country-Two Systems" program. "The Chinese manner of negotiating is always to take the extreme line, to scream and yell, and then you negotiate," said the British analyst.

Rutskoy announces drive to remove Yeltsin

Former Russian Vice President Aleksandr Rutskoy has publicly committed himself to removing President Boris Yeltsin from power and restoring a Russian state "within the boundaries of the Soviet Union," according to Reuters on May 22.

At a party congress which met May 21-22, Rutskoy argued that his Social Demo-

cratic People's Party should become the basis for a mass patriotic opposition movement, and urged party leaders to push for presidential elections earlier than the scheduled 1996 date. At the end of May, Rutskoy's and other opposition groups were scheduled to hold a joint conference to devise a strategy for removing Yeltsin.

"The restoration of Great Russia to the boundaries of the Soviet Union will be the main aim of the patriotic movement," Rutskoy said in his speech.

On May 21, leaders of 20 communist groupings from around the former Soviet Union also gathered near Moscow to discuss joint actions aimed at reviving the old Soviet Union, according to Reuters.

Japan debates extension of NPT

Former Japanese Defense Minister Taku Yamasaki, now a member of the Diet from the opposition Liberal Democratic Party (LDP), questioned the wisdom of an unlimited extension of the Nuclear Non-Proliferation Treaty "in light of North Korean developments," in a floor speech on May 20.

The NPT commits signatories to ensuring that nuclear weapons are not developed in countries other than the five "official" U.N. nuclear powers, the United States, Russia, China, France, and Britain. The treaty runs out in 1995.

Yamasaki said that if North Korea were proved to be making nuclear weapons, and if this were to encourage nuclear proliferation elsewhere, Japan would need a "card" to put down on the negotiating table.

Japan's new foreign minister, Koji Kakizawa, hastened to say that Japan would stick by the NPT. He told a TV debate on May 22 that "there have been suspicions raised over whether Japan might arm itself with nuclear weapons in order to counter the North Korean threat, and suspicions over Japan's role in the region. To clear ourselves from such suspicions in Europe and the United States, we must make clear that we will continue to support an unlimited extension of NPT."

Briefly

● **THE BOSNIAN EMBASSY** in London reports that the imminent withdrawal of French troops from Bosnia will lead to top-down British control of Unprofor. Turkish and Pakistani troops will be put under British command, as the Malaysians are already.

● **BRITAIN'S** Prince Charles flew back to London on May 19 after completing the first official visit to Russia by British royalty in a century. His press secretary said that Queen Elizabeth had formally accepted an invitation from President Boris Yeltsin to visit Russia, possibly this fall. She would be the first reigning British monarch ever to visit Russia.

● **SAUDI DIPLOMAT** Mohammed al-Khilewi, the first secretary at the United Nations mission, has penned an open letter blaming the Saudi monarchy for the country's "collapse," the London *Guardian* reported on May 24. He warned that unless a just system were established, "the plans of others could be realized and public disturbances occur in the interior." Al-Khilewi has gone into hiding.

● **GIULIO ANDREOTTI**, the former Italian prime minister, was indicted by prosecutors in Palermo, Sicily on May 13, after 14 months of official investigations. Andreotti is charged with "criminal association," which is the Italian equivalent of the U.S. racketeering law. His trial is expected to start in a few months.

● **POPE JOHN PAUL II** said on May 14 that he was praying for the unity of Italy. "Here, it is a matter not only of ethnic unity," he said, "but, first of all, of cultural unity, of the unity of language, of tradition, which has gathered into itself many elements of the ancient Mediterranean world. This unity, which comes from manifoldness, is like a reflection of that unity of the church in which the Holy Spirit acts."

British cultural warfare is to blame for Africa's crisis

by Lyndon H. LaRouche, Jr.

At the end of April, Lyndon LaRouche and his wife, Helga Zepp-LaRouche, visited Moscow for six days at the invitation of Russian scientists. Mr. LaRouche gave the following speech on April 27 at the Institute of Africa of the Russian Academy of Sciences. Subheads have been added.

We have been directly involved—my wife, I, our friends—in the question of Africa in particular for, now, about 20 years. This has occurred as a part of our concern with the developing sector as a total, in totality.

Of course, my experience with the developing sector and concern there personally, go back to the last part of the recent Great War, during part of which I served in India and Burma, and participated, with that opportunity, in more than one way in the struggle for freedom of India during part of 1946.

As you all know, when you come from a European country for the first time as a young person, and you see the great injustice which exists in the so-called developing sector, it is a great shock. It was my reaction then, which I was later able to substantiate with scientific evidence, that, coming out of one great war, unless we arranged justice for the so-called developing nations, the possibility of a third great war globally, was likely.

As you know, the worst case for injustice on the planet is sub-Saharan Africa, so that, although we have been concerned with the relationship between the northern and southern part of the planet as our primary global view of problems, the problem of Africa stands out as the cruelest demonstration both of human misery and of the indifference—and worse—of leading forces in the northern part of the planet.

I recall that our first study of Africa occurred as a scientific study in 1973, when, from the standpoint of economic science and epidemiology, we examined the effect of policies

of the post-1971 period on the world, if they were extended. It was our conviction then, in a report we published first at the beginning of 1974, that unless these policies were changed, the trend which had been established from 1971 through 1973 under the International Monetary Fund and other institutions, would mean a global spread of epidemic disease which would probably be manifest in a global outbreak of new cholera epidemics, probably beginning in the Sahara region in the first half to middle of the 1980s.

We also believed that, under these conditions, because of the changes in population density, these conditions of malnutrition, suppression of immune systems through hunger, filth, diseases and so forth, would probably lead to the emergence of new pandemic and epidemic pestilences—diseases—throughout the planet.

While the emergence of what is called AIDS is probably (there is every indication of this) the result of an accident which occurred sometime in the 1950s, the fact remains that the spread of this disease coincides with other conditions of suppression of the immune systems of human beings.

We see now the spread of this disease in Africa, where we see 30%, 40%, or more of the population infected in various parts of Africa. We see what we feared was the emergence of the same infection in Southeast Asia, which would be a focal point for the spread of such pandemics throughout the planet. These were our views in the early 1980s on the AIDS problem, so-called; and these seem to be confirmed today—inside the United States and Europe, but especially in Africa and Asia.

An evil policy

What this manifests, as I shall say strongly, but I think you in your experience will agree, is that while the problems



Lyndon LaRouche (center) and his wife, Schiller Institute founder Helga Zepp-LaRouche, emerge from a meeting at the Institute of Africa of the Russian Academy of Sciences in Moscow.

of Africa, especially sub-Saharan Africa, are manifold in nature, the primary feature of this, from the standpoint of policy, is that the worst expression of evil in the policymaking of nations is found demonstrated in sub-Saharan Africa.

The worst aspects of this are two. One, our consistent enemy through all this process has been the International Monetary Fund. Every attempt to do something positive for Africa is stopped by the International Monetary Fund. Any African government that moves to try to improve the condition of its people and its future, will be overthrown or its leaders perhaps murdered by the friends of the International Monetary Fund. We saw this in 1976 out of the Sri Lanka, Colombo conference of the Non-Aligned Nations—as some of you, I'm sure, recall, because as senior experts, you were active then, as I was.

At the Colombo Conference, the majority of nations agreed to the question of development, which came under a joint resolution for a just new world economic order. Most of the delegates to that conference agreed. They agreed to submit that to the United Nations General Assembly meeting a month later.

Only *one representative* of one of the governments of the developing nations actually presented that view to the United Nations a month later: my late friend Dr. Fred Wills, who was at the time the foreign minister of Guyana, who was a famous specialist in the affairs of Africa through his diplomatic and legal and other operations.

Every other government of the Non-Aligned nations

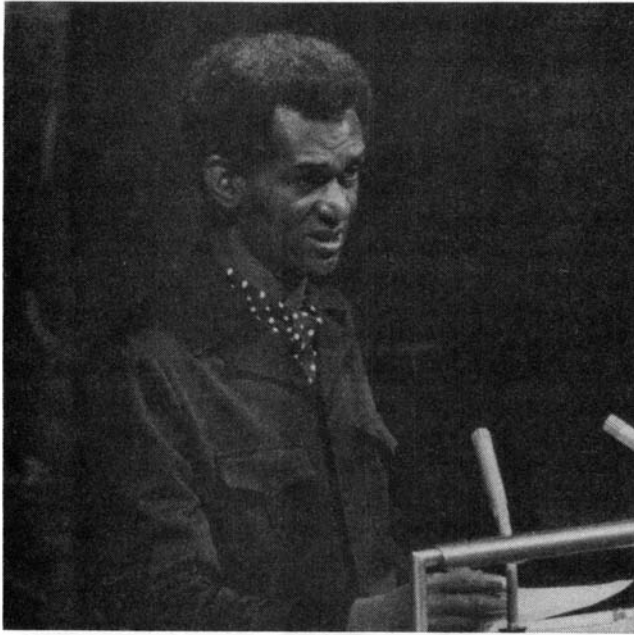
which had agreed to present the Colombo resolution at the United Nations capitulated. And every government which sponsored that resolution as a host of the conference, was soon overthrown. Mrs. Bandanaraike's government was immediately overthrown. Mrs. Gandhi's government was overthrown within a short period of time; Prime Minister Bhutto of Pakistan was overthrown soon, and murdered on orders of Anglo-American circles, including personally Henry Kissinger, secretary of state of the United States.

In 1983, we had a conference in Delhi of the Non-Aligned, which dealt with the same matters. Mrs. Gandhi the following year was murdered; our mutual enemies did it. It was not some poor Indian, hired or enraged into doing it; the people who were the authors of the assassination were in British intelligence and their U.S. collaborators.

Since you are specialists, I need not give the number of cases in Africa of governments which have either been overthrown by coups organized by metropolitan forces, shall we say, or through known intelligence agencies which organized wars between countries to ruin those. An example is the case of the war in the Horn of Africa, which was organized by Henry Kissinger in 1975 as a part of a general plan which had been adopted by British intelligence and adopted by Kissinger's friends in Washington.

The basis for economic program

On the other side, it is our view that the economic problems of Africa are soluble in the sense that an improvement



The late Fred Wills, former foreign minister of Guyana, addressing the United Nations General Assembly in 1976, called for implementation of the Colombo resolution on a new just economic order.

could be begun physically, which could be a sustaining improvement.

We see simple things. I did a study with my friends in the mid-1970s on the development of the northern part of Africa. I did a study later on behalf of the government of Nigeria and other countries—they asked me if I would do something, I did it—in looking at the Lagos Plan of Action, which was just an assembly of fine-sounding words; there was no substance to it, of course.

But as an economist, I took a look at the concrete problems of particularly the sub-Saharan region. Some of my collaborators went to Nigeria, and we had friends, of course, from the African community, who assisted us in determining certain facts.

We looked essentially at the fundamental infrastructural problems. For example, Africa has no east-west railroad, though one had been planned from Dakar to Djibouti in the 1870s, which was stopped by the British in 1898 with the Fashoda incident. Even though there's water there, the lack of development of water management is crucial. The Nile system, up to Lake Victoria, is such that, very easily, a global East African system from the Nile down into Tanzania, through a water cooperation project among the participating nations, could be developed.

The southern part of Sudan, in which the Church of England, with support of some Americans, has fostered a continuing war, is an area which could be the breadbasket for most of Black Africa.

And so on; you know the problems as a group better than

I do. The simple lack of potable water in a well for a village; rudimentary logistical problems in rural areas; simple logistical approaches to reverse the spoilage of food. The most rudimentary kinds of obvious infrastructural improvements would make a revolution in the conditions of life of the Africans.

For us, living in countries which have high capital intensity because we're already somewhat developed, the costs of making significant changes may appear to be greater. But when you deal with poor countries, where people are on the very margin of existence of life, a very slight improvement in sanitary and logistical conditions can be vital for the process of moving upward.

British malthusianism is the problem

There is no excuse for what we see in Africa. If the responsible leading nations of the world wished to reverse this, it could be easily done. The obvious thing is that it does not occur because these nations do not wish it to occur. The reason can be summed up in one word: Malthus. The best exposition of that, to understand the British and other thinking on this, is that the same people, who are the Malthus people, who put Hitler into power in Germany—from Britain and the United States, not from Germany—are the same people who are behind the Cairo Conference proposed by the U.N. for September of this year.

You can read this, for example, in the 1920s and later in the writings of Bertrand Russell, who, in speaking of the problems of industrial civilization, is very frank. He says that if the populations of the black, brown, and yellow peoples of the Earth do not reduce themselves, we shall have to use, says Russell, "methods which are disgusting"; and Africa is an exposition of a *policy commitment* by these malthusians, who see Africa as the weakest point in the attempt to defend humanity against these kinds of policies.

Although I was able to uncover the fact that Henry Kissinger is a British foreign intelligence service agent—not really an American—the fact remains that my fight with Kissinger (and with Kissinger's friends) over the period from 1974 into even the present centers around a document which has been recently declassified. It's called National Security Study Memorandum 200, from 1974, which postulates the thinking of Hitler's eugenics people as the policy of the United States.

One of the last documents of the Carter administration was called "Global 2000," which laid down as formal U.S. policy the policy of Bertrand Russell and Henry Kissinger's National Security Study Memorandum 200.

In conclusion, while we must deal with the cultural and other problems, into which one must have insight in dealing with Africa, one would look at the very elementary problems from which we start, the simple, practical economic problems, then look at the attitude of leading governments as I have indicated over a period of more than 20 years now, in

my direct experience.

What you see as a problem is not the problems *within* the country, though there are many problems within the countries. What you see primarily is a savage, brutal, inhuman attitude run by political ideologues who have too much power in the world. Problems of the type that the Schiller Institute deals with, that my wife and I have dealt with for years, the kind of work that you do here, nonetheless can be useful and even indispensable in making people aware that Africa is not a hopeless case. The problem of Africa lies outside Africa.

What you are able to do, as we are, in a sense, able to do, is to demonstrate that there are practical solutions if there were the political determination to assist those solutions.

Questions and answers

Q: Mr. LaRouche, it would be interesting to hear your view of the first report of the Club of Rome, the *Limits to Growth*.

LaRouche: It's a complete, unscientific fraud, which was later admitted to be a fraud by the authors, Meadows and Forrester.

Let me say this on the whole proposition: The origin of modern malthusian policies is little understood, though the writing is very plain, as some of you, as historians, may know.

The first record, apart from the practices of Moloch in Canaan, of what we call modern malthusian policies, like all of the policies of the British radicals since 1759, come directly from the writings of a certain famous Venetian writer of the 18th century, Giammaria Ortes, whom you will find referenced, say, in Karl Marx's Volume I of *Capital*. Ortes's books were the basis for the writings—almost plagiarisms, almost direct copies—by Adam Smith. All the writings of Adam Smith come from Giammaria Ortes. The entire philosophy and system of Jeremy Bentham, who is the father of modern British intelligence, come entirely, directly, explicitly from Ortes.

Not only do the entire writings of Malthus on population come directly from a book by Ortes, but there's an important feature of the modern malthusian of today, who cites Ortes directly—not Malthus—on so-called "carrying capacity," which is very crucial in Africa.

Some people consider me eccentric for saying this, but it is historical and scientific fact: The British Empire, which was actually conceived and founded in this period of the late 18th century, following Britain's defeat of France in 1763, where Britain set out to become a world maritime power—the entire body of ideas which is known by historians as British 19th-century radical philosophy, can be traced entirely to one man whose writings were the bible for the British circles of that period: Giammaria Ortes.

And so, when we're dealing with free trade; when we're dealing with comparative advantage; when we're dealing

with British ideas of democracy; when we're dealing with savage, malthusian mass murder; when we're dealing with Hitler's eugenics philosophy, which he got from the British—these ideas all have a common root in a conception of man identified popularly with Bentham's works on morals and legislation, and so forth, which all have a common root in the writings of Ortes. So this man is actually historically more significant; what we're dealing with, is what the British call a *mindset*.

It's the same with the policies which you face in Russia today, which were introduced in 1989 and 1990 by George Bush under the direction of Margaret Thatcher.

Those of you who are specialists in these developing countries and their recent history should recognize that what's being applied to Russia today, is exactly what has been done clearly to Latin America, so-called, over the recent period—a policy which you see in its ugliest possible features in the recent history of sub-Saharan Africa. And the name of science is prostituted to justify a rotten political ideology.

Q: Please say how you see the process of modernization in Africa. There are discussions on this theme, which alternate with actual events. The governments of Africa, for example, attempt to institute programs of education, but those come into conflict with the traditional forces in Africa itself, with traditional African culture; they come into conflict with what one might call the African mentality, meaning the social-psychological type of a person brought up in a traditional community, with relationships whereby a person counts on the support of his relatives and family; and this circumstance lowers human productivity and reduces to impulse to carry out productive activity.

To what extent does this heritage of African culture hinder the development of modern technological progress, which would further the development of the African continent?

LaRouche: The problem here takes a different form, but it's the same problem. First of all, if we look at the question of culture in the largest framework and look at the real history of Africa, which is a history of the recurring influence of slavery back to the time that Africa or Ethiopia was a colony of the so-called Harrappan culture, we find two things.

First of all, as scientists, we have to recognize that the human species is not an animal. This becomes clear when we compare hominid behavior with that of the higher primates.

According to a very evil fellow called Solly Zuckerman, and others, the baboons of Africa are very smart. When you look also at the recent British studies of the chimpanzees, they also seem to be very intelligent omnivores. But if you look at it from the standpoint of *physical economy*, and you say that if mankind were comparable in its characteristics to an animal, at no time in the past 3 million years could the human population of this planet have exceeded, say, 10 million persons. Into the period of the Roman Empire, and up to

about the 14th century, mankind had increased to a maximum population level of several hundred millions. In the past 600 years, mankind's power over nature per capita, has increased *more than in all human existence before that time*.

These things occurred as a result, obviously—in some cases we have the history, we can trace it—of certain changes in cultural values. What this forces us to do, is to choose between *what is truly human* and what is an accidental or passing phase of being human.

I would suggest, that when we look at man as a creature which is capable *willfully* of increasing its power over nature, that this defines the human being as a *creative species* unlike any other species that exists; which means, if I can have a healthy black child from any part of Africa, if that child is nurtured properly and educated, that child can become a genius. And therefore, the first thing I see is the individual.

The second thing: We know that, despite the experiments done by the Bolsheviks here, you cannot have healthy emotional development without the nurture of a loving family. We know that the individual is fragile, the family is fragile. Therefore the right to have a society in which the individual participates as a sovereign individual, is essential to the individual. We know also, from our personal experience (in my case personally, I can say it goes back to a great-great-grandfather who was born in 1809, the same year as Lincoln, who was a rather leading abolitionist in the United States during his time) that the extended family is a very important part of the individual family culture.

So I think, in dealing with the variable effects of technological change upon culture, it is important to sort out what is essentially constant, because we are human beings, from those things which are variable. . . .

We have other empires. Remember that in the 18th century, Lord Shelburne, the Second Earl of Shelburne, and Adam Smith told Edward Gibbon to write a book about the decline and fall of the Roman Empire.

The British imperialists, through such institutions as the London Institute of Race Relations today, and Britain's junior imperialists, who speak French, present us in Africa with, on the one side, what was called black nationalism and anthropology British-style; and in Francophone Africa, with *négritude*, which is somewhat different; one is ethnology, the other is anthropology.

When you deal with Africa, you come up with a very systematic British intelligence operation through anthropologists and through the British churches—missionaries—who used the African telegraph system, along the pathways among the villages, to spread these fears of tribal rivalry which could lead to war; it's a psychological warfare manipulation.

I think it's important to understand this, because this is what I run up against constantly in Africa.

How do you create a world empire?

First you go in with muskets and battleships. But you

don't intend to rule with bayonets forever. So the first thing you do is kill off all the nationalists. You kill off the people who think independently, and you promote the lackeys. You tell the people that western culture is no good for them.

I refer you to a book which I think is fairly famous in Russia, Jonathan Swift's *Gulliver's Travels*. In the last story, Jonathan describes the state of England under the liberals in the early 18th century, the travel to the land of the Houyhnhnms, in which this island is ruled by horses—I think, the rear ends of horses, but nonetheless, that's what rules the country, in which the human-looking creatures behave like baboons incapable of speech.

What they do to the African, as they do, for example, in their black operations in the United States or elsewhere, is say: "No, you don't want to think. That's bad for you. It's bad for women to think. Women should *feel*, not think." They will say: "You're Africans. You're not Europeans. You don't use *cognitive thinking*, you use emotional-associative thinking." They say: "Evil Europeans are coming in here and trying to teach you to think *cognitively*, while you want to *feel* and think emotionally."

That's what British "black nationalism" is and that's what French *négritude* is. But the intent is to reduce the people to a people who are content to be self-subjugated.

Q: I would like to ask you several things about this unusual presentation. For me it was a big revelation to know that Henry Kissinger is a British intelligence agent. Until now, I hadn't known about this. If you have some proofs, I would like to have them. It was also new for me, that the Somalia-Ethiopia war was initiated by Henry Kissinger. As far as I know (I was in Somalia) there were internal problems which led to this war, especially on the Somalian side. If you would like to comment, I would be very glad. And my last question is: Are you *sure* that Indira Gandhi was killed because of the situation in the world economy, and not because of internal strife with the Sikhs? Should we consider always *post hoc ergo propter hoc*? Sometimes, that something occurs after something else, does not mean that it occurs because of it. Could you comment?

LaRouche: First of all, Henry Kissinger was taken into a British intelligence unit in the early 1950s. It was called the Wilton Park Unit, it was maintained at Harvard.

Q: Pardon me, I should know about this, since I participated in Wilton Park also.

LaRouche: Many people did.

Q: I had not known that I was a British intelligence agent.

LaRouche: Kissinger was bounced out of there. Kissinger had been in U.S. intelligence at the end of the war, after the war. He started as a jeep driver in Oberammergau in 1945. Then, as a result of the recommendations of certain people in the U.S. Army intelligence/counterintelligence unit, par-

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ticularly Gen. Julius Klein, who was head of the unit, he was recommended to the unit under Elliott. He replaced Zbigniew Brzezinski. Brzezinski was dumped from the unit to make room for Henry Kissinger. Brzezinski then went to a Harriman payroll on Russian Studies, mostly centered on Harriman's unit at Columbia University.

Kissinger was then graduated, after a stint there. He wrote a scandalous book for which Harvard refused to give him a doctorate at first. Tremendous pressure was put on. They took the manuscript and sort of tore it in half and published half of it, rewritten, under pressure. It was a scandal. It was rewritten later as *A World Restored*. It was published in a cleaned-up form later, his praise of Metternich in that particular book.

He was then sent to London Tavistock Institute for training in psychological warfare. He was then assigned back to New York to work under George Franklin at the New York Council on Foreign Relations. His particular personal sponsor became McGeorge Bundy, who was then a young man. He worked actually with John Deane, who wrote a book for which Henry Kissinger was given credit.

The significance was that, as you may recall, in 1955, there was a conference. Four people from here attended that conference in London, Bertrand Russell's World Parliamentarians Conference, which was a signal of friendship to Bertrand Russell, who had not been exactly a Soviet favorite during the preceding Stalin period.

The result was a negotiation of the doctrine which Russell had publicly enunciated in 1946 in the *Bulletin of the Atomic Scientists*, proposing a condominium arrangement with the Soviet Union on the basis of nuclear blackmail from the western powers while they still had the nuclear exclusiveness.

As the result of the great Russian scientist V.I. Vernadsky, Russia had nuclear weapons by the end of the 1940s, which spoiled Mr. Russell's plans. So once Stalin was dead, once the new Soviet regime was consolidated, the door was open to renegotiating this offer; and Khrushchov sending the four representatives to speak in his name at Russell's conference in London in 1955 was the beginning of that negotiation. As a result of that, there was a great furor on the U.S. side, in which the British side was pressing the United States to accept this kind of arrangement. The New York Council on Foreign Relations was used as a forum in order

to try to establish this kind of negotiation. And Kissinger was assigned as a British intelligence intern to that work.

In order to qualify Kissinger for this, they had him claim the authorship of a book written by John Deane called *Nuclear Weapons and U.S. Foreign Policy*. The actual policy was elaborated, on the U.S. and British side, by Leo Szilard, who was one of the famous Hungarian group of scientists who went through Britain to the United States to work on the atom project. The policy was laid down in 1958 at the second Quebec conference of the Pugwash Conference.

There were certain conflicts about that at the time on the Russian side, as well as on the western side. Kennedy was not entirely for the policy either, later, though Robert McNamara was, as was McGeorge Bundy; and Bundy had an assistant who was in the National Security Council as a contract employee: Henry Kissinger, his protégé.

Kennedy ordered McGeorge Bundy to fire Kissinger. So Kissinger had a nervous breakdown of sorts at that time, divorced his wife, stopped being Jewish, gave up his Jewish Orthodox views, had a very active, strange sex life, went back to Harvard, in part, and began working actively on Pugwash Conference negotiations, and other negotiations of that type.

In 1968, the Rockefeller people put pressure on Nixon to accept Kissinger in the Hotel Pierre transition, as a national security expert; and Kissinger essentially gained more and more power through British intelligence operations, including the so-called Black September incident in the Middle East, which eliminated the former secretary of state (who had been a Rockefeller man also). Kissinger replaced him eventually, and took over the Nixon administration from the inside.

The essential thing that Kissinger was assigned to do, was to destroy the U.S. intelligence services from the inside, which he did, and to negotiate with Moscow and Beijing new agreements, which is what he did. Once those agreements were reached, the people in the United States decided they had had enough of Richard Nixon.

Then, in 1982, Kissinger went to London, to a series of meetings sponsored by Chatham House. At that meeting, Kissinger was given a new company called Kissinger Associates, set up for him by Lord Carrington. And he made a famous speech, in which he professed to have been an agent of the British Foreign Office during all the time he had been

national security council adviser and secretary of state of the United States. He stated that he had often made Africa policy, in particular, on orders from the British Foreign Office, while not informing his President of what he was doing in Africa. This is particularly the Rhodesia case.

You'll recall that during the middle of the 1970s, there was a point in the Somalia business where there was a switch in relationships, in the superpower sponsorship of Ethiopia and Somalia. Kissinger was the one who orchestrated that switch in relationships between Somalia and Ethiopia. The reason Kissinger gave, was to start a war.

The policy was called the Bernard Lewis Plan. Bernard Lewis, of course, was a fellow who was assigned to Glubb Pasha in the British Arab Bureau. Lewis comes from Oxford. He's now at Princeton, has been there for some time. He's been in the United States for most of the time since the early 1970s.

We covered the policy in a number of books, including the question of the Khomeini case, the way that British intelligence orchestrated its agent, Khomeini, into power in Iran, because the Anglo circles were not too happy with the idea of the Shah establishing Iran, using its oil revenues, as a second Japan in the Middle East. They didn't want that to happen at all.

One has to understand, of course, that this whole thing goes from the old British India Office, which used to cover from India and South Asia through the Middle East, into Turkey, and down into Egypt and the Horn of Africa.

The destabilization of this whole region was called the Bernard Lewis Plan. It was later called the Arc of Crisis by Brzezinski, which Brzezinski sometimes referred to, as did President Carter publicly, as "the Islamic fundamentalism card."

You refer to the instabilities in this region, in the Horn of Africa, in Ethiopia, and so forth, the Eritrea case, all of these things; these were pre-existing. In my observations, the method by which a country is destabilized, or was, is using pre-existing problems to create bloody conflict. Instead of trying to prevent the conflict, you accelerate it.

The case of Indira Gandhi: The Khalistan movement was a project which involved some Americans, including the Anti-Defamation League of B'nai B'rith, and a certain Morton Rosenthal; but also primarily Nicholas Bethel's crowd in British intelligence. The assassination of Mrs. Gandhi is what is called in the intelligence parlance a *derivative assassination*, in which two or three powers create an area of conflict in a separate entity, which is co-sponsored and does the assassination.

I was in India in 1982 and 1983, and I talked with some of the highest-level people in India about these problems that were developing, including circles close to Mrs. Gandhi. We were well aware of what the problem was.

The sponsorship of this was complex, the involvements were complex; but if you look at Nicholas Bethel and what

he represents in London, you have your finger on the center of the problem.

Q: I also found myself not fully convinced of the correctness of some of the examples. Let me simply list two or three facts that prompted doubt. I don't care so much about Kissinger and that side of things. But what was of interest to me, is your accusations against the IMF, which came down to saying that any African government that objects to IMF conditions is overthrown.

I'll just give you one example: Tanzania, which, rather successfully over a long period of time, resisted the demands of the IMF. As you know, there was no coup there, although I must say this may be the only known example of where there were open, organized demonstrations in Dar-es-Salaam against the IMF.

That's the first note. The second has to do with Malthus. If I am not mistaken, you cited draft policies in the United States, intended to apply eugenics in Africa and other countries. Then the question arises: Can it really be the case that *American* blacks don't represent more of a problem for the ruling circles than would the Negroes in Africa?

And my third observation has to do with the behavior of the missionaries in Africa. I think that you know Lord Hailey's *African Survey* as an encyclopedic summary of African life. He, I believe very convincingly, documented the policy of assimilation carried out by the French Empire—assimilation in the sense that they transformed the black elite into Frenchmen. The same sort of policy was implemented in the Portuguese-held territories. It may be that this was *less* characteristic of the English colonies.

Therefore, your examples intending to show that the West wanted to prove that the Africans are incapable of assimilating western civilization, are unconvincing.

LaRouche: No, no, no. Not to *prove*, but to *establish*. There's a difference.

Of course, your observations on the Portuguese and the French, as distinct from the more nakedly racist British approach, are quite correct. You will also find, of course, that you have civilized Americans and uncivilized, and you will get a differentiation in attitudes toward Africa.

I can also assure you, from my wife's and my own and our associates' deep involvement in the civil rights movement in the United States today, you will find, from George Bush and his friends, who are part of the hard-core malthusians, racism in the United States which is comparable (maybe not as extreme in practice but comparable in attitude) to what you see in Africa.

For example, let me identify one case. Take the former head of the FBI, J. Edgar Hoover. J. Edgar Hoover, apart from his other peculiarities as head of the political police force, was very close to organized crime, personally. That's interesting for a person who heads the FBI. But also, he was the president of an affiliate of the Ku Klux Klan at George

Washington University.

The FBI leaders who were leading officials under J. Edgar Hoover, were often drawn from the ranks of the same members of the Kappa Alpha Society, which is the collegiate complement to the Ku Klux Klan in the United States.

The United States is divided between people who are very much for civil rights, whether from an understanding attitude or simply out of sincere regard for human beings. You could say that the two factions which were involved in the Civil War in our country, are still in conflict today.

But the essential thing is not the racism. Racism is a specific evil which is not necessarily associated with malthusianism. But the *policy* here, the malthusian policy, is a policy either racist or not-racist in its formal expression. The imposition of IMF conditionalities by itself would assure mass death, it doesn't take any more to do that; just like oppressive austerity here in Russia, increases the death rate. It's calculable.

So apart from the use of economics as a weapon of malthusian policy, which is the most savage and vicious of the forms you'll find, the French *négritude* has usually been considered a more sophisticated method of rule, like the Portuguese method, which is more assimilationist. In the Francophone African country, up until recently (there were recent changes), the leader would often feel that he was in principle a citizen of France, treated as an equal.

The characteristic here is not a racist attitude; the characteristic is simply *self-subjugation*, to accept certain conditions as being natural.

For example, take the case of Kwame Nkrumah, who was undoubtedly a very amiable person. Or take any number of my African friends, who were leaders in one degree or another of their own country, part of their countries' African elite. You're talking to a friend. You suddenly have the impression that this friend has been living in a goldfish bowl, and you are emptying him into a tank, and he swims in circles.

What these fellows do, by going to a London university, or the London School of Economics, is they come back filled up to here with the idea that the British were the masters, and now they are going to be British masters in their own country; and they impose upon their own people Adam Smith or something like that, and British cultural assumptions.

This is the way you build an empire, the way the Romans tried to build the empire, the way the British have tried to imitate the Romans. They're no longer an empire in a flag sense, but British ideology is imperial today, even in my own country, to a large degree.

Q: And in your view, they're no longer Africans?

LaRouche: The point is, the question of the ability to use one's own mind to come to a scientific conclusion, as opposed to having ideas imposed upon you which will destroy you, and believing those ideas are good for you. That's the

best way to keep someone in subjugation: a self-subjugated slave. We are fairly familiar with that in the United States. I know many people in the United States are self-subjugated slaves of some crazy ideology which has no scientific merit.

Q: While reading your textbook [*So, You Wish to Learn All About Economics?*], I found that one of the founders of the theory which you share, Mr. Leibniz, proposed certain divisions among different disciplines, which can be traced to future analysis; as far as the humanities are concerned, he recommended that they be kept separate.

LaRouche: Not Leibniz. I would say that this came into German teaching of Leibniz when Germany became corrupted, and of course they started to rewrite their own history. This idea was introduced by Kant in his famous *Critiques*, which are attacks on Leibniz. It was revived in Germany in the 1840s on, particularly around Hegel and Savigny, who were the two big enemies of physical science at the University of Berlin. A Professor Bierman, who I understand is retired, who was, in the G.D.R. [communist East Germany] one of the leading Berlin university professors, produced for us once the documentation showing that the Prussian police knew that Hegel was always an agent of Metternich. A very embarrassing part of the story.

But these people introduced what was called in German a division between *Naturwissenschaft* and *Geisteswissenschaft*, the idea that natural science and politics, art, so forth, should have no relation. These people in Germany were called the Romantics at that time. The idea that art is irrational, as opposed to Classicists such as Bach or Haydn or Mozart or Beethoven or Brahms, who were anti-Romantic; they were Classicists. They believed there was a knowable, understandable principle from a musical standpoint, which would lie at the root.

For example, in 1780, Haydn composed six quartets (the so-called Russian Quartets), of which the first, which is number three, introduced in the first movement a new principle of composition, as Haydn himself called it. A friend of mine, Norbert Brainin, who used to be the first violinist of the famous Amadeus Quartet, called this *Motivführung*, which can be more generically called a principle of thorough composition according to principle. The highest expression of this principle in the Classics, is in the Beethoven late quartets, which are all on a very rigorous application of this principle of thorough composition first discovered by Haydn, then amplified by Mozart, immediately.

The late work of Brahms (he died in 1897), is also thoroughly the same Classical principle. I would say the Classical movement is thoroughly equivalent to Leibniz's view, as to Cusa's view, and so forth.

The human being is one. The distinction I mentioned earlier, just to be as brief as possible, is the creative principle that man can willfully increase man's power over the universe as no animal can, by creativity.

LaRouche defines policy role after his Moscow visit

by Nora Hamerman

Lyndon LaRouche, until recently a political prisoner of the George Bush administration, and now an Academician in one of Russia's leading scientific academies, the Universal Ecological Academy, addressed a seminar convened near Washington, D.C. on May 26 to report back on his recent trip to Moscow.

Exactly one month had passed since LaRouche, accompanied by his wife Helga Zepp-LaRouche, had spent six days in Moscow in late April. Now he gave, to a group of diplomats, press, candidates, and other guests at a Virginia hotel just across the Potomac from the nation's capital, a report spanning two major elements: the points he had stressed to the policymakers and scientists who had invited him to Moscow, and his assessments of the Russian situation.

LaRouche, the founder of *EIR*, which sponsored the meeting, observed that his strategic evaluation, while provisional, is "of interest to a number of other countries besides people in the United States, Germany, and Russia." Indeed, the audience included diplomats from Nigeria, Kazakhstan, Bolivia, Malaysia, Sudan, and Kenya, as well as media reporters from Moscow and Beijing, and the conference was simultaneously translated into Spanish for guests from Venezuela, Argentina, and Mexico.

Before LaRouche was introduced by Mel Klenetsky, he had distributed copies of a memorandum on "The Meaning of the Term Physical-Economy." "It's a term that tends to confuse people," LaRouche said, and the memo serves the purpose of a "glossary" which will help clear up the confusion. As it turned out, several questions pivoted on LaRouche's assertion that the monetary and financial system is about to "break apart," and he gave a detailed description, based on the method of physical-economy, of how derivatives speculation is destroying it.

Background to the visit

"Since particularly the events of mid-1991, a number of my associates had been in the former Soviet Union, then Russia, as well as in Ukraine," LaRouche recounted. "And in these countries in eastern Europe, they found that I was well known, which is not entirely surprising."

"From the spring of 1983 into beyond 1987, the official Soviet press had damned me frequently and prominently in a way which is incomparable in modern history, at least post-war history. So I was very well known in Moscow, and I was known in Moscow as the author of the Strategic Defense Initiative," he explained, because President Reagan had adopted the beam-defense policy LaRouche had been presenting in background talks with the Soviets.

"My wife subsequently made trips to Russia; and, in the course of these things, some people in Russia became very interested in my writings, and publishing them in Russian." Then LaRouche's 1984 introductory textbook in applied physical economy was translated into Russian, and prior to publication, some of this was circulated in Russia as well as in Ukraine. "A number of people became very interested in what we had to say, especially this Prof. Pobisk Georgevich Kuznetsov, who's a very famous figure in Russian postwar history," said LaRouche.

On April 28, at the LaRouches' last event in Moscow, Kuznetsov joined LaRouche for a seminar before a group of his science project. It turned out that in 1975 a group within the Soviet government had undertaken a secret research project in physical economy, which had to be protected both from the Marxist theoreticians and the theoretical physicists. LaRouche recounted, "He said, 'We read your book. We found that many of the things we thought were our secrets are reflected in your book. Will you please tell us how you

found out about these things?’ ”

LaRouche said he emphasized to the Russians “that we know all about the collapse of the Soviet economy, the East bloc system, which they knew I had forecast back in 1983. But I said, ‘Have no doubt that the present global financial and monetary system is not only going to collapse, but is going to go into an absolute breakdown collapse, *unless* (which is very unlikely) various governments, including the U.S. government, were to put the present monetary system into bankruptcy. That would stop the collapse, and nothing else will stop it.’ ” He concluded: “Therefore intelligent governments will consider nothing serious, except to make preparations for this collapse and to organize quickly a recovery of a new financial system and a new monetary order the instant the collapse occurs.”

What we must do

“You have to put the system under bankruptcy under law, by the action of sovereign nation-state governments and by concerted action among such sovereign nation-states. . . . And that includes putting into bankruptcy the U.S. financial institutions, which means the New York banks. It means putting them all into bankruptcy reorganization under federal government supervision.” The Federal Reserve System will have to be taken over by the U.S. government, and made into a national bank along the lines indicated by Treasury Secretary Alexander Hamilton, and the U.S. government will have to create currency under Article I of the U.S. Constitution. “We are going to break up the private central banking system of the world, and go back to what was called once the American System of Political Economy,” LaRouche said.

“So the job now is to define first of all agreement on those measures and secondly, to define the economic policy measures which will be taken to get the economies moving instantly.” The basic need is for basic economic infrastructure: railroads, water systems, power systems.

The alternative is genocidal chaos, he warned: the Kampuchea of Pol Pot, the disintegration in the Balkans, Somalia, Rwanda—all under U.N. Blue Helmet supervision.

The Russians, LaRouche reported, have experienced the collapse of the Comecon system and are about to witness the collapse of what they call the capitalist system. “The question is, to look at the process of transformation, and to learn from a process of *change* what kind of a change we wish to make.”

Russia’s only significant economic asset lies in the science-driven military and aerospace industries, he said. In Russia, “if someone went into military service and if they were bright they ended up in the military sector as their future career,” while “the civilian economy was made up of people who did not want to accept technological progress.” Yet, “the Russian system did not effectively move technology from where it was being generated in the scientific-military-aerospace sector, into the rest of the economy. The other problem, of course, was that the Russians didn’t believe in infrastruc-

ture—Stalin always believed that if he built a railroad system, the Germans would use it to overrun the country.”

He shared his insight, “that to become a scientist in Russia, you probably started as a political dissident. . . . Therefore, a whole section of the Russian scientists is a key part, not only because of their scientific capabilities, but because they represent *potentially* the core of a very valuable political component of the future of Russian society.” Thus, “It is the vital interest of the United States, that the Russian military-industrial sector be preserved, not demobilized, not torn down, not be turned into pots and pans.”

Eurasian rail development

“After I had left Russia, President Boris Yeltsin visited Germany for a meeting with Chancellor Helmut Kohl,” LaRouche said. “Yeltsin proposed that the German government, which is now to lead the European Union, take over a proposal to build high-speed rails from Berlin to Moscow and proposed that this be seen as part of a system connecting to Paris to Moscow and beyond, through Warsaw.” Meanwhile, from Russia, a news release “announced the intention to run the rail lines from Moscow to Tokyo, which means to Vladivostok. In the same period, we received a communication from a Chinese ministry in response to an *EIR* inquiry on the Silk Road railroad proposal in China,” he reported.

“If we look ahead to the future of humanity, and look beyond the sinking of the *Titanic*, we have an obvious way of reorganizing the world, which is the alternative to going to death or hell under a U.N.O. world dictatorship. And that is to do what the British have always feared: Do the geopolitical utmost. Let us foster rails from Brest to Vladivostok. Let us foster the development of the Silk Route railroad in China. Let us foster collaboration among two sections of Asia: Define the northern section of Eurasia from the Atlantic to Vladivostok. Then define the southern part of Asia which is China, the Asian Rim, and South Asia.

“Now integrate the two in the logical way in which they should be integrated, which means that you are now in the area of the majority of the world’s population. This now includes the basins of the Indian and Pacific Oceans. The basin includes the East Coast of Africa; the basin includes the West Coast of the Americas. This is where the world’s future population will be concentrated. If we are developing physical economy, these are the trade routes.”

There are only two alternatives to this policy, LaRouche warned. Russia is headed either toward war and chaos, spreading throughout the planet; or toward a dictatorship backed by the military and security forces. “The idea that there’s going to be some great rise of a democratic movement around capitalism and free trade and what not, to rebuild Russia, is a *complete pipe dream*. The last chance for a democratic solution in Russia went out the windows when the windows were shot out at point-blank range by Russian tank artillery.”

Train feels the heat for libel of LaRouche

by Jeffrey Steinberg

Months before the scheduled publication date of a slander against Lyndon LaRouche, Jr., *Worth* magazine is already feeling the heat from citizens who are incensed at its role in Wall Street investment banker John Train's latest "Get LaRouche" effort. According to a story in the May 23 *New York Post*, *Worth's* editors were not at all amused when picketers showed up outside their Midtown Manhattan offices protesting the planned hatchet job.

When an item appeared the next day on the computer bulletin board of *Worth-on-Line*, the personal finance magazine's interactive computer service, detailing the role of the magazine in the renewed slander drive against LaRouche, the publisher summarily deleted it.

If the publishers at *Worth* are squirming, the Anglophile John Train is probably feeling even more heat. Back in 1983, Train was delegated by the George Bush-led Project Democracy apparatus inside the Reagan administration to orchestrate an illegal domestic "active measures" campaign against LaRouche. Bush, Henry Kissinger, the Anti-Defamation League of B'nai B'rith (ADL), and the Andropov regime in Moscow were all committed to the elimination of LaRouche from the political landscape, especially after President Reagan adopted LaRouche's Strategic Defense Initiative (SDI) plan on a nationwide TV broadcast on March 23, 1983.

One month after Reagan's TV address, Train assembled a group of reporters from NBC, *Reader's Digest*, the *Wall Street Journal*, and the *New Republic* for a series of war councils, also attended by ADL official Mira Lansky Boland, Project Democracy spook Roy Godson, FBI informant John Rees, and the Nicaraguan Contras' moneybags Richard Mellon Scaife. The non-stop libels against LaRouche generated by the Train salon were a vital part of the frameup of LaRouche and a score of his associates between 1984 and 1989.

But by 1992, exhaustive evidence of the criminal libel campaign against LaRouche was on file with the U.S. Fourth Circuit Court of Appeals and the U.S. Department of Justice. Both bodies are still reviewing LaRouche petitions for action against Train and his co-conspirators.

New dirty tricks

Now, since LaRouche's release from prison in January 1994, the Train salon is up and running once again:

- On May 12, the ADL released a report assailing LaRouche for forging what Mira Lansky Boland described

as a "partnership in bigotry" with Nation of Islam leader Minister Louis Farrakhan. News stories based on the ADL diatribe have appeared in Jewish news weeklies in several cities. What has the ADL particularly upset, is the fact that *EIR's* book *The Ugly Truth About the ADL* has sold over 175,000 copies, and the League's ties both to organized crime and to the FBI are becoming well known, particularly among black civil rights leaders.

- Editors at *Worth* magazine have confirmed that a lengthy story on LaRouche by contributing editor Christopher Byron is being prepared for publication. Byron was dumped recently by *New York* magazine, purportedly over some shoddy reporting on the Pan Am 103 bombing, which included a swipe at LaRouche for accusing George Bush and Margaret Thatcher of covering up the origins of the terrorist attack on the flight over Lockerbie, Scotland in December 1988. Byron's other literary "accomplishments" have included a fawning piece for *New York* on the private investigative firm Kroll Associates, longtime allies of the ADL who made their name during the Bush years by hunting down the missing loot of Saddam Hussein, Ferdinand Marcos, and Haiti's "Baby Doc" Duvalier for the State Department.

The claw-marks of John Train are all over these new smear stories. ADL's Lansky Boland admitted in sworn testimony that she was a key player in the Train salon scheming; her husband, a wanna-be investment counsellor, has earned a reputation for his propitiatory interviews with Train for a now-defunct financial newsletter.

Train's ties to *Worth* are prominently advertised in the magazine's ad copy, and Train's latest excursion into the literary world, a book called *The New Money Masters*, features a chapter on Peter Lynch, *Worth's* senior contributing editor and the head of Fidelity Magellan Fund, a Boston-based mutual fund that is part of the Fidelity Investments Corp., owners of *Worth*.

Perhaps the biggest drawback that Train faces as he plunges once again into the "Get LaRouche" fray is the fact that he is widely known to be British-owned property. His Train Smith Counsel private investment house is a 50% owned subsidiary of English Association Trust, a Rothschild family holding. This puts Train squarely in the camp of those British Tories who are out to destroy the U.S. presidency by scandalizing President Bill Clinton. Not only is Train extremely close—via the Rothschilds—to the Hollinger Corp., the architects of the "Whitewatergate" and "Troopergate" Clinton-bashing efforts. Train has contributed three articles in the past two years to the *American Spectator*, the Tory-linked U.S. neo-conservative monthly that has been unabashed in its "Get Clinton" fervor.

Taking on Lyndon LaRouche and the Office of the President at the same time may not be the wisest thing to do. But then again Train, whose hobby is filling up pages in leather-bound notebooks with unusual and goofy-sounding names, has never been known for his intellect.

Lawsuit promises new dirt on ADL-FBI ties

by Our Special Correspondent

A 10-year Freedom of Information Act (FOIA) dispute between *EIR* correspondent Scott Thompson and the Federal Bureau of Investigation is winding its way through the federal courts, and promises to unearth previously hidden details of more than 60 years of collusion between the Anti-Defamation League (ADL) and the Bureau. Already, the FBI has turned over more than 10,000 pages of correspondence and reports, reflecting a deep alliance between the FBI and the self-described Jewish civil rights group which was caught last year spying on thousands of domestic political activists and groups. Among the groups and individuals upon which the ADL was caught spying were leftist, anti-apartheid, civil rights, and labor organizations. Even Dr. Martin Luther King was a target of ADL snooping. The ADL's King files were transmitted to the late FBI chief J. Edgar Hoover personally.

Over the past year, an FOIA suit brought by Thompson reached an impasse over the FBI's refusal to turn over what are believed to be thousands of additional pages of confidential data relating to the FBI-ADL collusion in the "Get LaRouche" task force, a public and private agency group that worked to frame up American statesman Lyndon LaRouche. The suit focuses upon files in three FBI field offices—New York, Minneapolis, and Richmond, Virginia.

Courtroom testimony in other proceedings has already confirmed that the ADL contaminated federal and state prosecutions of LaRouche and his associates.

The first acknowledged ADL communiqué to the Bureau on LaRouche was transmitted in 1975. In 1979, a delegation of top ADL officials, including then-Chairman Burton Joseph, National Director Nathan Perlmutter, and Justin Finger, met with incoming FBI Director William Webster to get his agreement for joint targeting of LaRouche and his associates. When taped admissions of this, obtained by *EIR*, were forwarded to Attorney General Griffin Bell, he ordered an investigation. But, the investigation was assigned to the FBI, which claimed that it could find no evidence to support the charge.

Other FBI documents released in the FOIA case show that, after that meeting in 1979, Webster named an FBI assistant director to receive reports from the ADL, and assigned Assistant FBI Director Neil Welch to arrange for the FBI to conduct a security survey of the ADL's New York office—a flagrant violation of FBI guidelines.

From the documents that have been released, the following highlights of ADL-FBI "liaison" have been culled:

- From the 1940s through 1960s, Assistant FBI Director Louis B. Nichols was in constant contact with top ADL officials. He personally protected Dore Schary, who served as ADL national chairman during the 1960s, from fellow FBI agents who had accumulated evidence that Schary was a "Communist fellow traveler" and lifetime associate of National Crime Syndicate figure Abner Zwillman.

Very special treatment

- On Feb. 5, 1979, after the meeting between incoming FBI Director Webster and the ADL leadership, Webster wrote in a letter to Perlmutter: "Any information which you might wish to share with us should be communicated to Deputy Director James O. Ingram at FBI Headquarters. . . . With respect to security measures for your prospective headquarters in New York, I suggest that you contact Assistant Director Neil Welch at our New York Office. He will be pleased to assist you." On Feb. 26, 1979, Justin J. Finger wrote Assistant Director Welch (with a copy sent to Webster) that an FBI security team had made several recommendations that were followed, including hiring a private security consultant.

Eight years later, Lt. Col. Oliver North would be indicted for exactly the same kind flagrant misuse of government funds for private security!

Was this upgraded FBI concern over ADL headquarters security a reflection of a deal between the two entities to create a private domestic spy apparatus? After all, Cointelpro had been virtually shut down after congressional hearings, and guidelines had been passed blocking the FBI from running such a program again.

- After a meeting between ADL National Director Perlmutter and FBI officials in New York, a Feb. 4, 1985 airtel was released by FBI Headquarters in the name of Webster. The order called for liaison between all ADL and 24 FBI field offices in "civil rights matters." "Each receiving office should contact the Regional ADL Director(s) listed in your Division and establish this liaison," the airtel read. Documents from dozens of FBI Field Offices across the country show that they did precisely that.

- On Dec. 10, 1986, Perlmutter wrote Webster after yet another meeting: "You may recall that one of the items our ADL group discussed with you was a proposed lecture on prejudice and extremism to be given periodically at the FBI academy in Quantico by an ADL person." The lecturer whom Perlmutter designated was ADL Fact Finding Director Irwin Suall. After further negotiation, Deputy Assistant Director of the Criminal Investigative Division Thomas F. Jones wrote Suall on Nov. 21, 1989, confirming: "Your remarks will be attended by approximately 50 FBI Supervisory Special Agents who are responsible for the supervision of the Civil Rights Program at the field level."

Suall has been publicly identified as the head of the ADL's illegal spy apparatus that was busted by the San Francisco Police Department last year.

The United States needs a movement for a National Conservatory of Music

by Dennis Speed

“Behold, an inexorable harm visits all Athens: / To vile slavery is she swiftly progressed.”—Solon of Athens

“It is not true, as one usually hears the claim made, that the audience degrades art; the artist degrades the audience, and at all times when art degenerated, it fell because of the artists.”—Friedrich Schiller, *On the Employment of the Chorus in Tragedy*.

The concert and conference held in Washington, D.C. on May 27-28 to launch a movement for a National Conservatory of Music in the United States, exactly 100 years after Antonin Dvořák, Harry Burleigh, and others were defeated in an earlier, similar effort, intervenes in what is no less than an existential crisis in western civilization.

Today, if one reads virtually any copy of the daily newspaper, one is confronted with the astounding, yet inevitable, realization that the entire educational system of what have been termed the “advanced sector nations” of the United States, and western (and eastern) Europe, has abjectly failed, not only to promote the highest level of thinking among youth, but to even provide them with a semblance of civilization. A *New York Times* story of Monday, May 15, described the crime of rape committed by two male children, aged seven and eight, against a girl of six. The story went on to report, that the parents of the two boys, who were placed in a detention home, were ordered to remove all of the X-rated tapes from their house, a measure that pathetically underscores the meaning of the phrase, “too little, too late.”

Surrounded by every form of obscenity, drowning in a sea of banality, we smugly, stupidly look at our children—when we are not bovinely gazing at our X-rated tapes—and ask, “where did they learn all of this?” Are we “too little,” as well as “too late,” to save the morally collapsed civilizations dominant in the world today? If so, this would summarily disprove our pretensions to learning, and educating. For, if our knowledge does not equip us to uplift mankind, such that mankind might survive, grow, and develop, of what use is this generation, and to what destiny might this generation condemn generations to follow?

It seems that we have muddled our way into the lamentable state of Shakespeare’s Hamlet: “I have of late, though

wherefore I know not, lost all my mirth. . . . this goodly frame, the earth, seems to me a sterile promontory; this most excellent canopy, the air, look you, this brave o’erhanging firmament, this majestic roof fretted with golden fire, why, it appears no other thing to me than a foul and pestilent congregation of vapors.”

Remember that, in Shakespeare’s play, Hamlet is a most “educated” individual, who, not unlike Faust, has sadly realized that his knowledge does not encompass a single creative idea. Hamlet cannot love Ophelia, as Faust cannot love Gretchen. It may be said of both, that they are men “who lack music in their souls.” The consequence? The collapse of the state of Denmark, for which Hamlet’s personal collapse is both metaphor, and efficient cause.

Shakespeare has warned us, through the character of Lorenzo in *The Merchant of Venice*, about what to expect from such men:

“The man who has no music in his soul, / Nor is not mov’d with concord of sweet sounds, / Is fit for treasons, stratagems, and spoils; / The motions of his spirit are dull as night, / And his affections dark as Erebus: / Let no such man be trusted. Mark the music.”

(To understand our children, and the culture which has produced them, look, metaphorically, at “what a long way we’ve come.” Compare the image of President John F. Kennedy, in the 1960s, introducing Marian Anderson to Germany’s leader Konrad Adenauer, with Jimmy Carter’s cameo appearance, in the 1970s, at an Allman Brothers concert, or George Bush “jamming,” in the 1980s, with the late Lee Atwater and their cherished “country ’n’ western” friends. Compare the children of each era, in educational level, and moral resilience. In each decade we can document a downward-ratcheting, a recessive “dumbing down” of our posterity. Have we seen any improvement in our nation, and its leaders, in this cultural pattern, in the 1990s?)

Yet, in the same speech just cited, character Hamlet paradoxically sings:

“What a piece of work is man! how noble in reason! how infinite in faculty! . . . in action how like an angel! in apprehension how like a god! the beauty of the world! the

paragon of animals!"

Our "public entertainment media" would be surprised to hear Hamlet say that. For them, man is the lowest of animals, and this creed is reinforced virtually 24 hours a day, on what now threaten to become several hundred channels of (available) television viewing. Our children are easy prey for this "one-eyed Satan"; this is their teacher, their schoolroom.

We all know the stories of cutbacks on music programs in the public schools. Many of us have been exposed to the "Clockwork Orange"-like experience of being asked by 16-year-olds in a public high school, "Who is Haydn?" or "Who is Marian Anderson?" At an elementary school, you may be asked, "Who is Beethoven? Do you mean the dog?"—referring to a recent canine movie by that name.

The project to build a National Conservatory Movement is unlike anything else that is occurring in America today. It aims to answer nothing less than the life-and-death crisis of our civilization, by basing the idea of a new, global intellectual Renaissance on the principle of composition contained in the art-song, or lied. This project is not, really, an attempt to simply reintroduce the idea of Jeanette Thurber, who launched the National Conservatory in the 1890s, or even the ideas of Antonin Dvořák alone. It seeks to restore the concept of an Academy, like the Academy movement of Plato, to our time.

It was the Academy of Plato, organized by him in the aftermath of the assassination of his mentor, Socrates, by the democratic party of Athens, which founded the educational tradition of western civilization on the *Platonic dialogue*. Plato was a dramatist, a creative artist as well as statesman and teacher. His dialogues seek to dramatize how individuals, through the Socratic method of questioning assumptions, and forming hypotheses, might apply the "dialogue principle" imbedded in the great artistic tradition of Greek drama. Thus, the living theater of the marketplace, and government, is transformed through an *aesthetic* principle that educates the citizen to the nature of truth. Through Beauty, one proceeds to Truth, and, therefore, to Freedom. In the dialogues, this method is spoken to the reader-audience through the personage, and literary device, of the figure Socrates.

The dialogue principle reaches its highest expression in the musical works of Classical composition of the late 18th and early 19th century, of Haydn, Mozart, and Beethoven. These works are, in turn, based on the revolution in the well-tempered system exemplified in the compositions of J.S. Bach. But Bach's work reflects, among other things, the high point of a tradition of improvisation, that had existed in the Renaissance of the late 14th and early 15th centuries, transmitted to Europe via the Islamic Renaissance and the writings of al-Farabi and others, in which figures such as Leonardo da Vinci had played a leading role. (Leonardo said that music is the *figurazione delle cose invisibili*—"the shaping of invisible things." He was a virtuoso at improv-

ing on the *lira da braccio*, a bowed, stringed ancestor of the violin, as well as being an excellent singer).

Music equally affected mathematics. Music was part of the Quadrivium of the Classical classroom, along with arithmetic, geometry, and astronomy. It is not properly considered a "liberal art." Gottfried Wilhelm Leibniz stated, "Music is the pleasure that the soul experiences in counting, without being aware that it is counting."

It is the "without-being-aware" part, that is, the willful access to seemingly spontaneous preconscious thought, which was reflected in the improvisation tradition of the Renaissance and in the keyboard performances of Bach, Handel, Mozart, Beethoven, and others, up to the work of Schubert, Schumann, and Brahms.

The universality of Classical composition

Yet that same "spark" of creativity is at the core of all great music, *whether authored by a great composer or not*. And, sometimes, great music—which is a distillation of the seed-crystal of *any* creative idea, which is poetic—is spoken, by an ingenious individual who is not a professional composer. There are lawful, rigorous reasons for this. The spirituals are the most important musical production of America, precisely because they demonstrate the universality of Classical compositional method. But they do this, not because the writers of the spirituals set out to do so. The writers of the spirituals faced the greatest of adversities, and responded to unspeakable indignities, with an almost-inexpressible dignity.

Almost inexpressible. Edgar Allan Poe explains, in his essay, "The Poetic Principle": "Inspired by an ecstatic pre-science of the glories beyond the grave, we struggle, by multiform combinations among the things and thoughts of Time, to attain a portion of that Loveliness whose very elements, perhaps, appertain to eternity alone. . . . It is in Music, perhaps, that the soul most nearly attains the great end for which, when inspired by the Poetic Sentiment, it struggles—the creation of supernal Beauty." The authors of the spirituals demonstrate to us the essence of Christianity, and creativity. The "mystery" of the human soul's sublime triumph over suffering, lies at the boundaries of expression, in the realm of "unthought-like thoughts which are the souls of thought." This is the quality of thought, of song, which every composer who experiences a moment of greatness, no matter how brief, or how untutored, enjoys.

That is how the human spirit is composed, to soar over adversity. Beyond the boundary of the seemingly expressible, all souls will discover, necessarily, *the principles of classical composition*.

Let us recall the story from Roland Hayes about his great-grandfather's composition of the Spiritual, "Crucifixion." Hayes tells us: "My great-grandfather, on my mother's side, was a pure native of the Ivory Coast. He was ambushed, and brought to this country, where he learned about Christ.

The story was told to him of the struggle and the death of Jesus on the cross. It impressed him very much. He finally turned [out] to be a minister of the Gospel."

Now listen to Brahms's composition student Gustav Jenner recount Brahms's compositional method: "Whenever he discussed a song with me, the first order of the day was to investigate whether its musical form corresponded to the text *throughout*. . . . Brahms's first requirement was that the composer know his text in detail. By this he also meant that he should be completely clear about the poem's structure and meter. Then he would recommend that before composing a poem, I should carry it around in my head for a long time and should frequently recite it to myself aloud, paying careful attention to declamation."

Hayes's father, who was executed for teaching slaves to read, was clearly familiar with the material of his song. How many times must he have turned the Crucifixion story over and over in his head! How many times must he have re-enacted it, before he felt spiritually ready to "sing" it. Brahms, or any Classical composer, is more advanced than this, only insofar as, free to refine this creative act into a principle of self-conscious and regular composition, his life becomes devoted to the *infinite re-enactment of this creative process*.

The process itself, however, is universal, and, being universal, is "equivalent" (though not identical) in each individual, including the listener, whose creative processes are made conscious by the songs of the composers. It was this equivalence of which Dvořák must have spoken, when he remarked to Harry Burleigh, after the latter sang "Go Down, Moses," "Burleigh, that is as great as a Beethoven theme!"

Epistemological standards of the movement

Singers, and researchers, would do well to compare the work done by Dvořák and Burleigh in 1893-94; the writing by Dvořák of his Biblical Songs of 1894, in America; Brahms's 1893 encouragement of Dvořák's interest in the spirituals and his editing of the scores of the Ninth Symphony and other Dvořák compositions for European publication; Brahms's own 1893-94 work on, and publishing, of 49 Volkslieder, with predominantly original themes, but set in the Classical method of strophic and through-composition known as *Motivführung*; and Brahms's 1897 "Four Serious Songs." From the standpoint of the "Four Serious Songs," one appropriately reflects on the act of composition of "Crucifixion" by Hayes's great-grandfather, the "slave."

Another exercise, for performers, would be to compare Roland Hayes's renditions of "Swing Low, Sweet Chariot" (a cappella), and Bach's "Bist du bei mir." Not only are each Classical performances—in Hayes's readings, they take on "equivalent" characteristics. The performer should try to reproduce this principle of equivalence, through the use of *bel canto* singing methods. Then one should try composing

such a spiritual, or setting spirituals, as did Hall Johnson, according to rigorous principles of Classical compositional method, studying Brahms's Volkslieder as a point of reference.

Only such rigorous study positions one to appreciate the standard of work from which one must judge the requirements for a proper course on Classical composition, that should take place in today's musical conservatories. The application of Classical composition is then proven, as composers have in the past, to apply to the spiritual, the Volkslied, or to any other song or song-idiom. Further, since song is the basis for instrumental composition, one gains insight into the true importance of Beethoven's work on Welsh, Scottish, and other themes, in both sung and instrumental settings (e.g., the variations for flute and piano on various national themes, Op. 107). This gives a proper insight into the principles which should underly composition for instruments, based on the human voice tuned at C=256 cycles (its natural tuning), using *bel canto* technique. Now a true dialogue with the composers of Classical form can begin, a dialogue which would have made Plato proud.

That is the task of the National Conservatory Movement—to understand, master, and communicate this Classical compositional method. If the principles of Classical education are restored to our classrooms, and places of worship, we need not wonder whether our society's most notable, and perhaps even most valuable, contribution to history will appear to our descendants to have been our increasingly rapid self-destruction. The hope must be, that what Dvořák called "a great and noble school of music" will arise on these shores, and will spearhead the transformation of our society in a way that nothing else, at this late date, can.

No social program, no "neighborhood cleanup," no "national research study," will remove from our society—except, perhaps by execution—"kiddie killers" and child-rapists. In the frescoed and sculptured figures of the *bel canto* singing youth of Florence, we see reflected the destiny of the whole human race, if we but choose to educate the world's children to "think like Beethoven"—or like Hayes's great-grandfather.

The poet Schiller in *The Artists* admonishes us that "The dignity of man is in your hands—protect it! With you it sinks—with you it shall ascend." From the grave of the Renaissances of the past, ten thousand voices resonate this refrain. From the yawning maw of our own self-destruction, it echoes forth. The question is: Are our souls deaf to this exhortation?

The nearly deaf Beethoven, in his Heiligenstadt Testament, gave the answer that eluded Hamlet, and should not elude us: "I will not submit, I will take fate by the throat. It shall not overcome me. I shall have the courage of my endurance. Where my body fails, my spirit will dominate, my heart will create. I shall speak out of my silence. I shall shout! I shall sing. Man, help yourself, for you are able."

Book Reviews

The Freudian slippery slope

by Marianna Wertz

Dionysos Rising: The Birth of Cultural Revolution Out of the Spirit of Music

by E. Michael Jones

Ignatius Press, San Francisco, 1994

204 pages, paperbound, \$16.95

The problem with this book is not that the author's heart is in the wrong place. To the contrary, Dr. Jones, the editor of the Catholic periodical *Fidelity*, abhors the satanic, Dionysian evil of Richard Wagner, Friedrich Nietzsche, Thomas Mann, Arnold Schönberg, Aleister Crowley, and Mick Jagger, and their "art"—and warns of the peril into which they have led western culture and civilization. The problem, rather, is that his analysis of this evil is such a mishmash of psycho-musicology that the reader is left wondering if there is any explanation for evil beyond what one can discover between the bedsheets.

Jones's central thesis, developed in the first chapter on Richard Wagner, is that Wagner, in order to bring down the Christian morality that stood in the way of his libidinal pursuits (he was a notorious adulterer), purposefully delinked Classical music from reason and from its Christian roots, by substituting chromaticism for the diatonic scale, and text for tonality. The remaining three chapters then develop how this Wagnerian "cultural upheaval" was subsequently adopted and developed, in turn, by Nietzsche, Mann, Schönberg, Theodor Adorno, Crowley, and Jagger, based on each man's peculiar sexual needs. The final product, Jagger's "Sympathy for the Devil," is the openly satanic embodiment of Wagner's only less-overtly satanic intent. Today's rock-drug-sex counterculture and the concomitant breakdown of the family are traceable, Jones concludes, to this century-long devolution of culture which began with Wagner.

Jones is right about what happened; he's wrong about why it happened. Like his admirer Friedrich Nietzsche, Wagner's motivation was hatred of Christianity, and of the Christian culture embodied in the music of Bach, Mozart and Beethoven—not his sex drive. His libidinal pursuits were the product of that hatred, not its cause. Likewise, Nietzsche's

embrace of the idea that "God is dead" was not the product of his syphilitic affliction, as Jones implies, but its cause.

In Jones's explanation of Wagner's viewpoint, we see his confusion: "His rebellion was the rebellion against the moral order; his musical innovation was simply the discovery of a musical analogue to the rebellion against reason that his troubled conscience and increasingly impetuous desires craved."

Much of what Jones develops is useful, factual material on the development of New Age culture out of the destruction of Christian values in music. He fails, however, to competently explain *why* it happened: Jones correctly denounces Freud as part of the New Age, yet embraces neo-Freudianism to explain how the New Age came to be.

Britain's 'traditional' Venetian values

EIR's readers will grasp the problem best by referring to an example from the final chapter on Mick Jagger. Jones cites an editorial written by London *Times* editor William Rees-Mogg on July 2, 1967, urging that Jagger be released from prison, where he had been sentenced for drug charges. Rees-Mogg wrote, "If we are going to make any case a symbol of the conflict between the sound traditional values of Britain and the new hedonism, then we must be sure that the sound traditional values include those of tolerance and equity."

Jones asserts that what Rees-Mogg and the British establishment wanted was to "reserve to itself the same sort of sexual freedoms" that Jagger was advocating so openly. "When Jagger flaunted what they acknowledged in private, they found that they did not have the heart to press the issue." In other words, says Jones, Rees-Mogg was motivated by his sex drive.

But this entirely misses the point. What are the "sound traditional values of Britain" to which Rees-Mogg refers? Colonialism, racism, oligarchism, and war, to name but a few. Rees-Mogg in 1967 was speaking on behalf of a British oligarchy that had *created* Mick Jagger and the Rolling Stones, along with the drug trade (remember the Opium Wars?), as a conscious weapon to destroy the West, and had no intention of letting him rot in jail. Rees-Mogg wasn't simply defending his own sexual proclivities (whatever they may be); he was defending the British-Venetian world order!

Today, Rees-Mogg is at the forefront of an assault on the institution of the presidency of the United States, which is intended to finish off this last, dying bastion of republican virtue. Indicative of Jones's misguided view of the *motivation* behind strategic events, is the fact that *Fidelity*, the journal he edits, recently featured the alleged sexual affairs of President Clinton as a cover story, reducing it to a problem of Clinton's passion!

Unless people like E. Michael Jones begin to understand how real cultural warfare works—and join with the LaRouche movement in defending western Christian culture, and the American presidency—that British assault will succeed, and the New Age will indeed conquer the world.

Were Bush and North behind the murder of Barry Seal?

On May 10, Terry Reed and John Cummings, the authors of Compromised: Clinton, Bush and the CIA (SPI, New York, 1994), were interviewed by EIR's Counterintelligence Director Jeffrey Steinberg. The book recounts Reed's experiences inside the Reagan-Bush administration's secret war in Central America, and provides the most in-depth account to date of the Nicaraguan Contra secret training and arms supply operation in Arkansas and Mexico. Reed, a retired Air Force intelligence non-commissioned officer, went into the machine tool business following his discharge from the service. While working in this business in Oklahoma, he was drawn into the shadow world of covert domestic U.S. intelligence operations by Oliver North.

As a trained pilot, an experienced Vietnam War intelligence operator, and a talented manufacturing executive, Reed was an ideal candidate for recruitment into the secret side of the Reagan administration's war against the "Evil Empire."

John Cummings is a well-known author and investigator, who followed a long career with Newsday with several books on organized crime and the intelligence community. In addition to telling Reed's story, Cummings did considerable independent investigative work on the Mena, Arkansas and Mexico secret projects, which forms an important part of the book.

Compromised has been on the Los Angeles Times's best-seller list since late April. It was reviewed in EIR in our April 29 issue, p. 58.

EIR: I want to begin by reading a brief quote from the author's note at the beginning of your book: "Despite what I know about Bill Clinton's involvement with the CIA, I still voted for him. I, like many Americans, voted for change. The country had to get rid of George Bush and the outdated, misguided attitudes demonstrated by his wing of the Republican Party." Yours may have very well been the hardest-earned vote that Bill Clinton received in 1992. Give us a brief idea of how you came to be involved in the Arkansas project. I believe the story begins in Oklahoma City with Oliver North.

Reed: First, I'd like to comment on the quote from me. I feel the most patriotic thing I've ever done in my life was voting for Bill Clinton. And by that I mean, I held my nose

and voted for him. I wanted to change the value system in this country, especially the whole philosophy of industry. I'm not saying that Bill Clinton even reflects my philosophy, but it got George Bush out; so, I was voting George Bush out, and feeling that Bill Clinton was the lesser of two evils, and somebody of my generation that could, hopefully, identify problems that needed to be tackled, especially economic problems.

As for your question about what got me involved in Arkansas: I felt that I was getting a unique opportunity to get involved in a program that was a sub-element in the overall scheme of destroying communism in eight years or less, and destroying the U.S.S.R. I'm a Cold War veteran, a true baby-boomer, born in 1948, raised under the continuous threat of a nuclear holocaust; and I didn't want my children to be raised like that. That's what got me started in all this.

EIR: And it was an approach by Oliver North, a.k.a. John Cathey, in Oklahoma City in the early 1980s that drew you into the Mena project. Could you give a little background on that?

Reed: First, I'd like to briefly point out that I was in Southeast Asia with a unit called Task Force Alpha, in Thailand, which was a top-secret project—in fact it was a pet project—of Secretary of Defense Robert S. McNamara. It was handed down to Melvin G. Laird.

I discovered, once I got there, that this unit was integral to the illegal war in Laos (by illegal, I mean the one the American public didn't know about—the undeclared war), and oversaw the activities of Air America. Through that I met a lot of the people who would later surface in the Iran-Contra scandal. Bill Cooper is the pilot who was flying the C-123 that was shot down in Nicaragua on Oct. 5, 1986; he was the man who was a classified courier, whom I'd met in the performance of my duties in Southeast Asia.

Back in the States, after eight years of Air Force Intelligence service, I was discharged honorably; I selected a field that appealed to one of my personal passions: the reindustrialization of American's factories—the machine tool business. I found out that that field is laden with KGB agents, Japanese agents, stealing American defense and technology secrets. I was put into play with a bevy of FBI and subsequently CIA people, and in the course of that, I met CIA Special Agent



Jeffrey Steinberg (back to camera) interviewing John Cummings, Robert Meloni, and Terry Reed for The LaRouche Connection cable TV show on May 10.

John Cathey, who, years later I would learn, was actually Oliver North, operating out of the National Security Council [NSC]. It was through North that this opportunity developed to get involved in the Nicaraguan Contra effort, which was a small pimple of the complexion of the “Reagan Doctrine.”

EIR: And it was through these initial encounters with Cathey/North that you eventually were introduced to a man named Barry Seal, at the point that your business took you from Oklahoma to Arkansas?

Reed: Right. The very first time I heard the name Barry Seal spoken, it came from Oliver North’s lips.

EIR: There’s a great deal of controversy about both the life and death of Barry Seal. He was one of the people who became prominently associated with the secret Contra project in Mena, Arkansas. Can you tell us a bit about Barry Seal, the circumstances of his involvement in Mena, who he was working for, and also, what in your judgment were the circumstances and cause of his death?

Cummings: Barry Seal was very controversial. He was a man about whom there was much misinformation and half-truths. There was a movie made about his life, which was interesting, and, to a good degree, true, as far as it went. What was interesting to me, in all the things that have been said and have been written about Barry Seal, never once did the state of Arkansas come up in all of this, as far as Seal was concerned.

It’s clear to me now that he went to great pains to not talk about Arkansas, for a variety of reasons.

I had been very much involved in tracking this whole scene, since the Bay of Pigs. I had written a lot of stories

about some of the wild and improbable things I had witnessed in Florida. As a result of that, at one point, I was contacted by someone from the Louisiana State Police—he was a narcotics investigator, and I don’t know if he would want his name mentioned; he’s now working for the federal government. I had heard about Barry Seal being murdered, but I didn’t know much about him. He told me, “You write a lot about people who work for the Agency and who did a lot of things in the name of the Agency. We had a person here in Louisiana that we believe was operating as intelligence, because every time we attempted to go after him as a drug trafficker—which we believed he was—a sort of a wall would come down. Or they would contact federal agencies for information and they would claim they didn’t have it, when they knew it was there.” And he said, “There’s something about this guy that begs being looked into.”

Of course, I had heard about Seal’s murder—his assassination—supposedly by the Medellín Cartel. And he said to me, “What we really couldn’t understand is that not only couldn’t we get to him in Louisiana, but he seemed to be operating with impunity up in Arkansas.” And I asked, “Where in Arkansas?” and he told me, a little town named Mena. He said, “There’s all kind of speculation about this.” So, it was when I got to Mena that I began to turn some dirt over there, that I first heard the name of Terry Reed. Because if Seal was what they suspected, what I was beginning to perceive him to be—mainly an intelligence operative; he was not a drug trafficker per se, but he was simply working in raw intelligence—whatever else he may have been doing was certainly a cover.

I was looking for a connection between Barry Seal and Oliver North. Then I heard about Terry. Now Terry, at that

point in the early summer of 1990, was under indictment in Wichita, Kansas, in a really trumped up federal charge. I contacted his lawyer and asked her to send me some information—court papers, documents—I could see. She knew who I was, because of an article I had written about Barry Seal in *Penthouse*. So, she sent me the court records—and there it was: She was talking about Terry, about Barry Seal, about Oliver North, and about Mena; and then I knew I had found my Rosetta Stone.

That's how I came to meet Terry, and I also found that Terry was in Arkansas at that time; he was in Mena. Through other sources, I was able to find out that all the planes he was flying up there, which Seal had given him, were stolen aircraft. You know, Terry never knew they were stolen. And it became very enlightening to me.

Then I contacted Terry, who I would say at the time was not particularly anxious to talk to me, or anybody in my vocation. I met Terry, of all places, in Mena on top of a mountain. And we didn't talk for very long. . . . Terry and I opened the dialogue, but it was a very limited one at that point. He was subsequently acquitted by a judge, and that was, to me, the clincher. When the judge threw this whole case to the winds—acquitted him, he didn't dismiss the charges, he *acquitted* him—because of what the government had done. The judge later told me that he thought this whole case, to use his words, "had a high odor to it."

EIR: Terry, I want to ask you about a provocative reference in the book to a conversation that you had with Barry Seal in a private aircraft flying back from Panama in 1985, just before he was murdered in Baton Rouge, Louisiana. He made some extraordinary allegations about Vice President Bush and his family. Tell us about that.

Reed: That was aboard a Lear 25, 13SN, coming back from Ilopango Air Base in El Salvador. First, you had to know Seal and his sense of humor, which was also his sense of survival: In intelligence, it's a very dirty business; it's not what 007 movies are about, it's about compromising people; it's about blackmailing people; it's about controlling and manipulating people. What you're trained in is blackmail. They don't discuss it as such—Seal affectionately referred to that whole area of espionage as "developing neutralizing material"; what he meant by that was having information on people that would be embarrassing, or information that he could leverage for his own security and survival.

In the meeting that you brought up, Seal was very elated. This was late 1985, about two months before his assassination. But he seemed to be very elated that he had the ultimate neutralizing material. I didn't know what he was referring to, but it was obvious that he had just had a meeting with his handler, an agent named Leroy Trachter, and he had had a private discussion about what he was going to do with the material. . . .

Barry professed to have amassed a lot of dirt on a lot of

people throughout the course of my involvement with him. In that particular meeting, he was referring to a DEA [Drug Enforcement Administration] sting operation in which, allegedly, two of the vice president's sons had been ensnared in a videotaped trap—it caught them red-handed in the cocaine business. And he had put together . . . a kit that had videotape and the necessary information that would make him immune from federal prosecution. With this evidence, he was above the law; he was outside the law. He was untouchable.

EIR: Yet, two months later, he was dead. Do you have any personal assessment about his death?

Reed: Yes, I have a premise, based on evidence and feelings. But if you backtrack and look at Seal's life—John Cummings and I have, though court discovery, obtained a copy of the report that was sent to Lawrence Walsh. The Walsh file memo talks about the fact that Barry Seal was taken by his handlers to the Old Executive Building, and was paraded in front of the National Security Council. CIA, DEA, NSC were present. In that meeting, he talked about the Sandinistas and his direct knowledge that the Sandinistas were trafficking in cocaine. Keep in mind that, at the time that revelation hit upon these ears in the NSC, \$100 million was hung up in Contra funding, and you had the Boland Amendment in effect (probably Boland II at that time). So here was Seal giving them information that the DEA wanted to keep secret and further develop, to penetrate the Medellín Cartel deeper; and, of course, Seal was already orbiting with [Jorge] Ochoa and [Pablo] Escobar, so you can't get much deeper than that.

But somebody in the NSC and the Reagan White House saw this information as tantalizing. It's what they needed to convince the public that the Sandinistas were really bad people; that they needed this money freed up to further sustain the Contra effort against the Sandinista soldiers. The bottom line is that the information was leaked. There's good evidence that that information was leaked by Oliver North to the media, so that the media could seize upon it and the President could get his way. In so doing, they signed Seal's death warrant.

Now, it's my personal theory and premise that the man who allowed the leak to occur was George Bush. I don't think Oliver North would have the latitude to take that information and call the newspaper. In so doing, the man that killed Barry Seal, I allege, is George Bush.

Here, Seal has dirt on the Bush family. He has material that could bring down the entire Bush-Reagan government, and I just find it too convenient that they decided to waste this agent's life by going forward on a \$100 million congressional funding effort when, in fact, they're going to accomplish their stated goal. They're going to have a war on drugs. They're going to know where the leaders sit, eat, drink, sleep, and so on.

EIR: You were introduced to Oliver North under his alias, John Cathey. There were a number of other players in the Mena, and later in the Mexico project to whom you were introduced by their aliases: I believe one was Max Gomez, another was Pat Weber, and a third was Robert Johnson. You've subsequently learned who these people really were. Can you tell us about that?

Reed: Let's start with Max Gomez: I was sent to Vera Cruz, Mexico to have a meeting in the fall of 1985. I was given the name of Max Gomez, and I met a Hispanic male that, it turns out, was a man named Felix Rodriguez, a Bay of Pigs veteran; a man responsible for the apprehension, or was present representing the CIA, during the apprehension and execution of Che Guevara; a man who, to this day, has photographs of Guevara's hands, having been chopped off and sent back to the United States for identification purposes.

On Pat Weber: In Mexico, once I was firmly implanted down there in December 1986, I came into contact with an agent who was introduced to me as "Pat Weber." He was working with Felix Rodriguez. It was made known to me that he was an Israeli agent. I didn't know what his function was, other than that his country seemed to be deeply involved in the weapons-manufacturing element of our business plan, which was to build a factory somewhere in Mexico that would be building untraceable weapons and components. He seemed to be the facilitator of that side of the story.

He died in an aircraft accident in the state of Michoacán, near the capital of Michoacán—he crashed while inspecting mango plants, I believe is the story. Through the course of the investigation into that, it was discovered that Pat Weber was actually Amiram Nir, an Israeli Mossad-connected person, and, I believe, right out of the Israeli Defense Ministry. . . .

Cummings: I think you should point out, too, that Mr. Nir figures prominently with George Bush. He was the man who, in Jerusalem, briefed George Bush about the Iran initiative. Amiram Nir is a major figure. At the time, he was not a member of the Israeli cabinet, but he was an adviser to the prime minister of Israel on terrorism.

Everyone has been speculating as to why Nir would turn up in Mexico. They thought that he had left Israel and had gone to work in London; and he suddenly appears. And even some of the best books about Israeli intelligence seem to be at a loss as to why; and, I think, Terry provides a very good *reason* as to why, because Nir was very much a part of this Mexican operation *with Gomez and* with the man who, some say, could be the next President of Mexico, Cuauhtémoc Cárdenas.

EIR: Let's go back to 1987: You're down in Mexico. This project is up and running. It's Arkansas take two; now it's in Michoacán. But all of a sudden, you decided you didn't want anything to do with this anymore.

Reed: You're talking about the day I mentally resigned from intelligence gathering, which was July 5, 1987. That was the day that I discovered, beyond a shadow of a doubt, that

certain people around me who were CIA agents were trafficking in cocaine in a very, very large way.

EIR: How did you find that out?

Reed: Well, I walked into my facility, Machinaria Internacional. We had a warehouse in Guadalajara, and there was an L-100, which is a C-130-style aircraft that was there to pick up cargo. I had to go down and unlock the warehouse. I had to inspect some containers to find out which ones contained the equipment that was to be picked up, and I discovered, lo and behold, that one was full of cocaine.

Cummings: We're talking about tons of cocaine, not just a few kilos—

Reed: We're talking about weapons crates—you could live in a Conex container. The homeless of New York would love to have Conex containers.

Cummings: In fact, Terry had a witness to this, and he looked in there and turned to Terry and said, "It's gotta be tons." And Terry turned to him, and said, "Well, so much for the war on drugs." . . .

I won't go into it, but there were a lot of things happening that had made Terry suspicious—

Reed: I want to talk about the hypocrisy. I'm not making a moral decision about the rightness or wrongness of drugs. I can't live with the hypocrisy of sending people to prison in the United States—I mean, as we speak, people are rotting in prison for possession, for trafficking, for small quantities—if people within our government are facilitating that, that's wrong. We just need some national policy that's enforced, one way or the other. That's why I got out of it.

EIR: At the point that you decided to get out, you packed your family up and, after a few months, returned to the United States. That's when the nightmare really began.

Reed: I'm sure that the moment I stood up and took Nancy Reagan's advice and said, "No," I'm sure someone was saying, "We gotta get rid of this guy."

EIR: And you said "No!" personally to Felix Rodriguez/Max Gomez in Mexico?

Reed: That's correct. It was a one-on-one meeting, in San Miguel de Allende, Mexico. But, in hindsight, at that point, I was considered—I hate the word—a whistleblower. That's what I'm sure I was considered—a threat, unpatriotic, not to be trusted. And when I crossed the border on Black Monday, Oct. 19, 1987, I discovered that I was a wanted man; that Bill Clinton's chief of security, then-Arkansas State Police Lt. Raymond Young, had already inserted me in government computers as being an armed and dangerous drug runner, operating out of Central and South America—

EIR: The kind of thing that triggers a "shoot first" order among American law enforcement.

Reed: Sure. That's all it takes.

House votes further cuts in missile defense

The House voted to cut \$500 million on May 18 in President Clinton's \$3.2 billion request for anti-missile defense. The House also rejected an amendment by Martin Meehan (D-Mass.) by a vote of 271-155, which would have cut an additional \$200 million out of funding for ballistic missile defense, as the House began action on a \$263 billion Defense Authorization Bill for fiscal year 1995.

The House Armed Services Committee had cut \$500 million from Clinton's request before sending the bill to the full House. Clinton's request is primarily for development of anti-missile missiles, similar to the Patriot missile, which was used during the Gulf war to protect U.S. troops and allies from missile attack.

Patricia Schroeder (D-Colo.) said the \$200 million could safely be cut and the money used instead to cut the U.S. federal deficit. But Deputy Secretary of Defense John Deutch told the House in a letter that the \$200 million would cripple research on more exotic future defenses against missile attack.

Europe told to pay more for U.S. troop presence

The House voted on May 19 to withdraw up to 75,000 U.S. troops from Europe if U.S. allies there do not pay 75% of the forces' costs by 1998, excluding salaries. The House voted the proposal into the FY 95 Defense Authorization Bill by a vote of 268-144.

The House rejected by a vote of 260-163 a more extreme proposal to withdraw all U.S. troops by the year 2000 from countries that do not pay all costs except salaries for the U.S. troops stationed on their territory. The

proposal was made by John Bryant (D-Tex.), who argued that Europe and Japan have the wealth to pay for the U.S. troops defending them. Opponents argued that U.S. troops are in Europe and Japan to maintain stability in the United States' own security interests.

U.S. troops in Europe are already being cut to 100,000, and the proposal passed by the House would cut them to as few as 25,000. The provision would require withdrawal of 1,000 U.S. troops from Europe for each percentage point less than 75% the European allies failed to pay for the troops' cost. The effort to force Europe to pay a larger share of the cost would have to be approved by the Senate and signed by President Clinton in order to become law.

Assistant House Majority Leader David Bonior (D-Mich.) argued that Japan agreed to pay a larger share of the cost of U.S. troops stationed in that country when the House passed a similar proposal, and that the House should now put the same pressure on Europe. "We're saying it is time for European allies to pay their fair share, too," he said.

Proponents of the measure couple what they consider "unfair" trade practices to the troop-cost issue, using threatened troop withdrawal as blackmail to force concessions on the trade front. Bonior justified the demand by saying that Germany, for example, earns a \$10 billion surplus in trade with the United States, "but we pay \$4 billion for their defense."

The White House is opposed to the measure and senior aides to President Clinton appealed to the House not to approve the proposal, saying it would undermine U.S. leadership in NATO. Defense Secretary William Perry told the House in a letter: "The administration has made good progress in adapt-

ing NATO to the new post-Cold War security environment. More still needs to be done. . . . Forcing the withdrawal of U.S. forces from Europe would undercut U.S. leadership in NATO during this critical time of transition." Opponents of the U.S. troop cut in Europe said Secretary of State Warren Christopher also appealed to House members not to approve the proposal.

Senate reaffirms tough stand against crime

The Senate on May 19 reaffirmed its "get tough on crime" stance just prior to conference with the House on a crime bill. The Senate passed its version of the bill last November, while the House passed its version in April. A joint committee of House and Senate members is expected to meet soon to work out the differences and send a compromise version back to both chambers for final action.

In a series of votes, the Senate said it wanted the final bill to include longer mandatory prison terms for criminals who use guns and commit violent crimes, and for violent criminals to serve at least 85% of their sentences. The votes came on non-binding motions to instruct the Senate members of the conference and to indicate the intent of the Senate. Much of this is meant to score points during the mid-term election campaign.

Most vociferous in his posturing was Phil Gramm (R-Tex.), who ranted about how "we are not going to let this session of Congress end before we have a tough crime bill." He accused Democrats of weakening previous crime bills in conference. "We want 10 years in prison without parole for possessing a firearm during commis-

sion of a violent crime; 20 years for discharging it. We want life imprisonment for murder, and the death penalty in aggravated cases," Gramm said. Both bills already include slightly different versions of the "three strikes and you're out" provision, which provides for mandatory life sentences after a third felony conviction.

However, Senate Judiciary Committee Chairman Joseph Biden (D-Del.) said that the motions would not bind him or the other members in conference. Although calling the bill the most significant anti-crime legislation ever considered by Congress, Biden added, "The crime bill will not end crime."

The crime bills would authorize funds to hire more police and build more prisons. One of the key issues of the conference will be whether to add a provision that is supported by President Clinton to ban 19 types of semi-automatic assault weapons. The Senate included the weapons ban in its bill while the House approved the measure as a separate bill in April by a two-vote margin.

House Judiciary Committee Chairman Jack Brooks (D-Tex.), an opponent of the gun ban, has said he will try to eliminate it from the final bill. Another contested provision in the House bill would allow persons sentenced to death to use statistics in their appeal to show that their sentences were influenced by racial bias. The Senate has voted to oppose that language.

Brown draws the line on Space Station cuts

Rep. George Brown (D-Calif.), chairman of the Science, Space, and Technology Committee, in mid-May released a draft NASA authorization bill for fiscal year 1995 that his committee

will submit to the House. The bill would reduce the Clinton administration's request of \$14.3 billion by \$149.6 million in anticipation of cuts that will be made by the House Appropriations Committee. Brown indicated that this is as low as he will allow the NASA budget to go before recommending the elimination of funding for the Space Station.

Over half of the cuts are in the Space Shuttle program, with the proposed elimination of one flight in FY 97 and the permanent reduction from eight to seven flights per year after that. The committee projects that that would "save" \$15 million in FY 95 in hardware that would not be built for the cancelled future mission. In addition, the committee is recommending that one Spacelab microgravity flight be substituted for a less costly mission, "saving" an additional \$38.4 million.

While some Republican members of the committee are prepared to fight the administration on its proposal to hinge the U.S. program on a Russian-centered space station, Brown has supported the White House initiative. The White House has made the Space Station an important part of its foreign policy initiative for cooperation with Russia. In the proposed budget authorization, while funds to start the robotic Mars Surveyor program were zeroed out, for example, \$50 million was added for cooperation with Russia in space science, which the committee expects to be used for joint missions to Mars.

Brown accompanied President Clinton on a plane trip to California on May 20 in an effort to impress upon him how important it is for the White House to pressure Congress not to cut the requested NASA budget. Brown has threatened that if the Appropriations Committee cuts the budget sub-

stantially, which it has done each of the past 10 years, he will recommend to his colleagues eliminating funding for the Space Station in order to preserve the integrity of the other NASA programs.

One staffer noted that Vice President Al Gore had "made a very articulate case" for space cooperation with Russia with members of Congress, but that this was put in a "compelling emotional context" which, when put "in logical terms, is hard to defend." As in each of the past three years, amendments will be introduced on the House floor to cancel the Space Station. One such amendment was introduced in the House on May 18 by Tim Roemer (D-Ind.), an ardent opponent of the Space Station.

Decide on Whitewater hearings, say GOPers

Senate Republicans have given Democrats a deadline of Memorial Day, May 30, to reach an agreement on a date for hearings on President Clinton's alleged wrongdoings in the so-called Whitewater affair. The growing pressure for hearings comes as special prosecutor Robert Fiske indicated that he is near completion of the phase of his probe dealing with the Vincent Foster death and White House contacts with the Resolution Trust Corp. and Treasury officials concerning Whitewater.

The Senate Republican Policy Committee decided to pressure Senate Majority Leader George Mitchell (D-Me.) for a date and hearing calendar, the May 19 *Washington Post* reported. If he doesn't do that, GOPers will begin introducing amendments to pending bills with their preferred dates and guidelines.

National News

Maine law squeezes child support payments

Maine's new law threatening to take away the business and driver's licenses of parents behind on child support payments is supposedly persuading deadbeat parents to fork over more than \$1 million a month. The nine-month-old law has not yet officially revoked any licenses, but has threatened the licenses of doctors, lawyers, dentists, architects, real estate agents, commercial fishermen, and truckers.

According to Associated Press, the Clinton administration is evaluating the Maine plan and may propose that all states be required to suspend the licenses of parents who allegedly refuse to pay child support. If such a plan is carried out, how will any parent who requires a license to earn a living obtain money to pay for child support? David Levy, president of the Children's Rights Council, an advocacy group for children of divorced parents, responded, "Money will flow abundantly" when the system treats parents like parents, not "indentured servants."

'National conservatory movt.' launched in D.C.

The Schiller Institute held a conference "For a Marian Anderson National Conservatory of Music Movement" over Memorial Day weekend in Washington, D.C. A century ago, the National Conservatory of Music was initiated as an attempt to institutionalize a program of Classical music performance and composition in the United States. The conservatory's founder, Jeanette Thurber, brought in Antonin Dvorak to direct its work and caused Congress to pass legislation to build the institution in Washington. The institution has yet to be built.

Dvorak's work in America was closely followed by Johannes Brahms, who, in 1893, made it clear that he agreed with and supported Dvorak's emphasis on the use of the African-American Spiritual specifically,

and "Negro music" more generally, as the chief source of material for Classical composition in the United States. This could only have been because both Dvorak and Brahms heard in the Spirituals the "seed-crystal," or "spark," from which all great poetic compositions arise.

According to the Schiller Institute: "It is proposed that the Marian Anderson National Conservatory of Music—not a building, but an idea—raise the need for precisely such musical and artistic practice. Like Robert Schumann's society, the Davidsbund, we should seek to rid the arts of the rule of the cultural (and countercultural) Philistines. This would be done through a movement composed of mass choruses, educated through seminars, concerts, and symposia, intended in these troubled times to bring back into focus the need to reestablish the arts as the center of our lives."

Panama monthly covers fight to clear LaRouche

A Panama-based monthly, *Narcomafias*, covered the fight of U.S. statesman Lyndon LaRouche to secure his exoneration in its May issue. LaRouche spent 5 years of a 15-year term in prison, after being sentenced for charges for which the government knew at all times that he and his co-defendants were innocent. *Narcomafias* circulates throughout Central America. Author Aldo Alessandri noted the double standard of the U.S. government on human rights: It uses the issue to manipulate other countries into doing its bidding, but in the LaRouche case, it "hid and covered-up exculpatory evidence, violating the human rights of the defendants." The article reported that LaRouche "is well known in Hispanic America for his firm defense of national sovereignty and for his attacks against the International Monetary Fund."

Narcomafias reported on the LaRouche co-thinkers who remain in jail: "Michael Billington (sentenced to 77 years in prison), Rochelle Ascher (10 years), Anita Gallagher (39 years), Paul Gallagher (34 years) and Donald Phau (condemned to 25 years in prison). Why, despite the mountains of proof

available, has the U.S. Department of Justice refused to investigate the transgressions of its own officials? And, how can the U.S. government, when it has not corrected these outrageous violations of human rights within its own borders, use the human rights pretext to pressure others to accept its policies?"

Donahue won't get to televise execution

Talk show host Phil Donahue, never one to turn down an opportunity to encourage voyeurism, was denied permission to televise the North Carolina execution by David Lawson. According to a May 17 ruling from the state Supreme Court, neither the state nor U.S. Constitution gives Donahue or Lawson, who asked Donahue to broadcast it, the right to do so.

However, with an appalling lack of logic, North Carolina Attorney General Mike Easley was quoted in the press saying: "This wasn't a question about the Constitution. This was a question about television ratings, and the state ought not to be in the business of affecting television ratings. There's too much violence on TV already."

In Maryland, the first execution in 33 years was carried out on May 17. John Thanos, 45, was killed by lethal injection after refusing all appeals. According to Maryland law, the condemned is only told of his or her execution an hour before it occurs. Thanos was given Valium, and then anesthetized, before a third medication was used to stop his heart. While less barbaric than the electric chair, the perfection of anesthetics and pain-killers to execute individuals raises a chilling prospect for medical practice.

Report finds media distort cancer danger

According to a recent report on "Scientific Opinion Vs. Media Coverage of Environmental Cancer," by the Center for Media and Public Affairs in Washington, D.C., only 31% of scientists, all members of the

American Association for Cancer Research, think that the United States faces a cancer epidemic, compared with 85% of the media. Only 28% of scientists believe that cancer-causing agents are unsafe at any dose, compared with 66% of the media. AACR scientists rate tobacco (96%), sunlight overexposure (54%), and poor diet (50%) as leading causes of cancer, while environmental causes, such as pesticides, herbicides, radiation, etc., were rated very low, even below aflatoxin (a naturally occurring carcinogen found in peanuts and moldy grains), dioxin, alcohol, and sexually transmitted diseases.

Furthermore, 65% of the scientists surveyed did not think that human cancer risks should be assessed by giving animals the maximum tolerated dose of a suspected cancer-causing chemical, which is how assessments are now made.

The report, released earlier this year, is part of a research project in progress on how the media manipulate public opinion and policymaking decisions.

Calif. ballot measure to target immigrants

A ballot measure for the November election which would bar illegal immigrants in California from schools and hospitals has just been filed with the California Secretary of State. The measure is sponsored by Alan Nelson, who was Immigration and Naturalization Service Commissioner under President Ronald Reagan, and Harold Ezell, INS chief for the western states from 1983-89. If passed, the initiative would require schools to verify the immigration status of pupils and expel those whose parents cannot prove their legal status. Schools would also be required to report to law enforcement agencies the names of parents who they believe are in the country illegally.

The initiative would also eliminate prenatal care to women who have no papers. Illegal immigrants could receive emergency care, but hospital officials would be required to report "persons who are apparent illegal aliens."

The petition campaign was heavily supported by the California Republican Party,

which spent \$75,000 to send out petitions. Gov. Pete Wilson (R) who has fueled anti-immigration hysteria claiming that illegal immigrants and their children absorb \$3 billion in education, health care, prison, and welfare costs, has not taken a formal position on the initiative. His campaign manager, George Gorton, has stated that it is highly likely that Wilson will campaign for the measure next fall should it make the ballot, according to the *Los Angeles Times*. The Democratic Party has not taken a position on the initiative.

Anthony Lake: U.S. enemy is not Islam

National Security Adviser Anthony Lake, in a speech on May 17, rebuffed analysts who suggest that in the post-Cold War world the fundamental divide is between western democracies and civilizations based on Islam and other religious traditions. Although he did not specifically name him, Lake was repudiating the "Clash of Civilizations" theory of Council on Foreign Relations globalist Samuel Huntington.

According to Reuters, Lake stated, "These theorists believe there is no common ground for understanding between the West and the rest, only the prospect of confrontation and conflict." Lake told the Washington Institute for Near East Policy that the fault line runs instead "between oppression and responsive government, between isolation and openness and between moderation and extremism." He drew a parallel between the renewed emphasis on traditional values in the Islamic world and similar trends in the West. He said that Islam by itself "is not the issue," but rather Islamic radicals who "use religion to cover real intentions—the naked pursuit of political power."

Speaking on Bosnia, Lake said that Serbians "may seek to legitimize their conquest with claims that they are holding off a Muslim threat to the West. But the world should not accept such patently false claims," he said. "We support a democratic Bosnian state in which Muslims and Christians live together in peace."

Briefly

● **U.S. AMBASSADOR** to Israel Edward Djerejian announced his resignation for "family reasons" after serving only six months in his post. Formerly assistant secretary of state for Near Eastern Affairs, Djerejian is planning to take a post as director of a university policy institute associated with Bush Secretary of State James Baker.

● **DR. JOHN KITZHABER** won the Democratic gubernatorial primary in Oregon on May 17. Kitzhaber, a former emergency room physician, is the architect of Oregon's Nazi health care rationing system, under which many diseases are no longer covered due to cost factors.

● **PAT ROBERTSON'S** International Family Entertainment Inc., parent of the Family Channel, said that its first-quarter earnings plunged 65% from the same period last year due to a \$2.1 million loss in the derivatives market.

● **JAMES EARL RAY'S** attorneys won a request in Memphis court to re-test the ballistics of the weapon that allegedly was used to assassinate Martin Luther King, Jr. Ray, who was never tried for the crime, claims he was a "patsy" of the assassin-conspirators. A hearing was scheduled for June 6 at which the court will spell out the guidelines for the re-testing. Although the court rejected James Earl Ray's appeal for a trial, it did grant new discovery.

● **AN AUTO REPAIR SHOP** owner faces up to five years in prison as the first person prosecuted by the U.S. government for intentionally releasing "ozone-eating freon." According to the *Philadelphia Inquirer* on May 14, George Hofele of St. Louis County, Missouri pleaded guilty on May 11 to a charge of violating the Clean Air Act. The U.S. Attorney announced "we are prosecuting this defendant because he endangered all of us." There is no evidence that freon is damaging the ozone layer.

The death of Jacqueline Kennedy

Jacqueline Kennedy's death called to mind the dark days following the assassination of John F. Kennedy in 1963. One remembers the shock one felt upon hearing the news, the funeral procession. As in the passing of Richard Nixon, one compares the United States as it was—30 years ago, 20 years ago—and now; and there is a terrible sense of loss.

How many Americans, how many people in many nations, really believe that President Kennedy was killed by a lone assassin, because of some awful twist in the assassin's character? The assassination was a terrible event in the nation's history, but the coverup connected with it has been even worse. It eroded confidence in the future greatness of the nation, and helped to create the conditions of decline which have characterized the last three decades.

Many have remarked on Jacqueline's grace and courage in that time of grief. Yet it is equally telling, in these days of strident feminism, that she exemplified a genuinely "liberated" woman who placed the demands of a reasoning being ahead of private concerns, not only when she represented the nation as First Lady as a sponsor of the arts, but later, when she continued her work in the more restricted domain of book publishing. Despite her millions, she felt the need to make a contribution to thought.

Not only was Kennedy assassinated, but the programs which he supported, most notably the space program, suffered a mortal blow. We can suppose that the coverup of the conspiracy to murder his predecessor affected President Johnson, so that in the period over 1966-67, Johnson, who had been an outspoken advocate of an ambitious program for space exploration throughout his political career, capitulated to the pressure to cut it back. Support for the space program was counterposed to the financial drain imposed by the war in Vietnam. Whereas Kennedy, by all indications, was going to cut back on U.S. involvement in Vietnam, Johnson instead made the opposite, wrong-headed choice.

The murders of Robert Kennedy and Martin Luther King, Jr. similarly were falsely treated as the singular

acts of deranged individuals, rather than as by-products of a conspiracy. It does not require a leap of the imagination to conclude that there is a connection between these three assassinations, which occurred within a few years of each other. At the least, we know that a massive coverup was conducted in all three cases. In the shooting of King, there is a well-documented pre-history of FBI operations against him, led personally by the FBI's racist head, J. Edgar Hoover. To this day, James Earl Ray claims that he was set up and was merely one player in a much larger conspiracy to assassinate King.

Similarly, evidence pertaining to discussions between the FBI offices in Washington and New York City released through Freedom of Information Act procedures shows that, in 1973, FBI agents were involved in a plot to eliminate Lyndon LaRouche. The plan was to use members of the FBI-controlled U.S. Communist Party to carry out such an assassination. Fortunately, LaRouche and his associates found out and exposed the operation, so that it was aborted.

The murder of John Kennedy, Robert Kennedy, Martin Luther King, Jr., the forced resignation of Richard Nixon, the targeting for assassination and imprisonment of LaRouche, are all part and parcel of the attack on the principle of the inviolability of the sovereign nation-state, not only the United States, but every nation.

If it is allowed to go on, the U.N. International Conference on Population and Development (Cairo '94), scheduled to be held in Cairo, Egypt in September, will be a singular moment in this process of institutionalizing the authority of a world federalist government over that of nations.

Indeed, we can look back to the murder of Abraham Lincoln and recognize the existence of a conspiracy of more than a century's duration, orchestrated by the British, to maintain what they conceive of as their imperial destiny, in one form or another. Lincoln was a very great man, and his death was an incalculably great loss to the whole world. Others, maybe less so. But their murders were intended to the same purpose of undermining republican government.

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Wednesdays—12 Midnight

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COLORADO

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DISTRICT OF COLUMBIA

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Mon., July 11,18,25—5:30 p.m.
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1 Flash or Ch. 99
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- Fridays—5:30 p.m.

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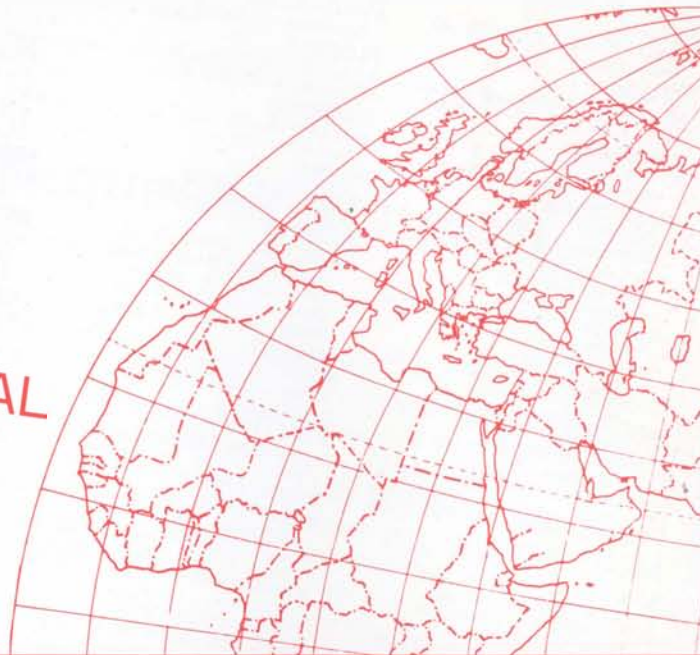
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