

EIR

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From the Managing Editor

As we go to press, Mexican government negotiators are meeting with officials of the International Monetary Fund and the U.S. government, in a desperate scramble to stave off an imminent default on Mexico's debt.

Of the various options under discussion, one is a plan for the United States to back up \$30 billion in Mexican government paper, the so-called *tesobonos*. If adopted, this amazing scheme would correspond exactly to the secret protocols of the North American Free Trade Agreement, which *EIR* exposed in a cover story on Oct. 8, 1993. The NAFTA secret accords provide for the U.S. government to support new dollar credit instruments, outside the sovereign control of that government, in order to prop up the banks' speculative earnings.

EIR's record on the Mexican debt crisis is outstanding, in sharp contrast to all the media and financial "experts" who have touted the "Mexican miracle." Our June 3, 1994 cover story, for example, was titled "About to Explode Again: Ibero-America's Debt Bomb." It began: "You've heard it said that the Third World debt crisis of the early 1980s has been solved permanently. . . . 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." The central bankers' schemes to "dollarize" the world economy, we wrote, would in no way benefit the United States, but would mean "the elimination of U.S. sovereignty as well," placing the U.S. economy under the thumb of the unconstitutional Federal Reserve.

In the *Economics* section this week, you will find a full rundown of the Mexican debt blowout, followed by analysis of the crisis that the speculative derivatives market is causing, from Venezuela to California to China.

In one country after another, insane free-market "reforms," demanded by the International Monetary Fund, have been tried and have failed, causing untold suffering and political destabilization. This week's *Feature* highlights the case of Russia, where a real alternative is now emerging, around Lyndon LaRouche's concept of physical economy.

Susan Welsh

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Corrections: Our report on "Prince Philip: 'Doge' of the Real Fourth Reich" (Dec. 16, 1994) contained an error on p. 71, concerning the family relations of Prince Bernhard of the Netherlands. His wife is Juliana; Beatrix is his daughter.

In Map 14 of "The Geography of World Economic Development" color map section (Jan. 1, 1995), the colors in the map legend were reversed. The light green lines indicate navigable rivers and waterways, while the blue lines indicate proposed new water routes.

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It's not a Mexico problem, but a New York problem

by Valerie Rush

The financial blowout currently taking place in Mexico is nothing but the collapse phase of an ongoing disintegration of the international financial and monetary system, said U.S. economist Lyndon LaRouche in a Dec. 28 radio interview. "Essentially, this should be seen as a continuation of the Orange County mess. This is not just Mexico. You have it throughout the world. . . . So, don't worry about Mexico. The whole world system is going. People have to wake up to that fact. It's not a 'Mexico problem.' It's a New York problem."

For several years, LaRouche has been comparing the world monetary system to the *Titanic*, and has warned the governments of the world that, instead of shifting their deck chairs around, they would be well-advised to abandon ship while there is yet time. LaRouche's warnings were ignored, and the *Titanic* started to take on water. Orange County is but one of the leaks, Mexico another. There will be many more. The unavoidable truth is that the *Titanic* is sinking.

Mexico's 'steam valve' blew

That Mexico was going to blow was merely a question of time. It had been the international financiers' premier model for "free trade reform," "trade liberalization," privatization, and debt reorganization since 1988, when the Harvard-trained Carlos Salinas de Gortari assumed the presidency. The North American Free Trade Agreement was to be the crowning achievement of the Salinas "economic miracle," touted as such at the Summit of the Americas held in Miami a mere three weeks before the blowout. And yet, the effect of these banker-imposed "reforms" has been a complete breakdown in Mexican manufacturing and infrastructure, a sharp increase in unemployment, a decline in food consumption; in sum, a looting of the real economy to pay Mexico's huge foreign debt.

As LaRouche describes it, "there was a blowout in Mexico in 1982, which I'd forecast, but people weren't paying attention and it hit them. They thought they put the lid on that one. People who remember the days we had steam engines will remember that the steam engine had a safety valve, and when the pressure in the tank got too high, this safety valve would let the steam out, so you wouldn't blow up your tank. What happened is that in 1982, the U.S. government and others decided to sit on the safety valve, and so Mexico has been erupting, slowly, ever since; and now the safety valve just blew."

Mexico is financially bankrupt. International reserves which stood at an estimated \$27 billion in the early part of the year had consistently eroded over the past 10 months. In the days immediately preceding and following the Dec. 20 peso devaluation, reserves plunged another \$4-6 billion. On Dec. 22, Treasury Secretary Jaime Serra Puche revealed that foreign reserves had fallen to the emergency level of \$6.5 billion, barely enough to cover one month's imports.

Mexico's current account deficit is expected to reach a little over \$29 billion for 1994. As *EIR* noted in April 1993, "The government's policy for the current account deficit is simply to keep interest rates very high. It is doubtful how long that measure alone can keep the floating crap game going. It is increasingly likely that Salinas will be forced to devalue the peso—a measure which he has desperately tried to avoid, as it will deflate the international myth of the 'Mexican model,' and bring the country's foreign debt crisis back to center stage."

As it turns out, it fell to newly inaugurated President Ernesto Zedillo to pull the plug. The Mexican peso has already been devalued an estimated 40% and is still in free-fall, as dollars flee the country. The *Wall Street Journal* moaned Dec. 27 that the devaluation risks "further sharp

increases in the cost of servicing billions of dollars of dollar-denominated debt in the form of Brady bonds and short-term debt." Before the devaluation, Mexico was paying \$7 billion a year in debt service. Whatever that figure rises to, there is little doubt that Mexico will be unable to service it.

Banks in trouble

In September 1994, *EIR* reported on the dire straits of the Mexican banking system, whose bad debt portfolio by June 1994 had surpassed the paid-in capital of the banks themselves. Their insolvency is reflected in a series of mini-crises such as the Banco Unión-Banco Cremi scandal, and in the fact that the bankers have increasingly turned into stockbrokers, spending more energy on speculation than on traditional banking activity. In the first six months of 1994, Mexican banks increased their holdings in the stock market by 33%, representing nearly 21% of the banking system's total assets. As London's *Financial Times* pointed out Dec. 28, "Much of [Mexican] banks' current capital is either in the Mexican stock market—down more than 50% in dollar terms so far in 1994—or in long-term government securities, the value of which has also fallen heavily."

Overnight interest rates on interbank loans jumped from 20 to 40% in one night. And, since most bank loans carry variable interest rates, defaults in credit cards, mortgages, and car loans are expected to soar. The *Wall Street Journal* warned, "Mexican banks are already chock full of bad debts, and can't afford many more." The *Financial Times* added that the government's bank insurance fund is undercapitalized after bailing out two banks in the past six months.

Then, of course, there is the investment question. More than two-thirds of the foreign investment that has been pouring into Mexico in the last three years has been "portfolio investment," meaning mostly stock market investment by mutual funds and private individuals, plus depository receipts—that is to say, speculative instruments that lead to the creation of no new physical wealth of any kind. All of these investments are extremely volatile and, as the *Wall Street Journal* recently noted, "allow investors to vote with their feet, quickly."

One example is the \$30 billion market in Mexican *tesobonos*, or dollar-denominated treasury bonds, which are heavily foreign-owned. Approximately \$5.2 billion of those bonds come due in the next six weeks, according to Salomon Brothers, and \$10.5 billion come due in the next six months. The Mexican government had hoped to cover its obligations by selling new bonds. And yet, out of one recent government auction of \$774 million in maturing *tesobonos*, only \$27.6 million worth in short-term paper sold, about 4% of what the government needed.

A rumored plan by the Banco de Mexico to impose a three-year forced stretch-out, or roll-over, of the bonds coming due has already caused a panic among Mexican bankers, who warn that this would trigger a profound crisis in the banking system, since most foreign credits were won by

the banks using their *tesobono* holdings as collateral. An enforced stretch-out on the bonds would mean that the banks' credit agreements would have to be renegotiated.

The international financial centers are pushing hard to contain the Mexican crisis, and both the International Monetary Fund and the Clinton administration are being urged to jump in with some kind of bailout. But the "solutions" involve the further ravaging of Mexico. The *Wall Street Journal* put it succinctly in its Dec. 28 editorial, when it demanded a fire-sale of national assets to restore elusive "investor confidence." The free-fall of the Mexican peso, the editorial said, will not stop until the Mexican government and central bank "make clear they will sell assets until the peso's value improves."

The *Financial Times* was even more specific in insisting that Mexico put its national oil company Pemex on the auction block if it wants to regain "credibility": "The clearest signal it could offer would be to announce plans to privatize the inefficient state-run electricity and energy monopolies."

Shock waves

While the effects of the "peso meltdown" are already being felt on the Mexican economy in the form of price and interest rate hikes, bank shutdowns, extended "holidays," and widespread panic, the impact goes far beyond Mexico.

On the U.S. side, immediate concern was focused on a possible mass liquidation of mutual funds at the close of 1994. Those funds' investments in Mexico have lost an average of 21% of their value since the Dec. 20 peso devaluation. The *New York Times* reported on Dec. 27 that U.S. investors in Mexico had lost \$8-10 billion in Mexican stocks and bonds in that same time period. Further, U.S. banks hold \$21 billion in loans to Mexico and bankers are chewing the rug over how Mexico will service those loans. As one U.S. economist put it, "The impact of a major fallout south of the border would be felt throughout the U.S. financial system."

But the shock waves have hit Ibero-America hard, too. Argentina, with its massive trade deficit, is suffering capital flight, a plunge on the Buenos Aires stock market, crises pending in as many as 10 banks, and rumors of a devaluation after next May's presidential election. There has been substantial panic in Brazil as well, with the central bank there forced to intervene into the exchange markets at least 10 times in order to contain a rise in the value of the dollar. An estimated \$1.5 billion fled the country within days of the Mexican devaluation.

And beyond? The *Wall Street Journal* on Dec. 28 nervously commented that "the forces that pushed the Mexican government to abruptly shift economic policy and abandon the peso's peg to the dollar . . . are present, to varying degrees, in Russia, Hungary, Poland, and Turkey, as well as China, Malaysia, and other fast-growing southeast Asian economies."

As LaRouche summed up, "This is the end of a period of history. It's all over. Forget it. It's gone."

MSIA calls for debt moratorium in Mexico

The Ibero-American Solidarity Movement issued a statement in Mexico City on Dec. 28 urging the Mexican government to declare a debt moratorium and to impose exchange controls to deal with the collapse of the financial system. The following are excerpts from the statement:

Mexico's financial bubble has finally exploded. The blow-up is not exclusively domestic; it reflects the crisis in which the world's financial system finds itself.

The so-called "Mexican miracle" was put forward by the international financial community as an example for the whole world to follow, as to what should be done in a country run by free trade policies. It was even said that the "Mexican model" would prevail forever under the "new world order." This was the basis for the North American Free Trade Agreement, which was presented as the model for all of Ibero-America at the recent Summit of the Americas in Miami.

There were warnings of what would happen. An *EIR* study, "The 'Mexican Model': A Catastrophe for the World, a Success for the Bankers," published in April 1993, detailed the dangers to the nation posed by the policies of the Salinas de Gortari government. . . . The officials of the Salinas de Gortari government with whom we discussed these issues, hysterically denied the facts.

We repeat them again: The current crisis is due to what well-known international analysts and economists, and especially U.S. economist Lyndon H. LaRouche, have identified as an unfolding process that threatens the disintegration of the world's financial system through speculation with so-called "derivatives" . . . which have created a massive international cancer-like bubble that is destroying the physical economies upon which this cancer itself depends. . . .

In the current crisis, all monetary metrics have lost proportion and coherence. The fact that Mexico has lost \$21 billion of its international reserves in the past 10 months, and that foreign and local "investors" (i.e., speculators) lost \$10 billion in just three days, means that currency has lost not only its value, but its economic function as an exchange medium. . . .

Like a powerful bomb, the "Mexican crisis" has generated shock waves which are already affecting other lands. The "emerging" markets of Ibero-America have begun to wobble; the foreign creditors of Mexico, like Citibank and Morgan Bank—highly exposed in such fictitious investments as the

1989 "Brady Bonds" and the debt reprogrammings like the 1985 "Baker Plan"—are suffering substantial losses. The shock wave hitting the internal economy of Mexico is bringing down the parasitic banking system which had not yet collapsed under the weight of its bad debt portfolios only because of the treasury secretary's accounting tricks.

The average inter-bank lending rate increased by more than 50% on Dec. 21, moving from the Dec. 14 rate of 20.17% to 32.3% today, and it continues to rise. How much did it increase the bad debts of farmers and industrialists who were already in default? How many more producers automatically fell into default? How high should the level of contingency funds of the banks be set to support their portfolio of uncollectable loans?

What must be done

The only way that coherence can be restored to the national economy is to ban the "economic model" identified with Carlos Salinas de Gortari. President Ernesto Zedillo should declare a national economic emergency based on suspending payments on the foreign debt and on application of strict exchange controls.

This would also mean annulling the law which gives autonomy to the Bank of Mexico, the central bank.

Mexico is financially bankrupt, but its productive physical economy is still viable. All useful and non-financial productive and administrative processes should be protected and encouraged. The cancer must be cut out and the healthy tissue preserved.

The policy of privatizing public companies should also be eliminated. Every Mexican knows that continuation of this policy will inevitably lead to an attempt to privatize Petroleos Mexicanos [Pemex, the state oil company], and this would mean dismembering the country, causing more economic chaos and social dissolution.

Oil exports should be oriented not toward bringing in more dollars but toward swapping crude for so-called 21st-century technology. President Zedillo should pursue this kind of negotiation in government-to-government agreements. President Zedillo should publicly recognize that the insane world of "free trade," with all of its treaties, is over, finished. The alternative to this must be Ibero-American integration for economic complementarity of necessary productive processes.

The current government of Ernesto Zedillo has the obligation to create, in a strictly sovereign way, a new national credit system to provide the necessary investment funds, at long term and low rates of interest, channeled to strategic small and medium-sized industry for the production of food and of useful manufactures, to generate the productive new jobs that are required by the millions, to direct new flows of investment for the construction of infrastructure in water management, energy generation, and modernization of transportation.

Venezuela's sinking financial system requires a Hamiltonian overhaul

by David Ramonet

With the state takeover of two banks of the Latinoamericana-Progreso financial group last Dec. 15, the "third wave" of the insolvency crisis into which International Monetary Fund dictates have plunged the Venezuelan financial system has come to an end. The Latinoamericana-Progreso Group included the most important network of insurance companies in the country, which, together with the banks, are now in the hands of the Venezuelan state. The head of the group, a Cuban-Venezuelan named Orlando Castro Lláneez, also has interests in Panama, Colombia, Puerto Rico, and the Dominican Republic, and was the most conspicuous of the "emergent" financiers behind former President Carlos Andrés Pérez, currently under indictment for corruption. Castro Lláneez has been accused of links to Colombia's Medellín Cartel, although nothing has ever been proven against him.

With the takeover of these last two banks, there are now 13 banks which have been intervened against by the Venezuelan state since the collapse of the Banco Latino triggered the financial crisis on Jan. 16, 1994. Apart from the corrupt practices of financial speculation, these banks all share the fact that their owners in one way or another were all part of the "financial mafia" of former President Pérez.

Of the intervened banks, five now operate under state administration (Latino, de Venezuela, Consolidado, and now Progreso and República); together with the network of six state banks (the other five plus Banco Industrial de Venezuela), they represent more than half of Venezuela's commercial banks. However, as Oscar García Mendoza, president of the Banco Venezolano de Crédito, has insisted, the nature of the problem is that there is a systemic crisis of insolvency related to a poorly performing and reduced loan portfolio—the result of economic stagnation brought about by the neo-liberal, free-market economic policies of the past five years.

Of the banks still in private hands, four-fifths are controlled by two economic groups, the Polar Group and the Vollmer Group, along with three banks, the Provincial, the Mercantil, and de Lara. The rest are small family or regional banks. But the fact that more than 60% of all deposits now end up in the Central Bank has virtually eliminated the role of the private bank in Venezuela.

The fourth wave

In order to recapitalize the Banco Progreso, the state will have to assume losses of some \$635 million. Until now, the state has poured some \$5.8 billion into rescuing the other banks: That is, determined to keep the financial system afloat, Venezuela has spent the equivalent of nearly 70% of the 1994 public budget. All this liquidity came directly from the Central Bank's printing press, which "lent" the money to the government for rescuing the banks—or, put another way, for rescuing the banks' furious account holders. Part of that sum was used by the banks and their depositors to buy dollars and pull them out of the country. Through June 27, when exchange controls were imposed, the Central Bank's international reserves plunged by \$5 billion. The result was a brutal devaluation that drove up the inflation rate.

This situation led President Rafael Caldera to take an urgent series of measures beginning June 27, such as exchange and price controls. He also issued Decree 283, through which the Emergency Financial Council (JEF) was brought into being. The JEF, headed by Finance Minister Julio Sosa Rodríguez, subjected the Central Bank and other agencies of financial control such as Fogade (the Deposit Guarantee Fund) and the Superintendency of Banks, to its oversight. It was precisely the "autonomy" of those entities which helped to accelerate the state's financial prostration. That "autonomy" continues to be the principal obstacle to solving the crisis.

The part of state-injected liquidity which was not converted to dollars, was deposited in the other private banks, the so-called healthy ones, driving them into crisis as well. In December 1993, these banks had combined deposits of 721.8 billion bolivars; in August, this had nearly doubled, to reach 1.35 trillion bolivars. Currently, the entire banking system holds deposits of 2.19 trillion bolivars, an amount equivalent to the entire national public budget.

Throughout this period, the Caldera government has been subjected to intense pressure, both domestically and from abroad. Both the Castroite left—represented by members of the São Paulo Forum such as the Radical Cause party and Lt. Col. Hugo Chávez, (ret.)—and the "conservative" economic groups have fed a process of political destabilization de-

signed to prevent the government from effectively implementing its emergency Decree 283, such that the Congress (dominated by the conservative Copei and the Radical Cause) have refused to approve legislation that would give the Executive the authority sought by President Caldera to address the crisis. In particular, the congressional opposition has pushed the bankers' line that the Central Bank's "independence" from the Executive must be maintained at all costs.

Drawing on its "autonomy," the Central Bank has aggravated the crisis by issuing zero coupon bonds to allegedly "sterilize" useless liquidity. The effect has been rather to hide the insolvency of the Venezuelan banking system, giving a subsidy which has increased the inflationary potential by one order of magnitude. The bonds are actually generating more liquidity than they are supposedly retiring, since they pay a quarterly average of 12% for these deposits which are "borrowed" from the banks, to be invested in nothing. That is, on top of the 1 trillion bolivars issued for the financial bailout, the Central Bank has issued a similar amount in zero coupon bonds to "sterilize" the first 1 trillion!

No private bank is currently capable of handling this enormous surplus in liquidity. Of the total 2.19 trillion bolivars on deposit, 44% is "invested" in bonds, primarily the Central Bank's zero coupon bonds. Only 39% is actually invested in loans, due to the economic depression and continued exorbitant interest rates. In comparison, note that in December 1993, fifty-five percent was lent out, which was still a low figure in historical terms. Given that the rest of the deposits form part of the legal bank reserve, more than 60% of the deposits end up in Central Bank coffers, which multiplies the hyperinflationary potential.

The fact that the banks no longer function as traditional intermediaries of credit, and instead serve only to absorb liquidity which has no outlet in productive investment, makes all the more evident the need for a thorough reorganization of the country's financial system, perhaps even a generalized state takeover. Even more so, in view of the fact that the cost of maintaining the artificial solvency of the banks is only aggravating the hyperinflationary potential. But there are those who oppose this alternative and instead pressure the government to dismantle all the protective measures it has imposed, leaving inflation and the "invisible hand" of the financial speculators to "resolve" the crisis they have themselves created.

The alternative: development and credit

In the wake of the election victory of the Republican "neo-conservatives" in the United States, Venezuela's "conservatives" feel encouraged to intensify their pressure against the Caldera government. For example, banker García Mendoza has demanded that the government leave the banks to their own fate, eliminate exchange and price controls, and impose an International Monetary Fund program. He has been seconded by the president of the Chamber of Deputies,

social democratic banker Carmelo Lauría. But the real standard-bearer for this line is liberal writer Arturo Uslar Pietri, a partner of La Seguridad insurance company, which was just rescued from falling into bankruptcy by its creditors.

Some conservatives have reached the point of considering backing a military coup, on the assumption that U.S. public opinion would be in their favor. Ironically, this is the option that Castroite Hugo Chávez is hoping for, in expectation that widespread rejection of such a coup among Venezuelans would turn into a revolution in the streets and would bring down Caldera.

The importance of List

In stark contrast, banker Luis Vallenilla, president of the Cavendes group, wrote an article in the daily *El Globo* of Dec. 5, entitled "The Importance of Friedrich List." The article details the historic truth about the economic development of the United States and of Germany in the last century. But Vallenilla goes further and explains how the Venezuelan government's debt with the Central Bank (the money "sterilized" by zero coupon bonds) can be converted into credit for carrying out the great infrastructure projects that the Caldera government has proposed: that is, how to kill two birds with one stone, by attacking the insolvency of the banking system *through* a development program.

Vallenilla offers as an example the way in which the first U.S. treasury secretary, Alexander Hamilton, converted the U.S. government's financial obligations into instruments of internal credit, in order to finance infrastructure and transportation projects which rapidly generated jobs, goods, and services. "In the end, the credit was not inorganic, given that the monetary mass generated was then backed by tangible produced goods. Hamilton also imposed protectionist tariffs, to protect the incipient U.S. industries from the powerful European ones," said Vallenilla.

The private banking system must similarly be put through bankruptcy reorganization, and reconstituted around participation in such government-led infrastructure projects.

It is only through such an orientation that the integration agreement pact between Caldera and Brazil's President Itamar Franco can be put into effect. On Dec. 8, while in Caracas, Brazilian President-elect Henrique Cardoso confirmed, "Relations between Brazil and Venezuela have improved significantly in recent years, and I have every intention of deepening the process of integration promoted by Presidents Itamar Franco and Rafael Caldera."

According to Cardoso, the possibilities of Venezuela's becoming a major partner with Brazil are enormous: "The basis for such a close relationship has already been established. The time has now come to make those projects a reality." He emphasized that their countries' shared Amazon border is not an obstacle: "The hydroelectric project in Venezuela's south and the supply of electricity to Brazil's north constitutes one example of this."

African institute debunks IMF programs

by Bado Onimode

Professor Onimode is chairman of the Institute for African Alternatives, a Nigeria-based organization supported by eminent persons in that country.

The attention of the Institute for African Alternatives (IFAA) has been drawn to the false claim of the International Monetary Fund (IMF) that its Structural Adjustment Program (SAP) is the only hope for the economic development of African countries. This is the propaganda of the IMF and the World Bank in their drive for the recolonization of Africa for a new colonialism. We reject it very firmly and totally.

The SAP is a disastrous failure all over Africa, and the IMF should be ashamed of its role in it. After some 15 years of massive adjustment, the IMF and the World Bank cannot boast of a single success story in Africa, except tiny Mauritius island. Their claims that Ghana is an SAP success is contested by informed Ghanaians. Thousands of Ghanaians still cannot return to make a successful living at home, and their currency, the cedis, fell from about 300 cedis to the dollar in December 1992 to around 2,000 cedis to the dollar now. The SAP has similarly debased the Nigerian naira from 1 naira to the dollar, to around 100 nairas to the dollar in the parallel (black) market.

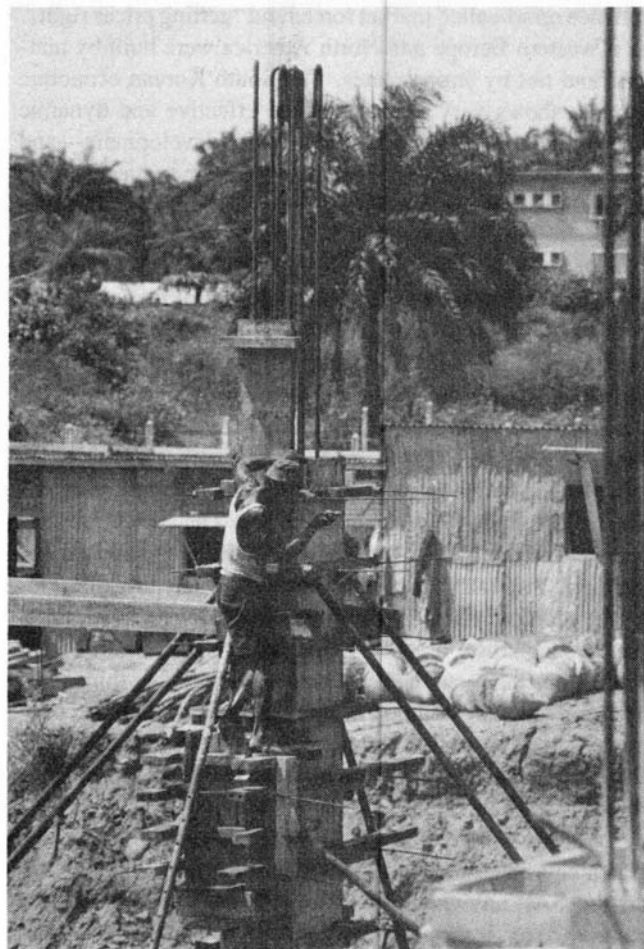
One World Bank report on the SAP in 1993-94 showed that out of some 20 countries studied, 8 of them showed decline and 11 were undecided—even by the bank's own performance criteria, which many consider inadequate. The bank's annual report on poverty in 1991 showed that poverty was getting worse in Africa, and that the continent will be the only part of the world where income per capita will be falling right up to the 21st century. The United Nations General Assembly's final review of the U.N. Program of Action for Africa's Economic Recovery and Development (Unpaard) also underscored the failure of economic recovery in Africa. Other international bodies, such as the U.N. Development Program, Unicef, International Labor Organization, and the Economic Commission for Africa, have also raised concern over the decline in Africa.

The catastrophic effects of the SAP in African countries include the death of millions, especially children and women; a drastic fall in real income; widespread hunger, malnutrition, and stunted growth; excessive and pauperizing inflation; collapse of social services and falling enrollment at all levels

of education; huge and rising unemployment; massive destruction of national currencies arising from excessive and persistent currency devaluation; declining export earnings; sharply rising inequalities; destruction of public services from inhuman retrenchment; the deindustrialization of African countries; widespread repression needed to impose the SAP on unwilling populations; IMF-caused riots; the undermining of the state; and threatened social disintegration due to rising crime and drug-pushing, resulting from greatly weakened states. Nigeria and some other African countries have fallen from middle-income to low-income levels under the SAP, according to World Bank ranking.

A net outflow of capital

Between 1988 and 1989 alone, Africa recorded a net outflow of capital to the IMF and the World Bank of \$2.7 billion. The so-called gains of the SAP, shown with dubious growth rates of Gross Domestic Product (growth of national income), are clearly minor when compared to these serious



A construction project in Lagos, Nigeria, during the 1960s. Today, the IMF's structural adjustment programs have shut down industry and infrastructure development, driving Nigeria's economy from a middle-income level to a low-income level.

negative effects of the SAP and the crushing burden of dubious foreign debts. Only a tiny minority of Africans and their collaborators in the multinational corporations enjoy these gains; the majority of Africans only have losses and tears from the adjustment of their stomachs.

These disastrous effects of the SAP in African countries are the direct result of its wrong policies, as has been shown by the Economic Commission for Africa (ECA) and other bodies. These negative policies of the SAP include the opening up of African countries to foreign goods and services (import liberalization), at a time when the advanced countries have been shutting their doors against African exports; total withdrawal of all subsidies; drastic budget and credit cuts for all purposes; massive and persistent currency devaluation, to make African raw materials and other commodities cheap for the advanced countries and discourage Africa from competing with foreign goods; dogmatic privatization of public enterprises, whether profitable or not; severe weakening of the state, in order to promote the domination of African economies by foreign multinational corporations; and ideological reliance on so-called market forces and "getting prices right," as if western Europe and North America were built by markets and not by strong states. The South Korean economic miracle shows very clearly that the effective and dynamic role of the state is crucial for successful development—and where African states are incompetent, they need to be strengthened, not marginalized and blackmailed into irrelevance.

African nations must define their programs

It is for these reasons that IFAA maintains that the correct road to rapid recovery and genuine development for African countries is for them to design their own national program for restructuring and transformation. The African alternative to the SAP produced by the Economic Commission for Africa and adopted by the Organization for African Unity, provides the correct guide for African countries. The correct historic mandate of the IMF and the World Bank is to support, not supplant, African countries in this democratic direction.

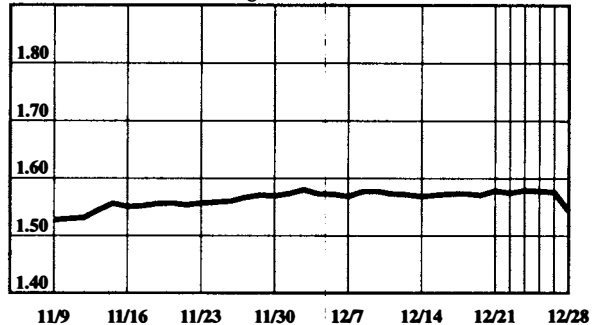
In addition, African countries should demand the immediate cancellation of all foreign debts. This is part of the reparations payment due to Africa—among other things, for 15 years of the destruction of our countries when our economies have been used as guinea pigs in the costly economic experiment called the SAP, which the IMF and World Bank imposed on Africa.

We are nobody's fools. If the IMF people deny these statements, then the IFAA challenges them to public debate on the SAP anywhere in Africa. If the IMF has nothing serious to say, it should shut up and not blackmail and threaten our countries each year when our annual budgets are being prepared. The sovereignty of our countries includes the right to design our budgets and economic policies in the best interest of our countries.

Currency Rates

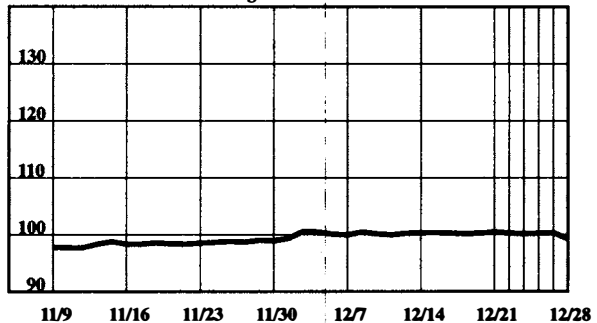
The dollar in deutschemarks

New York late afternoon fixing



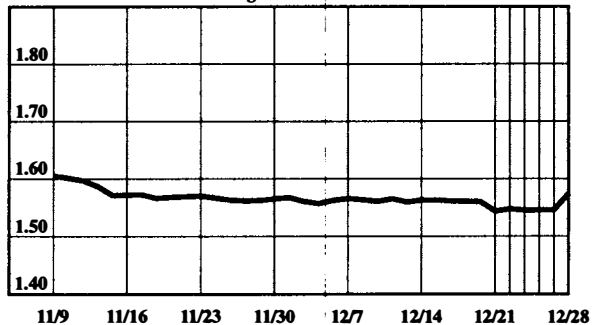
The dollar in yen

New York late afternoon fixing



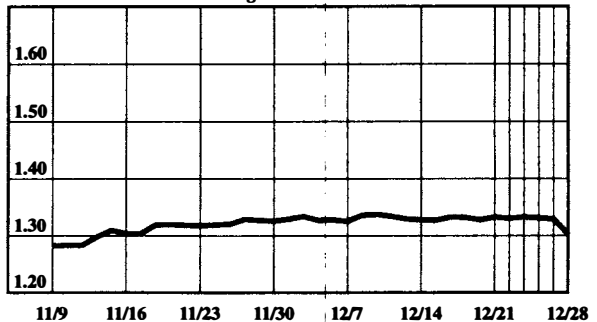
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



Orange Co. bankruptcy puts derivatives on national agenda

by Nancy Spannaus

It may be the equivalent of closing the barn door after the horse has escaped, but the national regulatory agencies and the U.S. Congress nonetheless feel compelled to belatedly either take, or threaten, further regulatory actions against the cancerous speculative bubble known as financial derivatives and some financial institutions which are now in deep trouble as a result.

The trigger for this whirl of activity was the Dec. 6 bankruptcy of Orange County, California which suffered billions in derivatives losses. The political fallout from the Orange County events is spreading day by day, as layoffs are announced and legal investigations are begun. The dramatic collapse of one of the wealthiest and most populous counties in the United States has also put a spotlight on the financial management of other localities, many of which are courting similar fates as a result of financial speculative practices.

Given the extent of the speculation, and the rotting out of the U.S. physical economy, there is actually no way to save the banking system through increased regulation. What will be required is a bankruptcy reorganization which writes off much of the bad debt, preserves the commitments to pensions, salaries, and other essentials of living standards, and then permits the generation of directed credit to restart productive employment through large, desperately needed infrastructure projects.

But the political spotlight on the crimes of the derivatives speculators should have the salutary effect of showing who actually has destroyed the U.S. economy.

Bankers Trust in the barrel

In the week before Christmas, the news hit the U.S. financial pages that Bankers Trust, one of the top money center banks, had been fined \$10 million for defrauding Gibson Greetings, makers of greeting cards, in its derivatives operations. Monetarily, the fine was a slap on the wrist, since Bankers Trust could have faced much larger fines or even criminal charges.

The Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC) were the federal agencies that went after Bankers Trust for violating the law, in particular for "misrepresentations and omissions" to Gibson on the size of its derivatives losses. The taped record

of Bankers Trust's lies completely indicted the company, which the record shows to have made a substantial amount of its total customer revenues from the "confused" Gibson.

The mildness of the enforcement action was the result of massive lobbying by what the *Wall Street Journal* called "top financial dealers." "I've never had the experience before of so many parts of the industry weighing in with comments about a potential enforcement action," said new CFTC chairman Mary Schapiro. "We were very cognizant of not wanting to disrupt the market or create any legal uncertainty," she said.

Schapiro, who just took over from Wendy Gramm (whose husband is Texas Sen. Phil Gramm), said that this was the first time since the CFTC exempted swaps (a type of derivative) from its regulation, that it had exercised its authority to prosecute fraud.

Orange County goes sour

There have been numerous signs that fraud prosecutions could also be coming from the Orange County situation, where Merrill Lynch was the key institution involved in promoting the risky derivatives transactions that have, to date, lost the county about \$2 billion. The SEC has issued subpoenas for the records of top Orange County officials, with special reference to the relationship between the officials and Merrill Lynch.

California Gov. Pete Wilson (R) has also ordered state auditors to review the activities of Orange County's funds since June 30, 1994, and for the last three years.

Efforts by Orange County to prevent the sell-off of its securities, even in the face of the bankruptcy, have been unsuccessful. Despite the bankruptcy court action permitting the release of some funds for urgent payments, the county is in severe financial straits and the Board of Supervisors has ordered \$40.2 million in budget cuts over the next six months. This will include 700-1,000 layoffs. The largest union in the county has announced plans to sue to prevent the layoffs.

In the wake of Orange County's bankruptcy, there have been runs on other municipal funds, and warnings of potential blowouts in municipalities in Texas, Maine, Wisconsin, and Florida. Not surprisingly, Congress has announced it will hold hearings to probe municipal derivatives. The schedule includes:

- The Senate Banking Committee under Alfonse D'Amato (R-N.Y.) will hold hearings on Jan. 5-6 on municipalities' use of derivatives and "leveraging strategies."
- The House Commerce Committee's financial subcommittee under Jack Fields (R-Tex.) will hold hearings on Jan. 10 on the adequacy of municipal bond disclosure.
- The House Banking Committee under Jim Leach (R-Iowa) will hold hearings in mid-January on Orange County and the need for tighter regulation of derivatives. Leach said he will introduce on Jan. 4, a bill to repeal the so-called Tower Amendment, a 1975 law that bars regulators from requiring municipal issuers to register their bonds with the SEC, which corporate borrowers must now do.

Foreign speculators have a 'screw loose'

by Mary Burdman

Since the warning by Chinese Prime Minister Li Peng on Nov. 21 of the possibility of a new "Black Friday" financial crash, more Chinese leaders have spoken about the dangerous state of the current world financial system. Officials are now taking steps to stop derivatives speculation, in order to curb the powers of the City of London and Wall Street in China. Such moves as a threat by leading Chinese firms to counter-sue Lehman Brothers, one of the most important New York investment banks, represent a real danger to the financial house of cards.

In mid-November, Lehman Brothers sued China's three largest trading companies for \$100 million, after having been, as a Lehman official elegantly put it, "stiffed" by the companies for debts run up in foreign exchange and swap trading under Lehman's guidance. But on Dec. 21, Cao Yongfang, president of a subsidiary of the state-backed China National Metals and Minerals Import-Export Corp. (Minmetals), one of the firms, denounced Lehman Brothers' "improper and unfair marketing, trading, and investment advisory services." Cao announced that he had asked a Hongkong branch of a New York law firm to prepare a counter-suit. "We intend to respond vigorously to Lehman's claims, which we believe are entirely without merit. . . . We have instructed our attorneys to investigate all aspects of Lehman's dealings with our companies in order to pursue counterclaims."

Minmetals' counterclaims could top Lehman's claims by "tens of millions" of dollars, the Chinese company's lawyers said. The law firm Kaye, Scholer specializes in litigation involving derivatives. The lawyers said that Lehman's had "lured a young and inexperienced employee" into making trades he was not authorized to conduct, through an offshore bank account set up at Lehman Brothers. The employee, then 31 years old, was granted a higher trading limit than the Bank of China! The employee carried out foreign exchange trades over two years, although permission to carry out such trades had been explicitly refused by Minmetal's president, the lawyers said. Over the period, Lehman's "lured this young employee with progressively more inappropriate trades, wholly unrelated to the type of proper hedging that would be permitted under Minmetals' scope of business."

Unipecc, a Chinese oil trading company, has accused Lehman's of initiating a publicity campaign to recover losses

caused by its "failure to employ due diligence in the conduct of its business."

Other Chinese institutions are also not mincing words. A spokesman of the national China International Trust and Investment Corp. confirmed on Dec. 18 that while CITIC is committed to a "reasonable solution" to the dispute between its Shanghai branch and creditors on the London Metals Exchange, the international speculators are themselves to blame for their losses of at least \$40 million. In an interview with the official *China Daily Business Weekly* on Dec. 18, Xu Shiwei, the senior adviser to CITIC Shanghai, said, "I must regretfully point out, that certain foreign counterparts have got some screw loose in their own house. In other words, what they have done has to some extent assisted such a thing happening, unintentionally or intentionally."

Xu said that credit had been extended to the Shanghai CITIC branch equivalent to five or six times their equity, without notifying CITIC national headquarters or requiring any guarantee from CITIC. "Any counterpart, if he is prudent enough, should have related extension of credit to CITIC Shanghai's capacity, and in line with China's relevant laws and regulations governing foreign exchange," Xu said. He stated that four employees of the Shanghai CITIC branch, including its former head, have been detained on charges of corruption and illegal trading.

In the same *China Daily*, Liu Zhiben, director general of the Foreign Trade and Economic Cooperation Ministry, attacked reports in the western press demanding that the Chinese government pay for speculative losses. Liu said that the "flimsy linkage of corporate disputes to the government's credibility is a thinly veiled attempt to mar the image of China as an investment magnet."

The government is not responsible

"Some investors," Liu said, "are fond of the idea that doing business with Chinese state-owned companies means gaining a secure link with the Chinese government—a link that could come in handy if the state-owned Chinese investment partner suffers losses. But the reality of the arrangement is different. For many years, Chinese enterprises, whether state, collectively owned, or privately owned, have had to sink or swim on their own. The days of rigid central planning and responsibility for state firms has gone."

London and Wall Street are also playing hardball. On Dec. 16, the *Wall Street Journal* reported that "foreign banks intend to curb lending . . . until three Chinese companies accused by foreign banks of defaulting on about \$140 million in losses incurred on overseas exchanges settle with their creditors." China, the world's 11th-largest trading nation, could "suffer serious losses from price changes and currency fluctuations."

However, one analyst said, "The People's Bank is not altogether unhappy about the situation. . . . They've been trying to shut down a lot of this [speculative] activity, and now the market is doing it for them."

Israel could link East and West, says Ne'eman

by Marsha Freeman

Israel could turn into a "link between Russia and the West because of the half a million people who came" to Israel from Russia, states Israeli scientist Yuval Ne'eman, in an exclusive interview in the Winter 1994-95 issue of *21st Century Science & Technology* magazine.

Ne'eman, who is the founder and director of the Israel Space Agency and holds the Wolfson Distinguished Chair in Theoretical Physics at Tel Aviv University, provides a picture of the projects in the Israeli space program, and describes the treasure trove of scientific talent that Israel inherited when Soviet Jews emigrated there over the past few years.

The small but growing Israeli space program has already developed communications and remote sensing satellites, and a vehicle to launch its own payloads. Although Israeli scientists have flown experiments on the U.S. Space Shuttle, the future of space science will be aboard the international space station, in which Ne'eman hopes Israel will be able to participate.

As Professor Ne'eman details, the Israel Space Agency is preparing now for the launch of a scientific instrument on a Russian satellite for astronomical studies in ultraviolet wavelengths.

'Build something'

Since the breakup of the Soviet Union, 500,000 Soviet Jews have emigrated to Israel. But, as Ne'eman indicates, "there could have been twice as many, but there were no jobs. I was a [government] minister in 1990 and 1992 and I was a lone fighter in that fight. I created 3,000 jobs, but I had to use all my political power to do it. Our government was very bad in that, and the one that succeeded us was worse."

Why? Israel had been fighting to control a ravaging inflation by following the dictates of the "free market" monetarist gurus of the Chicago School. "As a result of that," Ne'eman remarks, "all the financial advisers, the studies, are all of the Chicago School—and it doesn't matter which party it is, if it is the left or the right, the economists are all Chicago School. They were very happy because they managed to lick the inflation and also to show that as a result things were recovering. They were against government intervention in everything."

"All of a sudden you have the gates of the Soviet Union opening up and half a million Jews arrive," Ne'eman ex-

plains. "You have the population rising by 8% in two years. Imagine the United States getting 20 million people within two years. Without a New Deal-type of program we couldn't cope with this kind of thing.

"So I kept saying in the cabinet, 'My God. Forget about the inflation. If there will be another inflation someday, we'll deal with that inflation, but now there is a problem of getting all these people in. Instead of paying them just unemployment money, use them for something. Make projects. Build something. But do something useful and meanwhile they'll be absorbed and find their feet here and know what they're doing. Meanwhile we can gradually get out of this kind of thing. But let's first of all create a climate of jobs.' "

As Ne'eman describes, the Israeli government was not willing to spend the money to initiate the kinds of programs that would have put to good use the influx of trained people. But the economic development proposals presented by the Israeli government at the Casablanca conference the last week in October could take advantage of the scientific and engineering manpower Israel uniquely has available to contribute to peace and economic development in the Middle East.

Space program could play a role

Ne'eman describes Israel's civilian space program, which is relatively small (the annual budget is about \$7 million).

A recent focus of the U.S. space effort is cooperation with Russia in space science, but also, for the first time in 20 years, manned space programs. For the United States, cooperation has involved a great deal of effort in overcoming difficulties with language differences, and becoming familiar with a system that was closed to the West for decades.

Ne'eman is asked if the Russian space scientists now in Israel might not be a valuable bridge between the two space programs, because they only recently left the former Soviet Union. "We have all the people from all these places so we know what they're doing, we know what they're producing," he agrees. "They can immediately say, 'Look, this piece of equipment is just what is needed over there.' . . . We could be the interface."

Another question is whether nuclear energy should play a bigger role in Middle East economic development. Ne'eman, while supportive in general of the use of nuclear energy for the generation of electricity and for desalination, thinks that such a sophisticated, delicate technology would not be the best candidate for international joint facilities, where it would be placed on a political "fault line" and any mistakes blamed on the other party. He thinks that an international desalination facility, using conventional technology, would be a good choice for a near-term joint project.

However, he describes a proposal he developed to improve the quality of nuclear power plant safety and control through joint work at the time with the Soviet Union, which

would also make Israel an East-West interface:

"When I was minister of energy in the last government, in 1992, I went to Russia to visit all the different types of Russian plants, and I had an idea about developing with the Russians. . . .

"You see they are very good at big pieces. They have machinery, [which] I haven't seen in the West, for very large metal cutting and things like that. But they're very bad at fine things. And the Finns did something wonderful. They bought two reactors for a place called Lovisa, which are Russian reactors. But the Finns took only the big pieces and they had Siemens do all the controls and safety, while the Finns themselves put it all together. These two reactors at Lovisa for the last 10 years have been the best in the world in terms of performance.

"I spoke at that time to Prof. [Yevgeni P.] Velikhov, who was the head of the Russian activity, about our developing the electronics and controls, etc., and coming out with something new—something a little bit like the Finnish lines, but more advanced models. The Russians could supply the big stuff but we would do the fine part, which fits very well with the kind of infrastructure that we have in the industry that has developed here."

When the Israeli government changed hands soon after, Ne'eman's proposal was shelved. But in the context of again looking at long-term infrastructure and economic projects for

the strategically important Middle East, and for the former Soviet Union itself, such a proposal may well be reconsidered.

Biographical background

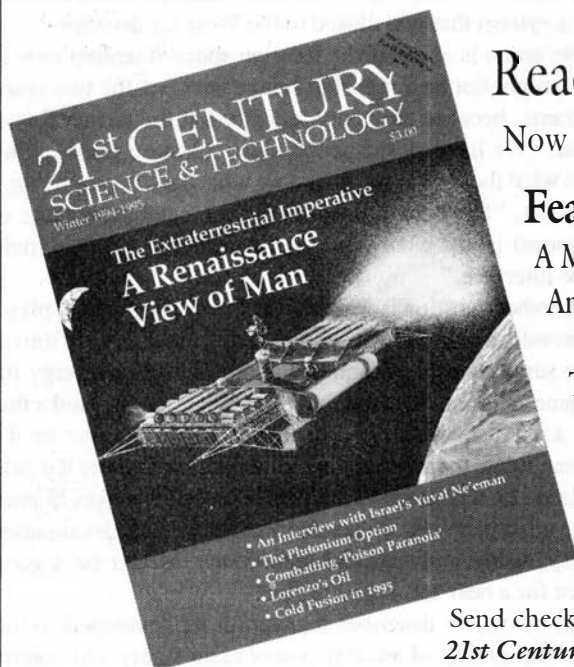
Ne'eman was born in 1925 in Tel Aviv and graduated with a degree in engineering from the Israel Institute of Technology (Technion) in Haifa.

He fought in the 1948 War of Independence and remained in the Israel Defense Forces until 1958. He obtained his doctorate in physics in 1961 from the Imperial College of Science and Technology in London, and founded the Department of Physics and Astronomy at Tel Aviv University. He was the president of Tel Aviv University in 1971-75, and also founded and directed the Center for Particle Theory at the University of Texas at Austin. Ne'eman has authored more than 300 scientific papers and 15 books.

Ne'eman's government roles have included service as Israel's Chief Defense Scientist, acting chairman of the Israel Atomic Energy Commission, and minister of science in 1982-84 and in 1990-92. In 1990-92, he simultaneously held the post of minister of energy. He has been a member of the Israeli Knesset (parliament).

Ne'eman has been and continues to be an important and controversial figure in Israeli politics, as well as a respected scientist.

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Venezuela holocaust looms

The decline in food consumption and resurgence of disease have put the country on the road to disaster.

Venezuela is facing a food emergency of dramatic proportions, not just in terms of production but also of consumption. The implications of this crisis are increasingly evident in the resurgence of diseases long since eradicated from Venezuelan soil.

According to Agriculture Minister Ciro Añez, the country's food dependency has reached the point that 70% of all grains, 90% of all food oils, and 55% of milk are imported. Since 1989, when the Carlos Andrés Pérez government adopted International Monetary Fund (IMF) prescriptions, agricultural production has fallen 18%. According to the dairy producers organization Fegalago, the country has gone from 17 million head of dairy cows in 1989 to only 11 million today, which reflects a deficit of more than 700 million liters of milk. Of Venezuela's minimum milk consumption of 2.1 billion liters a year, the country is today only producing 1.2 billion liters, and a drop of another 100 million liters is expected this year. This collapse in production has already led to the closing of seven pasteurization plants.

To this situation can be added the fall in consumer buying power, a drop reflected in reduced consumption of basic foods. This situation was detailed by Zeilath Carrasco, president of the Cattlemen's Federation, who indicated that it is only this decline in consumption which has prevented the emergence of severe food shortages.

But what has inevitably occurred is a resurgence of disease. According to information released at the Tenth Latin American Congress on Nutri-

tion held in Caracas in early November, a full one-fourth of Venezuelans, that is, some 15 million people, would have to spend the entirety of their income on food purchases to meet their nutritional needs. This, of course, is impossible because there are other living expenses to be met. As a result, a fourth of the population is malnourished.

Possibly the most tragic consequence of this under-consumption is the return of tuberculosis, which had been eliminated as the second leading cause of death in Venezuela and which in the late 1980s was in tenth place among all causes of mortality in the country. Today, it is as if Venezuela were back in the 1970s, with 5,457 cases of tuberculosis registered so far in 1994, according to the Health Ministry.

And so, Venezuela has gone from a 2% per year decline in that disease to a yearly increase of 3%! Respiratory disease specialist Alex Smith explained: "The incidence of tuberculosis is fundamentally linked to the economic and social deterioration in the country." That means malnutrition and overcrowding, as corroborated by statistics which placed nearly 14% of the population in the category of "absolute poverty."

We see the same situation with the ongoing dengue fever epidemic, due to a lack of potable water, which is forcing Venezuelans to store water in receptacles which facilitate the reproduction of the mosquito that transmits the disease. Again, this shows the connection to "the economic and social deterioration in the country." The

figures are really alarming with respect to AIDS. According to Dr. Arellano Medici, the number of people registered as HIV-positive easily surpasses 500,000, making Venezuela the country in Latin America with the third highest number of people who are HIV positive.

Given this situation—a direct consequence of the Pérez government's servile application of the IMF's "structural adjustment programs" which put servicing the foreign debt as a priority over human life—President Rafael Caldera told the opening of the Tenth Latin American Congress on Nutrition, "We cannot understand how economic development and an improvement in the statistics can be accompanied incomprehensibly by an increase in the poverty indices. . . . Saying that people must live better and should necessarily be the beneficiaries of government action should not be called populism. Populism is dictating demagogic measures which have an immediate, apparent impact but lead to worse ills. . . . We have a commitment to give the population reasonable consumption levels."

The fact is that Venezuela's agrarian potential is enormous, with an estimated 5 million or more hectares of fertile land, primarily in the states of Apure, Barinas, Portuguesa, and Guárico, not to mention the extraordinary potential of the Orinoco River banks and southern Lake Maracaibo. With a proper investment of infrastructure and technology, the country could be a major food producer, with surplus to export.

Critical to an immediate reversal of the biological holocaust threatening Venezuela is diversion of the funds used to pay the foreign debt, which currently absorbs nearly 50% of the national budget, to strengthen the real economy and put it at the service of human beings, not usury.

Business Briefs

Petroleum

Russia proposes new oil plan; IMF gets upset

International Monetary Fund (IMF) officials in Washington are upset after Russia informed them that it intends to eliminate its oil export quota system and require oil companies to sell 65% of their production on the Russian market, Reuters reported on Dec. 20. Foreign joint-venture firms would be exempted.

The IMF and World Bank say that this system would undermine the so-called economic reforms (which they have used to destroy Russia's economy), because it would limit exports and government revenues from oil taxes.

"We are completely and utterly against this proposal," IMF Deputy Director Ernesto Hernandez-Cata said after returning from Moscow, where he was negotiating a new \$6 billion loan for Russia. World Bank President Lewis Preston warned Russian Prime Minister Viktor Chernomyrdin that his organization could not go ahead with a \$600 million "rehabilitation" loan for Moscow if the proposal was adopted. The World Bank has lent Russia \$1.1 billion for the petroleum industry, and was contemplating extending another \$500 million to \$1 billion to that sector annually.

Infrastructure

German chancellor raises Berlin-Moscow rail line

German Chancellor Helmut Kohl promoted the Berlin-Moscow rail link, at the European Union (EU) summit in Essen on Dec. 10. "Among the grand cross-border projects that go eastward, there is one in whose completion we Germans especially have an interest, namely, the one from Berlin to Warsaw, Minsk, and Moscow," Kohl said. "This project is meant for road and rail alike."

The project was discussed between Kohl and Russian President Boris Yeltsin in May in Stuttgart, and is included in the updated list of projects under consideration by the EU, but, so far, only as one that will be debated at some future EU summit.

The German daily *Bildzeitung* entitled its Dec. 13 editorial "Build a Super-Highway to Moscow!" EU summit declarations about "expansion eastward and Moscow becoming closer" are fine, it said, but Moscow is 3,000 kilometers from Berlin. "That is why Russia needs an artery made of cement, which connects the heart of that giant country with western Europe: a road from Berlin to Moscow.

"An eight-lane highway that links Russia to the West, a road that serves as a conveyor of wealth, of trade, and change. . . 3,000 kilometers that lay a track of friendship and freedom through the wide lands of Russia. A thousand gasoline stations would emerge, rest stations, motels, repair shops. Numerous supplying industries within a range of 300 kilometers would be attracted magnetically. . . .

"Kohl and Yeltsin want this super-highway. They have decided for it. Now, industry must act. A grand-scale cooperation of big industries is needed that will create the project of the century."

The cost would be DM 20 million per kilometer, or DM 60 billion. Construction of the biggest road of all times, which will "bury the century of wars beneath it," would simultaneously begin in Berlin, Warsaw, Brest, Minsk, Smolensk, and Moscow. "That can be achieved within three years, experts say. Only in this way can Russia and Europe come together—from Berlin to Moscow will then take three days."

Eurasia

Russia and China integrate economies

A "geo-economic integration" of Russia and China is taking place, and this could have significant strategic consequences, Jacques Sapir wrote in the December issue of the monthly *Le Monde Diplomatique*. "What characterizes Russo-Chinese relations is, above all, their economic dimension," he said. There has been a vast increase in bilateral trade since 1990, including a high Chinese demand for Russian raw materials, semi-finished products, cement, and chemicals.

"Since 1992-93, the dependence of the Russian regimes of the Far East toward [China]

has become complete. In 1993, it was estimated that China represented between 65% and 85% of total trade for these regions . . . which permitted them to survive the shock of transition, but at the price of a growing 'satellite-ization.' . . . Many factories in cities like Perm, Omsk, Tomsk only survive through deals with China. Even in the environs of Moscow, in the city of Tambov, the only factory which maintained a more or less consistent volume of orders in May 1994, a chemical enterprise, worked for Chinese clients. . . . Thus, China has become the primary partner of Russia. . . . The Russian economy has become largely dependent on the good will of Beijing, particularly in that part of Russia east of the Urals. . . . This encourages conservative alliances and reduces the internal margin of maneuver of the Moscow regime."

Growing trade is giving birth to "a geo-economic integration between the regions located between Irkutsk and Blagovoshensk and the industrial basin of Manchuria. That should modify, tangibly, the perception of the Russian leaders of their interests. . . . The bases for a new Russo-Chinese alliance therefore exist. It remains to be seen . . . to which ideological representations it will give birth."

Energy

Subsidy for coal-mining questioned in Germany

Following a Constitutional Court ruling which said that a surcharge on electricity bills was unconstitutional, German Economics Minister Günter Rexrodt has questioned future government subsidies for the coal-mining industry, Reuters reported on Dec. 12.

"We have to ask ourselves again and again whether and how long we can afford to have a mining industry," Rexrodt said. By the year 2000, he claimed, there would be no alternative to cutting back on subsidies.

The government pays subsidies of around DM 6 billion (\$4 billion) a year to keep coal mines going and to preserve jobs. But because the price of German coal is around four times that of imported coal, the government has come under increasing attacks by the free traders of the International Energy Agency to eliminate the subsidies.

Medicine

Montagnier: Governments must fund AIDS research

Prof. Luc Montagnier, a top AIDS researcher at France's Pasteur Institute, called on governments to reverse the current trend in which fewer and fewer scientists are doing AIDS vaccine research, in an interview in the French daily *Le Figaro* on Dec. 6. According to Montagnier, the pharmaceutical industry is no longer interested in such research because of its high costs, while it is unclear whether any vaccine can be developed. Only governments can reverse that trend, he said.

Meanwhile, at the German AIDS Congress in Hanover in mid-December, scientists warned that more variants of the causative agent, human immunodeficiency virus (HIV), will appear. The HIV-0 virus type, which so far seems to be concentrated in the Cameroon-Gabon area, makes up 0.6% of HIV cases there. France has detected 14 cases and Belgium 5. Since there are differences of up to 50% between HIV-0 and two HIV-1 subtypes and HIV-2, normal AIDS tests can fail to detect it. Scientists said it seems that HIV-0 will become a new HIV group, in addition to HIV-1 and HIV-2.

Trade

NAFTA has already cost 10,000 U.S. jobs

Since January 1994, the North American Free Trade Agreement (NAFTA) has directly cost 10,000 U.S. jobs, and another 137,000 jobs from increases in imports from Mexico, the Joint Economic Committee of the U.S. Congress estimated in a report released in November 1994, based on data from the Department of Labor Office of NAFTA Trade Adjustment Assistance. That office reported that, as of Sept. 26, 1994, some 240 firms in 37 states had petitioned for adjustment assistance, with 9,882 workers having been certified to receive assistance.

The report stated that "this analysis demonstrates that NAFTA has not increased U.S.

employment, but rather increased global access to Mexico's low-wage labor supply, as reflected in growing shipments of capital goods and production inputs to Mexico, from the U.S. and foreign countries, and rapidly rising imports of finished products from Mexico to the U.S."

If the U.S.-Mexico balance of trade is calculated—excluding products imported to the United States from other countries that are then re-imported to Mexico without substantial change, which have grown substantially since the passage of NAFTA—the level of net exports to Mexico has declined by 27% under NAFTA. "Recent discussions of export-related job gains," the report concluded, "distort the issue by looking only at jobs created, but not those jobs which have been destroyed."

China

Official blames inflation on 'invisible hand'

Chinese Vice Prime Minister Zhu Rongji blamed China's high inflation on the "invisible hand," the pro-Taiwan North American Chinese daily the *World Journal* reported on Dec. 2. Zhu, in charge of economics, said at the National Economic Working Conference in Beijing that current inflation is caused by the uncontrolled scheme of lifting price controls, also known as "market opening."

Zhu said that economists in China have been following western economics textbooks, and pushing the "invisible hand" (a formulation of Adam Smith, the 18th-century apologist for British East India Company looting) and "self-organized" market forces to control prices.

Zhu said that China has no scarce resources and enough foreign exchange to secure rare goods. The problems come from those who worship the western economic theories that have no basis in reality, i.e., the complete opening-up of the market and the laissez-faire approach to the distribution and circulation of goods. If the markets and prices are set free, the disparity between the haves and have-nots and resulting social injustice cannot be avoided, he said.

Briefly

● **KAZAKHSTAN** proposed a high-speed rail link from Europe to India and China, in a letter from Deputy Prime Minister Isingarín to the government of Germany, the current chairman of the European Union. The Germans said the project is "interesting and extremely ambitious," and promised to present it to the appropriate European Commission bodies.

● **CORPORATE PENSION** funds in the United States were underfunded by \$71 billion as of Sept. 30, 1993, the most recent figures available, compared to \$53 billion at the end of fiscal 1992, the Pension Benefit Guaranty Corp. said on Dec. 5, Reuters reported. Nearly 8 million workers and retirees are affected; 1.2 million of them are in pension plans of "troubled companies."

● **QUEEN ELIZABETH II** has given permission to allow drilling for oil on the grounds of Windsor Castle near London, Buckingham Palace said on Dec. 6. Canuk Exploration Ltd. calculates there could be up to 100 million barrels of oil, worth about \$1.56 billion, in an area near the castle walls.

● **23 AFRICAN** nations launched a common market on Dec. 8. Malawi President Bakil Muluzi told the group's first summit, "The people of this region expect us to upgrade their lives through regional integration under the Common Market for Eastern and Southern Africa (Comesa). We dare not disappoint them."

● **JAPAN** announced on Dec. 22 a \$6 billion package of loans to China for infrastructure development in the interior, BBC reported. BBC said that the Japanese may attach a conditionality about "nuclear testing."

● **CHINA** entered the era of high-speed rail transport, with the opening of the first track between Guangzhou and Shenzhen on Dec. 22. Deputy Prime Minister Zhou Jiahua said that this is "just the first step toward making all of the nation's trains run at high speeds."

Slovakians restore wetlands despite WWF obstruction

by Alexander Hartmann

In 1977, the governments of Hungary and Czechoslovakia agreed to build a lateral canal 40 kilometers in length and two power plants on the Danube River at Gabčíkovo, Slovakia, and Nagymaros, Hungary. Nine years later, the World Wildlife Fund (WWF, now the World Wide Fund for Nature) launched a campaign against “the destruction of the last floodplain wetlands in Central Europe,” instigating resistance against the project, especially in Hungary.

According to the time-honored imperial principle of “divide and rule,” the WWF, whose head is Britain’s Prince Philip, has sought to inflame this controversy between Slovakia and Hungary, rather than permit a solution that would be in the interest of the economic development of both nations.

In 1989—before the Iron Curtain came down—the Hungarian Parliament decided to abrogate the treaty with Czechoslovakia, claiming that the environmental damage the project would cause entitled Hungary to terminate it, despite the fact that the treaty had a clause stating it could be terminated only by agreement of the governments involved. At that point, the construction projects needed for the Gabčíkovo-Nagymaros plan on Slovak territory had already been 95% completed.

After negotiations had broken down, Czechoslovakia decided to provisionally complete the projects on its territory unilaterally, which meant a change in its design to avoid the use of Hungarian territory. On Oct. 24, 1992, Prague blocked ship traffic on the Danube River near Bratislava. A weir in the river was hastily erected near Cunovo (see map with *Documentation*). A few days later, ship traffic was directed into the canal, and the huge water power plant at Gabčíkovo became

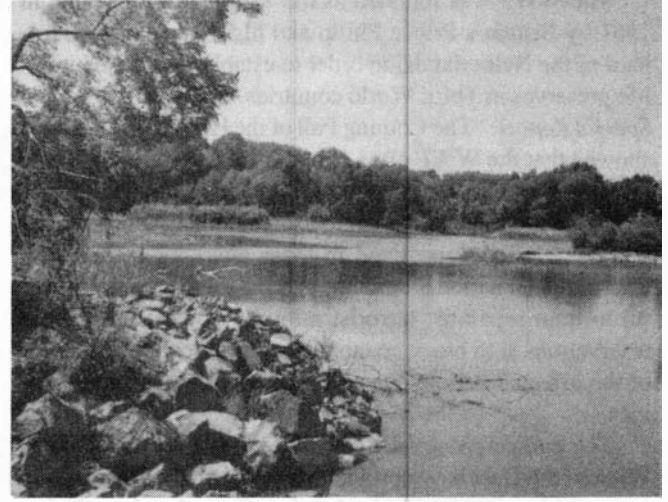
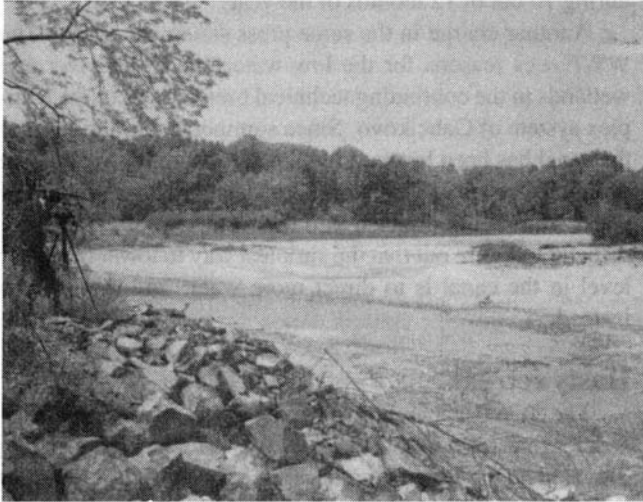
operational, producing 10% of Slovakia’s electricity.

Protests rained in from international “environmental organizations,” most prominently the WWF, which deplored the “destruction of the invaluable Danube wetlands.” The Hungarian government charged Slovakia with “stealing Hungary’s water.”

Persistent drop in water levels

The Czechoslovak government—and, after 1992, its successor in the Slovak Republic—argued that it is exactly the ongoing destruction of these wetlands, caused by a steady decrease of surface and groundwater levels, which makes it necessary to build “Gabčíkovo,” as the project became known. Since the 1950s, the average water level of the Danube has gone down by about 5 feet. One of the reasons was that the amount of sediments carried by the river decreased from 300-400,000 tons annually to 100,000 tons annually, after weirs and dams had been built on the Danube and its tributaries in Germany and Austria. Another reason for the sinking water levels was the regulation of the main branch of the river, straightening it and blocking the entrances to side branches in order to increase the water level in the main branch for ship traffic. This led to a greater velocity in the water flow, causing the river to dig more and more deeply into the ground. A third reason was that a lot of gravel had been dredged from the river bottom, both to ensure ship traffic and to obtain construction material.

In any case, the lowering of the water levels had to be stopped. In the Bratislava area, where the river had dug in deepest, the foundations of bridges and buildings close to the



Before and after: On the left, a branch of the Danube had almost completely dried up. A little more than a year after the Gabčíkovo project went into operation in 1992, the branch has refilled and remains filled year round. The main objections to a technological project to provide hydroelectric power and restore the Danube's inland delta come from Prince Philip's World Wide Fund for Nature.

waterfront were threatened. The Danube wetlands farther downstream suffered greatly from the lowered water levels.

The level of the groundwater decreased, affecting the drinking water supply. The two biggest side branches of the Danube—Moson Danube and Small Danube—carried more sewage than water for most of the year, when the water level in the main branch was too low to overflow the barriers safeguarding the shipping route.

The Gabčíkovo Commission's report

The Hungarian and Slovak governments agreed to leave the decision about what to do to the International Court at The Hague. A commission led by European Union experts was created to monitor developments in the wetlands and to recommend measures.

In December 1993, the commission issued a report documenting the following facts: At present, 400 m³/sec, or about 20% of the former amount of water, flows into the old river, while on the Moson Danube and the Small Danube, the water flow is now guaranteed year round and in greater volume than before the weir was constructed. At Bratislava, the water level has returned to the level of the 1950s, that is, 1-2 meters higher than before, while immediately downstream from the weir, it is now 2-4 meters lower. In May 1993, when special facilities became operational which directed water into the branch system of the Danube on the left (Slovak) bank of the old river, the mud covering the bottom of these branches was flushed away, enabling the water to filter into the groundwater much more easily. This is not the case on the right (Hungarian) bank of the old river, because the water flow into the side branches is insufficient.

After the weir was built, the groundwater level temporarily dropped for the first six months. It has now returned to the old level, and in some cases has risen more than 2 meters above the pre-construction level. Groundwater quality has not been affected measurably. Because the groundwater level rose over a large area, water use for irrigation could be decreased by 25% in these areas. The wetland forests on Slovak territory have recovered visibly.

The commission recommended doubling the amount of water directed into the main branch and the Moson and Small Danube, and constructing underwater weirs in the main branch of the river to increase the amount of water getting into the branch system of the interior delta on the Hungarian side. Technical measures were proposed to ensure free fish passage between the main and the side branches.

Thus, in general, the commission endorsed the proposals of the Slovakian engineers, and refuted the argument of the Hungarian government that the Gabčíkovo project would necessarily cause irreparable harm to the wetlands. In fact, the commission documented what the Slovak government had claimed all along: that the whole project was a boon to the environment and to the economy. Indeed, Vodohospodarska Vystavba, the Slovakian government-run company that constructed and operates the Gabčíkovo facility, after spending two years defending themselves against the charge that they had destroyed nature, can now rightly claim that they "saved the Danube wetlands."

The WWF responds

Of course, the WWF could not let this go unanswered. Since 1986, it had been active against the project. Now, all

its propaganda was demonstrated to be baseless.

The WWF was founded as the World Wildlife Fund in 1961 by Britain's Prince Philip and his friend Prince Bernhard of the Netherlands, in order to establish so-called wildlife preserves in Third World countries. *EIR's* Oct. 28, 1994 *Special Report*, "The Coming Fall of the House of Windsor," showed that the WWF often chooses areas as future wildlife preserves, not so much to protect plant or animal species living in the area, but in order to exert colonialist control over the natural resources found in these areas, or because the areas straddle national borders, making them especially useful to train separatist terrorist militias. The effect of these reservations is to block economic and political development of the affected nations, as an instrument of British geopolitics.

The campaign against Gabčíkovo fits into this pattern: Without the Gabčíkovo project, shipping on the Danube, the major infrastructure corridor between central and southeastern Europe, was increasingly endangered; Slovakia, which currently produces about 10% of its electricity from the Gabčíkovo power plant, would be dependent on far more expensive (and polluting) coal or oil, controlled by Anglo-American oil companies owned, in part, by the British Crown; there was even a potential border conflict between Slovakia and Hungary, since roughly 500,000 ethnic Hungarians live in Slovakia in the vicinity of the power plant. On the other hand, it was impossible to save the Danube wetlands, as long as ship traffic on the main branch of the Danube had to be safeguarded.

Now, the WWF had egg on its face. Slovakia had proven that the project had benefitted the wetlands. The WWF expressed its regret that in Hungary, voices favoring "short-term technical solutions to amend the situation," i.e., a compromise with Slovakia, were being raised. On Jan. 31, 1994, the WWF responded to the EU commission's report with its own a 20-page statement, "A New Solution for the Danube," charging that the EU's positive conclusions were unfounded. The Slovakian and Hungarian agencies had not provided complete data, complained the WWF, continuing that, in reality, groundwater quality had declined, and "the Danube diversion and operation of Gabčíkovo will inevitably result in detrimental alterations of the wetland and adjacent areas."

The WWF relies on western journalists who accept the WWF's claims without checking their facts. A press statement by the WWF-Austria reads: "Since even a cubic meter of water will return a profit for the operators of the power plant, these 4,000 hectares of wetland area are being degraded to an experimental field for minimal amounts of water." But if somebody says the WWF is misrepresenting facts, this is discounted as "inappropriate polemics."

In its press statement, the WWF claims that in the hot summers, only 20 m³/sec of water had been directed into the tributaries of the Danube. In fact, before 1992, exactly

0 m³/sec of water had been directed into these tributaries during 10 out of 12 months of the year!

Another charge in the same press statement reads: "The WWF sees reasons for the low waterflow in the river and wetlands in the continuing technical breakdowns of the complex system of Gabčíkovo. Since summer, the water level in the canal has been lowered by 2 meters, in order to carry out protracted repairs. This alone prevents a greater amount of water from being directed into the wetlands." It is not very difficult to figure out that the simplest way to lower the water level in the canal is to direct more water into the Danube instead.

Hasty retreat

The WWF apparently did not expect much more than a defensive response. But Prof. Igor Mucha, representing Slovakia on the expert commission, issued a 130-page report calling the WWF's bluff, refuting its charges point by point. Mucha stated that it was ridiculous for the WWF to first boast that it had fought for years "against the water construction lobby," and then to claim to represent an "independent" view of the matter. Mucha cited the WWF's statement that "especially along the Danube up- and downstream from Dobrohost, the groundwater level was not raised, but lowered by up to 2 meters due to the river diversion." He commented: "We are speechless. This is a complete negation of all measurements." He then proceeded to list a number of locations in the area named, where the higher water levels can be seen by anyone. Is one to believe that the WWF "accidentally" made this crass "mistake"?

The WWF decided to retreat until the dust had settled. Dr. Magnus Sylven, director of the WWF program for Europe and the Middle East, wrote to Mucha: "I would like to tell you how impressed I am with your work, and how embarrassed I personally feel about WWF's past involvement. . . . The director general of WWF-International, Dr. Claude Martin, [and I] have both agreed to immediately stop all further involvement with WWF-Austria. Dr. Martin will be sending a personal letter to Engineer Dominik Kocinger assuring him that there will be no future involvement from the WWF unless a formal request is received from the Slovak side, which, of course, we do not expect." The Slovaks wasted no time in widely publishing this disavowal.

Soon after, the WWF distanced itself from Dr. Sylven's statement. Alexander Zinke, a geologist working at WWF-Austria's headquarters, presented Sylven's statement as some kind of accident. Sylven, he told this author, had received an "internal beating" for it. On Oct. 4, 1994, the WWF-International responded publicly to Mucha's report: "We have looked carefully at Professor Mucha's report, but can find nothing in it to justify changing our position."

It remains to be seen whether the International Court at The Hague will listen to the WWF, or will take account of the facts.

Saving the Danube's inland delta

The following is excerpted from a publication issued by Slovakia's state-owned Water Management Construction company (Vodohospodarska Vystavba), under its director Julius Binder, an engineer who was interviewed in our Nov. 18, 1994 issue.

Thousands of hydroelectric projects have been built during the last century. However, none of them has faced such a systematic international campaign as has been launched against the Gabčíkovo-Nagymaros Project. A variety of alleged disastrous implications for nature, fauna and flora, farming, woods, fishing, sources of drinking water, etc., have been used as an excuse without taking into consideration the Danube's current adverse status. At the present time, the completed project is providing economic and environmentally precious benefits.

In this publication, we would like to make use of facts and of approximately a year's experience gained while operating the Gabčíkovo facilities, in order to prove to the world that all negative forecasts made about this project were unsubstantiated, fabricated for other than environmental purposes.

The Danube leaves mountainous Austria through the rocky sill of the Devin gate and flows onto the Danubian depression in Slovakia's southwest lowlands. Here, long ago, the river flowed to the Panonian sea, where its flow gradient decreased and the flow velocity and carrying capacity slowly disappeared. The river has been depositing sand and gravel at this point since time immemorial, bringing it along from its mountainous track in the Alps. Because of this sedimentation activity, the current split into a multitude of branches. It was mainly during floods that the river changed its bed.

Thus, the Danube's inland delta came into existence, its branches interweaving the vast lowlands.

The cultivation of the delta area, farming, flood control activities, date back virtually to the beginning of the 12th century, and to the time when the area was becoming more densely populated. These activities resulted in a gradual contraction of the delta area. Out of an enormous multitude of branches which initially existed here, two major branches finally remained, namely the Small Danube, which demarcates the Major Zitny ostrov on the northern side, and the southside branch called the Moson Danube, which delimits

the Minor Zitny ostrov.

The delta began within Bratislava's confines. The delta entirely and irreversibly vanished from this site over the past 200 years.

In the 18th century, the Danube delta and its branches had no stable main river bed.

In addition to soil cultivation, international navigation was for centuries a major factor influencing the Danube's flow. The northernmost branch was used for navigation during the whole Middle Ages up to the 19th century. It was not until the second half of the 19th century that the shipping route near Bratislava definitively turned south, where, with human endeavor, the present main river bed began to be formed.

The invention of the steam engine imposed greater demands on navigation and therefore work began in the last century with the aim of establishing a "united river bed," which at the same time meant a gradual decline of collateral branches.

After World War II, Austria started the construction of water-power projects along its entire section of the Danube.

The completion of these projects nearly resulted in a severe reduction of gravel movements in the bed, which, until that time, amounted to about 600,000 cubic meters of gravel a year. In response to this, the river began to erode and deepen the gravel-bottom of its bed, decreasing its level at the same time. For instance, the level of the river in Bratislava has decreased by 2 meters in the past 30 years. These lowered levels in the Danube's main bed resulted in a situation where collateral branches of the river were only supplied during periods of high water and remained half-empty during most of the year. As a result, many of them dried up regularly.

Thus, the little Danube in Slovakia and the Moson branch on Hungarian territory were without water during the greater part of the year (on average, 83% of the time).

The lowering of the Danube's level was accompanied by a declining groundwater table in the wetland wooded area, which began to dry out.

Since the water table continued to decline because of river bed dredging necessary to maintain navigation, the disappearance of wetland woods on either side of the Danube would have been unavoidable just as in the previous century on the Rhine, before the construction of dams.

However, the situation of the half-empty branches, as well as the Moson branch, has changed since the commissioning of the Gabčíkovo project.

The technical solution

After many years of studies, an alternative was finally chosen, with a reservoir placed in the vicinity of Bratislava and a diversion channel on the left bank, i.e., the Slovak side, while the Nagymaros stage was situated on Hungarian territory [see map]. With regard to the route of the diversion channel, it should be emphasized that it led outside inundated

areas and the Danube delta. This is, in comparison with the construction of dams on the Rhine, an invaluable experience from the point of view of preserving deltas for future generations of Europeans. Diversion channels on the Rhine are built in inundated areas, thus destroying the chance to preserve the river delta as a unique natural form.

It should be noted that, notwithstanding the fervent continual attacks waged against this project at high international forums by Hungary's political leadership, and despite catastrophic predictions, these water projects on the Danube have invaluable environmental benefits. The experience gained on an already-functioning hydraulic project has already demonstrated the usefulness of this project, as well as the acumen and farsightedness of the engineers who designed it, on both banks of the Danube.

The principal environmental benefits of the project:

- The reservoir placement at a site where the Danube's water enters the Zitny ostrov subsoil and the elevation of the river level by several meters at this site make the groundwater regimen dramatically more dynamic in the entire region, thus contributing to the diluting and washing away of layers contaminated by farming.

- An increase in the water level at the reservoir site will increase the volume of water filtered into the subsoil, water suitable for drinking, water supply, and irrigation.

- Elevation of the water level in the reservoir will provide continuous water supply to the branches as required throughout the year, including periods of generally low levels when the branches are usually half-dry or completely dry. This will create conditions for the revitalization and lasting conservation of the Danube's delta, as well as diversifying this region's flora and fauna, which due to unfavorable conditions have markedly diminished over the past years.

- The placement of the diversion channel outside the delta area will separate the river's economic functions, i.e., electricity generation, navigation, and flood control measures, from its biological function. Thus, conditions will be created on a 30-km-long stretch for an undisturbed natural preserve with fully developing flora and fauna, pisciculture, hunting, forestry, and recreation areas.

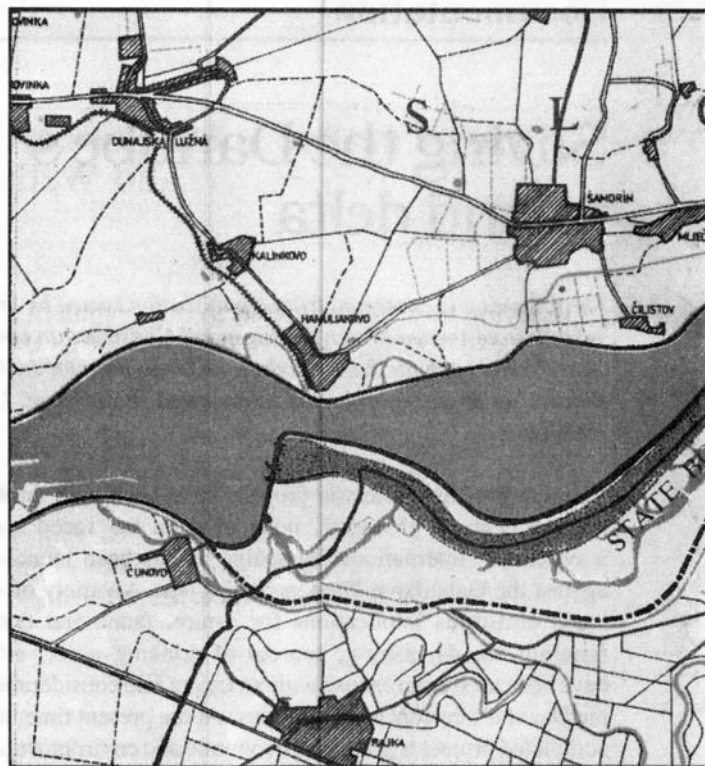
Over the past decades, the Danube's bed has significantly deepened. Diverting part of the Danube's flow into the canal caused a further decrease in the water level and also raised the draining properties of the bed.

Two types of nature conservation provisions have been proposed in the design to save and improve the natural state of the Danube's inland delta and canal section:

- a) provisions along the inundation area
- b) provisions in the proper river bed.

Provisions on the left bank inundation: Impounding facility lines have already been built on the left bank, in the form of embankments and in inundation areas with spillways and outlets. There is a total of seven such lines, which together form eight closed areas with a required water level kept impounded in a cascaded grade.

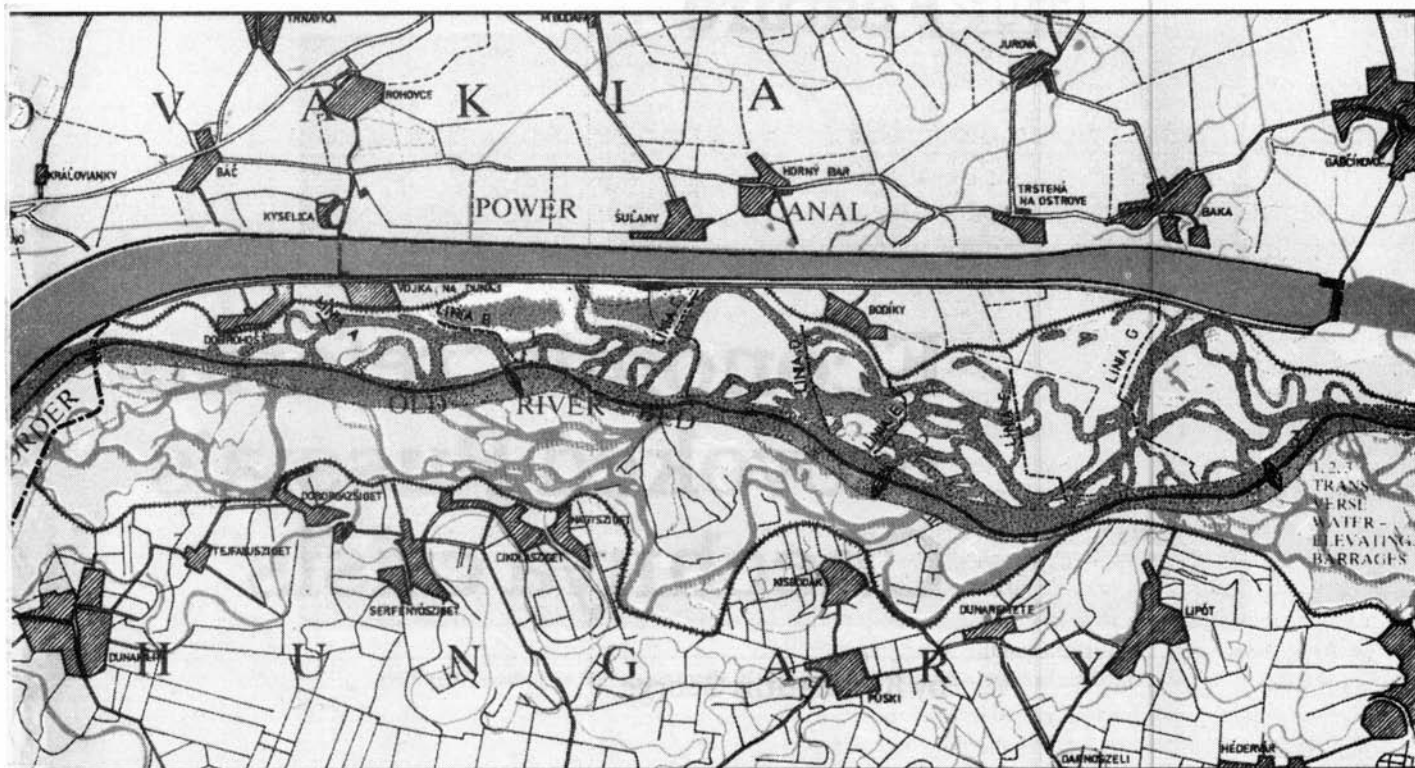
Restoring the Danube's inland delta



If needed, artificial flooding can be effected in the area. The entire system will be supplied with water in amounts of up to 250 m³/sec as required through the inlet structure near Dobrohost, which was commissioned in early May 1993.

Already, in March 1993, a provisional pipeline began to fill the system of branches at a flow rate of 7 m³/sec. The water inlet structure at Dobrohost was completed and put into operation in early May 1993. Water started to flow into the branches in volumes of approximately 60 m²/sec and successfully filled all left-bank branches. It was indeed a historic moment, because it marked the instant when water flow into the branches would be permanently secured and the danger of the delta's decline would be eliminated forever. Water means life.

Provisions in the old Danube bed. In addition to the measures to be taken in the flooded areas, the design envisions small transverse weirs to be built in the original river bed. There will be a total of five such weirs designed to elevate the water level in the Danube's old bed to the natural flow of 1,340 m³/sec, which is assumed to provide optimal conditions for branch and forest conservation and development. Thus, the function of transverse barrages on the Danube's bed will be supplemented by small weirs in the branch system. These weirs could be used to create a flood control mechanism that would be used to fill the branches along the right side of the Danube, thus solving the problems of a low underground water table in this and surrounding areas.



Under such circumstances, 50-200 m³/sec of water could be fed into the old river bed as stipulated under the 1977 agreement.

These transverse weirs have not yet been built. Their construction was to coincide with the damming project so that its effects would already be felt in the following growing season.

What is the reality?

Saving and improving the status of the inland delta of the Danube. Of crucial importance for improving the status of nature and the Danube's delta conservation is not the volume of water in the old river bed, but its level. The deepening of the river bed and a reduction of the groundwater table resulted when the flow was both full and natural. The solution used for nature conservation on the Rhine water work projects was not the discharge but the water levels when approximately only 2-3% of the original flow was fed into the old river bed. A request to release a larger portion of the flow into the old river bed is in variance with the legal agreement. A release of flow into the bed would mean a partial waste of effort on the part of the Gabčíkovo hydroelectric plant, and a reduction in the environmentally friendly production of electrical energy would have to be compensated for by burning of coal, thus increasing the eutrophication properties of the water in the reservoir and the canal.

The level, productivity, and quality of underground

water. Underground watertable level: A favorable rise within the surrounding territory of the Slovak Republic (below Bratislava as much as 3 m). A decreased level, which was discovered in only 6% of the affected area, was compensated for by flooding the system of left side branches. In view of this, it was not possible to secure the same kind of improvements in the status of the right side underground water table, because the Hungarian side did not construct the provisions in the old Danube bed.

Underground water table quality: The supply of drinking water is unchanged, despite an increase in well capacity of between 30 and 40%. In fact, it has improved within the reservoir on the right side of the Danube, including an increased oxygen content. Increasing the level of the underground water basin from the reservoir increases the dynamics of the flow. A very unclean upper layer of underground water dilutes itself and is forced out, and the seepage canals supply a rich source of irrigation and useful water.

Influence on the population. One of the main impulses to construct the Gabčíkovo-Nagymaros Project was because the population demanded, following catastrophic floods in Hungary in 1954 and later in Slovakia in 1965, a high level of security with definitive counter-flood protection measures. The Gabčíkovo project fully supplies the protection by separating flood flows and decreasing the burden on the old flood dikes, especially the subsoil with its smooth, shore-washed gravel.

Economic 'reforms' provoked Russia's Chechnya crisis

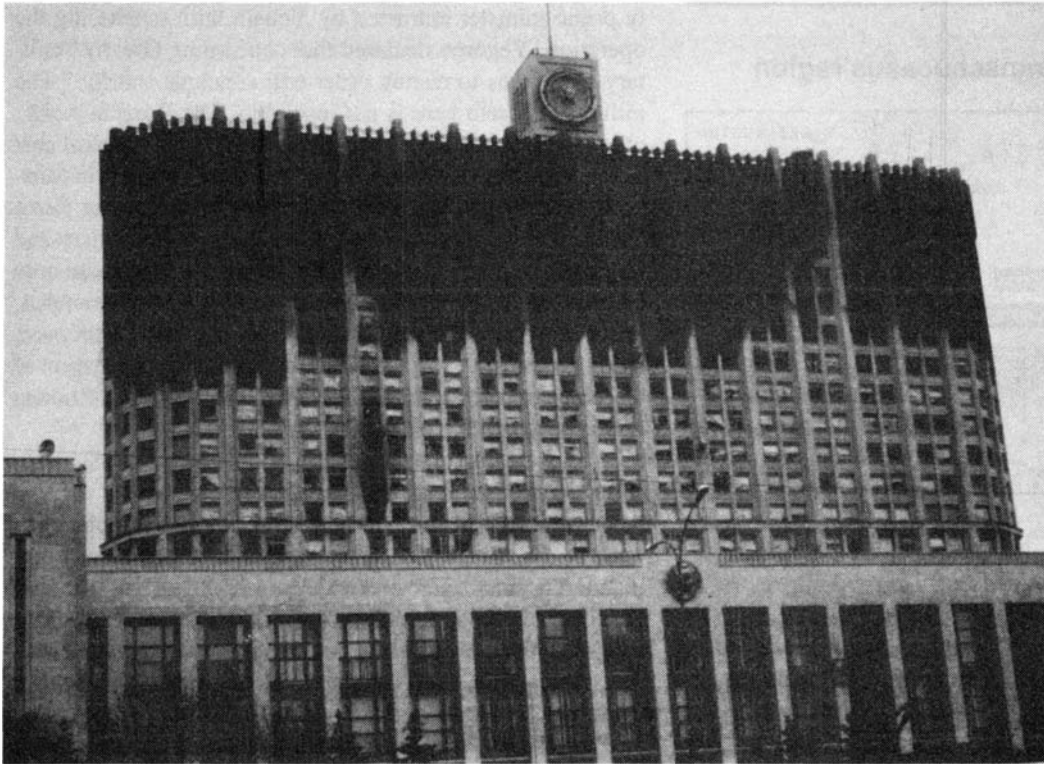
by Konstantin George

Russian President Boris Yeltsin's Dec. 27 televised address made it clear that there will be no early end to the Russian military intervention into Chechnya that began on Sunday, Dec. 11. Yeltsin announced an escalation of the Russian offensive, with a stated goal of seizing the Chechen capital of Grozny. "In several locations, units of the [Russian] Armed Forces have annihilated concentrations of illegal armed formations, together with [their] heavy military equipment. The activities of these gangs putting up resistance will be cruelly suppressed also in the future," Yeltsin said. He added that, "in the immediate future," Grozny would be cleared of "criminal elements."

Yeltsin delivered a justification for the intervention that dispelled any doubt concerning his intention to crush Chechen separatism, no matter what the costs or consequences. He declared that "no territory has the right" to leave the Russian Federation, and that the military intervention was necessary for the "preservation of the integrity of the Russian Federation." He characterized the Chechen separatist regime of Gen. Dzhokhar Dudayev as "illegitimate" and based on a president who came to power through "elections in violation of the Russian Constitution." Under Dudayev, Chechnya had become "a center of criminals, and all extremist and nationalist forces." He said that now, with the "first phase of the settlement of the Chechnya crisis" over and with its borders sealed, arms, drugs, and other contraband can no longer be smuggled into Russia.

Yeltsin opened the door to possible future Russian "punitive" missions against non-Russian former Soviet republics. He called the Chechen rebels "bandits," who are "helped by mercenaries from the Baltic countries and Azerbaijan."

As large sections of the Russian military know and have warned, there will be no quick victory for Russia in Chechnya. The Chechens will conduct a protracted guerrilla struggle from their mountain strongholds against the Russian Army. Chechen President Dudayev has said this, and the Chechens, who have a tradition of decades-long armed resistance to Czarist Russia in the 19th century, are armed



The Russian Parliament in October 1994, after Boris Yeltsin's troops opened fire on the parliamentarians sequestered there. Today, the opposition to Yeltsin is growing; many people fear that the military intervention in Chechnya will be a disaster, and still more people are fed up with the "reforms" that have wrecked the nation's economy.

and, as the fierce resistance they have offered to date shows, ready to heed the call.

Further, the war in Chechnya is already triggering a pattern of revolt among the other Muslim peoples, such as the Dagestanis and Ingush, who inhabit the mountainous part of the Russian North Caucasus region (see **Figure 1**). In short, Russia is on the verge of a protracted regional war.

The Russian military is acutely aware of this danger. In a little-noticed development on the same day as Yeltsin's address, the Russian Defense Ministry announced that heavy troop and tank reinforcements were being sent to beef up Russian forces in the North Caucasus regions such as Dagestan and Ingushetia, in anticipation of armed resistance there.

Informally, the conflict has already been internationalized. On Dec. 27, Russian Radio reported the capture by Russian troops of two Jordanian mercenaries in Chechnya, and the daily *Izvestia* reported that "Islamic" mercenaries from Afghanistan, Egypt, Jordan, Iran, Saudi Arabia, and Pakistan were involved in the recent fighting there. *Izvestia* added that Chechnya had become a center for "Islamic" extremist organizations such as the Gray Wolves, Hamas, and the Muslim Brotherhood. Later on Dec. 27, in a provocative reply to Yeltsin, Dudayev appealed on Turkish TV for Turkey to supply arms to the Chechens, including aircraft, saying, "give me the aircraft and I'll bomb Moscow." While that prospect can be ruled out, the spread of the war throughout the Caucasus is imminent.

Moscow backlash

However, the significance of the conflict in Chechnya lies not in the Caucasus, but in Moscow. The failure of a quick military solution will have immense ramifications for the Russian government and that part of the military command around Defense Minister Pavel Grachov most closely allied to Yeltsin. A backlash against a "second Afghanistan" could threaten the position of Yeltsin himself. More importantly, this will merge with the rage that has been building in Russia over the past year, against the fact that Russia has made itself a colony of the International Monetary Fund, implementing for three years IMF policies that have demolished the economy and the population's standard of living.

The Russian situation was recently assessed by American statesman Lyndon LaRouche. "The fact is that the reform policy which Margaret Thatcher and George Bush imposed upon eastern Europe, including the former Soviet Union, Russia, Ukraine, and so forth, has proven its complete idiocy and incompetence, and has brought about a collapse which is leading to, in some cases, the return of communist parties as a tendency in Poland, Hungary, and elsewhere, but toward a really violent reaction in Russia itself," LaRouche said.

"So, while the Chechnya development is significant—the blowback against the regime is significant, the danger of a protracted guerrilla war in that region is significant, another Caucasian war—the essential thing is that the reforms, the policies which were imposed on eastern Europe by Margaret Thatcher, George Bush, and the free trade fanatics, are blow-

FIGURE 1
Chechnya and the Transcaucasus region



ing up in the face of the world, and can lead to a dangerous strategic situation, unless we get it under control.”

The Caucasus war

Even before Christmas, indications had appeared that the Russian military intervention into Chechnya was triggering a war throughout the Caucasus. Chechnya is bordered on the west and east by two regions of Russia, Ingushetia and Dagestan, respectively, whose indigenous populations are Muslim. Both of these regions are being used as staging areas for Russian forces entering Chechnya. In both cases, crowds of Ingush and Dagestani women have assembled at the border crossings to form a human blockade against advancing Russian armored columns. These actions, along with armed resistance by Chechen forces, and snow and fog winter weather conditions, have combined to throw the Russian forces behind their timetable. The Russians have been forced to accept these delays, because any massacre of Ingush or Dagestani women would trigger mass armed resistance in these regions as well.

The result has been the failure to achieve even what was envisaged as the first phase of the Russian military operation: the encirclement of the Chechen capital of Grozny by the evening of Dec. 13. As of Dec. 28, this still had not been effected. The second phase of the operation was supposed to be the seizure of Grozny.

This was indicated by Yeltsin in his address, and in a statement issued the same day by Nikolai Yegorov, the depu-

ty prime minister entrusted by Yeltsin with overseeing the operation. Yegorov declared that concerning Grozny “military operations to restore order will conclude shortly.” The military problem here is not insoluble. The Russian Army, objectively speaking, could take Grozny. The political cost of the operation, however, would be immense back in Moscow. Grozny could only be taken after overcoming fierce Chechen resistance, necessitating heavy use of artillery and air bombardment to smash that resistance. Grozny can only be taken at a high cost of Russian Army dead and wounded, and that alone will cause huge political turmoil. Moreover, storming the city, where the Russian minority population of Chechnya is concentrated, will produce very high Russian civilian casualties.

The power struggle in Moscow

The war in Chechnya has triggered an open, raging policy fight in the Russian government and in the military command. The first open split in the government was seen on Dec. 14, on the issue of storming Grozny. Russian Deputy Prime Minister Yegorov, who is also minister for nationalities, said in a TV interview that Grozny would soon be encircled, and only the capitulation of the Dudayev forces in the city could prevent a bloodbath, thus echoing the declaration of Russian Foreign Minister Andrei Kozyrev a day earlier, that Russia would use all force necessary to crush Chechnya. On the same day, Yegorov was contradicted by Valeri Grishin, a member of the staff of Prime Minister Viktor Chernomyrdin, who declared that Grozny will not be stormed because, “after all,” it is “a densely populated Russian city.”

Most crucial is the fight raging in the military command. On the military intervention, Defense Minister Grachov is opposed by the General Staff, including its leader Gen. Mikhail Kolesnikov, and many other senior commanders. This opposition first became public when Deputy Defense Minister Gen. Boris Gromov took the unprecedented act of addressing the state Duma a few days before the intervention began, to warn against any invasion, as this would lead to a situation in the region “worse than Afghanistan.”

Gromov spoke as an unofficial point man for higher military figures, namely, the leadership of the General Staff. Otherwise, he could not have escaped such utterances unpunished.

Then, on Dec. 22, all hell broke loose, when Itar-Tass news agency reported that Grachov had fired one of his deputy defense ministers, Gen. Col. Georgi Kondratyev, and the three ranking officers of the North Caucasus Military District—district commander Gen. Col. Aleksei Mityukhin; his first deputy, General Shirindin; and his Chief of Staff, General Potapov. The Defense Ministry at first tried to deny the Tass story, but later issued a weak denial that amounted to a confirmation, saying that the story “for now cannot be confirmed.” The other major development was the resignation of Gen. Col. Eduard Vorobyov as deputy commander-

in-chief of Russian Ground Forces, in protest against being named by Grachov to command the operations in Chechnya. The resignation as such was confirmed by Sergei Yushenkov, the chairman of the Duma Defense Committee, who himself is an ardent opponent of the military intervention. However, Yushenkov could not say whether Grachov had accepted the resignation, and as of the morning of Dec. 28 there was no word from Grachov on the matter.

How deep the split at the highest levels of the Defense Ministry is, was revealed on Dec. 26, when Tass reported that Yeltsin, acting in accordance with Grachov, had drafted decrees to fire three deputy defense ministers—General Kondratyev, General Gromov, and General Mironov. These decrees now require a Yeltsin signature to take effect.

The opposition in the military extends into the elite Russian Airborne Forces. There was already on record the case of Gen. Maj. Ivan Babichev, who was either removed or threatened with removal from command of one of the prongs advancing into Chechnya, after he halted the advance, explicitly saying he would never give the order to fire on civilians, and to avoid doing so, would refuse to advance. Prior to his assignment to command a motorized rifle division in Chechnya, Babichev had commanded the elite Airborne Division based at Pskov. His transfer from Pskov to Chechnya attests to the fact that he was in opposition to Grachov before the war in Chechnya began. Finally, according to an account in the newspaper *Sevodnya*, General Chindarov, the deputy commander of Russian Airborne Forces, has come out in opposition to the intervention in Chechnya.

This public opposition and, in military terms, insubordination, is unprecedented in Russia, and shows that a massive a power struggle is raging in Moscow.

The approaching storm

Another center of resistance to the Russian military intervention is the Russian Duma. The Duma reaction to date has been tempered by the fact that they do not want to give Yeltsin any pretext to dissolve the parliament, in a replay of the assault on Parliament in October 1993. The forces in the Duma want to topple the present corrupt regime, but want to do so, if at all possible, through the orderly political process of elections, and thus avoid having any attempt to oust the present regime taking a violent turn.

This consideration was elaborated by LaRouche. "Unless the Russian people are confident that the presidential and other elections which are scheduled for a couple of years from now, or less than that, actually come off as scheduled, the sense of frustration could produce very explosive results in the near term," he said. If the Duma is not dissolved and the election process adhered to, "then it is likely that one can channel the frustration against the reform into those political channels of orderly selection of government, into the parliamentary process." Should Yeltsin dissolve the Duma or postpone elections, under whatever pretext, "that could create a

very dangerous situation."

Acting with full knowledge of this, the Duma passed a resolution by an overwhelming vote of 289-4, which termed the conduct of the President and government in the Chechnya conflict "unsatisfactory." However, it distinctly avoided any harsher language. The President and government were called on to exhaust "all available existing means" for a "political and legal" solution to the conflict. The resolution endorsed sealing off Chechnya's borders to prevent armed units and weapons from reaching Chechnya.

The Duma continued with this tactic on Dec. 23, approv-

While the Chechnya development is significant—the essential thing is that the reforms, the policies which were imposed on eastern Europe by Margaret Thatcher, George Bush, and the free trade fanatics, are blowing up in the face of the world, and can lead to a dangerous strategic situation, unless we get it under control.

ing in the first reading (which is non-binding) the government's draft 1995 budget. By doing so, a showdown over the budget was postponed until mid-January when the Duma reconvenes after the recess for New Year's and the Russian Christmas.

The political wars in Moscow will not cool down as a result. The Duma's Dec. 14 resolution contained a clause which calls for changing the "Yeltsin" Constitution to ensure in the future parliament control over any acts of the Executive. In order to take legal effect, such a change in the Constitution requires a two-thirds vote of both the Duma and the upper house, the Federation Council.

Yeltsin has sensed that a massive reaction against the Chechnya operation and, more importantly, against the totality of disastrous and criminal "reform" policies, is about to break out. He is attempting to limit the political carnage to the government, and to save his own position. Right before the military move into Chechnya, he conveniently entered a clinic, allegedly for nose surgery, and was not heard from till he reappeared on Dec. 26 to conduct a meeting of the Russian Security Council, thus allowing underlings to become the objects of attack—a transparent and risky maneuver. The backlash against the destruction of Russia by a regime that submitted to evil, British-centered foreign interests has just begun.

'We should take the path of developing and implementing major joint projects'

Gennady Sklyar is active in the Obshchestvennaya Palata in Russia, which comprises representatives of political parties, businessmen, representatives of the religious confessions, self-governance organizations, and cultural and ethnic organizations. The function of this body he compares with that of the social-economic council in France, which is an advisory body under the French Constitution. He is thus not a deputy of the State Duma, Russia's lower house of Parliament, but represents the Socialist Party, of which he is a leader, in the Obshchestvennaya Palata. Mr. Sklyar attended the Dec. 10-11 conference of the Schiller Institute in Eltville, Germany, and was interviewed by Gabriele Liebig on Dec. 13. Rachel Douglas translated from Russian.

EIR: Let me start by asking about the Chechnya rebellion. The media over several days have been reporting that the Russian Army is using force to beat down Dzhokhar Dudayev's rebellion. Can you give us some background to this situation?

Sklyar: First of all, the events in Chechnya are a clear testimony to the dead end into which the policy of the regime now ruling Russia has come.

The problems in Chechnya, acute as they are, did not just arise. They appeared earlier, and everybody knew about them. They could have been resolved in a milder way, as we did the problems with Tataria. The power struggle in Moscow, however, has led to a decision to use Chechnya as a card in a political game, in order to achieve certain goals. Thus, Chechnya is a hostage of the power struggle in Moscow. No one will win this struggle if he lacks support in the regions of Russia. And you will not have support from the regional elites, if you don't have the support of the armed ministries, the military. So the events in Chechnya are an attempt of the ruling regime to receive new resources for strengthening its position.

The political game here is very complex, because the development of events in Chechnya can lead, not to a strengthening of the Army and its position in our country, but to its discrediting. It can lead not to a strengthening of the unity of Russia, but to the emergence of new points of friction in relations between Moscow and the republics

comprising Russia. The population may *not* forgive the government for the new tribulations it will undergo for the sake of Chechnya. The problem of Chechnya is a problem for the entire population of Russia. It is a burden on everybody, and the population of Russia will not forgive this. The government wants to blame the new misfortunes besetting the population on the events in Chechnya. But the population will not forgive the government and will not accept this explanation.

The blood of Chechnya is a problem that will last for a long time ahead. It is related to the further development of events in Russia, either on the path of democracy, or on the path to dictatorship.

EIR: Going back to the situation in Moscow: We understood that when the Chernomyrdin government wanted to push its budget plan through the Duma, there was strong opposition against it, and that the Duma vote on the budget was very close. Can you tell us about this budget discussion in the Duma, and about economic policy in general?

Sklyar: The budget is a concentrated expression of economic policy. Today the government, and not only the government but also the President of Russia, are at a crossroads. Either they will continue the current policy, in which case they have to impose a harsh budget, slash spending on social programs even more, close more factories, permit mass unemployment, and try, by these steps, to exit from the crisis. But these steps will require the suppression of popular discontent. *Or*, it will be necessary to change the priorities of economic policy, to support domestic production, tighten control over speculation, and support the social sphere (education, health care, aid to the indigent).

The budget which was submitted to the Duma expresses the former option, and the Duma cannot adopt such a budget, because the Duma cannot assume responsibility for the government's policy, a policy which the Duma did not set (and this is a policy of a government which the Duma did not appoint). The deputies have a better sense of the situation in their regions, and the mood of the population. They also have a better sense of the danger.

Therefore, the Duma proposed a revision of the budget,

and there has now been established a committee to reconcile the drafts, which is attempting to reach a compromise. It's unlikely, however, that a compromise can be achieved in the face of two fundamentally different views of economic policy, and when there are two divergent attitudes to the role of the social cost of conducting reforms.

Therefore, we expect that there may be a situation of neither peace or war, when the government is continuing to function, but the budget is not adopted.

But I think that the events in Chechnya are the factor which should elucidate the subsequent actions of the government: a state of emergency in Chechnya, emergency measures by the government—and an emergency budget. And at that point, the government will want to get rid of all the demands of the Duma, and implement an economic policy aimed at just one purpose, namely, keeping this regime in power.

Thus—it is very important—the next question that may confront us, is that under emergency conditions, elections may become impossible.

EIR: What did you think when the government came out recently and said that it would continue the International Monetary Fund [IMF] policy, that the shock therapy policy has to continue?

Sklyar: I believe there are many people in the government who understand the absurdity of such an approach, and the damage it inflicts on the Russian economy. But they're only hanging onto their positions today, thanks to the financial support of the IMF. This support is enough for the government to remain in power, but that's just for now. Tomorrow the magnitude of the economic and social problems in Russia will be too great, to be compensated for by aid from the IMF.

And meanwhile, the economy itself does not receive any stimulus for development. An unstable situation in Russia, of which the situation in Chechnya is a clear indicator, does not provide the conditions to stimulate the influx of private capital into Russia.

EIR: In the German media there have been a lot of articles recently about the mafia in Russia, and they say that even Gorbachov is mafia. How powerful is organized crime in Russia?

Sklyar: There are two levels of criminality in Russia. There's daily-life crime, and organized crime. As for the first, it could be suppressed rather rapidly. As for organized crime, it infects all the politics of Russia today. You have a merger of the state apparatus with the underground, major criminals.

Not long ago, I looked at an opinion poll conducted by a group of serious scientists in 60 regions of Russia. Almost half of those questioned believe that power in Russia is in the hands of organized crime, and that it's wielded in the

interests of the criminal structures. And people believe that the main danger for the citizens of Russia is precisely criminality.

But it's very indicative that in second place was the state bureaucracy.

As for Mikhail Gorbachov, I would not maintain that he is linked with the mafia, for one simple reason: He has no power in Russia today, and the mafia doesn't need him. Therefore, the mafia first and foremost has relations with those who *are* in power.

EIR: What do you and your party propose to get rid of criminality?

Sklyar: I would again speak of two levels here. As for street crime, we believe that the law enforcement agencies should be given the authority and strengthened in order to be able to combat this criminality, including using emergency measures.

As for the other level, organized crime, we think that steps should be taken to liquidate the conditions for the existence of such crime, in the financial sphere, the privatization sphere, control over capital flight, and control over the behavior of state officials in the area of demonopolization of production. But I would like to note that combatting the first level of crime will not succeed, if the law enforcement agencies do not see that there is a fight going on against the second level.

Moreover, it is precisely the existence of organized crime which pulls in law enforcement officers as well as others, and breeds criminality in all the other areas. I would like to say that we should put forward the slogan: "Honesty and justice in all spheres, and above all in the area of state government."

EIR: But if I understand you correctly, you don't think that the present government and President Boris Yeltsin would be the ones who would implement such measures. Where should one look for other personalities who would be ready and capable to take over leadership in Russia?

Sklyar: When the country is sick, it is very difficult to find some healthy segment, and it seems that there are no people who are not infected by the ailment that has afflicted the country. But this is not the case.

Today there are people who have been able to maintain their dignity, to preserve themselves from the rotting influence, who are free of the mafia. There is a significant quantity of such people among the elite in Moscow and in all the regions of Russia. And, as has often been the case in Russia before, which is indicated by the old proverb that the fish rots from the head, it's enough to change the head, in order to cure the whole body.

Let me be concrete about names. We look with great hope to [Speaker of the State Duma] Ivan Rybkin, [former Security Council chief] Yuri Skokov, Federation Council

I would like to underscore that we have come to understand that we don't need aid but rather cooperation. Cooperation in which Russia participates together with other countries, on an equal basis, is what will help to solve both the problems of Russia and the problems of many countries of the Eurasian space.

Deputy Ramazan Abdulatipov, and the politicians who work together with them.

EIR: You attended this Schiller Institute conference on global reconstruction and a cultural renaissance. We had a lot of discussion about economic policy, economic programs for the Eurasian continent. What are the most important ideas you are taking back to Russia?

Sklyar: First of all, the conference was extremely interesting, in our view, because both [American statesman and economist Lyndon] LaRouche and the leadership of the Schiller Institute very energetically put forward ideas, as did people who came from various countries. There's a kind of charge of optimism.

The most important thing that we will take from here, is an understanding of several circumstances. First, that we should be able to formulate and propose in our countries new, constructive ideas, which are based on a knowledge of history, on the experience of history, and on the exchange of opinions in which people came to Germany from the most diverse countries to participate.

From here follows another important circumstance, that we should take the path of developing and implementing major joint projects. In the center of everything should stand a project and the idea of this project. Around the project should be gathered people, financial resources, ideological, and moral resources.

The third aspect, is that we must better understand the situation in the West, the *real* situation in the West, as we implement our policies in the East. And the truths that we heard here, the arguments and facts that were heard at this conference, help us to determine what steps to take inside our own countries.

The fourth aspect: I think that the position which we brought from our country and our evaluation of the situation in Russia, has helped the participants in the conference to better understand what is happening there. Insofar as Russia has been and remains an important factor for developments worldwide, we think that this was very important.

This is a mutual exchange, and it seems to me that we received a kind of impulse of optimism, when you feel that the idea born in your own mind somewhere in Russia, is an idea which is present in the minds of many people living in other countries. This shows that if a person considers

himself a thinking being, if a person considers that all of his neighbors are also thinking beings, then he inexorably comes to certain common ideas on the further development of humanity. This is what we saw here.

EIR: What became clear to me during this conference more than before, is that we need Russia to say that the world financial system has to be changed. The West has not changed the financial system voluntarily, but Russia is after all a power, so they could say, "Look what you did to us, you need to change the whole system; otherwise, there's no way out for both the West and the East."

Sklyar: Of course, not so long ago, many people in Russia nourished the illusion that one must try to live as people live in the West, and that would solve all problems.

But in these few years, we have come to understand two very important things. First of all, that you can't simply transplant somebody else's schema to your own life and succeed. And second, we have seen and understood better what the West really is, that this is not a monolithic entity, but rather that here there exist the same problems, if we have in mind the problems of people.

Therefore, the experience of the last few years and the way in which we have discovered the West, and also the internal freedom of which we have become conscious, lead us to a conscious decision—not just some emotional decision, where you just want to try something regardless of the outcome—but to a decision that is based on one's own experience, reviewed and thought through. In this situation, we understand each other better, and we can go further together.

EIR: Yes, and there are big projects which need the collaboration between many countries; for example, the Eurasian land bridge, which we discussed. So the way out is through doing new things which require a totally different level of production and research and collaboration, and financial policies.

Sklyar: I would like to underscore that we have come to understand that we don't need aid but rather cooperation. Cooperation in which Russia participates together with other countries, on an equal basis, is what will help to solve both the problems of Russia and the problems of many countries of the Eurasian space.

LaRouche's physical economy under scrutiny

The December 1994 issue of the Moscow journal *Rossiya 2010* features three articles by Russian scientist Pobisk Kuznetsov that deal with American economist Lyndon LaRouche's approach to the science of physical economy. Kuznetsov is the veteran space science organizer who last April hosted LaRouche for a dialogue with Russian scientists at the Academy of Sciences in Moscow (see *EIR*, June 10, 1994).

In the first essay, titled "On Idols and Ideals" and dated Oct. 2, 1994, Kuznetsov blasts the International Monetary Fund policies, which proceed against the backdrop of "the hunger, poverty, and tribulations of hundreds of millions of inhabitants of our planet."

"Where is the limit to stupidity to be found," he asks, "if apparently intelligent people cannot take a single step without advice from the IMF?" He quotes LaRouche on the IMF being a den of thieves. In contrast to the IMF, Kuznetsov invokes the economic successes of countries with an economic plan, such as Japan or even Saudi Arabia. "Not to mention planning in the armies of all countries of the world! Are not General Staffs the precursors of all types of planning? . . . What army goes into war, without a plan of action? What country, especially what civilized country, has no mobilization plan?"

Rossiya 2010 is published by the Independent Methodological University, together with several educational institutions from Moscow and from the Khanty-Mansy Autonomous Okrug, in Siberia, and the Russian Financial-Industrial Group. The editors of the journal write that, during 1995, they intend to devote a special issue of the journal to "physical economy—the methodological science and practice of Lyndon LaRouche, Jr. and Pobisk Georgiyevich Kuznetsov."

A new unit of measure: 'the larouche'

In an article in the same journal on the world food crisis, Kuznetsov introduces "the larouche," a unit of measurement for the study of physical economy.

"Let us introduce the physical magnitude of 'a larouche,' designated by La," he writes, "which gives the number of persons who can be fed from 1 square kilometer, or 100 hectares, during one year."

Thinking in terms of this new unit might look like this, Kuznetsov writes: "Our base magnitude of area is 1 square kilometer or 100 hectares. This base value of area is necessary, in order to bring all existing world food statistics to a single basis. The figures cited above for Belgium . . .

correspond to 'potential relative population density,' introduced by LaRouche. We have introduced the new unit of measurement, the larouche, which is the quantity of persons able to be fed from a certain magnitude of area, taken as the unit value in this system. Our unit is equal to 100 hectares. . . . The example of Belgium gives an agricultural productivity for Belgium equal to 500 larouches, or 500 persons per 100 hectares. We share LaRouche's view that the magnitude of potential relative population density can serve as an indicator of 'intellectual culture,' but taking into account the quite diverse values for farv (photochemically active radiation per vegetative period), we shall compare not simply 100 hectares, but 100 hectares for a given local farv value. . . .

"In 1980 I was able to estimate the possibility of creating a system for feeding 300 million people, by means of hydroponics set up in the deserts of Central Asia, in the U.S.S.R. I calculated that it would be necessary to have an area of land measuring 100 by 150 kilometers, or 15,000 square kilometers. Since this anticipated a complete system for feeding 300 million people, it corresponds to 20,000 larouches, or 40 times greater than the known productivity of Belgium."

Glazyev calls for industrialization strategy

The December issue of the French monthly *Le Monde Diplomatique* characterizes the policy fight inside Russia as one between the supporters of a hard-line course of "monetarism" and "speculation," and those who "oppose the monetarist model" and support a "revival of production, particularly in industry." According to the paper, a leading spokesman of the latter group is Sergei Glazyev, president of the Economic Commission of the State Duma and formerly minister for foreign economic relations, until October 1993.

Glazyev says that a kind of "upside-down Bolshevism" dominates Russia today, in which the state is regarded as an evil, and private property takes precedence over all. It is in this spirit, that the "monetarist instruments" are applied: In the name of "ideological principles," the powers-that-be impose "neo-liberal recipes, without measuring their effects." Thus, in Glazyev's view, it was true that the inflation rate was lowered early in 1994 by raising interest rates, but this had the consequence (in the French journal's paraphrase of Glazyev's views) of "strangling enterprises, encouraging inter-company debt, and creating the conditions for a new inflationary spiral." The credits at reduced interest rates "were utilized by the banks to finance currency speculation, not to help industry."

In an article in *Rossiya 2010* earlier this year, Glazyev criticized the government for wanting an austere budget, since "to elaborate a federal budget without a concept of

economic and social development, without an indicative plan, and without a long-term perspective, means spending public funds for nothing.”

The opponents of monetarism advocate a policy for Russia of “reindustrialization, the basis of development,” *Le Monde Diplomatique* writes. This is especially important given that Russian industry is functioning at only 30-35% of capacity; if the bankruptcy laws were applied, it would affect two-thirds of enterprises, and unemployment would rise from the current official rate of 6% of the working population, to 12%, and, in some regions, to 25%. “Sergei Glazyev suggests creating an institute for development, which would select projects, and, with public monies, purchase equipment and lease this equipment to enterprises that present the best projects in sectors that are to be encouraged.”

EIR published an interview with Glazyev on Nov. 18, 1994.

Arbatov: Shock therapy is creating a backlash

Georgi Arbatov, the director of the U.S. A. and Canada Institute, was interviewed by the Russian paper *Rabochaya Tribuna* of Dec. 14, and discussed what Russia’s foreign policy should be.

“Anti-Americanism has become pretty much widespread,” he said, partly blaming Russia for not having a clear idea of its foreign policy or national interests. He identified shock therapy, “the reform proposed by [Yegor] Gaidar and adopted as a guide,” as the principal reason for “the slight cooling in our relations with the U.S.”

“Three years of ‘shock therapy’ have done far more damage to the country’s economy and its foreign policy status than 45 years of the arms race,” he said. “The social and spiritual state of society . . . has been hit as well. Whereas at the beginning of the reform, the President was asking people to wait just four to six months, the next year we were not even being promised any improvement. Now, apparently, we have to wait another three years, and only then will we begin to see an improvement in our well-being, industrial growth, and so on.”

Arbatov identified the institutions that are responsible: “This reform was recommended to us by the West and the ‘Big Seven,’ the IMF, and the World Bank. Our leadership readily accepted the advice of western consultants like Jeffrey Sachs.

“In America, of course, there are people who would like to reduce Russia to the status of a third-rate power. . . . But I know many more Americans who are afraid of economic chaos in our country, which would be bound to lead to political instability.”

Pigs can only oink: Who attacked Yeltsin, and why

by Roman Bessonov

“Only Independent Physicians May Evaluate the Degree of the President’s Dementia.” This headline was striking for a peculiar reason: It was in *Izvestia*, a paper hitherto so loyal to Boris Yeltsin that it used to be called “the President’s paper.” You read the text and realize that it deals not with the Russian President, but with retired U.S. President Ronald Reagan, who was retroactively diagnosed as having Alzheimer’s disease.

Reagan’s disease is a separate question. Every physician, at least every psychiatrist, knows that Alzheimer’s disease, leading to complete dementia, usually starts at age 55-60, not at 83, and a diagnosis of “slight symptoms” at such an age is an obvious falsification. It seems probable that Reagan had done something that required considering him insane. Maybe the pretext for it was his talks with Aleksandr Rutskoy and Gennadi Zyuganov? Certainly, if an American politician dares to talk, in friendly terms, with the “red-brown” opposition, he is surely “a little bit” crazy—from a certain point of view.

The same point of view has determined the attitude toward President Yeltsin by a significant part of the so-called “democratic intelligentsia.” In previous articles, I have told about how Yeltsin was denounced as “anti-Semitic.” This label, stuck on him after his visit to painter Ilya Glazunov’s exhibition (but not on Moscow Mayor Yuri Luzhkov, who patronizes this painter and was standing beside the President when he went there!), seemed to be a “signal.”

Do you know what a “signal” means in old communist transcription? It means that a loyal journalist, having gotten a certain instruction from the KGB or the Central Committee of the Communist Party of the Soviet Union, publishes an attack casting a shadow on a certain significant person (a politician, musician, physician, etc.). This meant that very soon this person would be singled out for special attention (exiled, imprisoned, shot).

The second “signal” about Yeltsin came from the Luzhkov-manipulated *Moskovsky Komsomolets* paper, which published an article with the title “Boris Was Drunk” (September 1994). Though it dealt, again, with a hunt in Moscow’s suburbs, and Boris was a wild boar, not a human being, one could easily guess the determination of the article: It was to provoke the President, for it struck at his Achilles’ heel.

The Bridge Bank connection

The behind-the-scenes reasons for an anti-President attack from *Moskovsky Komsomolets*, as well as its reasons for compromising Minister of Defense Pavel Grachov, was clear to informed observers even before this article appeared. The Bridge (*Most*) Bank, the mightiest of the Moscow banks, housed in the Moscow mayoralty, has a serious ambition to determine not only the Moscow mayor's policy, but state policy as a whole. The bank's director, Vladimir Gusinsky, hasn't concealed his desire to be as significant for Russia and its economy as Henry Ford was in the early-20th-century United States.

Izvestia is financed by Yegor Gaidar's National Credit Bank—the fact is obvious for every Russian political scientist. Till early November, both Gaidar and the paper remained quite loyal to the President. The first "signal" came on the anniversary of Nikita Khrushchov's resignation, when it unexpectedly augured that "November is a conspiracy month." It came just on the eve of the parliamentary discussion on "confidence" or "no confidence" in the government on Oct. 28. The Parliament didn't manage (or didn't dare) to express "no confidence" in Prime Minister Viktor Chernomyrdin's government, and after that the paper again became quite loyal, until events in Chechnya threw the President's prestige into question.

Gaidar spoke in favor of the President and the minister of defense until the failure of Russian (or Russian-manipulated) Armed Forces to defeat Dudayev's regime. On Dec. 5, after several liberal functionaries not belonging to Gaidar's party (Panfilova, Shabad, etc.) visited Chechnya and spoke to the imprisoned Russian "volunteers," Gaidar "dramatically" changed his attitude toward the defense minister and the Federal Counterintelligence Service (former KGB) chairman. All of a sudden, Gaidar stood for peace in the Caucasus and criticized the Russian Army's aggression.

The front page of the Dec. 9 *Izvestia* makes clear that the "National Credit" bank overseeing the paper has eagerly joined the "Bridge" group in the anti-President campaign. It is significant that not only the events in Chechnya preceded *Izvestia*'s changing its mind. The last talk the President had with Bill Clinton, resembling the "Cold War" U.S.-Soviet relationship, made the influential Russian banks nervous. Bankers don't care about the Iraqi people, they are indifferent to the questions of the Balkan crisis: They are just afraid of any "extraordinary" situation.

The episode when the Bridge Bank (and the Moscow mayoralty as well) were surrounded by the forces from the President's Guard, on Dec. 2, certainly had a negative impact on those banks that would like to dislodge Bridge and put themselves in its place. Yeltsin made clear that he's not going to let commercial banks dictate state policy. And he thereby won a huge enemy that is rather hard to cope with, especially insofar as these commercial banks own the most popular mass media.



Yegor Gaidar, former deputy prime minister and czar of economic policy, has suddenly shifted his allegiances, joining the chorus against Yeltsin and the military intervention in Chechnya.

Jeffrey Sachs joins the fray

Obshchaya Gazeta, remarkable for its loyalty to Moscow Mayor Luzhkov, the President's main rival, has recently published not Gusinsky's economic views, but those of Gaidar's patron, Harvard Prof. Jeffrey Sachs. Sachs, a retired adviser to the Russian government, was given an opportunity to criticize Chernomyrdin's team in *Obshchaya Gazeta*'s pages. Of course, he spoke of the "advantages" of shock therapy, citing Estonia as the model of a successful economy. (Sachs didn't mention that Estonia had become a world leader in rare metals export due to smuggling, and nothing but smuggling.) Of course, he insisted that the Central Bank of Russia shouldn't finance government programs. Of course, he mentioned the "tremendous success" of President Carlos Menem's policy in Argentina, not mentioning that country's declining role and place in world production. You can guess what Sachs said without reading his articles, if you guessed that donkeys can only bray and pigs oink. But the fact that *Obshchaya Gazeta*, which used to be so opposed to Gaidar and shock therapy, published Sachs, is quite remarkable.

The tears that the papers ruled by the Moscow banks are shedding over besieged Chechnya are "crocodile tears." No doubt, Boris Yeltsin is an ambitious drunkard, and more. But his rivals are more dangerous than he is. You never know what to expect from them. Yeltsin sincerely hated the old communist elite. Among the new generation of politicians, so busy compromising him, are people with no views at all, and no feeling except envy and the blunt will to seize power.

Algerian hijack: Look for British geopolitical hand

by Hussein Al-Nadeem and Dean Andromidas

The Christmas 1994 hijacking of an Air France airliner in Algiers must be seen as an attempt by the Anglo-French "Entente Cordiale" faction to sabotage the Clinton administration's policy of trying to calm down the Middle East and Africa by encouraging negotiations between groups in conflict. By bringing the Algerian civil war directly into Europe, the Entente Cordiale crowd (named for the cozy relations between France and England which began in 1904 and led into the First World War), also aims to use the Algeria crisis as an issue to divide Europe against potential American and German initiatives for peace through economic growth—just as the same Anglo-French partners have done with the Serbian war against Bosnia.

Four gunman posing as workmen boarded and seized an Air France airliner at Algiers international airport on Dec. 24. The Airbus A300 was bound for Paris and had over 200 passengers. The hijacking ended Dec. 26 when the plane was flown to Marseille and was subsequently stormed by French anti-terrorist commandos. The raid left four terrorists dead and several passengers and others wounded, but allowed all the passengers to be freed. It was later claimed by Interior Minister Charles Pasqua that the terrorists had brought explosives on board with the intention of blowing the plane up over Paris. The French government then suspended all land and sea links with Algeria for an indefinite period.

In France, the relative success of the operation at the Marseille airport has strengthened the hard-core Entente Cordiale group, which has been moving in concert with the British against President Clinton's pursuit of relations with Germany as the leading economic and political power in Europe. Occurring in the midst of the French presidential election campaign, the whole affair has inflated the "danger of Islamic fundamentalism" and "security" into one of the main issues of the campaign—a huge distraction from the

real issues which face France.

The British hand was revealed in a little-noticed article in the Arabic daily *Al-Arab*, based in London. Quoting unnamed government officials, *Al-Arab* reported that Britain recently advised the Algerian military-backed regime against initiating a dialogue with Islamic groups opposing the government. In this effort, British officials were said to have intensified their contacts with their Algerian counterparts, offering them aid in the economic and security fields. This was the first published report exposing Britain's pursuit of a policy course directly colliding with that of the United States in this region.

As Lyndon LaRouche observed in a Dec. 28, 1994 radio interview, the British "do not want peace in Algeria. They have been fighting the United States on this issue. The United States wants peace, or wants a process that leads to stability. The British are fostering and running, actually, together with their French partners, that war of genocide against Bosnians and others in the Balkans, also, as part of their geopolitical anti-Islam operations. The same anti-Islam combination, as you might call it, which the British and French are running in Bosnia, with the help of [U.N. Secretary General] Boutros Boutros-Ghali, is behind the Algerian 'terrorist' attack on the Air France plane."

'No evidence of FIS-terrorist links'

Since early 1994, the Clinton administration has been holding talks with representatives of the Islamic Salvation Front (FIS) in both Germany and the United States. In March 1994, for example, Mark Parris, the acting assistant secretary of state for Middle East and Europe, testified before the U.S. House Foreign Affairs Africa subcommittee. Asked about possible FIS links to terrorism in Algeria, he replied: "We have felt it important . . . to distinguish between those groups' activities and the activities of elements who had been

active within the umbrella of FIS before the crackdown on its activities in January of '92. We have looked very hard, we have found no evidence indicating that the FIS leadership abroad is currently in any way controlling the activities of those groups who have come responsibility for the acts you have referred to."

The U.S. effort has been aimed at bringing the FIS, who were the big winners in the 1992 elections in Algeria but were outlawed after their victory, into the government. The Algerian crisis has turned into a civil war, with a death toll of over 20,000 so far. Meanwhile Algeria continues to suffer under the weight of a \$26 billion foreign debt and an International Monetary Fund "stabilization program" that has led to massive cuts in government subsidies, particularly for food.

While on a European tour last summer, President Clinton discussed the Algeria situation with French President François Mitterrand and other European leaders at the Naples meeting of the Group of Seven industrialized countries. This topic also came up during the President's personal meeting with Pope John Paul II. The pontiff has been pursuing an Algerian policy parallel to that of the United States. Most recently U.S. Assistant Secretary of State Robert Pelletreau, Jr. told a meeting of the North Atlantic Council that the United States supports a policy of dialogue. He made a similar statement on French radio only last Dec. 2.

Just before the hijacking, the State Department's top Arab specialist had been holding talks with French Foreign Ministry officials. Those talks resulted in a shift in French policy. Foreign Minister Alain Juppé made statements calling for a dialogue with the Islamic Salvation Front and authorizing French officials to meet with FIS representatives. Days before the jet was seized, Rabah Kebir, the Germany-based FIS spokesman, told *Al-Arab* that he recently met with French Foreign Ministry spokesman Jean Charles Marciani. He described the meeting as fruitful but "noisy," and added that Marciani said that the French government is ready to mediate national negotiations between the FIS and the Algerian government. The U.S. for its part agreed to support other Algerian democratic parties and to dissuade the opposition leaders from making strong anti-French statements. The hijacking has effectively overturned all these efforts to temper the inflamed antagonisms.

Despite the provocation, the U.S. State Department on Tuesday, Dec. 27, repeated its view that France should support a Muslim-led moderate front and press Algeria to set a date for elections.

British seek more influence

British pressure on France to back Algeria's current regime to the bitter end, is consistent with other British moves to intensify their interests in North Africa, traditionally a sphere of French dominance. Last summer, British Foreign Secretary Douglas Hurd made a major speech announcing the naming of a new British ambassador to Algeria. Hurd declared, "We want to keep Britain informed, involved, and

on the spot. We appointed a new ambassador to Algeria this summer for this reason."

According to a senior Algerian opposition source, the new British ambassador, Christopher Donald Crabbie, was named specifically because of his former posting in Paris as an economic adviser, where he developed good relations with the French government. The source added that such a report did not surprise him, since the British are moving with the French in the European Union to counter both German and American policy.

Acting in concert with Britain, French policy under Prime Minister Edouard Balladur and Interior Minister Charles Pasqua has been to support the diehards in the Algerian military while conducting massive security sweeps among the large Algerian community living in France. These operations have led to the arrests of hundreds of Algerians both of Algerian and French citizenship, many of whom have nothing to do with Islamic militant groups.

Despite granting independence to Algeria following a bitter liberation war, France maintains a strong economic and political hold over the country. Many of the hardliners within the military-backed regime whose policy is to "eradicate" the Islamic movement, were actually former French military officers who only joined the Algerian revolution in the closing months of the war. They are known as the "party of France." Some even have relatives who are still French military officers.

The Armed Islamic Group (GIA), which took responsibility for the hijacking, is known throughout Algeria to be a thoroughly infiltrated and manipulated asset of elements of the Algerian security services linked to French and British intelligence which may indeed have created the GIA. It serves as a "countergang" to the regime in the use of terror and counterterror to break the morale and resistance of the political opposition and to undermine the FIS.

Meanwhile, there has been a campaign by the German news media alleging weapons trafficking by the FIS in Germany, charges joined by similar claims from the German federal security services. As a result, recently Rabah Kebir, one of the most senior FIS leaders residing outside of Algeria, was refused permission by the German authorities to attend an Algerian peace conference in Rome sponsored by a leading Rome-based Catholic organization which often reflects the policy of the Vatican. Great Britain also kept an Algerian ex-prime minister who is seeking political asylum in London, from attending the same conference.

However, the German government did rebuff French Interior Minister Pasqua's demand that authorities arrest Kebir and other FIS leaders residing in Germany. Dieter Vogel, Chancellor Helmut Kohl's spokesman, told a press conference that the Bonn government, which officially carries out surveillance of their activities, has no evidence linking Algerian exiles to the hijacking. Vogel also declared that it cannot be said that Islamic foreigners living in Germany are extremists, and that in fact the vast majority are moderate.

Sudan, Nigeria of strategic importance, statesman stresses

The following remarks by Lyndon LaRouche are excerpted from the weekly radio interview "EIR Talks." He was interviewed by Mel Klenetsky on Dec. 28.

EIR: I understand that you had a very exciting visit to Sudan. Can you tell us a little bit about it?

LaRouche: There are two things about it of significance. First of all, the President [Clinton] and his close advisers are attempting to prevent a crowd in London from, among other things, getting a general war going against Islam; and therefore, I was very happy to visit our friends in Sudan, with the thought that the facts I would be able to develop in my own way, would be helpful to furthering that process of seeking peace and stability around the world.

I met with the President of Sudan. I was a guest there. I met with many ministers of government. We had about three or four meetings a day, which were featured on television. At the beginning of each meeting, they had the TV cameras there, and I would appear on the nightly news.

I met also with religious leader Dr. Hassan Abdullah Al-Turabi; I had one meeting with him, and another chance to run into him at an evening reception which went on for some time, where we had some discussion with others.

There will be a major report appearing in *EIR* in a month or so, covering in-depth the background on this area.

The significance is that, although very few Americans or even Europeans know it, World War I actually began on Sept. 2, 1898, at the junction of the White and Blue Nile in the vicinity of what is today Khartoum. The British went down there under Kitchener with the grandfather of the present head of the United Nations—Boutros Pasha Boutros-Ghali was his name. He was commander of the Egyptian forces which marched with the British. They slaughtered the independent government of Sudan at the time; but the actual purpose of that expedition was to bring about the capitulation of France to British power, and it was that capitulation of the French to the British in the context of the Sudan crisis, as it was called, of 1898, that the Entente Cordiale was created between Britain and France, which led to World War I.

The significance is that today there are many people, especially in London, who are trying to influence certain people around our State Department, or Rep. Frank Wolf [R-Va.], into getting the United States into a fuss with Sudan. There are two countries in Africa, Nigeria and Sudan, both

presently slated for destruction by London. If those two countries, or either one of them, goes, is disintegrated as London wishes, and as Frank Wolf wishes, apparently, all of sub-Saharan Africa, Black Africa, goes into the pit irreparably.

That has strategic implications which can affect the life and welfare of everybody on this planet, including people in the United States, who don't realize how important Africa is to them.

So, it was a very useful, a very necessary, and a very happy visit.

EIR: Can you tell us why the British would be targeting particularly Nigeria and Sudan?

LaRouche: If you remember, back in the beginning of the 1970s—Henry Kissinger in 1982 publicly stated that he'd been a British agent, an agent of the British foreign intelligence service while directing U.S. policy under Nixon and Ford—Kissinger brought in a British intelligence agent by the name of Bernard Lewis. Lewis was an associate of Glubb Pasha, who was head of the so-called Arab Bureau section of British foreign intelligence. They set up a program which became known, in part, as the "Arc of Crisis" policy, or the "Bernard Lewis Plan." And one adjunct of this was the so-called "Horn of Africa Plan."

Under this plan, which was put into effect in the early 1970s under Kissinger, every nation of the region, from the subcontinent of Asia, including India, up through Iran and Turkey, and down into the Horn of Africa, Ethiopia, Kenya, and so forth, was targeted for a general destabilization as part of some master strategic plan.

As a result, in 1975, Kissinger negotiated with the Soviet government. People will recall that at that time, Ethiopia was being supported by the United States government; the Eritrean Liberation Front, which was fighting a war against Ethiopia, was supported by the Soviets. And the Soviets were also sponsoring Somaliland. Kissinger cut a deal with Moscow, and they switched partners: The United States began to support Somaliland, and the Soviets took over Ethiopia.

Go back to 1975, and look at the area since then. As a result of Kissinger's deal with Moscow in switching support, a war was launched between Somalia and Ethiopia, and both were pretty much destroyed, as a result of that.

In the meantime, the British destroyed Uganda through a series of operations which involved the former head of

Tanzania, Julius Nyerere, who was pretty much the key British agent in East Africa during that period.

They now have a dictator called [Yoweri] Museveni there. The country's pretty much destroyed, but he has a "private army," so to speak, called the Army of Uganda. *He's run entirely by British intelligence and the British monarchy, who supply him his weapons. He is run day-to-day by the Overseas Development Minister, Lady Lynda Chalker, in London. He's very close to her. He has destroyed Rwanda, in collaboration with the World Wildlife Fund [now the World Wide Fund for Nature]. He has now launched the destruction of Burundi. He was running John Garang on behalf of the British, who is sort of a mercenary dupe that the British were running in southern Sudan, trying to destabilize Sudan. He is involved in trying to chop up eastern Zaire. He is also involved, together with British Kikuyu assets in Kenya, in launching a general destabilization and destruction of Kenya.*

So Sudan is in an area in which it and all the other adjoining nations are targeted for destruction, as a continuation of a British plan which we knew in the United States as the Kissinger and Brzezinski "Bernard Lewis Plan" or "Arc of Crisis Plan" or "Horn of Africa Plan."

That's the general nature of it. The British are out to destroy all of Africa, there's no bones about it. When Prince Philip says that he wishes (he's said this publicly in interviews, he's said it in writing, in his introduction to a book) that he wishes that he could be reincarnated as a deadly virus, so that he might hasten the death rate and eliminate the overpopulation, as he describes it, in, among other places, Africa, that's what's afoot.

It's not that they're just trying to steal stuff down there; these fellows are ideologues, they're dangerous ideologues. They're ideologues in the same sense that Adolf Hitler was an ideologue, and they represent perhaps a somewhat greater danger to the world as a whole than Hitler did. Sudan and Nigeria are *bastions* against the way the British are playing their assets, including so-called "tribal rivalries" in Africa. And these two countries standing there, still standing up, make a big difference. If they go, there's nothing that's going to stop all of Africa from going into a Dark Age from which it might not come out in 200 years.

EIR: At the recent Casablanca conference of Islamic countries, there was a statement issued making a sharp distinction between the Islamic religion and terrorist operations. Did you see a growing awareness in the Islamic community of the kind of provocations that the British and the French are using in terms of their control of these terrorist operations?

LaRouche: Everyone who is in the relevant government and related circles, knows that these so-called Islamic terrorists are not Islamic terrorists. These are operations which are run through certain western and other intelligence services.

We've had the files open on the Stasi [former East German secret police] for some time. It's only a partial opening, but we can see now, when you look at terrorism in Germany



Sudanese spiritual leader Dr. Hassan al-Turabi, shown here in October 1994 in Khartoum. Lyndon LaRouche describes his recent trip to Sudan and meetings with al-Turabi and other Sudanese leaders as "a very useful, a very necessary, and a very happy visit."

and elsewhere during the 1970s, in the light of the Stasi files which have been opened . . . these are not Arab terrorists, these are not Islamic terrorists. These are operations which are run by intelligence services.

Now, the Islamic groups know this. It's difficult for them to deal with it, because they're dealing with a popular perception. The press says they are Islamic terrorists. So it's a problem to deal with it. What they do, is to distance themselves from it.

But most terrorists today are run by British intelligence, or agencies which work with it. The British play a very cute game, which they used to play together with the Soviet intelligence service. They would say that all imperial actions and all bad things which used to come from the British in the 19th century, now come 100% from the United States; and in the Arab sector, they will add "the Zionist lobby," or "the Zionists who control the United States." That's the usual line the British spread in their way of being cute, around the Middle East and elsewhere.

So the only problem here, is that many people who are being manipulated by British intelligence, directly or indirectly, will tell you: "Well, it's the United States that's 100% responsible for this stuff."

It is *not* the United States, even though we have some people like George Bush and Ollie North and some bad people. But, as we see very clearly in Clinton's struggle with London, London is behind the policies for which this terrorism is deployed, and the United States is doing its utmost, at least around the White House, within its understanding, to try to prevent this sort of thing. And this should be seen plainly and simply. This is not Islamic terrorism: This is British intelligence and similar kinds of people playing the usual kind of games.

New Irish government backs peace process

by Mary Jane Freeman

In mid-December, after a month of negotiations, a "rainbow" coalition government was formed in Ireland, and it has made significant efforts to put the Northern Ireland peace process back on track. During November, the leadership vacuum in Dublin following the collapse of the government under Albert Reynolds had slowed the rapid pace of the historic peace process that he had initiated. But a parliamentary vote on Dec. 15 elected John Bruton, head of the Fine Gael party, the second largest party in parliament, as Ireland's new prime minister. Fine Gael, a "conservative-right" party, is joined by coalition partners Labour and Democratic Left parties—thus a "rainbow" coalition spanning right, left, and center. Within days of taking office, Bruton took three steps to reinvigorate the peace process.

Bruton's election was hailed as "good news" for the John Major government in Britain. Former British Prime Minister Margaret Thatcher's mouthpiece, columnist Conor Cruise O'Brien, wrote, "As far as Anglo-Irish relations are concerned, John Major will certainly not find the new government any harder to deal with than its predecessors. Even a bit easier." Indeed, up until mid-November, when the Reynolds government fell, the peace process (despite stonewalling by the Major government) had progressed to where the British had no more excuses to "go slow." In September and October, both the Irish Republican Army (IRA) and the paramilitary Loyalists announced cease-fires; on Nov. 1, President Clinton announced a major trade and investment package for Northern Ireland; and on Nov. 4, the first meeting of the Irish Forum for Peace and Reconciliation was held. It is likely, in the wake of the Irish government collapse, had it not been for renewed pressure by the Clinton administration on the Major government to meet with representatives of the Sinn Fein and the Unionists parties, the peace process would have been derailed.

Bruton extends the hand of peace

The day after being sworn in, Bruton made a point of extending a hand-shake to Gerry Adams, president of Sinn Fein, the party most closely associated with the IRA. Four days later, on Dec. 20, Bruton flew to London to meet with Major to work out a schedule for completing the so-called framework document which is to provide the guidelines for the next phase of negotiations. Prime Minister Major used the occasion to yet again demand that the IRA must "decom-

mission" all its weapons before any talks can proceed. The next day, Bruton met with Adams for 30 minutes, reassuring him that negotiations must be "inclusive" and "involving all democratic parties." By Dec. 23, Bruton's justice minister, Nora Owen, announced the early permanent release of nine IRA prisoners, which Sinn Fein has repeatedly requested of both governments.

The fact that Bruton moved so quickly to restart these discussions, and especially that he met with Adams, has upset pundits such as O'Brien. They believed that because, when Bruton was leading the opposition parties, he had criticized Reynolds for his "hasty embrace" of Sinn Fein after the IRA cease-fire, he could be expected to go along with the British agenda. Even more disconcerting to the British, however, must be the new Irish prime minister's rejection of Major's demand vis-à-vis the decommissioning of arms. Warning against a "one item agenda" approach to the peace talks, Bruton, after his meeting with Major, declared: "It wouldn't be sensible to say that there is a one-item agenda, and that until we pass item one we can't even talk or discuss items two, three, and four. These items must all be dealt with, [to] build a situation of confidence." Reinforcing this position, Adams, in response to reporters' questions on the weapons issue, said, "Surely the whole purpose behind the peace process is to remove the guns for good. . . . Surely that has to be a part of the objective." Similarly, Tony Blair, the British Labour Party shadow prime minister, agreed with Bruton that the peace process cannot be dominated by the arms issue.

The economy is the test

The measure of the new government's commitment to peace, however, will be revealed when Finance Minister Ruairi Quinn issues the 1995 budget on Feb. 8. The weakness of the new coalition government is its adherence to "free trade." It has adopted a policy of curbing "public expenditures," which, according to the *Irish Times*, have been "capped at 6% [for] next year and at 2% above inflation thereafter." One Fine Gael proposal suggests shifting the "traditional approach" of "supporting industrial development" toward making "indigenous firms" and "services" a stronger part of the economy.

But the way to secure peace is through development. Ireland must "think big" and not fall into the London financial money-manager's trap of being a service economy. One hundred years ago Belfast shipbuilding was the most advanced in the world. If all of Ireland, North and South, is to be at peace, the new government must spend the necessary monies to put its people back to work in productive jobs. Both the Clinton administration and the European Union have adopted multimillion-dollar investment packages for targeted cross-border development projects in Northern Ireland. Ireland must complement the EU's Delors plan of great infrastructure projects by rebuilding its ports, rails, and canals.

U.N., Serbia play double game

The continuing attacks against Bihac reveal the U.N. strategy to dismember both Bosnia and Croatia. A report from Faris Nanic.

Faris Nanic, the personal delegate of President Alija Izetbegovic of Bosnia and Hercegovina, spoke on Dec. 10 to the Eltville, Germany conference of the International Caucus of Labor Committees and Schiller Institute. The following is edited from his remarks.

It is not easy to speak after Mrs. LaRouche. Still, I'll try to connect some of my thoughts to what has been said earlier. The experiment of this Conservative Revolution *in vivo*, the destruction of the nation-state and depopulation, has been taking place in my country for more than two and a half years.

I do not want to go into too much detail, but there have been 250,000 people killed. More than 30,000 women have been raped—raped as a weapon of the war, as psychological warfare. Over one and a half million people, driven from their homes, are now refugees all over the world—not only in Europe, but all over the world. In that context, the main problem that we are facing is not our ability to defend ourselves, not our ability to establish our nation or to defend our population from extermination; the problem—the only one we are facing—is the so-called international community and the instruments such as the United Nations, as a main instrument for denying us the inalienable right to self-defense.

I will try to present you with some description of the latest dramatic events, which were closely watched all over the world: the “pocket” of Bihac in western Bosnia, which was heavily attacked by both the collaborationist quisling Serbs in Bosnia, and the Serbs in Croatia, for the first time. The rules of international law were broken when the illegal rebel authorities on the territory of one sovereign state openly attacked the regular government forces of another sovereign state; Croatia, the state from which the military attack was launched, was forbidden by the international community to act as a sovereign state. It was forbidden to exercise its sovereignty. That was the first thing: In order to prevent Croatia from exercising its sovereignty, and defending its own territory and crushing the illegal rebellion, the U.N.'s “peace mediators” used several methods.

The truth about Bihac

Let me give you a short chronology. At the beginning of July, the Bosnian government forces stationed in the Bihac “pocket” undertook an operation called Tiger Freedom '94,

by which they were able, within just a couple of days, to crush the rebellion by the Muslim leader Fikret Abdic and liberate the whole area. Abdic had been a member of the State Presidency and when he broke away, he took with him 20,000 people from the region of Velika Kladusa, which is almost on the Croatian border. But the international community first interned these 20,000 people, who fled because they were frightened. They interned them in the so-called U.N. Protection Area in Croatia, not allowing them to go anywhere else. These people were then used in the offensive, from this UNPA within Croatia, against the region of Velika Kladusa, which is north of the Bihac pocket.

Then the Serbs rejected the Contact Group's so-called peace plan, which was to divide Bosnia—51% to the federation between Bosnians and Croats and 49% to the rebel Serb authorities in Bosnia—and after the plan had been agreed to under pressure by the Bosnian government, by the Croatian government, by the Bosnians in Bosnia, by the Croats in Bosnia, the Serbs rejected it. The Contact Group peace plan was a “take it or leave it” plan, one of whose measures was that any side which rejected it would be subjected to various measures; one was to lift the arms embargo against the Bosnian government, and another was to tighten the sanctions against Serbia and Montenegro, rump Yugoslavia, which didn't happen.

So, the side which rejected the peace plan was actually rewarded, while the side which accepted the peace plan was punished in a way, because immediately after that, the Bosnian Serb forces of Radovan Karadzic launched the heaviest offensive on the Bihac pocket. In the meantime, the French U.N. peace-keeping battalion stationed in the Bihac region was very quietly withdrawn—no media reports of its withdrawal came out. It was soon replaced by a poorly armed Bangladeshi battalion, who were not trained for winter conditions; 1,200 men with 300 rifles, and that was it.

Then the Serbs started the counterattack, which was heavy. The military goal was transparent, actually. First of all, they meant to disable the Bosnian Army 5th Corps, which is responsible for the area, which is kind of a bridgehead in the backyard of the Krajina, where the Croatian rebel Serbs were; then, by disabling the 5th Corps, the Serbs could disable the legitimate Croatian action to crush the rebellion in their own country. Second, the Serbs wanted control over



Bosnian President Izetbegovic's representative Faris Nanic: "We have nothing else but to continue fighting, and we will do it; and with the help of our friends, with the help of God, we will win the war."

the Bihac airport and the railway connecting Banja Luka, "capital" of the Bosnian Serb republic in Bosnia, and, via Bihac, Knin, the "capital" of the Croatian Serb republic in Croatia. And third, to revive the Muslim rebel Abdic and his 20,000 refugees within the UNPAs in Croatia, and impose him as a satrap who would be obedient. According to the Croatian former supreme commander, Gen. Antun Tus, the operative plan was made in three steps. First was to recapture the territories already taken by the Bosnian Army, which was mostly done within the first 15 days of the Serb offensive. Actually, the Bosnian Army still controls a reduced territory. Second, to cut off areas under Bosnian Army control, isolate them from one another, and then crush them definitively. At the same time, they intended to create a new refugee crisis in Europe, first in Croatia, to destabilize Croatia, and then, of course, here in Germany or in Austria, or in other countries that are willing to take these refugees.

Tactically, they wanted to establish the conditions internationally whereby, under United Nations protection, they would have demilitarization of the area and then they wouldn't need to fight any more, but they would solve the problem. If the Bosnian Army is disarmed, because that's what demilitarization means, since the Bosnian Army is within the protected areas, the "safe havens," no one will ever be able to disarm the Serbs.

Remember that under the Vance Plan for Croatia, the Serb militia in the UNPA had to be disarmed within a couple

of months after the cease-fire; but not a single rifle has been taken from them. Every agreement that the Croatian Army was forced to sign by the international community—even by the western diplomats, by American policymakers, and (unfortunately, Mrs. LaRouche, I have to say this), even by the German policymakers, simply forces Croats to demilitarize huge parts of their country. This is what the plan is for Bosnia: to demilitarize the "safe havens" and to create "havens" for the Muslims all over the country, something like the Indian reservations, to create ghettos, actually.

To achieve this tactical goal, you have to have some means to do it, and that was to create the impression that the region was about to fall. Even the defense secretary of the United States, William Perry, said that the Muslims had lost the war. This was also the psychological argument by all those who claim that, not only can the Bosnian government not defend what it has already defended, but even that, should the war be prolonged, then it runs the risk of losing control over whatever small territory it controls.

So it was necessary to invent a trick to make the international actors take the decision for demilitarization in the region. After the Serbian rejection of the initiative, the decision was handed over to Serbian President Slobodan Milosevic: Karadzic rejected the peace plan; you accept it. Then the French and British and, of course, the Russians will advocate the lifting or, at least, the easing of the sanctions against Serbia or rump Yugoslavia, without doing anything to punish Karadzic. So the point was: We will lift the sanctions against Serbia and then we will allow Serbia to re-supply Karadzic's forces and the Croatian rebellion. You will have disarmed Bosnia, and lifted the sanctions against Yugoslavia. And this is the aim actually, this is what they want to achieve in order to carry out a new genocide against a disarmed Bosnian people. The problem is that, in a way, both American diplomacy and also the Bosnian government were forced to take some of the steps which actually led directly to escalating the war. You know that recently the American government pulled out from enforcing the arms embargo in the Adriatic. It was a clear sign, but then the American ambassador to the U.N., Mrs. Madeleine Albright, was convinced by the British and French to delay raising the question of lifting the arms embargo, either in consultation with the Security Council or unilaterally. Mr. Clinton asked President Izetbegovic to accept this delay for six months, which he did. But when the consultations within the Security Council were initiated by Mrs. Albright, then the French said: "Oh no, we don't want anything to do with it. We don't want to hear it. It's not a deal." At the same time, the total humanitarian blockade was imposed on Bihac; out of 400 convoys, only 12 got through. People ran out of food, the people ran out of everything. So, the Bosnian Army was forced to do something.

And while the French and the British were playing the game of supporting Milosevic, the Serbian regime forced its quislings in Bosnia to accept the peace plan. How? By

promising that under the auspices of the French, British, and, of course, Russian governments, they could confederate with Serbia—which has nothing to do with the peace plan. However, the Serbs did not figure that the Bosnian Army would resist to the extent it did, and, actually, the Serb offensive failed. So now, it was necessary for the international community to give a hand to the Serbs, and [U.N. Secretary General Boutros] Boutros-Ghali launched a wide-scale new initiative to disarm all the safe havens, not only Bihac, but also Sarajevo, three enclaves in East Bosnia which are occupied by the Serbs, and Tuzla, the main industrial center, which is still producing because it is not surrounded. This industrial potential—what was left of it in Bosnia—is still working, and now they want to cut this link, too. What frightens me most right at this moment is that this initiative will be on the agenda of the new round of the diplomatic talks, right after the failure of the Serbian offensive on Bihac, and there will be strong pressure for us to accept it in order to avoid further humanitarian blackmail by the U.N.

The British control media reports

But the problem was not only the U.N.: The problem was also the media. Right before the Serb offensive on Bihac there was no—not a single one—foreign correspondent in the region. Very interesting; they had always been there, but not then. Except one, the correspondent for the British Reuters news agency, who was on the Serb side, whose reports, of course, always cited Serb sources, giving them credibility. The Reuters wires are read all over the world, and they are considered reliable because they are Reuters—not some Bosnian agency, but Reuters—so they are reliable, they speak the truth. The only U.N. spokesmen who were allowed to make official statements on behalf of Unprofor [the U.N. Protection Forces] in Bosnia were: Tim Spicer and Thomas Hewitt in Sarajevo; Paul Risley and Sir Michael Williams in Zagreb; and Alan Roberts in Knin. All of them are of British nationality. From the very beginning of the Serb offensive, there was a constant disinformation and denial campaign by the U.N. spokesmen and U.N. sources.

Then there is the U.N.'s Colonel Lemierre, apparently a French Canadian, who was in charge in Bihac; this is also very interesting, because the Bangladeshi battalion which was stationed there after the withdrawal of the French battalion, also has a Canadian commander. This Colonel Lemierre was always negotiating with the Serbs. The mayor of Bihac, Hamdi ja Kabiljagic, said that only after he was very persistent for three months, did he get the map of the safe haven drawn up by the U.N. in which the city's main water supply system and the main electrical power system were excluded. When that finally came out, the U.N. said that the map would be changed, but at the same time Reuters reported that the water supply and electric supply systems were captured by the Serbs, which was not true. So there seems to be strong cooperation between the U.N. forces in the field, their commanders

in New York or Geneva, and many of the supposedly independent media and the western governments, unfortunately.

We now face the oncoming winter, and the purely diplomatic problem—there will not be any major military assaults and operations—is how to withstand the pressure from the U.N. “peace negotiators,” David Owen, Thorvald Stoltenberg, and others who want to disarm our country. I would like to make one more point: The U.N. forces in Bosnia—the French, British, Dutch, Turkish, Malaysian—are deployed only in the regions controlled by the Bosnian Army. There is not one single U.N. soldier deployed in the region controlled by the Bosnian rebel Serbs.

Sandbagging Croatia

After achieving the disarming of Bosnia, the only thing left for the international diplomats to do is to restrain Croatia. In the middle of the crisis, the Croatian President went to South America to play tennis with Argentina's President. He stated that openly. “What did you do today, Mr. President?” “Well, I played a game of tennis with Mr. Menem.” At a time when the Croatian Parliament is strongly demanding that something be done in Bihac, because if Bihac falls, then the whole pocket will definitely fall, and then the Croatian Serb-controlled territory will link up with the Bosnian Serb-controlled territory, which is already linked with Yugoslavia, and that is the goal of the Greater Serbia project.

However that session in Parliament was forcibly shut down when the microphone and TV cameras were turned off, after the Parliament vice president, a member of the ruling party, declared, “I can't keep discipline in the chamber, so I'm shutting down the session.” So, the most vital question for the survival of Croatia was interrupted. Why? Because, at the time, the Croatian government had been given a lollipop, an economic agreement with the rebel Serbs in Croatia. And they accepted it. The terms of agreement are still not generally known to the Croatian public, but from what we have heard so far, it is a disaster: Croatia will refrain from exercising its sovereignty. The U.N. will be authorized to control the trucks, the trains, all vehicles that go through the capital, Zagreb, which is not a center of Serb rebellion.

As Mr. Izetbegovic said at the CSCE [Conference on Security and Cooperation in Europe] conference in Budapest a couple of days ago, we can do nothing else but continue the fight, and we will do it. The message was given to our friends, all over the world, the message was given to you, the members of the Schiller Institute, who were among our first friends and supporters from the very beginning. But the message has been given to our enemies, who are now more obviously open than ever, unfortunately: the governments of Britain, France, and Russia. That's what we have to say, that's what we have to recognize, because that's what we have to prepare our people for. We have nothing else but to continue fighting and we will do it; and with the help of our friends, with the help of God, we will win the war.

German court reopens investigation of 1987 assassination of Uwe Barschel

by Rainer Apel

“Calvi, Palme, and Barschel, are only three notable figures on a long list of mysterious deaths which have occurred since the Malmö, Sweden office of Karl-Erik Schmitz was raided. The epidemic of Iran weapons trafficking-linked deaths continues. . . . Sooner or later, one of these cases will break wide open; and when it does, all of the trees in the forest will fall.”

—Lyndon H. LaRouche, Jr., in “The Uwe Barschel Case Is a Clue to the Palme Killing,” *EIR*, Nov. 6, 1987.

An announcement a few days before Christmas 1994 by Judge Heinrich Wille, the spokesman of the District Court of Lübeck, in the Baltic German state of Schleswig-Holstein, has had the effect of a bombshell on the nation. Wille declared on Dec. 21 that his court would reopen the case of Uwe Barschel, the German Christian Democrat and former governor of that state, who was found dead in a Geneva hotel room on Oct. 11, 1987.

The resumed investigation will start from new evidence made available to the court that indicates that Barschel did not commit a bizarre “suicide,” as has been claimed by most of the news media, investigators, and the political establishment for more than seven years now; but rather, that he was assassinated. This was a case of “murder committed by another person against Uwe Barschel,” Judge Wille said, leaving little doubt that the “suicide thesis,” which from a speculative viewpoint could not be ruled out entirely, could no longer be supported, given the new evidence now in the possession of the investigative judges.

Since October 1987, *EIR* has been a notable exception to the general media policy of covering Barschel’s death as a suicide. From its first coverage in the Oct. 23, 1987 issue, *EIR* has shown the absurdity of the suicide thesis, and has treated the Barschel case as an integral feature of the East-West arms-smuggling networks which were running arms into wartime Iran, among other places.

Barschel is known to have made a number of trips to Rostock in what was then communist East Germany, where he met with Alexander Schalck-Golodkowski, an official of the East German secret police (Stasi) who served as East Germany’s deputy foreign trade minister. Schalck controlled

a trading company known as IMES, which had attracted attention when documents were seized by Swedish officials in a raid at the offices of a Swedish businessman in September 1985. This raid was part of a crackdown by Swedish Prime Minister Olof Palme on Iranian arms deals. It is in the area of Palme’s actions against this arms network—which involved elements from the United States, Sweden, Israel, Great Britain, and the Soviet bloc—that one can situate the motive for the assassination of Palme in February 1986.

North-Contra operation implicated

On the U.S. side, the Oliver North-Richard Secord arms-smuggling operation was directly integrated into the networks in which Barschel was in some way involved. It is amply documented, with respect to the case of the *Pia Vista*—a Swedish-chartered vessel which was impounded by the Panamanian government in 1986 when it was found to be full of arms destined for the Nicaraguan Contras—that the North-Secord operation had directly purchased arms from IMES which were picked up in Rostock.

The reopening of the Barschel case therefore leads directly into a major East-West arms-trafficking operation running from the offices of Oliver North and George Bush in Washington, through London, Sweden, Rostock, and East Berlin, to Tel Aviv and Teheran.

Forensic evidence

The day following Judge Wille’s Lübeck press conference, Klaus Klingner, the state justice minister, made clear in a radio interview on the national DLR station, that an independent forensic study compiled by Zurich toxicologist Hans Brandenberger leaves no doubt whatsoever that Uwe Barschel must have already been unconscious from sleeping pills some time before receiving the lethal dose of cyclobarbitol which caused his death, i.e., he had been killed by someone else *after* he had fallen asleep or had lost consciousness. Klingner categorically rejected other expert testimony supporting the suicide theory.

Klingner explained that the “new” evidence had been provided by “secret intelligence agencies,” and said that documentation exists of the fact that East Germany’s foreign

intelligence agency (HVA) had compiled dossiers about Barschel in the early 1980s, but that for some strange reason, no files could be located concerning his activities from the mid-1980s until his death. There are other hints from the international intelligence community, Klingner said, and he appealed to the news media, government agencies, and private persons to come forward with any further knowledge or information that might help shed light on the case.

The BND, Germany's foreign intelligence agency, confirmed on Dec. 21 that in mid-November it had provided the court in Lübeck with leads on the affair. This goes back to an order issued by the oversight authorities in the German government dating from early October, that the agencies release their secret knowledge about anything relating to the Barschel case. Following several days of spectacular revelations in *Bildzeitung*, Germany's leading mass tabloid, concerning the possible involvement of Israel's Mossad intelligence service in the assassination, several senior politicians in Bonn decided to break their seven-year silence and launch a new investigation. The *Bildzeitung* story, which was first floated in early October, was based on passages from a new book by Victor Ostrovsky, a former Mossad agent.

On Oct. 13, Bernd Schmidbauer, Chancellor Helmut Kohl's chief coordinator of secret intelligence affairs, said in Bonn: "Maybe Barschel was assassinated, after all." He declared that he had ordered a scanning of all existing old HVA files stored at the official German archive of former East German files (the "Gauck" agency, named after its present director). To date, Schmidbauer is the highest-ranking government official to have expressed himself on the affair. In response, many observers with accumulated critical knowledge of the entire Barschel affair, began to wonder whether some evidence might finally emerge from those files, which the official authorities had always insisted "contained nothing whatsoever."

Following Klingner's remarks on Dec. 21, the German news media began buzzing with new revelations about what had been provided, or "found," by the agencies. The *Frankfurter Allgemeine Zeitung* daily—which is of special interest, because throughout the postwar period, it has functioned as an unofficial government mouthpiece—wrote in a small but prominently placed report on page two of its Christmas Eve issue, that hints about "international arms deals" do play a role in the resumed Barschel investigation. "A former senior officer of the G.D.R. [East German] Ministry of State Security (MfS) has told the West German security agencies about voluminous arms and technology deals which, he said, were carried out with the help of the former G.D.R. hard currency merchant Schalck-Golodkowski and West German enterprises—potentially also including reputable firms in Schleswig-Holstein," the daily wrote.

"Other hints that the BND, among others, have obtained, relate to the evening of Oct. 10, 1987. On the following day . . . Barschel was found dead in a Geneva hotel room.

Barschel had arrived in Geneva on the afternoon of Oct. 10. It has not been clarified where he stayed in the course of that day, nor with whom he met. Various hints mention meetings among arms dealers with Iranian background that evening. Barschel is said to have attended such a meeting."

The CIA telegram

In the same article, the *Frankfurter Allgemeine* inserted yet another bombshell: "A telegram which is attributed to the Geneva station chief of the . . . CIA and which is said to have been intercepted and decoded by the Stasi (MfS), contains a report about such a meeting during the evening of Oct. 10 that was attended by five persons. One of them, who was given the codename of 'Perch,' is said to have categorically rejected any cooperation. 'Perch' is the English term for Barsch."

The *Bildzeitung* ran the same story two days later with a few additions, reported also on page two under the headline, "Barschel: CIA Agents Were Hanging around at the Death Hotel." The *Bildzeitung* article added that the *Frankfurter Allgemeine* story was based on a report by the CIA, and that "CIA agents are said to have allegedly observed Uwe Barschel during his stay at the Beau Rivage hotel." The *Bildzeitung* added that the intercepted CIA telegram was addressed "to the center in Washington, D.C."

More information about this mysterious CIA telegram was made available in the media in the days after those two newspaper reports appeared. As reproduced in the *Berliner Zeitung*, the cable appears to have originated with U.S. military intelligence rather than the CIA, with markings showing it from "MATT" (the military attaché) at the U.S. Embassy in Bern, and sent to the ITAC (Intelligence Threat Analysis Center) at the Joint Chiefs of Staff in the Pentagon. The cable's text reads: "Jerry took Perch to Temple met with Lokal and Rabbi at 2130 Perch unyielding refuses coop rabbi ordered disposition alternative w asap advise no act//."

The press also revealed that an informant of the German BND (whose name or identity was not disclosed) had given testimony to the judges in Lübeck already in the summer of 1992, telling them that he had information that Barschel had indeed met in Geneva on Oct. 10 with several Iranian arms dealers, including a Rafiq d'Houst of the Revolutionary Guards and the son of the Ayatollah Khomeini, Ahmed Khomeini. Barschel rejected proposals made by the Iranians, and was therefore "eliminated" that same night, the BND informant told the judges in Lübeck more than two years ago.

The Lübeck court also announced that it wants to reopen the investigation into a second "Barschel affair": a mysterious plane crash near Lübeck on May 31, 1987, which killed two pilots and injured Barschel's bodyguard so seriously that he died in a hospital a few days after. Barschel himself survived the incident. Judge Wille said the investigation would look into the possibility of an "assassination attempt" involving Barschel's plane.

Indian 'economic reforms' get ruling party routed at polls

by Ramtanu Maitra and Susan Maitra

The electoral drubbing that the ruling Congress Party received at the hands of dubious political opponents in Prime Minister P.V. Narasimha Rao's home state of Andhra Pradesh, and also in the adjoining state of Karnataka, is a clear indication that the political scene in India will remain unstable for some time to come.

However, the precise meaning of the rout was muddled by the pre-campaign pronouncements by the prime minister and Congress Party leaders that the electoral response must be weighed as the people's verdict on the three and a half years of economic reform process implemented by the Rao government and a referendum on his leadership. True, the country's growing foreign exchange reserves, which the Rao government has projected as the high point of the economic reforms, has failed to impress voters in either Karnataka or Andhra Pradesh, or even in the other two states that went to the polls in November.

Theater of the absurd

Following the Congress leaders' self-created confusion, and the severe reversal in the polls, what went on in Delhi for more than a week had to be seen to be believed: The Congress Party, still by far the largest party in the country, with a history of 110 years to fall back upon, and having enjoyed a barely interrupted stint in office for 42 out of the 47 years since independence, resembled a ship without a captain inhabited by not too many wise individuals. Behind the concern for the party in the 1996 general elections, a section of party leaders began cloak-and-dagger operations to undermine the prime minister's failing authority. The game was to weaken the prime minister, but not topple him. Toppling the prime minister would mean taking over the reins of the party at a critical period when the party needs massive reorganization through a selfless leadership. And it is certain from the antics of the so-called leaders that they are virtually incapable of even analyzing what went wrong, much less coming up with programs and measures to set the party right over a short or long period of time.

There is little doubt that the problem began with the prime minister himself and his caravan of self-seeking political

hacks who have little political credibility. When the election campaign began in Andhra Pradesh, Prime Minister Rao called it the "acid test" for his government and a vote on the three and a half years of economic liberalization launched by his government in June 1991. Throughout the campaign, the prime minister went on proclaiming the success of the government-initiated economic reforms. Since the reforms have had little positive impact on the economy, and even less on the lives of the poor and lower-middle income families who constitute almost 75% of India's population, the prime minister seized on the \$20 billion in foreign exchange reserves as the yardstick to judge his economic performance. It was not even made clear to the people, and probably it was not an honest oversight, that much of the \$20 billion is hot money which can be pulled out of India in a flash at the first sign of domestic instability or serious perturbations in the international money markets.

More importantly, the prime minister himself failed to realize that the key to success in the Andhra Pradesh elections was either to stoop to the lowest, populist level, which his opponents did with great élan and the Congress Party also tried (unsuccessfully) only at the last minute, or to act as a statesman and detail his plans for the near future to improve the lot of the poor and the downtrodden. Since it is widely known that, during these years of economic reforms, the country's physical infrastructure has worsened, the public health situation has further deteriorated, and the Rao government did precious little to help provide primary education for the growing multitude of children of the poor and not-so-poor, the mere rhetoric that foreign exchange reserves were growing, was worse than useless. It did the prime minister and the party no good to cite the great praises heaped upon the Rao government by the World Bank, foreign bankers, or foreign investors.

This pathetic campaign, probably necessitated by the fact that the party was fragmented beyond recognition in these states and that the authority of senior Congress leaders was simply a myth, was duly exploited by its opponents, whose lack of integrity is a matter of equal concern to that of the devastated Congress Party.

The legendary corruption of the Telegu Desam party, which swept the polls in Andhra Pradesh, could not be exploited by the Congress Party, because there are a number of ministers in the Rao cabinet itself whose integrity has been questioned over the years. What is surprising, however, is that the prime minister, a veteran Congress member acted like a political neophyte, campaigning on the merits of economic reforms which are better appreciated in Geneva, London, or New York, and further antagonizing an already irate electorate. Equally surprising is that, though confronted with the bitter infighting within the party, the prime minister acted helpless. He appears to have gone through the motions without trying to set the house in order, without recognizing that it is the minimum prerequisite for putting up a fight in the polls.

Election fallout

Now the folly is in the open for all to see. The ruling Congress Party in Andhra Pradesh sunk fast and deep. Despite efforts by some pro-Congress media to project an imminent Congress victory in that state, the party came out a poor second, winning 25 of the 292 seats contested. The Telegu Desam, led by a showman and despot, N. T. Rama Rao, won an unprecedented 219 seats, and even the left front, friends of the Telegu Desam, collared 32 seats. As an indication of the size of the defeat, Congress lost about 160 seats, most of which were grabbed by the Telegu Desam.

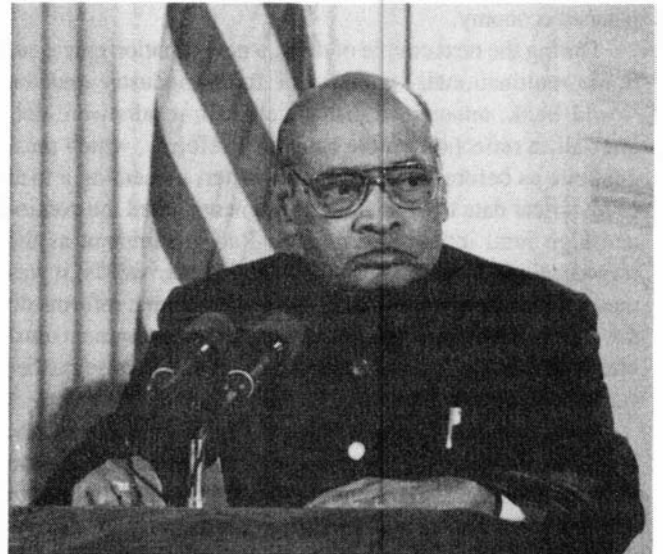
The results in Karnataka were equally sad from the Congress Party's point of view. The Congress won only 35 seats out of 224, and the victorious Janata Dal won 116; moreover, the Hindu chauvinist Bharatiya Janata Party (BJP) won 40 seats, a tenfold growth over the last assembly election, to push the Congress Party into the ignominious third position. In the state of Sikkim, where the Congress Party could win only 2 of the 32 seats, the victor was the Sikkim Democratic Front (SDF), headed by a defector from the earlier ruling party, the Sikkim Sangram Parishad (SSP). In Goa, the Congress came back with a curbed majority.

Even if the recent state assembly election results are deemed an aberration, what followed in the aftermath of the poll results in Delhi is not only byzantine but indicative of the deep malaise that has set in.

The spectacles

First, the activities of the front-rank and second-string Congress leaders following the debacle resemble scenes from a medieval court where knives were kept sharpened for use in the hour of opportunity. Particularly pathetic was the spectacle presented by the leaders from northern India, where the party is slowly sinking into oblivion and the leaders cannot even get themselves elected despite spreading money far and wide. These leaders began issuing threats to further weaken a weakened prime minister.

The second spectacle was offered by the scandal-tainted ministers in the Rao cabinet. Two cabinet ministers, B.



Indian Prime Minister P.V. Narasimha Rao acted like a blundering neophyte in some recent state elections, leading his Congress Party to a historic defeat.

Shankaranand and Rameshwar Thakur, named by the Joint Parliamentary Committee in its report on the multibillion-rupee securities scam, and Minister of Food Kalpnath Rai, named by the Gyan Prakash Committee as a principal in the recent "sugar scam" (which jacked up prices of sugar domestically by 50% over a few weeks, blocked the proposal to import sugar to bring the price down, and thus engineered a windfall profit to the sugar merchants), have refused to step down despite pressure from their own colleagues. Prime Minister Rao even worked out a plan whereby other ministers in the cabinet would resign, forcing the three, and a few others, alleged to be tainted with money corruption, to step down. Incredibly, the three stuck to their chairs while the prime minister looked on helplessly. Failing to obtain the tainted ministers' resignations, the prime minister went on to absolve all of them of all wrongdoing.

The third spectacle was just as absurd. Having hitched its wagon to the success of the economic reforms, and having been routed in the elections, the party had to shift its stance. First came statements that the party would take a second look at the reforms. Soon enough, statements were issued which indicated that the economic reforms in the next period will have a "human face." Prime Minister Rao on Dec. 14, four days after the rout was confirmed, continued with the same theme, admitting that the reforms must have a pro-poor "look." He also admitted that the reforms in their present form have failed to find popular acceptance, and said they needed to be "repackaged" because the elections were an eye-opener for the party. The Congress Working Committee said the same thing and concluded that the fruits of reform have to go directly to individuals and not to the communities only—a formulation which could mean buying votes, a common phenomenon in the bygone days of so-called

planned economy.

During the next couple of days, a new situation emerged. Some multinationals, captains of Indian industry and the World Bank, announced that the election results were not, after all, a reflection on the economic reforms, which must continue as before. One economic writer, presenting a load of historical data to validate his arguments, cited the continued high rural inflation during the Rao government as the reason behind the ruling party's rout. In other words, it was made clear by the "reformers" that the economic reforms do not require a "human face," but instead, the government must blame high inflation for its electoral rout and impose further curbs on public spending.

Soon enough, during an election rally in Maharashtra, one of the five states going to the polls in February, the prime minister announced that the reforms would continue as before and the real reason behind the defeat was party infighting. Party statisticians, whose political analysis does not go beyond caste or ethnic lines, blamed the demolition of the Babri Masjid mosque by a Hindu mob in Uttar Pradesh as one of the reasons behind Congress's poor showing. (See *EIR*, Dec. 18, 1992, p. 38, for a detailed report on this event in December 1992, which led to hundreds of deaths, and on the British-promoted destabilization of India.)

The party and the prime minister are caught in a bind from which they are finding it difficult to extricate themselves. In

February, five more states will go to the polls, including such populous and important states as Bihar, Maharashtra, and Gujarat, and most observers believe that things will get worse for the Congress Party. Some of the dissident Congress leaders are expecting that another round of electoral defeats will force Prime Minister Rao to resign, and they will then get the leadership without doing anything better.

There is, however, a catch. In the coming polls, the party will have to explain to the voters why the economic reforms are good for them. Another case of amnesia or trumpeting the size of the foreign reserves will not go down well. In answering the question raised by the poor and not-so-poor, the prime minister and his colleagues, and even his foes, will have to say what the government will do to provide fresh employment and protect the jobs of those who are working in the loss-making public sector enterprises; how would the economic reforms provide safe drinking water to a vast majority of people; how electricity can be provided 24 hours a day in the heartland of India's industries and agriculture, and how the government plans to improve the misery of the primary education and public health sectors. The electorate will ask how the dilapidated railroads and the living conditions of the poor can be improved through what the government calls "economic reforms," but which most people consider a policy that is enriching a handful who are already rich. So far, not even a hint of an answer has been heard.

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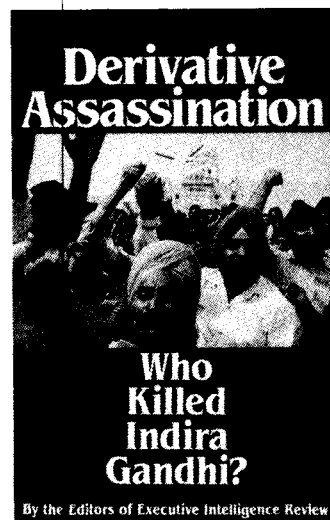
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India needs to defeat the British policy in Myanmar

by Ramtanu Maitra and Susan Maitra

India's strategic isolation, caused by a neighborhood inherently unfriendly and suspicious because of India's size, and one still trying to adjust to the realities of the post-Cold War period, needs an immediate change and such a change may come through defeating the British-directed policy toward Myanmar (formerly Burma).

There have been a number of signals in recent months which suggest that the Myanmar authorities are keen to break out of their own isolation, and open up trade relations with their neighbors, including India. In fact, India-Myanmar bilateral relations took a significant step forward in January 1994 when the two nations signed agreements to strengthen relations and prevent the cross-border movement of insurgents, drug-traffickers, and smugglers, and to promote border trade between the two countries.

The China factor

Poised between two great Asian neighbors, China and India, Myanmar remained unstable for decades because of ethnic conflicts, massive drug trafficking, and the Beijing-engineered communist movement. Following the Sino-Indian border clash in 1962, arising out of the delineation of borders left unmarked by the British colonialists, Myanmar became the staging ground of many insurgent groups from northeastern India, the most notable among them being the Nagas.

Unmanned borders and an active Chinese interest saw the insurgents from northeast India getting arms training in Myanmar to challenge the authority of the Indian government. Some of these insurgents went to Beijing for cash and arms while Phizo, the most powerful of the Naga insurgent leaders, led his rebellious army from Britain.

As a subset of hostile relations with China, India's relations with Myanmar were less than cordial. Although China stopped providing assistance to the Burmese Communist Party (BCP) in the early 1980s, Delhi was upset with report of the Chinese reconstruction of the old Stilwell Road linking China's Yunnan province with northern Myanmar, which Delhi perceived as Beijing's concerted thrust to get access to the Bay of Bengal, and eventually to the Indian Ocean, thereby posing a security threat not only to the eastern coast of India but also to the maritime trade between Arabia and East Asia.

The report that China had already established facilities in Myanmar's Coco Islands, north of India's North Andaman Islands, and that China was seeking air and naval facilities at Kyaukpu (where the Allied forces had built an airstrip during World War II to supply the advancing British Army in Burma) in Romree Island, raised serious doubts in New Delhi about Myanmar's intentions. Interception of Chinese "fishing vessels" equipped with sophisticated electronic equipment off the Andaman Islands close to India's naval base at Port Blair deepened the suspicions further.

Besides these military developments, which pose a serious security threat to India's east, the hard-line imposition of the State Law and Order Restoration Council (SLORC) under a military junta following the nullification of a duly-elected government in 1988, practically broke off India's relations with Myanmar. The sheltering of Burmese pro-democracy activists in India and their vocal denunciation of the SLORC was seen as the result of the deterioration of Myanmar-India relations. India made it clear how much it disapproved of the house arrest of Aung San Suu Kyi, the victor in the fateful elections and the granddaughter of Aung San, a Burmese freedom fighter who is greatly respected in India. In fact, the SLORC was criticized the world over, pushing Myanmar into isolation.

Changes in attitude

But the fall of the Berlin Wall in 1989, the subsequent dissolution of the Soviet empire, and the improvement of relations between India and China, which actually had begun before the demise of the Soviet Union, brought about a new situation, and attitudinal shifts within the Myanmar leadership's worldview began to appear. Equally important were the change in attitude within the international community, led by the Association of Southeast Asian Nations (ASEAN), toward the Myanmar regime, and placing the issue of Aung San Suu Kyi and the pro-democracy movement in perspective.

In January 1994, Myanmar authorities, by signing an agreement with the Indian government, made it evident that they would not play the stooge for anyone by harboring Indian insurgents within Myanmar. In the subsequent period it has been noticed that the insurgents are setting up camps in Bangladesh, and Myanmar is refusing to play host to them any longer.

In July, ASEAN officially toned down its stance toward Myanmar during the ASEAN meeting in Bangkok, Thailand, and made clear that the organization's soft stance toward Myanmar had been vindicated. The rest of the international community has finally come round to the idea that further isolation of Myanmar would be counterproductive.

The presence of the Myanmar foreign minister at the ASEAN meeting in Bangkok and the softening of tone toward Myanmar by Australia and New Zealand, widely considered as the two representatives of the West living on the fringe of Asia, were also part of this trend.

Containing Chinese influence

The Chinese decision to ease tensions with India, exhibited during the late Indian Prime Minister Rajiv Gandhi's visit and his meeting with Chinese leader Deng Xiaoping in the winter of 1987, played a major role in the improvement of bilateral relations between India and Myanmar.

It should be obvious to India by now that, while the Chinese influence in Myanmar cannot be reduced, and in all likelihood will continue to grow, an improved India-China equation will ensure that Beijing will not use Myanmar as a cat's paw to strike at India. On the other hand, by isolating Myanmar because it is being influenced by China will only ensure that the Chinese alone will have any say in Myanmar affairs. More importantly, and this is where the British are at work, Myanmar will become a possible hotspot from where both India and China can be nettled and weakened. An insurgent-infested northeast India does not bode well for New Delhi under such conditions.

In early October, Myanmar authorities conveyed to India that their country will not have any military pact or military understanding with China. Speaking to a correspondent of the Indian news daily *The Hindu*, a senior Myanmar Foreign Ministry official pointed out that his country had never granted bases to the Chinese and no Chinese facility exists on Myanmar soil.

Indicating that Myanmar does not feel threatened by either China or India, the same official said that its relations with New Delhi are getting "better and better." As evidence, he cited the close collaboration between the two countries to clean up the border areas and border trade. He also pointed out that a series of meetings have taken place involving the two countries' military and civilian officials to normalize relations.

Another factor which played a role for Myanmar in easing tensions with India, and ASEAN, is its economic policy. The SLORC leaders have adopted an open door market policy, and this has made it imperative for the authorities to open up trade with its neighbors. From about Rs. 900 million in 1989-90, the trade between Myanmar and India has reached Rs. 4.43 billion in 1993-94, almost a fivefold jump. There are growing reports that many Indian businesses are showing interest in doing business in Myanmar and six Indian automotive companies have shown keen interest in exporting vehi-

cles to that country.

The British dirty hand

One of the major hindrances to improving relations with Myanmar comes from Britain, which, incidentally, has influenced the international community's views to a large extent.

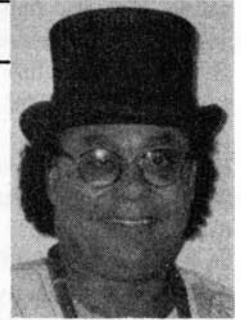
Myanmar authorities' suspicion about Suu Kyi, whose husband is an academician at Oxford and who had, herself, begun her campaign for democracy right after returning from England, is evident. The change in the Constitution to prevent anyone with a foreign spouse from becoming head of state is clearly designed to keep Suu Kyi out. Nonetheless, the SLORC officials' attitude toward Suu Kyi has taken a change for the better, and there are reports that the regime has recognized Suu Kyi by involving itself in talks with her.

While these developments are taking place to ease tensions, the pitch was queered in Britain in mid-November when the deputy speaker of Britain's House of Lords, Baroness Cox, accused Myanmar authorities of using germ warfare against ethnic Karens who have taken up arms for an independent Karen State. Baroness Cox, who is also a member of Christian Solidarity International (CSI), told the House of Lords that Myanmar authorities are conducting a "charm offensive" and promoting peace while allowing their troops to carry out atrocities.

The atrocities that Baroness Cox was referring to were cited by the CSI in a report which says that the Myanmar Army carried out a campaign of germ warfare to annihilate the Karens. CSI, a London-based human rights organization which mainly helps persecuted Christians, said that during their visit to Myanmar, they were told by Karen representatives that the military had dropped "balloons with white boxes" in places where epidemics resembling cholera or acute dysentery subsequently broke out, causing large-scale death of Karen children.

The British campaign is obviously to keep Myanmar isolated and transform it into a hotspot from which problems can be created in India, China, and Indochina, in particular. With the improvement of Sino-Indian relations and a greater interest in New Delhi's participation in Asian economic development, it is imperative for India to have close relations with Myanmar.

This will help India participate in the trade that will flow through the Chinese-proposed building of the Silk Road, bringing European technology into the most populous area of the world. With good relations with Myanmar, India can open up the old Lido Road and eventually link up with ASEAN through Indochina. It also provides an opportunity for India to link up with the Stilwell Road and connect itself with China. This easterly expansion of trade potential will surely provide an opportunity for India's northeast to improve its lot economically. The policy, if adopted, will also defeat the British plan to create tensions in the region.



We are all determined to forge a united Nigeria

Professor Opia is a delegate to Nigeria's National Constitutional Conference from Delta State. He taught American history in the California public schools for many years. Lawrence Freeman and Uwe Friesecke interviewed him in Abuja, Nigeria on Oct. 6, 1994. See EIR of Dec. 16, 1994 for an analysis of the political situation in Nigeria, and the importance of the National Constitutional Conference.

EIR: How did you become a delegate to the Constitutional Conference here in Abuja?

Opia: When the government agreed on the methodology for membership to the conference, some of us decided that we would go out to our villages and seek nomination right from the grass roots. So we went home, stood for the election, and won.

Some of our colleagues approached us, and it was suggested there and then that an appointment would be appropriate for those who had first rejected an appointment. We wanted to be *elected*. We wanted to come here with a *mandate* from our constituencies, because some of us were determined that we would work for our country, *not* the government. The country is the thing to watch over, not the government's orders.

EIR: But yet, there are a great number of delegates who were appointed. Do you have any problems with that?

Opia: Initially, we had problems, I must be very honest with you. In the early stages of the conference, some of us tried very hard to draw a line between the elected candidates and the nominated candidates. Whenever we introduced ourselves, we would make certain that we made clear that we were elected.

But as the conference progressed, some of us realized that some of the appointed delegates were really not only experienced, but *were there with the same objectives, if not stronger objectives*, than those of us who were elected. And that commonality of objectives, of purpose, of determination, brought us closer together. And then the division disappeared.

EIR: What are your objectives within that conference?

Opia: Primarily, to write a constitution for our country, a constitution that is Nigerian, a constitution that will cater to *all* ethnic groups in Nigeria, *all* religionists in Nigeria,

including what we have now come to describe as native religionists.

We were tired of the divisions within the country. We were tired of the conflicts between the ethnic groups, and some of us resolved that we would write a constitution that would accommodate methodologies for resolving our conflicts constructively and not destructively.

EIR: What gives you the confidence that this conference will succeed? Some people say this is just a coverup for the military to hold onto power, not really a serious sovereign undertaking of the people of Nigeria.

Opia: Most people who do not believe in the constitution are of two groups: those who were disappointed because [Gen. Sani] Abacha did not hand over power to [Chief M.K.] Abiola; and those who could not win election to the Constitutional Conference. They are outsiders.

This government has refrained from publicizing the constitution, because the government gave a commitment that it would not be involved. And that's one of the reasons why those outside, who have access to tremendous resources, are using their resources to undermine the efficacy of the Constitutional Conference.

We are there. We are the ones working day and night. We are the ones trying to *find solutions* to the conflicts and problems of the nation, and I can tell you without any fear of contradiction, that I have to give Abacha credit, either for a stroke of genius or an act of God. Whatever he has done to make that conference happen, he should be credited, because it has never happened before. We have open, blank authority and power to reform the constitution. It has never happened in Nigeria before.

EIR: So you say there is a marked difference from the constitutional debates that have gone on in Nigeria's history so far, like the 1979 constitutional conference?

Opia: Of course. A tremendous difference. During the constitutional conferences that have happened hereto, they would have had the tendency to forget the differences of Nigeria, and predicate their work on the assumption that Nigeria is made up of one people. We deviated and categorically made it clear that Nigeria is made up of different peoples, and that we have differences, and that we should under-

stand our differences, so that we can better function as a nation. You also must recognize that there has never been any time in the history of Nigeria, when the people were given the opportunity to come into a conference with their own original thoughts, without a draft constitution—never.

EIR: Is there a provision in the formation of this Constitutional Conference, that the constitution has to be approved by General Abacha?

Opia: That is a slightly controversial area. In his statement, if I remember correctly, he used the expression that the Provisional Ruling Council would not “lightly or slightly set aside” any decision of the conference. And some of us have taken the position that the government *cannot* touch this constitution. If they want to touch the constitution, they should bring that area [of disagreement] back to us, to resolve it ourselves.

The representation here, is essentially superior to the representation that took place in the 1760s in the [U.S.] Continental Congress. The rural people were not represented in the process of forging the American Constitution; that’s a fact of history. We went back to the villages. They gave us the vote. We didn’t come because we’re educated. We came because our people, who elected us, have confidence in our ability to represent them in this conference, and to forge a viable Nigerian constitution. The process is essentially superior.

Let me go one step further. Are you aware that there was a controversy as to whether the debate should be open, or whether it should be *in camera*? Some people were of the opinion that for this thing to work, it had to be *in camera*. When it came to the floor, it [became] categorically clear that every person in Nigeria must know what is going on on the floor. That was how we opened the debate.

EIR: You said that the major difference in this debate, is that you are not negating the differences among the different groups in Nigeria. But what then, for you, creates the unity of the nation?

Opia: An understanding of our differences, and the will and determination of us all, for the first time in the history of Nigeria, to forge one nation, neutrally. And our resolve and determination that in any given area that is critical to the survival of the nation, we *will* resolve the problem by negotiation and consensus, and not by simple majority.

EIR: So, you think that the conflict that is often talked about, between north and south or southwest and east, that those conflicts are artificial?

Opia: They have ended those conflicts now. The methodology has been put in motion for us to end conflict. In the past, the conflicts, to a substantial degree, were always troubles about political power. Nigerian politicians *utilized and exploited* the differences, and those conflicts are predicated on what I call *cultural* differences, because Nigeria has plurality, there’s no way you can avoid it. Nigeria’s pluralism was compounded by what we now describe as ethnic nationali-

ties. And now we have resolved to make sure that all these communities and ethnic groups have protection under the constitution, and are guaranteed their rightful place in Nigeria. Once you do that—no conflict.

If you had seen the relief on the floor, after we agreed on the north-south rotation [of the presidency], it was like a huge load was taken off the back of most of us. Nobody believed it could work; but we did it, and then compounded it by also making sure that the governorship rotates.

EIR: Could you describe those two aspects?

Opia: Let me give you a small historical background, because one of the areas of conflicts is predicated on the conclusion that the north has always monopolized political power in the presidency, and anybody who has the presidential political power, controls everything. To a substantial degree they were right. But I’ve always asked them the question: If the north allegedly controlled it, because none of us were Presidents, can you show me any place in the north that they’ve used their resources to develop? The south is more developed than the north, despite the fact that northerners controlled political power. So, who has been the beneficiary?

Now, we see for a change, in this conference, we’re talking “honesty”—I mean, we have no room for any pretenders or hypocrisy here. Immediately you do it, you’re off. You lose credibility instantly. And so, some larger-than-life politicians here have lost credibility already, because they were caught *lying*. And the people don’t have respect for them any more, and they will not go beyond their village any more, because the days of liar politicians are over.

Let me go back again.

So, quite a number of people felt that it was important that this presidential power must go around. There was some resistance: Some people refused; some people even were of the opinion that *we* controlled political power: “*You* control economic power. You control the press!” We said, “What are you talking about? It’s a balance.”

Go to America: I asked the American representative, “Since the Civil War, how many Presidents have you had from the south?” Carter and this young Clinton; that’s all. Jimmy Carter was a good man, and he lasted for four years. Somebody mentioned Johnson. I said, “Forget Johnson. Johnson was a beneficiary of the Kennedy myth. So, he was not elected on his own, and he did not have the courage to run for the second time because of Vietnam.” That was how Nixon came into power.

Now, the point I’m trying to make is that we do not want the American experience. We want the northerners to accept in principle that we are one, and the only way to guarantee that is to accept in principle that the presidency, which is the most sought-after position in the country, can be held by a northerner for eight years, and a southerner for eight years, and we rotate it. Then, the northerners brilliantly brought in a new dimension. They said: Since we are rotating the presidency, the governorship is also a very powerful posi-

So, in our differences and in our diversity, we are finally finding unity. And then, of course, the most beautiful aspect of it all, is that the intermarriages going on in Nigeria are phenomenal; and that is bringing the nation closer and closer together.

tion. Maybe we should consider rotating the governorship.

EIR: How would this work for the governors, then?

Opia: Very simple. No one group can produce the governor for more than eight years at a time, so they rotate within the three senatorial districts. And the three senatorial districts are normally divided along the lines, all historical association, historical antecedents, ethnic affiliation, cultural affinities.

So, in our differences and in our diversity, we are finally finding unity. And then, of course, the most beautiful aspect of it all, is that the intermarriages going on in Nigeria are phenomenal; and that is bringing the nation closer and closer together.

But, let's be honest. The search and the struggle for political power is the main source of all our problems, and politicians have a tendency to exploit it. But now, the constitution *guarantees* literally everybody an equal opportunity to aspire for the highest office in the land. The American Constitution guarantees it, but American prejudices militate against it. When did a Catholic become a President in America? Wasn't it JFK who was the first one? Have you had another one ever since? The country won't elect a Catholic as a President. Are you telling me that a black in America today, can easily become a President? They've been [floating a trial balloon] recently with [Gen. Colin] Powell. But America is still going through its own evolutionary process.

We *are* a corollary. There's no way you can run away from it. But Americans must learn that they have to leave us alone to evolve our own system. The best it can do, is to support us, and, if possible, allow us to steal American technology in order to develop our country, the way the Japanese did. And we shall do it; but let us get our act together politically.

EIR: How did you resolve the so-called June 12 issue in the Constitutional Conference?

Opia: Very simple, very simple. You see, the June 12 issue was discussed—a number of people have different feelings about it—but one thing is clear now: that there was an election on June 12, and that election was annulled, and the problem is in the hands of the judiciary. Let the judiciary handle it.

But some of us are resolved, that never again in the history of Nigeria, will *anybody* cancel the result of the new election that has been completed. Never again. And somebody was asking me the other day: What if the military de-

cides to take your paper, throw it in the dustbin, and continue to rule? I said, "Let them try." The pro-democracy revolt will be child's play.

Can you imagine, each and every one of us going to the village to mobilize his constituents? Do you know what that would do to Nigeria? I sincerely doubt there will be any interference at all in what is going on here. And I can tell you: I cannot speak for 100% of the people, because that would be terribly ambitious. But I can speak for 95%, and that's pretty good. Even in the American Continental Congress, it took them two years to complete—and after the Congress, after some people accepted the Constitution, some states *refused* to accept the Constitution, because they were afraid. They were afraid. They wanted to attain their rights.

EIR: Could you tell us if you have any documentation of the support or outside support of the various opposition groups, the Nadeco [National Democratic Coalition] and others, that were financed and sponsored outside of Nigeria to destabilize the country?

Opia: Putting it bluntly, we had a dinner with the Canadian Acting High Commissioner, and it was clear from the discussion that they were supporting and funding the pro-democracy group.

EIR: Who are they?

Opia: The Canadians. I mean, all of us who were there were shocked. But I was also given to understand, that it's *not only* the Canadians who are doing that, and the Canadians made it clear that they have a 5% interest in our oil industry, and the gentleman who invited us to dinner stated categorically that oil does not grow on trees; so, you see where economic interests override the interests of Nigerians for the Nigerian nation.

Then also, I have to give him credit for one thing. He went on to state that it was "our opinion that our interests can only be preserved through liberal democracy. So we have to support any movement or counter-movement that permits liberal democracy." One of us asked him: "Is destructive resistance democracy?"

I've always maintained that, in this so-called project, if the people were serious, there was only one answer: They should have all gone to their homes, gotten elected, and come here with a blank check, and elect Abiola on the floor. That was the logical thing to do. But some of them did not even have the courage to go home to stand for election.

International Intelligence

Argentina signs Nuclear Non-Proliferation Treaty

Reversing the policy of decades by which it defended its right to independent technological development, the Argentine government voted the week of Nov. 28, 1994 to ratify the Nuclear Non-Proliferation Treaty (NPT). Succumbing to the pressures of the United States, United Nations, and International Atomic Energy Agency, the government agreed to sign the treaty as a demonstration of its commitment to "peace." Sen. Eduardo Menem explained the decision as "the logical corollary of Argentina's policy in favor of peace, following the 1983 reinstallation of democracy," according to the Dec. 3 daily *Clarín*.

Signing of the NPT is in fact evidence of the government's decision to shut down its nuclear industry, the continent's vanguard industry, developed in the late 1940s. This has tragic implications for the rest of the continent, which will be denied the scientific infrastructure and capabilities which Argentina has developed over the years.

Call for a tribunal against U.N. 'mediators'

Croatian and Bosnian activists have launched an initiative for an international tribunal to try U.N. Secretary General Boutros Boutros-Ghali, former U.N. mediator in the Balkans Cyrus Vance, and European Community mediator Lord David Owen. A resolution to this effect was adopted at a meeting in Zagreb, Croatia that included Dr. Zvonimir Separovic, former Croatian foreign minister and president of the Croatian Victimology Society; Dr. Mahmoud Ali Mahmoud, director of the International Center of the Legal Sciences; and Hamdija Kabiljagic, mayor of the embattled Bosnian town of Bihac. The gathering was attended by numerous refugee organizations from Croatia and Bosnia-Herzegovina.

The resolution called for the indictment of Boutros-Ghali, Owen, and Vance on five

counts of conspiracy against peace and of crimes against humanity. Boutros-Ghali, the group charged, should be tried, sentenced, and removed from his post as U.N. secretary general, for being, along with Owen and Vance, an accomplice in the Serbian occupation of two-thirds of Bosnia-Herzegovina and one-third of Croatia, in the killing of 300,000 civilians, and the wounding of 1 million and expulsion of another 3 million by the Serbs.

Italy's Berlusconi forced out of office

Italy's Prime Minister Silvio Berlusconi resigned on Dec. 22, apparently recognizing that he would lose a no-confidence vote in Parliament which was to have taken place the following day. Berlusconi presented his resignation to President Oscar Luigi Scalfaro, who must decide whether to name someone to try to form a new government, Italy's 54th since World War II, or dissolve Parliament and call new elections.

Berlusconi has been targeted by the "Clean Hands" prosecutors, who are dredging up any conceivable scandal against leading figures in all political parties, plunging the nation into a deep institutional crisis.

In mid-December, Berlusconi was interrogated for seven hours in Milan by chief prosecutor Francesco Saverio Borrelli and his assistants. The prime minister is being investigated for having allegedly authorized a bribe of 300 million liras to policemen who were inspecting the books of Berlusconi's Fininvest corporation.

After the interrogation, Berlusconi issued a videotaped statement, charging that his government was the victim of a "conspiracy."

A new phase of the political soap-opera began before Berlusconi's interrogation, when prosecutor Antonio Di Pietro spectacularly resigned from the Clean Hands team. His decision was seen as preparation for a future political role, as suggested to him by his good friend Francesco Cossiga, a former prime minister. Di Pietro's resignation led

to a chain of other resignations in the judiciary, and an escalation of the conflict between the Executive and the Judiciary, all adding up to a worsening of the overall institutional crisis.

Jordan condemns 12 to death for terrorism

The State Security Court in Amman, Jordan at the end of December passed death sentences against 12 people on charges of conspiring to conduct terrorist actions. The list of charges, 164 pages long, mentioned that the members of the so-called Jordanian-Afghan group, who were trained in Afghanistan, attempted to bomb movie theaters and stores selling alcohol, and planned to assassinate Jordanian and Palestinian officials involved in the Arab-Israeli peace talks, such as Jordanian Prime Minister Abdulsalam Al-Majali, Palestinian statesman Faisal Al-Husseini, and the former Palestinian delegate to the peace negotiations, Hannan Ashrawi.

Three of the defendants, a Jordanian, an Omani, and a Saudi, were sentenced *in absentia*. Muhammed Khalifa, a Saudi, was charged with financing the group. Three others in the group got life imprisonment, four were sentenced to shorter prison terms, and seven were declared not guilty. The same court will also pass sentences on another group, members of the banned Liberation Party, who are charged with planning to assassinate King Hussein at the University of Muta, in June 1993.

Delors won't run for French presidency

Former European Commission President Jacques Delors, the author of a White Paper for European infrastructure development that was substantially endorsed by the European Union, announced on Dec. 11 that his decision not to run as Socialist Party candidate for President of France is "irrevocable." This leaves Paris Mayor Jacques Chirac and, unofficially, Prime Minister

Briefly

● **DOUGLAS HURD**, the British foreign secretary, will visit Pakistan on Jan. 8-9. The visit comes at a time when Karachi is gripped by violence, which has already claimed the lives of about 160 people in December. Hurd is expected to meet with Prime Minister Benazir Bhutto. The discussions will cover "regional issues," including Kashmir.

● **CLAUDE CHEYSSON**, the former French foreign minister, called for the easing of sanctions against Iraq, at a press conference in Baghdad on Dec. 18. "To isolate Iraq from the rest of the world represents a danger to peace. Humiliating Iraq gives a chance to fanatics in other parts of the world," he said. Cheysson met with President Saddam Hussein and Foreign Minister Tariq Aziz.

● **EUTHANASIA** in China: The China News Agency on Nov. 8 reported on a symposium in Shanghai on "Euthanasia and Care for the Dying," which "unanimously appealed for legislation and implementation of euthanasia as soon as possible." Polls in Shanghai and Beijing reportedly show that 79% of the population supports it.

● **NATO** is being made irrelevant by British and French obstructionism in Bosnia, the German daily *Frankfurter Allgemeine Zeitung* charged on Dec. 22. Military correspondent Karl Feldmeyer wrote that nothing can be expected from NATO as long as the two key U.N. commanders in Bosnia are deployed by the two powers that have sabotaged any action against the Serbs.

● **PAUL KAGAME**, military leader of the Rwanda Patriotic Front and vice president of the RPF government, told *EIR* at a press conference in Washington on Dec. 13 that he would not discuss his relationship with President Yoweri Museveni of Uganda. "I think we should be judged by what we do in our problems in our country, Rwanda, and not be judged by what is happening in Uganda," he said.

Edouard Balladur, both of the RPR party, as the leading contenders. The Socialist Party has announced that it will hold an emergency party congress in January to select a new candidate to replace the dying President François Mitterrand.

Delors, in a television interview, claimed that were he to become President, he would have to rule in a "cohabitation" government with the right-wing parties, and therefore would have no chance to bring his program to fruition. He also cited family reasons for his decision, and said that his age (70) means that he needs time for "reflection" rather than active political life.

The British press, which has loudly denounced Delors's infrastructure program, was euphoric about his decision not to run. "Delors the Realist," trumpeted the *Daily Telegraph* on Dec. 13, while the *Financial Times* headlined, "Bravo, Jacques," and called the decision "brave and realistic. . . . It is the right decision for Mr. Delors and for France."

German Chancellor Helmut Kohl, on the other hand, expressed his regret that he would not be working with a President Delors on European construction.

Parizeau: 'Quebec is a separate country'

Quebec's Premier Jacques Parizeau and his Parti Québécois introduced a bill to the Quebec provincial legislature on Dec. 6, declaring that "Quebec is a sovereign country." Under Title 16 of the draft bill, it says, "This Act comes into force one year after its approval by referendum, unless the National Assembly fixes an earlier date."

According to Parizeau, the bill will be discussed in public hearings and in the legislature, called the National Assembly, before being submitted to a referendum. In order to be ratified, it must receive a majority of votes in a referendum to be held in the province next year. "This will be a remarkably interesting period in our history," Parizeau told a news conference. "I think that the year 1995 will never be forgotten. . . . everyone

is invited to come together to decide their future."

Federal and provincial politicians who favor keeping Quebec within Canada were quick to attack the draft bill. Sheila Copps, deputy prime minister of the Liberal government in Ottawa, called the draft bill "anti-democratic" and a "fraud." Daniel Johnson, Jr., leader of Quebec's opposition Liberal Party, said this was "a very unfortunate day for democracy in Quebec."

"They are attempting to take Quebec out of Canada by trickery rather than a courageous act of a population that wants to be sovereign," said New Brunswick Premier Frank McKenna, whose province would be physically cut off from the rest of Canada if Quebec were to leave. "Surely on an issue so fundamental you'd ask for public approbation first, then look at legislation," he said. "Democracy just got flushed into the St. Lawrence River as Quebec separatists showed their true colors," the *Province* newspaper in Vancouver, British Columbia said in an editorial.

Mahathir hits West's role on human rights

Malaysian Prime Minister Dr. Mahathir Mohamad on Dec. 6 gave the keynote speech to a conference in Kuala Lumpur on "Rethinking Human Rights," slamming the hypocrisy of the western world's "human rights" record with respect to Bosnia. "The record of the democratic governments of the West is not very inspiring. Unless their own interests are at stake, as in Kuwait, they would not risk anything in the cause of democracy," he said.

Discussing the United Nations' handling of the war in Bosnia, Mahathir charged: "After a brave display of the prowess of western air superiority and sophisticated war planes, the whole NATO force withdrew and whimpered. The Serbs shelled and rocketed the Bosnians. People, innocent people, even patients in hospitals, were killed and wounded. The champions of human rights, worried that their soldiers might be scratched, did nothing."

White House incidents show high-level threat to Clinton

by Edward Spannaus and Jeffrey Steinberg

An unprecedented rash of security incidents at the White House over the last weeks of 1994 have dramatized the extremely high level of assassination threat to which President Clinton is now exposed. These included a Dec. 17 shooting incident, the Dec. 20 incident in which a knife-wielding assailant was fatally shot, and four additional incidents between Dec. 21-25.

"We Americans have to treat this threat seriously," declared Lyndon LaRouche in his Dec. 28 "EIR Talks" radio interview, commenting on recent events and earlier British-sponsored assassinations of U.S. Presidents. "How many times are we going to sit back and let the British monarchy kill our elected Presidents and destabilize our government and policymaking?" he asked. "What rights do we have, what human rights do we have, if we can vote for a President, and then the Brits can come in and shoot him?"

The recent incidents include:

- Sept. 12: Frank Cordier crashes a plane into the White House south lawn.
- Oct. 29: Francisco Duran sprays the White House with bullets, is arrested and charged with attempting to assassinate the President. In early December, Duran's wife tells *Newsweek* magazine that Duran was not acting alone, and that "other people should be punished, too."
- Nov. 21: Sen. Jesse Helms (R-N.C.) tells a North Carolina newspaper that President Clinton is so unpopular on military bases in his state, that "he'd better have a body-guard if he comes down here."
- Dec. 17: At least four shots are fired at the South Portico of the White House from a 9 mm weapon. One shot penetrates a window of the State Dining Room.
- Dec. 20: U.S. Park Police fatally shoot knife-wielding Marcelino Corniel, who had chased a policemen across the

street from Lafayette Park. Corniel had a long history of gang-related violence in California. Sources report that he had disappeared from Lafayette Park for a couple of weeks, and then reappeared the day before the incident in a highly agitated state.

- Dec. 21: An unarmed homeless man slips through an open gate onto the White House grounds, and is immediately arrested.
- Dec. 22-23: A car drives up to a White House gate, the driver jumps out, and tells police that there is a bomb in the car.
- Dec. 23: Franklin Ruff is stopped by police as he is lurking near the White House, and is arrested for carrying a loaded 9 mm handgun. Ruff is wanted on weapons charges in Salisbury, Maryland.
- Dec. 25: Lolando Bello is arrested while attempting to climb over the north fence of the White House; he is charged with unlawful entry and making felonious threats to officers.

'Nuts on the White House lawn'

Remarking on this succession of incidents, LaRouche said he would adopt the observation which had been passed onto him, that "this spectacle of these zombies either marching or climbing walls or flying planes into the White House, reminds one of the march in the 'Night of the Living Dead.' "

"This has to be looked at seriously," LaRouche continued. "These guys are nuts—yes, every one of them. They're nasty nuts, but they're nuts. They're being deployed. They're being deployed by British intelligence, through Ambrose Evans-Pritchard, using Larry Nichols, with help from Rush Limbaugh and the so-called 'Reverend' Jerry Falwell, and with Pat Robertson, and so forth. They've got this thing cranked

up, and they're covering the White House lawn with nuts."

LaRouche said that the people who are doing this from London "don't intend to kill the President with one of these nuts, though they are a bloody nuisance. They've got something else in mind." He drew the following analogy:

"If you think about the old days of the big-game hunts in Africa, or India, where the *bwana makouts* of Africa, Prince Philip's predecessors, or the *pukka sahibs* of India with their great tiger hunts, would go out with beaters who would beat the bushes, and drive the game in the direction where the big *bwana makout* or *pukka sahib* with the big rifle, was waiting to shoot the game."

That's what is being done now. "There is a conscious, intentional assassination threat being directed against the President of the United States by elements of the British monarchy, no question about it. But these nuts climbing over the fence, are not the real problem. They are the beaters. They are the ones who are trying to create the *chaos*, to create the environment in which the President's will is distracted and weakened as much as possible.

"But they are *moving toward* something: *There's a guy with a big gun or a big weapon of some kind waiting somewhere, and they're trying to drive the President in that direction, right into the mouth, so to speak, of that waiting gun.*"

"We've got to do something about this," LaRouche concluded. "I think the American people have got to make it clear that we're not going to put up with this. The Brits have got to stop this; and the Canadians have got to stop harboring it."

"We've got to make that clear. If we make it clear, they'll stop; but if we don't, they'll keep coming."

The Larry Nichols case

One of the most visible of the front-men for this British-run operation against the President is Larry Nichols, a former Arkansas state employee who has been touring the country brandishing a gun and openly threatening President Clinton. *EIR* has learned that Nichols is under investigation by federal law enforcement agencies responsible for the President's security. Sources familiar with Nichols's May 11, 1994 public threats to the President at a rally in Boulder, Colorado (see *EIR*, Dec. 2, 1992) have disclosed that Nichols's activities are being probed in the context of the recent proliferation of threats and attacks.

The Nichols case may provide a crucial thread of evidence on the threat to the President. A former Little Rock, Arkansas-based asset of the George Bush- and Oliver North-run Nicaraguan Contra apparatus, Nichols was picked up early this year by British intelligence operator Ambrose Evans-Pritchard, the Washington-based correspondent for the Hollinger Corp.'s London *Sunday Telegraph*. Since his initial boost by Pritchard, Nichols has been given a public spotlight by Falwell and TV-radio guru Rush Limbaugh.

In mid-December, Nichols appeared on a Christian radio

station in Los Angeles to continue his harangue against the President. When asked by a caller about his ties to Pritchard, Nichols launched into a lengthy tribute to the British agent, while denying that Pritchard was tied to British intelligence.

Pritchard is actually a second-generation British intelligence operative—a status by no means inconsistent with his nominal job as a correspondent for the *Telegraph* chain. Hollinger, the owner of the *Telegraph*, is an outgrowth of World War II British Secret Intelligence operations in North America. Hollinger chairman Conrad Black was the protégé of wartime British intelligence official E.P. Taylor, whose Argus Corp. was later renamed Hollinger. Since 1993, the Hollinger publications have been leading the charge against the Clinton presidency on behalf of the British Crown (see *Documentation*).

Security upgrade urgently required

The rash of incidents over the past few months has provoked a thorough review of security procedures around the President and the White House, and has sparked an intensive investigation into networks possibly involved in plotting against the Clintons. There are signs of an upgrading of the security shield around the First Family. Recently, Deputy Secretary of the Treasury for Enforcement Ron Noble joined FBI Director Louis Freeh and Drug Enforcement Administration administrator Thomas Constantine in calling upon the Office of Management and Budget to restore funding which had been slashed in dangerous cuts to federal law enforcement programs.

An added impetus to concerns about presidential security has come from the publication of a first-hand account of the emergency medical treatment of President Reagan on March 30, 1981 after he was shot by John Hinckley. With the permission of Reagan and his family, two physicians involved in the emergency treatment have published an article in the Dec. 7, 1994 issue of the *Journal of the American Medical Association*. The *JAMA* account shows for the first time, how close President Reagan's wounds were to being fatal. The bullet which entered his lung and lodged adjacent to the heart was a "devastator" bullet, designed to explode on impact, with a toxic lead azide-filled center. Remarkably, even though the bullet ricocheted off a rib, it did not explode.

After the shooting, no one realized that the President had been shot, and he was being driven to the White House under standard procedures. Seeing that Reagan was coughing up blood, the Secret Service agent accompanying him diverted the limousine to a nearby hospital which had a highly competent staff and modern diagnostic and therapeutic equipment. Had the President not been able to get to a hospital immediately, he probably would have died, since he was suffering from heavy internal bleeding and a collapsed lung.

The *JAMA* article notes that of the five incumbent U.S. Presidents who have been struck by bullets, four of them (Lincoln, Garfield, McKinley, and Kennedy) died.

Ambrose Evans-Pritchard's assault on President Clinton

For the past 18 months, the leading voice in the British Crown's media assault against President Clinton has been the Washington, D.C. correspondent of the London *Sunday Telegraph*, Ambrose Evans-Pritchard. A flagship publication of the Hollinger Corp. media empire, the newspaper is the semi-official organ of the House of Windsor and the Club of the Isles, the London-based network that has been in a state of undeclared war against the Clinton presidency.

A comparison of Evans-Pritchard's stories with those appearing in the *Washington Times*, the *American Spectator*, *National Review*, and on the Rush Limbaugh and Pat Robertson television broadcasts, reveals that the British have been virtually dictating U.S. "news" on the Clinton administration, and particularly the "Whitewater" attack.

The following is a sampling of Evans-Pritchard's yellow journalism from 1994:

March 13: Under the headline "Little Rock's Mean Machine," Evans-Pritchard quotes former Arkansas state official Larry Nichols: "Bill Clinton destroyed me. He took away my reputation, and the only way I can get it back is to destroy him. I'm going to prove that everything I said about him is true."

March 27: The *Sunday Telegraph* reports on its correspondent's role in attacks on Clinton. Evans-Pritchard states that he appears at least one talk show a day: "It is an eye-opener. The callers talk about the President in a tone of undisguised contempt, and they want to know answers to everything. . . . Clearly, there is a very effective grapevine out there beyond the capital, a *samizdat* network of tens of millions of people."

March 27: "Clinton Accused of 'Grotesque' Sex Harassment" is the headline of an Evans-Pritchard report on Paula Corbin Jones's plan to file a lawsuit accusing President Clinton of sexually harassing her when he was Arkansas governor.

April 3: Under the headline "Despots Line Up to Test Clinton Mettle," Evans-Pritchard writes: "The White House has become a mausoleum. Staffers slink into work each day with morbid premonitions, expecting their subpoenas at any moment. Most of the inner circle have been entangled in the coverup, and have had to hire expensive lawyers. The right-

British Crown hits back at LaRouche in Canada

EIR's recent exposés on the British assassination bureau known as Permindex, and its director, Montreal's late Louis Mortimer Bloomfield, have drawn a furious response from British intelligence and the Canadian organized-crime networks of Edgar Bronfman, particularly the Canadian Jewish Congress. Several Canadian parliamentarians are being harassed for joining more than 100 legislators in the United States in signing a petition demanding the exoneration of Lyndon LaRouche and his associates. A barrage of hostile press coverage has been launched against LaRouche, accusing him of being a "fascist" and an "anti-Semite."

The British Crown's servants in the press, for example, have attempted to character-assassinate the newly elected mayor of Greenfield Park (population 18,000), Marc Duclos, and a Montreal doctor, Alain Gauthier. Starting on Dec. 12, the French-language newspaper *Journal de Montréal* began to run what would amount by the end of the week to five pages of slanderous articles,

purporting to link Mayor Duclos to the "sinister movement of Lyndon LaRouche."

Lyndon LaRouche was asked about the strange goings-on in Montreal, in a Dec. 14 radio interview with "*EIR Talks*." The point is, he said, "we have documented the fact (and there will be more of this coming out constantly), that certain elements of British intelligence are out to set up an assassination of President Clinton, in much the same way that similar elements in British intelligence, working through Montreal, in point of fact, worked to set up an assassination of President Kennedy back in 1963. And those facts are proven facts, even though they never got into a court. They're proven."

"So naturally, the relevant press in Montreal responds to the fact that we've exposed their friends as being engaged in an assassination plot against our President, by attacking me with all the garbage they can dream up. This is typical of them."

"I've blown the cover on this thing. There are Canadian elements that are involved in the attempted set-up of an assassination operation against the President; and naturally, those Canadian operatives, who don't like me anyway, will resort to the exposure of their dirty hands, by getting their agents to plaster foul remarks about me all over the Montreal press."

hand man of the President, George Stephanopoulos, suddenly faces the possibility of criminal indictment for obstruction of justice. And as for the Clintons themselves, what can they be thinking now that their high-minded act has been exposed as a venal sham?"

June 19: Under the headline "Hawks Hammer at White House Door. Pyongyang Is Forcing Clinton to Face the Acid Test of His Nuclear Policy," Evans-Pritchard harps on White House problems with foreign policy: "There is a cacophony on policy toward North Korea in the establishment at a time when President Clinton needs clear guidance."

July 17: "Clinton 'Took Cocaine While in Office.'" Exclusive interviews in the London *Sunday Times* say Clinton took cocaine until the mid-1980s. The drug use could have begun when he was a law professor, Arkansas Attorney General, or governor of Arkansas.

July 31: "Doubts Linger Over Death of Clinton Aide." Evans-Pritchard reports that radio talk shows—"America's equivalent of the British tabloids"—have challenged the official verdict of the death of White House aide Vincent Foster.

Sept. 11: "Clinton Plays His Green Card." Evans-Pritchard reports that Clinton's views in sympathy with the Irish nationalist cause were formed at England's Oxford University in the late-1960s, and have remained unchanged. Clinton has made contact with "some of the wilder men from the fringes of the Irish-American lobby."

Sept. 25: The *Sunday Telegraph* headline is "Carter's Haiti Hijack. Operation Restore Democracy Has Not Gone Quite to Plan. The Consequences—Political and Military—Could Spell Disaster for Bill Clinton."

Oct. 9: Evans-Pritchard covers more administration scandals under the headline, "Bill Clinton and the Chicken Man." Secretary of Agriculture Mike Espy has had his career "destroyed by the curse of Bill Clinton's home state." He is under investigation by a special prosecutor for accepting gifts from Arkansas poultry king Donald Tyson, and announced his resignation the week before.

Nov. 20: "Clinton 'Unfit for Office.'" Quotes Sen. Jesse Helms (R-N.C.) saying that President Clinton is unfit to be commander-in-chief.

Nov. 20: "It's America First. A Festering Disagreement Over the Balkans Has Reached the Point of an Irreparable Rift between America and Britain." Evans-Pritchard begins: "The whispering campaign against Britain is coming out into the open in Washington. Anonymous U.S. officials are now accusing the British of planting stories about a U.S. covert operation in Bosnia."

Dec. 4: "Patriot Games Turn Deadly." Evans-Pritchard gives glowing coverage to the militia movement in America that poses a direct security threat to the President, describing them as "the shock troops and enforcement arm of the 1994 American Revolution. If the Republicans betray their promises and fail to restore 'constitutional' government, these people could take matters into their own hands."

Bush insurgents aim axe at Constitution

by Carl J. Osgood

The frenzied activities of the top Washington, D.C.-based conservative think-tanks during the month of December accelerated the movement to dismantle most of the U.S. federal government, in order to keep more and more loot flowing into the bankrupt financial system without interference from institutions designed to protect the public. Nowhere was this more evident than at a forum at the National Press Club on Dec. 16 sponsored by the Project for the Republican Future, headed by former Bush administration official William Kristol.

The panelists in the forum were leaders from some top British-inspired think-tanks in Washington, including the American Enterprise Institute (AEI), the Cato Institute, the Heritage Foundation, and the Competitive Enterprise Institute. While their remarks differed in some details, they all had the same target in their sights: the social and economic activities of the federal government—and especially, the Constitution of the United States. This was reflected by the American Enterprise Institute's Christopher Demuth, who joked that, because he was the fourth speaker, "I thought the only way I could continue the conversation . . . would be to propose that we simply go back to the Articles of Confederation and start over." (The Articles of Confederation misruled and nearly overthrew the United States from 1783 until 1789.)

The thinking behind the forum, entitled "What to Kill First: Agencies to Dismantle, Programs to Eliminate and Regulations to Stop," was perhaps best stated by Fred L. Smith, the president of the Competitive Enterprise Institute, who, in his opening remarks, said, "The election was a call for less government, not for good government, not even good Republican government." This was echoed by the other speakers and endorsed by Kristol, who moderated.

Demolition

The laundry list of current government functions to be reduced, privatized, or eliminated, includes:

- repealing the federal gas tax and returning highway programs to the states
- ending mass transit programs
- ending the FDA's role in approving "health enhancing technologies"
- ending corporate and agriculture subsidies

- privatizing the Corporation for Public Broadcasting
- eliminating funding for the National Endowments for the Arts and the National Endowment for the Humanities
- privatizing the Legal Services Corp.
- eliminating the Small Business Administration
- repealing the Davis-Bacon Act
- ending B-2 bomber, Seawolf submarine, and D-5 missile production
- ending regional development programs including rural electrification
- canceling the space station
- significantly reducing the activities of the Bureau of Land Management and the Army Corps of Engineers
- abolishing the Interstate Commerce Commission and the Maritime Administration
- abolishing the Government Accounting Office.

William Niskanen, president of the libertarian Cato Institute, admitted that a complete list would “probably include most activities of the federal government.”

What was not discussed, conspicuously, was the national government’s proper role in providing for the general welfare, as mandated by Article I of the Constitution. While it can be demonstrated that there are activities of the federal government, such as environmental programs and regulations, that conflict with the general welfare, the attacks of the conservatives, as indicated by their hit list, are not only limited to such activities, but are based on the British ideological mantra of the free market. They would outlaw all government activities that conflict with their market-oriented worldview, inherited from the old British East India Company.

Besides programs to cut or eliminate, there were also regulations to curtail or abolish. The most important proposal in this category is the deregulation of the financial markets, which includes the much-touted cut in the capital gains tax and repeal of the Glass-Steagall Act of the 1930s. Under Glass-Steagall, commercial banks cannot engage in investment banking activities, such as floating stock issues. Incoming House Banking Committee Chairman Jim Leach (R-Iowa) announced on Dec. 17 that repeal of Glass-Steagall would be one of his committee’s top priorities.

Another target is the conglomeration of federal entitlement and welfare programs. Demuth called for privatizing both Social Security and Medicare. The Heritage Foundation’s Stuart Butler, who also sits on the advisory board of AEI, told a Heritage Foundation panel discussion on Dec. 15, that entitlement reform should take the form of federal programs being devolved down to the state level, especially welfare. Butler failed to point out that many state governments are facing budget crises themselves, and, rather than taking over these programs, will either replace them with slave-labor “workfare” programs or eliminate them altogether.

The forum discussion was devoid of any conception of

any sort of positive role for the national government. Indeed, all the speakers had in common a strong enmity toward the federal government. Demuth even spoke of the November election results as providing “a strong, but so far a very general, anti-government animus.” He talked of translating this “animus into a workable political consensus for specific reforms.”

Think-tanks pushing British agenda

All of these think-tanks are convinced (or, at least, are saying) that the November election was a mandate for the insurrectionary Republican faction’s Contract with America and that they will play a big role in getting their ideological agenda through Congress. Heritage’s own panel discussion on Dec. 15 focused on the Republican freshmen. One topic was the orientation session that Heritage sponsored in Baltimore over the Dec. 10-11 weekend. At that conference, sections of which were closed to the press, Heritage presented to the new congressmen its “New Member’s Guide to the Issues,” which includes in greater detail the cuts and reforms discussed on Dec. 16.

The Republican think-tanks’ reading of the “will of the people” is self-serving, to say the least. A CBS News/*New York Times* poll, despite the pitfalls of such polls in general, appears to be more realistic when it reports that only 27% of voters had heard or read about the Contract with America. The poll also reports that a majority of Americans prefer that welfare recipients earn their benefits rather than being cut off, and also reject a balanced budget amendment to the Constitution (another key element of the Republican campaign platform) that requires cuts in programs or higher taxes. The poll also shows little support for cutting off welfare benefits for young unmarried mothers. This poll result, which coheres with *EIR*’s independent readings of the political mood in the country, hardly indicates that voters wanted to dismantle the government, although there may be considerable populist pressure to carry out at least some elements of the Republican “contract.”

These think-tanks are using the unfolding economic crisis as an opportunity to push their agenda, which is destruction of large parts of the federal government, while leaving intact the police-state apparatus built up under the Reagan and Bush administrations. The leadership vacuum that has arisen in the Democratic Party, and especially the President’s own ignorance of economics, has given these libertarians the forum they need to see large portions of their programs taken seriously by the policymakers now coming into Congress.

The real beneficiary of the privatization and deregulation schemes would be the bankrupt financial system, which needs new sources of loot to prop up the \$30 trillion derivatives bubble. The capital gains tax cut, privatization of many government functions, and deregulation of financial services are always key elements of the reforms demanded by these “conservative” stooges of Britain.

'No one else is talking of solutions'

by Marianna Wertz

Moving into what one former state governor describes as a "leadership vacuum," the Schiller Institute has called a series of conferences with the theme of using large-scale economic development as the lever to lift the world out of the deepening economic collapse. As previously reported in *EIR*, the series was kicked off at a Washington, D.C. seminar entitled "Development Is the New Name for Peace" on Nov. 30, where *EIR* founder Lyndon LaRouche and his wife Helga Zepp-LaRouche, the chairman of the Schiller Institute's international board, as well as several *EIR* editors, addressed about a hundred listeners from embassies and constituency organizations. Regional conferences have already been held in Philadelphia and Los Angeles. Now that it has been published, *EIR*'s special New Year's 1995 issue (Vol. 21, No. 1) on world development, will serve as a handbook for many such events during the coming months.

One official of a foreign consulate summed up the response of many in policymaking positions during the conference in Los Angeles: "This is what governments should be doing. No one is talking about solutions to the economic collapse except your organization," referring to the Schiller Institute and LaRouche-associated publications like *EIR*.

Maps show physical economy

The conference held in Philadelphia on Dec. 13 was attended by 75 people and addressed by both local political leaders as well as by *EIR* Asia editor Linda de Hoyos and historian Anton Chaitkin. Former Pennsylvania gubernatorial candidate Philip Valenti opened the proceedings by reviewing the chronology of LaRouche's warnings against derivatives speculation, to establish the validity of LaRouche's physical-economic method. Valenti had made such warnings a motto of his own electoral campaigns. Mrs. de Hoyos then presented a comprehensive survey, using some of the new series of graphs and maps developed under LaRouche's direction by *EIR* News Service, of infrastructure projects on every continent, focusing on the "Silk Route" of proposed high-speed rail lines connecting Europe, Asia, and Africa.

In Los Angeles, the Schiller Institute conference took place on Dec. 14, in the immediate wake of the blowout of Orange County, California finances due to speculation in derivatives. Eighty people, including elected officials, con-

sular representatives, trade union and religious leaders, and business and trade association representatives, participated in the day-long meeting. The keynote speaker was Harley Schlanger, Schiller Institute Southwest regional director. He emphasized that the Orange County bankruptcy is no local or isolated incident, but the beginning of a full-blown financial breakdown (see article on p. 11).

EIR Agriculture Editor Marcia Merry, an expert in physical geography who has played a vital role in developing the *EIRNS* map series, presented a "grand tour" of worldwide development projects, focusing on the transportation, water, and energy infrastructure proposals developed by LaRouche and his associates, but also showing how similar ideas are being proposed by diverse political forces in the Middle East, the European Union, and elsewhere.

Rebuilding the civil rights movement

Two January conferences will put a spotlight on the work of Dr. Martin Luther King, Jr., whose birthday is a national holiday celebrated on Jan. 16 this year, and on rebuilding the civil rights movement as a vehicle for realizing Dr. King's famous "dream" of economic justice for all men. The conferences will occur on Jan. 14 in Lincoln, Nebraska, and on Jan. 18 in Washington, D.C.

These conferences have been endorsed by local and national leaders, who support the work that the Schiller Institute is doing to build an expanded movement in the footsteps of the martyred Dr. King. A call for the Washington conference has been endorsed by some of Dr. King's former collaborators, including: Amelia Boynton Robinson, a board member of the Martin Luther King, Jr. Center for Nonviolent Social Change and vice-chairman of the Schiller Institute's international board; Rev. Hosea L. Williams, one of the best-known of Dr. King's lieutenants; Rev. James Bevel, who organized the Children's March in Birmingham in 1963 and was the Direct Action Coordinator for Dr. King's Southern Christian Leadership Conference (SCLC); and Rev. Fred Shuttlesworth, of Cincinnati, Ohio, a founding member and currently a national board member of the SCLC.

A news release announcing the Jan. 14 Nebraska conference was circulated on Dec. 16 in Lincoln by former three-term Nebraska governor Frank B. Morrison, Sr. Governor Morrison's statement cites the manifold crises facing the nation and concludes, "There are organizations moving into this leadership vacuum; among them is the Schiller Institute, which advocates a vast program for resource development in both America and throughout the world as a substitute for war, military buildups, and bloodshed." He extends an invitation to all to the conference, which is co-sponsored by former Nebraska State Sen. Don Eret; Msgr. Robert P. Hupp, executive director emeritus of Boys Town; the Rev. Thomas M. Rollerson, director of missions to the Black Church for the Southern Baptist Conference; and football hero Johnny Rodgers, Nebraska's Heisman Trophy winner.

Aid to Africa loses big in McConnell proposal

Mitch McConnell (R-Ky.), the incoming chairman of the Senate Appropriations subcommittee that allocates foreign aid, presented his "reform" program at a Capitol Hill press conference on Dec. 12, in the form of a 48-page bill which he intends to introduce when Congress reconvenes. Aid to Africa is one of the areas which would be the hardest hit by the program.

McConnell proposes to eliminate the \$802 million Development Fund for Africa, as well as the African Development Foundation, which he characterized as "an entitlement program for the continent." In response to a question, McConnell said that he felt that "ultimately, some assistance might go to Africa," but he didn't believe that "when you've got a diminishing or a shrinking foreign assistance pie here . . . we ought to be earmarking assistance to portions of the world that don't meet the sort of national security interest test that I set out for this whole bill." Africans would have to "compete with other countries" for a share of \$3.1 billion earmarked for "bilateral economic assistance."

According to the McConnell criteria, "funds can only be spent in countries committed to the road to free market reform." Aid will flow if a government encourages free trade and investment, protects private property ownership and interests, limits state control of financial institutions, production, and manufacturing, and restricts interference in establishing wages and prices."

The proposal would abolish the Agency for International Development, now an independent agency, and would "consolidate the agency's functions under the secretary of state." McConnell also wants to make

aid to Russia conditional on Russian "non-intervention" in other former Soviet republics, and to redirect more aid to other Community of Independent States nations, including Ukraine, Georgia, and Armenia.

Walker lays stress on 'real science'

Robert Walker (R-Pa.), the incoming chairman of the House Committee on Science, stressed the importance of scientific criteria, in outlining his priorities for the next Congress, in a Capitol Hill press conference on Dec. 14. "Real science should not be used to confirm a political agenda," he said.

Walker announced that he would hold hearings on NASA's Mission to Planet Earth programs (the funding of which has been fueled by various environmental hoaxes), global warming, and "a number of others where . . . there have been some concerns raised about whether some of the science being done is more in tune with politics than it is with real scientific measurement."

A supporter of the Space Station, Walker also said that he would work to see that NASA "at least gets resources enough to keep up with inflation." He said that he is a "proponent of assuring we keep the space program in a stable configuration."

Walker wanted to rename the Science, Space, and Technology Committee as the Science Committee in order to underline the importance of funding science programs.

He said that he wanted to "reassert the value of science as a means for bringing the country into a future of sustained growth built on new discoveries and based on new technologies that are derived from those new discoveries." We should "invent our way

out of crisis," he said, pointing to a hydrogen research program as an example of a new technology that can "get us out from underneath a huge regulatory burden," such as the restrictions on auto emissions imposed by the Clean Air Act.

House Banking out to reverse Glass-Steagall

Incoming House Banking Committee Chairman Jim Leach (R-Iowa) announced that his number-one priority for 1995 will be reform of the Depression-era Glass-Steagall Act, in a press conference on Dec. 19.

By separating investment banks from commercial banks, Glass-Steagall made it impossible for commercial banks to use their depositors' funds for speculating in the stock market. Leach wants to eliminate that protective mechanism. "I personally believe it's time that the American legal system and the financial community reflect what is becoming more and more [the] norms in international finance," he said. He hopes to introduce such a bill on the first day of the new Congress.

This deregulatory measure ironically comes at a point when there is increased nervousness over the lack of regulation in the financial markets, characterized by the widespread use of derivatives as a "hedge" against losses. The financial ramifications of the recent multimillion-dollar losses by Orange County, California, in the derivatives markets have still not played out fully. And, as everyone fears, there are many more Orange Counties waiting to happen.

Although Leach has co-sponsored legislation with former House Banking Chairman Henry B. Gonzalez (D-Tex.) for stricter regulation of deriva-

tives, Leach has been less supportive of such measures. However, Leach said that his committee would be looking closely at Orange County, and would conduct a "significant review . . . in the area of derivatives."

Gonzalez also introduced measures to bring the Federal Reserve under tighter congressional control. But it is unlikely that such measures will gain much of a hearing under Leach. "My strong bias . . . is to maintain, in fact, to enhance the professional capacity of the Federal Reserve Board," he said, adding that "anything that undercuts the Fed is likely to work to the disadvantage of the American people."

On Whitewater, Leach, like Senate Banking Committee Chairman Al D'Amato (R-N.Y.), is prepared to let independent counsel Republican Kenneth Starr carry on his investigation for the time being, leaving open the possibility of later hearings—perhaps a bit closer to the 1996 elections.

Thurmond attempts to reverse defense cuts

Strom Thurmond (R-S.C.), the incoming chairman of the Senate Armed Services Committee, is attempting to block a planned cut by the Clinton administration in defense spending next year. Thurmond argues that \$12 billion more is needed for troop training and new weapons.

Thurmond informed incoming Budget Committee Chairman Pete Domenici (R-N.M.) that military spending should be frozen at fiscal 1995 levels, effectively canceling the cuts introduced for 1996. Thurmond is aware that canceling the cuts will put additional pressure on other discretionary spending items, but said that "recent announcements of de-

creased Army readiness and efforts to sharply curtail critical modernization programs makes this a necessity."

President Clinton agreed in December to pump \$25 billion more into defense over the next six years. The incoming Republican majority has promised to upgrade defense spending, but have yet to determine how they will pay for it.

Gingrich million-dollar book deal is under fire

The announcement by HarperCollins publishers on Dec. 22 that it has agreed to publish two books by House Speaker Newt Gingrich (R-Ga.), has come under attack. On Dec. 23, House Democratic Whip David Bonior (D-Mich.) criticized Gingrich's \$4.5 million deal as unseemly and a potential violation of House ethics standards.

One book, *To Renew America*, outlines Gingrich's social and political philosophy; the second is an anthology of writings about democracy with commentary by Gingrich. He will receive an advance of \$4.5 million.

Gingrich made a name for himself in 1988 by pressing for an ethics investigation of a similar book deal by then-House Speaker Jim Wright (D-Tex.), charging that Wright had received more money for the book than was customary. Wright, however, received far less than has Gingrich. Further complicating the case is the fact that HarperCollins is part of Australian-born publishing magnate Rupert Murdoch's News Corp. In a case pending before the Federal Communications Commission, Murdoch is being investigated for violating U.S. laws which bar foreigners from owning or controlling interests in U.S.

television stations. The Murdoch concern also owns the Fox TV network.

Bonior noted that Republicans are working on legislation which would overturn that law. He pointed to a possible conflict of interest, and questioned whether Murdoch had been a contributor to Gingrich's political action committee, GOPAC, which has been subject to scrutiny by the Federal Election Commission.

Army blasts Treasury for 'political' attacks

Republican House Leader Richard Arney (D-Tex.) attacked the Clinton administration on Dec. 19 for misusing Treasury Department economists in support of "blatantly political" attacks on Republican tax and spending proposals.

The Treasury Department released an assessment on Dec. 17 which projected that the package of tax cuts included in the GOP "Contract with America" would reduce government revenue by \$712 billion over 10 years. Republicans claim that the Contract proposals—which they originally boasted they would push through in the first 100 days of the session—would lower government revenue by no more than \$200 billion in their first five years and, if taken together with their plans for cutting government programs, would result in a balanced budget by 2002.

Arney complained that the Treasury had no business offering an opinion at that time because the proposal was "not under consideration by any committee" and nobody had made "a request that they do so."

Arney charged that the administration's actions violated ethical and professional standards governing use of federal employees.

National News

Clinton appeals to pope on humanitarian aid

President Clinton appealed to Pope John Paul II for closer collaboration on aid and humanitarian relief to needy countries according to the Dec. 22 *New York Times*. The appeal was made in a letter presented on Dec. 5 to Vatican Secretary of State Cardinal Angelo Sodano by U.S. Ambassador Raymond Flynn, in which Clinton praised Catholic aid efforts as "a cornerstone of efforts to lend assistance in times of need."

In his letter, Clinton suggested that "by working together more closely and better coordinating our responses to humanitarian crises, we could alleviate the suffering. . . . We would like to share information, including field reports, on a more systematic basis." He recommended new cooperation "in the areas of crisis prevention and mediation," as well as in "information-sharing."

The *International Herald Tribune* wrote that Clinton and Flynn see their approach as a way of outflanking congressional Republicans who want to cut back foreign aid, and that there are areas in Africa that receive aid which are not of U.S. strategic interest. One of Flynn's counter-arguments is that money would actually be saved, by working with an aid capability in and around the Catholic Church that is "effective and professional," and which knows how to get aid "directly to the people in overwhelming need."

President considering Africa trip for 1995

The White House confirmed on Dec. 12 that President Clinton may travel to Africa some time in 1995. "Nothing has been scheduled, but I think it is a signal of our ongoing involvement in Africa and our commitment to help the continent overcome its economic and health problems as we go forward. The President has said several times that he'd like to visit Africa at some point, but there are no plans," said White House press

spokesman Dee Dee Myers.

National Security Adviser Anthony Lake left on Dec. 12 for Africa, where he visited Ethiopia, Rwanda, Burundi, Mozambique, Zambia, Angola, Benin, and Senegal, she said. A statement announcing Lake's trip stated, "Mr. Lake's travel reflects the administration's firm commitment to work with African nations."

The Lake delegation "will review ways to address the key challenges facing all African nations." These include "the President's Horn of Africa initiative to address the root causes of food insecurity in this ten-country region, support for the Organization of African Unity's conflict resolution mechanism, and means of relieving the crushing burden of debt."

Beam technology to be used in anti-drug war

The Clinton administration unveiled its latest advancement for shutting down the drug trade at the Summit of the Americas in Miami: neutron beam technology which was designed to scan Soviet missiles will be used as part of the arsenal of the Counterdrug Technology Assessment Center (CTAC) program, established by White House drug policy adviser Lee Brown.

"The technology we are developing will allow Customs to inspect quickly, so as not to delay the legitimate shippers, but still put a serious dent in the drug traffickers' business," Brown told reporters in early December. "Unfortunately, as opportunities for trade and new business expand, those who traffic in death and misery may take advantage. These are the narco-traffickers."

Brown's office and CTAC want to modify the technology, developed in the 1980s to verify nuclear and chemical weapons disarmament accords, for use in the drug war. "The neutron physics technology derives from the START [nuclear weapons] treaty," program director Al Brandenstein told Reuters. "It was designed to put a Soviet missile through and count the number of warheads." The converted version, being tested for commercial use in 1995, allows 30 whole containers an hour to be moved, while a

neutron beam scans their contents. "It will tell you a container is full of coke without even opening it."

Tyson's attorney scores Espy special prosecutor

Thomas C. Green, a lawyer for Tyson Foods, has accused Special Prosecutor Donald Smaltz of conducting a "witchhunt" in his investigation of former Agriculture Secretary Mike Espy and of running an investigation which is "totally out of control and unlawful." Green sent a letter to Smaltz charging him with using threats and intimidation while interviewing a former Tyson's employee in following allegations that illegal drugs had been transported on company aircraft.

FBI agents working for Smaltz accused a former Tyson's pilot of lying when he told them he had never seen drugs on a Tyson's plane. According to Green's letter, when the pilot denied having seen any drugs, the FBI agents "asked him how he thought his [new] employer would react when it learned he had lied to federal agents."

The drug allegations were first circulated by London *Sunday Telegraph* Washington correspondent Ambrose Evans-Pritchard last October. On Dec. 11, Evans-Pritchard gloated that Smaltz had expanded his investigation of Espy to cover "the global operations of Tyson Foods, Inc." Larry Nichols, a favorite source of Evans-Pritchard who has threatened President Clinton (see *EIR* Dec. 2, 1994), also targeted Tyson founder Don Tyson in a letter to him.

FEC shuts down 10-year probe against LaRouche

Attorneys for Lyndon LaRouche's presidential campaigns were notified on Dec. 22 that the Federal Election Commission (FEC) had closed all outstanding investigations of past LaRouche campaigns. Two such investigations, termed "Matters Under Review" (MURs), had tied down the committees' resources and personnel since 1984

Briefly

and 1988, respectively.

The FEC stated no reason for terminating the cases other than "the circumstances." Two recent court decisions probably contributed to the decision: In the first, the U.S. Supreme Court let stand an appeals court ruling that the FEC was unconstitutionally composed because it had included two *ex officio* commissioners appointed by Congress (violating the separation of powers). At the same time, the U.S. District Court for the District of Columbia threw out another FEC enforcement action, because the FEC had initiated the investigation while the two illegally appointed commissioners had still been sitting. This was true of the LaRouche investigations as well.

Terminating the LaRouche MURs closes out a 10-year history of attempts by the FEC to slander LaRouche as a habitual violator of election laws. It comes on the heels of the commission's finalizing the "clean bill of health" audit of LaRouche's 1992 campaign only this year, which in turn clears the decks for release of that campaign's surplus funds for retirement of old campaign debt.

D.C. cuts \$280 million in jobs and services

The Washington, D.C. City Council cut \$280 million in social programs and city jobs on Dec. 21, as the first step toward making the city acceptable to Wall Street loan sharks. In order to borrow \$250 million on the bond market at the end of the year, the District has to demonstrate its "credit-worthiness." The result is that 2,700 jobs will be cut, a wage rollback and a two-week furlough without pay will be demanded for municipal employees (including teachers), and the current net of social programs for the city's large number of poor will be slashed. This is just the beginning. Deeper cuts will occur in the new year.

Mayor-elect Marion Barry, who has been involved in the negotiations with the banks, remarked, "The workers are getting beat up, there is no question about it," according to the *Washington Post*. The City Council's decision to preserve such basic

government services as libraries and schools, while cutting social services such as aid to pregnant mothers and food for the poor, prompted Barry to comment, "We're pitting libraries against people [who] need assistance."

Fitch Investors, one of three major firms that evaluate the financial condition of localities, nonetheless downgraded D.C.'s credit rating the same day, and warned investors that lending to the city is risky because it could run out of money. Fitch claimed that the cuts did not go far enough.

Prison labor competes with regular workforce

Ongoing research into the extent of privately funded work in state prisons reveals that it is huge and growing at a rapid pace, producing everything from designer jeans to golf balls, in both private and government-run institutions, in 22 states. While prison factories have existed for decades, what is new since the Reagan-Bush era is that prisoners in state prisons are earning in some cases minimum wage or higher, producing goods that are also produced outside prisons, and competing for markets.

Inmate-produced goods include: the "X" duck-bill hats commemorating the film *Malcolm X* (California); logos for everything from the Jerry Garcia Band to Lexus automobiles (California); macadamia nuts (Hawaii); Spalding golf balls (Hawaii); Eddie Bauer garments (Washington); electronic cables (South Carolina); and designer jeans called Prison Blues (Oregon).

The situation is very similar to the plight of scabs during a strike: Inmates need decent work and training in order to have money and skills on release, and to relieve boredom. But in order to get it, they are turned into a controlled workforce that can be used to drive down wages and replace employed labor.

As Lynn McAuley, president of the National Correctional Industries Association told *American Way* magazine, for its February feature on private prisons, prison laborers work harder, are more dependable, and outproduce their outside counterparts. For many, this is the first real job they have ever held.

● **PAUL TSONGAS** is boosting former chairman of the Joint Chiefs of Staff Gen. Colin Powell as a third party candidate for the 1996 presidential elections. Tsongas, a former Massachusetts senator who ran for the Democratic nomination in 1992, told the *Boston Globe* that "a passionate center party" could win "if it is led by the right person—like Powell."

● **LEGALIZED GAMBLING** is a "sucker's bet," wrote *New York Post* columnist Ray Kerrison on Dec. 14, lashing out at pro-gambling plans announced by New York Governor-elect George Pataki. Kerrison pointed out that Pataki announced his plans two weeks after receiving a \$25,000 contribution from Donald Trump while 800 casino executives were meeting in Las Vegas, Nevada to plan the expansion of their "industry."

● **A COALITION** of seniors' organizations met on Dec. 11 in Chicago and vowed to fight a proposal by U.S. Senators Bob Kerrey (D-Neb.) and John Danforth (R-Mo.) to eliminate cost of living adjustments in Social Security payments, and to raise the minimum age for Medicare to 70.

● **CHARLES MURRAY**, co-author of the racist social policy tract *The Bell Curve*, first proposed putting the children of unmarried mothers in orphanages last year, well before Newt Gingrich picked up the idea, according to ABC News anchorman Ted Koppel on *Nightline* on Dec. 17.

● **THE SUPREME COURT** of Michigan issued a ruling on Dec. 13 on four cases of "assisted suicide," upholding as constitutional the state law banning it. The court said, however, that helping someone kill himself is not murder but, rather, that assisting suicide is its own species of crime. The justices are remanding the Kevorkian cases back to the trial court, saying they should not have been dismissed.

What is a nation?

The development of the nation-state rested historically upon the affirmation of the *Filioque* principle by the 1439 Council of Florence. This was the clause that gave special emphasis, within Christian teaching, to the notion that man is created in the image of the living God and thus must participate in the ongoing development of the universe. The principle of the nation-state is that this essential definition of what it means to be human is embodied in the rights and duties accorded to all citizens.

Government then is the instrument through which a nation's citizens determine the fate of their country, not only for themselves but for their posterity and, implicitly if not explicitly, for all humanity, for centuries and millennia to come. Only under the conditions of nationhood, rather than feudalism, does this possibility become the birthright for all men and women.

We need governments because they are institutions which provide a policy forum in which creative discoveries can be deliberated upon, and through which we may hope to ensure the continuity of good policies beyond the span of an individual life. To destroy the nation-state is to commit treason against the human race.

Yet, nations have behaved with incredible stupidity. The Council of Florence was a unique event which gave birth to the Renaissance and all of the good which has followed from it, including the creation of nation-states. Nevertheless, those same Venetian forces who sought to sabotage the work of Cardinal Nicolaus of Cusa and his allies at the council, have been all too successful in subverting nations from within.

Consider how stupidly the Turks and Greeks, the French and Germans, and many others have been led into fruitless war by the modern-day British successors of the Venetians, who also are expert at manipulating national liberation struggles. It is important to distinguish genuine nationalism, which ennobles the human spirit and affirms for all citizens their place in the broad sweep of human history, from racialist theories which promote the extermination of other nations perceived as rivals for land and power.

What distinguishes genuine nationalism is not one's ties to native soil, ethnic stock, or "blood." It is the role of one's nation in changing the world. It is the role in fostering the creative power of the individual mind, which is accomplished by uplifting the power of language to express great ideas. It is the ability of mankind to make a discovery of principle, which is expressed in the process of production and design of products, and which results in a greater power of mankind over nature, per capita, per hectare.

What, then, must we say of the present Serbian government, which has degraded its population to accept the so-called ethnic cleansing in Bosnia?

On Dec. 26, Serbian television broadcast a program which originated in Banja Luka, Bosnia, reporting on a conference held there by the Serb Radical Party. Featured was a speech by Belgrade University professor Miroljub Jevtic. Jevtic is identified as the author of a dissertation against "Islamic Fundamentalism and Jihad." In this speech, he attacked all Muslims, whom he identified with the Turkish nation. He expressed the policy being carried out by the Serbs with full backing from the British government and its dupes.

"The Turk [is] an individual, as well as a nation," Jevtic declared. Attacking the Bosnian Muslims, he called them Turks who "betrayed their religion and accepted the Turkish." He called for their extermination.

"A Turk is a strange being," he is reported to have said. "Unlike them, we Christians are fragile beings who disappear and collapse at a first blow. We are made of forgiveness and goodness, sometimes paid for with our lives, and a Turk lives on plunder and terror. That is the reason we have to repeat it over and over again, and stress: We have no other choice but to exterminate the Turks, because so long as any one of them moves around Bosnia, Kosmet, Sandzak, and other Serb states, he will be a live danger to us."

Is it really the case that the world is willing to tolerate a return of Adolf Hitler's politics, which came to power with British backing? Let us not see history repeat itself on a still more terrible scale.

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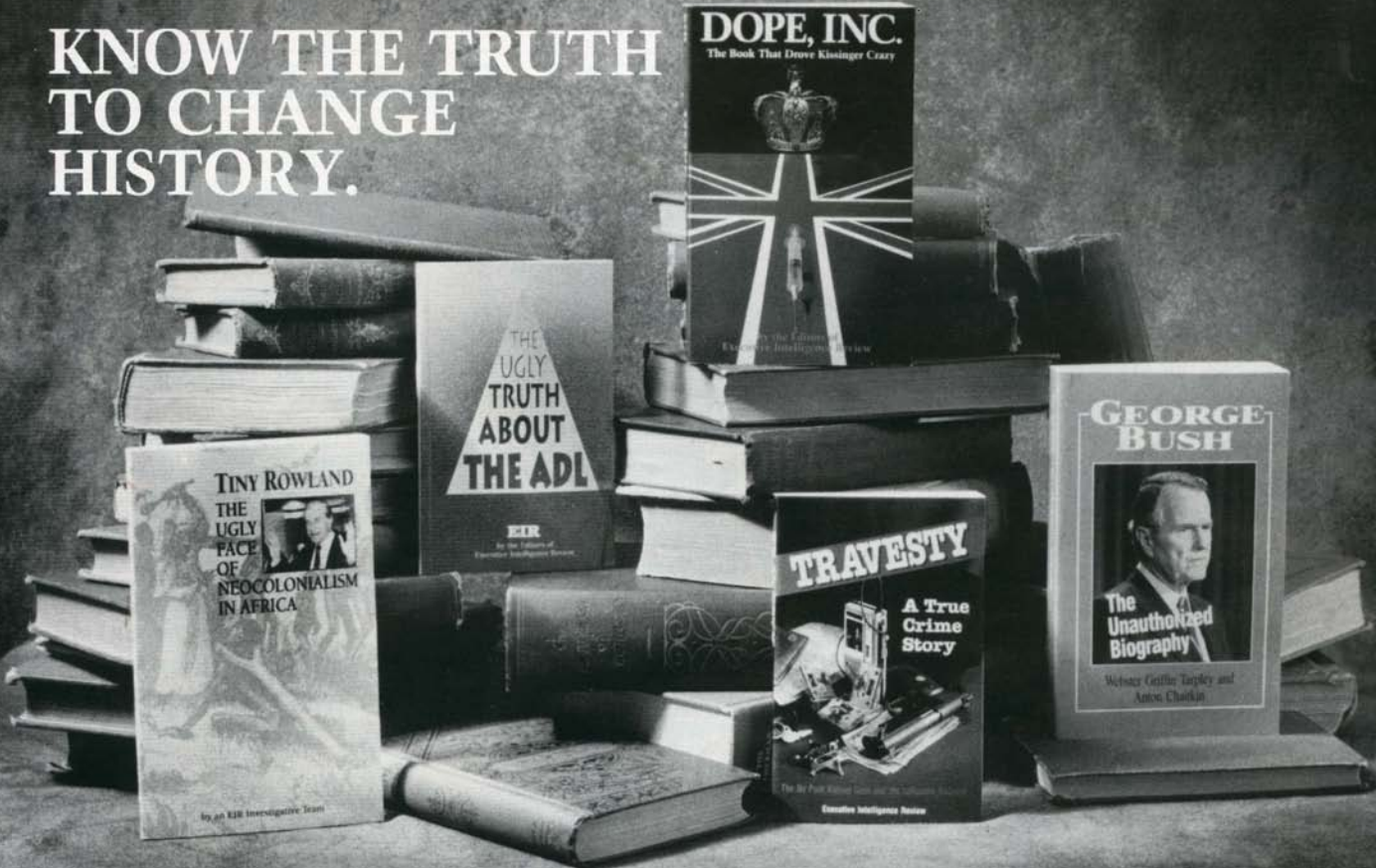
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