

EIR

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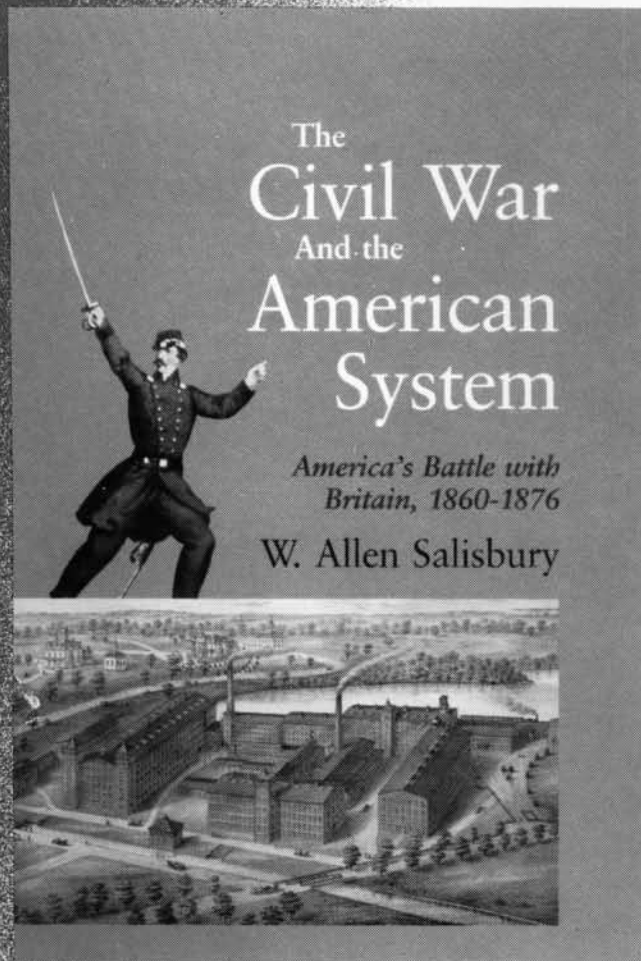
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From the Associate Editor

With all eyes now turned toward the war in the Balkans, and demands growing to lift the arms embargo against Bosnia-Herzegovina, do not be confused by the various “spins” being put out by the media. The issue is not “divisions in the Clinton administration,” or whether “European allies are upset at Clinton’s vacillation,” as the *Washington Post* would have it. The issue is that a change is beginning to occur in the global political situation, to the detriment of British geopolitics; this shift is reflected most sharply in the Balkans.

Lyndon H. LaRouche, Jr. pointed out on June 3 that “the decisive factor in bringing about the change in the Balkans, was that the Bosnians, contrary to fearful expectations, did not die. There was a fear that the Bosnians would capitulate, and that would be the end of it.” But that did not happen, and the Bosnians’ courage has given the whole world a chance to defeat the British strategy of wiping out sovereign nation-states.

EIR’s record on this matter is excellent. For example, Michael Liebig’s articles over the years have insisted that the policy of the British and the United Nations would fail. In our Dec. 9, 1994 issue, he rejected British propaganda to the effect that the Bosnians’ fight is a “lost cause,” and gave lengthy excerpts from an article by former Croatian Defense Minister Gen. Martin Spigelj, who concluded, “I am an optimist, and repeat that a shift in the relation of forces to the benefit of the victim of aggression is unstoppable, even if there will be setbacks.” In our Feb. 3, 1995 issue, Liebig emphasized that “in 1995, it is going to become increasingly harder for the Serbs to hold onto the fruits of their aggression.” The Bosnian government’s refusal to capitulate, he wrote, makes the withdrawal of Unprofor virtually certain.

In this week’s issue, our coverage of Bosnia includes the text of a speech given a little over one year ago by Irfan Ljubijankic, the Bosnian foreign minister who was killed by Serbian gunners on May 28, 1995. His appeal to the international community gave eloquent testimony to the determination of his nation to win the war against all odds, and not to accept a Neville Chamberlain-style “peace at any price.”

Susan Welsh

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Delegate to the National Constitutional Conference from Abia state.

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Helga Zepp-LaRouche, in a recent speech in Washington, reports on a growing concern among a minority of central European elites, "that the majority of the top banking and government elite of the world have lost control already, and that we are indeed facing a genuine breakdown of the system—a breakdown which is completely different than anything which has previously happened in history, different than the 1923 inflation in Germany, different than the Great Depression of the 1930s, and even different than the collapse of the fourteenth century."

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Group of Seven meets as financial mudslide quickens

by Anthony K. Wikrent

The pace of the great financial mudslide is quickening as the finance ministers and heads of state of the Group of Seven (G-7)—Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States—gather for their annual economic summit in Halifax, Canada on June 15-17. Yet, despite the series of shocks in the past six months, which herald the end-phase of the collapse of the world's monetary and financial systems, it appears that the champions of usury, speculation, and post-industrial madness have squelched consideration of reality-oriented proposals, such as a tax on currency speculation or a return to fixed exchange rates, that have been advanced in recent weeks by the Canadians and Japanese, among others.

The crises, such as the Orange County, California bankruptcy, the collapse of the Mexican peso, the collapse of the U.S. dollar, and the obliteration of the British merchant bank Barings PLC, which, it is being claimed, have been effectively contained, are now more serious than ever. That's because it is a systemic crisis, as U.S. physical economist Lyndon LaRouche has repeatedly said, not isolated problems which can be solved by administrative means. Thus, in February-March the crisis involved Barings Bank; now, it is a crisis of confidence for all the British investment banks. In December, the peso collapsed; now, the entire Mexican banking system is sliding into the abyss.

Also on the crisis list is Japan's banking system. In early June, the Japanese Ministry of Finance unveiled its plan to rescue Japanese banks, which, the ministry revealed, have 40 trillion yen (\$474.4 billion) in problem loans, about 6% of all Japanese bank lending. (The U.S. savings and loan debacle, by comparison, amounted to 5.6% of all bank lending in the United States as of the middle of 1991.) Yukiko Ohara of UBS Securities told the *Wall Street Journal* on June 7 that the amount of problem loans could more than double

to 100 trillion yen.

Some Japanese banks are reportedly so weakened by bad loans that they are unable to continue lending to riskier borrowers, such as small or struggling companies. The Ministry of Finance had encouraged such lending, in the now-vain attempt to keep these borrowers afloat until an economic recovery would begin, and land prices begin rising again, shoring up the banks' balance sheets.

The crisis in Mexico

In Mexico, the business newspaper *El Financiero* reported on June 5 that a limited-circulation report was issued by Salomon Brothers which warned that, "in Mexico, the banks do not present accounting of cash flows, and in some cases do not even prepare cash flow accounts for internal audits. . . . It is impossible to determine to what point the bank is capitalizing interest. . . . Furthermore, application of government restructuring loans tempts bank managers to continue counting uncollectible loans until the point they are restructured."

The June 7 issue of *Economista* ran an interview with Bear Stearns' economist Tulio Vera, who noted that "Mexico will have to pay \$12.3 billion between June and August of this year, against income of only \$5.5 billion, therefore requiring the Mexican government to use \$6.8 billion of its international reserves which at the end of May totalled \$11 billion." Vera's numbers contradict those of the Mexican central bank, which claims that June-August payments will total "only" \$7.7 billion.

Vera said that "the weakest point of the Mexican economy is the banking system, which will see a further deterioration in its loan portfolios in the second and third quarters." *Economista* reported that, according to Mexico's National Banking Commission, the country's 15 commercial banks

have confiscated assets equalling some \$670 million—almost double last year's seizures. Nonetheless, the arrears of those same banks leaped 70% during the same period.

London has the runs

In the City of London, the Bank of England revealed that British merchant banks (such as Barings, Hambros, Kleinwort Benson, Morgan Grenfell, N.M. Rothschild, Schroders, and S.G. Warburg) had suffered a run by depositors following the sudden collapse of Barings PLC in February, with deposits falling from £51.7 billion in late February, to £46.8 billion at the end of April.

Foreign currency deposits also fell, by 12%, to £5.02 billion. This is a matter of special concern for the British, who have recently completed a study on how to maintain the City as a world financial center. The June 5 *Financial Times* reported that one senior banker noted it was only the third time in 35 years that the British investment banks had faced a crisis of confidence in the interbank market.

Also on June 5, the U.S. credit rating agency Moody's issued a report warning that the Barings debacle casts doubt on the credit worthiness of all other British merchant banks. In its news release, Moody's "acknowledges that U.K. merchant banking firms . . . have enjoyed a long history of success and still dominate their home market," but warns that "Britain's merchant banks may be burdened by too many weaknesses to preserve their current level of credit strength over the next few years." Pointing to the British merchant banks' lack of strong operations in Europe and the United States, and their rapidly rising costs, Moody's concluded that the "absolute capital [of the British merchant banks] may not be adequate for a modern, global investment bank," and they may be "ripe for consolidation and acquisition."

On June 8, the *Financial Times* reported that Hambros had seen its profits drop 58% in 1994, to only £37.1 million (\$58.9 million)—not enough to cover the scheduled dividend payout, which had already been cut in half from the previous year. The paper's "Lex Column" noted that "no continental European commercial bank looking to build an investment bank would buy Hambros. . . . It could be an ideal candidate for a break-up bid."

The apparent response of the G-7 seems to be to increase the powers of the International Monetary Fund (IMF)—the very institution that is most responsible for steering the world into this morass. A draft of a proposed G-7 final communiqué, prepared by Canada, the host government, and leaked via a Greenpeace-Friends of the Earth press conference in Washington, D.C. on June 7, states that "the prevention of crisis . . . requires an early warning system . . . [and] surveillance of national economic policies," and urges the IMF to: "establish benchmarks for the timely publication of key economic and financial data; establish a procedure for the regular public identification of countries which comply with these benchmarks; and insist on full and timely reporting by member countries of a standard set of data, provide sharper policy ad-

vice to all governments, and deliver franker messages to countries that appear to be avoiding necessary actions."

This may not go as far as giving the IMF authority to oversee the bankruptcy of nation-states—the idea which Harvard punk economist Jeffrey Sachs and House Banking Committee Chairman Jim Leach (R-Iowa), among others, have put forward in the past few weeks as a counter-proposal to LaRouche's call for the elimination of the IMF system—but it is also clearly inadequate when one recognizes the reality that administrative measures can no longer contain what is, in fact, an ongoing systemic collapse.

IMF under attack

The G-7 leaders would do much better to take heed of the increasingly vocal opposition to the IMF around the world. On May 28, Pakistan Prime Minister Benazir Bhutto attacked IMF conditionalities (of reducing tariffs and imposing a general sales tax), for preventing a recovery of Pakistan's economy. "We have to see whether these conditionalities suit our economy," she said.

On June 6, Venezuelan Finance Minister Luis Raúl Matos Azocar announced that plans for reducing the 1995 budget deficit did *not* include either a devaluation of the bolivar or an increase in gasoline or other fuel prices this year, as the IMF has repeatedly demanded.

In Toluca, Mexico on June 7, *EIR* correspondent Carlos Cota Meza delivered a hard-hitting speech to the Business Coordinating Council on "why Adam Smith is a gnostic, and why the practice of free trade is the worst sin against man made in the image of God." Replying directly to the chairman of the Bankers Association, who complained that Cota had "spoken in unacceptable and insulting terms of banking practices," Cota said: "For once, let us be humble and honest. . . . In any country of the world where the government has to come to the rescue of the banks, this is called a government intervention. In Mexico, we call it by such euphemism as the 'Fund for the Protection of Savings,' or some such nonsense.

"Under these covers, bankers have sucked \$35 billion in public subsidies. The entire world financial system is on the verge of total disaster, and the bankers are getting subsidized, all the while insisting they are for 'free trade.' Where has that money gone? What was it spent on? Meantime, the productive industries go under. Under those circumstances it is totally understandable if industrialists get mad . . . and even take such extreme measures as suspending their debt payments to the banks."

A businessman present said he had been reading *EIR* for four years. "They have been right in everything they said. They were right on Chiapas, which they warned about long before it happened, and, unfortunately, they were right on the economy. And they were right, alone, when all of us were saying the opposite; they stood their ground. I myself called them fear-mongers, extremists, crazies, and other names, but they have proven to be correct, and the rest of us were wrong," he said.

Former privatization chief calls for a new policy for Russia

by Denise M. Henderson

On May 29, a senior official in Russian President Boris Yeltsin's administration, Vladimir Polevanov, who on Jan. 20, 1995 had been fired as chief of privatization, created what has been described by observers inside Russia as a political explosion, when he appeared on "The Moment of Truth" television show to detail how the International Monetary Fund (IMF) has looted Russia through "privatization" schemes and related operations. Polevanov also cited the U.S. Presidency of Franklin Delano Roosevelt, as giving Russians a positive alternative model for how to organize their economy.

Polevanov laid out, case by case by case, how the Russian economy has been sold off to western companies for virtually nothing, under the aegis of the IMF. Russia, he documented, had been looted at an unprecedented rate. Not only have assets on an enormous scale been sold off, but Russia has been obliged to pay debts to the same interests doing the looting!

Asked whether he saw an alternative to the current direction of policy, Polevanov pointed to the precedent of what happened "in a democratic country like the United States, under President Franklin Delano Roosevelt," when the Americans, in his view, recovered control over their economy.

One day later, on May 30, Polevanov was fired from his current post, as chief of the Controls Bureau. On May 31, Polevanov held a press conference to discuss his most recent firing and the destruction of the Russian economy. He announced that he was joining a policy group set up by Duma Deputy Sergei Glazyev to propose solutions to Russia's economic crisis, solutions that focus on preserving the economic well-being of the Russian people as well as on the development of infrastructure.

Turned into a raw materials producer

Polevanov stressed that the current government has "halved the country's gross domestic product and has actually turned [Russia] into a raw materials producer, although we used to be an industrial power."

Polevanov added, "Now we have been thrown back into

a pre-industrial age, although the world as a whole has gone ahead into a post-industrial age, the hallmarks of which are the microchip revolution and science-intensive technologies. But here reform has actually wiped out science-intensive industry," a reference to the fact that Russia can barely hang on to its scientific centers and its researchers, who in large part are dependent on grants received from George Soros and his various foundations which operate inside Russia.

The press conference was sponsored by "New Russia," an apparently newly formed Russian political movement. Polevanov also announced that he was working with three chairmen of Duma committees, Sergei Kalashnikov, Burkov, and Glazyev. "The purpose is simple," said Polevanov. "If the government has decided to go in for politics after having ultimately ruined the economy [a reference to Prime Minister Viktor Chernomyrdin's new political party], someone has to concern himself with the economy, with the economic evaluation of all those far-from-irreproachable governmental decrees." For now, the movement is being called Narodnaya Politika, or Public Policy. "We believe," added Polevanov, "that the government, which has ultimately ruined the economy, whatever terms it may hide behind, must resign. But since it does not resign voluntarily, our task is to help it go away by winning the elections."



Russian Duma (Parliament) Deputy and Democratic Party of Russia head Sergei Glazyev has set up a policy group to propose solutions to Russia's economic crisis that focus on protecting the well-being of the people and developing infrastructure. Here, Glazyev speaks at the National Press Club in Washington in March 1995.

Polevanov also warned that unrest in Russia was growing exponentially. "We have unprecedented stratification into the super-wealthy and the growing class of super-poor, which, in fact, is the main reason why neither domestic nor foreign investors are active and why capital flees from this country. Simply, people are afraid of investing in a country which can explode at any moment. This is just one of the laws of political science and sociology, that ratio. Disregarding it means disregarding objective reality."

The Polevanov memorandum

This is not the first time that Polevanov has publicly reported the results of the shock therapy policies imposed on Russia by the Thatcher-Bush forces in the West. On Dec. 30, 1994, Polevanov presented a memorandum to Chernomyrdin criticizing the state of privatization, demonstrating point by point what privatization was meant to achieve, and what it actually had achieved. This document so irritated Yeltsin that by Jan. 20 of this year, Polevanov was fired. Two days before, excerpts from his memorandum, "An Analysis of the First Stage of Privatization and a Proposal on Its Improvement" had appeared in the daily newspaper *Zavtra*. Polevanov proved that neither the population nor overall production had benefitted from privatization, and also warned, in the case of the defense industry, that foreign companies and firms hoped "to use the ongoing processes [i.e., privatization] in the defense complex for penetration into its administrative structures by means of cornering stocks. . . . In order to avoid probes by the FSK [Russian state security], as envisaged by Russian law, the firms act through Russian straw men. . . ."

"The covert intervention of foreign capital is proceeding through the acquisition of property by foreign firms with the aim of undermining the defense capability and the economy of the country."

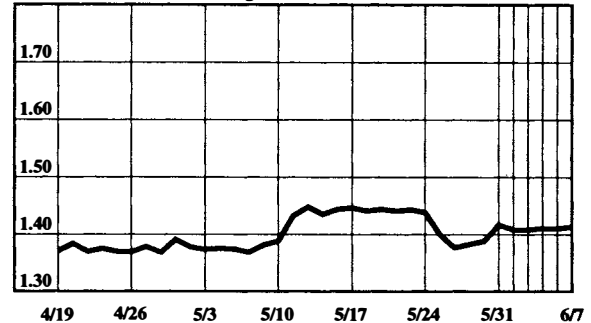
Although what role Polevanov's statements will play in the formulation of policy in Russia remains unclear, it is obvious that many in Russia are unwilling to let the current devastating economic situation—which has left many citizens homeless, barely able to purchase food, and in many cases without access to medical care—deteriorate any further.

One indication of how bad things have gotten, is the tragic earthquake in Sakhalin, where the death toll is now over 2,000 as of this writing. On May 29, the London *Financial Times* had written: "After the Kobe disaster [in Japan in January 1995], Russian officials had predicted that an equally strong earthquake was likely to hit Russia this year. But they warned at the time that the closure of dozens of seismological stations in the region because of cash shortages [i.e., IMF-dictated budget cuts] would make it difficult to detect tremors in time to minimize the impact." Thus, in the Sakhalin case, there was no detection of pre-quake tremors, and thus no warnings were possible.

Currency Rates

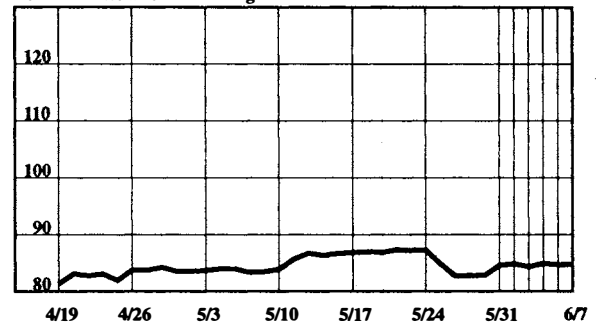
The dollar in deutschemarks

New York late afternoon fixing



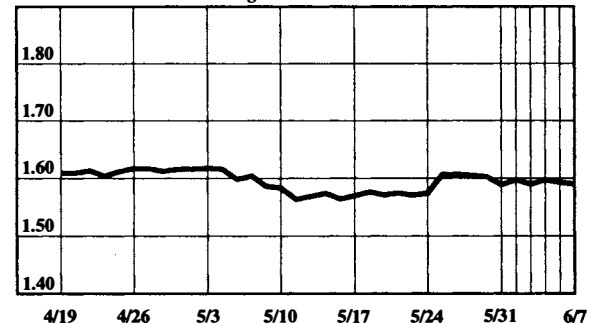
The dollar in yen

New York late afternoon fixing



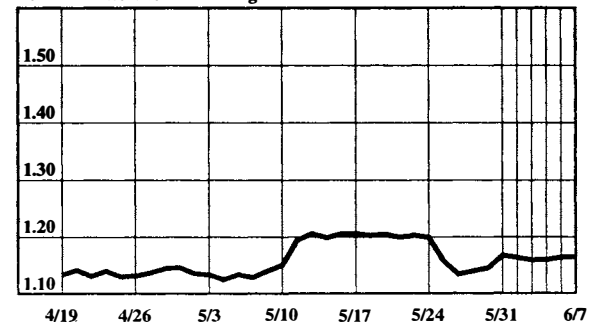
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



Iran-Contra link to Schneider real estate scandal emerges

by Dean Andromidas

On May 18, in Miami, Florida, agents of the U.S. Federal Bureau of Investigation (FBI) arrested Germany's Jürgen Schneider. Schneider fled Germany in March 1994, following the collapse of his DM 9 billion (roughly \$5.6 billion) real estate empire, an empire based on what proved to be systematic fraud so outrageous as to generate one of the biggest real estate scandals in German postwar history. Some of Germany's largest commercial banks, especially Deutsche Bank and Dresdner Bank, eagerly loaned him hundreds of millions of deutschemarks. Luxurious office blocks and shopping centers sprang up throughout Germany, including luxury hotels in Frankfurt, Munich, and in Dresden and Leipzig in the former East Germany. When the bubble burst, Deutsche Bank Chairman Hilmar Kopper became famous when he shocked the German public with the remark on the losses, "Oh, that's peanuts."

New details of Schneider's fraud and that of his accomplices have now surfaced, confirming what *EIR* has been writing for years—that real estate speculation goes hand in hand with drug and weapons smuggling, forming a corporate subsidiary of Dope, Inc. This black economy is in turn controlled by an international oligarchy operating through the powerful economic and political institutions, including banks and secret services.

An examination of one of Schneider's key accomplices, Mustapha El Kastai, an Egyptian businessman living in Geneva, brings this fact into high relief.

Mustapha El Kastai, a.k.a. Dr. M.K. Moss, is a Geneva-based weapons dealer and expert money launderer. His company, Diwan S.A., has an office at Cours Riva 4, which is in the same complex as that of Abbas Gokal, who, as the owner of a network of shipping and trading companies, was one of the biggest beneficiaries of the infamous Bank of Credit and Commerce International. The collapse of BCCI several years ago is still being felt in the international financial community, and has revealed the bank to have been at the center of money laundering, narcotics trafficking, terrorism, and intelligence operations. El Kastai, although not as famous or rich as the players behind BCCI, nonetheless moved in the same circles.

According to European security sources, El Kastai has been an informant for the CIA, the Israeli Mossad, and other intelligence services for almost two decades. According to

the German weekly *Focus*, Robert Babayan, a weapons dealer said to have ties to the Syrian-based Georges Habash, leader of the Popular Front for the Liberation of Palestine, met with former CIA head Robert Gates in the summer of 1984. The meeting dealt with the massive weapons sales made to Iran in the Iran-Contra affair. According to the article, Interpol received many official requests from Washington, Ottawa, and even Belgrade for information on Diwan S.A. in relation to fraud, weapons deals, and narcotics transactions. While El Kastai appears to fit the character for cheap mystery and crime novels, he serves as a useful tool for key financial institutions in the service of the international oligarchy that stands behind this black economy.

A 'cut out' for Union Bancaire Privée

Schneider stashed over DM 200 million in the Union Bancaire Privée (UBP), one of the dirtiest banks in Geneva that has been the object of investigation of police agencies throughout the world, including those of the United States, South Africa, and Israel. According to a well-informed European security source, El Kastai serves as a "cutout" for UBP. In other words, the bank, in order to shield itself from direct contact with criminal networks, uses people like El Kastai as middlemen.

According to German press reports, El Kastai came into contact with Schneider at the beginning of the latter's expanding real estate empire at the end of the 1980s, serving as the mediator between Schneider and the bank. "El Kastai showed him the way," the security specialist pointed out. "We have El Kastai tied into various cases since the late 1970s. He works with Union Bancaire Privée and Republic National Bank." The latter is the bank of Edmond Safra, one of the key financial supporters of the Anti-Defamation League of B'nai B'rith. The background of these two banks brings us to the center of this powerful international oligarchy.

UBP can best be described as the many-headed hydra of a group of international oligarchical families and interests sometimes called the Club of the Isles, headed by the British oligarchy. The bank is owned by Edgar de Picciotto, a family of Levantine Jewish background whose banking and merchant activities go back many generations. Ironically, *picciotto* is the name given by Italian mafiosi to their hitmen. As

owner of the third-largest private bank in Switzerland, De Picciotto sits on the board of directors of the Quantum Fund of financial speculator George Soros. Soros is a creation of the financial oligarchs of the City of London, and has been instrumental in the destruction of the economies of eastern Europe and the former Soviet Union, being the key sponsor—and beneficiary—of the “shock therapy” policies of the International Monetary Fund.

Swiss financial circles report that if it were not for the backing of British financial interests, particularly the Rothschilds, UBP would be nothing. De Picciotto is a member of the 1001 Club of millionaires who finance the World Wide Fund for Nature (WWF) of Prince Philip, the Duke of Edinburgh and royal consort to Queen Elizabeth of Great Britain. One of his business partners is the son of Carlo De Benedetti, member of one of the most powerful families in Italy.

At the center of scandal

UBP has been involved in almost every major financial scandal to hit Switzerland in the last five years. Last fall, the U.S. Drug Enforcement Administration (DEA) and Department of Justice indicted eight people, including three of the bank's account directors for leading a multimillion-dollar money-laundering ring between Miami and Geneva. One of the bank's account directors is currently sitting in federal prison in Florida. At the same time, the South African police broke that country's largest gold-smuggling ring. The gold, disguised as silver bars, was transported to Switzerland—and the proceeds deposited in UBP.

In another case, UPB shares the same address with Geopol Services S.A. This small company brings together key players in the massive weapons deals of the 1980s, including Helmut Raiser, former president of Bohlin Industries GmbH, the German-based international munitions manufacturer owned by the younger brothers of Alfred Krupp. Raiser also led a group of companies based in Zug, Switzerland which helped develop the Condor Missile project in Iraq and Egypt. He sold billions of dollars of munitions to both Iran and Iraq during the Iran-Iraq war. Another director was former Swiss Justice Minister Elisabeth Kopp, who lost her job in 1988 when she leaked information to her husband, Hans Kopp, that one of his clients was being investigated by the DEA for drug-running. The third director is Pierre Hafner, director of De Picciotto's holding company, CBI Holding. This network played a key role in the international arms bonanza during the Iran-Iraq war.

The role of Deutsche Bank, Germany's largest commercial bank, was central to the Schneider affair. It was the epitome of conservative banking which had traditionally serviced Germany's large industrial corporations, but its policies changed dramatically following the November 1989 assassination of its chairman, Alfred Herrhausen. The latter was assassinated at the behest of British-allied circles who opposed his policies of industrial cooperation with eastern

Europe following the collapse of the communist regimes of East Germany and eastern Europe. By 1994, the bank had lent Schneider over DM 1.3 billion, almost as much then as all the other banks combined. When Schneider's empire collapsed, Deutsche Bank quickly claimed it was defrauded, although the German prosecutor's office initially had doubts about its complete innocence. After the collapse, Deutsche Bank called on the authorities to seize over DM 230 million which Schneider held in numbered bank accounts in Switzerland. The accounts, which were traced and frozen by the German Federal Criminal Police, were at UBP in Geneva.

It is interesting to note that UBP Chairman Edgar De Picciotto was also on the board of directors of Deutsche Bank's branch in Geneva in the 1980s. Schneider's arrest in Florida would put him in the same U.S. district court as the Miami-UBP money-laundering case.

UBP itself is a merger in 1989 of CBI Bank, De Picciotto's old bank, and Trade Development Bank, which was owned by Edmond Safra and American Express Corp. Also of Levantine Jewish background, Safra was classmates with De Picciotto in Beirut. Although he no longer has any corporate links with UBP, he owns several banks, including Republic National Bank and Safra Bank, with operations in New York, Geneva, Tel Aviv, and throughout Ibero-America. Safra, like De Picciotto, is a member of the 1001 Club who finance Prince Philip's WWF.

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Brazil's radical economic reforms provoke unrest in the military

by Silvia Palacios and Lorenzo Carrasco

The apparent speed and ease with which the government of President Fernando Henrique Cardoso has imposed constitutional reforms is provoking one of the most serious responses by the Brazilian military seen in the last decade. Thus far, the government has enjoyed unexpected success in winning congressional approval for radical changes to aspects of the national Constitution. That constitution, the product of profound and historic battles, gave birth to a sovereign Brazilian nation-state driven to become an industrial power.

The abandonment of that orientation toward industrialization and economic independence is what is triggering the military discontent which has surfaced in recent weeks, expressed most recently in an article in the daily *Jornal do Commercio* on May 24 by Air Force Brig. Gen. Ivan Frota Neto, a highly respected officer who was chief of the Air Force General Staff through 1993. At that time, General Frota published a manifesto vehemently denouncing the "new world order" conspiracy to dismantle Brazil's Armed forces, a manifesto which *EIR* subsequently included in its entirety in the book *The Plot to Dismantle the Nations and Armed Forces of Ibero-America*, published that same year.

Under the headline "The Fatherland Is Crying for Help," General Frota described the government of President Fernando Henrique Cardoso as "a huge political-electoral farce," and an "incredible and absurd alliance: militant leftists with extreme right-wingers." He harshly criticized all aspects of the government's anti-inflationary "Real Plan," as well as the proposed constitutional reforms, most especially the breakup of the state-run telecommunications and oil monopolies. Describing the latter as "the absurd process of handing our oil-producing system over to foreigners," General Frota concluded: "This is suicidal, for sure; and the worst part is that this will happen after all of this immense nation's potential has been exhausted. No! *We shall not submit* passively!

Although General Frota has in the past identified with the radical free-market ideology called "neo-liberalism" in Ibero-America, the government's submission to foreign interests is so scandalous that many people are abandoning their ideological positions and uniting to protest this policy

throughout the country. This is lawful. The government's package of constitutional reforms isn't some original idea that popped into President Cardoso's head, but was rather planned by a predecessor, the disastrous President Fernando Collor de Mello. Its goal is to eliminate the state oil and telecommunications monopolies, do away with all legal distinctions between Brazilian and foreign companies, allow foreign companies to operate on Brazil's interior waterways, and allow foreign exploitation of natural resources in the Brazilian subsoil.

Privatization ridiculed

Of particular relevance is the article published in the Army's official publication, *Resenha*, which was cautious in its treatment of the President but emphatic in expressing the discontent caused by Cardoso's decision to privatize the electricity production system. The President made that decision after he visited the United States and met with such leading establishment figures as former Secretary of State Henry Kissinger, Canadian Seagram's magnate and World Jewish Congress leader Edgar Bronfman, and several Wall Street bankers.

Resenha sarcastically notes that "Two-thirds (yes sir!) of the U.S.'s hydroelectric systems are owned by the government. For example, the Tennessee Valley Authority (TVA), established by [Franklin Delano] Roosevelt (1933), covers the states of Tennessee, Kentucky, Mississippi, Alabama, North Carolina, Georgia, and Virginia. The TVA is responsible for flood control, maintaining fluvial navigation, and generates and distributes electrical energy, [the benefits] of which are reflected in the growth of the powerful chemical industry in the U.S. South. Imagine hydroelectric plants monopolized by the government! . . . Who knows, will Brazilian capitalism serve as an 'example' to the United States, and lead it to sell off the TVA's many hydroelectric plants?"

The article observes that "this certainly will not occur. Defense of energy sources is a basic requisite for economic growth and independence. When Lenin was setting up communism, he built large hydroelectric plants financed by U.S. capital. To date, [Russian President Boris] Yeltsin has not privatized them." In conclusion, *Resenha* says that "all mod-

ern law in Brazil is based upon the work of two statesmen: Getulio Vargas and Castelo Branco. Proposed changes in these great leaders' legislation will be, in general, torturous change."

Less diplomatic still is the editorial in the May edition of the military newspaper *Ombro a Ombro*, which reflects the thinking of an important sector of the Armed Forces. Under the headline "100 Days of Anarcho-Liberalism," the editorial is a frontal attack on President Fernando Henrique Cardoso: "We are not surprised when President Fernando Henrique Cardoso returns from the United States with a strengthened appetite for privatization. . . . Men like him, educated in Marxist theory at the same time that they were protected by the Anglo-American establishment (which they were supposedly fighting . . .), easily and passionately embrace neo-liberal theories against the sovereign nation-state."

Such severe pronouncements have the liberal press establishment, which rarely comments upon the editorials of other publications, in a nervous state. Thus, the May 25 issue of the daily *O Globo* viciously asserts, "The May edition of the military daily *Ombro a Ombro* came out yesterday. Fierce defender of state monopolies, it exhibits on its front cover the editorial '100 Days of Anarcho-Liberalism' which cudgels the Fernando Henrique Cardoso government. The issue has only one full-page advertisement. By Petrobras."

In compliance with the deals struck with the international bankers, the government is obsessively determined to defend the *real*, the currency, by subjecting the nation to stratospheric interest rates, the highest in the world—higher even than those in Russia—which have already caused industrial bankruptcies. This, in turn is generating protests by other civil-military groups. On May 11, for example, the daily *Tribuna da Imprensa* carried an open letter to the President and members of the National Congress by the newly formed Front for the Defense of Brazilian Sovereignty and Integrity, comprised of prominent nationalist figures from various sectors of Brazilian society. The open letter denounces the Cardoso government's surrender policies, including its privatization and denuclearization policies, the *Real Plan*, its acceptance of the concept of "limited sovereignty," and its malthusian population policy. The letter asserts that it is issuing this warning "so that our children and grandchildren will not some day wake up to find that they are the slaves of the rich nations, as occurred to our Mexican brothers who have lost their sovereignty and their oil."

Campaign against the Armed Forces

Together with the drive to denationalize the Brazilian economy, the Cardoso government has undertaken a direct assault on the Armed Forces. On the initiative of the Foreign Ministry, dominated by one-worldists, Brazil has created a human rights department, winning the congratulations of two non-governmental organizations (NGOs) which have

been pressing hard for precisely that: Amnesty International and Americas Watch, the latter financed among others by speculator George Soros. Under pressure from those same two NGOs, the Brazilian Justice Ministry has decided to reopen the case of terrorists who died during the war against subversion in the 1970s. In the Brazilian case, the investigations were closed when an amnesty was decreed for both sides.

It would appear that, given the example in Argentina and the renewed offensive against the armed forces of Ibero-America generally, President Cardoso is prepared to unilaterally reopen old wounds. Amnesty International is on a major mobilization whose first victim is intended to be the current Air Force attaché at the Brazilian embassy in London, who has been hit with the old epithet of "acknowledged torturer."

Institutional crisis anticipated

The fact is that there has not been such a moment of widespread military discontent with government policy since before the impeachment process was begun against former President Fernando Collor de Mello, when military circles were privately accusing that government of crimes against the fatherland for having decreed the creation of a Yanomami Indian reserve which violated criteria of national sovereignty.

At the time, this ferment was channeled in another direction by the accusations of corruption launched against the President by his brother, the late businessman Pedro Collor; those accusations temporarily averted the imminent institutional crisis that was threatening. The major liberal press also moved against Collor when they realized that their whole project was going down with him.

Today, although the government has succeeded in winning congressional approval for all the constitutional reforms it has demanded, including the breaking up of the oil and telecommunications state monopolies, a rupture has nonetheless been created between the political Brazil and the real Brazil. The Armed Forces will, of course, be subject to this dynamic, with predictable tensions more and more frequently arising within the defense institution. If the military leaders support the liberal reforms proposed by the government, or ignore them, the result will undoubtedly be the fracturing of the Armed Forces, precisely as occurred in Argentina, which led to the emergence there of the "painted face" (*Carapintada*) movement of Col. Mohamed Alí Seineldín.

It is in this context that General Frota issued his appeal to the military command in his *Tribuna* article: "Mostly, I trust that the components of the military family, both active and reserve, who truly constitute 'a lasting bulwark for the defense of the nation,' along with their top leaders, the military ministers, will act with all their political might to bring about a reversal of the dark moment through which we are living."

Controversy over India's Dabhol power plant deal irks Washington

by Ramtanu Maitra

In a rare public statement of its kind, the Office of the Secretary of the U.S. Department of Energy has warned India that failure to honor the agreements between a subsidiary of the Houston-based Enron Corp. and the state of Maharashtra in setting up a 695 MW power plant at Dabhol in Maharashtra, could jeopardize several, if not all, private power projects in which U.S. companies have shown interest.

Echoing Washington's concerns, British Chancellor of the Exchequer Kenneth Clarke, in an interview with the Indian daily *The Hindu*, in Bangalore at the end of a week-long visit to India, said that the strident controversy over the Dabhol power project might send a negative message to international investors and undermine confidence in India as a place for investment. Rejecting outright consideration of the change in the nature of the contractual status of the parties concerned, Clarke said, "Investors abroad will start doubting the continuity of economic reforms. This will vitiate the climate for long-term investments."

The 'Enron deal'

The "Enron deal," as it has come to be known in the Indian media, consists of two phases. In the first phase, whose financing was concluded last March, the 695 MW power generation plant at Dabhol, based on imported distillate, will be made operational at the latest by May 1, 1997. In the second phase, plant capacity would be expanded to 2015 MW, making it the largest single power-generating center in India. In the second phase, the plant would be changed over to using imported liquefied natural gas (LNG). The second phase, which is yet to be finalized in negotiations, can be accepted or rejected by the Maharashtra State Electricity Board (MSEB) by July 31, 1995. Conditions include that for any delay in supplying power, Enron will pay \$14,400 per day for the first 180 days and \$100,000 per day thereafter. For any shortfall in the plant's performance capacity, it will pay a one-time charge of \$100 per kilowatt.

Enron also guarantees that the plant will be available 95% of the time. For any shortfall, a penalty will be paid to the MSEB. For its part, MSEB guarantees the purchase of all the power generated, to ensure an 86% plant load factor—a term used to describe the efficiency of the plant. MSEB will still

be paying Enron if it is unable to evacuate this power. The MSEB will pay 7.5¢ per kilowatt-hour (kwh) for this power in 1997, which is almost 60% more than what the MSEB charges its customers as of now. Enron has also been assured a 4% escalation of power tariff thereafter annually. The estimated cost of the project is \$2.8 billion.

The deal began to take shape in 1992, when the government of India invited the Houston-based company to invest in India's growing power sector. The invitation was a corollary to the 1991 announcement by the Narasimha Rao government whereby the private sectors were urged to enter the power sector, which, till then, was almost exclusively a public sector investment area. In March 1992, the government announced a list of incentives—including a 16% rate of return on equity on a 68.5% plant load factor (PLF). And beyond 68.5%, the rate of return on equity increases by a maximum of 0.7% for each 1% increase in the PLF. The government did not find it necessary to link the rate of return to more efficient use of capital; or, in other words, to use it as an incentive to minimize fixed costs.

Initial optimism

From the very outset, both Bombay and New Delhi had pushed the Dabhol power project with a missionary zeal. In Bombay, Sharad Pawar, then-chief minister of Maharashtra and a powerhouse in the national Congress Party, actively participated in negotiating the agreements on the first phase of the project. Similar zeal was also exhibited by Union Power Minister N.K.P. Salve. The project was cited as an example of the new-found goodwill between India and the United States and was seen by some in India as an unmistakable indicator of the latter's support for India's ongoing economic reforms and liberalization.

There were definite reasons for such optimism. India's growing power crisis was making the country less tempting to investors, and a living hell for a large section of the people who are supposed to be happy about the reforms. The Eighth Five Year Plan (1991-95) was starved of resources. Installed power capacity to be added during the plan has been scaled down from almost 40,000 MW to 20,000 MW. Observers are apprehensive that even the 20,000 MW target, which is

less than the additional power capacity achieved during the Seventh Five Year Plan, will not be met. The austerity measures to reduce the budget deficit—in order to reduce the rate of inflation, to keep the currency stable, to maintain debt payments, etc., a standard formulation adopted by the International Monetary Fund and World Bank and sold relentlessly to most of the hapless Third World policymakers—has cut deep into the power sector outlay earlier proposed in the plan. In such a negative environment, the Enron deal looked like the light at the end of the tunnel.

On the positive side, it must be noted that the power experts in India had long been discussing *sotto voce* setting up a string of gas-fired power plants along India's west coast, where gas is plentiful and demand for power is high. Two of India's most industrially developed states, Maharashtra and Gujarat, are located in this area. In this context, the setting up of the Dabhol power project seemed fitting and proper.

Comes trouble

Despite its worthiness, the project ran into trouble at the very outset. By the time the first phase agreements were completed, nine court cases had been filed against the project. But the real trouble started with the advent of the state assembly elections in March. A few days after the first phase agreements were completed, and Enron managing director Joseph Sutton had left for a few days' vacation, Sharad Pawar and the ruling Congress Party were ousted in the elections and were replaced by the Shiv Sena-Bharatiya Janata Party combine which had campaigned against the project. In fact, Vijay Natu, a BJP candidate from the Dabhol area, won his seat by effectively using anti-Enron views. The new rulers in Bombay attacked the project, claiming that it reeked of financial kickbacks. They also cited the high cost of the project, the lack of transparency, absence of competitive bidding (which, in essence, they claimed contributed to the high cost of the project), and the negotiated high cost of the power tariff. Subsequently, the Shiv Sena-BJP government has set up a cabinet subcommittee to review the project and the confidential clauses of the agreement. The subcommittee will look into various aspects of the project, including its impact on the coastal environment and the possibility of generation of jobs for the local populace.

One of the most important critics of the project is Kirit Parikh, director of the Indira Gandhi Institute of Development Research. Parikh has pointed out through newspaper articles that the high cost of the plant could have been avoided if transparent and competitive bidding had been used to award the project, instead of just inviting Enron to set up the plant. The most relevant issues, Parikh claims, are a) the capital cost of the plant seems 20% too high, and b) the 86% load factor guarantee would require that during the nighttime, off-peak hours, when the demand for electricity is low, the MSEB will have to purchase power from Enron at 2.40 rupees per kwh when MSEB could have

generated power from its own plants at less than 0.60 rupees per kwh.

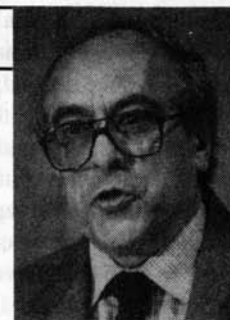
Politics all the way

Parikh also concludes that this is the bottom line of the Enron deal. However, BJP and other critics do not agree with Parikh on this score and cite alleged kickbacks, which are yet to be proven. BJP, in the same breath, claims that the party is not against multinationals doing business in India, but insists on competitive bidding, which, according to many past experiences, does not ensure lower cost. Moreover, to accuse Enron of grabbing the guaranteed rate of return is grossly unfair, because it was the government of India, ostensibly to give the privatization of the power sector a big and permanent boost, that had offered the lolly to assuage the fears of finicky international bankers.

But the real bottom line is that the deal was political from day one, and it remains so. The so-called nationalists and confused political parties boarded the anti-Enron bandwagon, hoping that this would get them the media spotlight and thus help them in the elections. It is also evident that the BJP, finding it increasingly difficult to balance reality with abstract political activism, is talking from both sides of its mouth. BJP leader L.K. Advani, who is practically controlled by the Jacobins around the party and its front groups, insists that the U.S. Energy Department is trying to intimidate the BJP by issuing threats of cancelling the Dabhol project. He issued a statement on June 6 demanding that Enron be investigated (under provisions in U.S. law) for underhanded dealings to win overseas business, and prosecuted if evidence is found. New Delhi, on the other hand, backed the deal wholeheartedly when Union Commerce Minister P. Chidambaram went on record on June 6 questioning the propriety of the Maharashtra government's review of the Dabhol power plant project.

At the same time, Enron had all along used its political muscle to shape the deal the way it stands today. Besides Pawar and Salve, U.S. Ambassador to India Frank Wisner held Enron's briefs during his talks with Advani. The issue even came up for discussion during U.S. Secretary of Treasury Robert Rubin's visit to India in April. And now the Office of the U.S. Energy Secretary has issued a warning.

New Delhi fears that if the Enron project is scrapped, the Finance Ministry's projection of net foreign investment flow into India, to the tune of \$3-4 billion in the 1995-96 fiscal year, will receive a serious setback. Since the foreign investment into India is more of a trickle, in contrast to the "flood" promised by the Finance Ministry over the last three years, senior government officials have told newsmen that the issue is a matter of serious concern to foreign investors and all foreign trade missions arriving in the country. They point out that even the multinational institutions like the World Bank and the Asian Development Bank have been seeking clarifications. No doubt, Washington's warnings will help to raise the stakes a notch upward.



The IMF's 'reforms' brought economic ruin to Egypt

Dr. Adel Hussein, Secretary General of the Labour Party of Egypt, spoke to the May 17 Schiller Institute Development Conference. Dr. Hussein is an Arab intellectual, author of many books including a study of the Egyptian economy. His political movement and his newspaper As Sha'ab led the Muslim opposition to the U.N. conference on population in Cairo in September 1994. He was in the United States to lobby for the exoneration of Lyndon LaRouche.

My speech will be some quick comments and remarks about what's going on in the Egyptian economy, within the context of what is being discussed in this conference.

You know, Egypt, for more than two decades now, has been permanently under extreme pressures from international institutions headed by the International Monetary Fund to restructure the Egyptian economy; and it was a long process. If we emphasize, in particular, the period since the 1980s, the pressures at that time increased against the Egyptian government, and, accordingly, against those who are responsible for the economic procedures and functions.

But the pressures didn't succeed (I mean didn't succeed crucially), except in the early 1990s, and this was not by chance, this was in the period after the Gulf war. The Gulf war, as you may know, radically changed the balance of forces in the region; and, accordingly, this affected Egypt also; and what the IMF was not previously able to push and to press, was feasible after the Gulf war.

So, in the 1990s, the Egyptian government signed the agreement with the IMF for three years. The three years were focused, like the normal agreements with the IMF with all underdeveloped countries (the experience of Latin America is quite well known to you), and it is not very much different from what was planned also for Egypt and other Arab countries in the area.

The first phase of that so-called reform, was mainly concerning financial and monetary policies; and, as you know, the IMF emphasizes, on these kinds of reforms, on the assumption that this is the precondition for development, and development is derived from the needs of the financial and monetary assumed reforms.

But we see that development should come first, and any financial or monetary policies, should be derived from the

needs of development, and should cope with the needs of this development.

Anyhow, this first phase ended, starting from 1993. The second phase of the so-called reform started, and this was the most crucial one, which was concerned with restructuring the economy and industry, and coping with privatization on a large scale; and accordingly, the very core of the Egyptian economy was at stake. Accordingly also, the patriotic positions and national positions within the government and within other political parties, were getting higher and tougher, and accordingly, a lot of visitation happened in implementing the second phase of that reform.

This was concluded, or was faced by extreme economic measures against Egypt. The pressures meant that, in short, extra loans, and extra economic aid were prevented. It was expected that a high percentage of the Egyptian loans would be dropped, and the other part would be rescheduled; all this either was cancelled or postponed. As a pressure, they said that these agreements for dropping some of the loans, and for rescheduling the others, would not be implemented, except after the positive signal from IMF.

So, the IMF, of course, wrote very bad reports concerning the Egyptian behavior in economic policies, and that we are not very faithful to our agreements. So, their loans were not dropped, and this was a very serious pressure against our resources.

Also, many things which looked odd happened. For example, our revenue from tourism: It was said at that time, and still is said, that because of terrorist acts, etc., tourism has declined in the country. But by any rational analysis, it was not so, but it was manipulated that tourism should decline in the country, so as to affect foreign currency, and, accordingly, to affect policymaking.

The same happened for our cotton, and even for our wheat. All our investigations show that the decline in both cotton and wheat, was not by chance. Our cotton is the main commodity for export, and accordingly, any decline in the harvest, would affect our foreign resources again. Wheat is our main item in import; so also, the decrease in the production of Egyptian wheat, affects, again, the balance of payments.

So, all these different pressures were accelerating the rate

of implementing the second phase of economic reform, and precisely for privatization.

In short, even though our government did not accept or did not implement all that the IMF and World Bank tried to impose, still, the results and the consequences are comparable for what is known for you here in Latin America. The rate of growth in the last six years, has been either negative or below the rate of growth of the population. This means that the average per capita income has declined for the last six to seven years.

Again: For the same policies as in other countries, the rate of unemployment is increasing a lot. Before the so-called reform, it was about 12%; now it is 20%. Also, the income distribution is getting worse. In the early 1980s, the percentage of people living below the poverty line was about 30%; in the early '90s, (1990-91), it was 40%. And now, new studies indicate that it is worse than that.

So, all the traditional indications which other countries suffer from, are also seen in my country; and all this is counted and calculated according to the traditional methods. But if we rely on the better method, proposed by Mr. LaRouche, that is, the measures of physical economy, then the picture is much, much worse. Because even when we say that the Gross Domestic Product shrinks, or at least does not increase or expand to the desired extent, if we measure things by the real economy, by the physical component of this economy, so it is clear that industrial production, in quantitative analysis and counting, is declining year after year. And the same is true of agriculture. And if the GDP seems to indicate a better picture, this is due to the revenue coming from unproductive sectors, like the Suez Canal or the like.

In the country, all patriotic forces are now quite aware that the recommendations of the IMF and the World Bank are not for the benefit of our country or for its development. And accordingly, we are now launching a serious political campaign against such a policy.

I mentioned that even the Egyptian government was not very sympathetic to the agreements it signed with these institutions; but the Egyptian government at present is too fragile to hold with such opposition, and it is very difficult for the present Egyptian government to withstand the pressures. I referred to some of them in the economic field; of course, there are some extra pressures in the military and political arenas.

So this means, of course, a more political, firm position, which we are lacking. But the most important thing which is lacking, is another alternative, another vision, for how real economic reform can be done, and what is the vision for a new strategy for development.

Here again, I must admit that the studies which are proposed here, by Mr. LaRouche and his colleagues and students, really propose for us some very illuminating ideas about what the needed alternative may be. His ideas about physical economy and its concept and mechanisms, I think,

are very important in formulating the needed program for our country.

Sure, I may add here, that the approach of LaRouche in political economy is organically linked with a certain philosophy, which puts man in his proper place, as he mentions: man as the image of God. This philosophical or, I may say, religious vision, is very important. And what can be derived from this basic idea concerning comprehensive development, either in human terms or in capital and material terms?

This basic concept, which, as I said, is religious, is very important in our area. In Egypt and in the Arab region at large, we have something which you may have heard about, called the "Islamic Revival," which is a new search for identity. We are now in the mood to conceive that authentic development should start from our religious beliefs, which leads us to real humanistic ideas, reflected in proper and adequate economic development.

That's why the ideas of LaRouche really fit in our own concepts and, to my own understanding, I think it is quite parallel with what we think to be an Islamic economic development. Economic development within the concept of Islam, I think, is quite comparable; and accordingly, can benefit a lot from the studies I heard here and I read about.

I might mention, that for the first time in Egypt, that your people here, and the LaRouche School, started to be famous in my country, when we met together, hand in hand, during the [U.N.] population conference which was held last September. This was, as you know, a very important campaign on all different continents. In our region, it was very, very important for religious reasons, geopolitical reasons, for developmental reasons, and our party launched a harsh political campaign. Luckily, it was quite successful, in the sense that it could gather all the national forces in the country, around our slogans, against this conspiracy and this genocide.

For the first time, all religious people in the whole world moved hand in hand. It happened for the first time, that the Vatican was cooperating fully with different Muslim organizations and states, and this never happened before, that they campaigned with each other, hand in hand, against one enemy, and for one purpose. The concepts were accepted by all the participants in this campaign between all religious people, whatever the religion may be; and within all that, the campaign by *EIR* and its representatives in the conference, and before the conference, and on a nationwide scale, reached us, and I admit that we benefitted a lot from the results.

I say: The conference, which was a very serious conspiracy against the future of mankind, ended to be a real victory for all believers, for all friends of life, and accordingly, it was a real triumph for all those who believe in a healthy and real humanistic development for human beings as a whole. Let us hope that this cooperation between all good people and honest people and true believers, will be stronger and higher in the future.

Business Briefs

Africa

Interpol attacks role of 'economic liberalism'

Bjorn Erickson, International Police Organization (Interpol) president and Sweden's police commissioner, told a conference in Lusaka, Zambia that the drug barons in Africa have taken advantage of "economic liberalization," and used \$100 billion to set up banks for the purpose of laundering drug money, Reuters reported on June 2. The conference was attended by 26 African countries and 10 observer nations.

Erickson also told the conference that the drug business in Africa has reached \$400 billion. And, "by exploiting the liberalized market economy, they have managed to put themselves in high business positions. This makes it easy for them to associate with politicians and influence decisionmaking," he said.

The estimate of a \$400 billion per year drug business in Africa alone, is high for a police agency, but consistent with estimates made by *EIR*. The reference to liberal economics is unprecedented for a police agency.

Ukraine

Protection of IMF to be put to voters

Ukraine President Leonid Kuchma on May 31 ordered a plebiscite to be held on June 28, with the aim of ending Parliament's ability to block or supersede International Monetary Fund (IMF) so-called "reform" policies, according to television reports monitored in Ukraine. As stated by Kuchma, voters will be asked which branch of government they want to exercise sole control over economic policy and the "implementation of economic reforms," the President and cabinet, or the Parliament.

According to Ukrainian sources, Kuchma is confident that he will win the plebiscite—a defeat would be a major humiliation. His confidence is based in part on the result of the May 14 referendum in Belarus, in which, out of desperation, people voted for increased executive

powers, leaving Parliament in the cold, in the hope that "strong man" rule can start to bring stability and end the collapse of the economy and living standards.

Kuchma has selected a weekday for the vote, thus ensuring a high urban turnout. In late June, and into the summer, holding the vote on a Sunday, as is normally done, would ensure a low turnout, because most city dwellers are at work in their rural cottage gardens, fighting to ensure that the family has enough potatoes, vegetables, and fruit preserves to survive the coming winter.

Insurance

Kissinger crony comes to Lloyd's rescue

The American-based AIG insurance group, chaired by Hank Greenberg, is about to give crucial backing to the troubled Lloyd's of London insurance market, according to the June 2 *London Times*. Former U.S. Secretary of State Henry Kissinger, a self-admitted British agent of influence, sits on the advisory board of AIG. AIG also owns about 40% of Kroll Associates, a firm which has played a key role in the policy turn toward economic and financial warfare against allies of the United States announced by then-CIA head William Webster in 1990.

According to the reports, AIG will provide "errors and omissions" cover to Lloyd's for the first time. The reports of the move coincided with the announcement in late May by Lloyd's of a proposed rescue plan, in which old liabilities of some \$4.5 billion will be off-loaded into a new company, Equitas—a legally separate "garbage can" for claims for policies written in 1992 or earlier, most of which relate to outstanding liability claims resulting from U.S. asbestos suits. The AIG offer to provide the special insurance cover would be critical to success of the Equitas plan.

In unveiling the plan, which claims to limit or cap the potential future liability of Lloyd's Names (wealthy investors), chairman David Rowland admitted it had "considered it an attractive scenario to walk away from old-year liability, particularly in the [United] States," but had decided not to do so because that would

likely have forced it to stop underwriting in the United States, from which it gets a major part of its revenue.

Until now, no other major world insurer has been willing to extend the troubled Lloyd's group such cover, leading to speculation that AIG is doing it out of political considerations.

Banking

Banker: Derivatives are against Islamic morals

Dr. Saleh Al Malaika, chief executive officer of the Dalla Al Baraka Banking Group, found a lot of support for his attack on the use of financial derivatives from other Arab attendees at the international forum on Arab banking in Berlin in late May, the German business daily *Handelsblatt* reported on May 29.

"Instruments like futures, options, and swaps are undoubtedly a form of gambling" that involves many risks, Al Malaika said. Trading with derivatives runs into open conflict with the ethics of Islamic banking that oblige bankers to protect clients from risks and to not allow them being divided into winners and losers, he said.

Al Malaika called on all in the world of finance to return to principles of sound banking practices for the sake of market stability. "If we don't sell what we do not have, actually, there will be no further earthquakes like the crash of '87 and the debacle at Barings," he said.

China

National focus put on science, technology

China's leaders convened the largest, highest-level national conference on science, education, and technology that it has held since 1978 in Beijing on May 26, *China Daily* reported. The meeting, attended by almost all top national leaders, military commanders, ministers, national heads of corporations, scientists, and

Briefly

provincial and municipal leaders, was addressed by both President Jiang Zemin and Prime Minister Li Peng. President Jiang said that the Communist Party and government leadership have recently decided to accelerate scientific and technological progress.

Jiang said that the meeting will have a crucial impact on China's economic and social development, and called on "the whole nation to join the drive of 'invigorating China through science and education,' symbolizing the country's decisive shift toward a science-oriented course of development," the paper wrote. Jiang called science and technology the "number one productive force" (a quote from Deng Xiaoping), which must be further intensified.

Prime Minister Li Peng emphasized the urgent problem of quickly translating technological achievement into agricultural and industrial productivity. Both announced that China will increase its investment in research and development from the current 0.5% of Gross National Product, to 1.5% by 2000.

On May 26, *China Daily* editorially called the conference a "milestone," and emphasized its national importance by referring back to a science conference convened by Mao Zedong in 1956, and one by Deng Xiaoping in 1978, both turning-points for China. The State Council has now released a policy statement on accelerating progress in science and technology, and a strategy was announced that national prosperity be brought about through science and education.

Trade

British make big push into Ibero-America

British Vice Minister of Trade Richard Needham is pushing British interests in Peru and Colombia, the latest of an unusual number of visits by British officials to Ibero-America. Needham is talking up the area, telling everyone that the British government seeks to promote British investments in Argentina, Brazil, Colombia, and Peru, the daily *Sintesis* reported on May 31.

Needham came out of a one-hour meeting with Peru's President Alberto Fujimori on

May 30, talking as if his government were an ally of the Peruvians: "There is a tremendous opportunity if the Peruvians and we, the British government, can sell to British investors the idea that a real opportunity exists, in the stability of the political and economic climate here," he told Reuters. He specified that British businessmen (20 accompanied him on this trip) are eyeing Peru's energy, mining, and agro-industrial sectors. He cited Rio Tinto Zinc's interest in buying out the state mining corporation Centromin, and Royal Dutch Shell's detailed plans to exploit the large Camisea natural gas find.

Needham and his entourage arrived in Colombia on May 31, just as British Petroleum announced yet another oil find, named Florena, in Colombia, of undetermined size but high quality.

Italy

Bishops urge investment, less speculation

In a "Decalogue" issued by the Labor Committee of the Italian Bishops Conference in late May, Italian bishops are urging that increased funds flow into investment, and less into speculation, the Milan daily *Il Giornale* reported on May 26.

Businessmen are given rules in order to respect both profit and human dignity. Among others, rule number five says, "Reinvest gained money," while rule number ten says, "Do not speculate."

Illustrating the content of the Decalogue, outgoing president of the Labor Committee Msgr. Bartolomeo Sante Quadri explained, "Since new technologies lead to the reduction of working places, one must try to reinvest in order to create more work opportunities." Quadri added that "creating more jobs does not mean to exploit more people. . . . We will never stop telling the banks that they should not demand very high interest [rates] from troubled companies." Monsignor Quadri's advice on unemployment is that "to fight it, one should have more courage, invest more, and speculate less."

● **THE BRITISH** Securities and Futures Authority announced on May 30 that it had levied its largest-ever fine of £240,000 (\$383,000) against Morgan Stanley International in London, after an investigation found that the firm had made unauthorized derivatives trades for five private clients three years ago, Reuters reported.

● **IRAN'S** Vice President Hamid Mirzadeh said that economic agreements worth more than \$2 billion were signed during his recent visit to China, Teheran radio reported, according to Reuters on May 31. The accords included a subway contract; oil deals; cement, glass, zinc, copper, and steel plants; a hydroelectric plant; and shipbuilding and fisheries projects.

● **CHINA** cut back spending on important projects because of a \$720 million shortfall in 1995 investment funds, *China Daily* reported, according to Reuters on May 31. The central government had planned to invest 30.7 billion yuan (\$3.69 billion) in railways in 1995, but has so far provided 24.72 billion yuan.

● **UNILEVER** Chemical is benefiting from Greenpeace's campaign against the production of chlorine-paraffin at Hoechst Chemical, which has ended production in Germany and cost 6,000 jobs. The British firm is now expected to export the same product to Germany and take over Hoechst's world market share.

● **DUSTMEN** are better forecasters than finance ministers, according to the results of a London *Economist* survey which in 1984 asked CEOs, ex-finance ministers, students from Oxford University, and dustmen to predict world economic trends for the next 10 years.

● **ANDERSEN** Consulting S.A. of Paris and Price Waterhouse Ltd. of London are recommending a 300-400 (20%) personnel cut in the European Space Agency, the May 29-June 4 *Space News* reported.

MHD pulsed power for geophysical research

The Cold War produced an array of new military technologies that Russia and the U.S. can now turn into scientific tools. Marsha Freeman reports.

Russian Academician E.P. Velikhov, speaking at a meeting of the American Physical Society in Washington, D.C. on April 20, made an appeal to scientists to apply what he termed "exotic technologies" developed during the Cold War to solve scientific problems. "There are many Cold War technologies which I think have some useful application," Velikhov stated. "I only wish to give you some from my own experiences."

At the end of the 1960s, he said, he was asked to provide an energy source for laser weapons, for the Soviet strategic defense program. "In studying this energy source [requirement], we looked into the MHD [magnetohydrodynamics] generator, which was invented by Michael Faraday very long ago." Faraday had noted in 1832 that an electrical current could be produced directly by the flow of an electrically conducting fluid (such as saltwater in the Thames River) through an external stationary magnetic field (that of the Earth).

Today electricity is produced mainly through the rotational energy produced by huge pieces of equipment such as steam turbine/generator sets. MHD direct conversion of the energy in fossil fuels, along with nuclear fission and thermonuclear fusion, could potentially more than double the 35% efficiency of steam turbine conversion (see **Figure 1**).

MHD technology is a good match as an energy source for laser weapons, because it can be a stand-alone pulsed-power generator independent of a central power grid, able to be located in remote areas. The electrically conducting fluid for this type of pulsed power generator is produced through the ignition of a solid fuel rocket engine. "It is quite possible to produce the pulse for a few seconds," Velikhov explained,

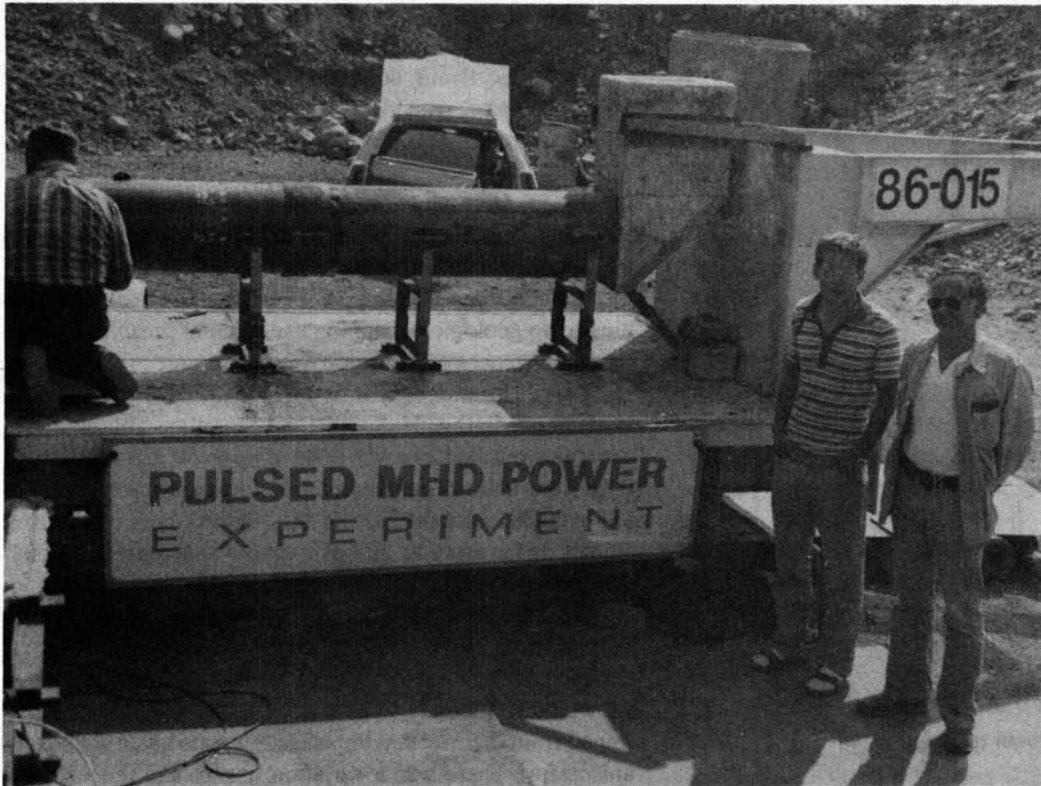
"without any cooling" of the external magnets that surround the MHD channel. "And a few seconds is exactly the time of life of the magnetic fields which you want to have."

"We started with the idea of using this as the energy source" for weapons applications, Velikhov reported. He invited the audience to go to see the combustion chamber used to fuel a portable MHD generator which is in the Smithsonian's National Air and Space Museum in Washington. "It is the first stage of the SS-20 rocket," he said.

When the weapons applications were no longer on the agenda for the Soviet Union, Velikhov reported, "we did not know what to do with this, really." But years before, Soviet scientists had noticed "some sort of a natural coincidence. The same few seconds [needed for energizing a laser weapon] is the time of the propagation of a magnetic signal for a few kilometers through the Earth's crust." Soviet scientists, under Velikhov's guidance, had been experimenting using portable MHD generators for geophysical soundings since 1973.

"For 20 years I tried to convince Americans" to apply MHD technology to geophysics, Velikhov said, as he reviewed the two decades of research carried out in remote areas of the Soviet Union. He said that he was pleased to report that after 20 years, there was now, finally, a Russian Pamir MHD generator in the United States, which he hoped would not be used for weapons applications, "but to be used, as we try, in geophysics."

Although Velikhov's MHD generators have helped produce some impressive experimental results in geophysics over the past 20 years, he complained in his talk that the "geophysical community is extremely conservative" and pre-



In 1986, scientists from the Lawrence Berkeley Laboratory performed some preliminary geophysics experiments using this 5 MW portable MHD generator built by the STD Corp. On the right is the combustor, using a rocket engine. Attached to it, extending to the left, is the MHD channel which is surrounded inside by magnets.

fers to continue to use traditional time-tested techniques, rather than embark on a “new adventure.”

The same has been the case, so far, in the United States, American MHD specialists report. Although there is now a Russian Pamir MHD generator in the United States, the Air Force, which paid for the system to be brought here, has no mission for using it.

MHD technology can be used for a wide range of applications, from baseload utility power generation to stand-alone pulsed power systems, materials processing, and space propulsion. The large-scale research efforts to develop MHD for electric utility use are at a standstill in both Russia and the United States. Smaller programs in other nations are likewise stymied.

MHD energy conversion is the basis for a family of technologies whose time has come. Direct conversion will be the technique of choice in the future for electricity production to replace century-old steam turbine technology. MHD opens the door to many special applications in energy production and use that are unique to this advanced plasma-based technology.

Velikhov's geophysics MHD generators

Over the past 20 years, Academician Velikhov has been in leading positions in the MHD, thermonuclear fusion, civilian and military laser, and advanced computer programs in the Soviet Union and Russia. He has played a leading role in

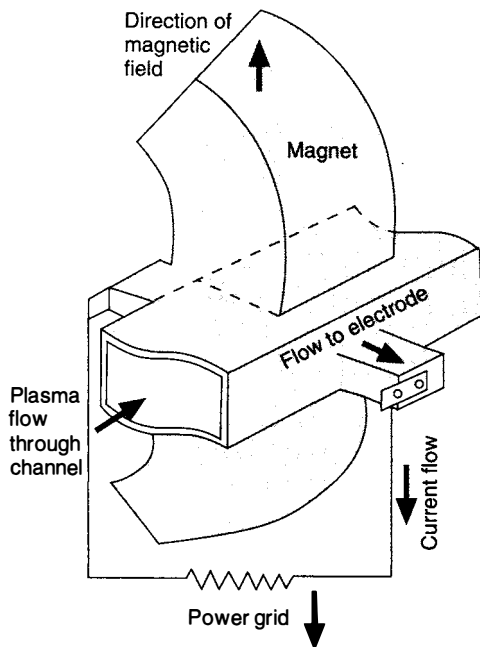
science policy questions as an adviser to Presidents Mikhail Gorbachov and Boris Yeltsin, and has had the advantage of an overview of many of Russia's frontier technology projects.

Probing the crust of the Earth to determine its geological characteristics and structure in the past has depended, to a large extent, on studying the seismic waves produced during earthquakes. By measuring the rate of propagation and degree of deflection of seismic waves through layers of the crust produced by earthquakes or nuclear explosions, scientists can map the density and elasticity of the medium through which the waves travel.

But as Russian geophysicist B. Golitsyn remarked a number of years ago, earthquakes are like lanterns that illuminate the deep layers of the Earth just for an instant, and having to wait for earthquakes has obvious limitations. Furthermore, only the mechanical properties and elasticity of the material are illuminated through seismic waves, “appropriate for billiard balls, but not the Earth,” another geophysicist has remarked.

In order to probe the remote areas of the Soviet Union, which are the normal foci for earthquakes, Velikhov developed his first-generation portable MHD generator, the Pamir, in the mid-1970s. The generator was developed jointly by the Institute for High Temperatures in Moscow and the Kurchatov Institute of Atomic Energy, which Velikhov heads today. In 1973, the generator was taken on its first trip to the

FIGURE 1
What is MHD?



Basic electrodynamics dictates that when a conductor is moved through a magnetic field in a perpendicular direction, an electrical current is created in the conductor. In MHD direct conversion, the moving conductor is the supersonic flow of an electrically conducting gas or liquid. The plasma gas flow can be made up of the combustion products of oil, coal, or gas. It can be a liquid metal that is heated by a nuclear fission reactor, or the plasma that is the fuel in a fusion reactor. As the diagram shows, electrodes placed along the side walls of the MHD channel, perpendicular to both the plasma flow and the direction of the magnetic field, are connected to the load that will utilize the power.

Pamir Mountains.

The Pamir-1 used solid rocket fuel to produce 15 MW of electrical power, in 1.5-second pulses. The 8.5-ton device was carried by truck into the Pamir Mountains and could register signals at a distance of about 20 km at a depth of about 20 km into the Earth's crust, through 3 km-long dipole cables (equally and oppositely charged) connected to the MHD channel's electrodes. The traditional approach to probing the depths of the crust has been to drill boreholes into it, a method which has a limit of about 8 km in depth. The early Pamir experiments transferred the pulses of power from the MHD generator to electrodes buried in the Earth.

One of the most important observations made during the early Pamir experiments was that about two months before an earthquake, the electrical conductivity of the Earth's crust apparently changes. This would clearly be enough warning

time to evacuate or prepare populated areas for earthquakes.

The basic Pamir design was upgraded to the Pamir-2 MHD generator, which was taken to the Caspian Basin to do oil prospecting. The pulse length was increased to seven seconds, and over three seasons, several thousand square kilometers were electromagnetically mapped. These measurements produced the first complete geological data through the total thickness of the crust in that region. Velikhov announced in the early 1980s that the Soviets were planning to do geological mapping and mineral prospecting with the MHD generator in eastern Siberia.

Two years after the Pamir-1 experiments began, the Urals-series of MHD generators started operation. This upgraded generator reached a power level of up to 50 MW and scientists were able to penetrate to 40 km depth, which is the entire thickness of the Earth's crust in the Urals, and register signals as far away as 70 km from the source of the signal. The generator used an automobile engine to start the generator.

Scientists discovered a 100-fold increase in electrical conductivity at a depth between 35-40 km. Further analysis showed this anomaly to be a deep fault, which they determined from the fact that the measurements had a significant anisotropy: There was a variation in physical properties in different directions (north-south versus east-west). The data also indicated the locations of bodies of magnetic ores.

Experiments on the sea

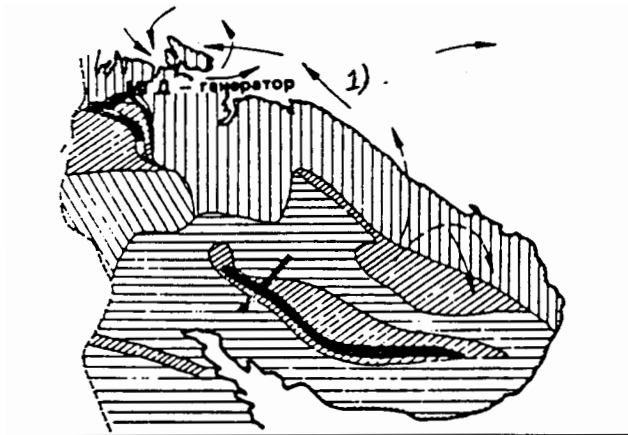
In 1980, the Soviets reported an interesting series of experiments, using their next-generation Khibiny MHD generator. This system was essentially two pairs of Ural-class portable generators. The power level reached 60 MW, the distance probed was extended an order of magnitude to 750 km, and the pulse length was seven seconds. One MHD channel producing electricity was used to keep the external magnets powered, and the second produced the power for each sounding pulse.

The Khibiny generator was taken to the Barents Sea, where its task was the mapping of the Kola Peninsula. Due to the proximity of the experiments to Finland, an agreement was reached with Finland's Academy of Sciences for joint mapping of the region.

Instead of laying down tons of aluminum cable to conduct the pulses of power, the scientists used the naturally conducting saline seawater as the "wave guide" for the pulses. The MHD generator was placed on an isthmus connecting the Sredny and Rybachy peninsulas with the main body of the Kola Peninsula, and the electrodes were placed in the sea. In order to carry the pulses from the generator to the sea, 160 tons of cable was laid, but the loop of water was able to cover an area of about 5,000 square kilometers. To cover such an area on dry land would have required 7,000 additional tons of aluminum loop.

FIGURE 2

Block structure of the upper 10 km layer of the Earth's crust of the Kola Peninsula, obtained by Soviet MHD probing



In a paper presented in 1986 at the Ninth International Conference on MHD in Tsukuba, Japan, Velikhov reported on the results of these experiments. Scientists measured discontinuities through the entire thickness of the Earth's crust. The upper layer, down to a depth of 10 km, had been believed to be composed of homogeneous rock with poor electrical conductivity. What they found was a dozen or so large blocks of rocks with electrical resistance varying by three orders of magnitude (see **Figure 2**).

Velikhov proposed that either there is mineralized water that filled the pore of the rocks, or that they are measuring the valence electrons of metallic ores. His conjecture is that these results indicate the presence of oil reserves in the Barents Sea shelf.

One of the goals of the Barents Sea experiments was to measure the effect of these artificial electromagnetic pulses on the Earth's electrically conductive ionosphere. In addition to having important military implications, in terms of disrupting communications, knowledge about this layer of atmospheric plasma has important contributions to make to the understanding of weather, climate, and the relationship between atmospheric and geophysical phenomena.

In the mid-1980s, Velikhov had envisioned developing a family of second-generation portable pulsed MHD systems to be formed into geophysical complexes to collect, process, and interpret a steady stream of data. **Table 1** indicates the variety of applications the Russians visualized.

While Velikhov was doing his work on MHD in the Soviet Union, the U.S. military became more interested in pulsed power after the announcement by President Reagan of the Strategic Defense Initiative in March 1983. There were obvious applications for this technology to geophysics.

U.S. pulsed power MHD

In 1986, three scientists at the Lawrence Berkeley Laboratory in California proposed that a 5 MW portable MHD generator built for the Naval Surface Weapons Laboratory by the STD Research Corp. be "borrowed" to conduct electromagnetic sounding experiments.

Prof. Frank Morrison, N.E. Goldstein, and Dr. George Kolstad pointed out that electrical conductivity is a valuable physical property of the Earth's crust related to temperature. It could yield information on the porosity of rocks, water content, and other parameters.

Their proposal to do such experiments was approved, and for the test, a loop antenna made of electrically insulated loops of conducting cable was used. The MHD generator sent pulses of electric power through the antenna, but the idea was not to transfer the electricity directly into the crust of the Earth. The pulses of power create magnetic fields each time the electrical flow is interrupted, and these magnetic fields induce eddy currents in the ground. The induced eddy currents, in turn, create their own magnetic fields. By measuring the rate of decay of the secondary magnetic fields below the loops using very sensitive magnetometers, computer-generated images of rock, structures, water, and fractures were produced, to depths of 10-20 km.

The working fluid through the MHD channel of the generator was solid rocket fuel with cesium added to increase the conductivity of the fluid. A bank of batteries was used to power up the magnet, creating a field in the magnet coils of 0.45 Tesla. When that field strength is reached, the combustor rocket engine is ignited and the initial electricity produced in the channel is fed back in to continue to power the coils.

The power to the magnets is turned off when they reach full strength and the electricity is fed into the loop antenna. This generator design is described as "self-excited," as increases in the magnetic field increases the electricity produced in the generator, and the power grows geometrically.

Morrison and his team took measurements at points 1.2 and 2.1 km from the center of the loop. The tests were primarily to match the MHD power supply with the electromagnetic sounding equipment, but one finding of the soundings was an indication of magnetic field changes suggesting a "lateral inhomogeneity," which may have been the San Andreas Fault, located only a few kilometers from one of the receivers.

In 1986, the SDI Office became interested in MHD, and after a competitive bidding process, STD won the contract in 1990 to build a 25 MW generator. STD estimated that their superior design would allow a machine that would be one-fifth the size of the Soviet MHD generator of comparable power level. Work on the generator began, but when the device was 90% completed, the Bush administration decided that, perhaps because of its "success" in the Gulf war, such advanced technologies were no longer needed. The funds to

TABLE 1

Pulsed MHD design parameters for geophysical exploration

Type of structure (geophysical task)	Char. depth (km)	Current pulse length (sec)	Required magnetic dipole (A-m ²)
Crust, platforms, and shields Investigation of deep geoelectric section)	30-100	0.1-10	3×10^{10} to 3×10^{12}
Mountain systems (ranges) (earthquake prediction)	15-30	0.1-10	3×10^9 to 3×10^{10}
Sedimentary cover (structural oil prospecting)	3-8	1-20	10^8 to 5×10^9
Ore-bearing regions (ore prospecting)	1-3	0.1-1	10^6 to 5×10^7
Continental shelves (mineral prospecting)	1-10	1-10 ²	5×10^7 to 10^9

complete the MHD generator were never procured.

The latest comer in the military to be interested in MHD is the U.S. Air Force.

Pamir comes to America

The fall of the Soviet Union has led to a standstill in many promising areas of research and development, including MHD. But over the past year, one of Velikhov's aspirations for helping to bolster the Russian program through international collaboration in MHD, and to broaden the base of support for this promising technology in the world scientific community, came to fruition, with the delivery of a Pamir MHD generator to the United States.

In the summer of 1992, the U.S. Air Force put out a request for proposals to industry for a pulsed MHD generator that would produce 15 MW of electricity in 6-10-second pulses. Textron Defense Systems proposed that rather than build an MHD generator, it contract with the Institute for High Temperatures in Moscow to build one to U.S. Air Force specifications. Textron had purchased the Avco Everett Research Laboratory in Massachusetts, which did pioneering research in MHD under the direction of Dr. Arthur Kantrowitz, starting in the 1960s.

After the fall of the Soviet Union, the U.S. military was very interested in acquiring advanced technologies from Russia that the United States had not invested the resources to develop. The Phillips Laboratory in Albuquerque, New Mexico, which was managing the MHD contract, was to manage half a dozen Soviet Topaz space nuclear reactors. The Topaz purchases were the precedent for Textron's proposal to buy a version of the Russian Pamir MHD generator.

The work on the generator began in January 1993 in Moscow, with support work from the Nizhny Novgorod Machine Building Plant and the Lubertsy Scientific and Production Association Soyuz, both in Russia. The Pamir-3U went through initial testing in Russia in October 1994, and com-

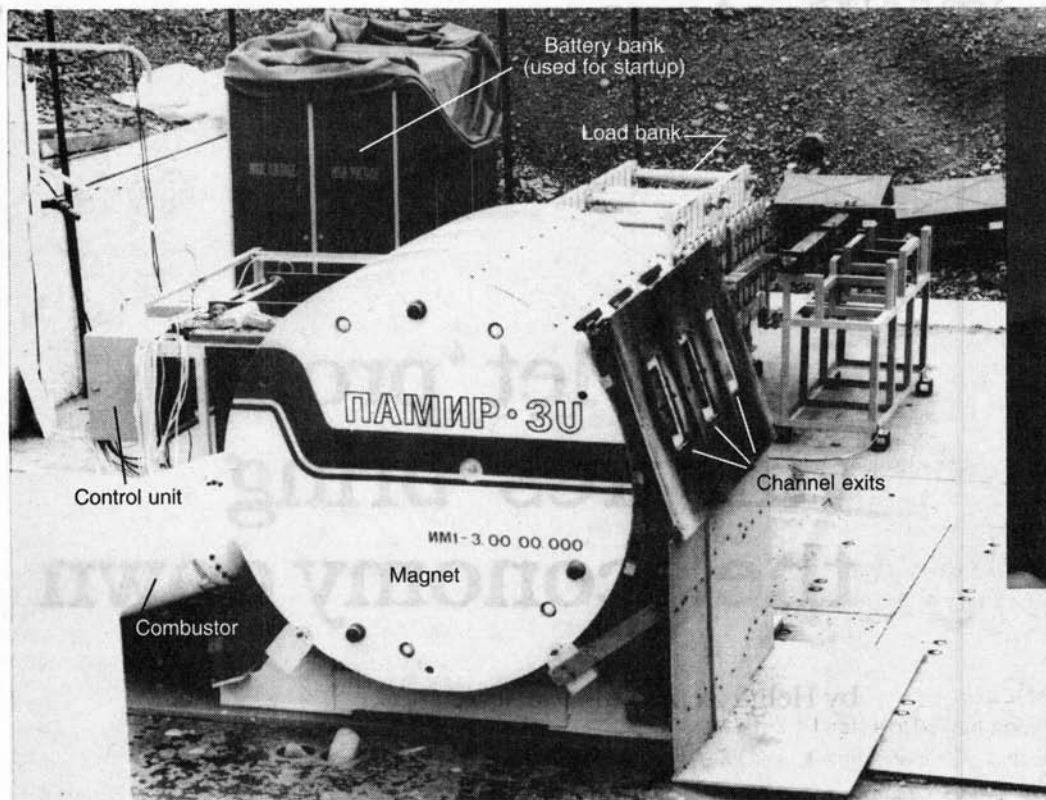
pleted acceptance testing on March 1, 1995 at Aerojet Corp.'s facilities in California. It was transferred from the Air Force Matériel Command at Phillips to the rocket propulsion directorate at Edwards Air Force Base.

The Pamir-3U, now at Edwards Air Force Base, is an upgraded version of the early Pamir generator. The original Soviet design had three external magnets with two MHD channels in between. The Pamir-3U has four magnets and three channels, which increases the power generated. During the initial stage of powering up the generator, all three MHD channels supply power to the electromagnets. During operations, two of the MHD channels supply electrical power to the load put on the generator, and one to the magnet.

According to Dr. David Price, project officer for the MHD generator at the Phillips Laboratory, the Air Force wants to develop an in-house expertise in MHD technology. While he stated that the generator "would be a good power source for a ground-based laser," he reported that after two more tests are done at Edwards, "there is no planned follow-up experiment" for the Pamir-3U.

According to Dr. Price, the Russians are very eager to market this technology. At the acceptance test in California, the Russians commented that they are selling an MHD generator to the Japanese, who are interested in using it for geophysical research, particularly after the Kobe earthquake. His estimation is that the Russians may close the window of opportunity, in terms of exporting additional MHD technology, such as more advanced second- and third-generation devices, and he is concerned that expertise in this field in the United States could die because of political and budgetary considerations.

Now that the \$4 million project of building and testing the generator is complete, Dr. Price said there is no funding in the budget for next year to use the MHD generator as a power source for any Defense Department experiments. According to scientists at Textron, the geophysics communi-



The Pamir-3U pulsed MHD generator built in Russia for the U.S. Air Force (inset: Academician E.P. Velikhov).

ty in the United States is just as conservative as that in Russia, and the company is still trying to find scientific applications for the technology, as is the Air Force. Geologists have told the MHD specialists that they can use less powerful pulses, for example, and employ sophisticated electronic techniques to increase the signal-to-noise ratio. But because there is a wealth of other geophysical applications for MHD, enthusiasts are still trying to interest the scientific community.

In the 1960s, American scientists pioneered this new application for plasma physics, MHD. In the 1970s, Soviet scientists were actively trying to develop and apply a similar line of emerging technologies to primarily defense missions. After signing the Anti-Ballistic Missile Treaty in 1969, the United States decided that it would not deploy or even develop a defense against nuclear weapons.

After the Soviet Union fell, Russia found that it could no longer support even its premier scientific institutions, while following the dictates of the International Monetary Fund's shock therapy. So the United States went on what has been described as a high-technology "shopping spree." This approach is a multi-edged sword. If it is done to buy advanced technologies from the Russians on the cheap, because we will not allocate the funds to make advances ourselves, we are not doing ourselves any real favor. We are also sending our scientists and engineers to the unemployment line.

Such purchases may temporarily financially stabilize the

institutes of the Russian Academy of Sciences, but are no long-range solution to Russia's economic crisis.

In his speech to the American Physical Society, Velikhov outlined other areas of potential scientific cooperation. These included joint experiments in thermonuclear fusion energy, some of which are already under way, and an intriguing proposal to use formerly nuclear-armed submarines for undersea exploitation of oil and gas reserves.

Velikhov stated that the Kurchatov Institute, which he now directs, by tradition not only introduced new technologies, but "organized very efficient mass production of [weapons systems such as] nuclear submarines." With the Cold War over, the Russians plan to destroy 150 subs, he said. "Many of them were already sitting on the beach, and I hope we will never need to build them again. The problem is, what to do with this industry, which provides 150,000 jobs?"

Velikhov reported that three years ago, scientists at the Kurchatov Institute applied to the government to convert the submarine industry to production of offshore platforms. They have completed two structures, in cooperation with an Australian company, and have developed drilling techniques that can be used under ice.

As Velikhov outlined, there are many examples of Cold War technology that can be adapted for purposes of economic development. But for that to come to fruition, the guiding policy must be vectored toward economic development.

Don't let 'profit vultures' bring the economy down

by Helga Zepp-LaRouche

This speech was given on May 17 to a conference of the Schiller Institute in Washington. Mrs. Zepp-LaRouche is the founder of the institute, and the chairman of the Schiller Institute in Germany. Her husband, Lyndon H. LaRouche, Jr., also addressed the conference (see a report in EIR, May 26, p. 48).

Some of you may have attended the previous seminar here in Washington, on March 29. We told you at that point that, contrary to the relative illusion in Washington, people in Europe are much more aware of the imminent danger of the collapse of the financial system.

Now, my husband and I have just come back from a three-week trip to Germany, where we met a number of German economists, bankers, but also representatives of other nationalities. And indeed, it was quite remarkable to see that there is a growing concern among, I must say still a minority, still not the dominant forces in politics and media, but significant people, who are convinced that the majority of the top banking and government elite of the world have lost control already, that the top government officials and the top banking and financial officials do not grasp the situation any longer, and that we are indeed facing a genuine breakdown of the system, a breakdown which is completely different than anything which has previously happened in history, different than the 1923 inflation in Germany, different than the Great Depression of the 1930s, and even different than the collapse of the fourteenth century.

What was most amazing to me, was that one individual, who I can assure you is a very senior banking source in a European country, with whom we have been in contact for 10 to 15 years—which has been a rather rocky relationship, because he did not always agree with our views—this person has come around completely, and said that this collapse is so imminent, that it could potentially happen in a week. It could happen in two weeks, it could happen in more than that, but he said the situation is such that it could be a week or less.



Helga Zepp-LaRouche addresses the Schiller Institute's conference on development in Washington, D.C. on May 17. To her right is her husband, Lyndon H. LaRouche, Jr. In Germany, she reported, there is now an open debate about the possibility of the collapse of the global financial system, in which the true motivations of both camps are becoming increasingly transparent.

A number of these individuals have expressed the view that the biggest problem they see for the world to come out of this mess, is that the present elites are very ill-equipped to make the kinds of world-historical decisions required under conditions of such a collapse, and therefore they have very little hope for an orderly reorganization of the system.

Two camps

Now, there is another thing, new and also very interesting, of all places in Germany (which I have a certain attachment for, and it always upsets me more than these other countries when the stupidity in this country is very big; because of the postwar Yalta arrangements, the control of the public debate in Germany always has been firmer, and you get less truth there than anywhere else). For a couple of days in Germany, there has been an open debate about the possibility of the collapse of the global system. But it's also a fight, and what is now appearing very clearly, is that two camps are opposing each other completely, where the motives behind the arguments of each camp, are also completely transparent.

For example, last week there was a meeting of the Berlin Stock Exchange Club, where the vice president of the Federal Oversight Office for banking said that there is a danger of a global financial system collapse triggered by the speculations on the futures markets. And this is due on the one side to the gigantic growth of these markets and their close interconnectedness. Given the fact that these transactions,

which presently are on the level of approximately 1 trillion transactions per day, are really in the hands of a relative handful of players, if only one of these big players were to collapse, this could lead to the collapse of the entire system, because the entire net of derivatives could break. And he publicly said, "To bring such a collapse under control with traditional methods is nearly impossible. If there are crash-like turbulences, the international banking oversight would have great difficulty getting crisis management going quick-enough to stop a total collapse."

Now, this was the response to a longer speech by Nobel Prize winner Merton Miller from the University of Chicago, who spoke at the same occasion. And Mr. Miller totally rejected the control of futures markets or any regulations on derivatives, by saying, "Regulation must be the last resort, not the first." This is somewhat absurd; I mean, if you look at where we are, it's not the first measure, by any means. Then he said, "All these bankruptcies and collapses due to derivative losses"—Metallgesellschaft in Germany, the collapse of the British bank Barings, the major losses of Orange County [California], the losses of Procter and Gamble, and one could add many more, like [France's] Crédit Lyonnais—are all due to speculation with derivatives and futures, but "none of these has done any harm to the real economy."

Now, Mr. Miller got the Nobel Prize for contributing to what is generally called the "theory of the capital market," and I must say that what he has pronounced, is really, if

you look at it closely, just a self-serving theory to justify stealing by this handful of players.

On the one side, he admits that the financial system is totally decoupled from the physical economy (which is true to a certain extent), but he denies that the two systems are interacting, and he says, "You can speculate in the global-financial casino, and it has no effect on the economy, it has no effect on jobs, it has no effect on industry and on the well-being of society."

Well, it's really only a desperate lie when Miller says that all the losses "only hurt individuals," namely, one of this handful of big players, and never the public. And since it's only the transfer of wealth, therefore, an intervention to stop or regulate this, is not justified. There is no risk that the banking collapse would trigger a global financial collapse; this is very unlikely, he says, and the danger of a collapse because of derivatives does really not exist at all. A domino effect of collapses can hardly occur, and after all, Barings was only a small bank, and this could never happen with the big banks, which have much greater capital reserves.

Now, as you can see, there are two factions, one saying the system is going bust, and the other one saying, no, it cannot happen.

Germany's savings and loan institutions

Very interesting is that last week also in Hanover, there was a conference of the Savings and Loan Association, where Dr. Horst Köhler, the chairman of the German S&L Association and former longtime adviser to Helmut Kohl, basically said that the recent currency turbulences—the collapse of the dollar, the fluctuations of the yen, the deutsche-mark, and all the other currencies that had dramatic changes in exchange rates—demonstrate that the financial markets have separated to a very high degree from the real economy. And this makes planning of investments, or the definition of any firm policy, very difficult. He said that the problem, therefore, is that short-term thinking and speculative profits have become dominant, and that the mode of such behavior has its roots in the Anglo-Saxon financial system, and it has led to a complete casino-mentality on the markets.

He also criticized a recent paper by Deutsche Bank, still the largest German bank, proposing the privatization of the savings and loan system. Köhler attacked this as not representing the privatization, but the smashing of the savings and loan system; that under the cover of market language, this is just an attempt to capitalize upon the financial pressure under which all the communities are now operating, which in Germany are as bankrupt as in the United States or other countries in western Europe. It is basically a blatant effort to grab the savings of ordinary people—as you know, the savings and loans are generally not the places where the upper crust of society puts its money, but rather where little people put their money—to enhance their speculative

position on the international markets.

Now, fortunately, Chancellor Kohl at this meeting rejected this idea of privatization of the savings and loan system, and this organization passed a resolution for the savings and loan associations, that financial profit is not an end in itself, and should not be oriented toward speculative gains.

What surfaces here in this debate in Germany, in statements like that by Mr. Sanyo from the Berlin banking oversight office and Dr. Köhler, is a weak echo of the old tradition of industrial banking in Germany, such as the former head of Deutsche Bank, Hermann Abs, or the famous head of Dresdner Bank, who was assassinated in 1977, Jürgen Ponto, or more recently, Deutsche Bank head Alfred Herrhausen, who also was assassinated, and who represented a philosophy of industrial banking which was, at least in principle, the idea that banking should be the servant of industry, and not the Moloch to whom industry and agriculture are sacrificed in order to keep the banking system going.

The banking collapse

Now there is also a major alarm of the audit officers in Germany, about the collapse of banking, as well as by the association of taxpayers. They have noted that the German federal government and the states are involved in financial speculation in the derivatives markets, with exceptionally high risks, like that which led, in the Orange County case in California, to these major losses. They say that they now need unified guidelines to prevent the misuse of taxpayers' money, which in a certain sense indeed is illegal, because people are paying taxes, and then some bureaucrats are speculating at high risk. Now the chief of the Berlin Audit Office, Horst Giltschik, demanded that the risk of speculation be brought down toward zero, i.e., eliminated.

Since the end of March, when we had the last seminar here in Washington, what has happened in the economy? You had on the one side, the super-insurance company Lloyd's of London, basically going bankrupt. This is not the real story yet, because they are only forced to publish their figures with a three-year delay, and in the period between 1988 and 1991, they had a \$12 billion loss (in 1992, probably even more). They have additional outstanding loans, with no chance to retrieve them, and this is only up to 1992; this has led to 30 suicides of top management people associated with Lloyd's. So, the period when bankers are dropping on Wall Street—and you'd better open your umbrella when you walk, so you aren't hit by these bankers dropping down—this season has started. There are also 30 major suits against Lloyd's by people who have lost significant money, and whether they go bankrupt or not right now, is an open question, because they need £1.5 billion by August to avoid bankruptcy, and this after the Bank of England has already refused to bail out the much smaller Barings Bank.

Another British jewel, Warburg, has been taken over by the Swiss Banking Corp., which is regarded by Swiss insid-

ers as a major mistake, because of the problems of this institution.

An opportunity for change

If you look at it right now, there are only three camps among the financial elites. One lies outright, and says that there is no danger to the system, that all the collapses are due to the errors of individual managers; there is no damage to the public. This is the public relations line of those who gamble, who make the profit, and the real criminals. Then there is a second faction, which says, yes, there is a crisis, but it's just a mudslide, and with some management approaches, it can be handled. We need some reforms and some bandaids, and the problem can be brought under control. In reality, bandaids are useful, but not sufficient—like a tax on capital transactions, an increase of the reserve requirements of the banks, an obligation to centrally report transactions—all of these things are necessary, but they do not get to the problem.

Thirdly, there is a growing faction which says, this is a systemic collapse, it's inevitable, and it will happen since the political will for reorganization is lacking. And we have, because of our publications and studies which we do in the field of economics, found that in Europe, the inside word is that the more intelligent banks are working right now on strategies for survival under the conditions of collapse. You have some banking experts, top people, who are working on programs to limit the speculation allowed to their banks to, let's say, \$3 billion per day, to limit the risk. Now, if you think how poor Ukraine was starving to get \$1 billion from the International Monetary Fund (IMF) for the last three years, and one single medium-sized bank is speculating with a reduced risk, with "only" \$3 billion a day, you get a sense of what the proportion is of the speculative realm to the real need—not even talking about places like Africa.

There's another group of people—very few, but the more intelligent people, and we are in contact with a handful of them—who agree completely with what Mr. LaRouche says. They say the collapse will come, the political will does not exist, it will happen, and I'm sitting in my office, in my university, in my study, and I'm working on proposals for the reorganization after the collapse occurs, because only after everything has come down, will the governments be willing to listen to me, and this is my hour, and then I will step forward. The idea that greed for profit by a few is ruining the existence of entire nations, and the entire world, and that this can't go on forever—that is spreading more than ever before.

Now in France, a close friend of ours, of the Schiller Institute and Mr. LaRouche, Jacques Cheminade, successfully participated in the Presidential campaign, and while he did not, due to massive upheaval in France due to his campaign, get a significant vote, yet he has been able to get his analysis of the situation out, and now the name Che-

minade is a household word, as is the most important message he concentrated on in his election campaign, namely that the financial cancer of speculation is eating up the economy. Right now one can really say, that when the next major collapse of a bank occurs, this will catapult Cheminade's views into the limelight, as he already has influenced the debate.

Today, the new government of France is being formed by Jacques Chirac, and already, as an echo of what Cheminade has been saying, Philippe Seguin, president of the Parliament and a friend of Chirac, has come out with a proposal to bring the central banks of Europe under control. Now, how serious that is, and how far-reaching, remains to be seen, given the fact that Chirac, during the campaign, challenged the Bank of France, saying that it is not the right of an independent central bank to dictate the social policies

German press, economic leaders sound the alarm

Here are excerpts from some of the statements Mrs. Zepp-LaRouche refers to in her speech, from German sources concerned about the likelihood of a crash:

Bildzeitung, May 13, editorial, "Stop the Profit Vultures":

"The mega-speculators—first they fled from the dollar as if it had the Black Plague; now, they cannot get enough of it. Again, they invest billions cold-bloodedly. Again, they are milking off billions of profit—at our expense.

"The fact that by doing so, they're ruining the currencies of entire countries, is nothing that concerns them much. They're putting the existence of millions of human beings at stake—they consider profit more important.

"Stop this dangerous monopoly game. It must not be that a handful of profit vultures rules the world."

Horst Köhler, former assistant finance minister, now chairman of the German Savings and Loan Association, March 27 speech in Boppard: Short-term speculation, especially in derivatives, has made the markets "excessively volatile." The consequences of the growth of new financial instruments for the world financial markets have not been properly thought through, and that an incalculable situation has developed as a result of deregulation, which has "gone too far."

of a country, and that that had to be brought under control. This led to hysterical frenzy, especially on the part of the British press: How could Chirac dare to touch the independence of central banks? So one has to see how serious this actually is, but as you know, with the case with the Federal Reserve in the United States, the so-called independence of the central banks is the sacred cow of this present liberal system.

Fascist economics

To put it in much clearer words, and I don't know what is the worst tabloid in the United States, maybe the *New York Post*. We have a paper in Germany which is much worse, and is much more widely read, probably by 10 million people every day. They just had, two days ago, a banner headline, "Stop the Profit Vultures!" They say it's an outrage that speculators made billions in profit by speculating against the dollar; then they switched and now they're doing the opposite. The speculators don't care if currencies of entire nations are destroyed; they are playing with the existence of millions of people. Stop this dangerous monopoly! It can't be tolerated that a handful of profit vultures dominates the world.

I find it very useful that a tabloid starts to have this kind of language. It is exactly preparing the climate for the necessary changes.

That's exactly the point. We can't have a handful of people, vultures, destroying entire continents. The point is, Mr. Miller is a complete liar when he says that the public is never hurt. We will show you today some of the statistics of what happens to the people, to the public, as a result of these policies.

Look, for example, at the case of Italy, a beautiful country, and still a member of the so-called Group of Seven, one of the seven richest countries in the world. I think 90% of all cultural goods in the world, of all cultural activity produced by mankind, is located in Italy, while this country is being completely destroyed as a result of the IMF policy and derivatives and privatization.

In Italy, which has, I think, about 40 million people, 6.5 million families are below the level of poverty; 32.4% of all youth are unemployed. Some 20.1 million people are inactive, unemployed, on welfare, or on pensions, which for the first time is more than the active part of the population.

Now, obviously, to talk about saving the cultural treasures of Italy, which is an effort the Schiller Institute was involved in some years ago, becomes ridiculous. The museums are falling apart, people can't pay the guards, so cultural objects are being stolen, no restoration is taking place.

When we say that civilization is destroying itself, I can give many, many examples, but we can't even maintain that which the best of our European tradition has produced, as a result of this. And Italy is not the worst case. But, you know, the political party system there has been destroyed,

and the whole country is disintegrating. This system is insane, and is destroying everything we have built.

On the other side, one has to see that it is true that the financial system is decoupled from the real economy, because only monetary considerations and the private profit of a few people are primary. But, as Lyn [Lyndon LaRouche] has pointed out, the two systems do interact, and industry and agriculture are sacrificed around the world to feed this monster. There is only one way to describe this, and that is what the pope has called "the structures of sin." They are dominating the world, and I think President Clinton has used a similar word when he said that the fact is that *global evil* does exist.

If people would just stop being brainwashed by the *New York Times*, the *Wall Street Journal*, the TV, they would see the issue. Derivatives, speculation, privatization—this policy is genocide. It is not some legitimate economic theory. Fascist economics is dominating the world right now, and it is a secret known to the players in the international market for a long time, that so-called liberal economics is really fascist economics.

There is the famous debate Lyn had in 1971, with Abba Lerner at Queens College in New York City. This was the only time in which a representative of the liberal camp had the guts to debate Lyn's economic theories on the merit of their content. And since Abba Lerner, in that discussion, completely lost, the international elite has decided that nobody would ever dare to challenge him on the content of his theories, but would slander him and defame him and harass him and prosecute him instead.

What Lyn got Abba Lerner at that time to admit, is that if the Social Democrats in 1932 had implemented the economics of Hjalmar Schacht, Hitler would not have been necessary [for the bankers who sponsored him]. That is exactly the secret of the whole thing, and I think that it is especially important that now, when we have just commemorated the 50th anniversary of the end of World War II, we give a fresh look at what is the essence of fascist economics. It's really a question of *liberal* economics, as you can see today, when a handful of profit vultures are declaring entire continents to be populated by "useless eaters," letting the world go to hell. Look at Africa, look at what has been happening in Rwanda, in Burundi; new viruses are breaking out as a result of the collapse of the immune system in many places. The situation in the Balkans is fast moving toward a larger war. The situation in the former Soviet Union, in Russia, Ukraine, is reaching desperate dimensions. And I think that all of these things, from a European standpoint, are much closer; and because two world wars have happened, people know that depression and war are much closer.

The fact that this reality is much closer in Europe is no surprise, because the Americans have very much lost a sense of reality. First of all, they think they are sitting on a conti-

ment which has very little to do with the rest of the world. And after all, you can always switch the channel on the TV, and you get a more easy-going program, and the whole world will go away. That's why people are not freaked out. That's why people are not saying, the whole world is going to hell, and something has to be done if a new catastrophe is to be avoided.

Our task

What we propose, and what Lyn has been initiating for 25 years, is really very simple. It's the idea of global reconstruction; it's the idea of doing what Franklin D. Roosevelt did under conditions of war for the United States, to rebuild the economy with dirigist methods; it's what was done in Germany after the Second World War with dirigist methods, to give certain banks credits for clearly defined projects. And the economic miracle in Germany happened as a result—within 10 years it was already visible, and fully blooming in 15 years, out of a rubble field. You all maybe have seen some of these pictures at the 50-year commemoration of the end of World War II. Germany was a rubble field. Berlin was a rubble field. And people rebuilt Germany into one of the richest nations in the world.

The same thing can be done in Russia, in Ukraine, in Africa, in Latin America, in the Eurasian continent, in the United States. There is nothing in the way, but the lack of a

mobilization of political will. And, as I have said many times, the world has reached such a horrible condition, and so much human misery and suffering is going on, that mankind either gets its act together and we rebuild our world as a new world economic order, or we all will not live.

I have seen this many times, and I see it right now in the Balkans, where people in Croatia have been now in the war for four years, or in Bosnia, where a tremendous slaughter is going on. People collapse and become culturally pessimistic. The connection between cultural pessimism and fascism, between cultural pessimism and accepting horrible things, is so obvious.

Therefore, it is our moral obligation to mobilize cultural optimism, a vision of what we can do with this world, how we can reconstruct Africa, how we build the kind of infrastructure development, ports, streets, railways, fast transport systems, as a precondition for the development of agriculture and industry around the world. If people have a vision, and we mobilize the kind of cultural optimism which goes along with that idea, which our mind can put forward, and then we can mobilize our forces to accomplish, there is nothing we can't do. And I think that, if we have learned anything from history, we must not repeat the tragedy of fascism which right now is visible. Just because it comes in different clothes, it comes in the clothes of credit vultures, that doesn't mean it's less devastating. So let's change it.

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In Bosnia, the time is for total war

by Katharine Kanter

The blood-stained curtain of current events covers the essence of the conflict in Bosnia. This is not a civil war, unless you wish to assert that the French Resistance was a civil war. . . . It is an honor for us to fight for those principles, which means, to fight for Europe. I am sure of final victory.

These words were spoken in Brussels in April 1994 by Irfan Ljubijankic, then foreign minister of Bosnia. He was assassinated on May 28, 1995, when his helicopter was shot down over occupied Croatia. The Kordun Corps of Serbian militiamen claimed responsibility for the murder.

Although the events of early June may seem bewildering to the citizen trying to puzzle out the hundreds of pages of newsprint on the conflict in Bosnia, all that has happened on the military and diplomatic front is coherent with the existence of a NATO plan, in fact an American plan, leaked to the press under the name "Determined Effort," or Plan 40 104. Bosnian and other news agencies have had access to "leaks" concerning the plan; they refer to an operation in five stages: 1) moving troops to Croatia and southeast Italy; 2) deploying additional units onto the territory of Bosnia and Croatia; 3) pulling out Unprofor (U.N. Protection Forces) after regrouping; 4) transporting them to centers outside ex-Yugoslavia; and 5) sending them back.

This will be the largest naval deployment in the Adriatic since World War II, and the largest military action, with between 40,000 and 60,000 men deployed, ever carried out by NATO in its history. "Determined Effort" is to unfold over a three-to-four-month period, and lead to a complete withdrawal of U.N. forces. And Bosnians are not going to

throw themselves under U.N. tank treads to keep them there. In the words of President Alija Izetbegovic: "Let them go! We shall not stop them!"

1995—a good year to stop genocide

The complication in this otherwise pellucid picture, is that the British do not want to leave, and therefore, within NATO there are two policies: that of England and her allies, and that of the United States. The United States has paid lip service to the arms embargo imposed upon Bosnia, while covertly delivering weapons to it, while England has, through its control over the U.N., Unprofor, and over Russia, given Serbia aid and succor in every form. When it became clear at the end of May to Whitehall and the Foreign Office, that the new French President Jacques Chirac wants out, there was, first, consternation, and then a flurry of wild activity in London: 5,000 fresh troops would be sent to Bosnia, they would be under British command, they would "stiffen French resolve," and so forth. But Chirac wants out. And then the United States came forward with Plan 40 104, which has already begun to move. What is not known, is what the United States will do then. Will Clinton continue the offensive? Will the arms embargo against Bosnia be lifted? Will the United States reject completely the sadistic London Contact Group policy for the division of Bosnia into "ethnic" parts?

And, in the event that President Clinton really delivers the goods, are the British going to be happy campers about losing? Are they going to tuck their little tails in and slink away? A front-page headline in the *Daily Telegraph* on June 2, "Allies Suspect U.S. Hawks of Increasing Risk of War"—

not to speak of another couple of assassination scares aimed at the White House—would lead one to think not. Accompanied by a bold-face piece by defense correspondent Robert Fox, leaking privy information on American arms shipments to Bosnia, the which were tittle-tattled on to London by British and other Unprofor officials in the area, the lead by political editor George Jones ever so frankly states:

“Relations between Washington and Europe on Bosnia have been . . . undermined further by indications that factions within the White House and U.S. State Department are now openly backing the predominantly Muslim-Bosnian government in Sarajevo. Some [British] ministers fear that elements in the U.S. administration are threatening any hopes of compromise in Bosnia by covertly promoting Muslim interests—without informing their European allies—to force the Bosnian Serbs to give up territory they have seized.”

The same week, David Lord Owen, upon resigning as head of the Geneva Conference on “former Yugoslavia,” told the Paris daily *Le Figaro* that in his view, there is no reason whatsoever to change the Unprofor mandate, no reason to withdraw the troops, no cause to do anything with the Serbians but negotiate. The present U.S. administration, which, he claims, talks of the Serbians as “the enemy,” thereby “feeding their paranoia” (sic), is the object of his most unguarded, most undisguised hatred: “I have no lessons to learn from the Americans after what they did in Somalia,” he concludes.

Far from treating Serbia as the enemy, the U.S. government has left a door open for it to get out of the war altogether, by hanging its warlords in occupied Bosnia and Croatia, Radovan Karadzic and General Martić respectively, out to dry. U.S. Special Envoy Fraser traveled to Belgrade several times since the beginning of May, offering to have the trade sanctions against Serbia lifted were it to agree to this. However, it is the British who are advising Serbian President Slobodan Milosevic—the Frankenstein to Karadzic’s Monster, in Foreign Minister Muhamad Sacirbey’s words—and they have told him to play tough. Talks broke down again the week of June 4. It is also, beyond a doubt, the British who have orchestrated the entire hostage crisis.

Hostages can thank Cambridge’s John Zametica

That is why John Zametica, an Englishman who was sent out from Cambridge to Pale at the onset of the war to control Karadzic, has suddenly reappeared at the height of the hostage crisis, acting as Karadzic’s spokesman—although, in 1994, it was the British themselves who put about the rumor that Zametica had been purged. The hostage hoax was mounted, in order for the British to put through Plan A: Occupy Bosnia with a massive invasion force, prevent the French from leaving, and thus, keep the war going

as long as possible. Plan B is to accept defeat and get out, while wrecking whatever is left of the place on the way out, and inflicting the greatest possible political damage on the United States, Germany, and anybody else in the way. The British are off-balance and have not yet plumped for one or the other plan: Both plans are flying, which is what makes things confusing.

What makes England really squirm, however, is not that it is about to lose the war in Bosnia: It is the fact that it is about to lose Russia, the big stick with which it could beat the rest of the world over the head. The Russians, seeing that Mr. Clinton is finally taking decisive warlike action to save Bosnia, have got the message that not too far down the pipeline, this may lead to an equally decisive American break with the International Monetary Fund and shock therapy. As they care far more for serious trade relations with the United States and Germany, than for the two basket cases, England and Serbia, or for the barren, mountainous terrain of Bosnia, neither the Russian government nor the Army has said or done anything of note since the United States made it plain they would force the British out of Bosnia.

A signal piece to this effect appeared May 30 in the Russian magazine *Sevodnya*, signed by defense correspondent Pavel Felgenauer. With quick stabs of the pen, Felgenauer defines Serbia as but an albatross around Russia’s neck; she has always lied to Russia and dragged her into disastrous adventures, World War I being the worst.

Then, on Sunday night, June 4, a meeting took place in Vienna between the U.S. commander of the Joint Chiefs of Staff Gen. John Shalikashvili, and his Russian counterpart, General Kolesnikov. No communiqué was issued. But had there been a violent U.S.-Russian disagreement over the policy toward Serbia, the world would know by now.

In all this diplomatic to-ing and fro-ing, one might do well to remember that the people we are supposed to be rescuing, are running out of time. The Bosnian capital has had no light, water, or gas for five weeks; the supply was cut by the Serbians. No food aid has been airlifted into the city since the Serbians closed the airport in early April, while the route over Mt. Igman is virtually impassable due to Serbian snipers. As for the eastern enclaves, no convoys have reached them for several weeks, due to Serbian attacks.

Meanwhile, back to Unreality: At the recent Cannes Film Festival, the jury awarded its Golden Palm to Emir Kusturica, a self-avowed “punk-rock” apologist in the “Yugoslavian” cause, for *Underground*, a film so bad it made the pouting starlets out on the boardwalk look brainy. But, like his jury, Kusturica’s true concerns are not cinematographic. He told the press corps at Cannes, that the reason for the present war, was the fall of the Berlin Wall, and “those little countries who are Nazi satellites, like Slovenia, Croatia, Hungary, and Bosnia”!

Documentation

Dr. Ljubijankic: Our fight is for universal values

Bosnian Foreign Minister Irfan Ljubijankic gave this speech on April 28, 1994, at a meeting in Brussels of the International Parliamentarians against Genocide in Bosnia. Dr. Ljubijankic was killed on May 28 of this year, when his helicopter was shot down over Serbian-occupied Croatia. The Kordun Corps of Serbian militiamen has claimed responsibility for the murder.

Ladies and gentlemen, I will be brief. I will not describe the situation in Bosnia; it is well known. Very often the bloody curtain of current events covers the essence of the conflict.

First of all, is it a civil war or not? We used to live together for centuries. Bosnia has never existed as an exclusive national territory. What has happened, is that those peaceful people started to fight each other. There is an answer: the dream of a Greater Serbia. The Serbian national program is more than 100 years old. It was created by academicians; it has a methodology. The methodology that is implemented in Bosnia is the methodology of creating quisling power states within sovereign states. We saw such a methodology in the Second World War, when Hitler created such states. What is the aim of such states, those creations? Nothing more than a first tactical step in annexation of territories. If the French Resistance was a civil war, then we can say that the Bosnian war is a civil war. Fortunately, it is not true; it is a clear aggression.

The leader of the so-called Bosnian Serbs, Radovan Karadzic, saw Bosnia for the first time when he came to study at a Bosnian university. Now the international community calls him the leader of the Bosnian Serbs. He is Montenegrin; he is not Bosnian. He has never been Bosnian. If he knew Bosnia, he would never do such things.

So what is the issue of creating a quisling power state within a sovereign state? It is a fascistic act, like the concentration camps were. The motto "All Serbs in one country," is nothing more than "Ein Reich, ein Führer, ein Volk." We have fascism on the scene in Bosnia, and the international community is obliged to recognize it. What concerns us, is the approach of Europe.

Europe is based on two principles: respect for human rights and inviolability of borders. These two principles have been violated in Bosnia in the most horrible ways in the last two years. There is no justification for neutrality in Bosnia. Let us recall that [Neville] Chamberlain said, on the eve of the Second World War, that there was "a quarrel among faraway nations of which we know nothing." Today we know

that that neutrality was paid for by millions of human lives.

Let me emphasize that whenever Europe violates its own principles, catastrophe follows. The international community has acted shamefully, with a hesitating and reluctant approach in Bosnia. Sarajevo is the largest concentration camp in the world. I have to say, "Europe, wake up," recognize fascism in the very heart of Europe. We are not only defending our country; we are defending two main principles on which Europe is based: inviolability of borders and human rights.

Let me conclude and say that peace will have to come, and we are for peace, but not for peace by any means. Negotiations under the present conditions of military imbalance are nothing more than diktat. Auschwitz was not liberated by negotiations, but by force. Force recognizes force, and for us it is an honor to fight for those principles, for universal values, and we will continue. We will need help. Bosnia is a universal problem. I am sure of the final victory; it takes time, it takes blood, but we will win finally. Stay by our side, and you will have cause to be proud of us.

Interview: Prof. Francis Boyle

Arms embargo backers are accomplices to genocide

Professor Boyle teaches public international law at the University of Illinois, and is noted for his defense of the presently much-contested sovereignty of Third World and "small" nations. He acted as legal adviser to the Bosnian government during the so-called "Peace Conference on Former Yugoslavia," held under U.N.-European Community aegis in Geneva in 1993. The interview was conducted by Katharine Kantner on May 30.

EIR: Bosnian Foreign Minister Irfan Ljubijankic was murdered on Sunday night, May 28. His aircraft was shot down over Croatian territory by Serbian militiamen who had invaded Croatia. What should be the response of the western powers?

Boyle: This is a reprehensible act. Mr. Ljubijankic was not a normal citizen, but an internationally protected person, under international law. There is a special treaty, the New York Convention, protecting heads of states, foreign ministers, ambassadors, and so forth, from harm to their physical person. It is another treaty set at naught.

I knew the minister personally. He was a good man and a good minister. It will be very hard to replace him.

EIR: In terms of the Serbian actions over the weekend of May 27-28, could you explain the position in international law?

Boyle: I read the statement by [Bosnian Serb leader] Mr. Radovan Karadzic, according to which the Unprofor [U.N. Protection Forces] hostages are “prisoners of war.” By his own admission, therefore, they are covered by the Third Geneva Convention of 1949. It is prohibited to hold such prisoners as hostages, or put them in danger. To do so is a serious war crime. But the Serbians have committed countless war crimes over the last three years of war, and no one has attempted to stop them.

The European states are not insisting that these men be treated in accordance with the Geneva Convention. Given the atrocities which have been perpetrated against the Bosnians themselves, perhaps one could say this is minor—except for the lives of the people involved!

EIR: Formally, is the West now in a state of war with Serbia?

Boyle: You do not need to formally declare war, for there to be a state of war. I would say, “Yes, there is a state of war.” In international law, there are two states of war: legal, where there is a declaration of war, but where warfighting may not have broken out; and factual, where hostilities are engaged. Clearly, this [the latter] is now the case. But the European states do not wish to recognize the fact that there is now a material war, i.e., *de facto*, a state of war.

Mr. [Willy] Claes, the secretary general of NATO, said on the weekend that NATO does not want to take sides. But NATO targeted a Serbian ammunition dump last week, and a few other targets. So what that statement means, is simply that NATO is backing away. The Genocide Convention exists, and can be invoked to protect the Bosnian nation. But no one cares to do so.

EIR: Are Unprofor soldiers considered to be soldiers of their respective states, or of some vague U.N. entity?

Boyle: The answer is, both. The acts of war perpetrated upon these men, are an affront to both. In law, the Unprofor troops never cease to be part of the national military forces of the country who seconded them to Bosnia. It is for the states who sent them, to defend them.

EIR: If you were legal adviser to the U.S. government, what would you advise it to do now?

Boyle: When I was legal adviser to the government of Bosnia, during the Geneva talks in 1993, I tried to get air strikes. I advised President Alija Izetbegovic, that under Article 51 of the U.N. Charter, concerning the right to self-defense of nations, he should demand this from the government of the United States. Before we sent that letter, [U.S. Secretary of State] Warren Christopher had said he thought there should be air strikes. We sent the letter. We did not receive a reply. I still think air strikes are appropriate.

EIR: Radovan Karadzic and General Martić, chiefs of the Serbs occupying Bosnian and Croatian territory, respective-

ly, have just stated that they plan to form a new state, the Republic of West Serbia. Does this have any force in international law?

Boyle: None. It is a complete fiction.

EIR: They also say that the airspace over these territories is Serbian airspace; that airspace in Croatia and Bosnia is presently patrolled by NATO planes, without the permission of their so-called government.

Boyle: This means that they are threatening to shoot down *at will* aircraft in that airspace. Whether they will do so, we do not know.

NATO aircraft have flown over the Serbian-occupied territories for three years now. They have taken pictures of the Serbian war crimes and sent them back to headquarters. They know what is going on. These respective governments have “tacitly” accepted the existence of such atrocities, and now, perhaps, they will “tacitly” accept that the airspace is “Serbian”; whereas, it is the airspace of two members of the United Nations, Croatia and Bosnia.

EIR: The British have announced that they will unilaterally send 5,000 elite troops into Bosnia. They have said they will not be under U.N. command. How can they do this?

Boyle: Any troops sent to Bosnia, must enter with the permission of the government of Bosnia.

But, when [Bosnian Vice President] Dr. Ejup Ganic informed the U.N., that Bosnia would not accept the presence of Russian “U.N.” soldiers on its territory, they were sent nonetheless. The same appears to be happening here. In any case, all the British troops, whether they be nominally under U.N. command or not, take their orders from London.

It is a clear violation of Bosnia’s sovereignty. But look what happened at the Geneva talks, the so-called [Lord David] Owen-[Thorvald] Stoltenberg talks. The Bosnians were treated like children, not like the representatives of a foreign power. They act as though the sovereignty of Bosnia were a fiction. The United Nations will go the same way as the League of Nations; and the same applies to NATO. What good are they?

EIR: The government of Bosnia announced in November 1993 that they intended to take the British government to the World Court at The Hague, under the Genocide Convention.

Boyle: Yes. But this is in abeyance at the moment.

Just last week, Bosnian Prime Minister Haris Silajdzic said at a press conference in Zagreb, following the cluster bomb attacks on Tuzla, that those nations that have insisted upon the arms embargo, are deliberately committing genocide; those states are accomplices to genocide. I am ready to go ahead with that suit in the World Court, against each and every permanent member of the U.N. Security Council, as soon as President Izetbegovic decides that the moment is ripe to do so.

Hopeful signs in Mideast peace talks, as Germany's Kohl pledges economic aid

by Adam K. East and Hussein al-Nadeem

Due to a flurry of recent diplomatic efforts which were mostly set in motion by the United States, the sluggish Mideast peace process has been given a shot in the arm. Preliminary agreement has been reached among Syria, Israel, and the United States on certain security issues that would be involved in an Israeli withdrawal from the Golan Heights, which has been under Israeli occupation since the 1967 Mideast war. The agreement signed by Syria and Israel, announced by U.S. Secretary of State Warren Christopher on May 25, will allow negotiations to resume at the level of the chiefs of staff of the Israeli and Syrian armed forces, most likely by the end of June. The agreement covers early warning systems, demilitarized zones, troop withdrawals, deployment limits, and other security arrangements, whose details will have to be worked out as part of an overall peace agreement between the two countries.

President William Clinton is reported to have said, in a telephone discussion with Syrian President Hafez al-Assad, that it should be possible to have an agreement between Israel and Syria by the end of the year.

The progress between Syria and Israel was initiated by President Clinton, who had met with Syrian Foreign Minister Farouq al-Shara in mid-May. Following his meeting with President Clinton and Secretary of State Christopher, Shara told reporters that he was satisfied with the President and Christopher's "willingness to help both countries [Syria and Israel] overcome the difficulties facing the peace negotiations."

Also around this time, Bashar al-Assad, the son of Syrian President al-Assad, is reported to have met secretly with Israeli representatives in London.

Giving up land to achieve peace

According to U.S. Deputy Secretary of State Dennis Ross, Israel's decision to freeze its plans to confiscate Arab lands in east Jerusalem was a contributing factor in the agreement. Israel's land-grab was frowned upon by most of the Islamic world, and a U.N. Security Council resolution, which would have condemned the Israeli action, was vetoed by the United States.

Addressing the leaders of the ruling Labor Party a few

days after the initialing of the accord with Syria, Israeli Foreign Minister Shimon Peres, an architect of the Mideast peace process, said that in order for Tel Aviv to reach peace with Damascus, Israel would have to do what it did with Egypt in 1979, where the Jewish state agreed to fully withdraw from the Sinai peninsula, in return for full peace with Egypt. "It does not have to be identical, but there are no illusions here," said Peres. "There is no Syrian I know who is prepared to be less than an Egyptian."

"We must not allow the chance of comprehensive peace in the Middle East to slip through our fingers," said the foreign minister, adding that "no one will forgive us if children learn one day that it was possible to end the wars . . . and we ran away from that decision."

Washington has made it known that it is important for both countries to reach an agreement before the end of November, because at that time domestic political issues will take precedence, in anticipation of the 1996 presidential elections in Israel. In this regard, the ongoing split of the Likud, the main opposition party in Israel, should be welcomed by the Labor Party, which initiated the peace process with the Palestinians. According to news reports, the split in the Likud comes as a result of "personal" conflict between Likud leader Benjamin Netanyahu and David Levy, a former foreign minister and deputy prime minister. The Moroccan-born Levy, who wields tremendous influence among Sephardic voters—Jews originally from the Middle East and North Africa—has threatened to form a separate party. This move, if carried out, would deliver a lethal blow to the Likud's chances of challenging Labor in the upcoming elections.

Kohl stresses economic development

On another front, German Chancellor Helmut Kohl arrived in the region on June 2 for a tour intended to further German economic cooperation, which is essential to bolstering the peace process. Underlining the importance of economic development, the German chancellor, who met with Israeli Prime Minister Yitzhak Rabin and Jordanian King Hussein on June 5 along the border in the Jordan River valley, said that "the people in this valley will only find peace if they can find jobs and a future."

"Let us put flesh on peace. Where there is water, there is life," said Kohl. His meeting with the two leaders helped to confirm a commitment by Germany to aid in the construction of desperately needed water projects in that area. Kohl's statement emphasized the role which Germany, through its economic weight and support for development projects in the region, can play in consolidating the "political" efforts being pushed by President Clinton and others to cement a lasting peace in the Middle East. The tour could help to pull the beleaguered peace process out of its current political, "and more important, economic" stagnation.

Kohl has repeatedly stated that his role will not be one of "political mediation," but rather an effort to intensify Germany's role and that of the European Union (EU) in contributing to peace through economic development, which is the real issue being ignored by most western politicians involved in the peace process. Kohl's efforts contrasted sharply with those of British Prime Minister John Major, who visited the region earlier this year. The latter's economic initiatives were limited to a few Land-rovers for the Palestinian Police and Thatcherite free-market economic advice.

Kohl arrived in Cairo on June 2 to meet with Egypt's President Hosni Mubarak, who plays a central mediating role among all the parties—Israel, Syria, and the Palestinians. Talks focused on economic questions, including a two-hour meeting with the German industrial managers accompanying Kohl. Among the projects discussed were the building of a North African high-speed railway, which will extend from Tunis, Tunisia to Haifa, Israel. This proposal, which has already been endorsed by President Mubarak, is to be put on the agenda of the European Union's Maghreb-Mediterranean "development conference" to be held in Barcelona, Spain next November.

Kohl's next stop was Jordan, where, in the meeting with King Hussein and Prime Minister Rabin, he affirmed his support for \$600 million worth of water projects that are crucial for the transformation of the arid Jordan valley. The water projects being studied include construction of two dams on the Yarmuk River, and water desalination plants and pipelines to supply Jordan with more than 150 million cubic meters of water a year from Israeli sources. Most of these water projects were agreed upon in the Israeli-Jordanian peace agreement last November, but were waiting for financing.

Volkswagen, participating in Kohl's entourage, announced a memorandum of understanding with the Israeli Dead Sea Work Co., a subsidiary of Israel Chemicals, to form a joint venture to build a \$600 million magnesium production plant near the Dead Sea, which is considered the biggest project of its type in the region.

The Middle East Development Bank

Israeli Foreign Minister Peres pressed the German chancellor to support the establishment of a Middle East Develop-

ment Bank. Up to now, Germany has shared the skepticism of other EU countries.

The idea of such a bank is supported by the U.S. administration, and U.S. Treasury Secretary Robert Rubin told *EIR* at a Washington conference on June 6 that President Clinton will bring the idea to the Halifax summit of the Group of Seven on June 15-17. "There is not a lot of money involved, and I think it is a very, very important thing to do, and I have no doubt it will remain on the agenda in all of the meetings that our administration has with its counterparts around the world," Rubin asserted.

Although Japan also supports the bank, the proposal faces strong opposition, led by Great Britain, from the European Union. Britain in turn has brought the rich Arab countries into line in opposing the bank. It is hoped by supporters of the plan, that if Germany would throw its support behind the proposal, the bank could become a reality by the end of the year. This could help the countries of the region, and especially the Palestinians, out of the financial shortages that hinder any plans to lift the population out of the miserable economic conditions.

Meetings with Arafat

Kohl's next stop was the West Bank. He met with Palestine National Authority Chairman Yasser Arafat in Jericho, and promised to extend help for the Palestinians to carry out infrastructure projects, sewage treatment, and housing projects and to contribute to projects that would be undertaken by Israel, Jordan, and the Palestinians. "We have given 10 million deutschmarks to the Palestinian authorities in this visit," said Kohl, "but it is only a symbolic sum, and we hope that we will be able to give more in the future." Despite the fact that this is a small sum compared to the \$50 million given last year, it should be mentioned that Germany is the biggest contributor to the Palestinians among the EU states.

The infrastructure projects that have been discussed between German industry managers and the Palestinians include roads, an airport, and a port on the Mediterranean in Gaza. The German Daimler-Benz group has agreed to conduct a feasibility study for the construction of a Gaza airport, a project worth DM 80 million (\$56.3 million). AEG and DASA will begin work on the project by the beginning of next year. Daimler-Benz had also agreed to start road-building projects in Gaza and the West Bank.

Kohl is said to be considering the transformation of the \$100 million of annual German compensation payments made to Tel Aviv for the victims of Nazism, into funding development projects that Jordan and the Palestinians could also benefit from. Prime Minister Rabin confirmed that his government is studying this proposal.

Funding for these projects could come from the Mideast Development Bank (with assets up to \$10 billion, as proposed by Foreign Minister Peres), if the idea is endorsed

by the great powers. The improvement in the infrastructure and industry in the Palestinian territories will enable the Palestine Liberation Organization and the population in the Gaza Strip and the West Bank to think seriously about peace. The Palestinians, especially in the wretched refugee camps of Gaza, have been suffering even more inhuman economic conditions in the last two years, since the signing of the Oslo agreement between the PLO and Israel. These conditions have placed the PLO and Arafat in a very weak position, since continuation of the peace talks apparently do nothing to improve the lot of the Palestinian population. The desperate situation has led to a sharp rise of terrorist attacks by certain fanatical groups in the occupied territories, who took advantage of these conditions to recruit young people.

Arafat recently complained that the donor nations, which promised to extend \$800 million a year to the Palestinians, have gone back on their promises. "We have ended with only \$150 million, of which we have only received \$25 million. They are trying to strangle us politically by depriving us of the economic means we need to carry out our responsibilities."

Israeli troop withdrawal planned

A major step forward was taken by the Israeli government and the PLO, when Shimon Peres and Yasser Arafat announced in late May that the July 1 deadline will be respected, as a date to outline the final agreement on the Israeli Army's redeployment outside the Palestinian occupied territories on the West Bank. This will come in preparation for the election of Palestinian self-rule authorities, as stated in the Oslo agreement. The announcement followed a political and diplomatic crisis between Israel and all the Arab countries involved in the peace negotiations. The crisis was triggered by the Israeli confiscation of land belonging to Palestinians in east Jerusalem, and later the proposals made by Republican Party representatives in the U.S. Congress to move the American embassy from Tel Aviv to Jerusalem.

Despite the optimism that followed the Israeli-Syrian and Palestinian-Israeli revival of the peace negotiations, indications are that meeting the July 1 deadline will not be easy, and concern is being expressed about the fate of the peace process. This was clearly expressed by Chancellor Kohl in his talks with Jordanian officials, when he said, "Mideast peace depends on a few indispensable individuals. . . . It is 5 minutes to 12 o'clock here. Who knows what will happen if the politicians that are acting now, aren't in office any more?" It is not difficult to appreciate the chancellor's concern, given the time bombs remaining in the region, including the World Bank's continued sabotage of economic aid to the Palestinians and the continued presence of Jewish settlements in Gaza and the West Bank. These settlements form the basis for an extremist settlers' movement led by Ariel Sharon, former minister in Likud governments and the darling of the Anti-Defamation League (ADL).

Who is escalating tension in Kashmir?

by Ramtanu Maitra

The burning down of the Sufi shrine Charar-e-Sharif on the morning of May 11, by a group of foreign mercenaries who infiltrated into the Kashmir Valley, evoked the usual bizarre responses from the authorities in both New Delhi and Islamabad. The incident, considered by some observers in New Delhi as a watershed in the past five and a half years of endless violence in the valley, has decidedly enhanced tensions between India and Pakistan, largely because of a string of injudicious and short-sighted statements issued at the highest political level.

Following the burning down of the shrine, Pakistan Prime Minister Benazir Bhutto, whose government has little or no direct involvement in the incident, accused the Indian Army of burning down the Islamic shrine, and gave the much-too-often-exploited populist call for a holy war against India. Indian Prime Minister P. V. Narasimha Rao, generally considered a cautious man, matched Bhutto's rhetoric, and blamed Pakistan for all that had happened in Kashmir. Indian Army Chief of Staff Shankar Roy Chowdhury drew flak from the parliamentarians in Delhi for "revealing" that India is engaged in an "undeclared war" against Pakistan.

Terrorists, Inc.

What is significant is that all these powerful people who issued these statements, were way off target. It is being recognized by certain political observers in India, although they continue to remain silent lest they be accused of being conspiracy buffs, that the terrorists operating in Kashmir and who are killing, raping, and robbing the average Kashmiris—mostly Muslims, since Hindu pandits have long left the valley—at gunpoint, belong to an international terrorist network set up by the West in the 1980s under the rubric of fighting the Soviet infidels in Afghanistan. These terrorists were generously funded by the so-called free world during the Cold War.

A similar terrorist organization has also been set up near the southern tip of India in northern Sri Lanka. These terrorists, the Liberation Tigers for Tamil Eelam, got their start by battling injustices heaped upon them by the majority Sinhalese Buddhists for almost three decades since independence. Over time, the Tigers were corrupted and converted into drug-trafficking and arms-dealing merchants. In addition, the Tigers continue to maintain their violent, long-term plan to carve out a separate Tamil country, which would

consist of northern and eastern Sri Lanka and the Indian state of Tamil Nadu, which promises to keep the area in turmoil for years to come.

What is known widely in New Delhi, Islamabad, and elsewhere is that the terrorists involved in burning down the Charar-e-Sharif were Afghansis, led by Mast Gul, and members of an outfit called the Harakat-ul-Ansar (HUA). While the Afghansis are hard-core terrorists, financed by the drug- and gun-trafficking nexus and patronized by a horde of criminals who were sent to Afghanistan by various Muslim countries in the 1980s to battle the erstwhile Red Army, HUA is a terrorist body based in the Pakistan-controlled area in Kashmir, commonly known as Azad Kashmir.

In its annual report, "Patterns of Global Terrorism—1994," issued in March 1995, the U.S. State Department has identified the HUA as an Islamic militant Group committed to armed struggle against non-believers and anti-Islamic forces. Dominated by the Sunni religious teachers of Pakistan associated with the Deobandi institutions, the HUA is said to collect donations from wealthy businessmen in Pakistan, Saudi Arabia, and Egypt. HUA also collects funds from Saudi Arabia and the Gulf Emirates for purchase of relief supplies sent to Myanmar (Burma), Tajikistan, and Kashmir—places where HUA has established a strong presence.

The report claims that the details of HUA's military funding are not yet known, but the HUA uses light and heavy machine guns, assault rifles, mortars, explosives, and rockets. HUA's general secretary, Mohammad Masood Azhar, who was arrested in India, was carrying a fake Portuguese passport at the time of arrest.

Who owns the killers?

Despite some useful details, the report is woefully inadequate, if not patently distorted. However, what emerges from the report is that the HUA is an international terrorist operation encompassing the yet-unchartered peripheral zone connecting India, China, and Central Asia-Russia, an area of prime strategic importance. All these nations are undergoing political and economic instability, and yet they possess the potential to pose a serious challenge to the British and European oligarchy and against the financial looting carried out under the aegis of various international financial institutions. The report thus provides the vital clue that whoever it is that controls the HUA—and there is little doubt, considering HUA's wide international network, that it requires centralized international control points to direct its activities—it is a "global player."

New Delhi should know that the Bhutto government is not a global player. Pakistan, under pressure from within and without, has little capacity to fend off the "global players" from using its turf and paying off the assets located inside the country. In reality, Bhutto government's writ does not encompass most of Pakistan.

Another untold story is the Afghansi terrorism, which

overlaps the HUA, the Tamil Tigers, and other terrorist groups in the subcontinent. During the Cold War, the Afghansi were allowed to grow poppy and deal heroin for arms to fight the Soviet Union. It is likely that the George Bush-Oliver North network, with the usual British overlap, were the controllers of this dirty operation.

What intrigues observers here is that even after the end of the Cold War, the collapse of the Soviet Union, the apparent decline of the Bush-North crowd, and endless exposés of the Afghansi terrorism, no international investigative agency has come forward to find out why such terrorists still exist, who directs their activities, and who provides them with arms and intelligence. Most of the Afghansis are semi-literate or illiterate fanatics with no concept of organization. Nonetheless, handled from London, where the so-called pan-Islamic forces have their headquarters, they serve the interests of the oligarchs to a fault. Beside the geopolitical interests, the handling of the HUA, the Afghansis, or the Tamil Tigers brings in money to the City of London from offshore banks through various underground arms sales, drug trafficking, and smuggling of gold, gems, and other contraband.

Heading toward war

Despite the availability of such information embossed in reams of reports, Indian Prime Minister Rao has chosen to accuse Pakistan alone; Pakistan Prime Minister Bhutto, who has practically no control over the vast grey zone where these and other terrorists function freely in Pakistan, has called for a "jihad" against India. Equally ridiculous is the fact that the burnt-down shrine, built more than five centuries ago and renovated extensively in 1808, belonged to a Sufi saint, Noor-ud-Din Noorani, respected and loved by both Muslims and Hindus. When he was alive, Noorani was called the "Alamdari-Kashmir" by the Muslims and "Nand Rishi" by the Hindus, which indicates that both communities acknowledge his sainthood.

But the name of the game behind burning down the Charar-e-Sharif was to escalate tensions between India and Pakistan a notch upward. For the British oligarchy, a war between India and Pakistan would ensure a long-term, ongoing conflict between the two nations, and the process may lead to the formation of an independent Kashmir, which is the chief objective of the geopoliticians. It would also provide the geopoliticians the base from which to intervene into the Indian subcontinent, China, and Central Asia, and into Russia as well.

Some Kashmiris, like many Tamils living under the oppressive grip of the Tamil Tigers in northern Sri Lanka, realize the game. Caught between the alien and ruthless mercenaries and an inept Indian security force restrained by many factors, the Kashmiris are the real victims on the ground. On the other hand, New Delhi and Islamabad seem to be caught hopelessly in their own web, dancing to the tune of the global players and heading decidedly toward war.

British elites promote 'Blair option' as Major decomposes

by Mark Burdman

Within the British Establishment, it is universally recognized that British Prime Minister John Major's government has lost all credibility. His Conservative Party was slaughtered in May 4 local elections across the U.K. The party faces non-stop sex and corruption scandals, and is functionally brain-dead, in terms of new ideas or policy initiatives. The unfolding fiasco in Bosnia, London sources affirm, will only further erode Major's position. Under these circumstances, what is hurriedly being put in place, is the transition to a new regime, centered around British Labour Party head Tony Blair.

The clearest, and most striking indication of how fast things are moving in that direction, is that many leading figures within the Thatcherite wing of the Conservative establishment, including Baroness Margaret Thatcher herself, are now, in one fashion or another, overtly supporting Blair. Among the radical free market-Mont Pelerin Society wing of the British Conservative Party, Blair is now looked to, as the man who can politically carry out the massive cuts in social services and high levels of austerity that the establishment deems fit, as well as introducing certain "reforms" in the legal-judicial system that would set Britain on a more "authoritarian" course. Were the empty suit of clothes known as John Major to attempt to do these things, he would risk setting off national protests on a scale not seen since then-Prime Minister Thatcher announced her insane poll tax in 1990.

Blair has systematically refashioned the image of the Labour Party—dubbed by himself and cohorts as the "New Labour Party"—to move it away from its past ideological, socialistic rhetoric, and to portray it as the "consensus" party for all Britons. Knowledgeable British sources speak warmly of Labour's "total abandonment of its former paradigm." In the May 4 elections, Labour did extremely well in staunch Conservative, and overwhelmingly middle class, bastions in middle and southern England.

This is not to suggest that the 42-year-old yuppie-like Blair represents a departure from the degeneracy and immorality so prevalent in British policy circles. Indicatively, in an interview in the German weekly magazine *Der Spiegel* on May 29, he reported that his favorite "musician" is the Rolling Stones' Mick Jagger!

In maneuvering to bring Blair into power, the British Establishment would have a precedent in the 1929-31 period.

In June 1929, Labour leader Ramsay Macdonald formed a coalition government with the Liberal Party, after having defeated a discredited Conservative Party in May national elections. By the summer of 1931, as the Great Depression was at its height, Macdonald became the head of a so-called "National Government," composed of Labour, Conservative leader Stanley Baldwin, and the Liberals. That government of national unity made certain shifts away from the *laissez-faire* approach of the 1920s, and relied more on Fabian-style social-engineering. It sought to put Britain in a better position to exploit the global monetary-financial instability and worsening strategic upheavals of the 1930s, to Britain's advantage.

Maggie loves Tony, and vice versa

The most explicit indication, now, of "things to come," is the sudden love-fest between Thatcher and Blair. On May 21, the London *Sunday Times* pre-released new chapters from her memoirs, dealing with current developments. For the first time with such vehemence in a *public* way, she tore into her successor Major, for his alleged policy failures on the economy, Europe, and other fronts. In substance, what she said betrayed her usual capacity for lying and duplicity, because, as some British commentators pointed out, most of what she attacked Major for, were policies that she herself had initiated at 10 Downing Street. More significant politically, the attack on Major by her is accelerating the process of decomposition of his government.

As the week of May 22 began, Blair made a speech in Britain, announcing that he had suddenly come to realize that some of the leading nostrums of Thatcherite policy, such as the priority placed on "fighting inflation" and restrictions on activities of trade unions, were perfectly sound. He also went out of his way to praise Thatcher as a "thoroughly determined person." One week later, *Der Spiegel* headlined its interview with Blair with a quote from him: "I admire Mrs. Thatcher."

On May 28, the London *Sunday Times* headlined its front-page interview with Thatcher, "Thatcher: Blair Best Labour Leader for 30 Years." She described Blair as "probably the most formidable" Labour leader since Hugh Gaitskell, who died in 1963. She also welcomed his sincerity: "He says he believes the things he is advocating, and I believe he does." (Certainly, she believes he is sincere whenever he is praising her.)

The paper wrote: "Her comments will come as a fresh blow to John Major. . . . Senior Labour figures seized on her remarks as a signal that she admires Blair's leadership qualities, and said they highlighted the difference between Blair and Major."

The *Sunday Times* is the weekly paper of the Rupert Murdoch chain in Britain. Australian media magnate Murdoch's papers had initiated the political shift some months ago, when they dropped their traditional pro-Tory line and declared their liking for Blair.

In the Thatcherite camp, journalist Paul Johnson recently announced for Blair. Earlier in his career, Johnson had been a loudmouthed fabian, before he changed his spots and became a loudmouthed Thatcherite. Also in the Thatcherite camp, Tory fundraiser Lord McAlpine shocked the British scene some weeks ago, when he called for the Tories to leave government and go into opposition, for some years, so as to regenerate the party.

Only the Labour Party can impose the pain

Blair is being promoted by the same crowd of Mont Pelerin Society vultures who have authored the "privatization" policies pushed in the Thatcher-Major era, and who are behind both the Conservative Revolution crowd in the United States centered around Speaker of the House Newt Gingrich (R-Ga.) and Sen. Phil Gramm (R-Tex.), and the renewed push for authoritarian forms of rule for western societies in the coming years.

On May 23, the arch-Thatcherite Institute of Economic Affairs in London sponsored the Fourth Annual "Hayek Memorial Lecture," in commemoration of the late guru of the Mont Pelerinites, Friedrich von Hayek. The speaker was former British Government Minister Francis Maude, now director of the government's Privatization Task Force, who launched the anticipated tirade against state involvement in the economy. The event was covered in the London *Daily Telegraph* the next day. Senior commentator Simon Heffer appreciated Maude's polemic, but fretted that the British regime, as now constituted, lacks the "political will" to make "the reforms" that are required. He stressed that the mooted cuts that various anti-state propagandists are recommending, will hurt various constituency groups, ranging from students to farmers to workers. This means that a "formidable amount of preconditioning" would be required for the public to "swallow" the package of cuts. Warned Heffer: "One does not hold out high hopes of the British people responding. . . . The trouble is that, faced with a wallow in the warm bath of welfarism, the British people sink in acquiescently."

Heffer estimated that "the tax-paying classes" can be brought around to accept the necessary attacks on state spending if these measures are combined with tax cuts, but "getting the message through to the less privileged—clients of the welfare state who rely on it totally rather than merely for fringe benefits—will be harder. There is no one with the persuasiveness or vision in the Tory Party today, who could

convince that sector of the population that welfare reform would be good for them, for breaking the dependency culture will be painful. But broken it must be; ironically, probably only a Labour government under Mr. Blair could drum up sufficient trust to start doing it."

On May 16, the *Telegraph* had stressed the growing convergence of philosophy among leading Conservatives and Labourites. Commentator Anne Applebaum praised Gingrich, and noted the echo of his belief among certain Labourite circles, that "the modern postwar welfare state has failed." She pointed to a recent work by top Labour figure Frank Field, in which he affirms: "The starting point of welfare reform must be an acceptance of the great forces that drive human nature. These include self-improvement and altruism, but self-interest is fundamental. . . . The challenge is to allow self-interest to operate in a way which simultaneously promotes the common good." Applebaum chimed in that, now that socialism has collapsed as a system, it is "no longer necessary to pretend that men are eminently perfectable."

Field's comments are an unequivocal endorsement of the bestialist worldview of such 18th- and 19th-century British degenerates as Adam Smith and Jeremy Bentham, as put forward, for example, in Smith's *Theory of Moral Sentiments*. Hence, it is not surprising that the British Establishment's most outspoken degenerate at present, Lord William Rees-Mogg, would write a commentary in the May 30 London *Times*, promoting Gingrich, in the United States, and Blair, in Britain, as the two leaders for the future most capable of "winding up the welfare state."

Book Reviews

From Thatcher ruin to IMF rule?

by Mark Burdman

The State We're In

by Will Hutton

Jonathan Cape, London, 1995

352 pages, hardbound, £16.99

With the growing migration of leading British elites toward British Labour Party leader Tony Blair (see preceding article), Will Hutton's *The State We're In* becomes relevant

reading. Hutton is the economics editor of the London *Guardian*, a left-liberal paper that usually backs the Labour Party. As soon as the book was released, it became one of the widely discussed new issues in Britain during the first weeks of 1995.

Hutton is one of the more intelligent economics commentators in Britain, although that is admittedly not saying much these days. But he does have a good eye for the debacles represented by Thatcherite free-market ideology. As far as these polemics are concerned, the book can be recommended, especially for those lemming-like American populists and conservatives who admire Margaret Thatcher's Britain.

Unfortunately, however, Hutton employs his anti-Thatcherite argumentation, to try to track the reader into support for an alternative that is no better. A fanatical follower of the late John Maynard Keynes, he ends up demanding a "reformed" financial system based on radically strengthened global powers for the International Monetary Fund (IMF)-World Bank Bretton Woods System, of which Keynes was the chief conceptual architect. Also, while several of his proposed measures for reforming the British political system may be useful, his overall design reeks of 1930s-style Fabian social-engineering methods and a form of "soft" corporatism, which, in times of profound crisis, could easily be transformed into dictatorial forms of rule.

Much to the point, is that, in his Preface, Hutton praises Lord Ralf Dahrendorf, warden of St. Antony's College, Oxford, for his "keen interest and support" for the book. Dahrendorf has been receiving considerable publicity in the recent period, in both Britain and Germany, as a proponent of the view that some form of authoritarian rule will necessarily emerge in coming years, because economic stability and well-being are no longer compatible with traditional notions of political freedom. A motto that one might derive from *The State We're In* is, "Blair? Beware!"

A 'millenarian cult' of rentier-finance

On the positive side, Hutton characterizes the Thatcherite ideologues as "a kind of free market *nomenklatura*." In Britain, he notes, "rather as in Soviet Russia, one confronts not reasoned argument but pure ideology. . . . While individual countries may have at least one horror story of radical marketization similar to Britain's, only Britain can tell them *all*." As a result, "Britain's national affairs are reaching explosive levels of stress."

The system currently prevailing, characterized by the stranglehold of the British Conservative Party mafia over all forms of institutional life, serves "the southern rentier" and "the great financial institutions," rather than manufacturers. This is fully in line with the historical traditions of the City of London and *rentier-finance* groupings, as typified by the 1911 statement of Lord Revelstoke of (ironically) Barings Bank, as quoted by Hutton: "I confess that personal-

ly I have a horror of all industrial companies, and that I should not think of placing my hard-earned gains in such a venture."

In a chapter entitled "Finance Unbound," Hutton writes that the Conservative Party power structure has served a "messianic, *laissez-faire* philosophy. . . . The economy was to be vandalized by the financial sector in the name of market freedoms. . . . [Behind this has lain] the long-standing dominance of the values of finance—of *rentiers* who live off the income others produce—over the values of production. . . . The genuine gains of low inflation were bought at terrible cost, from the growing dilapidation of the public infrastructure to the erosion of the country's productive base." He later writes that "New Right economics" is premised on the "Darwinian" premise that firms "buy cheap and sell dear. . . . In the same way that an automatic and impersonal process of natural selection determines the rise and fall of species, so competition ensures the survival of the fittest economically." The British model of "economic man" is the "natural savage" of the Robinson Crusoe variant. The City of London, charges Hutton, is "an arena in which usury and avarice are excused because they represent market forces. It is an ugly sight."

Hutton documents the devastation of Thatcherite policies, such as the gigantic increase in private debt, from £57 per household in 1980, to £114 by 1990, a consequence of the fraudulent Thatcherite "consumer-driven recovery." Also, "some 28% of the adult working population are either unemployed or economically inactive. . . . [A] second 30% are made up of the *marginalized* and the *insecure*. . . . The fact that more than half the people in Britain who are eligible to work are living either on poverty incomes or in conditions of permanent stress and insecurity has had dreadful effects on the wider society. . . . Britain has the highest divorce rate, and the most deregulated labor market in Europe, and these two facts are closely related." The book is chock-full of accounts of such horror stories.

Hutton declares, "The Thatcherite program had been imposed at a colossal social cost and had weakened democracy, with few discernible gains." Meanwhile, the Thatcherism-obsessed regime keeps promising the population that the results of the "reforms" will be felt after "a little more time." Hutton says that to so declaim "is more akin to the rationalizations of a millenarian cult than of economists observing the real world."

A sin of omission

However, Hutton proposes that the ravages committed by British *rentier-finance* culture can somehow be rectified by "careful economic management," "government institution-building," the creation of "interdependent institutional structures," "cooperative capitalism," and "new systems of corporate governance." Does Hutton, who is certainly not uninformed, really believe that such formulas are advisable

when the global financial system is in a process of disintegration? Even if the disintegration has become more manifest since he finished the book in November 1994, typified by such dramatic events as the collapse of Britain's Barings Bank in early 1995, Hutton had already come around to acknowledging that "the world financial system is spinning out of control."

As U.S. economist Lyndon LaRouche has repeatedly stressed, since he issued his "Ninth Forecast" on the process of systemic financial disintegration in June 1994, there is no "management" or "administrative" means of dealing with this crisis. In advocating such, Hutton ends up proposing 1990s variants of classical Fabian social-engineering approaches, and a strengthening of the very same Bretton Woods System that is responsible for the crisis in the first place. The key in this, is his extreme partisanship for Keynes, and for such architects of the modern-day "welfare state" as Lord Beveridge.

One of Hutton's chapters is entitled, "Why Keynesian Economics Is Best." To so proclaim, is either a sign of commitment to evil, or of astonishing naiveté. Arguably, Keynesian approaches may be better than Thatcherism, much like influenza is arguably better than pneumonia. But to portray Keynesianism as the only viable alternative to either Thatcherism or Marxian socialism, is historical fraud. It ignores the tradition of the science of *physical economy*, initiated by Gottfried Wilhelm Leibniz in the late 17th century, and manifest in the policies of the first U.S. treasury secretary, Alexander Hamilton, later in the German-American Friedrich List and the circles around U.S. President Abraham Lincoln, and now continued by Lyndon LaRouche (with whose ideas Hutton is familiar).

Despite much print being expended in efforts to find certain positive features in the American model of economic activity, relative to that of Britain, and despite a recent revival of sorts of interest in Hamilton, Hutton never once mentions Hamilton. List gets one cursory mention. This is all the more noteworthy, in view of the strangely idyllic picture that Hutton paints of Japan, especially, and Germany, secondarily. Whatever is of virtue in the economic approaches of Japan and Germany—and there is no doubting the relative success of these countries over Great Britain in recent decades—is ultimately rooted in traditions associated with List. Hutton's near-amnesia over List is of a piece with his omission of the more negative features of what has been happening in the Japanese and German economies over the past years, as both countries have increasingly become prey to British-style financial deregulation, derivatives-centered speculation, and the like.

Keynes, the IMF, and British geopolitics

The problem, again, is Hutton's obscene fascination with Keynes. The fact is, Keynes never departed from the axiomatics of a *monetary* approach to "managing" economy, and

had no real comprehension of what drives an economy forward. Were he to have done so, he would have had to break with the British oligarchy, of which he was a leading spokesman (leaving aside, for the moment, his earlier promotion, as a leading member of the secretive Cambridge Apostles cult at the turn of the century, of "The Higher Sodomy," a notion of the supposed superiority of homosexuality). Keynes may, indeed, have raised cogent objections to the excesses of the Versailles Treaty reparations demands on Germany after World War I, and may have been a harsh critic of the more lunatic forms of financial speculation, to the point of even recommending "the euthanasia of the *rentier*." But he was also quite frank in recognizing that his own system of "make-work" projects would, ultimately, require a dictatorship to implement.

The Keynes-contrived IMF system leads to the same result. Hutton, however, blithely, and with no evidence presented to back up the point, attributes global economic progress in the period following World War II through the early 1970s, to the IMF's "custodian" role over the fixed exchange-rate currency system. For the present time, he demands a "supranational authority . . . beyond the nation-state," to bring "order" to the world's financial markets. Better "the IMF holding the ring, in a system of semi-fixed exchange rates," than the system we have now, Hutton advises.

Keep in mind that it was under a Labour Party government, the mid-1970s Callaghan regime, that Britain signed a deal imposing IMF conditionalities on the country.

To put the point another way, Hutton's favored historical precedent for Great Britain, is the period from 1931, when the "National Government" headed by Labour Party leader Ramsay MacDonald assumed power, to 1951. During this period, he insists, the country turned away from *rentier finance*-dominated perspectives, and favored production and investment. He asserts that the British economy zoomed to unparalleled heights during this period.

There is a good deal of sophistry in all this. Aside from omitting reference to the heavy Fabian Society social-engineering element in British policy during this period, there is also the reality of British *geopolitical* priorities. By 1931, the British elites, typified by Sir Peregrine Worsthorne's stepfather Montagu Norman, head of the Bank of England, were busily installing Adolf Hitler into power in Germany. As it would have been obvious that Nazi rule was going to unleash turmoil across Europe, it is not surprising that the British elites would have wanted to be in a better position to command the situation. World War II, indeed, was the lawful consequence of such British geopolitics.

Under such circumstances, a turn away from *rentier-finance* approaches would have been mandated. But is that kind of geopolitical turmoil what Hutton and his circle of friends are preparing for, for the coming years? Is this, again, a case of "Blair? Beware!"

Ibero-America targeted for new terrorist offensive

by Gretchen Small

In an interview in the May 15 *U.S. News and World Report*, Cuba's Fidel Castro suggested that Cuba and the United States improve relations through collaboration on such areas as immigration, drug interdiction, and anti-terrorism. On the latter, Castro asserted that his regime had shown sufficient evidence of its anti-terror stance with its "condemnation of terrorist acts like the one in Oklahoma City."

Ten days later, Cuban Communist Party (CCP) officials were busy coordinating the Fifth Plenary Conference of the São Paulo Forum, a continental network of terrorist groups and their political allies. At its conclusion, the four-day con-fab endorsed the Zapatista insurgency in Mexico as "a new form of expression, democracy, and popular power," to be emulated throughout the Americas.

So much for the Castro regime's break with terrorism.

EIR has warned repeatedly that the Cuban-founded São Paulo Forum constitutes a major security threat to the nations of the Americas (see *EIR*, Sept. 10, 1993 and March 31, 1995). The political protection provided it by the Inter-American Dialogue, however, has allowed the Forum to grow in power, despite smashing electoral defeats to its candidates in the last 18 months in Venezuela, El Salvador, Mexico, and Brazil. The Dialogue has saturated U.S. media and policymaking circles with the lie that the Forum parties have dropped terrorism and embraced democratic forms of struggle, and hosted Forum leaders' meetings with officials in Washington.

Even the cleaned-up public record of the Fifth Plenary, held in Montevideo, Uruguay on May 25-28, reveals how dangerous is the Dialogue's strategy of promoting the Forum as "democratic" partners for the United States. Terrorism organized under the banner of "national liberation" is far from dead in the Americas.

Delegates from over 110 parties and movements attended, among them representatives of active terrorist forces, such as Colombia's Simón Bolívar Guerrilla Coordinator (which joins two of the drug cartel's largest protection forces, the Revolutionary Armed Forces of Colombia and the National Liberation Army), the Guatemalan National Revolutionary Union, Peru's almost-extinct Tupac Amaru Revolu-

tionary Movement, and Argentina's All for the Fatherland Movement. The Basque terrorist force ETA sent "observers." (ETA was caught red-handed in 1993 providing training, logistics, and financing for a continental kidnapping and terror ring run by the Forum out of Managua, Nicaragua.)

Mexico's Zapatistas were also present. The assembly viewed a video greeting from the Zapatista "Commander Marcos," supplied by Forum prominent Cuauhtémoc Cárdenas, who hailed Marcos as "socially sensitive." Venezuela's Revolutionary Bolivarian Movement-200 (MBR), headed by Lt. Col. Hugo Chávez (ret.), was officially voted in as a member of the Forum—not surprising, given that Castro personally gave Chávez a hero's welcome when he visited Havana in December 1993. Chávez and his MBR, in any case, spent the last year organizing a continent-wide network within the military in collaboration with the Colombian ELN narco-terrorists.

The Forum endorsed the Zapatista insurgency in its final communiqué: "We recognize the growth in combativeness of the people's movements, which are expressed in their growth, diversity and organized strengthening, as well as in an important development of their struggles, through strikes, protests, demonstrations, occupations of roads, and others, among which stands out the Chiapas rebellion, characterized by the eruption of new forms of expression, of democracy, and of people's power."

The IMF is the terrorist recruiter

Two tasks dominated the public discussions. First, "institutionalizing" the Forum through the creation of a "permanent secretariat" to aid deployment of *continent-wide* initiatives in between plenaries.

Second, to capitalize on the political opportunities opened by the ongoing collapse of "neo-liberal economics," as International Monetary Fund (IMF) free trade policies are known in Ibero-America. Speakers urged members to channel growing anger against the economic collapse, into Zapatista-style revolts. Cárdenas said that he had stopped in Brazil to confer with Workers Party leader Luís Inácio "Lula," da Silva (the latter unable to attend), and they agreed

that “a continental front against neo-liberalism” must be built. Mexico’s current economic crisis will be repeated in other Ibero-American countries, he said; a continental project can be built “upon the failure of neo-liberalism.”

Cuban CP Politburo member Abel Prieto demanded that the United States be made the target of anti-IMF ferment, charging that neo-liberalism represented a new U.S. colonial strategy. The Forum was founded by the Cuban CP in 1990, to ensure the survival of their regime and its political allies, after the fall of the Berlin Wall and Soviet communism. Prieto assured his comrades, that the prophets of the collapse of Cuban socialism will be silenced in 1995. Cuba “will come out victorious with a vigorous socialism founded in the ideas of Martí, Ché, Fidel, Marx, Engels, and Lenin and with the creative knowledge of revolutionary practice,” he raved.

El Salvador’s Shafik Handal, head of the Farabundo Martí Liberation Front who today also wears the hat of the U.N. Peace Negotiations Commission for El Salvador, endorsed Prieto’s comments. Handal promised: “The left is the hope, and in Latin America, Cuba is the hope. . . . There will be Cuban socialism and revolution forever.”

Peru: NGOs set off renewed irregular war

by Sara Madueño

The landslide reelection of President Alberto Fujimori in Peru last April has turned into quite a headache for the mentors of the scheme for destroying the nations of Ibero-America and their militaries. Fujimori and the civilian-military alliance he put together in April 1992, proved that nationalists can wage, and win, a *just war* against international terrorist subversion, setting an example which leaders of other war-torn countries in the region, such as Colombia, are studying carefully. Adding to the globalist financiers’ jitters over the Fujimori regime, is the possibility that the unpredictable Fujimori, enjoying unprecedented political strength from his mandate from 65% of the voters, could suddenly decide to overturn his government’s “free-market” liberal economic program, acting with the same quality of executive decision which he demonstrated when he launched the war on Shining Path in April 1992, despite all international objections.

The desperation now exhibited by the political machine formed around the candidacy of aristocratic former United Nations secretary general Javier Pérez de Cuellar at their crushing defeat in the elections, reveals just how fanatically this globalist political machine is committed to *regenerating* terrorist war against Peru, one way or the other.

Thus, United Nations non-governmental organizations (NGOs) have moved into high gear with their campaign to humiliate Peru’s military as the enemy of the country, rather than the terrorists. The method used is an attempted repeat of what has just occurred in Argentina: Pérez de Cuellar’s NGO machine demands the military repeat the collective *mea culpa* recently enacted by some Argentine military officers, and “repent” for having won the just war which they had waged. The NGO spokesmen likewise are demanding a Truth Commission against the military be set up in Peru, modeled on the one the U.N. created in El Salvador—and with the same purpose, to bring to power a communist insurgency which had no political base in the population.

The creation of a Truth Commission is not just a matter of the United Nations putting into practice its “limited sovereignty” doctrine, but also the first open deployment of the U.N. in defense of the so-called human rights of the terrorists—a mission currently shared by the entire NGO constellation for this express purpose. Carlos Chipoco, a congressman elected on the Pérez de Cuellar slate, who was an active member of the El Salvador Truth Commission, summed up its success: “The Armed Forces were greatly reduced . . . a new police was constituted . . . integrating former members of the guerrillas.”

A Peruvian ‘Chiapas’

The propaganda campaign was started by Carlos Tapia, a “Shining Path expert” close to the networks of Fidel Castro’s São Paulo Forum. He is also part of the Pérez de Cuellar slate, though he did not get elected. On April 9, election day, when the former U.N. chief was about to get trounced, Tapia entitled his Sunday column in the newspaper *La República* “Is a Peruvian Chiapas Possible?”

After pronouncing Shining Path a “failed project,” the psychological warrior warned that “potential conflicts are gestating which could threaten domestic peace . . . which are equally or more serious than what took place in the last 15 years.” Tapia, a mouthpiece for Shining Path throughout those brutal years, claims that the Self-Defense Committees, which were organized and armed by the Armed Forces to protect the peasant communities from being hounded by Shining Path, could turn into the new threat of violence, because, he says, the conditions of misery in which they live have not gone away.

On May 9, *La República* then gave big play to demands by the director of the national executive committee of the Peasant Patrols, Juana Cabrera, that the authorities “dismantle the [anti-subversive] self-defense committees because they are under the politicized control of the Armed Forces, and their subsequent reorganization into autonomous patrols.” Cabrera also requested that these self-defense committees, reorganized into peasant patrols, be directed by “authentic farmers of the community.”

It just so happens that the Wenner-Gren Foundation—

the anthropology fund with the most impeccable Nazi credentials going back to the Hitler era—just published a study by the American anthropologist Orin Starn, of Duke University, with the more-than-suggestive title, “Rethinking the Politics of Anthropology: the Case of the Andes.” He confirms the anthropologists’ determination (the Shining Path experts in particular, as he makes clear) to “develop their capacities to contribute to the struggles for equity and justice.”

Already in 1991, the Institute of Peruvian Studies, which was bankrolled to the hilt by the Ford Foundation and has a taste for publishing the essays of any “Shining Path expert” who knocks on its doors, published in Spanish one of Starn’s books. This one, entitled *Reflections on the Peasant Patrols, Rural Protest and New Social Movements*, takes up the subversive potential of the Peasant Patrols, referring to them as an “alternative justice system.” “A previously disorganized peasantry,” concludes Starn, “thus developed the political force to carry out protests” against the State.

The Peasant Patrols to which Starn refers are the ones which have often been singled out by Peruvian authorities as possible vehicles for Shining Path infiltration.

The goal: ethnic separatism

But the real content of the irregular-warfare plan against Peru has been sketched by the influential Jesuit Felipe MacGregor, a member of the United Nations Permanent Peace Council and protector of the putative father of Theology of Liberation, Gustavo Gutiérrez. In an article published on May 1 in *El Comercio*, MacGregor says he shares with Alvin Toffler (the “Third Wave” futurist quack so beloved of Newt Gingrich and the other U.S. radical populists) the conviction that the “fallacy of the ideal of making men equal is dissipating, because if we accept the diversity of groups, it becomes obvious that there are differences among persons and that it is on these differences that true democracy must be founded.”

MacGregor concludes, “In a multi-ethnic society, it is necessary to limit the extent of the universal vote to what is truly common and to recognize the capacity of the minorities to decide democratically, according to their traditions, things pertaining to their habitat, their culture, their values.” Here he is in agreement with Pérez de Cuellar, who told *Caretas* magazine that “there is a Quechua nation within the Peruvian State and it has to be preserved. . . . I am with those who think that in the departments of the country where Quechua is spoken, all elementary school instruction should be given in Quechua,” even as he admitted, that “Quechua is not a language of great communication nor present-day culture when it comes to science and technology.”

In the same line of argument as MacGregor, and admitting that ethnic and multicultural separatism goes hand in hand with the disappearance of the nation-state, one Javier Lajo wrote on May 11 in *La República* that “the *refounding*

of the nation-state upon a multi-ethnic and pluri-national project, starting with automatic regionalization” is necessary, “before the Chiapas effect catches up with us.”

The plot against the Armed Forces

The NGOs, whose explicit reason for existence is to defend the “human rights” of the terrorists, have unleashed a campaign with the watchword coined by Carlos Tapia in *La República* on April 29: “And what about *our* dirty war?” They are clamoring to impose on Peru the same kind of brainwashing with the “collective guilt” syndrome, which the British-trained Tavistock psychiatrists have spread in Argentina.

Tapia gives credence to the statistics of Shining Path leader Abimael Guzmán, now in jail, on the number of fallen in the Shining Path ranks, and flatly rejects the Defense Ministry’s figures for the same period, 1980-86. Tapia asserts that the discrepancy “with all certainty,” can be attributed to the fact that the Armed Forces eliminated “a large quantity of innocents.”

Tapia, the same chap who declared that the 1990 escape of another terrorist leader, Víctor Polay Campos of the Tupac Amaru Revolutionary Movement (MRTA), “would favor the peace process,” reveals his “statistics” in this article, according to which between 1980 and 1995 some 3,000 were “arrested and disappeared,” and, although he recognizes that the least number of these alleged disappearances occurred under the first Fujimori government, he claims “the number of extra-judicial executions . . . was notoriously greater.”

As might be presumed, Tapia’s “statistics” did not take into account the more than 25,000 assassinations committed by the Shining Path hordes during that same timeframe, much less the devastation of the country by Shining Path bombs. Shining Path’s assassinations were models of extreme cruelty. The Shining Path killers eliminated their victims via satanic rituals, mutilating them little by little. Most of them were the relatively prosperous peasants, “executed” in front of their children for the “crime” of being well-off.

The Dantesque theater into which the “liberated territories” were converted is corroborated by numerous witnesses. The children were indoctrinated into Shining Path insanity through macabre chants and games; youths were recruited by being forced to kill, until killing became a reason for one’s existence. Only a few months ago, the country and the world became aware, with horror, of the fact that the ecological reservation of Apurimac (which is protected by some of the World Wildlife Fund-connected NGOs) where the Asháninka people live, had been turned into the main Shining Path concentration camp. The Army discovered there countless common graves with more than 1,200 corpses of children, men, and women, all brutally assassinated. According to survivors’ accounts, any dissident who tried to flee was assassinated and as a reprisal, his entire family was “executed” with him.

Globalists angling for Colombia 'peace' talks

by Javier Almario

Following an unrelenting offensive for "peace" in Colombia on the part of the United Nations and its various non-governmental organizations and human rights offshoots, and now that the Samper Pizano government has agreed to all of the demands of the country's narco-terrorist groups as their condition for peace negotiations, the terrorists have launched a violent offensive in nearly every part of the country to demonstrate their alleged military capabilities and to thereby boost their negotiating clout.

The heat is on—from both home and abroad—to force the government, under the most degrading of conditions, to the negotiating table with narco-terrorist assassins who have mocked the appeals for peace by deliberately escalating their rampages. As in next-door Peru, the name of the game is to inflate the political power of the terrorists, while degrading the national institutions which are fighting them, thus repeating the model of the United Nations-imposed "peace" in El Salvador.

Narco-terrorist rampage

On May 30, an assault squad of the Colombian Revolutionary Armed Forces (FARC), an old Stalinist guerrilla group turned drug cartel, attacked a police station with grenades and machine-gun fire in a heavily-populated neighborhood of the capital city of Bogotá. At the same time, they attacked various highways leading into the capital city.

Indeed, ever since the government decided on May 10 to accept the conditions set by the terrorists, both the FARC and the Cuba-linked National Liberation Army (ELN) have been multiplying their acts of terrorism: destruction of bridges, pipelines, electricity towers; attacks on military and police patrols, police helicopters, and other vehicles; assassinations of peasants and even of children who are accused of collaborating with the Army; increases in kidnappings and in the amount of so-called "people's taxes" demanded of villagers by the terrorists to finance their military "offensive."

Although this offensive has posed no serious military threat to the nation's defense capabilities, the magnification of these terrorist acts by the media is designed to convince the population that "the government is incapable of putting

an end to the guerrilla and the guerrilla incapable of seizing power," and therefore the "peace" negotiations which are so highly unpopular are nonetheless the only reasonable option.

Among the conditions demanded by the narco-terrorists for dialogue with the government are: purging the Colombian Armed Forces of any officer or non-commissioned officer who has effectively combatted terrorism; that the terrorists be given access to the media, thereby affording them the maximum publicity possible; that the national Congress actively participate in the peace talks; that there be international (i.e., U.N.) oversight of the talks; and that so-called regional justice, which is responsible for trying acts of terrorism and drug trafficking, be eliminated.

But of all the conditions agreed to by the Samper government, the most degrading for the Armed Forces was the decision to hold the peace talks in La Uribe, a virtually impregnable zone in the department of Meta some 200 kilometers east of Bogotá which until five years ago served as the national headquarters—the so-called "Green House"—of the FARC. The mountains of La Uribe are usually shrouded in clouds, land vehicles have no access to the area, and powerful winds make airborne vigilance in the area difficult most of the time.

In November 1995, the Armed Forces finally succeeded in bombarding and capturing the Green House and in uprooting the FARC from their refuge. The top leadership of that narco-terrorist organization would have been killed or captured in the operation had it not been for the fact that the then César Gaviria government alerted them to expect the attack. Nonetheless, the military assault on the FARC headquarters was a setback for the narco-terrorists, and a morale booster for the Army.

The Samper Pizano government has now approved the complete demilitarization of La Uribe, to facilitate the return of the FARC and ELN to the area for the so-called "peace talks." A similar slap in the face to the Armed Forces is the government's agreement to allow ELN leaders Francisco Galán and Felipe Torres, and Francisco Caraballo of the People's Liberation Army (EPL)—all currently prisoners—to serve as the official negotiators for the terrorists in dialogue with the government. It can be presumed that, at a given moment, these terrorists will be allowed to leave their jail cells to undertake their role as official "spokesmen" for their groups. Until that time, however, their cells are equipped with telephones, fax machines, special communication radios, and other sophisticated equipment to enable them to play out the "dialogue" game.

Finally, the government has invited the narco-terrorists to form a mini-constituent assembly which would undertake to write yet another national constitution, thus repeating the farce of the 1991 constitution which was written under the influence of money from the drug traffickers and under the explicit threat of terrorism.

El Salvador 'peace' is model

While the narco-terrorists view the peace talks as an opportunity for destroying the Armed Forces while recovering politically what they have lost militarily, the fact is that they are serving as willing instruments of the globalist United Nations Organization and its British sponsors in their objective of destroying the very concept of the nation-state.

This can be clearly seen with Augusto Ramírez Ocampo, a former Colombian foreign minister now working for the United Nations. He headed the U.N. mission which recolonized El Salvador by means of a "peace process." Today, Ramírez Ocampo spends his days giving lectures on the "peace" possibilities in Colombia: "If peace could be achieved in El Salvador where everyone was against it, why can it not be won in Colombia?" he asks his audiences.

The result of the peace agreement with the terrorist FMLN guerrillas in El Salvador was the effective elimination of that country's military, the destruction of the country's agricultural and industrial production (El Salvador had been self-sufficient in food production), and the establishment of the United Nations as the virtual colonial governor of El Salvador.

Assisting the brainwashing of Colombians to swallow this is Roger Fisher, head of Harvard University's "conflict resolution" department and a leading American theoretician behind the El Salvador peace process. Fisher was hired by the government of the Antioquia department to give seminars to political, business, and intellectual circles on "tolerance," and on how peace talks should be accepted "despite the bullets." Fisher worked with Bertrand Russell's associate Leo Szilard back in the 1960s in a project to use widespread fear of thermonuclear war to forge a world government before which all nations would cede their sovereignty.

Amnesty International, a British intelligence creation, and CINEP, think-tank of the country's leftist Jesuits, held a joint seminar in April, in the town of Melgar, to discuss how to "incorporate the people" within the peace process, given the dramatic lack of enthusiasm shown until now for making still more concessions to unrepentant terrorists.

At the same time, the national government has invited Costa Rican President José María Figueres to serve as mediator in the peace talks. Samper has also called on the U.N. to "observe" the talks, as well as such notorious globalists as former Costa Rican President Oscar Arias, Nobel Peace Prize-winner Adolfo Pérez Esquivel, and even the forgotten former President of the former Soviet Union Mikhail Gorbachov.

Curiously enough, before Samper Pizano came up with his peace initiative, he was at a loss to deal with the charges of Prosecutor General Alfonso Valdívieso against his Liberal Party for being corrupted by the Cali narcotics cartel. The peace initiative has enabled Samper to shift the focus of discussion—at least, for now.

Nigeria's Constitutional Conference ends on note of national unity

by Lawrence Freeman

On June 27, the Nigerian National Constitutional Conference will deliver to the government led by Gen. Sani Abacha its concluding document and then dissolve itself. Since 1994, when the NCC came into existence through special elections called by General Abacha, the NCC has been deliberating to write a new Constitution for Nigeria. By all accounts, the NCC under the chairmanship of Justice Adolphus Karibi Whyte has been a success, and is optimistically viewed as an important step in the process of bringing about a "new Nigeria." During a visit to Nigeria on April 17-May 6, Uwe Friesecke and I had the opportunity to meet with over a dozen delegates to the conference, just before their April adjournment. We found them in unanimous agreement on the positive accomplishments of the 290 elected and 90 appointed delegates (see *EIR*, May 19, p. 20).

Delegate Kafu, from Abia state in southeast Nigeria, told us that when the conference began last year, the atmosphere was very tense among the delegates, with some even being threatened by others. Concerning the annulled June 12, 1993 election, which has been used by M.K.O. Abiola to destabilize the nation, we were told that the conference had to choose the life of the nation, as more important than the interests of Abiola and his claims on the Presidency. The theme of unity for the nation was echoed many times in our discussions with delegates.

Another delegate, Maj. Gen. A.B. Mamman (ret.) from Abuja, said that the NCC provided a cooling-off period that allowed for an open discussion of different views and agendas, but that the common denominator, to which everyone agreed, was that Nigeria must not break up. As one delegate put it, "Nigeria should be a single, indivisible, united nation."

One of the main issues discussed, which was directly related to this concern for Nigeria to remain an undivided nation, was the inclusion in the new Constitution of a provision for a rotating Presidency between the northern and southern regions of Nigeria. While there were serious questions raised as to the constitutionality of this provision, most agreed that this innovation was a necessary compromise to alleviate fears and tensions concerning equal representation from the south. Dr. Simi Johnson, a delegate from Lagos state, expressed the feelings of many when she said that it

was necessary to adopt measures for peace, conducive to unity. "Only history will judge what we are doing for the sake of peace; maybe future generations will throw it out," referring to the rotational Presidency.

Many of the delegates are very displeased by the attacks against Nigeria by Randall Robinson and his Washington-based TransAfrica organization, and view this as an attempt to interfere with Nigeria's sovereignty. One delegate commented that Robinson and his group "don't love Nigeria more than we love ourselves," and, having lived through a terrible civil war, it is "our duty to make sure that we maintain peace."

The British assault

It is now two years since Gen. Ibrahim Babangida annulled the June 12, 1993 election, which gave M.K.O. Abiola the opportunity to lead an opposition movement controlled from the offices of the British-Royal Dutch Shell group, whose sole purpose was to destroy Nigeria as a nation. By November 1993, the majority of political leaders in Nigeria recognized that the country was on the verge of devolving in a dangerous direction, which evoked vivid memories of Nigeria's brutal civil war of 1967-70.

General Abacha is credited with stepping in and saving Nigeria from total disintegration, according to Yoruba Chief Abiola Ogundokun (see interview). In the last year and a

half, General Abacha has steered Nigeria through some very rough political and economic storms, designed to force the nation to retreat from its course toward economic freedom. The latest March coup attempt, which led to the arrest of Gen. Olusegun Obasanjo, was coordinated by British intelligence through the Royal Institute of International Affairs and personally by Baroness Lynda Chalker, Minister for Overseas Development (see *EIR Special Report*, June 9, p. 53). The continued attempts to break up the most populous nation in Africa are but an integral part of a larger effort, carried out in conjunction with the International Monetary Fund and World Bank, to enforce economic conditions intended to reduce the black African population to 19th-century levels. Key to this strategy is the elimination of the Nigerian nation-state.

So far, Nigeria has survived numerous attacks on its existence as a nation, while it attempts to navigate a difficult course toward economic development. This in itself is a significant accomplishment, admired by other African leaders. The task facing the Nigerian leadership now, is to choose the most efficient pathway to create significant increases in the rate of physical economic growth, which will have the greatest impact on improving the material life of the population. It is the hope of all patriotic Nigerians, that the accomplishments of the NCC, including its "healing effect" on old regional grievances, will contribute to a brighter future for all Nigerians.



The Patriotic Youth Movement of Nigeria holds a rally in front of the TransAfrica offices in Washington, May 25, 1995, protesting TransAfrica's campaign of lies against their country.

We have succeeded in achieving peace

Alhaji Abiola Ogundokun is a delegate to the National Constitutional Conference and Yoruba chief from Osun state. He was interviewed by Uwe Friesecke in Abuja on April 26.

EIR: Chief, could you tell us, as a member of the Constitutional Conference, how you see the accomplishments of this conference, and the significance of the report you will now submit to the federal government?

Ogundokun: The most successful achievement of this conference is the success in achieving peace. At the time we came into the conference, Nigeria was about to disintegrate. Gen. Sani Abacha has helped us to find a solution to leadership problems, the problems of rivalry, jealousy, mistrust; this has been taken care of through the decision of the conference to go for a rotational Presidency. The suspicions between the south and the north for a long time have been very, very tense. With the consensus of the members, we have been able to reach a solution, to find a lasting answer to most of the problems.

These are the main two important things: This conference has helped to stabilize Nigeria under the present military administration; and it has been possible for this administration to ensure that the suspicion and mistrust among the rank and file of society has been removed, thanks to the rotational Presidency.

The thing that I would say is the most important achievement, is the fact that for the first time, Nigerians are going back home with one voice, rather than divided feelings. I would say that this is due to the good position of the government, particularly the head of state, who has refused to intervene in the process of lawmaking and discussion at the conference. The government does not get involved in any manner. I cannot think of any past constitutional confab that has not been interfered with. I was a member of the Constitutional Assembly of 1977; I can remember what happened then. And for now, I think we have to congratulate this administration, for the manner in which they have handled the Constitutional Conference.

EIR: How would you respond to international critics who say that the Constitutional Conference is just a cover for the military to not give up power?

Ogundokun: The problem with the international community condemning the position of Nigeria on the Constitutional Conference is due to lack of information, lack of education, lack of knowledge of the actual situation on the ground. You can talk to a gentleman like President Jimmy Carter, who came to Nigeria, saw it himself, and said that Americans have been misinformed about the facts on the ground, as they affect the Nigerian situation. He went on to say that Nigeria would survive the crisis, because he believes in the Constitutional Conference.

If you leave this country and you read the newspapers, you find out that they are all sponsored criticisms. They are sponsored in order to satisfy different interests; you can never get the truth. The campaign against Nigeria is designed to destabilize Nigeria. It is designed to destroy Nigeria, for the purpose of taking the resources, so that Nigeria will not be stable, will not be at peace. So, it is a sponsored campaign, designed to achieve certain ambitions of those that are responsible for destabilizing society. Gen. Sani Abacha has been up to the task; he has been very quiet, very careful in his approach.

You are here, you have seen it for yourself. We are at peace; we love this government; anything you see against this government is sponsored by the minority group that wants to force their own will on the majority. This is not possible; democracy demands that the majority have the final say.

EIR: Could you highlight for us the most important changes in this Constitution, compared to the 1979 Constitution, and what you think may be a critical advancement over earlier constitutions in Nigeria's history?

Ogundokun: As I said before, the rotational Presidency is a completely new thing in our system, which now guarantees leadership opportunity to every sector of our society. It has now been made possible that even minority groups in Nigeria could have the opportunity of taking over leadership. When you say the thing goes to the south, only the southern groups can present candidates; no northern candidate will emerge for the office.

Another issue is the revenue formula, which has been carefully taken care of; this is another area that is really going to solve the problems of Nigerians.

This is all to the surprise of those who said the Constitutional Conference would not work. Now you see that even they are singing praises, because of some laudable decisions taken by the confab. This includes the issue of the chieftancy offices: Our tradition has a place, because they have an office, a more recognized position, they are given functions compared with the past; whereas in the past, the position of the traditional leaders was destroyed. Where there is no leadership, there is a problem. The traditional kings and chiefs will now have a function in government.

EIR: If you look around in Africa—Rwanda, Burundi, Li-

beria, Sierre Leone, all trouble spots, sometimes violence, wars—do you see a role for Nigeria in helping build a better future for Africa as a whole?

Ogundokun: Yes. Most of these troubles are internationally sponsored and financed. Africans do not really have the intention of fighting among themselves. But the external, powerful forces have the financial and economic power to sabotage the efforts of the developing nations. How do they do it? They find out that if we are united, they will not be able to achieve the control which they have been dreaming about. . . .

EIR: Recently, when there was the attempted coup in Nigeria, there was also an activation of a U.S.-based group called TransAfrica, which is heavily funded by the Ford Foundation and the British. They are now campaigning actively, and they held a demonstration last week at the Nigerian Embassy, saying that sanctions must be placed on Nigeria, and that Sani Abacha and the military must immediately hand over power to civilians. Having been through almost a year now of the National Constitutional Conference, discussing the issues of civilian rule and democracy, how do you answer Randall Robinson and TransAfrica?

Ogundokun: Robinson is a personal friend of Chief M.K.O. Abiola. His main interest is to see Abiola back in power. Where was Robinson in 1983, when the Army took over power from Shagari? Why did he not come out and campaign for Shagari? Why is he now just interested in the 1993 election? Because he is dancing to the tune of his masters, his friends—he wants his friend in power.

He is not in Nigeria; he cannot know better than a Nigerian what is going on here. He should come here, to see what is on the ground. For him to be championing the cause of democracy and civilian rule in Nigeria, he must first understand the true position of the country. He is working for money: I am saying that, because if he is not working for money, he should come here, study the situation, like President Carter came, and like some parliamentary people came. If Carter could say that Americans are being misinformed about Nigeria, then Robinson must be talking rubbish. The campaign of Robinson is not a campaign of honesty, but a campaign of destruction, designed to satisfy his masters and to get his friend into power.

The 1993 elections were an inconclusive election. The results have not been announced. There is an electoral law, defied by Abiola himself on Election Day, which forbids you from wearing your party emblem at the polling station—which Abiola did. He would not have been declared elected by anybody. So what are we making noise about? It was an inconclusive election. I know the other candidate; Bashir Tofa was out. They took Abiola's photograph, because he defied the law which has to do with electioneering. There was wanton use of bribery for the election, which is one of the reasons that the former President annulled the election.

Interview: Chief Emea Udu Oji

Our key problem is the unity of Nigeria

Chief Udu Oji is a delegate to the National Constitutional Conference from Abia state. He was interviewed by Uwe Friesecke on April 26 in Abuja, Nigeria.

EIR: Could you give us your view of the work of the National Constitutional Conference?

Udu Oji: I would describe the Constitutional Conference as a coming together of minds, people from different professions, from different experiences, old and young. The problem of Nigerian unity is what knocks the country right, left, and center, and I would say that in our practices and our deliberations, we saw that the unity of this country comes first and foremost. As an individual, sometimes I have been very critical of north, east, west, or south, and that is where the problem of this country comes in. As for the conference, we did as much as we could to make sure that we would talk together as Nigerians, and not as Yorubans or Ibos. I think this is one of the best jobs that the conference tried to do.

The problem of this country is uneven development. The problem of this country is with the politicals, the military, with ourselves. Under it is the canker of corruption. You see it all over: with the Army, with the politicals, with the police, with the businessmen.

As for the writing of the Constitution, sometimes I regard it as a tongue-twisting exercise, because it is not the Constitution that is holding the country back; it is the government.

We have tried to educate the people about what our problems are, and tried to offer solutions.

EIR: You said the most important thing was that people came together as Nigerians. How would you define the essence of being a Nigerian? How would you define the character of Nigeria as a nation?

Udu Oji: During colonial days, sometimes we saw the British as somebody we thought was [our enemy], and we tried to come together. But when the common enemy, the person we regarded as our enemy, was away, then the problem became ourselves. In 1954, when they had elections in the west, in Yoruba land, Dr. Nnamdi Azikiwe did win an election, but because he was not from that group, he was refused! These have been our problems, before independence. These are the aspects of our life that we really would like to change, and that is what the Constitutional Conference is trying to achieve.

Insurrection plotted against Zedillo

Camacho and the Zapatistas appear to have set August as the target date for a new phase of their war against the nation.

There is every indication that Manuel Camacho Solís, the agent of mega-speculator George Soros in Mexico, is pulling together what's needed to launch an insurrection against President Ernesto Zedillo by August. The aim would be to provoke chaos and destabilization, to force the acceptance of a government of "transition" that would reduce the power of the Presidency and pave the way for the balkanization of Mexico.

Camacho's political agenda is exactly the same as that of the Zapatista National Liberation Army (EZLN) in Chiapas and of their British intelligence masters. The British Crown's scenario was documented in *EIR's Special Report "Terrorist International at Work: the Chiapas Model"* (March 31, 1995). As shown there, the plotters responsible for the Chiapas insurrection are the same ones behind the assassination of Cardinal Juan Jesús Posadas Ocampo, the former archbishop of Guadalajara, and of Luis Donaldo Colosio and José Ruiz Massieu, the former Presidential candidate and former secretary general of the ruling Revolutionary Institutional Party (PRI), respectively.

Frustrated ever since he lost the PRI's 1994 Presidential nomination to the slain Colosio, Camacho's insurrectionary game-plan includes the following:

- A campaign of rumors that President Zedillo will fall in August. The line is that the PRI will be weakened by the defeat of its gubernatorial candidate in Guanajuato and the poor showing of its candidate in Yucatán.

The PRI is expected to suffer another defeat in the elections for governor of Baja California in August.

- By August, it is also expected that Mexico's financial and economic crisis will reach another inflection point, with foreign debt payments coming due on *Tesobonos* (dollar-denominated Mexican treasury bonds) at the same time that unemployment will reach massive proportions in the urban centers, as food shortages and idleness hit the rural areas because of the drought in the north.

- There is talk that Camacho may be setting up a new political party around his newly created Foundation for Development and Democracy, to which end he is working with the EZLN and its electoral arm, Cuauhtémoc Cárdenas' Democratic Revolutionary Party (PRD). The Mexico City office of Camacho's foundation is headed by Marcelo Ebrard, who served in Camacho's cabinet when the latter was mayor of Mexico City. Ebrard also reportedly coordinated the Second National Democratic Convention held by the EZLN in February 1995, and he deploys the apparatus of Zapatista-linked labor leaders, known as the "new leaders," in Mexico City.

- The EZLN's narco-guerrillas and the PRD plan to hold their Third National Democratic Convention in August in Michoacán, a PRD stronghold.

- Camacho is also planning to take advantage of the EZLN's postponement of negotiations with the government. In fact, Camacho controls the government's negotiating

team through the chief negotiator, his personal friend Marco Antonio Bernal, a former terrorist who was one of the founders of the Maoist grouping Mass Line. Some of the EZLN's top leaders came out of Mass Line. Bernal's stated purpose for his negotiations with the EZLN is "to transform an illegal force into a legal one," according to the May 16 *La Jornada*.

- For purposes of political blackmail, Camacho is also using the Route 100 union, the Mexico City bus company that he controlled during his mayoral term. Around the same time that the EZLN was bringing its so-called peace talks with the government to a standstill, hundreds of the members of the now-defunct Route 100 union (whose main leaders were jailed for fraud) blockaded all traffic for several hours to the Los Pinos Presidential residence, demonstrating that their capacities for carrying out low-intensity warfare operations and urban terrorism are still intact.

- Finally, and perhaps most interesting, is the question: What role does British agent of influence and former U.S. Secretary of State Henry Kissinger play in this Camacho deployment to overthrow President Zedillo?

One would have to be privy to the discussions between Kissinger and Camacho when the two met last March in the United States, in order to definitively answer that question. According to a report by Pablo Hiriart published by the daily *El Día*, Camacho told Kissinger: "No doubt about it, I am going to be President of Mexico." Kissinger advises the 26 permanent members of the United Nations Committee on Global Governance, to which Camacho belongs, and he also meets frequently with "my great friend" Carlos Salinas de Gortari, the former President of Mexico and a factional opponent of President Zedillo.

Behold, the 'dirigist liberal'

Less than a month in power, the new government under President Jacques Chirac is forced to rethink privatization plans.

The newly formed cabinet of President Jacques Chirac got a small taste during the last week in May of the kind of popular unrest it will face if it proceeds with plans—being promoted by European bureaucrats in Brussels as well as France's own home-grown variety of privateers—to dismantle the large state sector of industry in the country. This dismantling is a key component of the Maastricht treaty, signed by the major countries of western Europe, which calls for coordination of budgetary and financial policy in pursuit of the goal of European unity and a common currency in the coming years.

More than 50,000 workers from the public sector, including postal, railroad, and energy employees, demonstrated or went on strike to protest against the threat of privatization. A large demonstration was also held in Paris of workers from the electricity and gas companies, both state-run. The demand to privatize these latter companies in particular, supposedly to cut state deficits, is absurd, and simply demonstrates the bankruptcy of the "free enterprise" logic: Electricité de France (EDF) receives no state subsidies and in fact produces a profit, and is a model company in many respects.

The unions have declared war on the privatization scheme promoted by Brussels. The secretary general of Force Ouvrière wrote a letter to Prime Minister Alain Juppé, calling on France to use its position as current head of the European Union to "en-

sure the perennial existence of public services which are able to insure equality of rights for all citizens and continuous and coherent development." The president of the union of white collar workers, the CGC, denounced "the excess of ideology of the European Commission." The CGT, the union formerly affiliated with the French Communist Party, also demanded that the government "oppose its veto and reject the directives from Brussels."

The prime minister responded with a public declaration that his government would defend the public sector in its negotiations with Brussels, and he may well be able to use the strike activity as a weapon in those talks. Industry Minister Yves Galland presented a spirited defense of France's public energy sector in an article which appeared in the June 1 edition of *Libération* newspaper. Galland extolled the achievements of EDF as "a great success" even in the context of the free markets, since it "does not receive any state subsidies and makes money. It preserves the essential missions which are those of continuity of product, equality of treatment, and quality of service." This, he noted, was in large part "thanks to the excellence of our nuclear program."

He rejected the system of British deregulation which, he stated, "would not allow us to finance heavy and long-term investments such as nuclear power," which is the *sine qua non* of EDF's success.

The Chirac cabinet has emerged as a battleground for this debate. Although it was the postwar government of conservative nationalist Gen. Charles de Gaulle who created most of today's public sector in France, the school of liberal economics became increasingly vocal within the Gaullist party during the late 1980s especially. The tradition of state-fostered industry actually harkens back to the days of Jean-Baptiste Colbert, the early-18th-century founder of the French school of "dirigist" economics. Chirac's own cabinet is a hybrid of the two tendencies, with his Economic and Finance Minister Alain Madelin representing the neo-liberal ("free market") faction.

But there are important indications that even Madelin's enthusiasm for privatization and similar economic schemes may be waning, and that despite his belonging to the leadership of the Mont Pelerin Society, he may have evolved into a uniquely French phenomenon: what the French press is calling a "dirigist liberal."

Christian Stoffaes, an extremely close collaborator of Madelin, has given numerous interviews in recent weeks, explaining Madelin's position. When Madelin was industry minister in 1986 under Socialist President François Mitterrand, he sent Stoffaes into the directorship of EDF to conduct a study on its possible privatization. Stoffaes emerged from the experience as a publicist for the French public service. "We have the best public services in Europe," he told *Libération* on May 31, praising the accomplishments of France's telecommunications, electricity, railroad, rapid train, and other companies. "Why break what works?"

Perhaps, explained Stoffaes, if we rename these firms "public utilities," people in the Anglo-Saxon world will better understand their function.

International Intelligence

Referendum quashed, cooling Crimea crisis

At the eleventh hour, the Parliament of Crimea voted to cancel the planned June 25 referendum on the future status of the region. At stake was the question of whether Crimea, which has an ethnic Russian majority, should remain part of the independent nation of Ukraine. Also, voters were being asked to recognize the previous Crimean Constitution.

In the May 31 vote, the Crimean Parliament also adopted a resolution instructing their committee on constitutional questions to continue its work "on the basis of the laws of Ukraine." These are very conciliatory votes and signal that some arrangement was reached between Moscow and Kiev, the Ukrainian capital, to cool out the crisis, according to *EIR's* Ukrainian sources.

The next nodal point in Russian-Ukrainian relations was expected to be on June 9, at an informal summit between Presidents Yeltsin and Kuchma at the Black Sea resort town of Sochi.

Greenie author: Use cults to curb violence

Mankind can't eliminate violence, but it can try to contain its excesses by cults, is what a new book, *Hot Peace*, by Antje Vollmer, a founding member of the Green party and (since November 1994) deputy chair of the Parliament of Germany, states. Advocating a "third phase of civilization" to cool down the "hot peace" after the end of the Cold War, Vollmer confesses her belief that "sacrificial cults, myths, and rites not only have been instruments of enslaving human souls by magic but very often also have been regulatory systems of great wisdom and understanding of man."

As far as the "third phase of civilization" (the first, in her view, is the entire ancient/medieval period before the Thirty Years' War; the second, the period from the end of that war to the present time) is concerned,

she states that its prime promoters will be the Woodstock Generation, "the stars of rock music that belong to the long-desired avant garde of the new *citoyens*, the arrival of which has been awaited much too long."

The three world religions born in the Tigris-Euphrates Valley—Christianity, Judaism, and Islam—are worn out, in Vollmer's view: "That which has been thought there, dreamed about, inherited, and written down as rules of social conduct, commandments, standards, and values, has nearly been used up. Also morals and ethics of the peoples are a limited resource, they are like natural resources, like rain forests, arable land, the ozone layer, coming to an end through unbridled exploitation."

Vollmer is a theologian of the Evangelical Church of Germany (EKD), and thus the book documents the advance of the counterculture inside the EKD.

Australian death bill seen as 'national shame'

Australia's Northern Territory (N.T.) government has passed a bill which makes it lawful for a doctor to administer a fatal substance to a terminally ill adult patient of sound mind. This is being described in Australia as "the first such bill passed by a parliament anywhere in the world." The mainstream media did not give the "Rights of the Terminally Ill Bill" a chance, but an immense amount of pressure and lobbying on members turned the bill from certain defeat (11-14), to passage on May 25 by 15-10 votes, after 14 hours of debate and 13 pages of amendments.

The extraordinary stakes involved were exemplified by the dramatic resignation from politics, including his parliamentary seat, by N.T. Chief Minister Marshall Peron, the bill's sponsor, in order to push the bill through, "free from politics of any kind," just 75 minutes before debate on the bill began.

From the United States, Gail Ateberry of the Oregon Right to Life said, "I believe the Northern Territory will become not only

the suicide capital of Australia, but the world." Robin Fletcher of the U.S. Hemlock Society applauded: "It's a test law and I'm sure the whole world will watch."

One of the key death lobbyists was Dr. Phillip Nietschke, a member of the Doctors for Change. He foreshadowed the "establishment of specialist euthanasia clinics" in the N.T. Nietschke described the strategy: "It was much simpler to get [the bill] up in the Territory with smaller numbers and without an upper house, but now that it has actually happened, it will make it so much easier elsewhere." All other states and territories except Tasmania are set to introduce their bills.

Mrs. Margaret Tighe, chairman of Right to Life Australia, issued a press release on May 26 accusing "the 15 legislators who voted in favor of the bill of deliberately ignoring the recommendations of bodies like the U.K. House of Lords Committee on Euthanasia, the Canadian Supreme Court of Appeals for the Ninth Circuit, and the New York Task Force on Life and the Law—all of which rejected the concept of legalized euthanasia." She called May 25 "a day of national shame."

Cisneros being squeezed out of Venezuela

The Organization Diego Cisneros (ODC) of Venezuela, which represents the political and financial interests of the Cisneros family in that country, is being formally eliminated, as the various members of that family are actively selling off the majority of their assets inside Venezuela. According to author Florencio Tovar, writing in the May 31 issue of *Economía Hoy*, the group has decided to withdraw from all of its holdings except *Venevisión* and *Telcel* (television and cellular telephones), and focus on rebuilding its empire outside the country. Tovar makes no mention of the legal cases pending against Ricardo Cisneros.

Brothers Ricardo and Gustavo are reportedly in Chile and Spain, respectively, from which they plan to recover economic

Briefly

and political ground. Inside Venezuela, they have sold off such major holdings as Helados Tio Rico to Unilever; the juice-processing company Yukery went bankrupt and they are trying to sell it to Heinz Corp.; and the chain stores CADA and Maxys have been sold.

In April 1994, the Cisneros interests used their power to frame up their most outspoken political critic, Alejandro Peña, leader of the Venezuelan Labor Party and a longtime collaborator of American economist Lyndon H. LaRouche, Jr. The attempt backfired and Peña was exonerated of the heavy criminal charges in May 1994.

Pope: 'Image of God' key for women's conference

Pope John Paul II expressed his views on the United Nations' Fourth World Conference on Women, to be held in Beijing in September, in a meeting with Gertrude Mongella, the conference's secretary general on May 26, the Vatican Information Service reported.

If solutions to the issues and problems raised at the conference are to be honest and permanent, the pontiff said, they "cannot but be based on the recognition of the inherent, inalienable dignity of women, and the importance of women's presence and participation in all aspects of social life." In fact, he added, "the recognition of the dignity of every human being is the foundation and support of the concept of universal rights. For believers, that dignity and the rights that stem from it are solidly grounded in the truth of the human being's creation in the image and likeness of God."

Alluding to the agenda that radical feminists hope to bring to the conference, the pope argued that "no response to women's issues can ignore women's role in the family. . . . In order to respect this natural order of things, it is necessary to counter the misconception that the role of motherhood is oppressive to women."

He added that the Holy See has no inten-

tion of trying to limit the influence and activity of women in society, but emphasized that economic development in particular will allow for "equitable access not only between the least developed, developing and richer countries . . . but also between men and women."

Pope John Paul II told Mongella that "we must hope that the conference will set a course that avoids the reefs of exaggerated individualism, with its accompanying moral relativism, or, on the opposite side, the reefs of social and cultural conditioning which does not permit women to become aware of their own dignity, with drastic consequences for the proper balance of society and with continuing pain and despair on the part of so many women."

Swedish ADC confronts the Rolling Stones

The Rolling Stones, one of the most notorious pro-drug rock groups, conducted a tour through Sweden in the first week of June. The high point of the tour was to be a mass concert, held on June 4, at the Arena Stadium in Stockholm. This stadium, which was built at the beginning of this century, features as its sculptured decor, the swastika, an ancient cult symbol which the Nazis later adopted.

On the occasion of the Rolling Stones concert, Ulf Sandmark, editor of the Swedish Anti-Drug Coalition's magazine *Stoppa Knarket*, issued the following statement under the headline, "The Rolling Stones Hit Stockholm."

"The only feature of the Rolling Stones' haunt of Stockholm which is appropriate, is the fact that no one has yet removed the 13 swastikas from the gallery poles of the Arena Stadium."

The coalition distributed 3,000 back issues of *Stoppa Knarket* the day before the event, featuring an article by Don Phau unmasking the satanic nature of the Rolling Stones and other such groups. The Anti-Drug Coalitions movement was co-founded by Lyndon LaRouche in 1978.

● **IN MOSCOW**, the Schiller Institute for Science and Culture has just printed two issues of its *Bulletin*, featuring Russian translations of reports from *EIR*: "Lord Palmerston's Multicultural Human Zoo" (April 1994) and "Prospects for Russian Economic Recovery," by Lyndon LaRouche (February 1995).

● **ARGENTINA**, in yet one more display of declining sovereignty, will let the British government join the Organization of American States in September with official observer status. Since the 1982 Malvinas War, the OAS has admitted so many tiny Caribbean "nations," that Queen Elizabeth II is now head of state of 14 OAS members.

● **LYON, FRANCE** will have 14 candidates on the New Solidarity Federation slate in the first round of local elections on June 11. They are supporters of former French presidential candidate Jacques Cheminade (a frequent contributor to *EIR*). The candidates are stressing the solution to the international financial breakdown as primary, while also addressing such local concerns as housing, drugs, and culture.

● **HAITI** graduated its first class of new "depoliticized" police officers on June 3, after four months of training. President Jean-Baptiste Aristide, in his speech, let the cat out of the bag by leading the class in the chant, "Alone we are weak, together we are strong, together, together we are Lavalas." Lavalas was the name of Aristide's "necklacing" gangs before he was reimposed on the island by a U.S. invading force.

● **JAPANESE** Finance Minister Masayoshi Takemura, who has been pressing for a "rethinking" of the collapsing world monetary system, was threatened with assassination by "rightists," Japanese officials told *EIRNS* on June 5. At the time of the threat, he was speaking in favor of the resolution that Japan apologize for its conduct in World War II.

Former aide to Mark Richard indicted in drug crackdown

by Jeffrey Steinberg

The Clinton administration's move against the Colombian Cali Cartel holds the promise of not only launching a real war on drugs, but of cleaning out the corrupt networks in government that have sabotaged anti-drug efforts for years.

On June 5, the U.S. Attorney for the Southern District of Florida, Kendall Coffey, unsealed a nine-count, 161-page indictment against 59 top officials of the Cali Cartel, charging them with importing over 80% of the cocaine that has been smuggled into the United States since 1984. What was historic about the indictment was the targeting of six prominent American attorneys, including three former Justice Department prosecutors, as leading fixtures in the cartel's operations in America.

The best-known of the attorneys indicted in the case is Michael Abbell, who served in the Department of Justice for 17 years, and rose to become the chief of the Office of International Affairs before his abrupt retirement in 1984. Within six months of his departure from the federal government, Abbell was representing Gilberto Rodríguez-Orejuela, the chief of the Cali Cartel, in a successful effort to block his extradition from Spain to the United States.

In his post as chief of the International Affairs Office (1981-84), Abbell was in charge of all extradition cases for the department, and reported directly to Deputy Assistant Attorney General Mark Richard. Abbell, in effect, shaped the very U.S. government extradition program targeting the major international narcotics traffickers that he then turned around and subverted. Despite this apparent conflict of interest, in early 1985, while battling to block Rodríguez-Orejuela's extradition, Abbell was able to obtain a written waiver from the department certifying that there was *no conflict of interest* in his representation of the Cali Cartel.

A bigger scandal to unfold?

The indictment of Abbell and two other former Assistant U.S. Attorneys, Donald Ferguson and Joel Rosenthal, as agents of the Cali Cartel, comes at a particularly trying moment for some of the most powerful of the permanent bureaucrats at the Department of Justice. Washington sources have told *EIR* that the Clinton administration is anxious to clean out some of the permanent bureaucracy inside the department that has been responsible for some of the most outrageous instances of governmental abuse of power in recent decades.

Among the more notorious of the recent instances of abuse: the disastrous FBI assault on the Branch Davidian compound in Waco, Texas on April 19, 1993, which left more than 80 people dead; the Reagan-Bush-era theft of computer software from the Washington firm Inslaw, and the coverup of that crime by an illegal attempt to force the company into bankruptcy; the denaturalization and extradition to Israel of retired Cleveland autoworker John Demjanjuk on bogus war crimes charges that nearly resulted in his execution; and the Oct. 6, 1986 paramilitary raid on the Leesburg, Virginia offices of companies affiliated with Lyndon LaRouche, and the subsequent railroad prosecutions of LaRouche and a score of his political associates. In the latter three cases, federal judges ultimately ruled that prosecutors had committed fraud upon the court in order to obtain convictions.

The Abbell arrest now raises some new, potentially devastating questions about this permanent apparatus. Who inside the department was responsible for whitewashing Abbell's initial bolt from the U.S. government to the Cali Cartel? Abbell's main selling card to the Rodríguez-Orejuela brothers was his intimate knowledge of the Justice Depart-

ment and his long-standing contacts inside the department. Did Abbell provide the Cali Cartel with a window into the federal anti-drug effort? Are there "moles" still in place inside the permanent bureaucracy?

A detailed bill of indictment

The indictment strongly suggests that the Cali Cartel was privy to inside information about federal investigations. Although Abbell is not directly named as a source of inside information, another Miami attorney indicted along with him is accused of passing along secret information about federal wiretap orders and pending grand jury indictments. That attorney, William Moran, is also accused of providing the Cali Cartel with the name of a confidential government informant who had helped secure the indictment of cartel employee George Morales. On Oct. 14, 1990, the informant, Rafael Lombroso, was assassinated in the presence of a top cartel figure.

The indictment accuses the six attorneys of a wide range of crimes, including drug trafficking, money laundering, securing knowingly false sworn statements, and obstruction of justice. Abbell and Moran are accused of delivering threats to arrested cartel employees and of paying off family members to secure their non-cooperation with federal agents.

Three of the attorneys named in the court papers, Francisco Laguna, Joel Rosenthal, and Robert Moore, have already pled guilty to a wide range of charges, and this poses a serious problem for Abbell, Moran, and Ferguson. Laguna was Abbell's law partner, running the Washington, D.C. law firm Ristau and Abbell's Miami office. Laguna pled guilty to conspiracy to import cocaine and obstruction of justice. The other two attorneys admitted to money laundering.

Laguna was brought into the Abbell law firm after he had accompanied the former Department of Justice official to Cali, Colombia for private meetings with the cartel's so-called chief executive officer, Miguel Rodríguez-Orejuela, beginning in January 1988. Abbell was eventually retained as a personal attorney representing Miguel Rodríguez-Orejuela's interests in the United States.

Since the unsealing of the indictment on June 5, the Department of Justice has been emphasizing the role of the attorneys in the cartel's illegal operations. A Department of Justice press release describing "Operation Cornerstone," the Miami-based task force that targeted the Cali Cartel, began:

"After a lengthy investigation, six criminal defense attorneys, including a former chief of the Office of International Affairs at the Department of Justice, and two former Assistant U.S. Attorneys, and 56 other individuals have been charged in Miami federal court with various criminal offenses." The press release charged the cartel with importing over 200,000 kilograms of cocaine into the United States.

Department of Justice officials are apparently well aware of the mine field they are crossing by targeting prominent members of the criminal defense bar. Deputy Attorney Gen-

eral Jamie Gorelick commented on the indictment: "The conduct of the attorneys goes far beyond zealous legal representation of a client. These attorneys are charged with conduct aimed at corrupting the legal system for the benefit of one or two individuals and the operation and vast wealth of one of the largest drug trafficking organizations in the world."

Beating the cartel in the tech-wars

In 1985, following the kidnapping and assassination of Drug Enforcement Administration (DEA) agent Enrique Camarena in Guadalajara, Mexico, Lyndon LaRouche issued a 15-point program for conducting a hemispheric war on drugs. The plan emphasized the marshalling of all of the technological resources of the United States to out-gun the dope apparatus on their most vulnerable flanks, especially their vast money-laundering operations.

In the course of "Operation Cornerstone," federal agents, principally from the DEA and the U.S. Customs Service, were able to intercept some of the Cali Cartel's most sensitive communications, including cellular telephone conversations, and even phone discussions arranged via an ostensibly foolproof secure method. Many of the cartel's financial transactions were also tracked, and dozens of front companies identified and shut down.

Sources familiar with the low-key, upscaled anti-drug effort that has been under way ever since the beginning of the Clinton Presidency, report that special units like the Treasury Department's FinCen (financial intelligence center) are now capable of tracking even the most sophisticated, high-speed computer wire transfers all over the globe.

The apparatus is now in place to beat the dope cartels in the crucial high-technology wars. LandSat and other commercial satellites are capable of identifying the locations of even the smallest coca, marijuana, and opium fields, making it possible to carry out drug eradication efforts before the illicit crops are ever fully cultivated.

But, above all else, such a serious anti-drug effort requires an unambiguous commitment to take on Dope, Inc. from the top down, regardless of how many prominent bankers and lawyers—"citizens above suspicion"—have to be hauled off to prison.

It is in this context that the indictment of Abbell and the other lawyers, along with the Cali Cartel's entire command structure, represents a landmark step forward in the U.S. anti-drug effort.

Given the Clinton administration's continuing "war and a half" against the British House of Windsor and Club of the Isles, a U.S. assault against the highest levels of the international narcotics cartel could not come at a better moment. Since the mid-19th-century British Opium Wars against China, the illicit drug trade has been synonymous with the Windsors and the Club. "Operation Cornerstone" is probably sending chills down the spine of some very prominent people in London as well as in Cali.

Republicans obstruct Clinton foreign policy

by William Jones

As President Clinton attempts to revamp U.S. foreign policy, shifting it away from the Anglo-American "special relationship" of the Bush-Thatcher era, the Republican Congress is doing its utmost to tie his hands, even at the cost of seriously damaging the constitutional power of the President to conduct foreign policy.

The most vocal attacks on Clinton's foreign policy have occurred on Bosnia. Since the breakup of Yugoslavia, the British, with the support of the François Mitterrand government in France, have sabotaged every initiative from the U.S. side to put a stop to the Serb genocide. Clinton's initial efforts to lift the U.N. arms embargo against Bosnia-Herzegovina, an embargo inherited from the time Bosnia was part of Yugoslavia, always foundered in the face of British and French objections.

But the election of Jacques Chirac to the French Presidency in May may have changed that equation somewhat, presenting a rift in the Anglo-French entente over Bosnia. When U.N. forces were taken hostage by the Bosnian Serbs after NATO planes had bombed Bosnian Serb ammunition depots in response to the continued Serb bombardment of U.N. safe havens, the French, followed by the British, decided to strengthen their forces on the ground in Bosnia in order to prevent further hostage-taking.

The White House, while still refusing to deploy U.S. troops on the ground in Bosnia, agreed to the use of U.S. ground forces for an emergency evacuation or repositioning of U.N. peacekeeping forces. The President's offer of U.S. emergency assistance at the commencement ceremonies at the U.S. Air Force Academy on May 31, immediately provoked a gaggle of Republicans, some of them Presidential hopefuls, to claim that Clinton was now reversing himself and was going to introduce U.S. ground forces—a move that the President has repeatedly said he would not do.

The Gilman bill

But it is not only on Bosnia policy that Republicans want to tie the President's hands. The foreign aid bill introduced into the House by Benjamin Gilman (R-N.Y.), chairman of the House International Relations Committee, on May 23 would well-nigh cripple the President on all major foreign policy fronts.

The Gilman bill, an attempt by Congress to micro-manage U.S. foreign policy, would pull the country toward con-

frontation in areas where President Clinton has skillfully steered away from a threatening conflict. The legislation targets the ongoing agreements with the North Koreans, by placing restrictions on how far the negotiators could go in offering the North Koreans various forms of diplomatic recognition, placing stiff requirements on any transfer of light-water nuclear power reactors, a key element in the discussions, and including an array of conditions under which the United States simply might rescind the negotiated agreements.

The Gilman bill similarly restricts the President in his ability to conduct foreign policy with Russia, placing all sorts of requirements, including making the granting of aid dependent on Russian adherence to specific actions in Chechnya, and to strict adherence to implementing a "market economy."

The bill is a virtual declaration of war against the People's Republic of China, requiring the United States to act as the puppet of Tibet's Dalai Lama, a longtime British asset. The legislation calls for the appointment of a "special envoy" to Tibet. In an outrageous statement, the act claims that "the President and the Congress have determined that the promotion of human rights in Tibet and the protection of Tibet's religion and culture are important elements in United States-China relations"! The "special envoy" would "consult with Congress on policies relevant to Tibet and the future and welfare of all Tibetan people," as if the "special envoy" were that of the U.S. Congress and not the U.S. government.

While reducing funding for international organizations and abolishing the U.S. Agency for International Development, the International Development Cooperation Agency, and the Arms Control and Disarmament Agency, the bill is a slap in the face to developing sector nations. It would cut the important, but vastly underfunded Development Fund for Africa by 21%, and would reduce funding for debt reduction by 75%, making it nearly impossible for the United States to grant significant debt relief to the poorest countries—a measure that was to be on the agenda at the Group of Seven heads-of-state summit in Halifax, Canada.

President Clinton has vowed to veto the legislation, which he characterized as a "frontal assault on the authority of the President," and has been advised to do so by the secretaries of state, treasury, and defense. The British government, up in arms against the Clinton policy that is in the process of dismantling their numerous crisis "hot-spots"—Northern Ireland, the Middle East, and potentially even Bosnia—is escalating its public attacks on the President and his administration. And the Republican-controlled Congress, anxious to hamstring the President in his conduct of foreign affairs, is developing into a "fifth column" for that British operation. Gilman, Senators Jesse Helms and John McCain, and other Republican leaders may not all be raving Anglophiles, but the obstructionist policies they are presently pursuing all bear the stamp "Made in London."

Supreme Court rediscovers Constitution, rejects term limits scheme

by Edward Spannaus

These are turbulent times—even in the U.S. Supreme Court.

On April 26, five Justices of the Supreme Court indicated that they were entertaining thoughts of joining Newt Gingrich and Phil Gramm in their campaign to dismantle the federal government. In that case, *U.S. v. Lopez*, the court invalidated a federal law barring guns near schools, holding that the statute was not a proper exercise of federal power under the Constitution's provision of power to the Congress to regulate interstate commerce (see *EIR*, May 12, 1995). In giving their interpretation of the commerce clause, some of the justices went on to moot a return to the years before 1937, when the Supreme Court routinely struck down any exercise of economic power by the federal government.

Then, on May 22, with a switch of one vote, the same court issued a remarkable ruling which reaffirmed—in striking and powerful terms—some of the most fundamental principles on which our Constitutional Republic is based. Specifically at issue was an Arkansas law which limited terms in the U.S. Congress to three terms for the House of Representatives, and two terms for the Senate. Arkansas was not alone in this endeavor: 23 states had passed laws imposing term limits on their congressional representatives, and the issue has become a rallying cry for radical populist groups.

The majority opinion in the term limits case was written by Justice John Paul Stevens—now the second most senior member of the Court—and was joined by Justices Kennedy, Souter, Ginsberg, and Breyer, the latter two being Clinton appointees. Anthony Kennedy was the swing vote; he had voted with the Rehnquist bloc in the commerce clause case, but voted with the opposing bloc in the term limits case.

Both of these cases, but especially the term limits case, demonstrate the absurdity of the “liberal-conservative” categories which most commentators use in analyzing the voting blocs on the Supreme Court.

“Conservative” columnist Joseph Sobran, for example, described the decision as “a liberal victory,” and wrote that the dissenting opinion, written by Justice Clarence Thomas, “has shaken the liberal establishment to its depths.” Liberals are those who want to build up a powerful federal government, according to Sobran, thus departing from the

historical mainstream.

Columnist Phyllis Schlafly praised Associate Justice Clarence Thomas, who wrote the dissent in the term limits case, and who took the most extreme position in the commerce clause case, as “the Supreme Court's strongest and most articulate voice for constitutional government.” “Constitutional government,” she explained, “means government in accord with the U.S. Constitution as its makers wrote it, rather than as liberal Supreme Court activists would like to rewrite it.”

In the view of a Sobran or Schlafley, a “conservative” is one who believes that the federal government should be as small and powerless as possible, and that all power derives from, and should reside in, the states.

The truth is that today's “conservatives” correspond to the radical opponents of the United States Constitution and of the Founding Fathers. This is illustrated dramatically in the term limits case, where the so-called “conservatives” literally adopted the arguments used by the adversaries of the Constitution during the debates over its ratification in the 1780s.

What are called “term limits” today, were known as “rotation” in the 18th century. The Articles of Confederation, which were replaced by the Constitution of 1787, had a rotation provision—i.e., delegates to the Continental Congress could not serve more than three years out of six, and were subject to recall at any time by the state legislatures. There were vigorous debates over the desirability of a rotation provision during the Constitutional Convention and in the subsequent state ratification conventions. Term limits lost.

The opinion written by Justice Stevens in this case thoroughly documents that not only were term limits rejected, but that the Framers intended that the specific qualifications put in the Constitution were not to be added to, or supplemented, by the states. Stevens shows, as well as one could expect from a modern Supreme Court Justice, that this is not just a technical question, but that it bears on the fundamental question of the nature of the Union. He lays out compelling evidence, using quotations from Alexander Hamilton, Chief Justice John Marshall, and others, that the national govern-

ment derives its power from the people of the United States as a whole, not merely from the states, or even from the people of the states as such.

The irony, of course, is that George Washington, Hamilton, Marshall, and Marshall's protégé Joseph Story were not the "liberals" of their day. By today's categories, the Federalists of the 18th century, and the American Whigs of the first part of the 19th century, were the "conservatives." They absolutely believed in the necessity for a vigorous national government, which could, in the words of Hamilton, "baffle all the combinations of European jealousy to restrain our growth." (Federalist No. 11.) In arguing the need for a strong central government, Hamilton argued: "Let the thirteen states, bound together in a strict and indissoluble Union, concur in erecting one great American system superior to the control of all transatlantic force or influence and able to dictate the terms of the connection between the old and the new world."

From England, and post-revolutionary France, came the efforts to weaken the Union, to decentralize power, and to promote separatism and secessionism. It was treason then, and it is treason now.

The fraudulent (and tedious) argumentation of Clarence Thomas in his 88-page dissenting opinion in the term limits case belongs to that anti-Federalist, anti-American System tradition. Conservatism it is not.

It is no less outrageous that three other Justices (Rehnquist, O'Connor, and Scalia) signed onto Thomas's dissent without a quibble. But it just shows that the Supreme Court is not exempt from the same political currents which are so evident in the Congress this term, attempting to subvert the U.S. political and economic system in the name of "conservatism."

But what is encouraging is the fact that five members of the court were able to rally around fundamental principles as expressed by the Framers of the Constitution. That is refreshing indeed.

Documentation

The following are excerpts from the Opinion of the Court of the Supreme Court of the United States in U.S. Term Limits, Inc., et al. v. Thornton et al. (certiorari to the Supreme Court of Arkansas No. 93-1456, argued Nov. 29, 1994, decided May 22, 1995), as delivered by Associate Justice John Paul Stevens. Legal citations have been omitted. A subhead has been added.

As the opinions of the Arkansas Supreme Court suggest,

the constitutionality of Amendment 73 depends critically on the resolution of two distinct issues. The first is whether the Constitution forbids States from adding to or altering the qualifications specifically enumerated in the Constitution. The second is, if the Constitution does so forbid, whether the fact that Amendment 73 is formulated as a ballot access restriction rather than as an outright disqualification is of constitutional significance.

Our resolution of these issues draws upon our prior resolution of a related but distinct issue: whether Congress has the power to add to or alter the qualifications of its Members. Twenty-six years ago, in *Powell v. McCormack*, we reviewed the history and text of the Qualifications Clauses in a case involving an attempted exclusion of a duly elected Member of Congress. . . . Because of the obvious importance of the issue, the Court's review of the history and meaning of the relevant constitutional text was especially thorough. We therefore begin our analysis today with a full statement of what we decided in that case. . . .

[W]e viewed the Convention debates as manifesting the Framers' intent that the qualifications in the Constitution be fixed and exclusive. We found particularly revealing the debate concerning a proposal made by the Committee of Detail that would have given Congress the power to add property qualifications. James Madison argued that such a power would vest " 'an improper & dangerous power in the Legislature,' " by which the Legislature " 'can by degrees subvert the Constitution.' " Madison continued: " 'A Republic may be converted into an aristocracy or oligarchy as well by limiting the number capable of being elected, as the number authorised to elect.' "

We also recognized in *Powell* that the post-Convention ratification debates confirmed that the Framers understood the qualifications in the Constitution to be fixed and unalterable by Congress. For example, we noted that in response to the antifederalist charge that the new Constitution favored the wealthy and well-born, Alexander Hamilton wrote:

" 'The truth is that there is no method of securing to the rich the preference apprehended but by prescribing qualifications of property either for those who may elect or be elected. But this forms no part of the power to be conferred upon the national government. . . . The qualifications of the persons who may choose or be chosen, as has been remarked upon other occasions, are defined and fixed in the Constitution, and are unalterable by the legislature.' "

We thus attached special significance to "Hamilton's express reliance on the immutability of the qualifications set forth in the Constitution."

Moreover, we reviewed the debates at the state conventions and found that they "also demonstrate the Framers' understanding that the qualifications for members of Congress had been fixed in the Constitution."

In *Powell*, of course, we did not rely solely on an analysis

of the historical evidence. . . . We noted that allowing Congress to impose additional qualifications would violate that “fundamental principle of our representative democracy . . . ‘that the people should choose whom they please to govern them.’ ”

Our opinion made clear that this broad principle incorporated at least two fundamental ideas. First, we emphasized the egalitarian concept that the opportunity to be elected was open to all. We noted in particular Madison’s statement in *The Federalist* that “[u]nder these reasonable limitations [enumerated in the Constitution], the door of this part of the federal government is open to merit of every description, whether native or adoptive, whether young or old, and without regard to poverty or wealth, or to any particular profession of religious faith.’ ”

Second, we recognized the critical postulate that sovereignty is vested in the people, and that sovereignty confers on the people the right to choose freely their representatives to the National Government. For example, we noted that “Robert Livingston . . . endorsed this same fundamental principle: ‘The people are the best judges who ought to represent them. To dictate and control them, to tell them whom they shall not elect, is to abridge their natural rights.’ ” Similarly, we observed that “[b]efore the New York convention . . . Hamilton emphasized: ‘The true principle of a republic is, that the people should choose whom they please to govern them. Representation is imperfect in proportion as the current of popular favor is checked. This great source of free government, popular election, should be perfectly pure, and the most unbounded liberty allowed.’ ” . . .

Our reaffirmation of *Powell*, does not necessarily resolve the specific questions presented in these cases. For petitioners argue that whatever the constitutionality of additional qualifications for membership imposed by Congress, the historical and textual materials discussed in *Powell* do not support the conclusion that the Constitution prohibits additional qualifications imposed by States. In the absence of such a constitutional prohibition, petitioners argue, the Tenth Amendment and the principle of reserved powers require that States be allowed to add such qualifications.

Petitioners argue that the Constitution contains no express prohibition against state-added qualifications, and that Amendment 73 is therefore an appropriate exercise of a State’s reserved power to place additional restrictions on the choices that its own voters may make. We disagree for two independent reasons. First, we conclude that the power to add qualifications is not within the “original powers” of the States, and thus is not reserved to the States by the Tenth Amendment. Second, even if States possessed some original power in this area, we conclude that the Framers intended the Constitution to be the exclusive source of qualifications for members of Congress, and that the Framers thereby

“divested” States of any power to add qualifications.

The “plan of the convention” as illuminated by the historical materials, our opinions, and the text of the Tenth Amendment, draws a basic distinction between the powers of the newly created Federal Government and the powers retained by the pre-existing sovereign States. As Chief Justice Marshall explained, “it was neither necessary nor proper to define the powers retained by the States. These powers proceed, not from the people of America, but from the people of the several States; and remain, after the adoption of the constitution, what they were before, except so far as they may be abridged by that instrument.”

This classic statement by the Chief Justice endorsed Hamilton’s reasoning in *The Federalist* No. 32 that the plan of the Constitutional Convention did not contemplate “[a]n entire consolidation of the States into one complete national sovereignty,” but only a partial consolidation in which “the State governments would clearly retain all the rights of sovereignty which they before had, and which were not, by that act, exclusively delegated to the United States.” . . .

Tenth Amendment not applicable

Contrary to petitioners’ assertions, the power to add qualifications is not part of the original powers of sovereignty that the Tenth Amendment reserved to the States. Petitioners’ Tenth Amendment argument misconceives the nature of the right at issue because that Amendment could only “reserve” that which existed before. As Justice Story recognized, “the states can exercise no powers whatsoever, which exclusively spring out of the existence of the national government, which the constitution does not delegate to them. . . . No state can say, that it has reserved, what it never possessed.”

Justice Story’s position thus echoes that of Chief Justice Marshall in *McCulloch v. Maryland*. In *McCulloch*, the Court rejected the argument that the Constitution’s silence on the subject of state power to tax corporations chartered by Congress implies that the States have “reserved” power to tax such federal instrumentalities. As Chief Justice Marshall pointed out, an “original right to tax” such federal entities “never existed, and the question whether it has been surrendered, cannot arise. . . .”

With respect to setting qualifications for service in Congress, no such right existed before the Constitution was ratified. The contrary argument overlooks the revolutionary character of the government that the Framers conceived. Prior to the adoption of the Constitution, the States had joined together under the Articles of Confederation. In that system, “the States retained most of their sovereignty, like independent nations bound together only by treaties.” After the Constitutional Convention convened, the Framers were presented with, and eventually adopted a variation of, “a plan not merely to amend the Articles of Confederation

but to create an entirely new National Government with a National Executive, National Judiciary, and a National Legislature." In adopting that plan, the Framers envisioned a uniform national system, rejecting the notion that the Nation was a collection of States, and instead creating a direct link between the National Government and the people of the United States. . . . In that National Government, representatives owe primary allegiance not to the people of a State, but to the people of the Nation. As Justice Story observed, each Member of Congress is "an officer of the union, deriving his powers and qualifications from the constitution, and neither created by, dependent upon, nor controllable by, the states. . . . Those officers owe their existence and functions to the united voice of the whole, not of a portion, of the people."

We believe that the Constitution reflects the Framers' general agreement with the approach later articulated by Justice Story. . . .

For example, Art. I, 5, cl. 1 provides: "Each House shall be the Judge of the Elections, Returns and Qualifications of its own Members." The text of the Constitution thus gives the representatives of all the people the final say in judging the qualifications of the representatives of any one State. For this reason, the dissent falters when it states that "the people of Georgia have no say over whom the people of Massachusetts select to represent them in Congress." . . .

The merits of term limits, or "rotation," have been the subject of debate since the formation of our Constitution, when the Framers unanimously rejected a proposal to add such limits to the Constitution. The cogent arguments on both sides of the question that were articulated during the process of ratification largely retain their force today.

We are, however, firmly convinced that allowing the several States to adopt term limits for congressional service would effect a fundamental change in the constitutional framework. Any such change must come not by legislation adopted either by Congress or by an individual State, but rather—as have other important changes in the electoral process—through the Amendment procedures set forth in Article V. The Framers decided that the qualifications for service in the Congress of the United States be fixed in the Constitution and be uniform throughout the Nation. That decision reflects the Framers' understanding that Members of Congress are chosen by separate constituencies, but that they become, when elected, servants of the people of the United States. They are not merely delegates appointed by separate, sovereign States; they occupy offices that are integral and essential components of a single National Government. In the absence of a properly passed constitutional amendment, allowing individual States to craft their own qualifications for Congress would thus erode the structure envisioned by the Framers, a structure that was designed, in the words of the Preamble to our Constitution, to form a "more perfect Union."

'Clear the shadows over LaRouche'

by Prof. Tullio Grimaldi

Prof. Tullio Grimaldi is vice chairman of the Judiciary Committee of the Italian Chamber of Deputies in Rome, and a judge in the Italian Supreme Court, the Corte di Cassazione. Over May 5-12, he visited Washington, accompanied by the president of the Judiciary Committee, Tiziana Maiolo, and committee member Enrico Nan, for meetings in Congress to discuss the question of the exoneration of the American economist and political leader Lyndon LaRouche. Following the visit, Professor Grimaldi wrote the following comment for EIR.

Does the sentence against Lyndon LaRouche hide a true case of political persecution through a court action? This question accompanied the visit in Washington made some weeks ago by myself and two other members of the Judiciary Committee of the Chamber of Deputies.

There are many cases in history of political trials, and not infrequently one can speak of a plot, when the indictment goes against an uncomfortable personality whom someone tries to eliminate, or when it is conducted with the massive use of state agencies. That is why the function of judges should be more prudent, and all the more distanced and impartial, whenever elements of evidence may give rise to the suspicion that there is a plot from forces in power.

On LaRouche and his case, during a meeting in Rome we were briefed by James Mann, former member of Congress for the Democratic Party; also, more than a thousand members of parliament, politicians, and former members of government from a great many countries addressed a call to President Clinton for LaRouche's exoneration. This is the reason for the interest which this case holds for those who, like myself, have been dealing with jurisprudence, first as a judge, then as a university professor, and now as a member of parliament.

At a conference held in Eltville, Germany, on Dec. 10, 1994, which was reported on in the weekly news magazine *EIR* on Jan. 13 of this year, Representative Mann listed a series of very interesting and striking irregularities in the trial proceedings. He quoted a letter dated Aug. 19, 1982, sent by Henry Kissinger to then-FBI Director William Webster, in which Kissinger drew Webster's attention to some activities of LaRouche's organization. This letter seems to have given the true impetus for the legal action. The trial started in Boston, where it did not yield the hoped-for result; therefore, it was moved to Alexandria, Virginia, with a very rushed

procedure. The defense had less than 28 days to prepare, and was not given the opportunity to see the evidence of the prosecution. The jury, according to Mann, was not impartial. Among its members were employees of the federal government. Furthermore, a full preliminary questioning of the jurors to verify whether they had already formed their opinion on the case, a so-called *voir dire*, was not permitted.

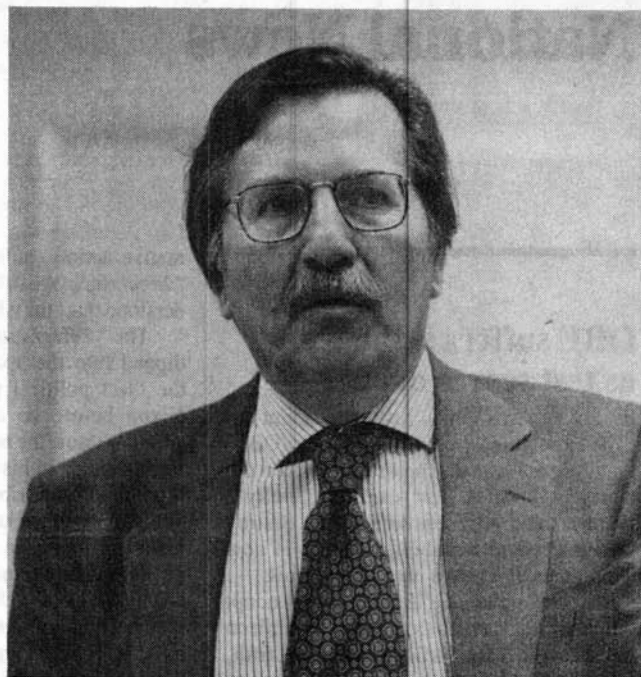
A prosecution inspired by political motives, a defense deprived of its opportunity to exert its function, a judge chosen according to the needs of the prosecution, and who was not impartial: The fundamental rules for a fair trial were therefore absent. But the Court of Appeals nevertheless called it a fair trial, and the Supreme Court confirmed that there were no substantial mistakes which would allow a retrial. Also, a retrial motion, known as a "2255 motion" in American law, was rejected. The contrary would have surprised me, since it was examined by the same judge who had handed down the sentence.

As for the main evidence, the bankruptcy which the LaRouche organization was accused of [having provoked], many suspicions have been raised, particularly on how potential witnesses were identified and interrogated, and only then declared that they had lost their money. As a matter of fact, a special civil bankruptcy court recognized later that the federal government's agencies had acted in bad faith with the bankruptcy procedure, and had defrauded the court.

The picture given by those who have followed the case very closely, would lead one to conclude that the trial and sentence were the result of machinations on the side of government agencies, for political reasons. I would not rush to support such a thesis, and no serious jurist would do so, without examining the trial proceedings. However, a number of impartial personalities, in the course of a conference held in Vienna, Virginia on Sept. 3, 1994, signed a document to that effect after reviewing the many volumes of court proceedings regarding this case.

The conclusion of their document is very clear: LaRouche's political activities were the only cause of the legal action undertaken by the government against him; the case was classified as a case of national security, in order to be able to use otherwise illegal means of investigation; the government exerted pressures on witnesses, and deliberately ignored all exculpatory evidence; the government illegally obtained a bankruptcy procedure (which was later vacated by a federal civil court), in order to forestall repayment of debts owed by organizations associated with Mr. LaRouche.

Was LaRouche tried and sentenced only for his political opinions, as James Mann stated? I have to admit that during my meetings in Washington, I did not find a confirmation of this hypothesis; but I did not find a denial, either. Two things particularly struck me. The first was that all members of Congress whom I met, claimed that they were not familiar with the case. Only one Republican member of Congress, with greater candor, admitted that LaRouche had made a lot



Prof. Tulio Grimaldi, vice president of the Judiciary Committee of Italy's Chamber of Deputies.

of enemies, and that even the Democratic Party would not help him. The second, was that in a telephone conversation our delegation held with Prosecutor Kent Robinson, organized by the Department of Justice. Mr. Robinson gave many details on the trial procedures, emphasizing more than once that all legal recourse had been exhausted, but he neglected to mention that a federal court had declared that the government-ordered bankruptcy procedure was illegal.

The question which arises at this point, is, how is it that a case like this, involving a political leader who was then a potential candidate in the Presidential elections, finds so little hearing in official circles, while the press decides to draw a curtain of silence around it, only to be broken through now and then by the voices of supporters and friends of those who were sentenced? How is it, that the concern felt abroad with regard to such a case, is not as strongly felt within the United States, not even among those circles *outside* the political parties, which are fighting for civil rights? How is it, that such weighty accusations against the government, and particularly against the Department of Justice and the FBI, have fallen into a void, without there having been, as yet, an investigation by the new Democratic administration to restore the truth?

Though I would not rush to make an evaluation, without the fullest information, I think I can say that a country which considers its judiciary system one of the best in the world should not allow shadows to remain over cases such as that of Mr. LaRouche, which have led to an international debate. And there is no doubt, but that this case has led to debate.

National News

OBE suffers setbacks as test scores drop

School systems which rushed to adopt so-called outcome-based education (OBE) methods are already reporting further declines in students' test scores. Literally a brainwashing program designed to destroy students' cognitive abilities, OBE is now coming under fire in a number of states.

In Colorado, the first state to adopt OBE, average results on the standardized Iowa Test of Basic Skills, for second, fifth, eighth, and eleventh graders, "continue to lag behind the national average [and] . . . also lagged behind last year," according to the *Rocky Mountain News* on May 13.

Pennsylvania, also among the first to jump on the OBE bandwagon, reported declining test scores as well. According to the *Pittsburgh Post-Gazette* on April 28, Pennsylvania and nine other states "showed significant declines in reading proficiency." The other states were Delaware, Louisiana, Massachusetts, New Hampshire, New Jersey, New Mexico, South Carolina, Utah, and Virginia. On May 11, Pennsylvania Gov. Tom Ridge (R) announced that school districts in the state are free to abandon OBE.

Hollinger Corp. hypes Wilson for President

California Gov. Pete Wilson (R) is the man to put in the White House, the *London Daily Telegraph* proclaimed on June 5. The paper is owned by the Hollinger Corp., the branch of British Intelligence most visibly orchestrating the Whitewatergate attacks on President William Clinton.

In a two-thirds-page feature, the paper declared, "This is the man Clinton most fears" among all Republican Party contenders. He may have an image of "ordinariness," but his "views almost perfectly match the prevailing mood of the nation," the Hollinger rag claimed. Most recently, Wilson gained popularity by striking down "affir-

mative action" policies in California, in a "direct challenge to Clinton." Wilson has understood that "the white American is fed up."

The *Telegraph* correspondent even dipped into the apocryphal, claiming that the "last political prediction" of Richard Nixon before he died, was that Wilson would become the next U.S. President. Wilson's victory in his 1994 bid for reelection is modestly described as "one of the great political comebacks in American political history."

This is the second major puff-up of Wilson by the Club of the Isles crowd, the earlier being a May 4 *London Times* commentary by Lord Rees-Mogg, promoting Wilson as the man most likely to be able to beat Clinton.

Rees-Mogg drools over vicious austerity plan

Lord William Rees-Mogg, leading British propagandist for imposing dictatorships, is foaming at the mouth with another diseased vision of the inevitable destruction of U.S. living standards. His latest ravings were published in the May 29 *London Times*.

"The modern bargain between welfare and taxation has reached its limit in the second half of the 20th century, and cannot survive in its present form," Rees-Mogg declares. To see this "most clearly, one should go to the United States." Rees-Mogg cites a new book, *The Retirement Myth* by Craig Karpel, which reportedly demonstrates that 65% of Americans have no savings for retirement. Even those who do, cannot maintain their previous standard of living, nor can they afford the high costs of health care.

There are growing numbers of so-called "dumps" (Destitute Unemployed Mature Professionals), who will become "even greater burdens" which the state will no longer be able to sustain. "When the baby-boomers start to retire, in about 2005, they will become the retirement boomers. They have not had enough children to replace themselves." Rees-Mogg also claims the advanced western countries will have to massively cut wages to "compete with the very low labor costs of Asia. . . . As these

labor costs are reduced, the taxes that can be raised from them will also fall. There will be fewer wage-earners in the next century in the welfare state countries, and they will be paid less."

The "information age" will also open the way to massive tax evasion, since it will be managed by "a relatively small group of people," who "could just as well earn their incomes . . . in any part of the globe given access to a telephone, a fax machine, and the Internet," says his lordship. "That is why the Clinton administration has panicked at the idea that Americans might give up their citizenships and their tax responsibilities."

The 10% of Americans who are already connected to the Internet and similar electronic communications networks, probably control more than 80% of America's liquid capital, Rees-Mogg drools. The move from information retrieval to transactions is already under way, he says; and electronic systems will soon control "an absolute majority of the larger business transactions" of the world. These will be impossible to tax, he says, because "the tax-base . . . tends to disappear in cyberspace, and cannot be recaptured."

Gramm stumbles again, offers endless austerity

Sen. Phil Gramm (R-Tex.), the budget cut-throat and would-be pirate king, virtually fell off his own plank before a GOP gathering in Monroe, Louisiana on June 1—while attempting to sidestep a question on a key element of Lyndon LaRouche's economic policy.

Gramm was confronted by Fred Huenefeld, a well-known local political figure and a member of the executive board of directors of the Schiller Institute. Huenefeld asked, "Senator Gramm, what would you do as President to carry out a Chapter 11 bankruptcy reorganization of the economy?"

Visibly unsettled by the question, Gramm began mumbling about the necessity of balancing the budget. "Over the next 50 years, we can get the country turned around," Gramm added. "I won't be alive to see it, but we must do it for our grandchil-

Briefly

dren." During his speech, Gramm had performed his usual stunts, attempting to entertain the audience by slashing away at welfare. "My mother told me that she could have made more on welfare than she did working," Gramm declared.

During another over-the-edge charge, Gramm took credit for the collapse of the communist system and the Berlin Wall. That resulted, he claimed, from his convincing then-President Reagan to get the budget balanced and the economy squared away, so "we could be tough with the Russians."

Trail of 'New Era' scam leads to London office

The Foundation for New Era Philanthropy, recently exposed as a Ponzi scheme by Pennsylvania authorities, may have been part of an international money-laundering and intelligence operation, according to reports in the *Philadelphia Inquirer*.

U.S. law enforcement officials charge that New Era took in hundreds of millions of dollars from wealthy contributors and non-profit enterprises. Donors such as Laurance Rockefeller were told their contributions would be matched and doubled. Recipients, ranging from fundamentalist churches, to new age foundations, to the Philadelphia Orchestra, were induced to place their cash with New Era on the promise of getting double their money back in six months.

The New Era apparatus was launched by British billionaire speculator Sir John Templeton, and his son, Philadelphia surgeon John Templeton, Jr. New Era operations were also aided by the Pew Charitable Trust, the Pew family fund which has emerged as a prime sponsor of United Nations-related population control activities.

Now the London office of the apparatus is under investigation by British authorities. NEP International Trust, allegedly financed with funds stolen by the U.S.-based New Era, has had its assets frozen while Charity Commissioners for England and Wales conduct a legal inquiry. NEP International "is expected to close its doors within three to four weeks," according to the *Inquirer*.

Meanwhile, the *Inquirer* disclosed on

June 1 that Sir David Blackstock McNee, chief of Scotland Yard in 1977-82, is a trustee of NEP International. McNee himself allegedly requested that the British government freeze NEP assets in response to the growing scandal.

NEP chief executive George Russell told the *Inquirer*, "We were not a part of New Era. We were a separate entity. . . . We were running the Templeton Institutes, which gave strategic planning and technical support to charities." But Hugh Rogers, a spokesman for the Charity Commissioners, said, "The English end received cash flow from the American end—that much is evident."

Budget cuts crush hospital research

According to an extensive case study in the *New York Times* on May 30, vital medical research in major hospitals may virtually disappear for lack of funding. Surveying the situation in New York City, the *Times* reported that, up until last year, hospitals devoted 5 to 10% of their income from patient care to research, but now are being squeezed to death by deep discounts imposed by health management organizations and increased gouging in Medicaid and Medicare payments. Private donors reportedly are all cutting back as well.

"Medical researchers say that the research gauntlet is now so arduous that promising students are turning away from science; the teachers worry that a whole generation of researchers are being lost," says the *Times*.

The National Institutes of Health is also expecting a 10% cut in its \$11.3 billion budget. The NIH is able to fund only 13% of new cancer grant requests, and to continue funding only 40% of studies it is already supporting. The *Times* quotes Dr. Daniel Bloomfield, a cardiologist, describing the vicious cycle faced by researchers: "You spend more time seeing patients, and your research lags and then it's harder to establish yourself and you can't get grants. But the hospital can't afford to have anyone around who doesn't raise money."

● **NEWT GINGRICH** has forced a delay in the rewriting of the Endangered Species Act, the May 28 *Boston Globe* reported. Citing the "enormous interests . . . in maintaining biological diversity," Gingrich said, "This is also about the fungi and the various things that produce the medicine of the future." Last year Gingrich co-sponsored the bill to renew the act, with doubled funding and broader regulatory powers.

● **BILL ARCHER** (R-Tex.), chairman of the House Ways and Means Committee, says that the federal tax code must be "torn out at the roots," according to the June 5 *Washington Post*. Archer called for repealing the 16th Amendment, which empowers Congress to levy an income tax, and imposing instead a 16% tax on consumer and business spending, combining a flat tax, VAT tax, and sales tax.

● **CNN RIGGED** a recent poll purporting to show Americans' widespread distrust of the U.S. government, the *Montreal Gazette* claimed on May 28. A *USA Today*-CNN poll the previous week asked whether the government had "become so large and powerful that it poses an immediate threat to the rights and freedoms of ordinary citizens." Only 34% said yes, so the poll was run again, without the word "immediate"—boosting the number to 52%.

● **CUTS IN MEDICAID** alone would total more than \$175 billion over seven years, if the resolutions adopted by the House and Senate Budget committees are passed, the American Association for Retired Persons claims in its June *Bulletin*.

● **THE PORT AUTHORITY** of New York and New Jersey has decided that it cannot afford to construct the 22-mile commuter rail line linking Manhattan with both LaGuardia and Kennedy airports in Queens, which has been under consideration for decades.

The future of NATO

Now that the Soviet Union no longer exists, the question naturally arises: What is the proper role for NATO? Should it be expanded to include central and eastern European countries, or is this an unnecessary challenge to Russia? What about the aspirations of countries such as Poland, which wish for the closest possible identification with the West, for cultural as well as strategic reasons?

This problem arises because NATO is generally being conceived negatively, as an instrument for power politics. This kind of thinking is shaped by the British, who historically have operated on the basis of Venetian-style balance-of-power politics.

According to this model, an alliance among nations is conceived of on the basis of a kind of Hobbesian or Lockean empiricism, in which any alliance is by definition unprincipled—a give-and-take among fundamentally antagonistic forces.

According to this paradigm, NATO, rather than being an alliance based upon a commonality of principle, becomes an arena in which alliances are negotiated among parties which operate upon completely different principles. It is the extent to which the British are allowed to shape NATO, that the future of NATO is called into question and the situation becomes dangerous.

We see this played out in the British approach to the war in the Balkans, where their policy is to use the United Nations forces and NATO to contain Bosnia. They are using their influence over France to re-create the pre-1914 Entente Cordiale as a battering ram not only against Germany, but, this time more explicitly, against the United States as well. Russia is also treated as a pawn in this policy.

Any military-political alliance or common organization, even merely a forum, should be based upon a commonality of principle. The actions of such a body must be in defense of a common principle, or in furtherance of a common principle. If we look at the present Balkans crisis from this standpoint, we see precisely what is going wrong.

The alternative to this is the kind of political alli-

ance based upon constitutional principles which was represented by the 16th-century alliance among the French, the Papacy, and the Spanish against Venice, known as the League of Cambrai. Another instance was the combined support by the Russians and French at the time of the American Revolution, which opposed British efforts to force the republic-in-the-making into submission.

NATO must be conceived of as an instrument for carrying out the development of Eurasia along the policy lines embodied in Lyndon LaRouche's Productive Triangle proposal. Centered upon the industrial capabilities of Germany and France, such a program would serve as the basis for massive infrastructure development projects into eastern Europe. This would be the basis for a multi-nation alliance based on a commonality of interest, which would extend to include the nations of South Asia and Africa as well.

What the British are doing in the Balkans is exemplary of a centuries-long geopolitical conception of strategy which involves manipulating antagonisms among nations in order to reinforce their own hegemony. In the postwar period, this was exemplified by the role of Winston Churchill, which President Franklin Delano Roosevelt had countered while he was alive. This was to play off communist Russia and communist China against the West, and also against each other.

This created the possibility for the British to use the balance of power to manipulate one nation against another in furtherance of their own conceived self-interest. This is the essence of the kind of political game played by their self-professed agent Henry Kissinger, and it is the essence of their Balkans policy today.

In the Balkans, the British are showing their true colors, for example, in their attempts to use the possibility of Russian intervention against Bosnia to try to force the United States, Germany, and France to appease the fascist Serbian aggressors.

What is needed is a NATO based upon a principled alliance, which in some form will naturally include Russia and the nations of eastern Europe.

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