

EIR

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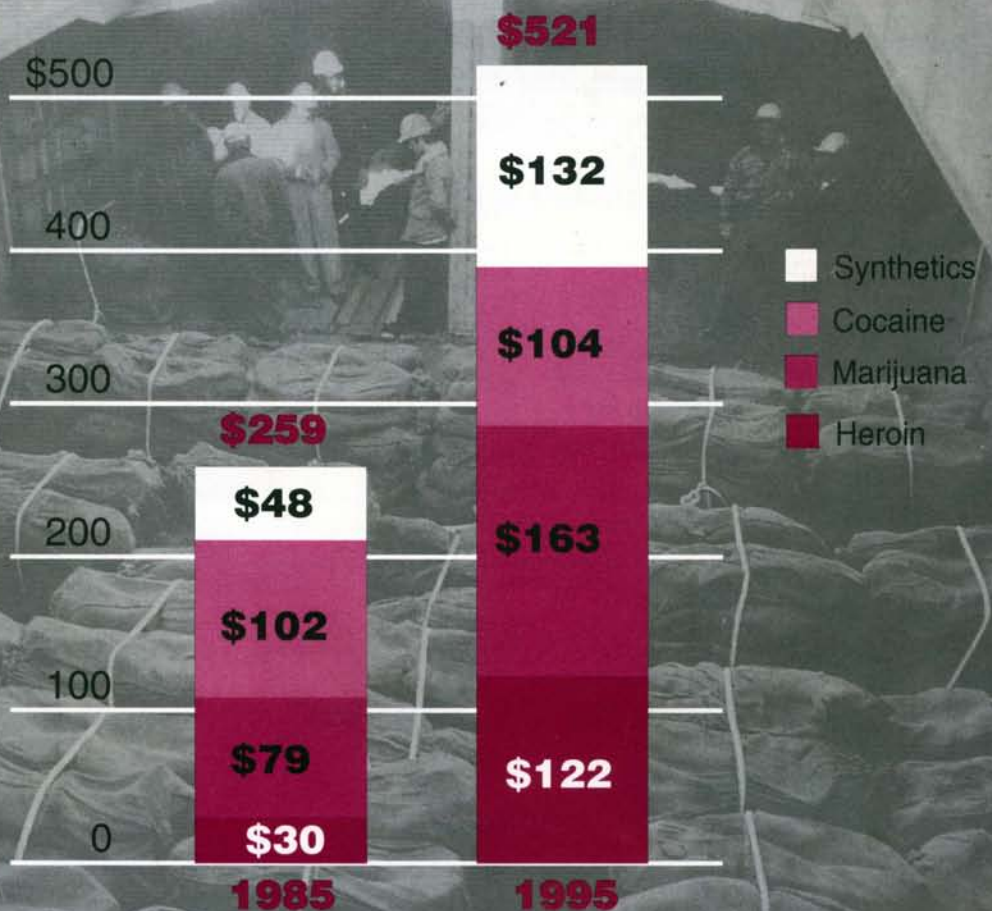
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Not the stock market, but the whole shebang
Bosnian leader: Help us restart our engines!
Clinton denies visa to Colombia's Samper

**Britain's Dope, Inc. grows
to a \$521 billion business**

**Total value
of world
drug sales,
1985 and 1995**

billions \$



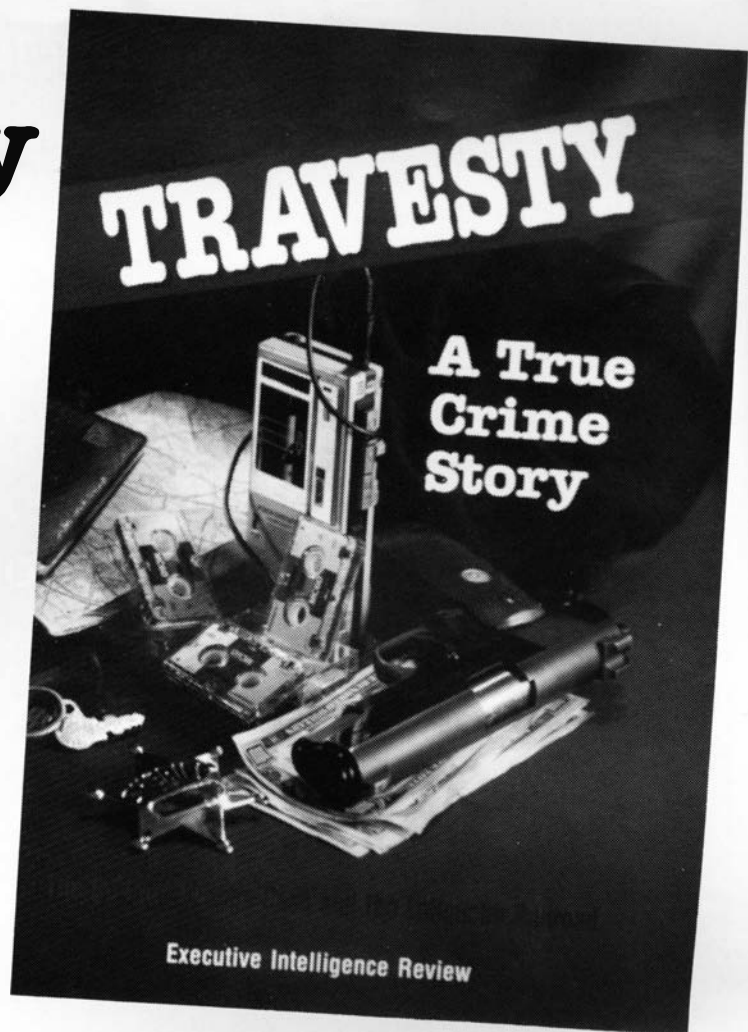
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From the Associate Editor

What did Lyndon LaRouche *really* say on the subject of the Queen of England and the drug trade? For the past 18 years, asinine media commentators have babbled that “LaRouche is a political extremist who says Queen Elizabeth pushes drugs.” To introduce this week’s *Special Report*, it is useful to quote LaRouche’s Dedication to the first, 1978, edition of *Dope, Inc.: Britain’s Opium War Against the U.S.* The book, with its devastating proof of the role of the British free-traders in drug trafficking, quickly became a best-seller, and has since gone through two more editions, plus translation into Spanish. LaRouche’s words, written Oct. 18, 1978, are as true and important now, as they were then:

“It is no exaggeration to sum up the situation thus: The only proper comparison for today’s British drug traffic into the U.S.A. is the British monarchy’s 19th-century Opium Wars against China. There is more than a parallel. The same HongShang and other banking interests that developed their wealth in the China opium trade are involved in the financial side of the traffic against the U.S.A.—aided by those leading elements of the Zionist Lobby which have controlled organized crime in the U.S.A. and the Caribbean since the early 1920s.

“This is a calculated form of political warfare against the U.S.A. by the British monarchy. Not only are the London-centered Canadian, Hong Kong, Singapore, and British West Indies financial interests involved in pulling tens of billions out of the U.S.A.—our biggest source of balance-of-payments losses—but this is a precalculated political warfare. The evil British intelligence executive—and head of the Aristotle Society—Bertrand Russell proposed this use of drugs as political subversion back during the 1920s. Among Russell’s most prominent collaborators in this effort was Aldous Huxley, coordinator of the 1960s introduction of psychedelic substances to U.S. youth.

“The fight against illegal drugs and against the evil forces of ‘decriminalization’ is nothing less than a war against Britain, to the purpose of saving our youth and our nation from the destruction the British monarchy has projected for us.”

The new material presented in this issue of *EIR* will provide the basis for releasing a fourth edition of *Dope, Inc.*, very soon.

Susan Welsh

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Photo and graphic credits: Cover, Alan Yue. Pages 10, 74, EIRNS/Stuart Lewis. Pages 11-55 (graphics), EIRNS. Page 56, Virginia State Police. Page 64, EIRNS/Christopher Lewis.

Correction: On p. 28 of our last issue, Figure 1 should have included the size of the U.S. labor force as of March 1996. The total labor force was 133.7 million, of which 34.7 million were employed in productive occupations and infrastructure, and 98.9 million in "overhead."

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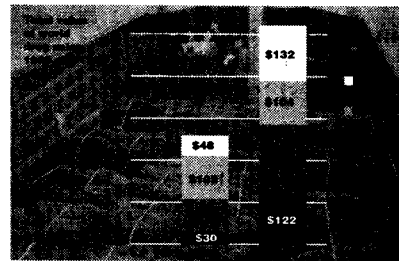
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It's not the stock market, but the whole shebang

by Anthony K. Wikrent

Speaking to an *EIR* seminar in Washington, D.C. on July 17, Lyndon H. LaRouche, Jr., candidate for the Democratic Party's Presidential nomination, dismissed the reports of incipient panic in the U.S. stock markets as "double-talk," and pointed to the underlying instability of the entire world banking system as the cause for the wild swings in the stock market indexes.

Addressing an audience of 125 political activists, legislators, diplomats, and trade unionists, LaRouche said: "This whole nation is suffering with poverty, while idiots are babbling about prosperity. There's no prosperity, there's no recovery. This tremor on Wall Street, which is rumored to pull down about a 1,000 points out of the Dow before it quits, is only a symptom of what's going on. *This whole shebang is going!* There's nothing that can be done to save this system in its present form. Cannot be done, nobody can do it. I can't do it; I wouldn't even try. Because it's *evil*: This system is killing people."

The questions put to LaRouche at the seminar were prompted by worries that the five-year-old bull market in U.S. equities had finally come to an end. By July 15, the Dow Jones Industrials Average was down 7.4% from its peak of 5,511 reached on May 22, 1996, with much of that 428 point loss coming in the last two and one-half weeks. There have been two trading days so far this year, in which the Dow has lost over 2.5% of its value; the last time such a significant decline occurred in one day was in 1991.

Then, on July 16, the Dow went on a particularly wild ride, plunging over 120 points during lunch, then abruptly reversing course and rocketing back up to where it had been before, ending the day up 9 points.

Asked for his evaluation of the lurches in the stock markets, LaRouche replied on July 18, "It's significant, but one

should not focus on the stock market as such. One should look at the stock market as a fever symptom of something else."

Financial turnover explodes

Indeed, when compared with other financial markets, the stock market pales into insignificance, representing less than 1% of all financial turnover. In 1990, for example, the total value of all stocks traded in all U.S. stock markets was \$1.751 trillion. That was less than half the value of corporate debt traded, which was \$3.972 trillion, or the amount of mortgage derivatives traded, which was \$3.697 trillion.

But these figures are still only pocket change compared to the really big markets. The total nominal value of turnover in the futures markets in 1990 was \$152.717 trillion. About three-quarters of this was comprised of trading in financial futures; that is, futures contracts based on such things as U.S. government debt securities, the value of various foreign currencies relative to the U.S. dollar, or indexes of different financial contracts, such as the Standard and Poor's 500 stock index, or the J.P. Morgan index of developing country government debt. The actual amount of money that changed hands in the futures markets is probably somewhere between 5% and 10% of the nominal value, or \$7.4-15 trillion. That is still at least five times larger than the stock market.

The amount of trading in U.S. government debt reached \$26.085 trillion in 1990, or nearly 15 times more than the trading in the stock markets.

Finally, the amount of trading in foreign currencies, estimated from Federal Reserve Studies conducted in 1989 and 1992, was around \$36 trillion, or more than 20 times the total value of trading in U.S. stock markets. About half of foreign exchange trading is conducted in the "spot markets," where actual currencies are traded for one another, while the other

half is conducted in various forms of financial derivatives, principally futures, options, and swaps.

Thus, LaRouche emphasizes that “what is happening is not a ‘stock market problem.’ It’s a problem of banking.” Responding to a question at the seminar on July 17, LaRouche explained that “there is a shortage of cash in the banking system.” The explosion of financial turnover, which increased 285-fold, or 28,500%, from 1960 to 1990, “works on what is called financial leverage. That is, the paid-in amount is actually only a small percent of the nominal value of the whole transaction. But if it goes bankrupt, you have to pay the full amount. So therefore, you have to keep paying in the small amounts to stoke the fires, to keep the [bubble] from collapsing. And if this collapses, believe me, nobody will ever figure it out. No one will ever settle the accounts. It cannot be done. There are too many invisible, off-balance-sheet transactions involved. And, also, there is a lot of drug trafficking going on. Billions, tens of billions of dollars of drug trafficking, illegal weapons trafficking. Things people don’t like to talk about.”

Looting of the real economy

LaRouche then explained how this process of financial speculation affects the real economy. “As the bubble gets bigger, the actual amount of cash, even though it’s a smaller percent that is required, gets enormous. The cash has to be supplied, largely, by central banks, or through the leverage of central banks. The cash comes from what? The cash comes from pension funds, mutual funds, and so on, which *loot* their accounts, in order to engage in financial transactions. They squeeze rents, they squeeze taxes, they squeeze government accounts, *everything is squeezed*, everything is mortgaged up the hilt, and looted; the piggy bank is broken and robbed, in order to get more cash to put in this racket. . . .

“Where does the cash come from? Well, cash is money. The creation of money is a charge against the economy, a charge against the government. So the economy has to be looted—grandmother has to be sold; grandfather has to have his operation cut, because the cash is needed. Grandfather just has to die—we need that money, that *cash*, to keep the bubble going.”

The result, LaRouche said, “was inevitable. This kind of policy has caused an accelerating rate of collapse of the real economy. Salaries are down. Look in Germany, look in Europe. One firm after the other, which are the famous firms of Europe, are collapsing, they’re keeling over. Leading businesses of the world, are collapsing or being gobbled up. . . . Everything is being destroyed. Look at the water system in Washington, D.C. [and its century-] old pipes—why aren’t they replaced? Didn’t have the cash; had to put the cash in the bubble. New York, other cities, the infrastructure is collapsing. Look at the CSX, look at the train wrecks, look at the ValuJet phenomenon. Everything is stripped to the bone and looted.”

Oligarchs react

“So what is the breaking point of this bubble?” LaRouche asked. “The breaking point is when the cash shortage hits. And what is happening, as [IMF Managing Director Michel] Camdessus said openly, on the eve of the G-7 conference in Lyons, France, several weeks ago: We are looking at a *banking crisis*, *not* a bond crisis, *not* a stock market crisis, *not* a commodities market crisis. We are looking at a banking crisis.” The point has been reached, LaRouche explained, that “the banking system has not the means to finance a bubble, on whose existence the banking system itself has now become mortgaged. The French banking system, the German banking system, the British banking system, the American banking system, are all essentially doomed right now. And what you’re seeing is the onset of a process where that doom is inevitable.”

LaRouche pointed out that the world’s oligarchs, centered around the Club of the Isles apparatus of the British monarchy, know exactly what is occurring, and are frantically grabbing control of all the physical assets they can lay their hands on. “Don’t they know this is happening? Of course they know it’s happening,” LaRouche said. “Are they telling you about it? No, of course not. What are they *doing* about it?”

LaRouche observed that “for about 18 months or so, [the oligarchs] have been buying gold, platinum, getting the central banks to keep the price of gold down while they buy it up in great quantities. Gold mines, platinum mines, all precious metals, silver. *Food!* International food trade: Over 50% is controlled from London, through the international food cartels. Strategic minerals: Guess who controls those? Who controls 50% approximately of the world’s turnover? It’s the London market, augmented by Hongkong, Singapore, and so forth. Who controls the majority of the international trade in natural gas and petroleum? Who has been buying up bankrupt farms for a song? Who has been buying up every asset imaginable, at the bottom price? These [oligarchs], who know the financial system is finished, who know the banking system is probably going to go. What have *they* done? They have bought *assets*, control of the substances on which human life largely depends, in order to attempt to control the world in the post-crash period.”

“What we’re in now is a convergence,” LaRouche warned. All the talk about a stock market crisis, is “wishful thinking by people who don’t want to admit what the problem is. They’re scared. You get some financial analyst, who’s got a little money tucked away in a bank someplace, and they think that’s going to be their future. And they’re going to do anything to get themselves, and you, to believe, that it’s *not* the banking system, it’s just a stock market, or bond market aberration. They think they’ve got an insurance policy. *They’ve got nothing!* Nobody has anything, except those mighty powers that control these assets. And the question, is a political question: Are you going to let them do it to you?”

Swedish conference: Win the war on drugs

by Karen Steinherz

The strengths and weaknesses among “the best and the brightest” of anti-drug specialists were reflected at the First International Conference on Research, Treatment/Prevention and Organized Crime, which took place on June 9-14 in Hassela, Sweden. The 36 specialists addressing the conference included scientists, health, criminal intelligence, and money-laundering experts, parent activists, justice ministry officials including from the United States, the U.S. Federal Bureau of Investigation’s Moscow legal attaché, and representatives of law enforcement agencies of England and Ireland. The conference was sponsored by the Swedish National Institute of Health and hosted by the Hassela Nordic Network.

In 1969, in the midst of the “peace and love” era of the drug counterculture that was sweeping Sweden along with the rest of Europe, the Swedish government began a nationwide campaign for “a drug-free society.” Thirty years later, Sweden is still not drug-free, but, in comparison with other countries in the West, it has the least drug abuse. Experimentation with marijuana among teenagers is significantly lower there, for instance, than in the United States, Canada, or England, and there are almost no new Swedish young people addicted to heroin.

One reason for Sweden holding this conference, is that international collaboration is critical in winning the war on drugs, anywhere. Sweden faces new inroads by the international drug cartels, with Poland now a base to smuggle amphetamines into Scandinavia, while the “borderless Europe” of the European Union’s Maastricht Treaty is making it easier for traffickers to bring drugs into Sweden. Sweden is encouraging alliances, in the hopes of spreading its example.

Uniquely among European nations, Sweden has a cross-party alliance against every form of drug legalization. Stockholm serves as headquarters for European Cities Against Drugs (ECAD), which was initiated by the former mayor of Stockholm, Carl Cederschiöld, in 1991. Conference host Torgny Peterson is currently both director of ECAD and the Hassela Nordic Network therapeutic community for young addicts, where the conference was held.

ECAD is a mechanism whereby mayors and cities against drugs can organize conferences and establish ties in collaboration against the efforts of the well-heeled

Drug Policy Foundation and other exponents of drug legalization.

Research and preventive efforts bear fruit

At the conference, Dr. Bertha Madras, from Harvard University and the New England Primate Center, reported that irrefutable medical proof is accumulating at American research facilities that will create the basis for a much more convincing public educational campaign about the dangerous effects on the brain of the mis-named “soft drug” marijuana, as well as heroin and cocaine.

Madras is also principal investigator for five research projects, some of which are funded by the U.S. National Institute on Drug Abuse (NIDA). Her efforts were vigorously endorsed by Kent Auguston, associate director of the Center for Substance Abuse and Prevention of the U.S. government in Rockville, Maryland.

Dr. George Ricaurte, a neurologist from Johns Hopkins University, demonstrated the effect of drugs on the brain, emphasizing that there is no such thing as “responsible use.” Ricaurte spoke of his most recent clinical and pharmacological findings concerning the effects of the “designer drug” Ecstasy, or MDMA, on the human brain. According to reports from the State Criminal Office of Baden-Württemberg, Germany, the Narcotics Police of Sweden, and the NIDA, the most prevalent drugs abused in those countries are “designer drugs” and hashish. Ecstasy has spread as the chief drug of the rave party or “techno” music movement in western Europe, where this form of computer-generated dance sound is popular.

Ricaurte stated that his research demonstrates that Ecstasy use creates axon depletion of serotonin in the cerebral cortex, where cognition, the highest human mental function, takes place. He is certain that “MDMA has been found to be considerably more neurotoxic to serotonin axons (the unbranched extensions of the neuron) in the primate brain than in the rat.”

As Dr. Madras described in her speech, techniques like positron emission tomography (PET) scanning, to map brain activity while the subject thinks, looks, listen, speaks, writes, and sings, are also providing new insights which provide the basis to educate people to the dangers of marijuana.

Successful rehabilitation approaches

Hassela Nordic Network prevention expert Peterson reported that there are modalities in abstinence therapy and counselling that can cure youthful addiction. Hassela rejects the term “addict” for its young patients, and optimistically refers to them as “students.”

Hassela has a success rate of upwards of 90% if the “student” remains the full year and a half to two years in the program, which culminates with some type of vocational training. This nationwide network of “students” is trained and counselled to reenter society as meaningful contributors

to the workforce, instead of being pumped full of more heroin, as heroin programs in Germany, Switzerland, and the Netherlands are currently doing.

The unusual dedication of Sweden to its young “students” was also evidenced in the remarks at the conference of Ka Westerberg, founder of Hassela Nordic Network in 1969, who stated that “every addict has the right to re-enter society as a pilot . . . or an engineer,” a far cry from what liberalization advocates say: that both the addict himself and the population have to tolerate this misery.

Also addressing the conference was Andrea Muccioli of the San Patrignano therapeutic community in Rimini, Italy, one of the largest of its kind in the West. It has treated upwards of 2,300 addicts since 1978. Like Hassela Nordic Network communities, it is abstinence-based and believes in restoring its patients to the ideals of hard work and responsibility. San Patrignano runs a cooperative which specializes in metalworking, lithography, and farming.

Money laundering

Disappointingly, there was little discussion from the speakers on organized crime, about a coordinated strategy to deal with the activities of the banking system, both on- and offshore.

There was caution apparent in the speeches of dedicated career civil servants who spoke on organized crime. These speakers confined themselves to examples from their personal careers, or relied on anecdotes about their experiences. The speakers on this panel certainly have had much experience investigating the international drug cartels, but stated little about it. One speaker was Wilmer Parker III, the Assistant U.S. Attorney from Atlanta, Georgia, who was one of those responsible for prosecuting the government’s largest drug-money-laundering case, Operation Polar Cap. The case showed how the Colombian Medellín Cartel laundered in excess of \$1 billion.

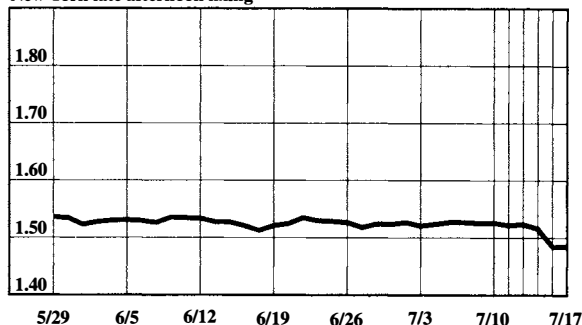
Another speaker was John Featherly from the U.S. Drug Enforcement Administration office in London. Also representing the United States was Interpol General Counsel Charles Sapphos, who has helped to formulate international laws against the use of precursor chemicals for illegal drug production.

Yet the “public relations” content of these speakers’ remarks seemed to reflect the fact that law enforcement officials from the United States do not know exactly where they stand in the drug fight. First, there is the “silly season” election-year politics. And, despite some partial victories over Colombia’s cocaine kingpins, despite some improvement in cleaning up some offshore centers in the Caribbean, law enforcement still operates with one hand tied behind its back. There has been no coordinated decision on the part of all governments to give law enforcement the mandate to investigate and prosecute money laundering ruthlessly—the key to a winning strategy in the battle against drug addiction.

Currency Rates

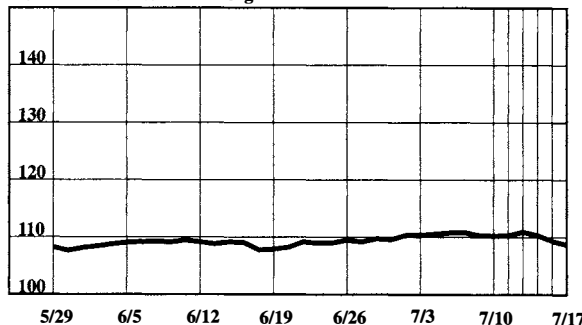
The dollar in deutschemarks

New York late afternoon fixing



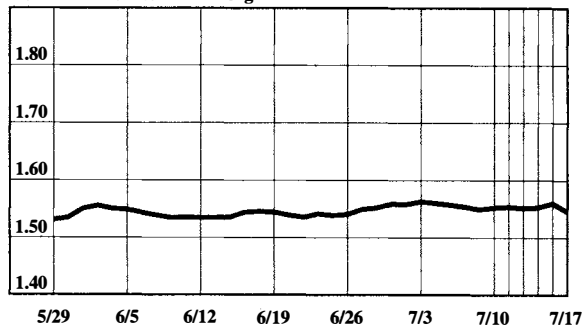
The dollar in yen

New York late afternoon fixing



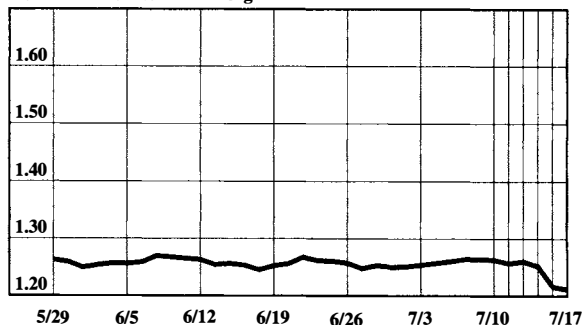
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



Business Briefs

Economic Policy

China's President seeks 'new economic order'

Chinese President Jiang Zemin called for a new world economic order, in speeches in Ethiopia and Kazakhstan. On May 13, he told the Organization of African Unity, meeting in Addis Ababa, Ethiopia, that China and Africa must look toward the future, the *China Daily* reported. China and Africa should join hands to establish at an early date, a just and equitable new international political and economic order, based on the "five principles of peaceful coexistence," to advance world peace, development, and progress.

Jiang said, "China steadfastly supports African countries in their efforts for economic development, and will continue to provide, within its own means, government assistance to them with no strings attached."

On July 5, in Alma Ata, Kazakhstan, Jiang called for immediate moves to change "the unjust and inequitable international economic order." He said that developed countries must do away with trade protectionism targetted against developing countries and discriminatory trade policies. He stressed "South-to-South cooperation." China is open to both developing and developed countries, and is ready to increase cooperation with developing countries, including in Central Asia, "to promote common development and prosperity."

Russia

A financial crisis looms, Livshits admits

At a July 9 press conference, Russian President Boris Yeltsin's aide for economic matters, Aleksandr Livshits, was asked whether "a major financial crisis" would engulf Russia this autumn. Livshits had no assurances to offer, replying, "We have always kept such a possibility in mind, and we do so now, too. The government securities market is indeed extremely sensitive. . . . The situation that we may face in the fall is quite

understandable, and we are already taking the necessary preventive measures. I mean, we have been working to gradually reduce return rates, limit borrowing only to refinancing."

As to a banking crisis, Livshits said, "I do not think that such a reality exists. We hope that the Central Bank is monitoring the situation and by means of preventive measures will nip the danger in the bud." Livshits called himself "an ardent champion" of opening the Russian government bond market to foreign investors.

Given the low level of tax collection and his plan to issue state credit only for refinancing, he was understandably vague about making good on promises to wage-earners and pensioners. He said that the situation with pensions was "much worse" than with wages. The state pension fund has a deficit of 7 trillion rubles (\$1.4 billion). He suggested that persons born in 1917-21 might begin to be compensated for their savings account losses (wiped out by inflation, during the first year of "reform") by the end of this year. Such people are now 18 to 22 years older than the average life expectancy for men in Russia.

Central Asia

Iran's minister outlines development policy

Iranian Foreign Minister Ali Akbar Velayati outlined his government's policy for regional cooperation in Central Asia and the Caucasus, at the Crans Montana Forum, held in Switzerland June 20-23. He discussed this in the context of "the outstanding undertaking . . . the Silk Road Revival project." "With actual realization of this project, Iran took a great leap forward in opening a new window to the outside world for Central Asia and the Caucasus," he said.

The principles underlying this policy, he said, are "1) national security is an inseparable part of regional peace, stability, and security; 2) national security is an inseparable part of regional development; and 3) national development is an inseparable part of regional development. . . . We know well that we cannot have a peaceful country

in a region plagued by instability and we cannot have a rich country in a region of poverty."

Velayati stressed the importance of swap transactions with oil-producing countries, whereby they supply Iran, and "Iranian crude is exported from Kharg Island to consuming markets in the name of these countries." These arrangements can save the newly independent states costs of pipelines, in the initial phases of development, earning them financial resources which can then be invested in their economic development. Similar cooperative schemes involve transporting Turkmenistan's natural gas to Europe via Iran; using it in northern Iran at the Neka Power Plant; Iran's participation in the Azerbaijani Shah Deniz Oil Consortium; transmission of Iranian natural gas to Nakhichevan and Armenia, thence to Georgia and Ukraine; and swaps of Khazakhstan oil.

France

'Marshall Plan' urged to relaunch economy

The Republic and Liberty group in the French National Assembly made public on June 19, an excellent proposal to relaunch the French economy. This group is composed of conservative politicians such as Jean Royer, the former mayor of Tours, and others from the left-wing camp of Jean-Pierre Chevènement. The proposal was presented by Royer as a way to halt the huge drop in investments in the productive economy, which fell from 1,067 billion francs (roughly \$215 billion) in 1991 to FF 733 billion in 1994. Industrial investment alone, the leading edge of productive investment, dropped from FF 223 billion to FF 175 billion.

"Only the state," stated Royer, quoting a Grenoble economics professor, "can launch an investment policy which is up to par with the situation." He cited the U.S. New Deal, the postwar Marshall Plan, and de Gaulle's infrastructure investment plans, as examples to follow. "From 1932 to 1939," he said, "Roosevelt, who had to face an enormous crisis—unemployment totalling 17 million

U.S. workers—had launched a great-projects plan in three steps, among them the Tennessee Valley Authority, for instance, creating a fund for projects of several billion dollars.”

The plan calls for strengthening productive investments through low-interest, long-term credit (10- to 45-year credit at 2%) for: small firms, key sectors of which, such as machine tools, paper, and furniture, are in bad shape; soft infrastructure, such as hospitals and schools; and heavy infrastructure, including dams, canals, and completion of 3,500 kilometers of high-speed rail lines. It calls for the Bank of France to provide FF 500 billion over five years, through a special facility that already exists in the Treasury, to finance the program.

Spain

Anti-privatization platform drafted

A coalition opposed to the government's plan to privatize public health services, has stalled such plans. The newly formed group includes the Communist and Socialist trade unions, and groups such as the Association to Defend Public Health Care, Spanish Confederation of Parents of Schoolchildren, and the State Confederation of Consumers. Their platform says that the government's recent decree introducing “new forms of management” to rule the public hospitals, is in fact a pretext for cutting off public financing and turning private insurance firms into the real bosses of the system.

Government fear of a strike wave like that in France in December 1996 prompted Health Minister Romay Beccaria to say that state financing of hospitals would continue, and that there is no intention of privatizing the service. His remarks were greeted with skepticism by all political tendencies, *El País* reported on July 9. Cuts, he said, will be borne by “the laboratories, the pharmacies and the public health bureaucrats.” When the new government first said investment in hospital infrastructure would be stopped, they were told that the public hospitals are “falling to bits” and that the “high technology” was high—decades ago.

Our aim, said Romay, is simply to “put a ceiling on what will be allowed to increase by only 1% a year. Pay raises for public health officials will be limited to 1.5%; pay for these officials is 60% of the ministry's total budget. The government also decided not to introduce the “dissuasive” method used in France to lower health care costs, by which those insured with the public health service must bear 30% of all medical costs themselves.

'Free Trade'

Asian 'tiger' economies run into export slump

Member-nations of the Association of Southeast Asian Nations (ASEAN) suffered a sharp slowdown in export growth in the first four months of 1996, as the would-be “tiger” economies are losing their “competitive edge” to cheaper labor markets in China, India, Vietnam, and Burma, the July 13 *International Herald Tribune* reported. Singapore and Malaysia have been particularly hard hit by a slump in the world electronics market, in which they had concentrated substantial manpower and resources. Hewlett Packard announced July 10 that it will close its disk-drive manufacturing facility in Penang, Malaysia's “Silicon Valley,” while Singapore “restructured” more than 7,000 jobs in 1995.

Thailand is the hardest hit, with a \$6.4 billion increase in its foreign trade deficit in the last two years. Bangkok is feeling the pinch of its too-small and less-skilled workforce, and serious transport and infrastructure bottlenecks. Chulalongkorn University recently reported that the illegal economy, led by prostitution and gambling, is consuming manpower and development resources at a rate greater than the annual budget of the country.

The challenge, the paper said, is to “climb the ladder of industrialization by upgrading skills and attracting increased investment in manufacturing plants.” However, ASEAN's targets are for full trade liberalization and tariff reduction by 2003, which will worsen the situation.

Briefly

CANADA signed an agreement to supply two 700-megawatt, heavy-water nuclear reactors for the Qinshan plant, near Shanghai, China, Xinhua news agency reported July 14. “This is the key agreement, finalizing the price, terms and financial conditions,” a Canadian diplomat said.

FRANCE'S economics minister, on July 12, announced measures to reduce the tax burden on international banks and financial institutions based in France, and on their expatriates working in France. According to official statistics published the same day, salaries in France have fallen by 0.4% over the past 12 months after adjustment for inflation.

JORDANIAN Supply Minister Munir Sobar announced June 30, that the price rises for bread (over 300%) scheduled for July 15 would not be implemented, because of social protests, the July 1 *Jordan Times* reported. The increase is a demand of the International Monetary Fund.

THE NAMIBIAN Agricultural Union is seeking international help to address the financial problems of the country's agricultural sector, the July 10 South African *Mail and Guardian* reported. The NAU said that few commercial farmers would survive without subsidizing interest rates. The number of beef cattle has declined by 56%, from 2 million in 1955, to 870,000 in 1995.

AMSCHEL ROTHSCHILD, heir apparent of the London merchant bank, reportedly committed suicide on July 8. Amschel was the second son of the late Lord Victor Rothschild, and is a half-brother to Lord Jacob Rothschild. Friends told the media that he was not depressed.

MILK production in the 22 top milk producing U.S. states (which account for 86% of U.S. milk produced) declined 0.3% in the first quarter, compared to 1995, the International Dairy Foods Association reported on June 13. Skyrocketing feed-corn prices have forced a 0.83% cut in herd size.

Britain's 'Dope, Inc.' grows to \$521 billion

by Dennis Small

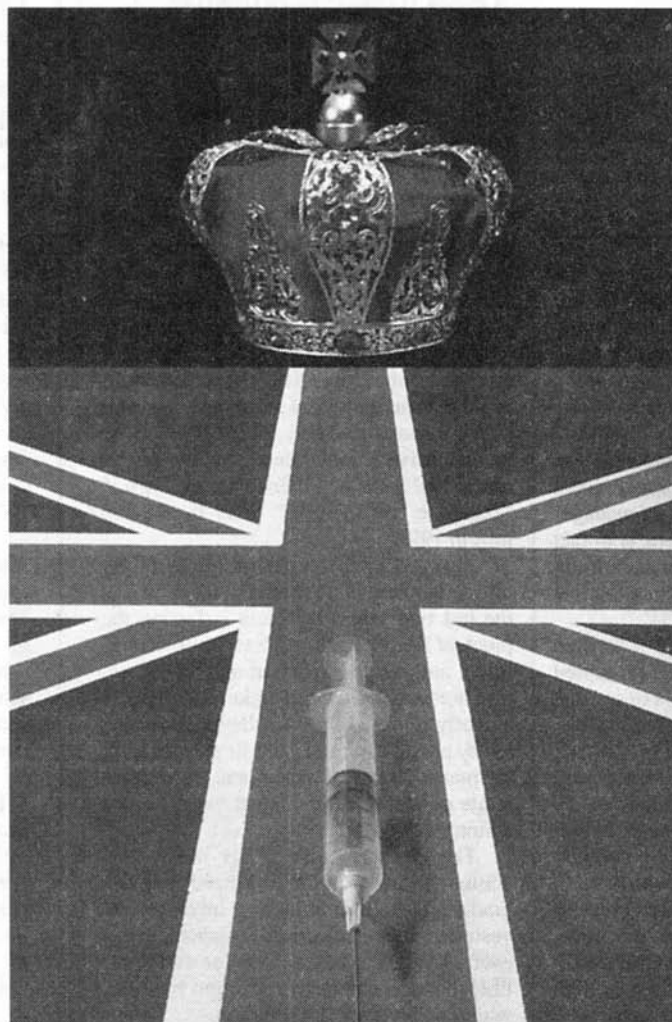
The war on drugs *can* be won. There is no need to raise the white flag of surrender and tolerate legalization. There is no reason to accept yet another generation of American youth being turned into blank-stared, lost souls. We don't have to watch any more Third World nations sink into the slavery of drug-producing dictatorships. And we need not, and must not, allow the world financial system to remain addicted to—and governed by—blood money from the drug trade, just as a heroin addict is hooked on smack.

The apparatus which runs the international drug trade—or Dope, Inc., as Lyndon LaRouche and associates have called it for nearly two decades—is an entity which can be known, profiled for weaknesses, publicly identified, and *destroyed* by concerted action carried out by cooperating sovereign nations.

That is the single, most important conclusion to be drawn from the detailed information and analysis presented in the pages that follow.

Does the Queen run drugs?

Who is behind Dope, Inc.? Does the Queen of England really run drugs, as people often ask LaRouche in shocked disbelief? No more than Adolf Hitler killed millions of innocent people. Neither of the two com-



It is demonstrably the case that powerful oligarchical financial interests, centered in Great Britain, run the drug trade today, from the top down, as they have for centuries, almost as if it were a single, multinational firm.

Shown here is the cover graphic to *Dope, Inc.: Britain's Opium War against the United States*, the book which exposed the British Crown forces behind the drug trade.

mitted the crime personally, with their own hands—at least, not as far as can be proven. But, in both cases, it is their policies, their *intentional* policies, which fit the Nuremberg Tribunal's criteria of "knew or should have known" what the deadly consequences of their actions would be, which are responsible for massive crimes against humanity.

In the case of drugs, it is demonstrably the case that powerful oligarchical financial interests, centered in Great Britain, run the trade today, from the top down, as they have for centuries, almost as if it were a single, multinational firm—thus the sobriquet, "Dope, Inc." As we document below:

- The British Commonwealth and other countries under the British imperial thumb account for 94% of all licit and illicit opium production in the world today, which is the source of deadly heroin. Historically, opium has been *the* British drug par excellence.

- In Colombia, the linchpin country in the world cocaine trade, the narco-dictatorship of Ernesto Samper is being buttressed in power, against the Clinton administration's escalating pressure, by the British House of Lords, whose members describe Samper's Colombia as a "model democracy." And British government officials, such as Trade Minister Richard Needham, rub it in by snootily commenting to the media in Colombia on the subject of U.S. concern over drugs: "That is *their* problem."

- Belize, the British Commonwealth nation which borders on Mexico, plays a critical role in the transshipment of Colombian cocaine up through Mexico into the United States. The narco-terrorist Zapatista National Liberation Army in the adjacent Mexican state of Chiapas, was manufactured by British intelligence to aid in this and related projects.

- Most significant of all, the British directly control an estimated 52% of all dirty-money-laundering operations globally—which is the actually the controlling force behind the international drug trade, as we show in the pages that follow.

Those yearly proceeds from the drug trade, totalling an estimated \$521 billion in 1995, are supplemented by some \$200 billion from tax evasion, \$125 billion from flight capital, \$100 billion from illegal gambling and prostitution, \$100 billion from contraband commodities, and \$70 billion from the illegal weapons trade, to add up to a *trillion-dollar-per-year* flow of dirty money. This is the crucial margin keeping the global speculative bubble afloat—all \$75 trillion of it. Cut off that flow of laundered

money, and the entire speculative system will implode, more or less overnight.

It is this, above all, which is the driving force behind the British sponsorship of drug trafficking, and their use of supranational institutions such as the International Monetary Fund and the United Nations, to impose economic policies which promote the drug trade.

Dope, Inc. doubled in a decade

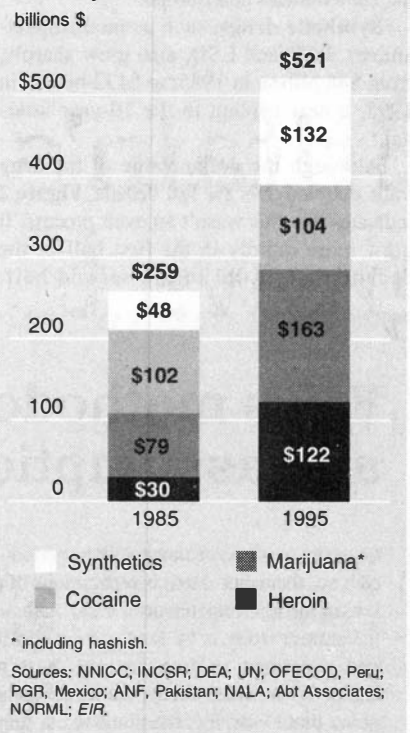
The yearly "take" from illegal narcotics can be conservatively estimated at \$521 billion in 1995, a 101% increase over the \$259 billion of a decade earlier (see **Figure 1**). The sales revenues come from four principal drug categories:

Heroin, which quadrupled from \$30 billion in 1985, to \$122 billion in 1995, has over 5 million addicts worldwide, most of whom are located, not in the United States or Europe, but in the *producer* nations (for example, Pakistan), where 70% of world heroin consumption occurs.

Marijuana, still the "drug of preference" in the United States, where over 10 million people use it yearly, has more than doubled, from \$79 billion in 1985, to \$163 billion in 1995. Marijuana has been, and remains, the "gateway" drug, which has introduced an estimated 72 million Americans into experimenting with illegal drugs.

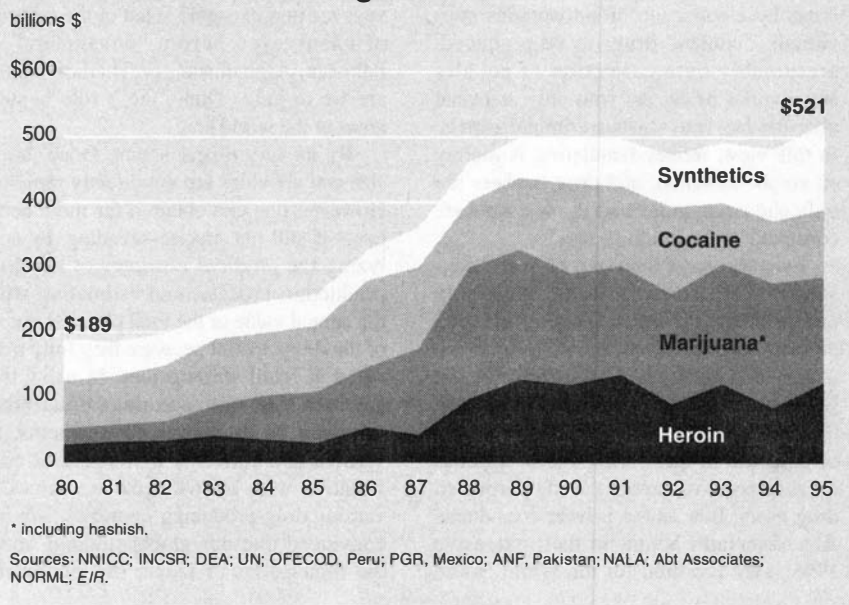
Cocaine, whose dollar value was rela-

FIGURE 1
Total value of world drug sales, 1985 and 1995



tively steady over this period, grew from \$102 billion in 1985, to \$104 billion in 1995. This is because the physical output of the drug grew significantly over the decade

FIGURE 2
Total value of world drug sales



(by about 104%), but this was nearly offset by an equivalent drop in the average price per gram of cocaine on the streets of both the United States and Europe.

Synthetic drugs, such as methamphetamines, PCP, and LSD, also grew sharply, from \$48 billion in 1985, to \$132 billion in 1995, a near tripling in the 10-year interval.

Although the dollar value of the drug trade doubled over the last decade, **Figure 2** indicates that this wasn't an even process: It grew more rapidly in the first half of the decade than it did in the second half.

However, it would be a serious mistake to conclude from this that the drug problem is somehow leveling off. Rather, what is going on is a period of relative consolidation, preparatory to a new take-off stage in production, consumption, and the value of total sales—a trend which is already visible in the figures for the last two years. In other words, what we are seeing is a classic "S-shaped" function, whose stage of relatively slower growth has already ended, as the curve accelerates back upwards.

There are two principal reasons for this conclusion.

First, the data used in this study, and reflected in the graphs, do *not* include information on Russia, or other states of the former Soviet Union or of the East bloc. The reason is that data on this area are simply not available, neither publicly available, nor, according to high-level law-enforcement sources, even privately available to the U.S. government. And yet, it is universally acknowledged that, since 1989-91 especially, there has been an explosion of drug consumption and production in the region, most notably in the former Soviet republics of Central Asia. In fact, this has been Dope,

EIR's methodology and assumptions

Over the past two decades, *EIR* has conducted a number of in-depth investigations of the size of the international drug trade. Although the current study is by far the most detailed and systematic to date, each of these has addressed the matter from the same vantage point: that Dope, Inc. functions like a single, unified, multinational corporation, whose various production, processing, transportation, distribution, sales, consumption, and money-laundering phases are centrally coordinated to a single purpose.

We therefore discard as misleading, and inaccurate, all "demand-" or consumption-based approaches, whose implicit assumption is that the "aggregate demand" for drugs by a collection of autonomous individuals, "causes" drugs to be produced, presumably by a collection of equally autonomous producers who only associate after-the-fact into various criminal cartels. In this view, money laundering is merely an epiphenomenon, and drug bankers are only the occasional bad apples who are corrupted by the producer cartels.

Even the most thorough of such "consumption"-driven approaches inherently underestimate the actual scope of the drug problem, and vastly so, probably by a full order of magnitude. For example, the National Household Survey on Drug Abuse (NHSDA), the most comprehensive survey of drug use in the United States, depends on responses to surveys from purported drug users. But, as the private consultants Abt Associates admit, in their extensive 1995 study prepared for the White House

Office of National Drug Control Policy (ONDCP), entitled "What America's Users Spend on Illegal Drugs, 1988-1993," "drug users often misrepresent their drug use when interviewed. . . . Those who are reached probably have an incentive to misrepresent their consumption." No amount of sophisticated mathematics and complex regression analyses can make up for flawed assumptions and methodology: It only makes the problem worse by convincing the gullible layman that it is somehow "scientific."

And what of the rest of the world outside the United States, where even less is known about consumption, and such surveys are non-existent? What of the millions of unsurveyed heroin "consumers" in Pakistan, Afghanistan, or Thailand? How are we to judge Dope, Inc.'s role in such areas of the world?

By its very illegal nature, Dope, Inc.'s size and activities are not directly reported. However, one can obtain a far more accurate—if still not precise—reading, by analyzing the *physical economy* of the drug production process, and estimating what the annual value of the total physical output of the drugs would be, were they fully marketed at retail street prices. In using this approach, *EIR* has made use of official data provided by numerous governments, as verified and corrected by direct *EIR* consultation with knowledgeable sources in various drug-producing countries. We are convinced that our global findings about the dimensions of Dope, Inc. err on the

conservative side.

The single most comprehensive, and consistent time series for much of this data is provided by the U.S. government's National Narcotics Intelligence Consumers Committee (NNICC), a multi-agency task force which includes the Drug Enforcement Administration (which chairs the group), the Federal Bureau of Investigation, the Department of the Treasury, the U.S. Customs Service, the U.S. Coast Guard, the Department of State, the Department of Defense, the Internal Revenue Service, the Central Intelligence Agency, the National Institute on Drug Abuse, the Immigration and Naturalization Service, and the Office of National Drug Control Policy.

The NNICC produces an annual report which presents a range of probable hectares under cultivation for each of the major drug crops: coca, marijuana, and opium. These estimates come from aerial surveys, on-site inspections, country reports, and other data. They then multiply their area figures by estimated yields per hectare, which provides an estimated range of output in tonnage. In most cases, *EIR* has used the higher value of the range under consideration, since it seems most likely that some of the drug crop escapes detection. In specific cases where other data were available for cross-checking, the higher figures were in fact borne out as the more accurate. Also, where official data were subsequently modified by new estimates for either area cultivated or yields, the modifications almost always increased the earlier estimates.

In some cases, additional physical production data were obtained from the yearly *International Narcotics Control Strategy Report* (INCSR), published by the U.S. State Department, which has more detailed country studies than the

Inc.'s principal "growth market" over the last five years. When data finally do become available as to what has been happening over this period, there is no question but that the totals for 1990-95 will have to be adjusted upwards accordingly. If unchecked, it furthermore portends an ominous, exponential leap over the next few years in all drug-related parameters in this strategically critical region.

There is a precedent, on a far smaller scale, for this type of phenomenon. In 1989, official marijuana production figures for Mexico were announced that were *twelve*

times greater than what was reported for 1988. Actual output didn't grow that much in one year. What happened is that systematic surveillance flights were conducted for the first time during that year, and Mexican and foreign law-enforcement agencies discovered that they had been sitting on a mountain of marijuana, undetected and out of control.

The world will shortly discover something similar regarding Russia and other former Soviet countries: The problem there is *already* probably an order of magnitude greater than anyone has dared to imagine.

The second consideration behind our "S-shaped" curve hypothesis, has to do with Dope, Inc.'s deliberate pricing policies.

If ever there were any doubts about the cartel-like nature of Dope, Inc., the next three figures should put them to rest. When cocaine (and especially crack cocaine) was first introduced into the U.S. market, its price was so high (\$640 per pure gram in 1977) that there was not much of a market for the drug. Dope, Inc. then employed a classical marketing technique, taken from a Harvard Business School manual: They deliberately slashed the price of their "prod-

NNICC annual report.

If one starts with such figures for total potential crop output, based on the amount sown or cultivated, one must then subtract the amount eradicated before the crop is even harvested. In the case of marijuana, this is quite substantial; with coca and opium, less so. This leaves the total amount harvested, or the total production of the raw material of the drug in question. Then, standard conversion ratios are applied for the respective refining processes, taking into account variations both over time, and from one country to the next. For example, 10 kilograms of opium yield 1 kilogram of refined pure heroin—pretty much across the board. In the case of cocaine, back in the mid-1980s, it took about 500 kilograms of coca leaves to produce 1 kilo of pure cocaine HCl; whereas in the 1990s, the productivity improved, and it now requires only 333 kilos of leaves to produce a kilo of cocaine, according to official estimates.

In this way, we generate a time series of the physical amount of output of each of the refined drugs. From that amount, one must subtract the amount lost to seizures worldwide, which leaves a net amount which is potentially available for sale. We say "potentially," because there is no way of determining whether the entirety of this amount is actually sold in a given year, or whether some of it is lost to spoilage, or is stockpiled for use in subsequent years. But as a trend, it is the best available indicator of Dope, Inc.'s marketing process.

EIR then determined, in broad terms, how much of the total net production was consumed locally in the producer countries, and how much was exported, differentiating the share which went to each of the major export markets (the United States and Europe). This breakdown is necessary, because the price of cocaine and heroin, for

example, is significantly different in these three markets (local, United States, and Europe).

With this determined, the amount available for sale in each market was multiplied by the respective average retail street sale price for each drug (taking into account variations in purity from year to year). This then yielded the total value of potential sales of that drug per market, which was reaggregated to give world totals.

U.S. retail prices for marijuana, cocaine, and heroin were obtained and cross-checked among various sources, including NNICC (using the median value of the range they report), Abt Associates, and others. It should be noted that price and purity information are the only data generated by the methods of street samples and surveys, which are relatively reliable.

In the case of Europe, no similar time series currently exists for any of these drugs. *EIR* developed the first such published series of which we are aware, based on partial data for a half-dozen European countries, made available in various United Nations study documents. Other empirical studies of purity levels of drugs sold in Europe were then applied, to develop a single series for the estimated price per pure gram of cocaine and heroin. Those findings are presented in the graphics that follow.

More specific assumptions and estimations employed in the calculations are as follows:

Cocaine: quantities of production as per NNICC, and Peru's Executive Office of Drug Control (OFECOD); U.S. sales prices 1977-80 from NNICC, 1981-95 from Abt Associates.

Marijuana: U.S. eradication as per Drug Enforcement Administration (DEA) data, and quantities of production were estimated based on an eradication ratio of

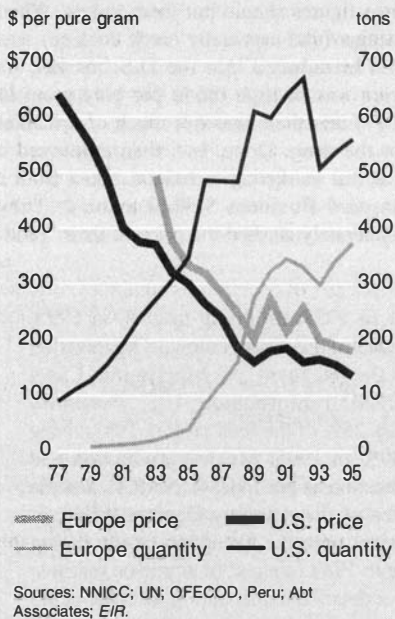
33% in 1985, dropping to 20% in 1995, based on DEA and National Organization for the Reform of Marijuana Laws (NORML) information; U.S. *sinsemilla* equals 25% of the total crop in 1983, rising to 40% in 1995; Mexico production and eradication as per INCSR, NNICC, and the Office of the Attorney General (PGR) of Mexico, with the exception of the period prior to 1989 (see text of article on marijuana for detailed explanation); all other countries' production and eradication as per NNICC and INCSR; on *hashish*, quantities as per NNICC and the National Alliance of Lebanese Americans (NALA) for Lebanon, with retail price assumed equal to that for *sinsemilla* marijuana in the same year.

Heroin: production and eradication data as per NNICC (median value) and INCSR; percentage of total opium that is converted to heroin is based on INCSR and other country sources, including NALA and Pakistan's Anti-Narcotics Force (ANF) (in Burma, 20% in 1980, rising to 70% in 1995; Laos 50% in 1980, rising to 80% in 1995; Thailand 100%; China 50%; Afghanistan and Iran, 50% in 1980, rising to 85% in 1995; Pakistan 70% in 1980, rising to 100% in 1995; Lebanon 100%; India 10% in 1980, rising to 50% in 1995; and Mexico, Colombia, and Guatemala 100%); local or regional consumption of heroin as per INCSR, UN, and country sources; of total Southeast Asia exports, assume 75% shipped to the United States, and 25% shipped to Europe; Southwest Asia exports 25% to the United States, and 75% to Europe; Ibero-America exports 100% to the United States; prices in the United States and Europe as explained above; local price of heroin assumed to be 10% of the current European price.

Synthetic drugs: this is fully explained in the article below on synthetics.

—Dennis Small

FIGURE 3
Cocaine: price vs. quantity produced, U.S.A. and Europe



uct" in order to increase the volume of purchases. It worked for Henry Ford's "Model T," and it worked for Dope, Inc. As the U.S. price was reduced down to \$135 per pure gram in 1995, the quantity of cocaine shipped to the United States for sale, shot up

from 85 tons in 1977, to 560 tons in 1995 (see Figure 3).

The identical marketing strategy was repeated for Europe a few years later, with equal success. The European street-sale price of cocaine has closely followed the U.S. trajectory down, with a phase difference of a few years: It dropped from \$493 per pure gram in 1983, to \$180 today. Not surprisingly, the quantity shipped for sale in Europe rose too, from next to nothing in 1979, up to 373 tons in 1995. In fact, as Figure 4 shows, Europe's estimated share of world cocaine sales has been steadily rising, and today stands at about 40% of the world total. This parameter also does not take into consideration the opening up of the eastern European market, which will further shift the proportion in the years immediately ahead.

Back in 1990, EIR had already warned of exactly this danger, in a feature story on the drug trade. "Dope, Inc. is now engaged in a vast expansion of its markets in Europe and Japan, which, if not checked, will do to their youth, their cities, and their economies what has already been done to ours in America," we forecast.

If one looks at the global pattern, as reflected in Figure 5, one sees how successful Dope, Inc.'s strategy has been: World cocaine prices dropped from \$640 per pure gram to \$150 per pure gram between 1977 and 1995 (a decline by a factor of 4.3), while the quantity produced skyrocketed from 90

tons to 933 tons (a factor of more than 10). Furthermore, world cocaine production is now set for another take-off stage after a few years of relative stagnation, as we document in the section on cocaine below.

It should be noted that Dope, Inc. has engaged in similar marketing tactics for heroin: From 1980 to 1995, the U.S. price per pure gram was cut by more than half and the European price by two-thirds, while production rose sixfold.

A war-winning strategy

The LaRouche movement has been at war with Dope, Inc., and its British sponsors, for nearly two decades. The first salvo was our 1978 publication of the best-seller *Dope, Inc.: Britain's Opium War Against the United States*. That was followed by the founding of the National Anti-Drug Coalition and its magazine *War on Drugs*; by numerous exposés and feature stories in EIR; by two additional English-language editions of *Dope, Inc.*; and by a Spanish-language edition, called *Narcotráfico, SA*, which was so provocative to the drug bankers that it was banned in Venezuela (and almost banned in Peru).

We take this opportunity, of the publication of this EIR Special Report, to announce that EIR will be releasing a new, updated edition of the book *Dope, Inc.*, in both English and Spanish editions, in the next few months. We intend it as a battle manual to put Dope, Inc. out of business, once and for all.

FIGURE 4
Cocaine: share of world sales, Europe vs. U.S.A.

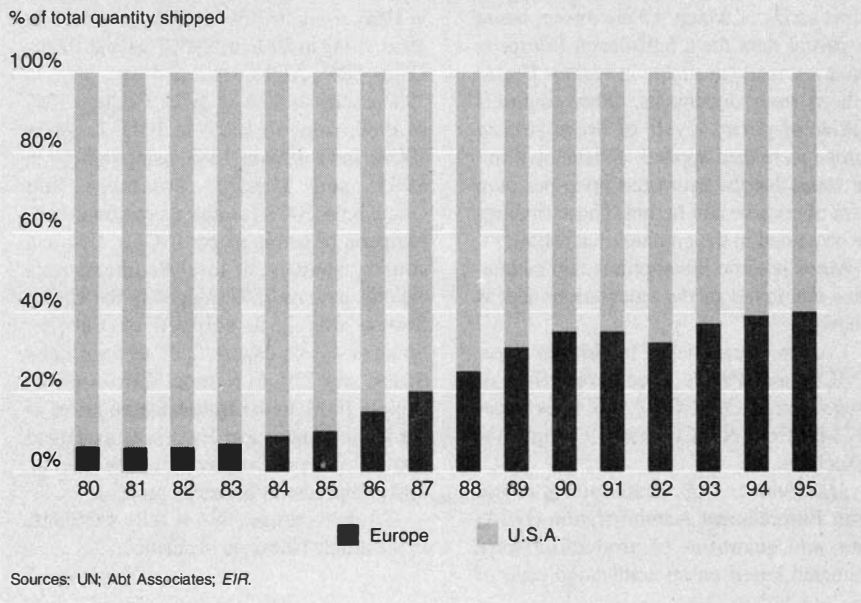
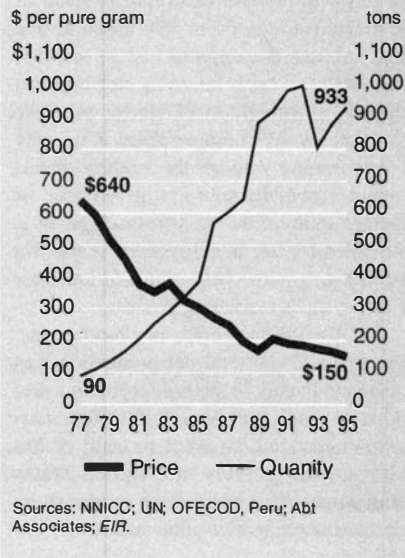


FIGURE 5
Cocaine: world price vs. quantity produced



Production set for a new takeoff stage

by Dennis Small

Nowhere is the foolishness of the standard demand-driven analysis of the drug trade more evident, than in the case of cocaine. The typical official argument goes like this: U.S. "demand" for cocaine has been dropping—for reasons undefined—since about 1989-90, and as a result, hardcore users supposedly fell from 2.6 million to 2.1 million during 1989-93, while occasional users declined from 6.5 million to 4.1 million during the same period. The White House's own showpiece publication, *The National Drug Control Strategy: 1996*, announced

hopefully that "cocaine use has fallen 30% in the last three years alone."

The data for these conclusions were drawn principally from surveys of households and of prison populations, where drug "consumers" are questioned about their habits. Reliable information? Hardly.

Not surprisingly, such surveys also produce internally contradictory evidence. For example, the same White House report which talks about an overall 30% drop in cocaine consumption, also reports a 1995 increase of cocaine use among high school

students. Similarly, the NNICC annual survey for 1994 reports: "Survey results for 8th and 10th graders indicated an increase in all cocaine use categories from 1993 to 1994." So, is cocaine consumption falling or rising? Or, is it falling rapidly among adults, while rising swiftly among adolescents?

The actual picture of the U.S. and the world cocaine market is better approached from the opposite direction: by looking at what Dope, Inc. is physically *producing* for market, in order to generate its gigantic flows of hot money. Consumption levels are a *result* of that orchestrated offensive, not its cause. From that standpoint, it is evident that the supply of cocaine has continued to grow, as has its availability in both the United States and Europe.

Cocaine production: an 'S-shaped' curve

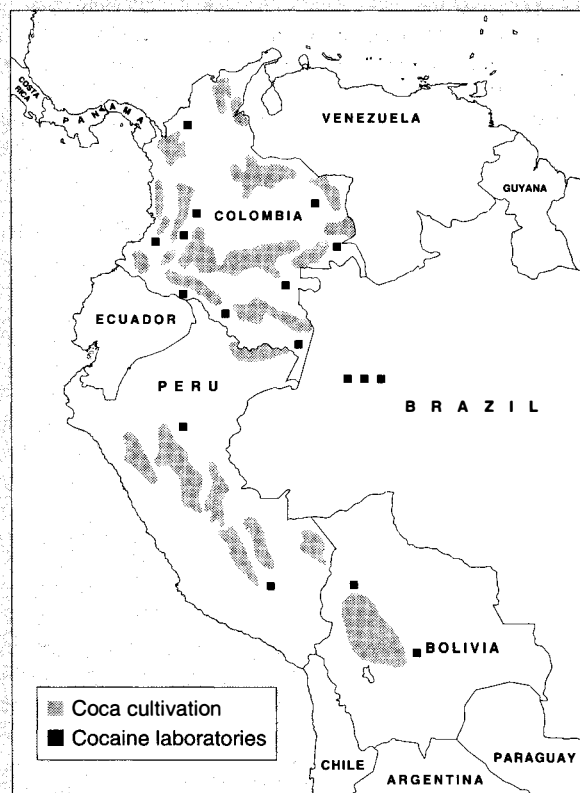
Cocaine hydrochloride, commonly called cocaine, is produced from coca leaves. Coca plants are grown in significant quantities in only three countries in the

MAP 1
Coca cultivation in the Andes, 1985



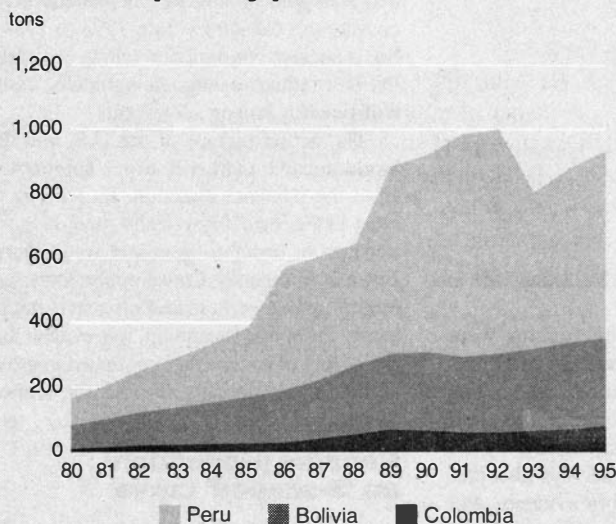
Source: EIR.

MAP 2
Coca cultivation and refining in the Andes, 1995



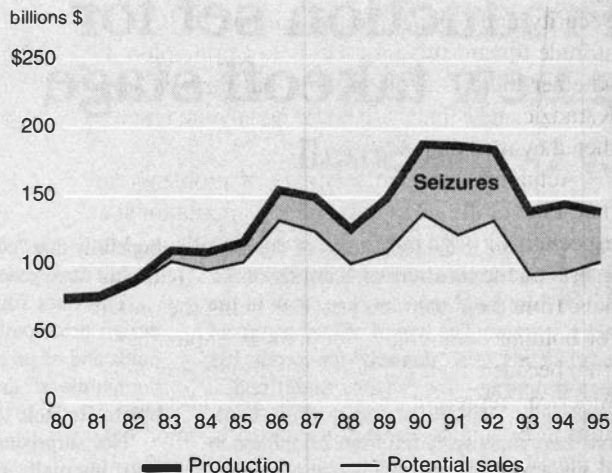
Source: EIR.

FIGURE 6
Cocaine: quantity produced



Sources: NNICC; OFECOD, Peru; EIR.

FIGURE 7
Cocaine: value of production vs. potential sales



Sources: NNICC; DEA; UN; OFECOD, Peru; Abt Associates; EIR.

world: Colombia, Bolivia, and Peru, all in the Andean region of Ibero-America. The coca leaves are then converted into cocaine paste, and from there into pure cocaine, with the use of a variety of easily acquired chemicals, such as ether and acetone. Although these are legal chemicals that have valid industrial uses, they are obtained illegally by the drug traffickers in large quantities, principally from the United States, western Europe, and also Brazil.

As **Maps 1** and **2** show, there has been a significant increase in the area under coca cultivation in the Andean region, between 1985 and 1995. Most of the coca is grown in Peru, while most of the processing laboratories are located in Colombia. (More recently, laboratories have also been established in the Amazon region of Brazil.) However, Dope, Inc. has woven an elaborate logistical interconnection throughout the region, in which tens, if not hundreds, of illegal cocaine flights occur daily, transporting drugs, chemicals, and dirty money back and forth among the different production and processing sites.

Figure 6 shows total world production of refined cocaine from 1980 to 1995, which rose from 166 metric tons to 933 metric tons over this period—a nearly sixfold increase. On an annualized basis, production has been rising at an average 12.2% per year. Over the last five years, that rate of growth slowed down, largely as a result of the steep drop in production which occurred in 1993.

Over 60% of the total quantity of coca

originates in Peru, with smaller shares coming from Bolivia and Colombia. These figures should not be misunderstood to imply a lesser role for Colombia in the overall cocaine trade: They simply indicate that its local production of coca leaves is less than that of Peru and Bolivia, while it plays a larger role in downstream processing.

As is evident from **Figure 6**, the sharp decline in 1993, of almost 20% of total production, can be attributed totally to Peru—in fact, Colombia and Bolivia's output continued to rise throughout the 1990s. What happened in Peru is of the greatest political significance. First, there was an apparently "natural disaster" which struck the coca plantations, especially in the Upper Huallaga Valley, the heart of the producing region. As a result of overcultivation and monoculture growing patterns, soil depletion began to set in around 1991, as did the deadly *fusarium oxysporum* fungus.

The second factor is referred to euphemistically by the NNICC as "tumultuous" political conditions in the region, and as "the cumulative impact of counternarcotics efforts of all types in the Huallaga Valley," in the words of the U.S. State Department. What actually happened is that, over the course of 1992, the Fujimori government in Peru launched an all-out war against Shining Path and other narco-terrorists in the country. In April of that year, President Alberto Fujimori summarily shut down the country's Congress and Supreme

Court, for complicity with the subversives. And then, in September, his government captured the notorious Abimael Guzmán, the head of Shining Path, and quickly sentenced him to life in prison. From that point on, a series of further devastating blows was delivered to the entire narco-terrorist apparatus across the country.

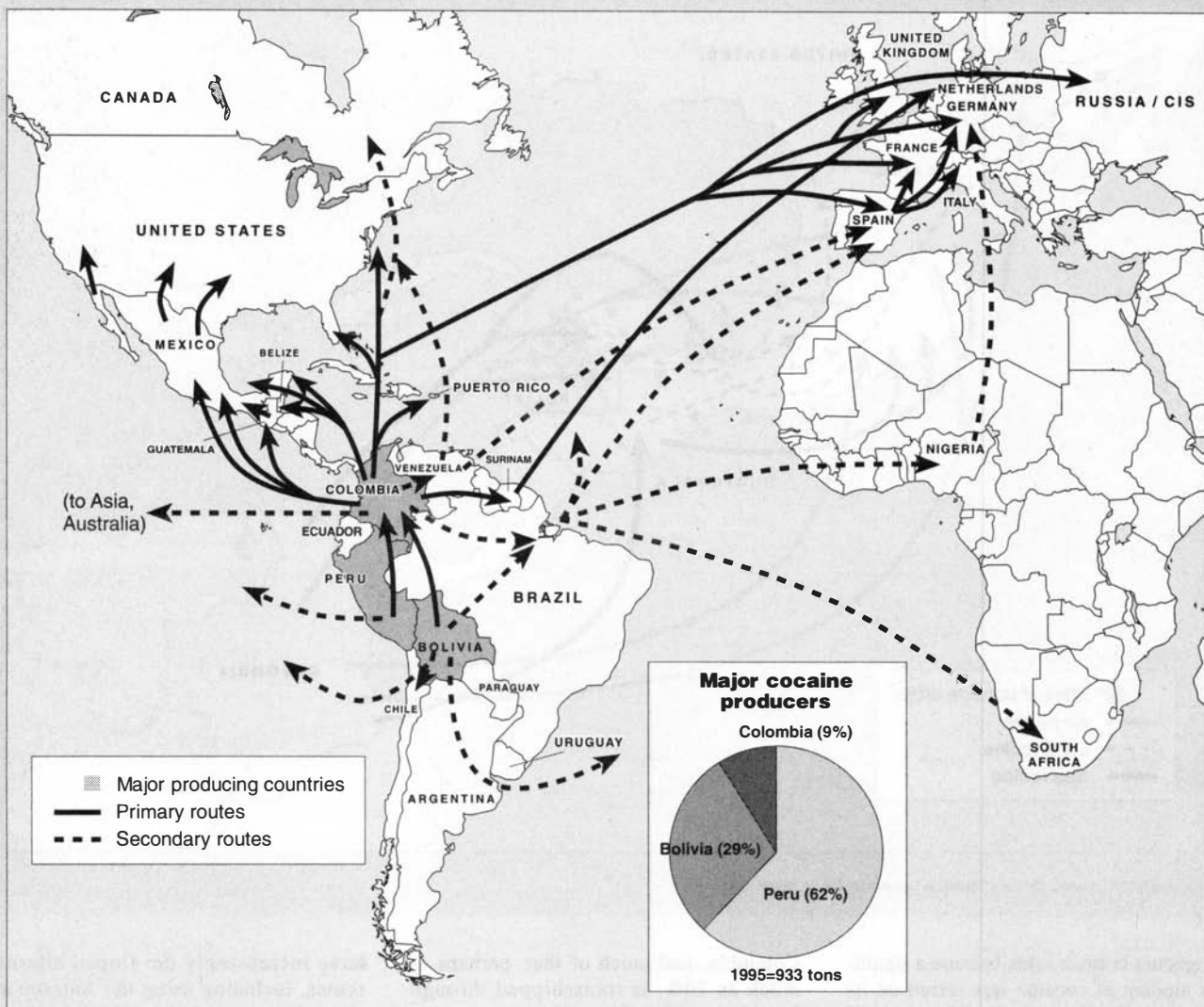
At no point did the Fujimori government explicitly target the drug trade. But Shining Path's main rural base of operation is the coca-producing Upper Huallaga Valley, and the terrorists are so thoroughly integrated with the Dope, Inc. apparatus, that their suppression led to a serious disruption of the drug trade.

Dope, Inc., however, reacted swiftly, and moved to shift significant amounts of coca growing to other river valleys in Peru. By 1994, that diversification had led to an additional half-dozen river valleys joining the Upper Huallaga as major coca growing regions. According to informed Peruvian sources consulted by *EIR*, the 1994 area under cultivation, by valley, was as follows:

Upper Huallaga	28,900 hectares
Aguaytía	21,400 hectares
Apurímac	17,000 hectares
Cuzco	9,900 hectares
Central Huallaga	8,500 hectares
Lower Huallaga	7,500 hectares
Ucayali	2,000 hectares
Others	13,400 hectares

In the Aguaytía and Apurímac valleys, the area planted to coca grew by 20% in 1994 alone, according to informed Peruvian

Cocaine-trafficking routes



Sources: NNICC; DEA; PGR, Mexico; OFECOD, Peru; EIR.

sources. But it takes a couple of years for a coca plant to mature and produce viable leaves for cocaine production, so the new production sites could not immediately make up for the drop in output caused by the Upper Huallaga problems.

However, as the new areas have come on line, total Peruvian coca production began to rise again in 1994 and 1995, with ominous implications for the future. In fact, Peruvian experts consulted by *EIR* note that the demonstrated ability to diversify quickly to new areas, means that Peru may well become a super-producer of coca and poppy. The same experts also report that, in addition to the 130,000 hectares under active

coca cultivation in Peru, there are an estimated additional 100-150,000 hectares that are part of Dope, Inc.'s holdings, but which in any given cycle are either fallow (in-between cropping) or under preparation for future planting.

It is therefore probable that the relative stagnation of total cocaine production of the early 1990s, will not continue as a trend. Rather, it appears to be a momentary leveling off in what will actually turn out to be an "S-shaped curve" which has just begun its second ascent stage. Nor can much be expected in the short term from coca eradication in any of the three producer countries: Only trivial amounts are

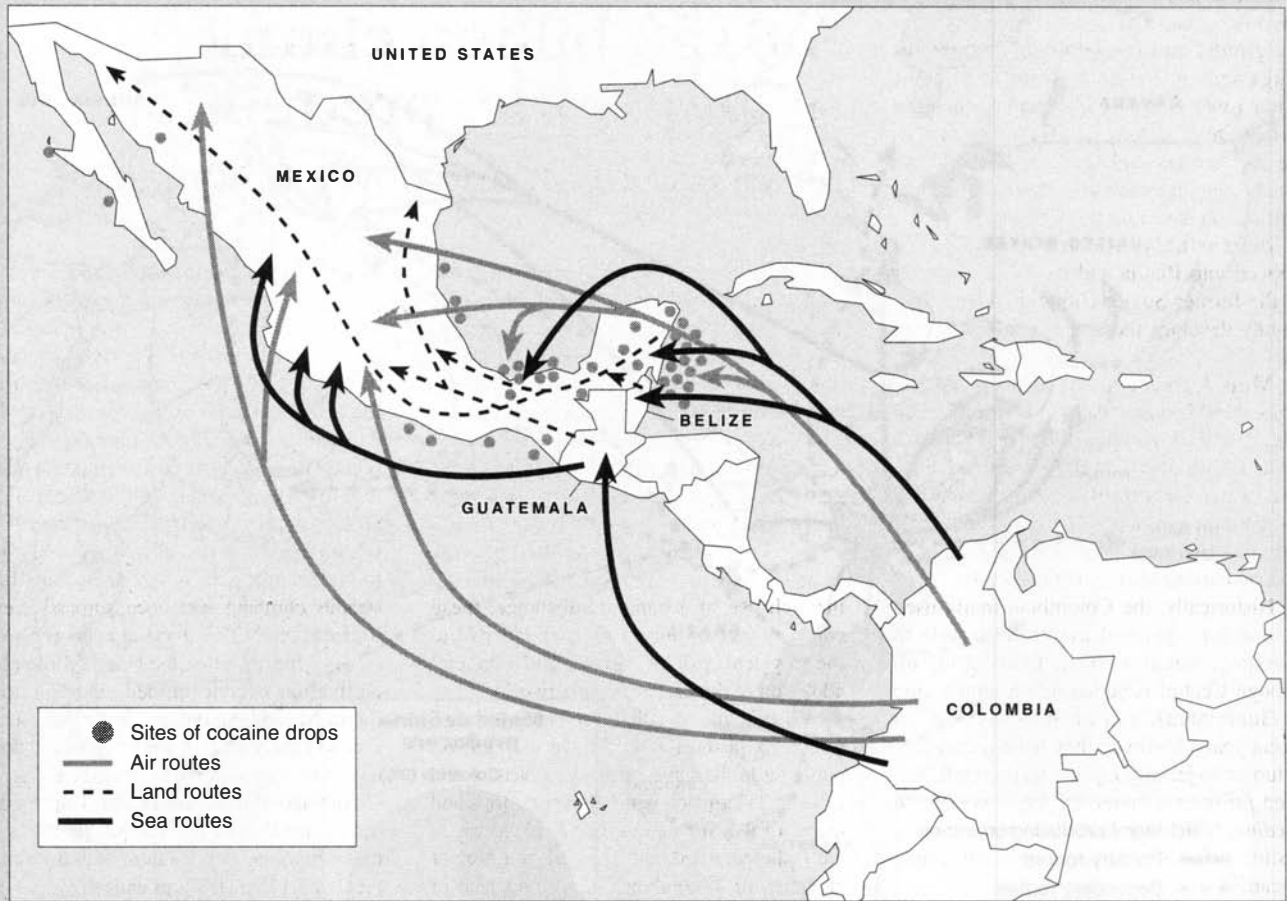
eradicated in Colombia and Bolivia, and none at all in Peru (see article on eradication, p. 53).

Since the price of cocaine in both major consumer markets, the United States and Europe, has been steadily dropping over the last 15 years (as we noted at the outset of this report), the total dollar value of the output did not rise as rapidly as the physical production. As **Figure 7** shows, the total value of production rose from \$76 billion in 1980 to \$140 billion in 1995, i.e., it "only" doubled, as compared to the sixfold increase in the volume of cocaine output during that time frame.

Dope, Inc., however, did not realize that

MAP 4

The Colombia-Mexico cocaine corridor



Sources: PGR, Mexico; Uniform Statistical System for Drug Control, OAS.

full amount in street sales, because a significant amount of cocaine was seized on its way to market. In 1980, this only amounted to about \$3 billion worth, but by 1995, a full 26% of total production was seized, whose sales value would have been an additional \$36 billion. So, the value of all potential cocaine sales worldwide—i.e., the total revenue that would accrue to Dope, Inc., if they were to sell their total available cocaine production at street retail prices—came in at \$104 billion in 1995. In 1980, the value of all potential sales was \$73 billion.

Trafficking routes

Despite the rising share of total cocaine production that is now being shipped to Europe, the United States still consumes about 60% of the world total. Nearly all the refined cocaine entering the United States comes from the Cali Cartel in

Colombia, and much of that, perhaps as much as 70%, is transshipped through Mexico (see Map 3).

Most of the cocaine crosses into the United States in southern California, Arizona, Texas, and southern Florida, and then proceeds to the four main distribution centers: Los Angeles, Houston, Miami, and New York City. These cities in turn serve as the consolidation centers for the proceeds from the drug sales. Another frequent entry point into the United States is the island of Puerto Rico.

Over the last couple of years, the blows delivered to the Cali Cartel, combined with surveillance and interdiction cooperation between the United States and the Peruvian governments, have disrupted the Peru-Colombia air bridge used by the traffickers to get coca paste to processing laboratories in Colombia, before shipment on to the United States and Europe. The traffickers

have increasingly developed alternate routes, including using the Amazon and other rivers to ship into Brazil, and from there, abroad. Similarly, Peruvian and Colombian Pacific Coast ports are being used for maritime shipments to the United States and, to a lesser extent, to Asia. (Cocaine is still not a particularly popular drug in most of Asia, where it is considered too “Western,” as compared to the more familiar opium and heroin.)

Most amazingly, there have also been cases of the use of both manned and unmanned *submarines* to ship large quantities of drugs across the Caribbean, to waiting speed boats, known as “go fast boats,” just outside U.S. territorial waters.

In both maritime and air shipments directly to the United States, traffickers frequently conceal large quantities of cocaine in legitimate containerized cargo.

Shipments from South America to

Europe also go both by air and by sea—although air cargo predominates. Spain, because of its historical and language ties to Ibero-America, continues to be a major staging ground and transshipment center for drugs sent throughout Europe. Another major route goes directly from Surinam, a former Dutch colony in South America, to the old “mother country,” the Netherlands, which is an important drug consumption and distribution haven for all of Europe.

Increasingly, cocaine is also being shipped into Russia and the other countries of the former Soviet Union, as Dope, Inc. rapidly develops these new markets (see p. 46).

Map 4 presents a “close-up” of the Colombia-Mexico cocaine corridor, through which most of the drug passes on its way to the United States. A tightly knit infrastructure of narcotics trafficking now links the two countries, which is also expressed in the form of close working relations between the Colombian and Mexican drug cartels.

Historically, the Colombian mafia used twin-engine general aviation aircraft to transport cocaine from Colombia, up through Central America (often with a stop in Guatemala), and on into Mexico. In recent years, however, they have increasingly turned to jet cargo, passenger aircraft, and even *full-size commercial jets loaded with cocaine*, which are landed on remote clandestine airfields in Mexico, and then simply discarded.

Another relatively recent innovation of Dope, Inc. is the extensive use of air-drops of large, sealed packages of cocaine into the waters surrounding Mexico. Here again, waiting “go fast boats” pick up the cargo and take it ashore, where it is transported by land up to the border with the United States.

Note the two areas of greatest density of such air drops:

- the Gulf of Mexico coast off the Isthmus of Tehuantepec, where most of Mexico’s offshore oil platforms are located, and where there is consequently a significant amount of related onshore ground transportation, construction, and so forth; and
- the Caribbean coast off the Yucatán Peninsula and the nation of Belize, a member of the British Commonwealth which plays a crucial role in coordinating both drugs and terrorism in southern Mexico. This cocaine is then transported overland through southern Mexico, in particular through the state of Chiapas where the British-sponsored Zapatista narco-terrorists are active, and northwards to the United States.

A \$150 billion chunk of Dope, Inc. production

by Valerie Rush and Joyce Fredman

The number-one drug of preference in the United States is still marijuana, and official government surveys indicate that the major decline in consumption over the previous decade and a half has now been reversed, and that consumption is again on the rise, especially among school-age children. Law enforcement officials are particularly concerned over what they call a “gateway effect,” by which this age group is introduced to other, still more deadly drugs. That is, by crossing over into illegality through use of a banned substance, these children become increasingly vulnerable to the physical, psychological, and financial addiction of the narcotics netherworld.

What is this so-called “recreational drug,” which its pushers would have us legalize, putting it in the same category as alcohol and tobacco? Marijuana is the flowering tops and leaves of the *Cannabis sativa L.* plant, which are gathered, dried, and smoked in a pipe or cigarette, or in combination with tobacco or other drugs. Both the plant, and the psychoactive chemical delta-9-tetrahydrocannabinol (THC) found most densely in its flowering tops, are considered “controlled substances,” that is, their consumption is illegal. Two other substances are derived from the cannabis plant, hashish and hashish oil, which contain a higher THC content than marijuana, but which do not have a significant U.S. market.

World production

Although cannabis is grown around the globe, from South America to Asia, from the Middle East to Africa, the United States has become in the past decade the single largest grower of marijuana in the world, contributing an estimated 34% to total world production in 1995 (see below).

The bulk of marijuana consumed in the United States is also produced domestically. As of 1995, *EIR* estimates that at least 50% of all marijuana consumed in the United States was domestically grown, with the rest coming from Mexico, or through Mexico from points further south, primarily Colombia (see **Map 5**). Because marijuana is a relatively bulky product

to ship (unlike cocaine and heroin, for example), it is more cost-effective and less risky to either grow it domestically or to transport the drug to the U.S. market from nearby sources.

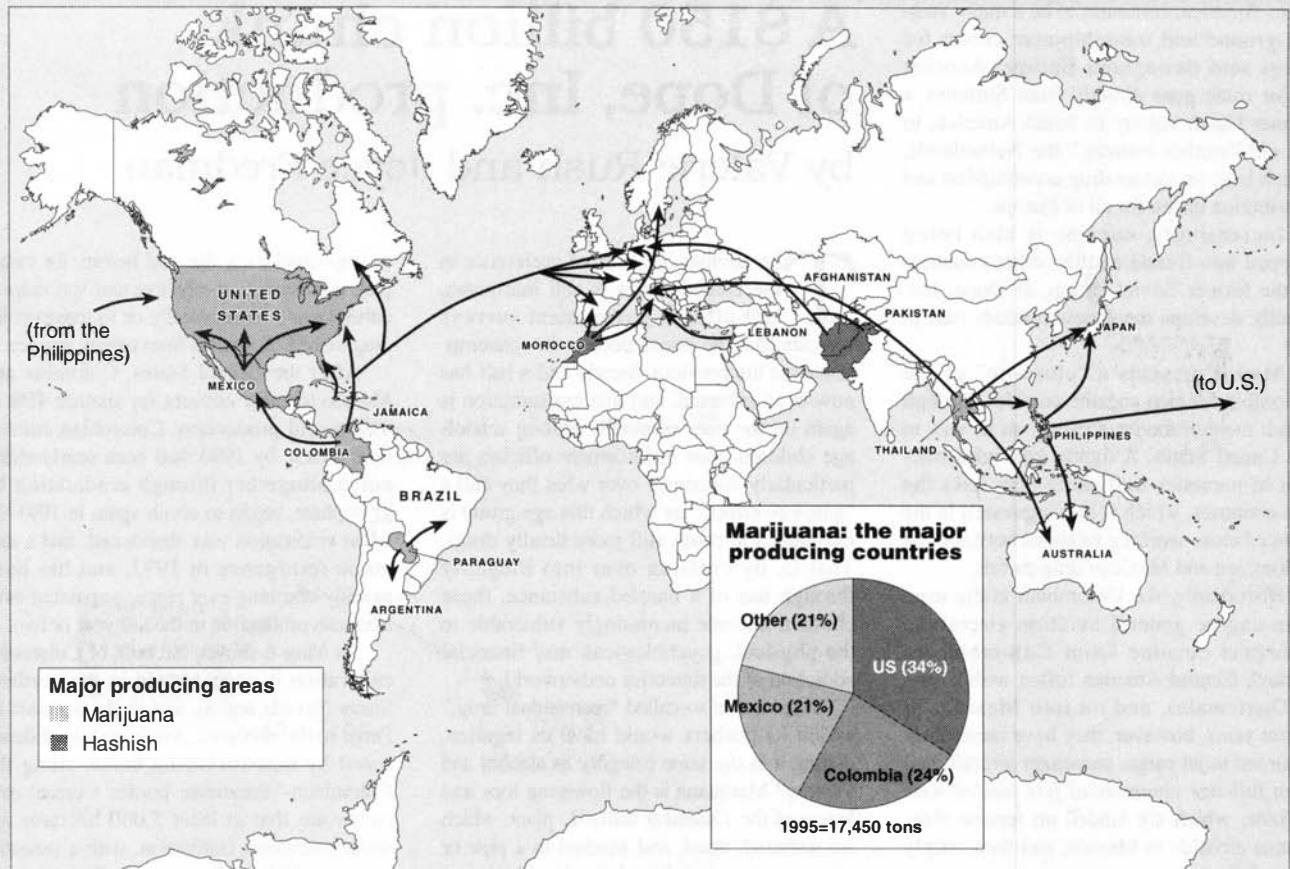
After the United States, Colombia and Mexico together account for another 45% of total world production. Colombian cultivation, which, by 1990, had been nearly eliminated altogether through eradication by glyphosate, began to climb again in 1991-92, when eradication was abandoned, had a dramatic resurgence in 1993, and has been steadily climbing ever since, surpassing even Mexican production in the last year or two.

As **Map 6** shows, the bulk of Colombian cultivation is concentrated in the northern Sierra Nevada region, and in the Serranía de Perija in the northeast, a no-man’s-land dominated by narco-terrorist bands along the Colombian-Venezuelan border. Current estimates are that at least 5,000 hectares are under marijuana cultivation, with a potential yield of 4,133 metric tons annually.

Because of the consolidation of financial and political power by the cocaine cartels in Colombia during the past decade, marijuana trafficking is no longer an independent affair. Combined shipments of Colombian marijuana and cocaine are now making their way northward to Mexico, by boat and air, through both Pacific and Caribbean routes, and thence across the border into the United States. Although most of Colombia’s marijuana heads north to Mexico, the United States, and Canada, multi-ton shipments have also been seized in western Europe in recent years, entering largely through Germany and the Netherlands.

In Mexico, marijuana cultivation is largely concentrated in the western states of Sinaloa, Nayarit, Michoacán, Sonora, Jalisco, Oaxaca, and Durango. Mexico’s so-called “golden triangle” of marijuana (and poppy) cultivation extends from Badiraguato in Sinaloa, to Tomazula in Durango, to Guadalupe y Calvo, in Chihuahua (see map). Although the bulk of Mexican marijuana is of commercial grade, the more potent *sinsemilla* has been on the increase here, too, since 1992. It is estimated that Mexico currently has nearly 7,000

Marijuana- and hashish-trafficking routes



Sources: NNIC; INCSR; DEA; NORML; PGR, Mexico; EIR.

hectares under cultivation, with a potential annual yield of 3,650 metric tons. Apart from what is domestically consumed, most of Mexican marijuana is smuggled into the United States, largely via overland routes.

As shown in **Figure 8**, combined Ibero-American production (largely Mexico and Colombia) accounts for an estimated 9,700 metric tons, out of a world total of 17,450. The United States accounts for about 6,000 tons, and Southeast Asia another 1,750 tons.

The informed reader may recognize that the total Ibero-American production during 1980-88 is far higher than the official statistics reported by either the Mexican government or the U.S. Drug Enforcement Administration (DEA), both of which report a dramatic 12-fold leap in the number of hectares of marijuana harvested in Mexico in 1989, purportedly jumping from 4,500 hectares to 53,900 hectares in that one year (see **Figure 9**). The official sources admit that this does not reflect an actual increase of that magnitude in a sin-

gle year, but only that new technologies were applied to detection and that new methodologies of calculation were introduced. But they have not altered their own earlier discredited figures to reflect these changes.

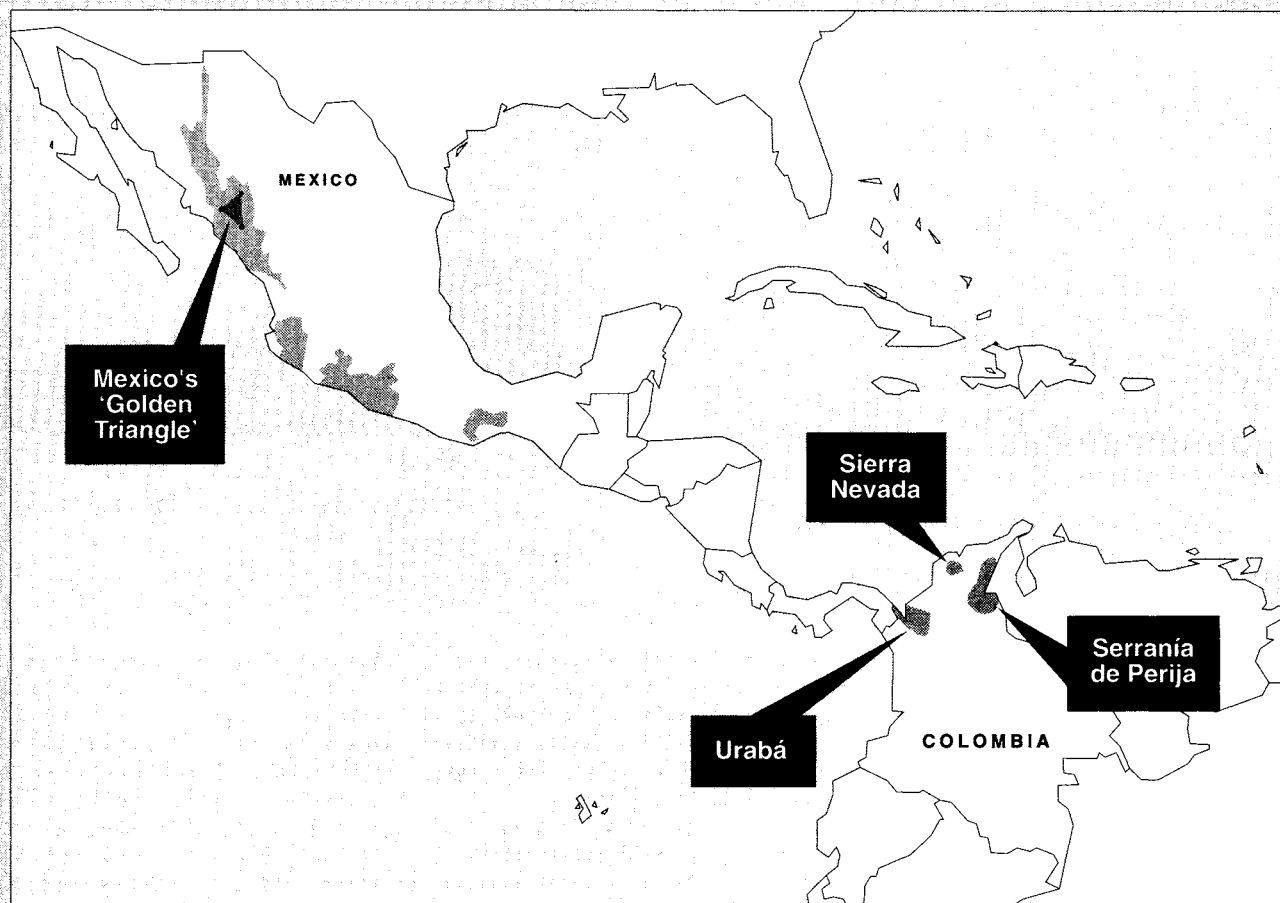
EIR has done so, on the following basis. What occurred is that systematic aerial surveillance over Mexico was conducted for the first time in 1989, as a result of agreements reached between the Mexican government and the DEA. They discovered that they were sitting on a virtual mountain of marijuana, and significantly revised Mexican production estimates upward. Those overflights yielded new information on the average size of fields under cultivation, as well as a new method for calculating production. So, the dramatic peak in 1988-89 of quantity produced represents these revised production estimates. But the fact is, that Mexican production throughout the previous period was probably closer, and rising, to that level all along, and had just never been adequately detected.

The precipitous drop in Ibero-American marijuana production after 1989 stems from a combination of adverse climate conditions and aggressive eradication, principally in Mexico, in the aftermath of the new findings.

Other producers in Ibero-America include Jamaica (206 metric tons annually), Paraguay (2-2,500 metric tons annually), and Brazil. Most of Jamaica's production goes to the United States via Florida and the East Coast. Although Brazilian production levels are substantial, no official estimates of hectareage or tonnage currently exist. Brazilian marijuana exports are minimal; the bulk of production is consumed domestically. Paraguayan marijuana is also intended for domestic consumption, or for the market in neighboring Brazil and Argentina.

In Southeast Asia, the major marijuana producers are Thailand and Laos, and Cambodia to a lesser degree. Much of the area's trade appears to be under the control of Thailand-based traffickers, who ship to

MAP 6

Marijuana cultivation in Mexico and Colombia

Sources: NNICC, PGR, Mexico; *EIR*.

Europe via Italy, as well as to Australia, Hongkong, Singapore, and the Philippines. The Philippines is also a major producer and exporter of marijuana, as well as transshipment point. It exports mainly to Japan, Taiwan, and Australia. New reports that the Philippines has risen to become the second- or third-largest marijuana producer in the world have not yet been confirmed.

Nigeria is a grower of low-grade cannabis, often smuggling it into Europe via Dutch ports and, increasingly, into eastern Europe. Nigerian smuggling networks have constituted themselves as major traffickers not only of marijuana, but of heroin and cocaine, as well. A recent raid in Bogotá, the capital city of Colombia, led to the arrests of more than a score of Nigerians and other West Africans, all part of a Nigerian-run smuggling network which was preparing to transport cocaine out of the country in their stomachs. Substantial amounts of marijuana

grown in South Africa are largely consumed domestically, while Kenya is both a marijuana grower and exporter, and a transshipment route for hashish from Pakistan.

Figure 10 shows the reductions from total marijuana cultivated worldwide, due to eradication and seizures, leaving a net available amount for sale of nearly 13,000 tons. This is almost a 50% drop from the 25,800 tons available a decade earlier in 1985. The value of the potential sales, however, did not decline similarly, because of the rising price of the drug. Thus, we see in **Figure 11** that the value of potential sales has zoomed from \$21 billion in 1980, to \$141 billion in 1995 (even after losing \$39 billion to seizures), a seven-fold increase.

Hashish

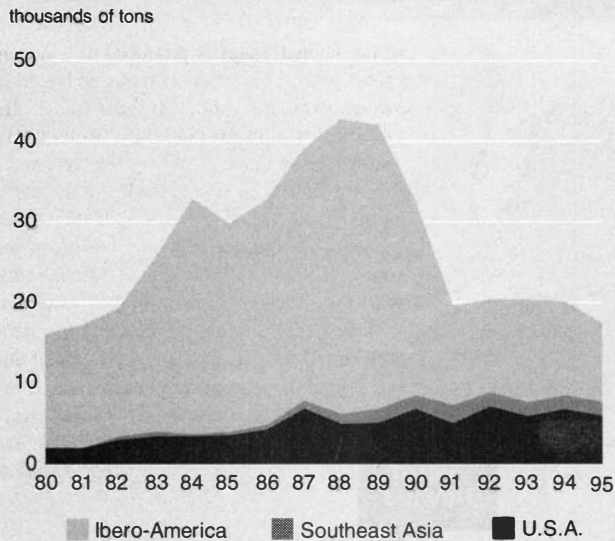
Although the Philippines converts a certain percentage of its cannabis crop to hashish and hashish oil, destined for Australia, Canada, and Europe, the majority

of the world's hashish supply comes from North Africa and the Middle East.

According to the National Narcotics Intelligence Consumers Committee (NNICC), world hashish production in 1993 (the last year reported) was 1,150 metric tons, and *EIR* estimates that the figure for 1995 is equivalent. This amount has a potential sales value of about \$22 billion. The main producing countries, in order of importance, are Lebanon, Afghanistan, Pakistan, and Morocco, which service the Mideastern, European, and Canadian markets (hashish has never been popular in the United States). Egypt is one of the countries in the producing regions which is most afflicted with the drug.

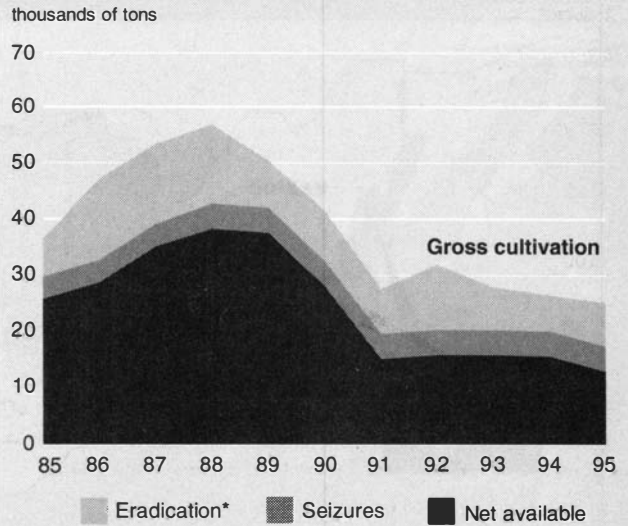
Lebanon is the world's primary grower and processor, with cultivation centered in the northern Bekaa Valley, where the Syrian Army has introduced large-scale and sophisticated farming techniques. The area also has been a major producer of opium. Almost

FIGURE 8
Marijuana: quantity produced



Sources: NNICC; INCSR; DEA; NORML; PGR, Mexico; EIR.

FIGURE 10
Marijuana: eradication and seizures



* Colombia, Mexico, and U.S.A.

Sources: NNICC; INCSR; DEA; NORML; PGR, Mexico; EIR.

all of the cannabis grown in Lebanon is converted to hashish. According to a 1994 report of the NNICC, "Most of the cannabis-growing region in Lebanon remained under Syrian Army control."

Although Lebanese hashish production is an ancient practice, it underwent massive expansion following Syria's 1977 invasion and occupation of Lebanon, in the midst of the Lebanese civil war. Since that time,

Lebanese hashish and heroin proceeds (in part based on refining Central Asian opium) have accounted for a significant amount of Syria's income. Most Lebanese-produced hashish is shipped through Syria, on its way to Europe, Canada, and the Arabian peninsula.

Morocco is another cannabis grower, and while an estimated 15-40% is used domestically, the rest is converted to hashish for export through the Iberian Peninsula to other North

African and European countries. Over the last year, Moroccan producing and trafficking organizations have been hit with a series of huge seizures and arrests, indicating that its role as a supplier of Europe may soon decline.

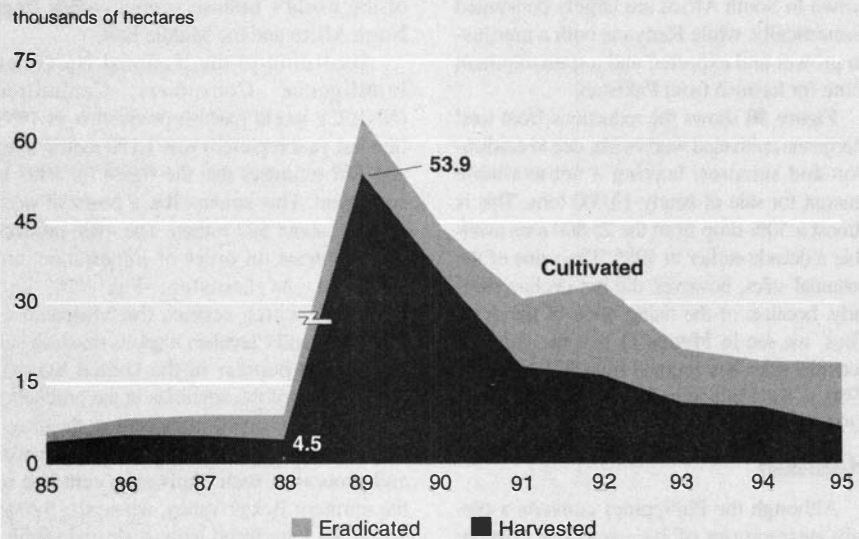
Pakistan and Afghanistan are significant producers of hashish. While a substantial amount of their hashish goes to Canada and western Europe, a growing percentage is making its way into Russia and eastern Europe. Reports of significant marijuana cultivation and export from the states of Turkmenistan, Uzbekistan, Kyrgyzstan, Tajikistan, and Kazakhstan cannot be confirmed, due to a lack of data from or on these areas.

The Dope, Inc. trafficking network used to transport heroin from the Golden Crescent, also is used to traffic in hashish. As with heroin, the land route proceeds through Iran and Turkey, reaching western Europe via the Balkans.

Made in the U.S.A.

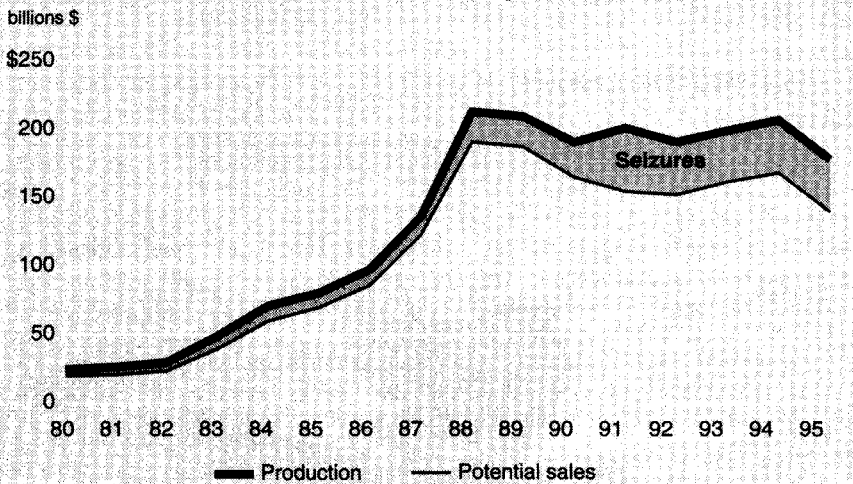
The fact that the United States is both the largest consumer and largest producer of a drug that has been proven to be of the utmost danger to its population, is a shocking reality that needs to be understood by the American citizenry. Besides the social and economic consequences, it immediately shatters the myth that all U.S. drugs are imported from drug-producing nations in the Third World, which are "the cause of the whole problem." It shows, instead, that Dope, Inc. is an integrated world cartel

FIGURE 9
Marijuana in Mexico: the official version



Sources: NNICC; INCSR; PGR, Mexico.

FIGURE 11
Marijuana: value of production vs. potential sales



Sources: NNICC; INCSR; DEA; NORML; PGR, Mexico; EIR.

which simultaneously controls the production, distribution, consumption, and money-laundering phases of the total drug cycle.

Marijuana is today the largest cash crop of the United States, whose potential street sale value in 1995 was an estimated \$77 billion.

Less than one year ago, the National Household Survey on Drug Abuse released their 1994 results, and announced that drug use has increased markedly among the nation's youth, particularly the consumption of marijuana. For example, according to the report (which probably significantly underestimates consumption), in an average month in 1994, some 13 million Americans used illicit drugs. Of these, 10 million used marijuana, making it by far the most commonly used illicit drug. Even worse, between 1992 and 1994, the reported rate of marijuana use among youths 12-17 years old nearly doubled, from about 14% to 22% of the total age-group population.

Other studies report similar findings. In its most recent annual survey (November 1995), the National Parents' Resource Institute for Drug Education reported significant increases in marijuana use by students in grades 6 through 12, and jumps in cocaine and hallucinogen use by students in grades 9 through 12. "As in recent years, marijuana use increased more dramatically than any drug in the study. One-third of high school seniors (33%) smoked marijuana in the past year, and one-fifth (21%) smoked monthly. Since the 1990-91 school year, annual reported use of marijuana in junior high school (grades 6 through 8) has risen 111% (from 4.5% to 9.5%) and has risen 67% in

high school (16.9% versus 28.2%)."

And the White House's Office of National Drug Control Policy's latest "Marijuana Situation Assessment" study reports "alarming indicators that marijuana is increasing in popularity, particularly among teenagers." Even worse, "the marijuana is at least 10 times more potent than it was 10 years ago."

The potency of marijuana is determined by its percentage content of THC, the main psychoactive chemical it contains. There are two kinds of marijuana grown in the United States, commercial grade and *sinsemilla* (seedless), of which the latter has substantially higher THC content, and today supplies over one-third of the domestic market, up from about 20-25% in the early 1980s.

The THC content of both kinds has been rising significantly over the years, thanks to genetic manipulation. This partially accounts for the significant increase in the street price of marijuana (Figure 12). Although commercial grade marijuana prices have been relatively steady since 1991, the cost of *sinsemilla* has continued to rise from 1980 onwards, and is currently selling in the United States for an average of \$550 per ounce.

Pot is not only more potent today; average doses are also rising. One study by Monika Guttman pointed out, "Kids today smoke larger amounts than their elders did, thanks to innovations such as 'blunts': short cigars hollowed out and restuffed with pot or a pot and tobacco mix. Marijuana is now often laced with other drugs, as in 'primos' (with cocaine) and 'illies' (with formaldehyde)." The result of such concoctions is

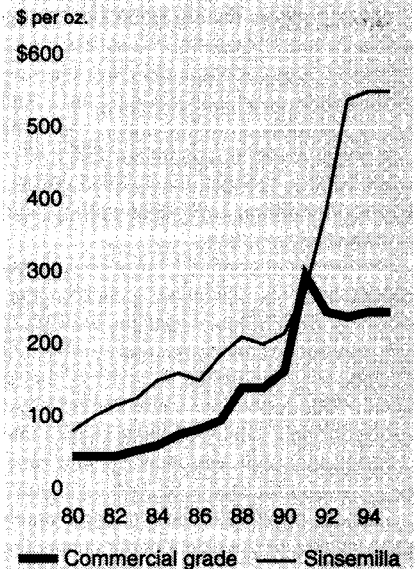
that in 1994, some 50% more 12-17-year-olds went to the emergency room for smoking pot than in 1993.

As noted, most of the marijuana consumed in the United States is produced at home. In recent years, U.S. production has undergone a virtual revolution. Although there are no official numbers on production, different estimates can be made based on the figures for marijuana eradication, which are available from the DEA. Not surprisingly, there is a disparity in the approach, depending on the source. The DEA, for example, estimates that what is eradicated accounts for 50% of what is planted. The National Organization for the Reform of Marijuana Laws (NORML) and the Drug Policy Foundation on the other hand, representing the pro-pot lobby, say it is much more likely to be only 15% of the total. EIR believes the truth lies somewhere between these two extremes, perhaps at about one-third of the total crop.

Everyone concedes, however, that it is America's number-one cash crop. Even conservative estimates put it undisputedly in first place. For example, take the value of the top six legal crops for 1992, according to the U.S. Department of Agriculture:

Corn	\$17.8 billion
Soybeans	\$10.8 billion
Hay	\$10.5 billion
Wheat	\$ 8.1 billion
Cotton	\$ 4.0 billion
Tobacco	\$ 3.1 billion

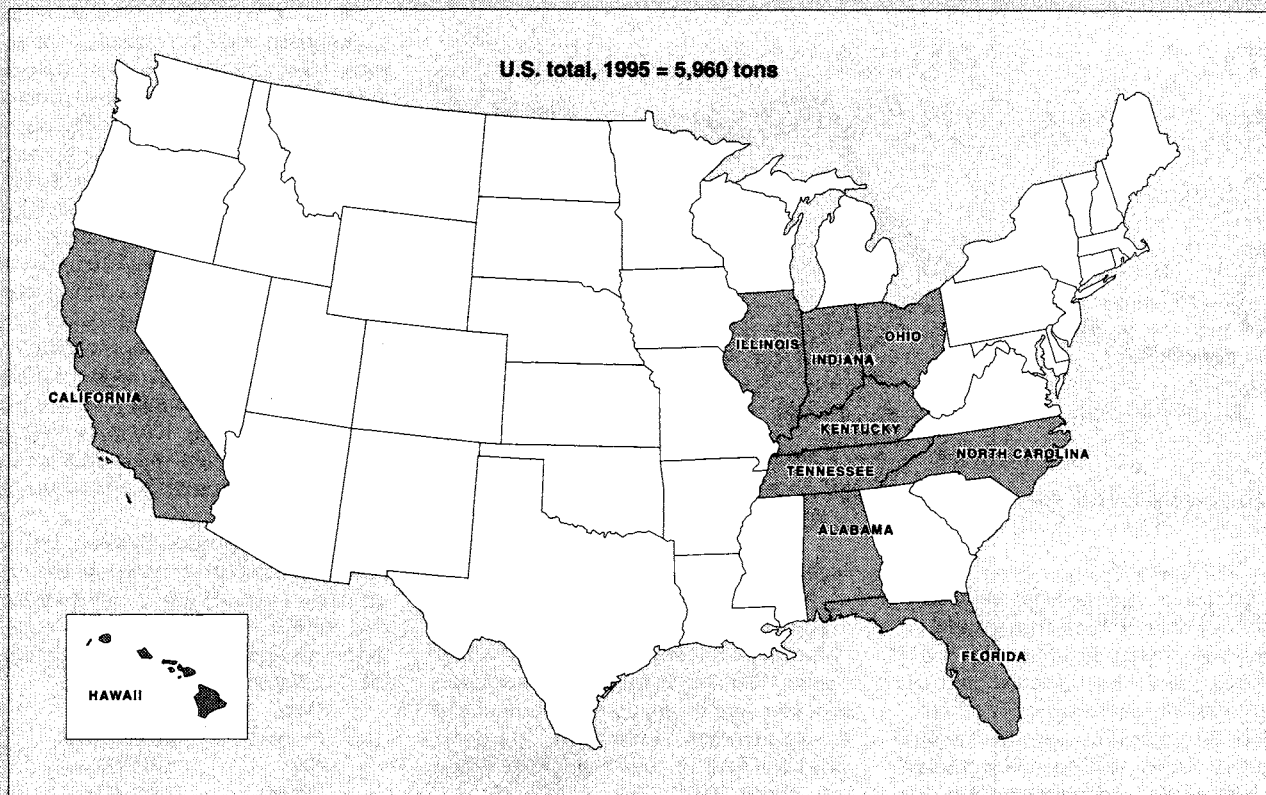
FIGURE 12
Marijuana price, U.S.A.



Source: NNICC.

MAP 7

The top ten states in U.S. marijuana cultivation



Sources: DEA, NORML, EIR.

Marijuana estimates for the same year, range from \$20.9 billion (NORML), to \$28 billion (DEA), to \$76 billion (EIR).

Map 7 shows the top ten pot-producing states in the United States, according to NORML. Many of these are states one normally thinks of as agricultural giants. And yet, in Kentucky, in 1992 the marijuana crop was worth about \$2.280 billion (NORML), while tobacco brought in only \$955 million, hay \$375 million, corn \$312 million, and soybeans \$209 million.

When the Cannabis Cup, a convention and festival for marijuana growers sponsored by *High Times* magazine, took place last November in Amsterdam, Michael Pollan, writing for the *New York Times*, noted: "Marijuana growing in America had evolved from a hobby of aging hippies into a burgeoning high-tech industry with earnings that are estimated at \$32 billion a year."

How is it possible that a criminal enterprise of this magnitude thrives across the United States today? A cross-gridding of law enforcement reports and sources from pro-drug interests shows the following picture.

The growing business has made a significant shift indoors, not simply to escape detection, but to allow more sophisticated growing techniques. This allows growers to adjust the amount, intensity, and wavelength of the light the plant receives; use computer-controlled irrigation; and adjust the nutrients the roots receive. Ceramic heaters are used to warm the roots, and sodium lamps give them light for extended hours.

Moving indoors has encouraged not only these advanced cultivation strategies, and permitted year-round growing, but has also permitted an overall shift to the cultivation of *sinsemilla* marijuana, the unpollinated female plant. Journalist Pollan explains:

"At the beginning, American growers were familiar with only one kind of marijuana: *Cannabis sativa*, an equatorial strain that can't withstand frost and won't reliably flower north of the 30th parallel. Eager to expand the range of domestic production, growers began searching for a variety that might flourish and flower farther north, and by the second half of the decade, it had been found: *Cannabis indica*, a stout, frost-toler-

ant species that had been cultivated for centuries in Afghanistan by hashish producers.

"*Cannabis indica* looks quite unlike the familiar marijuana plant: It rarely grows taller than 4 or 5 feet (as compared to 15 feet for some *sativas*) and its deep bluish-green leaves are rounded, rather than pointed. But the great advantage of *Cannabis indica* was that it allowed growers in all 50 states to cultivate *sinsemilla* for the first time."

Pollan wrote that, at first, the new plants were grown as purebreds. "But enterprising growers soon discovered that by crossing the new variety with *Cannabis sativa*, it was possible to produce hybrids that combined the most desirable traits of both plants while playing down their worst. The smoother taste and what I often heard described as the 'clear, bell-like high' of a *sativa*, for example, could be combined with the hardness, small stature and higher potency of an *indica*. In a flurry of breeding work performed around 1980, most of it by amateurs working on the West Coast, the modern American marijuana plant—*Cannabis sativa x indica*—was born."

Britain's Opium Wars: two centuries, and going strong

by Joseph Brewda

Dope, Inc. came into being as global opium vendor in the nineteenth century. Prior to that time, narcotic use was widespread, but there was no single global organization guiding its distribution internationally. The banking, planning, marketing, and smuggling network that came into being then, in order to destroy China, provided the basis for Dope, Inc.'s expansion

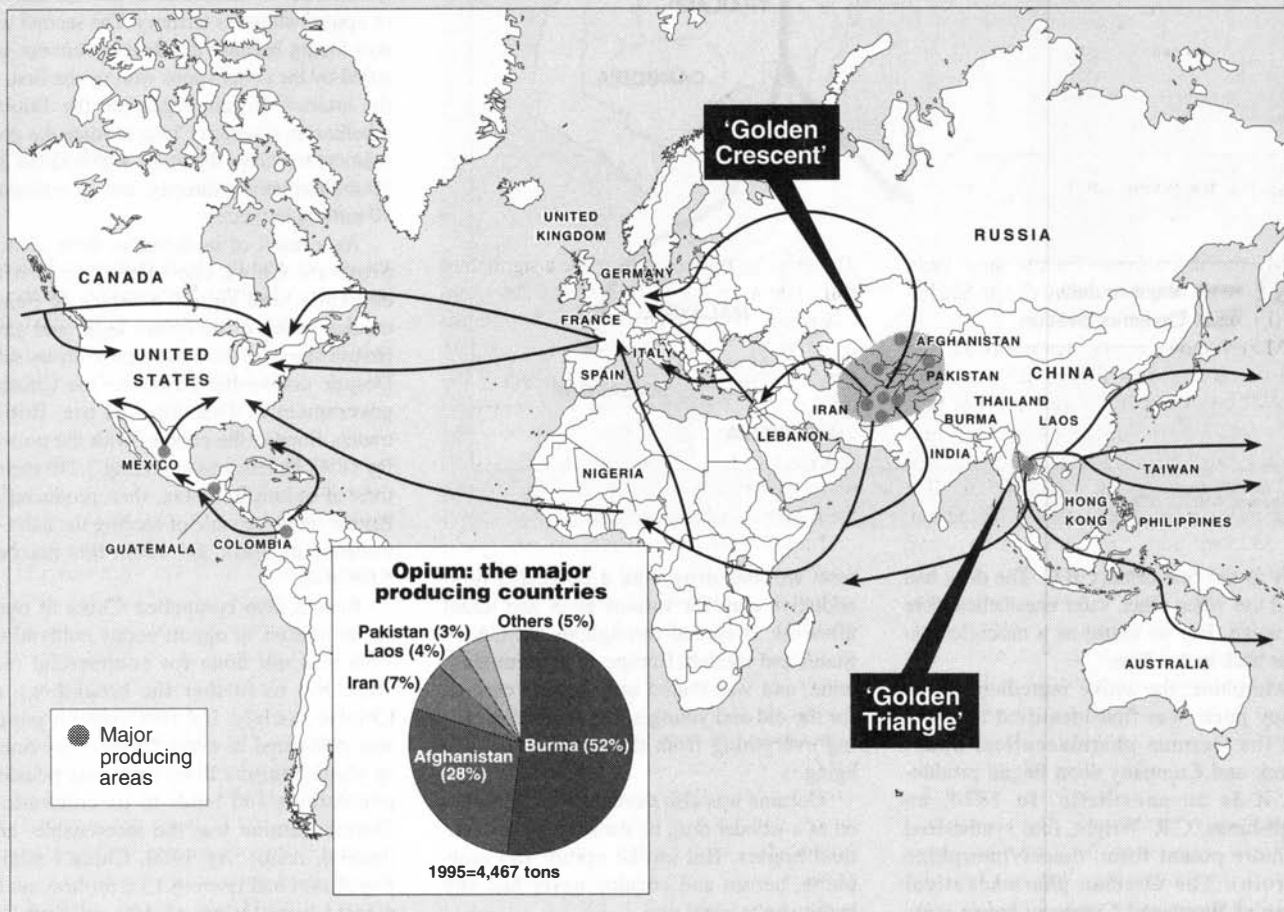
in the twentieth century. Because of this global infrastructure, Dope, Inc. not only controls world narcotics trafficking, but weapons trafficking, currency smuggling, money laundering, and related criminal enterprises.

The use of opium to destroy China in the nineteenth century, is the model that Britain is following in its war against the institution

of the nation-state today. Dope, Inc. is not merely a commercial enterprise, but comprises the very center of British imperial strategy of re-creating its old empire in a new form. To do that, the British empire must destroy powerful institutions and entire societies throughout the world. Opium and heroin are among the poisons used to that end.

Opium is a narcotic drug prepared from the juice of the unripened seed pod of the opium poppy, a flowering plant indigenous to southern Europe and western Asia, but now cultivated throughout the world. It is usually consumed through smoking or eating. Morphine and heroin are extracted and refined from its juice, and are consumed either by smoking, or through hypodermic injection. The use of opium as a powerful painkiller was known in the ancient world, and is referenced in Greek medical texts as

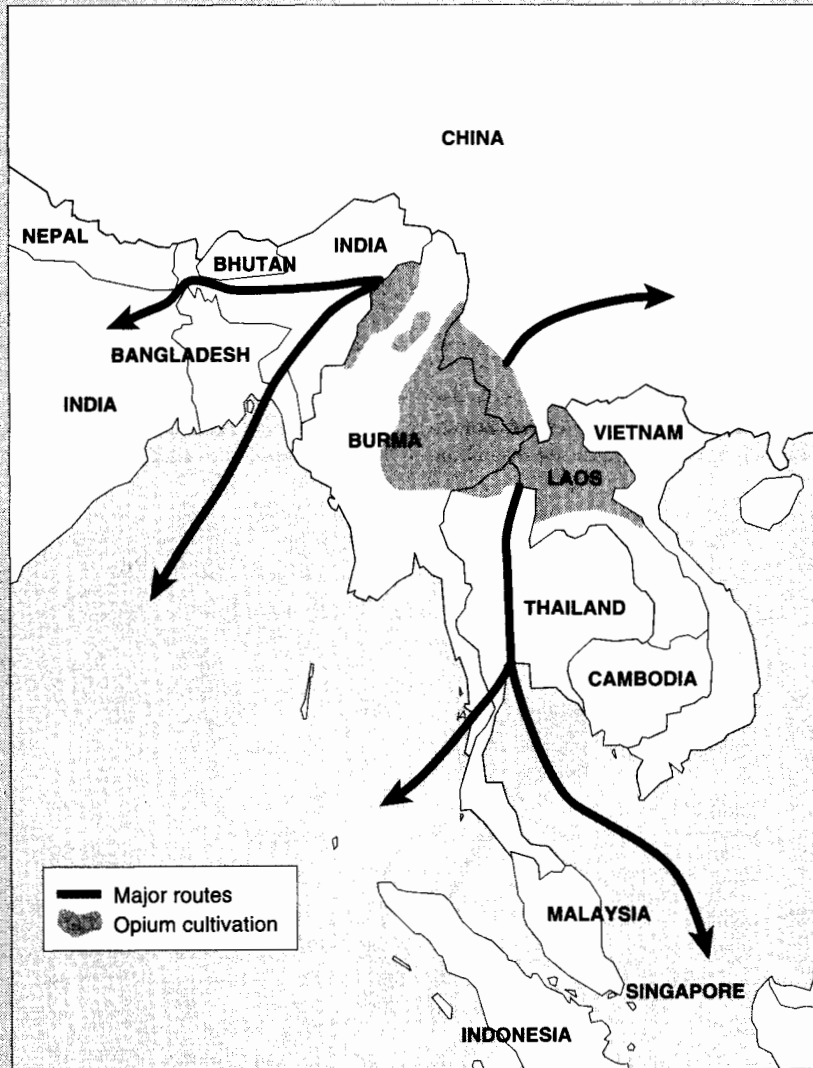
MAP 8
Heroin-trafficking routes



Sources: NNICC; EIR.

Map 9

Opium and heroin trafficking from the Golden Triangle



Sources: NNICC, DEA, EIR.

early as the first century B.C. The drug had valid use when other, safer anesthetics were unknown. But its abuse as a narcotic also dates back to that time.

Morphine, the active ingredient in the poppy juice, was first identified in 1805, and the German pharmaceutical house Merck and Company soon began producing it as an anesthetic. In 1874, an Englishman, C.R. Wright, first synthesized its more potent form, diacetylmorphine (heroin). The German pharmaceutical house of Bayer and Company began mass production of the drug in 1896, under the patented trade name of "heroin." It said the

new wonder drug was a powerful non-addictive cure for various adult and infant ailments. It spread throughout the United States and western Europe as a patent-medicine, and was touted as a general cure-all for the old and young alike, capable of curing everything from the common cold to aging.

Cocaine was also developed and promoted as a wonder drug by the same pharmaceutical houses. But unlike opium and morphine, heroin and cocaine never had any legitimate medical use.

The extraction of morphine from poppy juice is uncomplicated. But the manufacture

of heroin requires training and equipment, and a considerable amount of the chemical acetic anhydride—making Southeast Asia the world's largest consumer of an industrial chemical whose only legitimate use is in photography.

The first Opium Wars

The use of opium as a means of social control is as old as its use as a pain killer. In the ancient Near East, pagan cults regularly intoxicated their devotees with opium, hashish, and various powerful psychedelics, to ensure that they remained under total control. Pagan priests also used opium and other drugs to enfeeble, corrupt, and control the ruling aristocratic families.

However, the use of opium to destroy entire societies on a mass scale, was first introduced by the British in the nineteenth century. British use of opium against China then, remains the model for what it is doing with narcotics worldwide, today.

In 1842-44, and then in 1856-60, Britain fought two Opium Wars to force the Chinese government to lift its ban on the sale and use of opium within its territory. The second war was fought because the British were not satisfied by the concessions won by the first. In the interim, Britain organized the Taiping rebellion in southern China to force the government to accept the trade, which killed 20-30 million people directly, and an estimated 70 million indirectly.

As a result of its defeat in these wars, a prostrate China capitulated to British demands, and signed a series of peace treaties which made opium legal, and gave Britain the exclusive monopoly on its sale. Despite continuing efforts by the Chinese government to discourage its use, British traders flooded the country with the poison. By 1850, Britain was exporting 3,210 metric tons of opium to China, then produced in British India, capable of feeding the habit of millions of users. By 1880, this reached 5,880 tons.

Britain also compelled China to open up its interior to opium poppy cultivation. This was not done for commercial reasons, but to further the breakdown of Chinese society. By 1900, opium poppy was cultivated in every Chinese province, in some regions diverting vast peasant populations and lands to its cultivation. Terrible famine was the foreseeable, and desired, result. By 1900, China's addict population had risen to 13.5 million out of a total population of 400 million. Its domestic production for internal use was 22,600 tons. By comparison, opium pro-

duction in the entire Southeast Asia's Golden Triangle in 1995, was "only" 2,560 tons—about one-tenth of what China was consuming in 1900.

Through this decades-long subversive campaign, China was made a de facto British colony.

Massive opium cultivation in British India to supply the Chinese market, also served British interests there as well. There, too, society was ravaged by famine, and there were related effects of massive poppy cultivation, including local use of the drug. In the 1860s, Britain greatly expanded small-scale opium cultivation in the Iranian and Ottoman Turkish empires, to meet the needs of its Chinese market. This opium was also exported to western Europe, to service Britain's growing market there, as well as feed its own developing addict population.

The explosive growth of opium use in the nineteenth century, led to increasing efforts to ban the drug, particularly as it spread into Europe and the United States. In 1909, the British Empire reluctantly agreed to U.S. pressure to outlaw opium cultivation and sale. Then, as now, narcotics revenues comprised a major part of the profits of its banking system. But despite this legal ban, Britain continued the export of opiates.

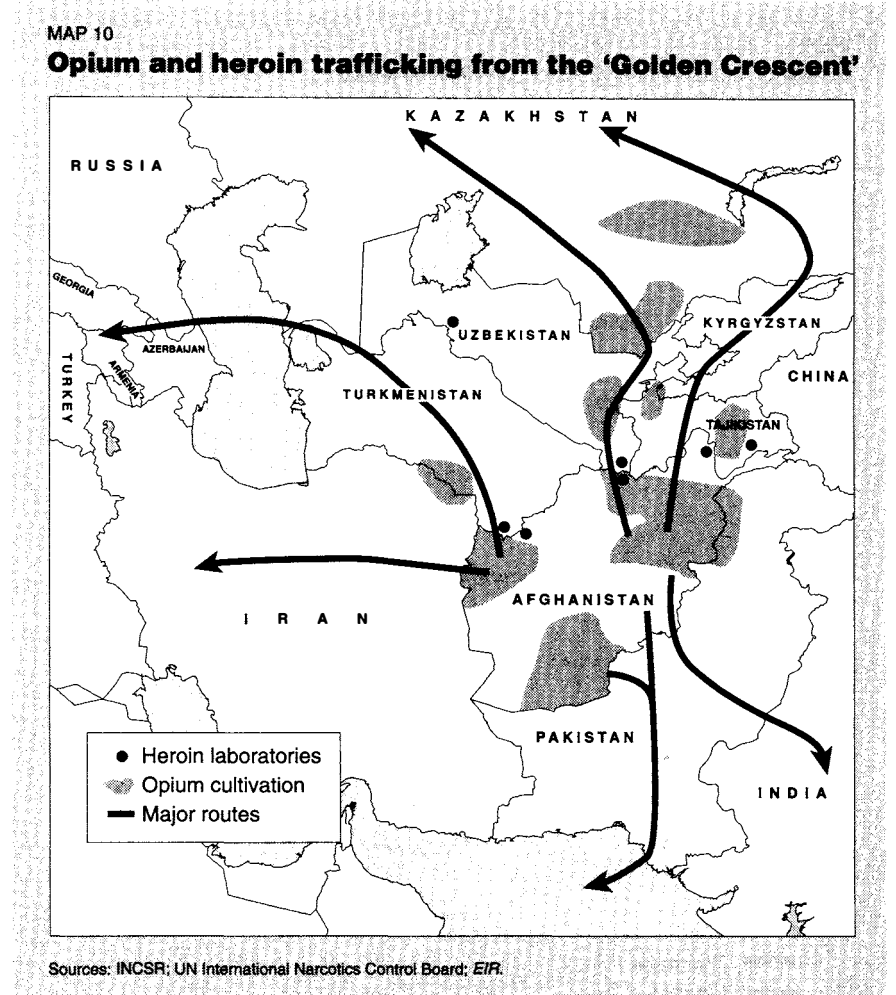
As late as 1927, opium was the largest source of official Crown revenue in all of Britain's Asian colonies; it was then primarily sold to her own colonial subjects to keep them subdued. Of the official Straights settlements (Singapore) revenue that year, 37% came from opium trade. At its high point, 60% of Malaya's revenues came from taxes on the opium monopoly.

And under the British claim that morphine is still legitimately needed as a painkiller, opium poppy cultivation still is legal in many British Commonwealth countries, such as Australia and India, and is produced there under government license. Opium is the only important narcotic which remains legal under this guise.

Britain's current opium war

A review of the sites of opium poppy cultivation and heroin manufacture, trafficking routes, and the populations targeted for addiction, corroborates other evidence showing that Britain is currently engaged in another opium war, this time against the entire world.

Map 8 shows the world's three opium poppy production regions, and the main traf-



ficking routes bringing this opium, in the form of heroin, to the external market.

These three producing regions are the Golden Triangle region of Southeast Asia, which produces 57% of total world opium output, and 51% of its refined heroin; the Golden Crescent region of Southwest Asia, which produces 40% of world opium and 46% of world heroin; and Ibero-America, which produces about 3% of world opium and a like share of world heroin. The Golden Triangle and Golden Crescent are entirely a creation of the British Empire.

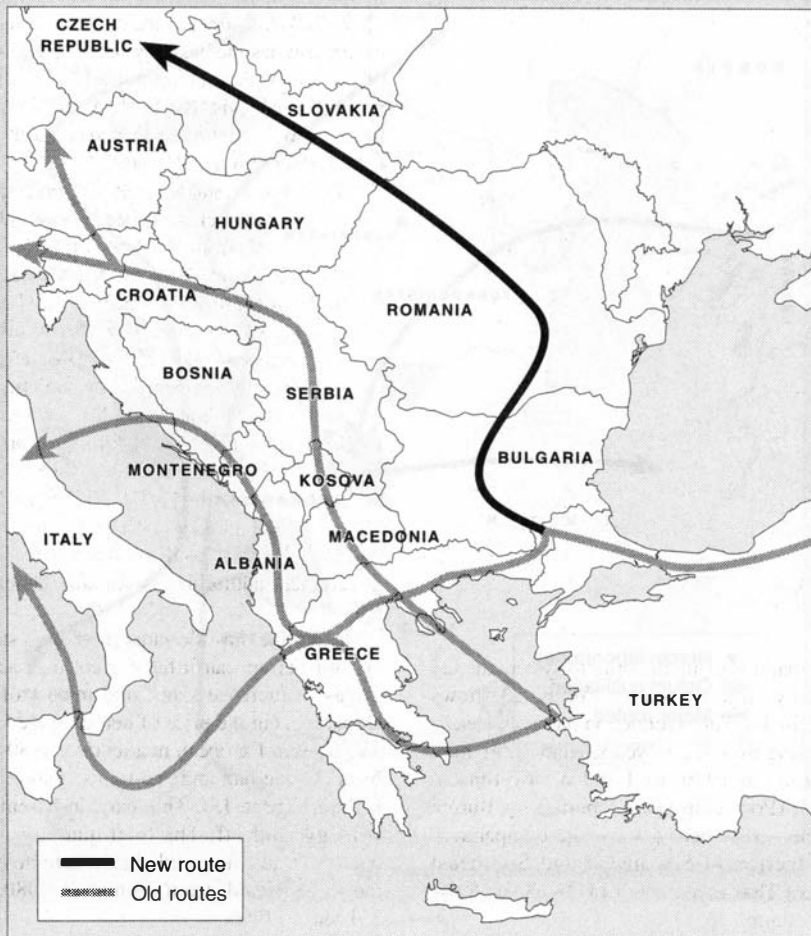
As the map indicates, the broad band stretching from the Balkans in southern Europe, into Central Asia via Turkey and Iran, and on to Southeast Asia via northern India, is the world's primary production and transshipment zone for the drug. There is not one country in that area, which the British sometimes term the "Arc of Crisis," which is not deeply involved in heroin production or trafficking.

This is not an accidental feature that can

be explained by either suitable climate conditions, or an ancient tradition of cultivation of the plant, but is a deliberate result of British imperial policy, which systematically introduced opium production throughout the entire area. By placing opium production there, Britain has situated itself to launch broad destabilizations of Asia, and to break up any efforts to develop the interior of the Asian landmass. It is now particularly targeting China and Russia, and opium is one of the means through which it is doing it.

Map 9 shows the Golden Triangle region, the world's largest opium plantation, and the source of about three-quarters of the heroin found on the streets of the United States. The major producing area is Burma, with smaller amounts produced in Laos, and across the border in China and Thailand. Most of this opium is refined into heroin. Thailand is the primary refiner of the drug and the main transshipment point for heroin sent to Europe and the United States. China is another important route to western markets.

MAP 11

Heroin trafficking: the Balkan routes

Sources: NNICC; EIR.

This entire production region is in a rugged cross-border area, inhabited by minority backward tribes, which have never been fully controlled by their respective governments. Northern Burma has been in revolt against its central government, since independence. The Shan, Wa, and other minority tribes, which produce almost all of Burma's opium, were patronized by the British during the colonial period, and sustained by them in their revolt since that time. The same minority peoples live on the other side of the porous border, in China. (The area depicted as under cultivation in China is approximate, due to lack of reliable data.)

Contrary to claims one often finds in the western media, opium is not indigenous to the region, but was introduced there at the end of the nineteenth century by the British and French empires, to supply their Chinese

market. Both powers continued cultivation there in the twentieth century, in part to fund their intelligence operations, which remain dependent on narco-proceeds. During the Vietnam War, Britain and Maoist China dramatically expanded cultivation in the region, to supply, and demoralize, nearby American troops.

More recently, China itself has become a primary target of the dope trade, as in the nineteenth century. Heroin and opium use there has skyrocketed, particularly along southern transport routes to the Chinese coast.

Map 10 shows the Golden Crescent region, the source of about two-thirds of the heroin found on the streets of western Europe. Most of the poppy is cultivated in Afghanistan, and refined and transported through Pakistan to the coast, for shipment to Europe. As in the case of Southeast Asia,

narcotics cultivation is done by minority tribes, in border regions, which largely operate outside the control of any of the governments concerned. An increasing, unknown, but large amount of poppy is also cultivated in former Soviet Central Asia, which is also being used as a route for Afghan opium destined for the West. Iran is also a producer, especially since the rise of the ayatollahs, and is on the main land route to the European market.

Commercial-scale Southwest Asian production began in the nineteenth century, to supply opium for the Chinese market. In the aftermath of World War II, the Anglo-American-reorganized Italian Mafia used the region to supply opium for the European and U.S. heroin markets.

As recently as 1979, there was almost no heroin refining in the region. Except for Iran, there were *no* heroin addicts anywhere in the area, including nearby India. The opium produced there was almost entirely refined in Turkey and Lebanon, and destined for Western markets.

But the overthrow of the Shah of Iran that year, and the Soviet invasion of Afghanistan, soon transformed the region into the world's major opium plantation and heroin refinery. Afghan mujahideen, trained and equipped by Western secret services to fight a war against Soviet troops, were also instructed to grow opium to finance their needs. Afghanistan produced very little opium before the war. It is now the world's second largest producer.

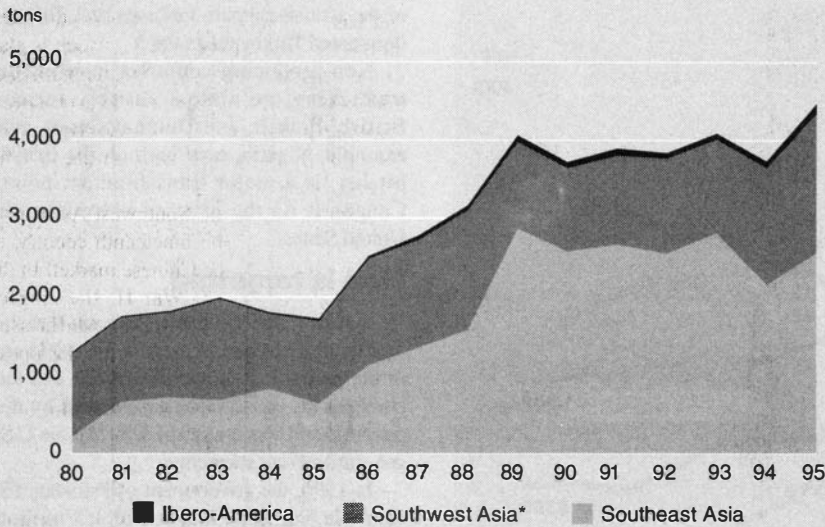
The collapse of the Soviet Union has drastically worsened this problem. Opium cultivation is now spreading rapidly throughout former Soviet Central Asia, to provide revenue for desperately poor, newly independent states, who are encouraged by international agencies to produce the drug. Clan wars fought over the control of opium production and trade in Central Asia and in the Caucasus, are convulsing the entire region.

Behind these developments stands Dope, Inc., which oversaw the expansion of the Golden Triangle during the Vietnam War, and the creation of the Golden Crescent during the Afghan War. Now, the former Soviet Union is targeted for the same treatment.

War is not unfavorable to the cultivation, refinement, and trafficking of narcotics, by any means. Map 11 shows the "Balkan routes," through which most of the heroin destined for western Europe passes. Heroin and hashish trafficking played an important part in the pre-war

FIGURE 13

Illicit opium: quantity produced



* Including India.

Sources: NNICC; INCSR; ANF, Pakistan; NALA; EIR.

economy of Yugoslavia, providing an important source of income for the Serbian-dominated military. The trade continues there, in fact aided by the war, providing income for Serbian fascist militias, as well as militias and criminal gangs outside the control of the Croatian and Bosnian governments. And, as in the case of Afghanistan, international agencies have descended on the region, encouraging all sides to cultivate narcotics in order to buy arms. A new route, via Romania and Hungary, supplementing the old Balkan route, has also been added.

Although Ibero-American cultivation of opium is small by comparison with Southwest and Southeast Asia, it takes on relatively greater significance because it is converted, in its entirety, into heroin for export to the United States. Mexico has historically been the principal producer in the region, but Colombia has become a major factor in just the last 3-4 years, and now produces more than Mexico. This is a cause for great concern in law enforcement circles, because the Colombian cocaine cartels are logistically, politically, and militarily well equipped to handle a huge increase of heroin trafficking.

What the numbers show

EIR's review of statistics compiled by several governments and other agencies, show that the British Empire remains the world's major opium and heroin producer,

and that it is using the drug to systematically destroy targeted states. Figure 13 shows that illicit opium production has been steadily rising over recent years, from 1,291 metric tons in 1980, to 4,467 metric tons in 1995. (Poor crop years reported for Burma in the earlier period skew the comparative production of Southwest and Southeast Asia.) That is a growth of 346%, or 8.6% per annum.

Not all of the opium produced in the

world is converted into heroin. In 1980, about 40% of the total crop was refined into heroin, but that proportion has been steadily increasing over time, as the far more dangerous heroin has increasingly become the drug of choice of former opium addicts in the producing regions. By 1995, a full 75% of the crop was converted to heroin, both for local consumption and export.

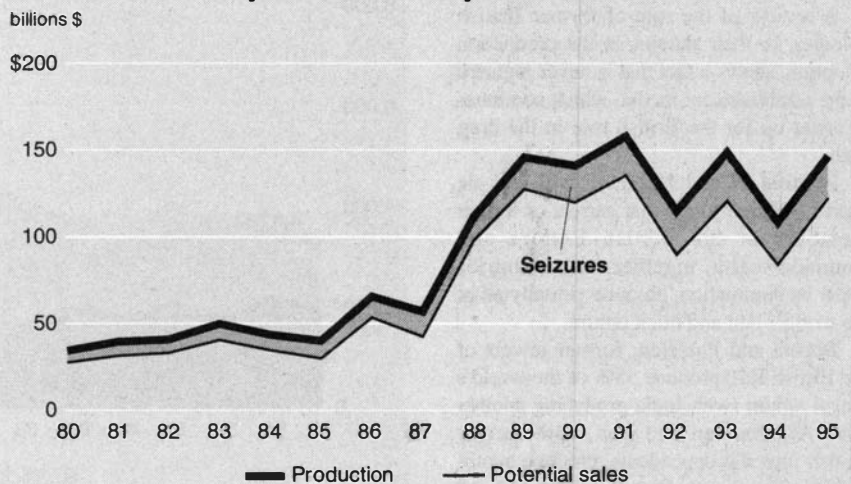
Dope, Inc.'s total revenue from potential sales of heroin increased nearly fivefold in 1980-89, rising from \$27.5 billion to \$127.4 billion (see Figure 14), and has fluctuated around that high-point since. Of this revenue, over 90% comes from the lucrative western European and U.S. markets, despite the fact that the majority of the heroin, by quantity, is consumed in the producing regions themselves, but at far lower prices than in Europe or the United States (see below). Relatively little of world heroin supplies is seized, unlike cocaine and marijuana. The eradication of the poppy plant by government authorities is virtually nonexistent.

Dope, Inc. has the same marketing strategy for heroin that it has for cocaine: slash prices to increase sales, and total profits. Dope, Inc. cut the price of heroin in the U.S. and western European market over 1980-95, by about one-half and two-thirds, respectively (see Figure 15). This bargain-basement strategy paid off. The total quantity produced for sale increased almost sevenfold in the same period, from 49 tons in 1980, to 331 tons in 1995.

But illicit opium and heroin is only part

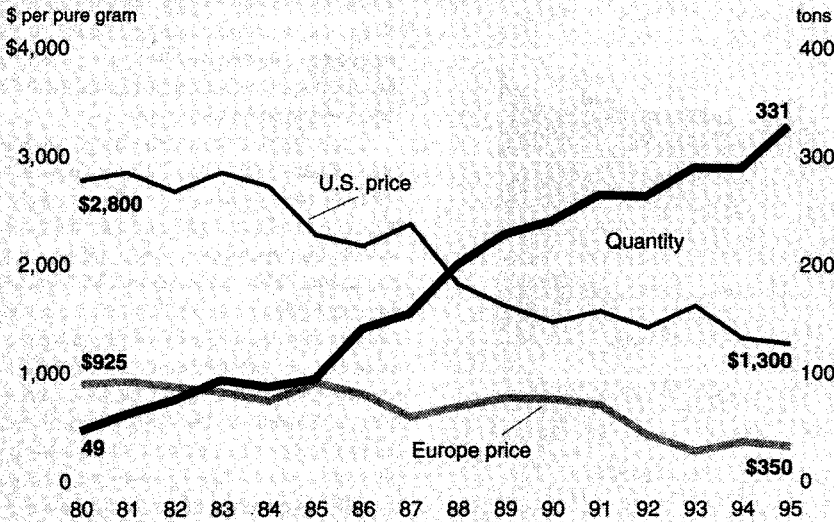
FIGURE 14

Heroin: value of production vs. potential sales



Sources: NNICC; INCSR; UN; Abt Associates; ANF, Pakistan; NALA; EIR.

FIGURE 15
Heroin price vs. quantity produced, United States and Europe



Sources: NNICC; INCSR; UN; Abt Associates; ANF, Pakistan; NALA; EIR.

of the story. There is also *licit* opium production, supervised by pharmaceutical houses, for manufacture of morphine as a prescribed painkiller. As **Figure 16** shows, licit production has remained steady from 1980 to 1995. Although shrinking as a proportion of total opium production, licit output remains vast. Diversion of licit stocks to illegal use is a major problem. According to Indian government estimates, 10-30% of its yearly licit production of 740 tons of opium, is siphoned off for illegal use—equivalent to the entire illegal crop in Laos.

A review of the role of former British colonies, or their satraps, in the production of opium, shows a fact that is never reported in the establishment media, which continues to cover up for the British role in the drug trade.

Figures 17 and 18, along with the pie chart on Map 8, show that current or former members of the British Empire and Commonwealth, together with countries under its domination, produce virtually all of the world's licit and illicit opium.

Burma and Pakistan, former jewels of the British Raj, produce 55% of the world's illegal opium (with India producing another 3%). Afghanistan and Iran, both former British imperial dependents, produce another 35%. The former French colony of Laos produces 4% of the total. Only 3% of the world's illegal opium production takes place

in countries that were not under British rule. And, in all these cases, opium cultivation was introduced by Britain to supply its Chinese market.

With the partial exception of Burma, all these countries remain British dominated to this day.

The case of licit production tells the same

story, as **Figure 17** indicates. The Crown colony of Australia is the world's largest producer of licit opium. India, the former jewel of the British Empire, ranks second. British-dominated Turkey ranks third.

Non-producing countries involved in trafficking are almost entirely former British, French, and Dutch colonies. For example, Nigeria, now high on the British hit-list, is a major transshipment point. Canada is on the primary route into the United States.

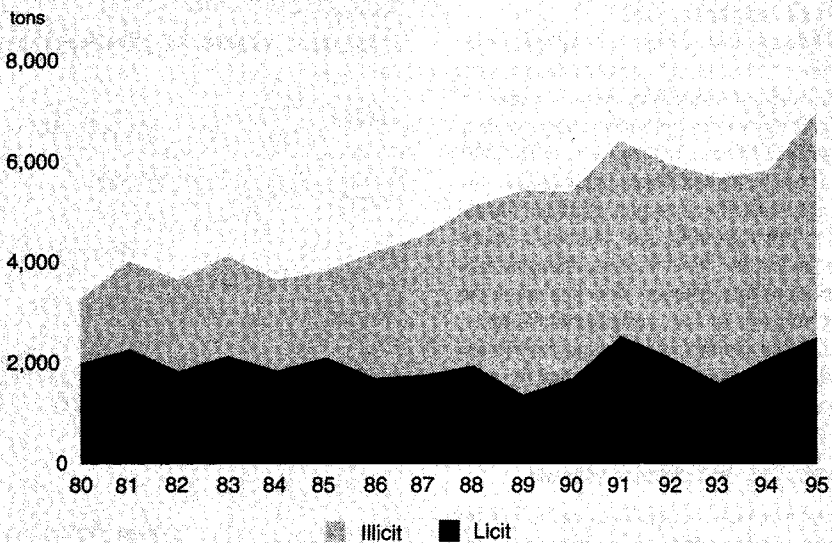
Who is targeted

It may shock the reader to learn that the vast majority of heroin users in the world are in the producer regions themselves, and the numbers (as conservatively estimated by the governments concerned, the UN, and the U.S. government) are staggering.

In 1996, the government of Pakistan, for example, reported that it had 1.5 million heroin addicts and an equal number of opium addicts, constituting over 2% of its 125 million population—the highest addiction rate in the world. Before the Anglo-Americans created the Afghan mujahideen in 1979, there was no heroin addiction in Pakistan at all. By comparison, the United States, with a population of 255 million, has 816,000 heroin users.

Similarly, Thailand, which refines most of the opium produced in Southeast Asia, has 340,000 heroin addicts—largely as a by-product of the entertainment it provided to

FIGURE 16
Opium: licit vs. illicit production



Sources: NNICC; INCSR; UN; Abt Associates; ANF, Pakistan; NALA; EIR.

U.S. troops during the Vietnam War. India has an estimated 1 million heroin addicts, and another 4.5 million opium addicts. There was also no significant heroin addiction in India before the Afghan War. Thus, out of perhaps 5 million heroin users worldwide, less than a million are in the United States, and perhaps an equivalent number in Europe.

This is reflected in the consumption figures as such. Out of the 331 metric tons of heroin produced worldwide in 1995, an estimated 83 tons were exported to the United States, 51 tons were exported to western Europe, and 197 tons remained in the producing regions of Southwest and Southeast Asia to feed their own addicts, who usually consume lower grade No. 3 heroin, mainly for smoking, as distinct from the No. 4 heroin for export, which is usually injected.

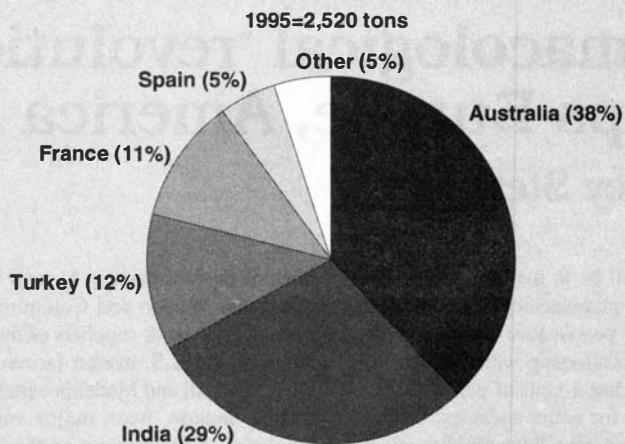
In other words, 60% of the world's total heroin production in 1995 was consumed in the Southeast and Southwest Asia producing regions themselves. (Relatively little heroin is consumed in Ibero-America.) This was not a one-year anomaly. In fact, over the entire decade from 1985 to 1995, about 70% of all world heroin was consumed in the producing regions. While the revenue Dope, Inc. earns through this use is comparatively small (\$7 billion in 1995) because of the vast difference in price, the devastating effects on the societies concerned are enormous.

Table 1 shows the disposition of world heroin production in 1995, from its source in Southeast Asia, Southwest Asia, and Ibero-America. Of the 168 tons of heroin produced in Southeast Asia, an estimated 86 tons were consumed regionally, and the rest was exported to the United States and Europe. Of the 151 tons produced in Southwest Asia, about 111 were consumed in the region. In the case of Ibero-America, virtually all the 12 tons produced were exported—to the United States. Of the total 83 tons of heroin exported to the United States from different sources, about 17 tons were seized, leaving 66 tons for sale (most originating in Southeast Asia). Europe, similarly, had 43 tons available for sale after seizures, and most of the supply came from Southwest Asia.

This table shows that the common media and government distinction between producing and consuming regions is ultimately misleading, in some cases deliberately so. It also leaves no doubt that a new opium war, directed against the same general region as the nineteenth-century Opium War, is now in progress.

FIGURE 17

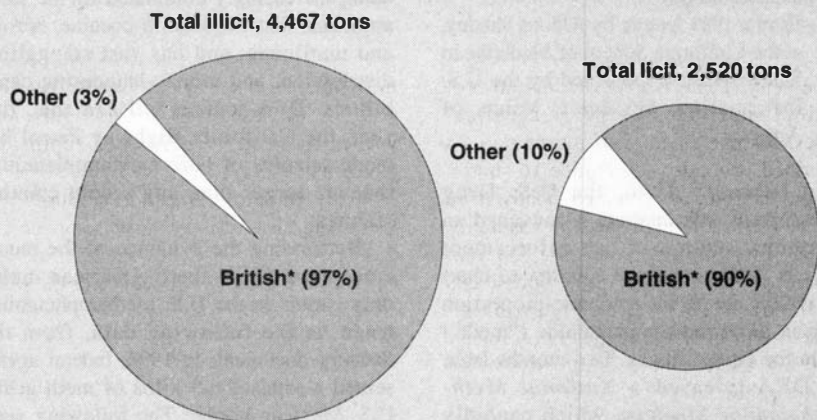
Licit opium: the major producing countries



Source: UN.

FIGURE 18

British domination of world opium production, 1995



* British Commonwealth; former British colonies and satrapies; and British-aligned former French colonies.
Sources: NNICC; INCSR; UN; NALA; EIR.

TABLE 1

Disposition of world heroin production, 1995

(tons)

Source	Destination			Total
	Local consumption	Exported to U.S.	Exported to Europe	
Southeast Asia	86	61	21	168
Southwest Asia	111	10	30	151
Ibero-America	0	12	0	12
World production	197	83	51	331
Seizures	0	-17	-8	-25
Net consumption	197	66	43	306

Sources: NNICC; INCSR; UN; NALA; EIR.

Pharmacological 'revolution' sweeps Europe, America

by Jeffrey Steinberg

There will be in the next generation or so a pharmacological method of making people love their servitude and producing dictatorship without tears, so to speak. Producing a kind of painless concentration camp for entire societies, so that people will in fact have their liberties taken away from them but will rather enjoy it, because they will be distracted from any desire to rebel—by propaganda, or brainwashing, or brainwashing enhanced by pharmacological methods. And this seems to be the final revolution.”

—from a 1961 lecture by Aldous Huxley, at the California School of Medicine in San Francisco, sponsored by the U.S. Information Service's Voice of America

In February 1996, the U.S. Drug Enforcement Administration convened an emergency summit of law enforcement officials from across the country, to chart out a response to an epidemic-proportion jump in illicit methamphetamine (“meth”) use in the United States. Two months later, the DEA released a *National Methamphetamine Strategy*, which candidly admitted: “Trafficking of a highly potent form of methamphetamine has been on the rise in the United States over the past few years, and abuse continues to devastate many communities. Although still more common in western areas of the country, methamphetamine trafficking and abuse are no longer confined to any one region: Methamphetamine is spreading eastward. The production and trafficking structures now in place, if left unchecked, pose the risk that the nation as a whole will experience very serious levels of methamphetamine abuse.”

The *Strategy* noted with alarm, that, since 1993, large quantities of meth have been flooding the United States from Mexico. In March 1996, U.S. and Mexican anti-drug authorities captured a large and sophisticated meth lab in the Yucatan Peninsula, and seized one of the largest sup-

plies of the stimulant in history. Multi-drug cartels, in Mexico and Colombia, are now emerging as major suppliers of methamphetamine to the U.S. market (according to the DEA, the Cali and Medellín cartels have, for over a decade, been major suppliers of Qualudes, a depressant, to the U.S. black market).

Inside the United States, the growing involvement of the major international drug cartels in the meth trade has meant that methamphetamine distribution is being increasingly dominated by the same apparatus that trafficks in cocaine, heroin, and marijuana, and has vast smuggling, distribution, and money-laundering capabilities. DEA sources tell *EIR* that, this year, the California Highway Patrol has made seizures of pure methamphetamine that are larger than any recent cocaine seizures.

Buttressing the evidence of the recent emergence of the Ibero-American multi-drug cartels in the U.S. methamphetamine trade, is the following data, from the *Strategy* document: In 1992, federal agents seized a total of 6.5 kilos of meth at the U.S.-Mexican border. The following year, 306 kilos were seized, and in 1994, 682 kilos were confiscated.

But, the picture presented in the *Strategy*, although alarming, represents just the tip of the iceberg. Meth is but one of a growing number of illegal synthetic drugs flooding the American and world markets. *The National Drug Control Strategy: 1996*, produced by the White House, acknowledges that LSD and stimulant use by 8th, 10th, and 12th graders has increased by 82% and 37%, respectively, in the first half of the 1990s. And, the National Narcotics Intelligence Consumers Committee (NNICC) annual report has, for several years, catalogued growing abuse of PCP (Phencyclidine), a powerful hallucinogen; MDMA (a.k.a. “Ecstasy”), a combination of methamphetamine and MDA (a strong hallucinogen); Methcathinone (“Cat”), a stimulant; and a growing number of “con-

trolled substance analogs,” more popularly known as “designer drugs.”

The deeper crisis

The tremendous recent increase in Ecstasy abuse in the United States and Europe provides an alarming window into the deeper cultural crisis that the synthetic drug explosion signals.

The May 13, 1996 issue of the *New Federalist* newspaper featured an article by Carol Greene, “Techno-Music Will Destroy Your Brain,” exposing computer-generated techno-music as the latest, most mind-deadening, and fastest-growing aberration of the drug-rock counterculture. Greene wrote: “In Germany alone, approximately 2 million sadly bored and under-stimulated members of the middle-class, mostly students, sales personnel, administrative workers, and computer specialists, are members of the ‘rave society.’ Entertainment specialists in Germany estimate that 56% of the above go to a techno party once a week and some 22% even go more than twice a week.” The overwhelming majority of “ravers” use Ecstasy (MDMA) to throw themselves into a trance-like, but energized state, as they spend hours at the techno clubs, dancing in all-night, and sometimes weekend-long, dance marathons, to computer-generated, repetitive noise, playing at 85-120 decibels.

The techno “revolution,” like the earlier “Beatle-mania,” began in Britain in the early 1980s, and has now spread across Europe and the United States. The Berlin Love Parade in May 1995, a weekend “rave-fest,” drew an estimated 350,000 participants, courtesy, in part, of a massive advertising campaign, subsidized by Marlboro and Camel cigarettes, and Addidas sneakers. The Berlin event dwarfed Woodstock, by comparison. German authorities estimate that a half-million German youths participate in rave sessions every weekend.

The rapid expansion of designer drugs, of which Ecstasy is but one currently leading example, offers another crucial look into the future of Dope, Inc. In 1987, Dr. Joseph D. Douglass, Jr. and Neil C. Livingstone co-authored a book called *America the Vulnerable: The Threat of Chemical/Biological Warfare*. They wrote:

“One of the newer complications confronting both civil and military authorities is the spread of ‘designer drugs,’ high-tech heroin substitutes. These drugs are synthetics designed to mimic heroin—hence the name designer drugs. The drugs are exceedingly potent. The newest ones are up to four

thousand times more potent than heroin, and because they are new, they are not illegal. When one drug is identified and declared illegal, less than a month goes by before a new, modified—and legal—variant or analogue surfaces to take its place. And the process continues. The first fentanyl analogue, alpha-methyl-fentanyl, appeared in 1979 in Orange County, California. Since 1981, DEA laboratories have identified seven more fentanyl analogues. Authorities in California now estimate that 20% of heroin addicts are using the fentanyl analogues.

“One of the authorities in the field, Dr. Gary Henderson (a pharmacologist and toxicologist at the University of California, Davis), believes that a world-class medicinal chemist has been responsible for the many analogues of fentanyl that have appeared. . . . The drugs are very pure, and the doses are very uniform. . . . The quality is comparable to what one might expect if the source were a pharmaceutical plant rather than a clandestine basement laboratory.”

Douglass and Livingstone then warned: “Because the designer drugs are so potent, tracking the substances down is exceedingly difficult and getting worse. A two-hundred gram batch of fentanyl (less than a half a pound) represents a lifetime supply of two hundred million doses. This potency also greatly magnifies the difficulty of detecting evidence of use in the bloodstream or urine. Extremely sensitive laboratory techniques are required to detect such drugs—techniques capable of detecting

concentrations of a few parts per billion. The drugs are astronomically more profitable than heroin. This explains why the supply of these designer drugs can be expected to expand. An investment of \$2,000 translates into a street value of over \$1 billion.”

The DEA does acknowledge that some of the flow of synthetic drugs onto the black market comes directly from large pharmaceutical houses that are wittingly involved in the illegal trade. President Clinton has taken up this problem, in at least one, most egregious case. On Oct. 21, 1995, he signed Executive Order 12978, entitled “Blocking Assets and Prohibiting Transactions With Significant Narcotics Traffickers,” which named a dozen Colombian pharmaceutical manufacturers and distributors as fronts for the Cali Cartel, and banned any American companies or citizens from doing business with them.

The DEA acknowledges that large “legitimate” pharmaceutical manufacturers in western Europe, China, and Brazil are now supplying drug cartels with synthetic drugs in growing volumes. Here, the evidence shows, again, that Dope, Inc. is a top-down structure.

A unique challenge

For years, official U.S. government statistics on the use of illegal synthetic drugs have grossly underestimated the size of the traffic. There are understandable reasons for these errors.

Unlike cocaine, heroin, and marijuana, which are all cultivated drugs, synthetic

drugs are far more difficult to track. Through Landsat satellite photo-analysis, low-altitude aerial reconnaissance, and ground surveillance, drug-enforcement agencies can develop reliable estimates of the gross amount of opium poppy, coca plants, and marijuana plants under cultivation at any given time. Synthetic drugs, especially the newer designer drugs, cannot be tracked as easily, because they are manufactured from chemicals that are, for the most part, easily obtainable on the commercial market. This is precisely why many law enforcement specialists agree with Douglass and Livingstone, when they assert that designer drugs are “the wave of the future.”

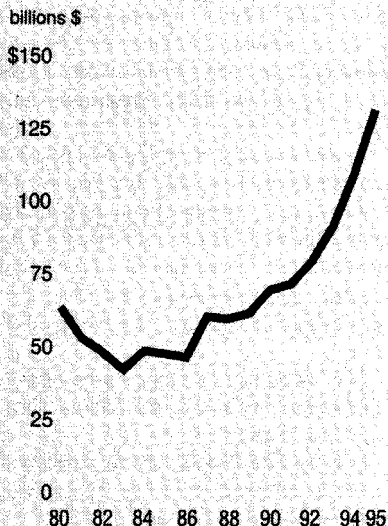
The DEA has developed a number of techniques for measuring the volume of synthetic drug abuse:

- They keep track of the number of underground synthetic drug laboratories, which are busted each year;
- Through the Drug Abuse Warning Network (DAWN) system, they receive data from every hospital emergency room in the United States, indicating the number of patients who come in with traces of synthetic drugs in their bloodstream, and the number of patients who die of synthetic drug overdoses;
- The Justice Department and the FBI try to maintain parallel data on all people who are arrested and tested for drugs;
- The DEA also keeps track of the volume of synthetic drugs seized each year;
- The National Household Survey on Drug Abuse (NHSDA) questions a sample



Frenzied youth in Germany, many high on the drug Ecstasy, dance to computer-generated “techno” music, the latest aberration of the rock-drug counterculture.

FIGURE 19
Synthetic drugs: value of sales



Sources: NNICC; DEA; Abt Associates; EIR.

of Americans about their use of illegal drugs;

- And, through undercover operations, the DEA, in conjunction with other law enforcement agencies, maintains generally up-to-date and reliable data on the wholesale and retail prices of every illegal drug, including all the major synthetics.

In the spring of 1995, the White House Office of National Drug Control Policy published a report, "What America's Users Spend on Illegal Drugs, 1988-1993." The study was prepared by Abt Associates, Inc., a Cambridge, Massachusetts research outfit that has done illicit-drug research for the federal government for years. The Abt study developed data on heroin, cocaine, and marijuana abuse, using two distinctly different methods of analysis. They generated figures based on production data, and figures based on consumption data. The consumption data invariably relied on the highly dubious Household Survey. (Abt, to its credit, admitted this problem in the report: "We do note . . . that the NHSDA undoubtedly misses some users, and those who are reached probably have an incentive to misrepresent their consumption.")

In the case of cocaine, Abt's production-based data were in the same general ballpark as the EIR survey. (The consumption-based estimates were significantly lower than EIR's, across the board.) But in the case of synthetic drugs, where Abt was unable to

obtain any reliable production data, and, therefore, relied exclusively on the NHSDA-derived consumption statistics, the figures were grossly underestimated. Thus, for example, in 1993, Abt estimated that the total dollar value of all "Other Drugs" (i.e., not cocaine, heroin, or marijuana) in the United States that year was \$1.8 billion. The EIR estimate for 1993 was \$46 billion!

Even though the National Household Survey is notorious for understating the drug abuse problem, it does present a stark "best case" picture when it comes to the estimates of the number of Americans who are hooked on synthetic drugs. According to NHSDA figures for 1988-93, in each of those years, well over 2 million Americans used inhalants (usually, black market pharmaceuticals), 2.5 million used hallucinogens, and over 3 million used stimulants and tranquilizers.

Our method

EIR researchers reviewed virtually every available DEA and NNICC study from 1977 to 1995, to develop a more reliable approximation of the synthetic drug trade. During 1977-80, the NNICC studies provided precise dollar estimates for domestic synthetics. From 1981-84, the NNICC studies published annual data on the number of doses ("d.u.") of synthetic drugs consumed by Americans. By multiplying the number of d.u.'s by \$5 (the average retail cost per dose of synthetic drugs, according to the DEA), EIR was able to come up with an estimated dollar value for illegal synthetic drugs, for the 1981-84 period.

The 1987 NNICC study reported that synthetic drug abuse that year was equal to the 1980 figures, and had increased by 30% from 1986. This made it possible to estimate the figures from 1985-87.

From 1987-90, the DEA released figures on the total number of doses of synthetic drugs seized in the United States. By reviewing the percentages of cocaine, marijuana, and heroin seized during the same period, EIR was able to estimate that the volume of synthetic drugs seized was approximately 20% of the total illicit trade. Thus, estimates on the size of the synthetic drug trade for the period from 1987-90 were generated.

For many of those years, and for 1990-95, the DEA also published data on the number of kilograms of synthetic drugs seized, the number of laboratories busted, and the number of emergency room cases reported in the DAWN survey. Specific data on the amount of methamphetamine seized

along the U.S.-Mexico border during the 1990s were also available, courtesy of the *National Methamphetamine Strategy*.

Based on these statistics, EIR developed an index which suggested a pattern of growth in the illegal synthetic drug trade. The figures for 1991-95 were derived, via that indexing method, from the more precise annual figures covering the period from 1977 to 1990. While there is an element of scientific guesswork in the post-1990 data, and, therefore, a possibility of greater margin of error, there is no doubt that the years 1992-95, as described by the DEA and other law enforcement sources, have been a period of geometric expansion of the illegal synthetic drug trade in the United States and in western and eastern Europe. The numbers generated by the EIR method are commensurate with the rates of growth described qualitatively in such locations as the DEA's April 1996 *National Methamphetamine Strategy* and the *National Drug Control Strategy: 1996*.

The tremendous growth in the synthetic drug market in the United States has, according to DEA and other law enforcement sources, been paralleled in both western and eastern Europe (including Russia). The DEA reports that the distribution of synthetic drugs is usually concentrated in the areas where there are laboratories producing the illegal products. Europe is widely identified as an area where there are concentrations of underground synthetic drug labs, including in such Central European states as the Czech Republic and Poland. The tremendous growth of Ecstasy use all across Europe further bears out this assessment.

For the purposes of this study, given the prevalence of illegal synthetic drugs on the European markets, EIR estimates that the U.S. totals represent half the world consumption of illegal synthetic drugs.

The meteoric rise in synthetic drug sales since 1990 (see **Figure 19**, which shows a jump from \$70 billion in global sales in 1990, to \$132 billion in 1995) correlates with another critical finding of this EIR study. In recent years, larger and larger percentages of the total opium crop are being produced for local consumption in the country of production, rather than for the American and European markets. This is greatly expanding the overall addict population worldwide. And, increasingly, synthetic drugs are supplementing, and, in some cases, replacing cocaine, heroin, and marijuana as the "drugs of choice" for so-called advanced sector users.

The British oligarchy's global drug money-laundering machine

by Richard Freeman

The recent case of the international money-laundering maneuvers of Mexican political figure Raúl Salinas de Gortari, has put a spotlight on the issue of money laundering. Salinas's case involves the laundering of at least \$84 million of illicit funds (maybe as high as \$600 million), into Swiss and London bank accounts and Cayman Islands shell corporations, through the services of a senior officer of Citibank. The 1989-93 laundering of Salinas's illicit funds, which reportedly included some received from drug-traffickers, such as Mexico's Gulf Cartel drug lord Juan García Abrego, was accomplished with the knowledge and approval of top echelons of Citibank, as well as the U.S. Federal Reserve Board of Governors, potentially including Fed Chairman Alan Greenspan.

This is merely one example out of perhaps 50 that happen every week, but go unreported. It has a long history. During the 1980s and early 1990s, Colombia's Medellín drug cartel overran the world with tens of billions of dollars worth of cocaine per year. The cartel had a desperate need to launder its cash, which itself weighed several tons. According to Rachel Ehrenfeld, in the book *Evil Money*, the U.S. "institutions used by members of the Medellín drug cartel [for laundering] included Chemical Bank, Continental Bank International, Morgan Guaranty Trust, Security Trust International Bank and Republic Bank, New York." Among the international banks identified were Banco de Santander of Madrid, Spain and Miami; Union Bank of Switzerland in New York, Toronto, and California; and Lloyds Bank International of the Bahamas.

How is it possible that over the past quarter-century, since August 1971, the international narcotics and criminal money-laundering trade has survived and prospered? Why do the names of the world's biggest, most powerful, and most prestigious banks, with "impeccable credentials," show up in this trade, year after year? Why are the seemingly best efforts of law enforcement unable to stop them?

The answer is straightforward: No authorities have seriously gone after the real enemy. The people responsible for setting and enforcing anti-money-laundering policy, in particular in the advanced sector, will pursue investigations up to a point, sometimes collaring lower- and middle-level money-launderers. But they pull back at the idea of putting in jail the bankers and political figures "above suspicion." These are the people who run the trade and make it possible.

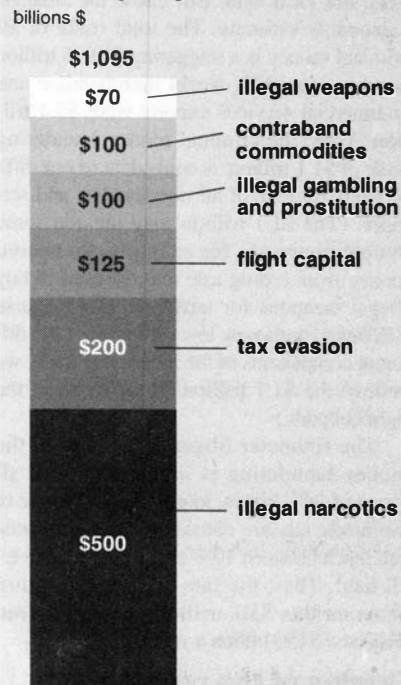
To be precise, this is the Anglo-Dutch-Swiss financier oligarchy, and the offshore banks based in the "former" British and Dutch colonial empires. The royal Privy Council officially rules in most of the British territories and "former" colonies. If one includes such postage-stamp countries as Liechtenstein and Luxembourg, as well as the British-controlled elements of the American, French, and German banking systems, such as J.P. Morgan and Edmond Safra's Republic National Bank, one has almost the entirety of the world's money-laundering apparatus. This comprises approximately 40 key commercial banks, and 20 investment banks, including English Queen Elizabeth II's personal bank, Coutts, which is an estimable force in the Channel Islands, as well as the Bahamas and Cayman Islands.

The Anglo-Dutch-Swiss financier oligarchy, and their satraps in the British Commonwealth, which total nexus we will call the "extended British Commonwealth empire apparatus," not only runs this criminal money laundering today, but has run it for two centuries, going back to the British Opium Wars against China and before.

Hooked on drugs

The profits and level of cash flow from money laundering are huge: It is the biggest private cash flow in the world. *For this reason, the banks are more addicted to this narco-money stream than is the heroin junkie to his fix.* The banks could not give up this money without collapsing. The world banking system is utterly bankrupt, and the only real income stream it earns on its loans and

FIGURE 20
The 'black' economy
is flourishing: \$1.095
trillion per year



Source: EIR.

investment is not the electronic entries of derivatives trading, but what it steals from the population. Drug and criminal profits are among the principal sources of these—along with looting of Third World nations and the advanced sector. The British will do everything to protect the narco-money-laundering trade at all costs.

Figure 20 shows the estimated total amount of laundered money for 1995. The drug money component of about \$500 billion is computed by methods discussed elsewhere in this study. However, the actual figure may be significantly larger. Author James Adams, an authority on drugs, with sources in British intelligence, stated in the Nov. 15, 1995 London *Times*, "Last year [1994], \$400 billion of illegal drug money was laundered in America, of which \$320 billion came from the Colombia cartels." If \$400 billion is the figure for America alone, then EIR's estimate of \$500 billion as a world figure is extremely conservative.

Our figure of all other criminally laundered money, of \$595 billion, is also conservatively estimated. It encompasses such items as contraband of otherwise legal commodities (gold, gems, strategic metals, food, oil); ille-

gal weapons; flight capital; tax evasion; illegal gambling and prostitution. Official figures for these areas do not exist; *EIR* consulted law enforcement officials and experts in each field. For each item, *EIR* chose the smallest reasonable estimate. The total trade of all criminal money is a staggering \$1.095 trillion per year. In 1995, world merchandise and commercial services exports were \$5.4 trillion. Thus, the criminal money-laundering trade of \$1.1 trillion, is equivalent to one-fifth of world exports of all merchandise and services. (The \$1.1 trillion may include some double-counting: for example, laundered money from a drug sale may be used to buy illegal weapons for terrorists. But because *EIR* began with very low estimates of the different components of the laundering trade, we believe the \$1.1 trillion figure to be in the right ballpark.)

The financier oligarchy's take on the money laundering is immense. When all forms of fees, bribes, money earned by use of the funds, etc. are considered, the profit rate can reach between 10% and 15% of the overall haul. Thus, the rate of financial return alone on this \$1.1 trillion can be between \$100 and \$150 billion a year.

Origins of the problem

The drug trade's dirty money laundering has been around for millennia. By the 1700s, the Middle Eastern portion of the drug trade was centered in Aleppo, Syria, and the Asian portion was run by the Dutch and then the British monarchies, through their East India Companies. During the 1950s and 1960s,

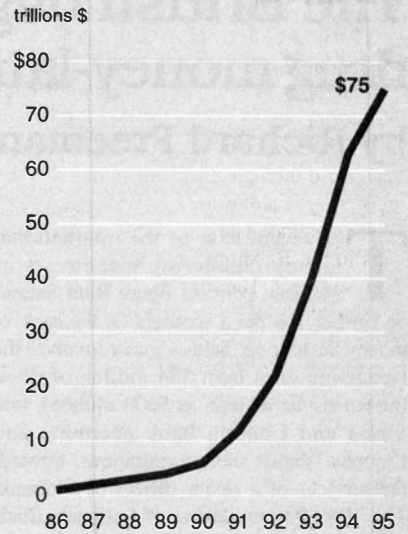
organized crime chieftain Meyer Lansky was one of the masterminds of the trade.

In August 1971, a turning point was reached. U.S. President Richard Nixon took the dollar off the gold standard, and the floating exchange-rate system was introduced. The volume of Euro-dollars—hot dollars and other currencies outside their country of origin—exploded, helped by the petro-dollar recycling after 1973-74. From a few billions in the 1960s, the Euro-dollar market zoomed to above \$1 trillion by the 1980s.

Once U.S. Federal Reserve Board Chairman Paul Volcker sent interest rates into the stratosphere in October 1979, and the U.S. banking system was deregulated in 1982, two conditions prevailed, both part of Britain's "post-industrial society" policy. First, manufacturing, agriculture, and infrastructure production collapsed. On a per-capita and per-household basis, the market basket of physical goods in the United States has collapsed by 40% since 1967 (see *EIR*, Jan. 1, 1996).

Second, speculative markets, from junk bonds, collateralized mortgage obligations and derivatives, to drugs, increasingly came to determine the geometry of the world economy. The more the physical economy collapsed, the more the speculative flows, which were growing at a hyperbolic rate, dominated. And within this arrangement, drugs and criminal activity, by design, came to rule the speculative markets. It is not an accident, that the leading derivatives-trading centers are also the leading drug-money-laundering centers. There are some legitimate funds in off-

FIGURE 21
World derivatives outstanding



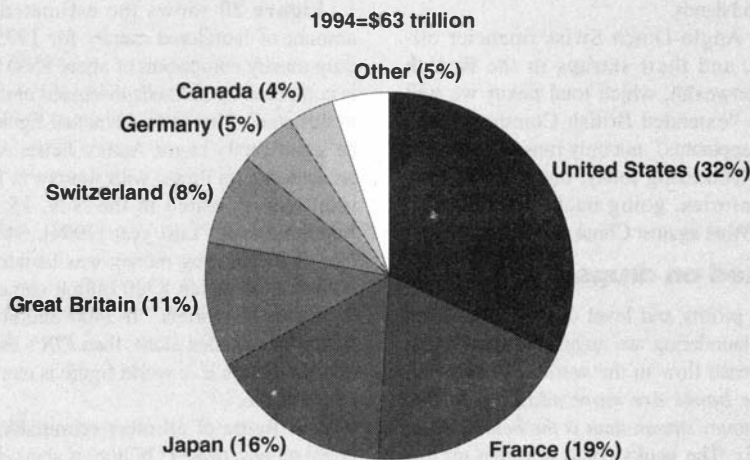
Sources: Federal Deposit Insurance Corp.; Bank for International Settlements, Basel Committee on Banking Supervision; Technical Committee of the International Organization of Securities Commissions (IOSCO); *EIR*.

shore banking centers, representing legitimate business. But this appears to be the minority. The narco and speculative markets are intermingled into one: It is now nearly impossible to separate one from the other.

Take the high-flying derivatives markets, the biggest speculative cancer in the world. The derivatives trade has exploded from \$1 trillion in derivatives outstandings in 1987, to \$75 trillion by 1995 (Figure 21). The national banking systems that hold these derivatives are shown in Figure 22, although it should be noted, that many of these national banking systems hold these derivatives not simply in their own countries, but in markets such as Hongkong, Singapore, and the Channel Islands. The paper profits on the derivatives are large, but they are only electronic entries in cyberspace. In reality, drug money, sucked from the consumption of the addicted population, is propping them up (Figure 23).

The drug trade not only gobbled up the speculative markets, but it started gobbling up the physical economy, turning over trillions of dollars of assets to the British narco-bankers. The corporate takeovers binge of the 1980s and 1990s was financed in significant measure by drug revenues. Further, the drug mob opened gambling casinos (legal gambling revenues in America in 1994 totalled \$407 billion, larger than the auto market), houses of prostitution, and more speculative

FIGURE 22
Derivatives exposure, by country



Sources: Bank for International Settlements, Basel Committee on Banking Supervision; Technical Committee of International Organization of Securities Commissions.

markets. The economy was criminalized and destroyed.

Three steps in money laundering

There are three steps in the process of turning criminal money into "clean" money:

1. The street-level drug dealer must enter the dirty money into the banking system;

2. The money-laundering machine will transport it through several locations, perhaps registering it along the way in a trust, with only a nominee name of a trust officer, perhaps in the Bahamas, indicating who owns the instrument. The trust gives the beneficial owner—the real owner—anonymity. If the money is then moved through 6-9 jurisdictions, each with bank secrecy, a process called "layering," it could take law enforcement 6-12 months to plow through each jurisdiction—such as going to courts to obtain warrants to search bank accounts—by which time, the statute of limitations on the crime could expire. This presupposes that the law enforcement agency can even trace the money after the second or third level of layering;

3. The money is finally lodged in an investment or a secret, numbered account, with the capability of moving it out at lightning speed, if necessary.

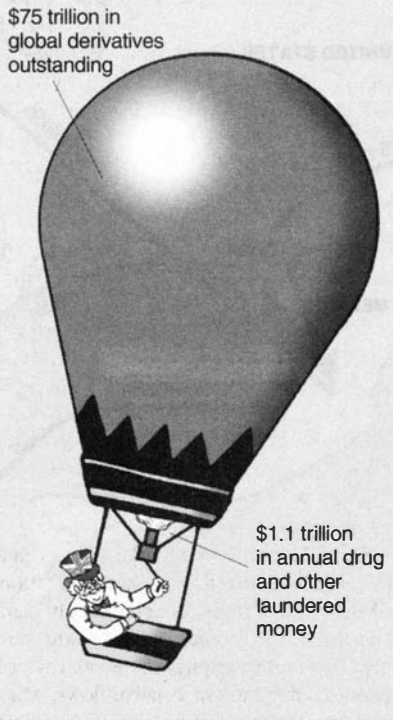
We shall look first at the street level of getting the money into the banking system. Second, we shall examine the ways in which the Anglo-Dutch-Swiss financier oligarchy moves this money many times around the globe, reaping as much as a 10-15% profit on the operation. This will demonstrate the extent of British control. Third, we shall look at how the laundered money is brought back "on shore," and where it is invested. A case study of the Bahamas will be examined.

Street-level money laundering

Since 1970, the United States has required all banks to file reports on all cash deposits of \$10,000 or more—called cash transaction reports (CTRs)—and in 1986, the passage of the Bank Secrecy Act put a penalty on banks that failed to properly and honestly file CTRs. The CTRs are filed with the Internal Revenue Service, and are made available to law enforcement agencies that demonstrate a need to consult them. This is to create a barrier to drug money laundering. It is a useful and well-intended step, but even if honestly adhered to (and there are many loopholes), it is simply inadequate as a deterrent against money laundering. However, there are many countries, starting with Great Britain, Canada,

FIGURE 23

Drug and other laundered money flows are keeping the derivatives bubble afloat



Switzerland, the Cayman Islands, and Mexico, that do not even have a CTR reporting requirement or penalty provisions for lack of enforcement.

Entering the street-level drug money into the banking system is a bigger hurdle than it might initially appear. Take a hypothetical drug deal in the United States. Five kilograms of heroin (11 pounds) retails for \$6.5 million. But, \$6.5 million in \$20 bills weighs 370.5 kilograms or 812.5 pounds. The weight of the money is 75 times the weight of the drug smuggled in; \$100 billion in laundered drug money, in denominations of \$20 bills, weighs 12.5 million pounds. If it was difficult getting the drug smuggled into a country, think of how difficult it will be to smuggle the cash!

The drug dealer has two options. He will either launder the drug money revenues inside the banking system of the country in which the sale was made, or ship a sizable portion of the cash outside the country of sale, using the same smuggling network infrastructure he used to smuggle the drugs in, but in reverse.

Consider some examples of the first instance. Laundering the money in the country where the sale was made, means taking some of the money to the banks; in the

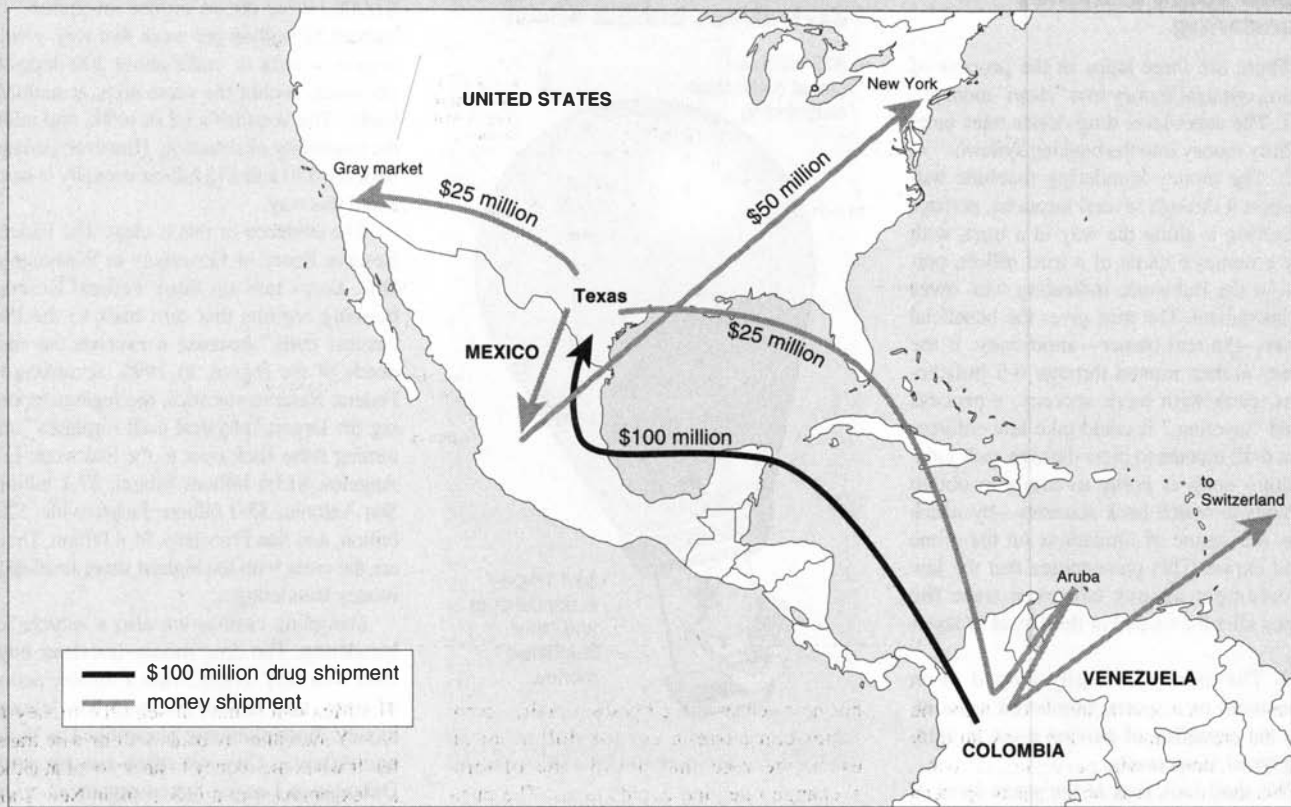
United States, that means employing "mules" or "smurfs" to make bank deposits in amounts of, usually, no more than \$5,000 to \$7,000, so as not to arouse suspicion. To launder \$1 million per week that way, would require smurfs to make about 200 deposits per week, within the same area, at multiple banks. This requires a lot of work, and raises the possibility of detection. However, perhaps between \$50 and \$75 billion annually is laundered this way.

The evidence of this is clear. The Federal Reserve Board of Governors in Washington, D.C. keeps tabs on those Federal Reserve banking regions that turn back to the Fed "excess cash," because it exceeds the cash needs of the region. In 1995, according to Federal Reserve statistics, the regions reporting the largest "physical cash surpluses" and turning these back over to the Fed were: Los Angeles, \$13.6 billion; Miami, \$7.1 billion; San Antonio, \$3.0 billion; Jacksonville, \$2.5 billion; and San Francisco, \$1.4 billion. These are the cities with the highest street-level drug money laundering.

Gambling casinos are also a vehicle for laundering. The drug money-launderer buys chits with dirty money, waits a suitable period of time, and cashes them in for "clean" money. Since casinos in places like Las Vegas and Atlantic City are often run by Anti-Defamation League-linked organized crime elements, the casinos are compliant, and many take a cut of 1-5% for the service. In January 1996, the General Accounting Office of the U.S. Congress published a study, "Money-Laundering: Rapid Growth of Casinos Makes Them Vulnerable," that shows the danger. It points out that between 1984 and 1994, the dollar amount wagered in gambling casinos in America increased nearly fourfold, from \$117 billion to \$407 billion. In this time period, nearly 60 riverboat gambling operations were opened. This increased the number of facilities and dollar flows available for the drug money-launderer. While gambling casinos are required to file CTR reports for cash transactions of greater than \$10,000, there are ways around that. Moreover, Nevada, the gambling capital of America, does not participate in the federal CTR reporting requirement of the Bank Secrecy Act (although Nevada has its own localized CTR reporting requirement). Prostitution is also legal in Nevada.

A third means of laundering is to use money-wiring services, such as Western Union, and check-cashing parlors, which do have to file CTR reports, but employ 15,000 employees, who are not carefully screened. In both money-wiring and check-cashing ser-

How drug money is laundered: a hypothetical case



...vices, there have been widespread instances of falsification of records to permit laundering.

In addition, money-launderers use retail businesses with high cash turnover, whose sizable weekly deposit levels are not expected to arouse suspicion at their banks. One example is the La Mina network in California, where gold coin and metal-plating firms in the 30-block Hill Street gold district of Los Angeles, working with the gold district of New York City, laundered \$1.3 billion in Cali Cartel drug money between 1987 and 1990. But any and all sorts of stores will be used.

On May 14 of this year, a shocking development occurred on this front. Citing the need to reduce bank paper work, the U.S. Treasury Department lifted the requirement that banks must file CTRs for all business deposits of \$10,000 or more. The new ruling, which is for a trial period, but is expected to go into effect permanently in the fall, states that any business whose stock is publicly traded on any American stock exchange is exempt from a CTR filing.

This is remarkable, because to take one example, the stock of Crazy Eddie's, a New

York City-based consumer electronics store, was publicly traded on an American stock exchange. However, the store was involved in a number of criminal enterprises, and its principal owner and founder, Eddie Antar, fled to Israel, after siphoning off more than \$74 million. He was arrested and is now in jail, though \$10 million is unaccounted for.

In the second option, the street-level drug money is physically shipped out of the country where the drugs were sold. The drug-producing network itself will either do this, or hire others to do it for a fee, often at 5-10% of the selling price of the drugs. In the United States, Colombian drug cartels often use Mexican smuggling networks to bring the drugs in and the money out.

Planes, speed boats, and even submarines, which make drug drops to a country, are now employed to ferry the cash supply out.

Smurfs are hired, at \$2,000-5,000 a day, to carry the drug money onto airliners, or in the bodies or tires of their cars. Several years ago, federal agents caught Maria Lilia Rojas carrying out of the United States \$1.43 million in six "Monopoly" boxes. In February 1986, officials in Texas arrested the pilot and

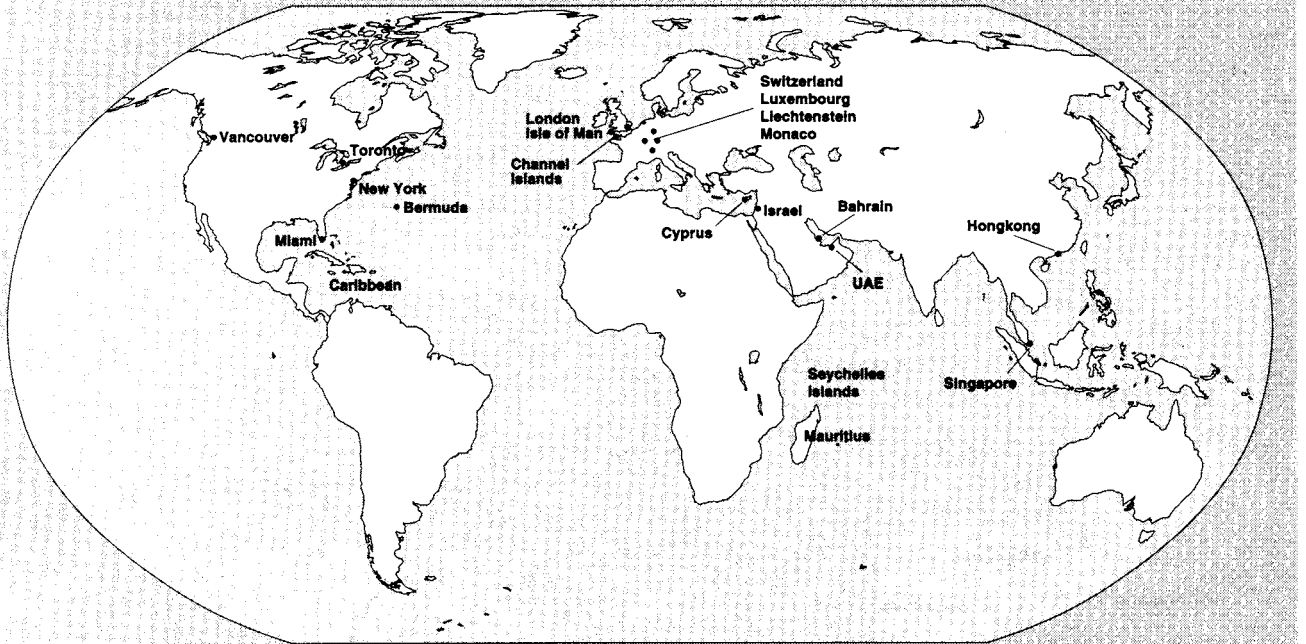
two passengers of a private jet, flying \$5.9 million out of the country. Today, that is small potatoes, compared to what some planes carry: \$50 million or more.

The 1993 passage of the North American Free Trade Agreement (NAFTA) has facilitated money smuggling across the U.S.-Mexico border, by easing border-crossing restrictions. A Dec. 3, 1995 *Houston Chronicle* article, "Houston Awash in Money Laundering: Authorities Only Dent Export of Drug Profits," reported that "U.S. officials admit that only about one of every 10 vehicles and one of every 30 commercial trucks entering the United States are inspected. *Even fewer vehicles leaving the country are inspected.*" Send 30 trucks across the border to Mexico with cash, and on average, one is stopped. This is 3% of total volume, an acceptable loss to the drug money trafficker.

So-called *giro* houses, which wire money across the border into Mexico, are another option. These are used extensively for legitimate remittances by immigrant laborers in the United States. Naturally, these *giro* houses are located near the border, in states such as Texas. But they are also used to launder dirty

MAP 13

Offshore money-laundering centers



money. For example, a launderer enters the *giro* and presents the *giro* operator with dirty cash. The money is wired to a Mexican bank. The launderer, or his associate, picks up clean cash at the *giro*'s correspondent bank in Mexico. The *Houston Chronicle* reported, "In all . . . Houston *giro* houses may have laundered up to \$250 million, most of it on behalf of the Cali Cartel."

On March 4 of this year, Rayburn Hess, officer of the U.S. State Department's Bureau for International Narcotics and Law Enforcement Affairs, delivered a speech in Panama that presented a "hypothetical" money-laundering example based on real-life composite pieces of the money-laundering operations. We will use Hess's speech for pedagogical purposes. The example is schematically represented in **Map 12**.

Hess stated, "Assume that the Cali Cartel is moving \$100 million over the rather porous border from the United States to Mexico and operating on a 75% profit margin (earnings minus cost). . . . Cali wants to [receive] \$85-90 million in total." It is willing to pay \$10-15 million to those who help it move its drug money.

Hess presented the case of laundering the \$100 million in three steps, in amounts of \$25 million, \$25 million, and \$50 million:

1. The launderers "will sell \$25 million on the gray market." This is an underground foreign exchange market, where Ibero-American

businessmen swap their pesos (or other Ibero-American currencies) for dollars at an exchange rate that avoids the official exchange rate, and avoids taxes. The businessmen take the risk that they are getting dirty dollars. The money-launderer has gotten rid of his dollars and now has pesos. He transports the pesos he has acquired to Colombia, for example, exchanging them there for clean dollars.

2. Next, there is a fake invoicing scheme: "A South American clothing manufacturer working with Cali obtains a permit [in his country] to export \$25 million worth of suits to New York" (or Miami, as represented in Map 12). The clothing manufacturer exports, however, only \$6 million worth of clothing. That clothing is unloaded in the Aruba free-trade zone, and secretly shipped back to Colombia, where it is sold through the underground economy. The crates which held the clothing are then filled with some fake material, and the clothing "manufacturer's agent picks up \$20 million in drug proceeds in New York and returns it to Colombia, covered by an export license."

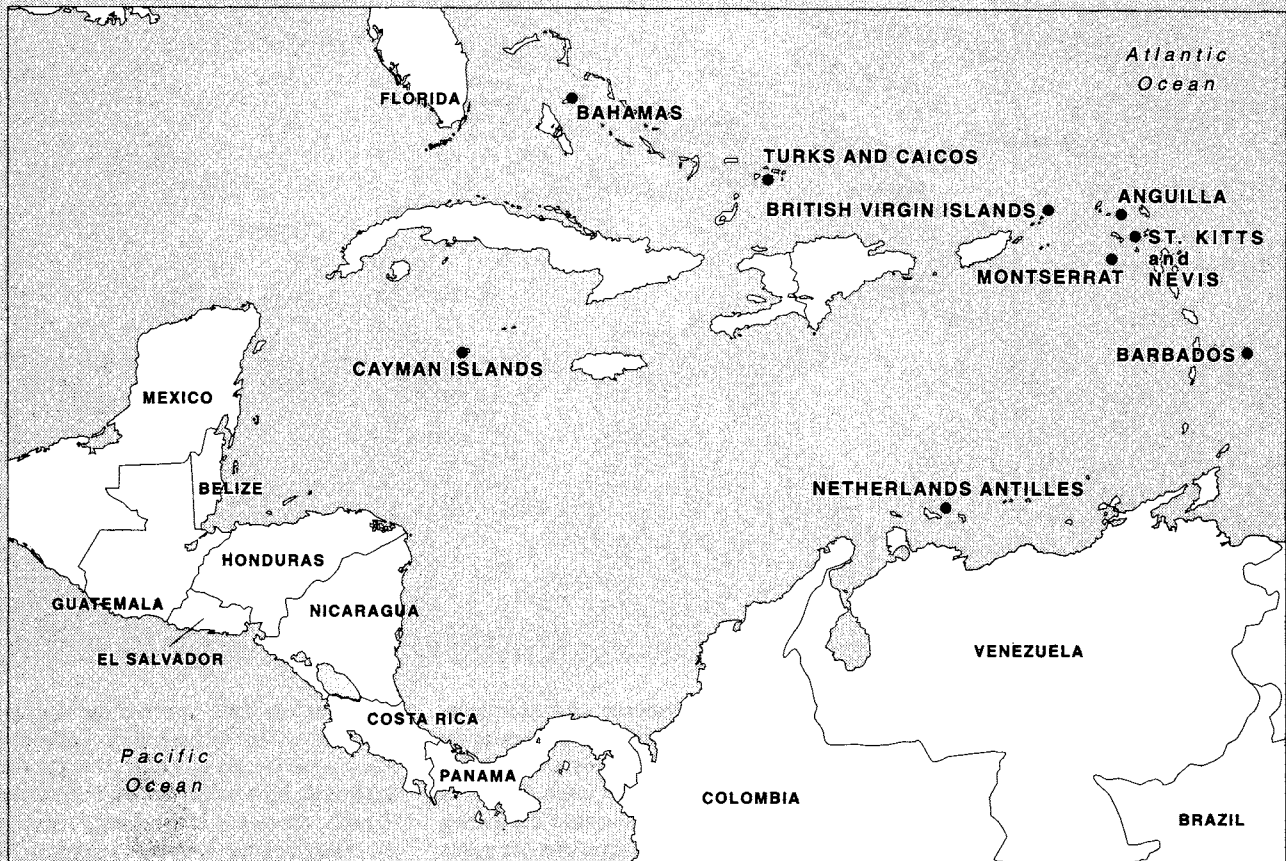
3. The remaining \$50 million of drug money is smuggled by various routes described above, across the U.S. border into Mexico. The money is then deposited, by various money-laundering tricks, into one or several Mexican banks, which are more permeable than U.S. banks to laundered funds.

The Mexican bank can send the money to New York, either by bank draft or wire transfer. It wires the money to an account at either a Mexican bank or a U.S. bank in New York. Usually, the money is not directly wired, but is settled through interbank accounts. This means that the Mexican bank that is wiring the funds, will have already deposited \$50 million, *earned from a legitimate business deal*, at New York Bank A. When the \$50 million in laundered money is wired to New York Bank A, it then debits this \$50 million from the Mexican bank's account held with it. It gives the money to the money-launderer on whose behalf the \$50 million was wire-transferred. The money-launderer now has a clean \$50 million sitting in a bank in New York.

The process is aided by the fact that Mexican banks practice banking secrecy, which protects the identity of the person who wired the money.

The above example concerning money-laundering in Mexico, raises a serious question about the Mexican banking system. Under the NAFTA agreement, Section XIII, Financial Accords, the Mexican banking system was further deregulated. Foreign banks, which, with the exception of America's Citibank, had been banned from entering the Mexican domestic banking system, are now allowed in. Since 1995, two Canadian banks have been in the process of acquiring

The Caribbean: the Anglo-Dutch monarchy's money-laundering lake



Mexican banks: The Bank of Montreal has bought 16% of Bancomer, Mexico's second largest bank, with an option to increase its share to 55%; and the Bank of Nova Scotia has announced it will purchase 55% of the assets of Banco Inverlat, Mexico's fourth largest. These Canadian banks are experts, on behalf of the British, in money laundering. The Hongkong and Shanghai Banking Corp. is also sniffing around for corporations and banks to buy. This will make the Mexican banking system even more of a laundromat.

Hess's example also reveals a second deadly feature: the ease with which drug money can be laundered. This shows the glaring weakness of an anti-money-laundering approach that simply relies on cash transaction reports, suspicious activity reports (SARs), or the current U.S. anti-money-laundering strictures. So while a U.S. bank has to file a cash transaction report for a deposit of \$10,000 or more, it is not required to file a CTR for wire transfers between domestic U.S. banks, or a U.S. bank and a foreign bank, even though wire transfers typically are

many times larger than cash deposits.

According to a top Federal Reserve enforcement officer, a U.S. bank receiving a wire transfer is required to keep an internal record, listing only the name and address of the wire-sender and the name of the sending bank. Since Mexico has bank secrecy, the receiving U.S. bank may only receive the name of a dummy corporation, which is registered as a trust, say, in the Bahamas.

We begin to see how easy money laundering is, once the drug money has entered into the system. Wire transfers are a principal means for banks to settle accounts, or for businesses to move funds. The New York City-based Clearing House Interbank Payments System (CHIPS) electronically transfers funds and settles transactions in U.S. dollars for all the major banks that trade through New York City. One hundred and six of the world's biggest banks are members of CHIPS and avail themselves of this facility. In 1980, CHIPS transferred \$37 trillion; but by 1995, the per annum level of funds transferred by CHIPS reached a whopping \$310

trillion. A few studies have attempted to find out the volume of laundered money that moves through the wire transfer process. The results are inconclusive and even flawed. But were the amount only two-tenths of 1% of the total—and that could be very possible, meaning that one in every 500 transfers is criminally tainted—that would amount to \$620 billion per year.

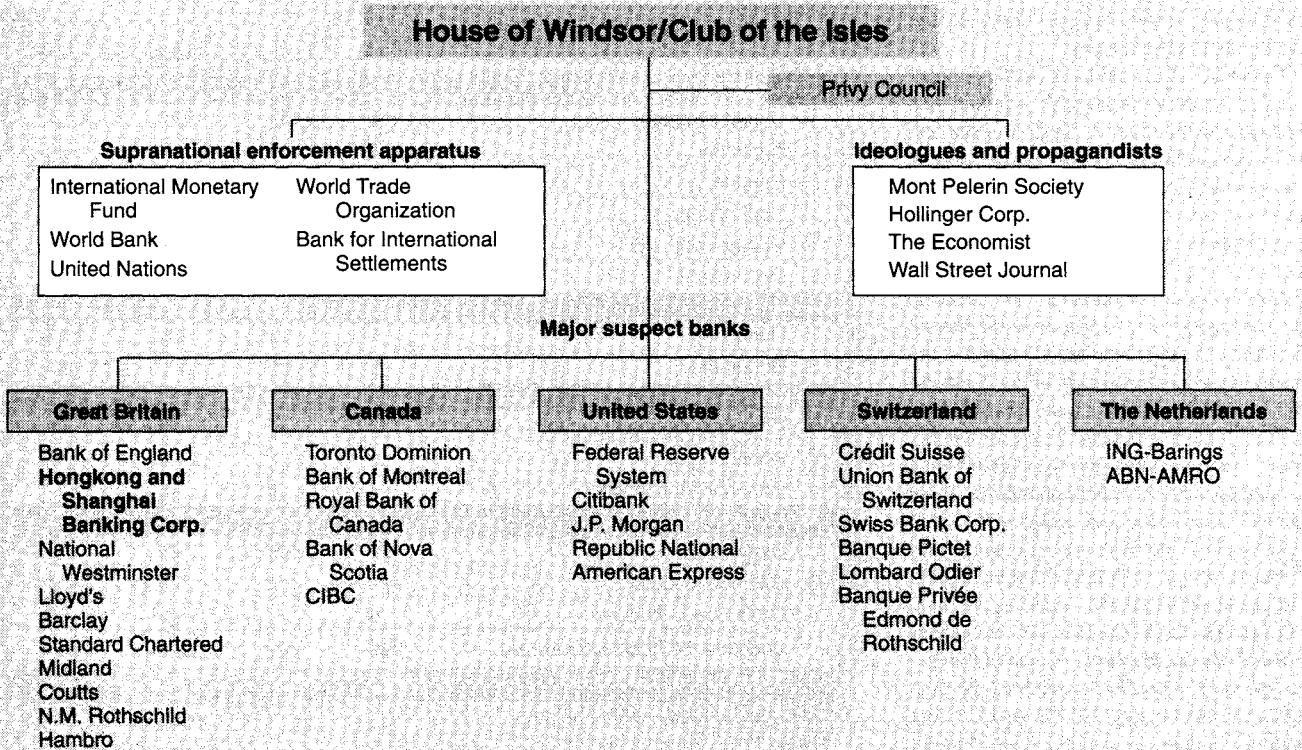
British control

Once the street-level drug money has entered the banking system, the higher-level laundering takes over. It moves the dirty funds through six to nine jurisdictions, perhaps registering it along the way in a trust, with only a nominee name of a trust officer attached to the instrument, disguising the real owner, making it very difficult for law enforcement authorities to track down the dirty money and the perpetrators.

The British are masters of this, and run the system. The proof is incontrovertible and, for the most part, out in the open for the willing investigator or law-enforcement official

FIGURE 24

The Dope, Inc. money-laundering apparatus



to find. Today, the problem is that many law-enforcement figures could uncover the modus operandi of the money-laundering network; but it is run by the British oligarchy, and once the investigators find it is the British, they would have to take them on politically. Most flee in terror and deny what they have seen.

The reader should take a map of the world, and trace out all the key locations where the slave trade was run over 200 years ago. Most of them turn out to be part of the old British and Dutch empires. Now, mark all the places where smuggling and piracy predominated. Next, find the points of production and shipping routes of the 1700s and 1800s drug trade, and the financial centers which serviced them. Now, step back: The map will look strikingly similar to **Map 13**, which shows the key offshore financial centers of the 1990s. **Map 14** shows the Caribbean region, the British-Dutch lake where so many offshore centers and/or tax havens predominate.

This is no coincidence. The British and Dutch simply took these criminal haunts, and the old criminal infrastructure and civil administration, slapped on a fresh coat of paint, and put a sign on the door reading, "Offshore Financial Center." Most investigators take them at their word, as if they knew

nothing about history.

The actual command and control over world money laundering today resides in Great Britain (**Figure 24**). A large chunk of today's offshore laundering centers are officially governed by Britain's Queen Elizabeth II as their head of state and sovereign. Officially, the Queen's Privy Council is the ultimate legal authority in a legal system that permits bank secrecy and minimal regulation, and is governed by British law. Or else, these countries are ruled by allied Dutch-Swiss networks. It is not an exaggeration to say that nothing significant occurs in these money-laundering dives without the Privy Council's approval. If the Privy Council wanted to shut down money laundering, it could; it set it up in the first place. The same holds for the Queen herself.

In addition, while sometimes money laundering goes through small, obscure banks, most of it goes through the extended British Commonwealth network of 40 commercial banks and 20 investment banks. The drug-money flow is so large, that no smaller entities could handle it, and consistently hide it. This requires financial sophistication and tremendous political pull.

The list of major banks to be investigated for possible drug- and hot-money laundering,

includes: the British clearing banks Standard Chartered, Lloyds, and Barclay; private British banks such as Coutts and Rothschilds; the Canadian clearing banks, led by Scotia Bank (formerly Bank of Nova Scotia), Bank of Montreal, Toronto Dominion, and the Canadian Imperial Bank of Commerce; the big three Swiss banks, Crédit Suisse, Swiss Bank Corp., and Union Bank of Switzerland; some of the exclusive Swiss private banks, such as Banque Pictet and Lombard Odier; the Dutch banks ING-Barings and ABN-Amro; the British-controlled American banks Citibank, Morgan, and the Republic National Bank.

Then, there is a special institution, the linchpin of the drug money laundering, the \$350 billion-in-assets Hongkong and Shanghai Banking Corp. The HongShang, as it is called, was formed in the middle of the last century, specifically to finance Britain's opium trade with China. The HongShang is still the primary bank of issue for the British Crown colony and money-laundering center of Hongkong. But the HongShang also spans the globe, owning the powerful Midlands Bank in England; the Bank of the Middle East; Marine Midland bank in the United States; Mocatta Metals (through Midlands bank), one of the five banks that sets the world gold fix. It is active in the Caribbean.

With its headquarters moved to London, it still possesses markers of its past: On its board are the Swire, Keswick, and other old-line families, which ran the China opium trade during the last century.

The banks' direct financial profit on laundering \$1.1 trillion in drug and criminal proceeds per annum, is up to 10-15% of the volume of money that enters the banking system. (This is aside from any profits made in other phases of the drug trade). To illustrate the point: Suppose that a \$100 million deposit is made by a drug lord at one of the hundreds of offshore banks in the Bahamas. The bank, in turn, can charge a standard banking service fee, which can range between 1% and 3%, depending on what services are billed. Next, the bank has \$100 million to lend. According to the June 7, 1996 *Financial Times*, in the Bahamas, "the spread between typical borrowing and lending rates, currently stand[s] at more than 9%." That is, the bank makes a 9% profit on the money. The bank can lend to anyone, but frequently, it lends back money, above-board, to the drug lord who deposited the money in the first place. The loan gets the money "onshore" for the drug lord. As part of the pre-arranged money-laundering scheme, the drug lord is willing to pay the 9% interest rate spread as compensation to the bank. Finally, the bank can also collect, on top of all this, outright bribes, which can range between 2% and 5% of the proceeds. Total of all fees and charges (assuming that the bank's spread on money is not normally as high as 9%): 10-15%.

In March 1996, the U.S. State Department's Bureau for International Narcotics and Law Enforcement Affairs released its "International Control Strategy Report," which classified 201 nations and territories by the degree of money-laundering in that country. The report listed as either "high" or "medium-high"—the highest two ratings—the following countries and possessions: Aruba, Antigua, Canada, Cayman Islands, Cyprus, Hongkong, Israel, Liechtenstein, Luxembourg, the Netherlands, the Netherlands Antilles, Singapore, Switzerland, the United Arab Emirates, the United Kingdom, and the United States.

Money-laundering havens

There are two ways that the laundered drug money will be held offshore: either as a deposit at a bank, or invested in one of the myriad of offshore investment instruments, such as trusts, mutual funds, and international business corporations.

When money is deposited in a country's banking system by someone who is not a national of that country, that is classified as a "bank's foreign deposit." When a bank lends

TABLE 2

Foreign assets held in deposit banks, by country

(billions of \$)

	1974	1980	1990	1994*
Industrial Nations				
1. United Kingdom	109	356	1069	1160
2. Australia	0	0	11	14
3. Canada	14	35	52	55
4. Luxembourg	15	32	355	390
5. Netherlands	24	105	186	205
6. Switzerland	42	140	444	464
Asia				
7. Hongkong	7	28	464	582
8. Singapore	9	45	347	363
Middle East				
9. Bahrain	0	31	59	66
10. Israel	2	6	8	11
11. United Arab Emirates	1	6	18	17
Western Hemisphere				
12. Bahamas	25	125	175	170
13. Cayman Islands	15	85	389	410
14. Netherlands Antilles	0	7	16	30
Subtotal 14 offshore centers	263	1001	3593	3937
Total all countries	466	1822	6794	7565

* Third quarter 1994.

Source: IMF.

money—usually the foreign money that was deposited in the bank—to someone abroad, that is classified as a "bank's foreign asset." Since foreign liabilities and foreign assets almost match, for most banking systems, one can talk about one or the other, to indicate the trend of both.

We will look at bank foreign assets, but we caution, this is not all the hot money in the banking system, because if a British money-lauderer, for example, deposits money in the British banking system, that is considered a domestic deposit, but it is still laundered drug money. Thus, the volume of the laundered drug and criminal proceeds in the banking system is bigger than that discussed below, although more than half of all drug money is held in banks abroad. On the other hand, not all the money in foreign bank accounts is illegal; these foreign accounts include legitimate business funds deposited and/or lent abroad. But for the countries listed below, the amount of foreign assets is anywhere from 10 to 50 times more than is needed by their domestic economies. What does a postage-stamp economy need with a few hundred billion dollars of funds? Yes, some of these haunts can help one escape taxation. But take away the \$1.1 trillion per annum drug and criminal money trade, a portion of which these banking systems cap-

ture and accumulate each year, and the category of "bank foreign asset" would fall by more than half, and up to 95% in some places.

EIR chose 14 financial centers to examine (Table 2), out of about 62. These 14 have the largest masses of funds, and statistical information is available on them, whereas for several offshore centers, only scanty statistics are available. The table lists the "bank foreign assets" of these 14 money-laundering centers. The British-Dutch-Swiss pedigree is apparent.

The next-to-the-last line in this table ("subtotal") tells quite a story. The level of foreign assets of deposit-taking banks in these 14, predominantly "offshore," centers, rocketed from \$263 billion in 1974 to \$3.937 trillion in 1994. This is a stunning 1,400% increase in just 20 years. It demonstrates the velocity of the money-laundering network's growth. For 14 economies, only one of which has a population of more than 20 million, to control nearly \$4 trillion in bank foreign assets, gives them huge leverage over the world economy. In most of these places, the level of bank domestic assets is virtually nonexistent. Compare the next-to-the-last line to the last line, which shows total world bank foreign assets. In 1995, the 14 financial centers held 52% of the world's total bank foreign assets. These 14 countries represent less

than 2% of the world's population.

A country breakdown shows:

Cayman Islands—population: 34,000; bank foreign assets: \$410 billion

Switzerland—population: 7 million; bank foreign assets: \$464 billion

Bahamas—population: 270,000; bank foreign assets: \$170 billion

Luxembourg—population: 390,000; bank foreign assets: \$390 billion

Then, there is Britain, the self-avowed speculative capital of the world. With a population of 58 million, Britain holds bank foreign assets of \$1.160 trillion, or 15% of the world's total. Britain holds more bank foreign assets than the United States and Germany combined, *despite the fact that their combined economy is seven times bigger than Britain's, and that their combined exports are five times greater than Britain's.*

What does Britain need all that laundered money for? Answer: to maintain its position as the speculative financial capital of the world. The British banking system is bankrupt several times over. But with these laundered funds, it can preserve its share of world financial turnover—and related political muscle. To wit: It underwrites 64% of all trading in equities in markets foreign to those equities' domicile; 45% of all international cross-border mergers and acquisitions; 75% of all debt borrowed in markets foreign to borrowers' domicile; 35% of all currencies swaps; it earns 50% of all shipbroking commissions, and so forth.

Unlike the American banking system, where the banks are required to file CTRs,

the British banking establishment doesn't think that that is a civilized practice. It wouldn't be "cricket" for the money-laundering trade, so such CTR reporting is not required. All the British require is the filing of Suspicious Activity Reports—which the American banking system requires also. In 1994, British banks filed a grand total of 13,000 SARs. In contrast, in 1994, American banks filed 8 million CTRs.

And while the British banking system proper does not formally have bank secrecy (however, just try to penetrate the gnomes of Lombard Street!), if strict bank secrecy is needed, the funds can first pass through any one of 10 British dependencies, ruled by the Queen, which do have bank secrecy, including the Cayman Islands, the British Virgin Islands, and the Channel Islands, which are off the coast of France, or the Isle of Man, which is off the coast of England.

Meanwhile, for continental money laundering, there is the impregnable Swiss banking system, with \$464 billion in bank foreign deposits. Switzerland enacted bank secrecy laws in 1934, largely to help protect money laundered from France. But it was quickly used during World War II to hide Nazi assets and assist the Nazi war machine. During World War II, Swiss banks furnished 90% of Germany's foreign exchange requirements, without which the Nazi regime could not have bought anything abroad. In 1943, Nazi Minister of Economics Walter Funk declared publicly that his government could not afford even a two-month break in the Swiss financial connection.

The Swiss bank secrecy code states that bankers, lawyers, and others cannot divulge information about their clients' numbered financial accounts. The penalty for violation is both jail time and a fine. Also, conveniently, tax evasion, and securities and foreign exchange violations are considered fiscal or administrative offenses in Switzerland, not crimes. Therefore, Swiss authorities usually refuse legal assistance to countries trying to prosecute violators of laws in these areas who have parked their money in Switzerland. This paradigm has been emulated by the offshore financial centers.

Nonetheless, the Swiss gnomes have developed a reputation—largely created and promoted by themselves—for financial conservatism and uprightness. This is nonsense: The Swiss are wild speculators; per capita, Switzerland has 10 times the dollar derivatives levels of the United States, making it the highest in the world. The Swiss Banking Commission is not even allowed to regulate Swiss banks, only the auditing firms are, which the Swiss banks hire and pay for.

A second look at Table 2 reveals something else: the high degree of domination that these 14 financial centers exercise over the bank foreign assets in the regions in which they are located. (This article follows the classification procedure of the International Monetary Fund, from which these statistics are taken, and classified both the United States and Japan as industrial nations, rather than placing them in their respective regions). Table 2 shows that just two British-run offshore financial centers, Hongkong and Singapore, control 92% of the bank foreign assets of Asia (minus Japan); three British-influenced financial centers, Bahrain, United Arab Emirates, and Israel, control 61% of the bank foreign assets of the Middle East; and three Anglo-Dutch-owned offshore financial centers, the Bahamas, Cayman Islands, and the Netherlands Antilles, control 91% of the bank foreign assets of the Western Hemisphere (minus the United States).

These offshore financial centers are strategically located amid the Asian, Middle Eastern, and Ibero-American drug trades and money flows. Map 14 shows that the offshore centers are midway between the drug-producing region of Colombia, Peru, and Bolivia, and the largest consuming market, the United States.

Table 3 reports the dollar amount of all assets—not just banking assets—of the leading money-laundering centers. This consists of the assets of banks, trusts, mutual funds, captive insurance companies, and offshore shipping. In 1995, the total of all offshore financial center assets stood at \$5 trillion, compared to \$1.5 trillion at the end of 1989. This is a stupendous growth of \$3.5 trillion in six years, or an asset build-up of \$550 billion per year.

The biggest source of tax haven offshore financial assets consists of trusts, which, as of 1995, held approximately \$2 trillion in assets. These trusts allow a money-launderer to transfer legal title of possessions to a holding company or some such instrument that provides anonymity, disguising who controls the possession. The areas in which these trusts are incorporated have little or no taxation, and little or no financial or corporate regulation; virtually any criminal, backed by a credit reference provided to him by a banker, can incorporate his dirty holdings into a trust.*

The popularity of such trusts is attested to

* Whereas in Table 2, the level for offshore bank foreign assets is \$39 trillion, the level used for offshore bank foreign assets in Table 3 is approximately \$1 trillion. It appears that the latter only uses net foreign assets, i.e., foreign assets minus foreign liabilities. Were the \$3.9 trillion level employed in Table 3, then total foreign assets of all kinds would be closer to \$7 trillion.

TABLE 3
British Empire's offshore financial centers

	Total Assets (billions \$)
Cayman Islands	480
Singapore	390
Luxembourg	200
Switzerland	190
Hongkong	130
Lichtenstein	120
Channel Islands	110
Bahamas	100
British Virgin Islands	90
Curaçao	60
Turks and Caicos	30

Sources: "Comparison of Offshore Domiciles and Asset Protection Planning," by Walter H. Diamond; phone discussion with Mr. Diamond.

by the fact that the tiny British territory islands of Nevis and St. Kitts, with but 10,000 people, have 60,000 incorporated offshore companies, many of them offshore trusts.

In many cases, these trusts invest in offshore or onshore instruments, bringing a fairly high rate of return, many in the United States, Europe or, Asia. Thus, the money-launderer is able to preserve his ill-gotten gain and enlarge it.

Bringing the money onshore

A good portion of the money that is deposited offshore, is brought back onshore in the form of a loan, which is what a "bank foreign asset" is. The commercial real estate markets in New York, Hongkong, London, Paris, Frankfurt, and Moscow are perfect vehicles for such loans, since it is widely expected that the purchase of an expensive building will involve borrowed money. Worldwide stratospheric real estate prices, reflect the effect of drug money in these markets.

The point for the drug-money-launderer in buying and selling office buildings, is either to own the property, or to get the money onshore. Let us say that real estate investor A, who is part of the drug cartel, borrows \$250 million of laundered money from a Canadian bank, to buy a commercial office building in Manhattan for \$250 million. The building may have previously sold for \$225 million, so the drug-tainted real estate investor dealer helps bid up the price. The investor holds the building for a certain period of time, and then sells it, perhaps for \$260 million. He now has a \$10 million profit, but, far more important, he has someone else's \$260 million in clean money.

The real estate properties, like hotels on Boardwalk in the "Monopoly" game, are a means to an ulterior end. Purchasing real estate is so popular, that the bidding process, through the use of drug money, has helped to drive real estate prices upward.

A second way of getting the money onshore is to plow the money into the investment market. Many offshore investment trusts are vehicles to purchase stocks, bonds, etc.

This has an established criminal history. During the 1960s, money from the drug- and dirty-money trade was laundered through the Geneva-based, Rothschild-run Investors Overseas Services (IOS) of Bernie Cornfeld and Robert Vesco. Some of this money was the "skim money" from the gambling and drug operations of Meyer Lansky, the financial godfather of organized crime. By the early 1970s, the offshore infrastructure of IOS was brought onshore and folded into the Rothschild-Morgan-run Drexel Burnham Lambert. During the 1970s and 1980s, until

its February 1990 bankruptcy, Drexel and its allies laundered hundreds of billions of dollars of drug money and other hot money, using it to take over and asset-strip American industry.

A good portion of corporate takeovers and stock market activity—foreign and domestic—takes place today with drug and criminal money, replicating the vehicle forms and practices of the IOS and Drexel, even though those two particular firms are defunct. Indeed, a survey of the major equity and bond markets of the world, particularly the highly touted "emerging market" stock and bond markets of the former communist bloc and the developing sector, would show a heavy use of drug and dirty money.

This is equally true of the \$75 trillion worldwide derivatives market. Brian Bosworth-Davies, a London-based expert on money laundering, who used to investigate derivatives fraud for Britain's Scotland Yard, told *EIR* on March 1 that huge sums of drug money and other illicit funds are laundered through the derivatives market. He described one transaction used to launder money, which, he said, "we encountered so many times, it became monotonous." A money-launderer would set up two companies, one based, say, in the Channel Islands of Jersey and the other in Guernsey. The Jersey company would open a trading account with one commodity broker; the Guernsey company would open a trading account with another commodity broker. "The Jersey company would take a long position [betting the price would rise] in a futures contract, in, say, September soy beans. The Guernsey company would take a short position [betting the price would fall] for the same amount for the same contract."

Whichever company loses, pays for the lose-out of its laundered drug money pool. The winner takes its profits out of the market in clean dollars (the two commodity brokers are not trading with each other, but with the general market). On balance, the transaction is a wash: The money-launderer is not trying to make money on the deal, but to get dirty money into the market, and clean money out.

More dirty money is laundered through the derivatives market than through gambling casinos. This Bosworth-Davies stated, "On the derivatives markets, if you trade a small amount, say \$10,000 or something like that, then you might be suspect. But trades of many millions of dollars—that's the norm."

The Salinas-Citibank case

The U.S. Justice Department and at least one grand jury are investigating Raúl Salinas de Gortari's movement of illicit funds through Citibank to hiding places overseas.

While the ostensible target of the investigation is Salinas, it appears that Citibank is in the investigative sights as well.

EIR covered the case in depth in our issue of June 7, 1996 ("Money-Laundering Scandal Could Rock Citibank, Fed"). But an illustrative piece of the Citibank story proves conclusively the bankers' witting role in directing money laundering.

According to published reports, between 1989 and 1993, the person who moved at least \$100 million of Raúl Salinas's illicit money—and perhaps much more—into bank accounts in Switzerland, London, and the Cayman Islands, using false names, was Amelia Grovas Elliot, the head of the Mexico team of Citibank's Private Bank (\$80 billion in assets). Elliot was Salinas's personal banker. She had headed the Mexico team since 1983, and is a 27-year veteran of Citicorp.

At a May 12, 1994 drug trial, Elliot testified as a star prosecution witness, on how a supposedly "clean" bank, Citibank, then America's largest bank, administers banking operations in Mexico. During her testimony, Elliot asserted that she does not act alone at Citibank, and defined a chain of command. She described how Citibank's Private Bank accepts customers who usually have a starting net worth of \$5 million, and that the Citibank private banker "knows you [the customer], knows who you are, knows your family . . . recognize[s] your voice." Elliot was then asked to describe the long vetting process, including approval from higher-ups, that Citibank engages in, before it accepts a large deposit from a customer. This is the "know your client" policy. In response to a question about this, Elliot stated:

"The 'know your client,' at least in our bank, is part of the culture. It's part of the way you do things. It's part of the way you conduct yourself. If you come in with a prospect and/or name of a prospect, you will be sure to be asked, 'Who is this person, what do they do, who introduced them to you?' by at least three or four people higher than you are. It's just the way it is" (emphasis added).

A Citibank spokesman told *EIR* on May 10 who the "three or four higher people" in Citibank's chain of command would be, who would have to approve Elliot's decision to move Raúl Salinas's tens of millions of dollars around the world. These would include Citibank Chairman John Reed. Further, during part of the time that Citibank was laundering Salinas's money, Citibank, which had blown out in 1991, was under effective Federal Reserve Board receivership, and was

being held up by a Fed life support system. Fed supervisors were all over Citibank. Top echelons of the U.S. Federal Reserve Board, including potentially up to Chairman Alan Greenspan, would have seen the paperwork trail of the Salinas money, under whatever name it was being moved.

The Salinas-Citibank-Fed case illustrates the shortcomings in the current fight against money laundering. The basic U.S. anti-money-laundering approach suffers from two glaring flaws:

First, there are numerous loopholes. Just take the CTR reporting requirement. This is waived 1) for all wire transfers; 2) for all cash deposits of \$10,000 or more made by businesses whose stock is publicly traded on any American stock exchange; and 3) for

Citibank Private Bank customers, with net worths of \$5 million or more, such as Raúl Salinas. By simply qualifying to be a preferred client of Citibank's Private Bank (or any other bank's preferred client club), a bank customer can escape such scrutiny, if his banker applies for an exemption because the customer in question is so "valued."

The second flaw is methodological. Money laundering thrives because the entire banking system, under British control, is hooked on \$1.1 trillion in annual drug and criminal money flows; it depends on this for its very survival.

To succeed in the fight against money laundering, start at the top. Go after the John Reeds, Alan Greenspan, and the controlling layers of the Anglo-Dutch-Swiss financier

oligarchy, and the British Commonwealth political establishment, who run drug- and criminal-money-laundering as a worldwide integrated enterprise and one of the most profitable businesses on earth.

The chairmen and board members of the financial institutions that launder money, have never gone to jail in any major drug-money-laundering case in the last 30 years. They always claim, ingenuously, "I didn't know this was going on at my bank." In most cases, they never even have to set foot in a courtroom.

Put some of these top bankers and the British financier oligarchy in jail for 30 years. Watch the drug-money-laundering trade start to shrivel; watch the drug-trafficking trade collapse.

The drug-laundering haven of the Bahamas

The 300-year criminal history of the Bahamas unites all the different strands of money laundering and the drug trade, revealing how the British orchestrate that trade. Its story could be repeated for each of the other exotic offshore British financial centers.

In 1973, the Bahamas was granted nominal independence. But even though the country elects a prime minister, Queen Elizabeth II is the head of state of the islands, and the Queen's Privy Council's "say so" is final in all legal matters. The population is impoverished, while banking and tourism constitute a huge portion of the Bahamas' fragile economy.

The Bahamas has a dual function: It is both a drop spot and transshipment point for drugs, and a drug-money-laundering center. The Bahamas is an archipelago of 700 islands, of which the closest is 50 miles away from Florida.

Since only 40 of the 700 islands are populated, the others make perfect drop points for drugs. During the 1980s, according to U.S. Drug Enforcement Administration reports, up to 75% of the drugs that reached the United States from Ibero-America went through the Bahamas first. American authorities, fearful of the drug flow into the United States, forced the Bahamas to take measures to cut back the drug flow. The June 7, 1996 London *Financial Times* reported, "It is guessed that no more than 10-15% of illegal drugs shipments to the U.S. now go through the islands." That may be an underestima-

tion, and the *Financial Times* admits that the drug flow is increasing, now that U.S. radars to monitor drug trafficking were recently taken down in Grand Bahamas, Exuma, and Great Inagua, in a cost-saving measure.

This is part of the Bahamas' historic profile. During the American Revolutionary War (1775-83) and the War of 1812, when Britain invaded America, the British used their colony of the Bahamas as a base for naval assaults on the United States. Because of this, in 1776, the American revolutionaries occupied the Bahamas. After the Revolutionary War, Tory sympathizers fled to the Bahamas, and became part of the establishment. During the British-backed Confederate uprising of the American Civil War, the British used the Bahamas as a base to run ships through the North's shipping blockade against the South. A successful blockade-running voyage could earn \$300,000.

During World War II, the pro-Nazi Duke of Windsor was exiled to the Bahamas, but was placed in the very important post of Bahamian governor general. During this time, the duke used Axel Wennergren, the Swedish eugenicist and Nazi agent, to launder money to Mexico. During the 1960s, organized crime godfather Meyer Lansky built the Resorts International casino on Paradise Island in the Bahamas, which served as an international money-laundering center.

The money-laundering Canadian banks

dominate the Bahamian banking scene, hiding behind Bahamian bank secrecy and lax Canadian banking laws to shelter drug money. In the Dec. 24, 1985 *Montreal Gazette*, in an article entitled, "How Canadian Banks Are Used to 'Launder' Narcotics Millions," William Marsden wrote that drug money is "hauled to Canadian banks [in Nassau, Bahamas] in huge stacks of small bills—sometimes millions of dollars at once—stuffed into suitcases, duffle bags, paper bags and boxes by narcotics smugglers. . . ."

"Trusted drivers and security guards ensure that their cash gets into the banks safely. And once the money is deposited, laws that forbid Bahamian bankers to disclose bank records ensure that it's safe from investigation by foreign narcotics and tax agents. . . ."

"Canadian banks, which handle 80% of banking business in the Bahamas, have become key instruments in 'laundering' illicit money—giving it a clean history—for smugglers hiding hundreds of millions of dollars from U.S. and Canadian narcotics agents.

"By taking these huge cash deposits, which is not illegal, the Canadian banks are facilitating criminal activity. . . ."

"In the past four years, Bank of Nova Scotia twice stonewalled U.S. investigations by refusing to hand over bank records of drug smugglers to a [U.S.] grand jury. The bank finally yielded after paying nearly \$2 million in fines."

Under U.S. pressure, the Bahamian banking system has made changes in its money acceptance practices, but during the past decade, the volume of laundered drug money has gone up.—Richard Freeman

Dope, Inc.'s newest 'growth market'

by Linda de Hoyos

There are no official figures showing the extent of narcotics cultivation and production in the countries that formerly composed the Union of Soviet Socialist Republics and its Warsaw Pact allies. However, there is no doubt that since 1989 and the fall of the Berlin Wall, Dope, Inc. has vastly increased its production capacities and consumption market in these countries. The flooding of these countries with easy drugs, the mushrooming of "criminal gangs" and mafias, the jump in drug-related crime, and seizures of tons of narcotics, with a street value in the billions, in a single year, paint the picture.

Dope, Inc. has waged a new opium war against the Newly Independent States (NIS) and Russia, comparable to the first opium wars against China. It would be mistaken, however, to attribute the near takeover of eastern European, Russian, and Central Asian economies by Dope, Inc., and its higher-level controllers, to the fall of communism. The floodgates were opened by British Prime Minister Margaret Thatcher and U.S. President George Bush. The International Monetary Fund supplied the economic "gunboats" that forced open the former Soviet economy to the drug trade. While putting the populations into penury, the International Monetary Fund's (IMF) free-trade regimen, imposed on Russia, gave Dope, Inc. and its local offspring a field-day.

The process is similar to that which has taken place in Nigeria. The emergence of Nigerians in the international drug circuit as couriers, and of Nigeria as a transshipment point for drugs, coincides precisely with the imposition in 1986 on Nigeria of an IMF "structural adjustment program" that reduced Nigerians' per capita living standard by 75% in eight years!

Tons of it

According to the U.S. State Department's *International Narcotics Control Strategy Report* of March 1996, law enforcement authorities in Russia seized

more than 90 tons of illicit drugs in the single year of 1995! As an overpopulation of vermin forces significant of their numbers out into the daylight, so the superabundance of drugs in the Russian economy has netted seizures of huge amounts of drugs. Giving an idea of Dope, Inc.'s expansion, the amount of drugs confiscated has tripled in the last three years. Seizures in other NIS countries point to the same phenomenon:

- In Georgia, 2.5 tons of marijuana were seized in 1995, and 12,000 poppy plants.
- In Kyrgyzstan, 1 ton of opium was seized in 1995.
- In Armenia, 17 tons of cannabis and opium were destroyed in 1995.
- Moldovan authorities say they confiscated 2 tons of illegal narcotics last year.
- In Ukraine, more than 23 tons of illegal narcotics were seized in the first six months of 1995 alone. In 1994, police grabbed one haul of 3.5 tons of narcotics at the Russia-Ukraine border, as Ukraine has not only become a major transshipment point for Golden Crescent drugs into Europe, but also a drug producer itself.
- In Uzbekistan, in 1994, two major shipments of marijuana, each weighing in at 15 tons, were interdicted. The shipments were on their way to Turkey and the Netherlands, from their origin in Afghanistan and Pakistan.

The seizures are the tip of the iceberg of the actual dope flow through the NIS. This flow includes 1) the domestic distribution of narcotics grown there or synthetic drugs produced there; 2) the flow of domestically grown narcotics out of the NIS states to other points—notably western Europe and the United States; and 3) the opening up of Russia, Central Asia, and eastern Europe as a major drug transshipment nexus.

Britain's opium war on Russia may ultimately have the same annihilating effect on the population as London's opium war against China in the nineteenth century.

Although, officially, the figure for drug users in Russia is 1-1.5 million, as early as

May 1992, the newspaper *Nezavisimaya Gazeta* reported on an explosion of drug addiction: "According to the latest expert estimates, 5.5 to 7.5 million people regularly use narcotics in the territory of the former U.S.S.R. At the beginning of 1991, this figure was only 1.5 million. Specialists believe that the process of headlong narcoticization of the country will continue for the next five to seven years." The International Association for Combatting Drug Addiction and the Narcotics Trade estimates that there are 6 million drug addicts in Russia—4% of the population—and that 20 million have tried drugs at least once. They expect the number to double within the next four years. Official Russian reports state that drug consumption has been increasing at a rate of 50% per year, since 1989.

The streets are virtually flooded with the stuff, in the same way as the inner-city ghettos of residents of the United States suddenly found their streets awash with heroin in the late 1950s. *Nezavisimaya Gazeta* further reported that, "while, earlier, a 'new' drug would appear on the Soviet 'market' every five to ten years, in the capital alone," during the first three months of 1992, "three new powerful stimulants had arrived," including cocaine from South America, which has become the drug of "fashion" among Russia's youth elites.

It is noteworthy that the Russian Ministry of Internal Affairs, which had a figure of 1.5 million regular drug users in 1993, estimated that 70% of those users were under 30 years of age, and 8.5% of those users were under-age children. Drug addiction is especially strong in the cities and industrial centers.

The skyrocketing of drug use in Russia is matched by that in other countries, particularly eastern Europe. The Bratislava-West Slovakian region of the Slovak Republic, for instance, reported a more than tenfold increase of heroin addicts referred for treatment from 1992 to 1994, according to the State Department report. Whatever the officially reported figure, it is generally acknowledged that the actual number of regular drug users is ten times the official count, and all sources agree on growth rates of addiction in the range of 33-50% per year.

Drug-related crimes are increasing at even greater rates: According to the wire service Novosti on Nov. 20, 1994, the Russian Internal Affairs Ministry reported that drug-related crime had risen 60% in the first nine months of 1994, over 1993.

In Russia, the newspaper *Vecherny Petersburg* claims for that city the title of the

Narcotics-trafficking routes: Russia and Central Asia



Sources: NNICC; DEA; UN; EIR.

The former Soviet Union is Dope Inc.'s most promising growth market. Narcotics consumption rates are rapidly climbing. Cheap domestic marijuana, synthetic drugs, and opium derivatives, are available for export to the West.

- 1.** The **Central Asian republics** are being taken over by the Golden Crescent narco-economy, and are now used for both narcotics production and transshipment.
- 2.** The **Baltic ports** are used to smuggle narcotics from Central Asia, and raw materials from throughout Russia.
- 3.** The **Balkan route** is used to smuggle everything from cigarettes to narcotics and weapons.
- 4.** The **Cyprus banking system** is central to Russian capital flight, the laundering of narco-dollars, the use of these narco-dollars to buy Russian privatized assets, and the looting of Russia's raw materials.
- 5.** The **City of London** and the **London Metal Exchange** are the centers for the looting of Russia's raw materials, and the use of the commodities trade for narcotics money-laundering.

“northern capital of the drug trade,” since, as stated in an article on April 1, 1994, “its location is convenient for the transit of drugs from Asia to Scandinavian countries and the Baltic states.”

The city’s function in Dope, Inc., has taken its toll on the city’s populace. The August 1995 *Zakonnost* carried an article by A. Stukanov, head of the Criminal Forensics Directorate, stating that “the total number of enterprises involved in narcotics distribution in St. Petersburg almost doubled in 1994. More than 1,000 criminals were sentenced, 75% of them for illegal manufacture, acquisition, or possession of narcotics with intent to sell. . . . Among the people convicted in 1994 of the production, sale, and theft of drugs, and establishment of drug haunts . . . 84% are criminals under age 30.”

The Eastern nexus

Since at least 1992, the criminal gangs in Russia have been operating in cooperation with the international cartel operators, represented, for instance, by the Cali Cartel. In 1992, Cali Cartel mobsters came to Russia to meet with their criminal counterparts. Business started immediately, rising to such levels that in 1993, in St. Petersburg, police seized 1 ton of cocaine originating in Colombia. According to an official of the Russian Ministry of Internal Affairs, the shipment had come from South America to Finland by sea, and then was taken to St. Petersburg by road, where it was seized. The cocaine was hidden in tins labelled as containing meat for Russian consumers. There were 20 tons of cans altogether.

Officials of the Russian Ministry of Internal Affairs and their western counterparts tend to emphasize that the dope trade in Russia, eastern Europe, and Central Asia is run by criminal gangs, most of which are organized along ethnic divides. The widely publicized role of the Chechen criminal clans, and of the Chechen Republic as a processing and transshipment zone in Russia, is a case in point.

But this picture of the dope trade as run by a bunch of individual criminal gangs, is the same as saying that a train is nothing a but a bunch of boxcars. What makes a train a train, are the *linkages between* the boxcars—and the engine. Although each criminal gang may be organized internally along ethnic lines, these gangs are in constant contact with each other, passing and receiving huge shipments of drugs being passed from third parties, often located continents away.

The total picture of the drug-smuggling routes into Russia from Central Asia and the

Golden Crescent, back out through Russia into eastern and western Europe, and the flow of drugs from the Western Hemisphere into and then out of Russia and eastern Europe, shows a fully integrated trade, using any criminal gang as the feet on the street. There is one international drug cartel directing the overall flow, market delivery, and price. Its engine is the biggest profiteers of Dope, Inc., the money-launderers and the controlling banks that are raking in the money.

The St. Petersburg bust is but one case exposing the cross-directionality of the drug flows, into eastern Europe and Russia, for transshipment back out to western Europe. The newly independent Baltic states are playing a key role in this routing. One cocaine route travels through Lithuania, according to the State Department report. Cocaine is smuggled from Germany through Lithuania to Russia; the cocaine also flows in the opposite direction. Cocaine is also being smuggled into eastern Europe via airports in Bulgaria, the Bulgarian criminal gangs being more directly allied to the Italian Mafias, which in turn, cooperate fully with the South American cartels. The Czech Republic has also become a depot for transport of cocaine into western Europe.

The Baltic states are also being used for transshipment into western Europe from as far away as the Golden Triangle. Estonian drug couriers have been arrested in Thailand. Opium and hashish cargoes are often transferred to Estonian ships bound for western Europe, especially Scandinavia.

Poland: Dope, Inc. depot

Poland is the “Grand Central Station” for drug flows, reports of the U.S. Drug Enforcement Administration (DEA) show. Marijuana and cocaine come in to Poland from the Baltic Sea from the Western Hemisphere and Africa bound for points east and west. Heroin and marijuana also come into Poland from the eastern border with Ukraine, where it is transported to western Europe. The amount of drugs flowing through the country is so dense that in May 1993, Polish Customs officers seized 4.4 metric tons of hashish. In November 1993, a 2.5 metric-ton shipment of hashish was intercepted; its point of origin was Afghanistan. An additional 2.5 tons of the same shipment had been seized in Belarus. In December 1993, Polish Customs seized half a ton of marijuana that had arrived on a KLM (Dutch airlines) flight from Lagos, Nigeria. On April 18, 1995, 2.1 metric tons of marijuana were seized from a container which had been transported on the Danish

ship *Maersk Euroquinto*. Reportedly, the container had been loaded in Rotterdam in a legitimate shipment of ginger. The marijuana shipment was intended for transshipment through Poland to western Europe.

Heroin is also being moved on the roads. Polish police authorities, according to the DEA, say that Nigerians, Turks, Indians, and Pakistanis recruit Polish couriers to transport heroin from the Golden Crescent and Golden Triangle to points west.

Lastly, Poland is itself a major producer of amphetamines for consumption in western Europe. According to the DEA, Poland ranks second only to the Netherlands in the illicit production of amphetamines for the overall European drug market. But this is not necessarily a rivalry, but cooperation—Swedish authorities have determined that most of the amphetamines consumed in that country are produced in the Netherlands, and smuggled into Sweden through Poland (see article, p. 6).

Poland assumed its key role as the stationhouse for European drug routes after the launching of the Balkan war. Its services to Dope, Inc. have not left the Polish people unscathed. Officially, there are 40,000 drug addicts in Poland. One-third of its intravenous drug addicts are HIV-positive. But Poles don’t consume the high-priced drugs arriving in their ports and airports. Most addicts consume processed poppy seeds with a high opium content, grown in Poland’s own illicit poppy fields, but considered of too poor quality for export. In 1993, police located 4,000 illegal poppy fields in Poland. Commensurate with Poland’s rise in the drug world, is its crime rate, which has nearly doubled yearly in the 1990s.

Ukraine: the Dope, Inc. grip

Another country caught in the drug cross fire is Ukraine, once the breadbasket of eastern Europe and the Soviet Union. In only the first six months of 1995, Ukrainian authorities seized 23 tons of illicit drugs, including hashish, opium poppy straw, and amphetamines. Ukraine is also a critical transshipment point for chemicals, such as acetic anhydride, which is produced in large quantities in Russia, for use in opium refining to produce heroin in the Golden Crescent.

As early as 1993, leaders in Ukraine were sounding the alarm on the Dope, Inc. takeover of their country. The New Jersey-based *Ukrainian Weekly* reported in May 1993 that the Ukrainian Security Service had called a special meeting of regional administrators to draw up plans on how to thwart the criminal takeover of the economy.

The *Weekly's* correspondent Dmytro Filipchenko reported: "Profiting from the after-effects of the collapse of the U.S.S.R., various gaps in the existing legislation and enforcement, and a lack of regulation of economic relations between the enterprises and the state, criminal elements have created so-called 'support groups' in the higher echelons of authority in Ukraine. They have also forged strong links with international organized crime groups, and diversified their activities—primarily in banking and trade." On the last point, it was reported by the newspaper *Kiev Pravda* in August 1993, that drug dealers from Russia, the United States, and Ukraine had held a grand council in Zurich, Switzerland, to set goals for drug expansion in eastern Europe.

The *Ukrainian Weekly* article listed the methods to be used: "The principal goals of the Ukrainian mafia today are perceived to be: to obtain illegal easements in export trade; to illegally obtain raw materials; to use foreign investments to fund criminal activities (such as narcotics, production and traffic, and the sale of nuclear materials); and to embezzle humanitarian aid arriving to Ukraine from abroad.

"As a result, organized crime in Ukraine is struggling to achieve control over the entire import and export system of the country" (emphasis added).

As always, Dope, Inc. in Ukraine is feeding on the destruction of young minds. According to the Ministry of Internal Affairs, the spread of drug consumption there has been "alarming." The cause is not only poverty and economic crisis, but, said a ministry official, "superabundance."

"Every year," *Kiev Pravda* reported in July 1993, "more than 6,000 drug addicts are registered in Ukraine, of which more than 40% are minors. More than 90% of all addicts are under 30 years of age. Half of them become addicted as teenagers."

Czech Republic: Shangri-la

To the Czech Republic, Dope, Inc. has given the special role as the "Nepal" of eastern and western Europe—a Dope, Inc. tourist trap. The government signed on, when it passed legislation which permits personal possession of drugs. Simultaneously, drug prices dropped. The combination has made the Czech Republic a drug attraction for tourists from western Europe, especially Austria and Germany, where cocaine and heroin sell for three times their price in the streets of Prague.

The Czech Republic also functions as a launching pad toward the East for the Italian

Mafia groups, such as the Neapolitan Camorra and the Sicilian Mafia. Drugs go the other way also: Kosova Albanians, Russians, Turks, and local Czechs move large cargos of heroin from the Golden Crescent to western European markets. South American traffickers are also finding safe passage through the Czech Republic. One ephedrine-smuggling route from Mexico has been discovered, and cocaine is now arriving in Czech airports, along with the drug tourists.

The Central Asia bonanza

While the western mafias are walking in the front door opened by the Thatcher-Bush imposition of free-trade globalization on Russia and eastern Europe, by far the biggest flow of drugs coming into and through Russia and eastern Europe, comes in through the back door, from Central Asia and the Golden Crescent of Afghanistan and Pakistan. As the agency Novosti described it in August 1994: "With the collapse of the U.S.S.R., opium from Afghanistan, Pakistan, and Iran started flooding into the NIS states. And though border guards and customs officers are doing their utmost, the major part of these lethal powders still seeps through the cordons. The new so-called Silk Road is very convenient for smugglers. It has replaced the former mainline into Europe, through Turkey and Bulgaria, which has become far more dangerous because of the political situation in the Balkans."

Hence, even before the opening of Russia and Central Asia to real economic development and trade along rail corridors organized as a new Silk Road spanning from Beijing to Paris, as proposed by American Presidential candidate Lyndon LaRouche, the Thatcher-Bush policies have produced a *drug* Silk Road (Map 15).

Evidence suggests, furthermore, that one of the major facilitators of this "Drug Road" is the Russian Army. According to some reports, up to 40% of the Russian and allied soldiers who fought in the Afghanistan War became addicted to drugs. As one official of the Russian Ministry of Internal Affairs admitted in a press conference in 1994, in answer to a question on this point, "Yes, there is some form of cooperation [between servicemen and the drug traffickers]. It's true that the drugs fall into the hands of the servicemen. We carried out a number of operations . . . to check army units deployed in and outside Moscow. A number of cases were revealed in which drugs were trafficked to and from the barracks." And in cities such as Dushanbe, Tajikistan,

sources report that Russian soldiers frequent the finest restaurants in the city—flush with funds from the drug trade.

The Golden Crescent of Pakistan and Afghanistan was launched with the Afghanistan war (see article, p. 25). This is the major source of heroin and opium going into the NIS countries.

The price of the heroin goes up every time it changes hands along the route, reported Anatoly Baranov in the Russian daily *Pravda* of Sept. 21, 1994, and has become the most lucrative form of business. "Tajiks have very little money. . . . Even when there is paper money, the Tajiks have nowhere to earn it—all industry is standing idle, agriculture is extremely unprofitable and inadequate, and trade is utterly disorganized." The expanded drug trade, coming in from Afghanistan, says Baranov, is flourishing as a result. In Tajikistan, drugs are called "modeling clay," and a kilogram of it in neighboring Afghanistan costs 80,000 rubles, or about \$35-40. "When it crosses the Pyandzh in a smuggler's bag, it increases in price approximately tenfold, and in the border regions of Pamir is valued at 800,000 rubles [\$35-40,000]." In Dushanbe, it is worth 2.5 million rubles, and in Moscow 10 million rubles.

Baranov reports that Afghanistan accepts anything in payment for the heroin—"hardware, ammunition, flour, military matériel, gasoline, and diesel fuel." He further claims that the Russian Army rear services directorate rides shotgun on food and fuel being sent into Afghanistan, in exchange for the drugs.

In addition to carrying heroin from points southwest, the newly independent countries of Central Asia, which have traditionally grown quantities of opium for local consumption, have now emerged as significant producers in their own right, placing these countries, which were already the poorest sections of the U.S.S.R., under the mercy of Dope, Inc. As Novosti reported in 1995, "Under conditions of war, it is difficult to cultivate agricultural land. Harvests suffer. But the planting of opium, for example, does not require any special conditions, and the profits are incomparably higher than for any of the products of normal agriculture. . . . For example, 1 hectare of a fruit-tree farm yielded in 1991, 15-20,000 rubles, but opium (5 kilos of raw opium) yielded 2.5 million rubles."

• In Tajikistan, drugs are cultivated in the Pamir region in the east of the country, called Badakhshan, whose population are mostly followers of the Ismaili Prince Karim Agha Khan. Sources report to *EIR* that once a traveler steps out of the capital of Dushanbe, he sees poppy fields everywhere in the country-

side. Opium grown in Tajikistan is shipped north to Osh, a largely Uzbek city within Kyrgyzstan on the Uzbek border.

- In Uzbekistan, opium poppy and hashish are cultivated in the mountainous regions of Uzbek, particularly in the regions of Samarkand and Syrhandarya, reports the State Department. But Uzbekistan's use to Dope, Inc. is mostly as a brokering center and transshipment point for drug operations.

- In Turkmenistan, opium has traditionally been produced for local consumption. Most opium poppy is grown on the Iranian border in the Akhal Velayat, which contains Ashgabat, and in the eastern regions of Lebap and Mary. As the State Department explains it, "Opium is *bartered by the local producers for scarce commodities like bread and fuel*" (emphasis added).

- Kyrgyzstan is a traditional opium producer, and after the Soviet Union banned its cultivation in 1973, illicit cultivation, mostly in remote mountainous regions, continued. In 1995, authorities seized 1 ton of indigenous opium. Cannabis is also produced here.

- In Kazakhstan, police seized 6 tons of illegal narcotics in 1995. Marijuana is the most important drug crop, but ephedrine and opium production is on the rise. Most of this production occurs in the vast Chu Valley, which also spans part of the territory of Kyrgyzstan and Uzbekistan. According to some reports, there are some 40,000 hectares of opium fields in the Chu Valley, and 4.5 million hectares of hemp (marijuana). Ephedra plants, from which ephedrine is derived, grow wild in the Taldy-Korgan and Dzhambyule regions, with 2,000 tons harvested in a single summer.

Novosti further reported in 1995 that Russia itself is not immune from the narcotics cash-cropping. "In Russia, 1.5 million hectares of wild-growing hemp are registered. One hectare yields approximately one ton of narcotics material annually. Narcotics plants (hemp, poppy, oil-poppy) flourish in southern Russia, in the non-Black Earth territory, in the Far East, in Tuva, the Caucasus, Buryatia, Siberia, and other regions. *The annual growth of narcotics cultivation is 10-15%*" (emphasis added).

Perhaps nothing better illustrates the Dope, Inc. degradation of the Russian economy, than the way in which Russia, Poland, and other former Soviet satellites have become leading producers of amphetamines. Underground synthetic drug laboratories have become the major employers for thousands of chemists, thrown on the scrapheap by the Thatcher-Bush free-trade regimen, left to try to survive on \$20 a month.

The Dope, Inc. invasion of the Russian economy

by Roger Moore

In November 1991, at a conference of the Schiller Institute, only three months after the breakup of the Soviet Union, *EIR* editor Dennis Small presented to an audience of 400 people a documented picture on the disaster that the application of neo-liberal "free trade" dogma, especially its "shock therapy" form, has brought to the countries of Ibero-America. Small warned the audience of representatives of 36 countries, including from eastern Europe and almost all the newly independent states (NIS), that if they accepted the "reform" policy being pushed from the West by such Harvard yuppies as Jeffrey Sachs, "this is what will happen to you." Small cited the case of Bolivia, where Sachs admits that the tin- and oil-sector workers, laid off as a result of his reforms, had gone to work for the coca growers. Now, in early 1996, we read about laid-off fish cannery workers in the Soviet Far East growing marijuana and bartering it for food.

Not only have the populations of Russia and the NIS been reduced to desperate impoverishment, forcing them onto the payrolls of Dope, Inc., as foot soldiers. It is under the financial framework of the shock therapy imposed on Russia and the NIS countries by British Prime Minister Margaret Thatcher and U.S. President George Bush, that the filthy lucre produced by the criminalization of these economies reaches its ultimate destination: the coffers of Dope, Inc., primarily in the West. Thanks to Thatcher and Bush, Russia traded in communism for the British Empire's dope-driven black economy—offshore financial centers, metals speculators, money launderers, crime networks, and drug traffickers.

Meanwhile, in the last six years, Russian industry has been shrunken to 40% of its previous levels. Russian flight capital, on the order of \$300 billion, is locked into the global financial system's speculative nooks and crannies, and a vast black economy of smuggling and crime in Russia runs the scale from hard-core criminals to members of the *Nomenklatura* with Swiss bank accounts. But, as much as Russians are accountable for their own country's fate, the

logistics for this criminal revolution came from the West, and the Russians who joined whole hog, were often already active in the East-West weapons-for-drugs economy, where the borders between the Warsaw Pact and NATO were faded.

Within Russia, all experts admit that the institutional chaos, associated with the shock therapy reforms, has led to uncontrolled borders, unregulated banking, unbridled smuggling, underpaid police facing mafias flush with dollars, and a collapsing health care system for addicts. How did this Dope, Inc. takeover of the Russian economy happen?

Bust the ruble

A crucial step in the looting of Russia was the destruction of the Russian ruble. This plan went into high gear in January 1992, with the Gaidar reforms. Prices were decontrolled, inflation soared to rates of 2,000% per year, and dollarization of the Russian economy began. By December 1992, the ruble had crashed from 1.81 to the dollar in 1991, to 500 rubles to the dollar. By December 1993, it was 1,250 to the dollar, and by December 1994, it was 3,306 to the dollar. "Doing business" in the ruble became a losing proposition, with the result that transactions generating hard currency became the name of the game. Anything that could get a price in Western markets was bought, stolen, or swindled out of the domestic economy and shipped out.

The street mafias, an outgrowth of black marketeering under the Soviet system, became institutionalized, under International Monetary Fund (IMF) reforms, when Gorbachov privatized much of the retail sales infrastructure in the Soviet Union. These so-called cooperatives were picked up by regional *Nomenklatura* figures and their appended assortment of criminal contacts. According to Yuri Dashko of Moscow's Academy for Economic Security, this was a conscious policy to "integrate the shadow economy into legal areas."

The flood of Western consumer products, increasingly out of the reach of the impoverished average Russian, poured in through

the cooperatives, whose clients were the *nouveaux riches*—as the domestic consumer industry shrank. Import-export firms, linked to Western suppliers and staffed by former KGB agents and others, sat on top of the street mafias, and raked in the profits.

Today, estimates of Russian flight capital abroad go up to \$300 billion. The October 1995 report of the Swiss Federal police, *Status Report East Money*, estimates that 40-50% of Russia's Gross Domestic Product is in the "shadow economy," and that large sums of Russian criminal money have landed in Swiss banks. In Switzerland, "international trade deals, particularly raw materials, are financially arranged, which never appear in the statistics," it notes.

Simultaneously, Russia was dollarized, reaching such levels that in 1994 and 1995, the New York Federal Reserve sold on a seignorage basis, close to \$40 billion newly minted U.S. notes, primarily \$100 bills, to the New York-based Republic National Bank of Edmond Safra. Safra had bought them for a select group of Moscow-based banks and their customers, and the dollars were literally flown to Russia.

Enter Marc Rich

Another step in Dope, Inc.'s takeover was to entice members of the Russian and Soviet *Nomenklatura* into get-rich-quick sell-offs of raw material wealth to the "global markets." Russia was sold a poisonous stew of Physiocratic doctrine, the "Bounty of Nature," and Adam Smith free-trade doctrines, that provided the basis for Russian shock therapy czars Yegor Gaidar and Anatoli Chubais, who took office in President Yeltsin's first government in late 1991, and began implementing the reforms in 1992.

After the Fall 1991 breakup of the Soviet Union, and the subsequent chaos in trade and ruble transfer payments among the new republics, Western raw material trading pirates such as Marc Rich, based in Zug, Switzerland, offered their extensive Russian contacts quick access to world market prices for Russian oil, aluminum, gold, and other products normally consumed domestically.

In his heyday, Rich, now a fugitive wanted in the United States, controlled one of the world's biggest commodity trading firms. By the early 1990s, Rich had a large Moscow office, set up by his London partner Felix Posen. From this office was begun the raw materials looting of Russia, which turned into an avalanche of smuggling. The Oct. 24, 1992 issue of the London *Economist* put it bluntly: Russia should shut down its raw-materials-consuming indus-

tries and instead ship everything out to Western markets. George Soros, speculator and pro-drug legalizer, boosted this plan.

Prior to his 1984 conviction in a U.S. court on charges of tax fraud, Rich had been a partner with oilman Marvin Davis in Twentieth Century Fox, with Henry Kissinger on the board. Rich was the perfect pied piper, having been the official Western representative for Soviet metals trading in the 1980s, and the architect of the illegal flow of Soviet oil to South Africa, in violation of international sanctions. He was also up to his eyeballs in the 1980s in the triangular trade in weapons, oil, and drugs around the Afghan and Iran-Iraq wars, and George Bush's Iran-Contra drug caper.

Rich was then in a perfect position, in the early 1990s, to set up massive legal and illegal exports of oil and other commodities out of Russia, as well as facilitating the offshore money-laundering channels so that this money stayed abroad.

After the 1991 collapse of trade among the former republics, Rich's contact base was the only network capable of putting together inter-republic trade deals. According to Vsevolod Generalov of the Russian State Committee for Metallurgy, in an April 1, 1996 London *Metals Bulletin* interview, "These companies were only interested in today's profit or 'hit and run' operations. There was a lot of speculation and illegal financial activity."

By 1992, according to the head of Rich's Moscow office, Daniel Posen, Rich and company were doing \$2.5 billion in "natural resources" trading with the former Soviet Union. In 1992, Rich's Moscow contact, Russia's "commodities kingpin" Artyom Tarasov, head of the foreign trade ISTOK association, came under pressure and skidad-dled off to London with a bundle of money. According to a 1992 *Izvestia* article, in December 1991, Rich was the main beneficiary of a top-down decision assigning substantial hydrocarbon supplies for export. The *Wall Street Journal* in 1993 estimated Rich's trade with the former Soviet Union at \$3 billion, "about a tenth of his worldwide business."

Rich has never been shy in bridging the gap between the masters of British geopolitics and the sleazy underworld of the black economy. In Tajikistan, the drug crossroads of Central Asia, Rich's New York agent, Rabbi Ronald Greenwald, has been in charge of putting together aluminum trade convoys, protected by private armies drawn from the area's armed clans, many of which also traffic in heroin.

Since the late 1970s, Greenwald had

worked with another Rich-connected operative, Shabtai Kalmanowitch, a KGB agent laundered into the organized-crime faction of Israeli intelligence. Kalmanowitch was adviser to Chief Mangope, head of South Africa's Bophuthatswana bantustan. "Bop," as the bantustan was dubbed, is known for its casino gambling and for being one of the world's biggest producers of platinum.

Arrested by the Israelis in 1988, Kalmanowitch was freed to return to Russia in 1993, where he took up business with the mafia-connected Duma member Josef Kobzon. Today, the Liat-Natalie firm founded by Kalmanowitch and Kobzon is involved in some of the biggest real estate and construction ventures in Moscow. According to sources, Kobzon hosts Rich whenever the latter visits Moscow. Kobzon and his network had been the focus of 1993 German police intelligence leaks exposing the stay-behind crime networks being built up around the Russian Western Group of Forces still stationed in Germany.

This network encompassed criminal cells, largely operating through import-export companies, that went from Moscow, to Berlin and Antwerp, a center for cutting of Russian diamonds; to Israel and Brighton Beach in Brooklyn, New York, where the Russian emigré mafia had perfected fuel tax frauds running into the billions. Israeli Police intelligence official Leber stated in the Oct. 2, 1995 *Newsweek*, that figures in this network, Boris Nayfield and Rachmiel Brandwain, are handling a heroin and cocaine business stretching from Ibero-America to Europe and Israel. According to a Russian weekly, Kobzon is friends with "thief-in-law" "Yaponchik" Ivankov, who was arrested by the FBI in June 1995 in New York City.

Enter Philip Morris and Transworld Metals

The import flood into Russia is small change, compared to the raw materials outflow to the West. Here, the volumes of wealth require offshore banking skills, metals market insiders, secure numbered bank accounts in the West, and protected opportunities for investing the proceeds outside Russia. The unique relationship between a small, London-based metals trading firm, Transworld Metals, the Russian aluminum industry, and Philip Morris, Inc., shows just how close Dope, Inc. has come to succeeding in its conquest of Russia.

The Anglo-Dutch families, grouped into the Club of the Isles, control the bulk of global raw materials production, as a cartel. The only significant area of the world not in their

control is the extensive reserves and production capabilities in the former Soviet Union. The London Metals Exchange (LME), with the associated commodities trading houses grouped around it, like Rich and Transworld Metals, is the center for global metals trading. LME-connected metals traders operate like modern-day pirates, descending upon a target, buying, threatening, stealing, much the way the British Admiralty used the Barbary pirates in the 1700s.

According to Russian economics expert Vladimir Pankov, as quoted in the Vienna *Wirtschafts Woche* of Nov. 16, 1995, "20% of oil production, 34% of fertilizers, and 45% of non-ferrous metals are illegally exported out of the country." South American cocaine and Golden Crescent heroin and hashish turn up in the same Baltic ports that handle the metals outflow. The criminal commodities trade provides a means for laundering the proceeds of both raw materials and narcotics smuggling.

According to sources, London's Transworld Metals operates in combination with Rich. It is reportedly the world's third largest aluminum producer. Once owned, and perhaps still, by London interests around Henry Ansbacher Holding, it was assigned to take over the Russian aluminum industry based in Siberia. By 1995, Transworld owned the majority of shares in smelters in Bratsk (50%) and Sayansk (68%), and tried to take over the Krasnoyarsk smelter. These smelters, some of the largest in the world, used to supply the Russian aircraft industry. Within its current borders, Russia has no supplies of the raw materials alumina and bauxite. IMF pressure against Russian state subsidizing of industry made it impossible for these firms to import alumina.

In stepped Transworld, which provided the financing for importing alumina, rented the Russian factories, for about \$500 a ton, took possession of "their" aluminum, which was shipped out of a Pacific dock Transworld built in Vanino on the Sea of Japan, and into Rich's market for "Russian" aluminum. Through the rental procedure, called tolling, little money went into urgent maintenance, and nothing was set aside for retooling up to current technological standards. Through corruption and threats, Transworld picked up from within the management, more and more shares of stock.

Most of the deals organized by Rich and others, used the foreign sale of raw materials commodities to launder money out of the country. Zug, Switzerland prosecutors are investigating, for criminal money laundering, the whole gamut of Russian deals by Zug-

based commodities firms. The laundry works by falsifying billings, building into the commodity transaction price discrepancies which result in money leaving the country. The LME-connected trade in derivatives permits imaginative variations to the scheme.

With Philip Morris International, Transworld pioneered a variant on this. By September 1990, Philip Morris had made arrangements with Boris Yeltsin, then head of the Russian Federation, for the import of Marlboro cigarettes. Overnight, a black market in Marlboros and other Western brands sprang up in Germany where the Western Group of the Red Army was stationed until 1994. Billions of cigarettes were pumped through the military transportation system, and into the hands of Russian emigré and other mafia black marketeering rings.

Within Russia, Philip Morris was accumulating rubles from their retail and wholesale dealings. Transworld offered a service, used by probably 100 other companies, to unload rubles accumulated within Russia for hard currency abroad. Transworld would use Philip Morris's rubles to pay the tolling fee at the Russian smelters, and simultaneously Transworld transferred to Philip Morris, in a bank account abroad, dollars earned from the marketing of their Russian aluminum.

Transworld ran its alumina supply operation with its Monte Carlo-registered joint venture, Trans-CIS Commodities, a partnership with the Chernoi brothers from Tashkent, Uzbekistan. The Chernoi now reside in Israel. Russian investigations into Transworld, Chernoi, and the flight capital scheme have generated press coverage, but no arrests.

But, opposition began to grow inside Russia. In January 1995, the newly appointed head of the State Property Committee, Vladimir Polevanov, who replaced IMF darling Anatoli Chubais, stated that it might be necessary for reasons of national security to renationalize some key industries. He meant the aluminum industry and Transworld, and, was promptly fired as a sacrifice to the IMF.

As 1995 progressed, opponents of Transworld Metals and its partners in Russia began turning up dead. One such opponent was Feliks Lvov. Lvov had been trying to put together with the New York-based AIOC metals firm and some Russian banks a new bauxite-alumina supply operation to break London's stranglehold.

In May 1995, Lvov had testified before a Duma hearing against the looting practices in the aluminum industry, pointing the finger at Transworld's Trans-CIS front, and the Moscow Menatep Bank which had worked with Trans-CIS. Menatep's head is World

Bank darling Mikhail Khodorkovsky, who stated in an interview, "I am convinced that there is a chance for Russia to change from an industrial society into a post-industrial one."

In July 1995, two of the bankers working with Lvov were murdered. On Sept. 8, 1995, Lvov himself was gunned down outside Moscow. AIOC was slated for bankruptcy, and Rich began buying up chunks of AIOC's trading divisions.

Cyprus and the Balkan route

Philip Morris also paved the way for the Balkan route that brings drugs into Russia through the back door. From the 1960s on, Philip Morris sold container-loads of Marlboros to wholesale smugglers through Belgrade, Yugoslavia, and Sofia, Bulgaria, who then handled the smuggling to Italy's Camorra and Mafia. Another center for this smuggling was Cyprus, where cargo went by speedboat or ship into Adriatic ports. Beginning in the 1970s, these well-lubricated relations were used to handle a massive heroin pipeline from Southwest Asia's Golden Crescent to western Europe and the United States. With the escalation of the Lebanese civil war, a multibillion-dollar, drugs-for-weapons underground economy emerged, with Cyprus replacing Beirut as the eastern Mediterranean's dirty-money center.

Cyprus, home of two British military bases, is today the main jumping off point for the networks controlling Russia's raw materials trade and flight capital. Over 7,000 Russian offshore companies are registered in Cyprus, and 8 of the 26 foreign banks there are Russian. According to the *Wall Street Journal*, phone traffic between Cyprus and Russia dominates the island's modern telecommunications exchange. Cyprus was used in the 1991 sale of \$1 billion in Soviet gold reserves from Tashkent. Cyprus has also conveniently been an outpost of British Empire intelligence operations since the days when the British fleet controlled the Mediterranean. London's Barclays Bank dominates Cyprus, along with France's Banque Nationale de Paris.

Most of Moscow's banks run their currency speculation via accounts in Western banks. Moscow's Stolichny Bank, one of the recipients of large New York Fed dollar sales, has a Vienna company, owned by Stolichny's president, Smolenski, which runs its currency and financial transactions primarily through the Dutch ABN Amro Bank branch in Vienna. Stolichny and its Vienna partners were investigated in 1993 in a \$25 million fraud case.

How drugs can be wiped out, totally

by Dennis Small

Outside of moral indifferentism and the overt promotion of every-man-for-himself hedonism, there are two recurring arguments wielded in defense of the legalization of drugs. The first, is that legalization will cut drug prices drastically, and thereby take the high profitability (and concomitant violence) out of the trade. We addressed that false argument in the opening section of this report, where we proved that Dope, Inc. has itself *deliberately* lowered the prices of cocaine and heroin over the last two decades, as a classic marketing technique designed to increase the market for their "product." Their strategy succeeded. To do more of the same, under the guise of legalization, would only ensure a vast new increase of drug consumption.

The second argument is pure, cultural pessimism: Drugs cannot be stopped, so we may as well learn to live with them. Many then go on to cite the experience of the last decade—but especially of George Bush's phony "War on Drugs"—as "proof" that you just can't win. Even the well-intentioned Clinton administration is promoting the pathetic formulation that "this is not a war" to be won or lost, but rather it is like "fighting cancer"—which presumably means that we are destined to lose the battle.

However, a proper review of the last decade's anti-drug efforts—both the successes and the failures—points to a different set of conclusions:

1. *Crop eradication* is effective. Even with primitive technologies, upwards of 25% of the world's marijuana crop is being eradicated.

2. *Seizures* and drug interdiction can also do serious damage. Again with poor equipment and resources, more than 25% of world cocaine production was seized over the last ten years.

3. *Stopping drug money laundering* will never work . . . if it isn't tried. The story here is that a serious effort has yet to be made, *by any country anywhere in the world*, on this, the most decisive front in the war on drugs.

To effectively dismantle Dope, Inc., it is necessary to act in a coordinated fashion on

all three of these fronts. They are the three legs of the stool; without all three, the policy will not stand up.

The final, related consideration, is that the drug trade has to be fought simultaneously, in a coordinated fashion, on a global scale. Since Dope, Inc. is a multinational enterprise with operations in dozens of nations, it does little good to shut it down in one country only: It will simply move its operations to a more favorable environment.

Eradication

Figure 25 shows the disposition of the total quantity of marijuana cultivated worldwide, over the ten-year period 1985-95. Most noteworthy is that a full 26% of what was planted, was eradicated. The United States, the largest producer in the world, eradicates an estimated one-third of its crop (the DEA claims it destroys one-half, but a review of the literature indicates this is overly optimistic).

Mexico, however, is the world leader on the eradication front: In 1995, they eliminated 11,800 hectares of marijuana, out of a total of 18,700 cultivated; that is, about two-thirds of the total. How do they do it, with almost no resources, and less in the way of technology? In general, thousands upon thousands of Mexican soldiers are deployed into the drug-producing zones to chop down marijuana plants with machetes and other rudimentary equipment. Aerial surveillance and spraying with defoliants occurs in some cases, but is by no means the rule. As U.S. anti-drug director Gen. Barry McCaffrey reported on April 8, 1996: "The Mexican Army has eradicated more illegal drugs in the last year than any other nation on the face of the Earth. And they did this at the risk of their own lives, and [there was] a lot of hard work and sweat and blood involved in that."

If Mexico is able, with such methods, to knock out two-thirds of its marijuana before it is ever harvested, imagine what could be done with the application of serious resources and technologies. Satellite mapping and sophisticated aerial photography are capable of pinpointing every hectare cul-

tivated, by crop type, on the face of the earth. Such capabilities have existed for almost *two decades*. As *21st Century Science & Technology* magazine explained in its January-February 1990 issue, a 1978 joint study by NASA and the Mexican government proved the case:

"The remote sensing techniques developed at NASA's Earth Resources Laboratory to monitor agricultural crops from Landsat satellites [can] be used to detect cannabis. The particular radiation reflectance signature for the marijuana crop was determined to be in the 1.55 to 1.75 micron band, in the infrared part of the electromagnetic spectrum.

"With this knowledge, NASA analysts could find the cannabis fields from the air. A multispectrum scanning instrument (MSS) from NASA, mounted under the wing of a Lear 35 jet, could cover 12,000 square miles of Mexico per day. The entire country could be mapped every 15 days, to allow crops to be targeted for destruction almost as soon as they started growing."

Once the drug crops are detected, highly effective herbicides, such as glyphosate, can then be applied massively, using virtual air flotillas protected by the respective national air forces, if necessary. For hard-to-reach mountainous areas and deep valleys, modern, armored helicopters can be equipped for the task.

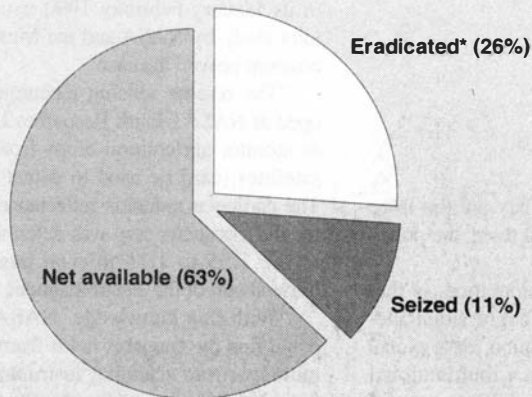
Environmentalist arguments against such spraying are specious. Herbicides have been designed that are damaging only to the drug crops, and not to other plants. As for the purported harmful effect on the poor, unsuspecting consumers, they should protect themselves by simply not consuming the illegal substances in the first place. In any event, there is some question whether the herbicide does more damage, or the pot or cocaine does.

Marijuana cultivation in the United States poses a greater challenge to eradication, but it is far from an impossible task. The first problem is a political one: Much of the marijuana cultivation occurs on national parks land, and the environmentalist lobby is a powerful obstacle to serious eradication. Secondly, over recent years, much of domestic production has been moved indoors or underground, into vast, technologically sophisticated plantations which are not detectable with standard aerial surveillance. Here, however, infrared photography, which is heat sensitive, is very useful. So, too, is the measurement of unusually high rates of water and electricity consumption in areas where they are not warranted. Similarly, the discharge of unauthorized chemical effluents can be readily detected,

FIGURE 25

Marijuana eradication and seizures

percent of total quantity cultivated, 1985-95



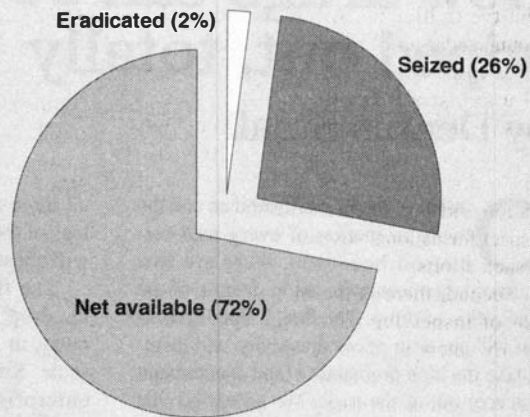
* Colombia, Mexico, and the United States.

Sources: NNICC; INCSR; DEA; NORML; PGR, Mexico; EIR.

FIGURE 27

Cocaine eradication and seizures

percent of total quantity cultivated, 1985-95



Sources: NNICC; INCSR; OFECOD, Peru; PGR, Mexico; EIR.

and point to probable indoor drug facilities. In fact, the Environmental Protection Agency is reportedly already providing the DEA with useful assistance in this regard.

The same basic approach can and must be applied to other drugs, including opium and coca. Today, only 5% of the opium crop is eradicated (see Figure 26), while less than 2% of the total coca crop is eradicated.

Eradicating a quarter of a drug crop, as currently occurs with marijuana, is not enough to seriously dent the supply. In fact, it may only serve to maintain market control and weed out

the competition. However, what if 90% were to be eradicated? If there is sufficient political will from the national governments in question, and adequate technology and other resources provided by the more affluent nations (the United States in particular), it is not unreasonable to suggest that as much as 90% of all three major illicit drug crops—marijuana, opium, and coca—could be eradicated on the spot.

Seizures

Figure 27 shows what has happened with coca and cocaine over the past decade.

Here the level of eradication is pathetically low—2%. There is organized political resistance to such programs in all three producer nations—Peru, Bolivia, and Colombia—by “peasant” associations financed by the drug cartels and their allied UN-based non-governmental organizations (see EIR, Nov. 10, 1995, “New Terror International Targets the Americas”). Furthermore, there are major problems at the level of the respective governments: President Samper Pizano of Colombia is owned, lock, stock, and barrel, by the Cali Cartel; President Sánchez de Lozada of Bolivia is a member of the pro-drug Inter-American Dialogue, and has himself openly advocated drug legalization; and President Alberto Fujimori of Peru has staunchly refused to eradicate, for fear of driving millions of Andean peasants into the arms of the Shining Path narco-terrorists, and for fear of losing the hundreds of millions of drug dollars which enter the Peruvian economy every year and without which Peru could not service its foreign debt.

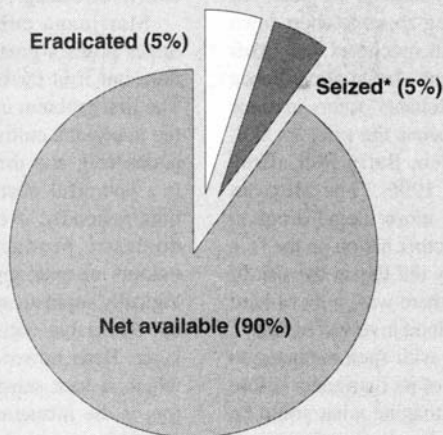
Cocaine seizures, however, are a somewhat brighter picture, with 26% of everything produced between 1985-95 having been intercepted and seized by various national authorities. The United States makes about 40% of the total worldwide seizures, but even here, the resources deployed are woefully inadequate to the task.

First, there is the question of aerial and maritime detection and interception. Cooperation between the United States and various Ibero-American governments has improved somewhat over the recent period,

FIGURE 26

Illicit opium eradication and seizures

percent of total quantity cultivated, 1985-95



* as heroin.

Sources: NNICC; INCSR; UN; Abt Associates; ANF, Pakistan; NALA; EIR.

with some U.S. radar equipment and technical support being provided to Peru, Colombia, Mexico, and other countries. But it is far less than what is needed to really dent the trafficking. A full complement of ground radar and linked AWAC capabilities needs to be deployed, which would detect all unregistered flights and immediately transmit the information to national military units each assigned to patrol their own territory and air space. In-depth technical cooperation and intelligence sharing, with strict respect for national sovereignty, is called for in such efforts.

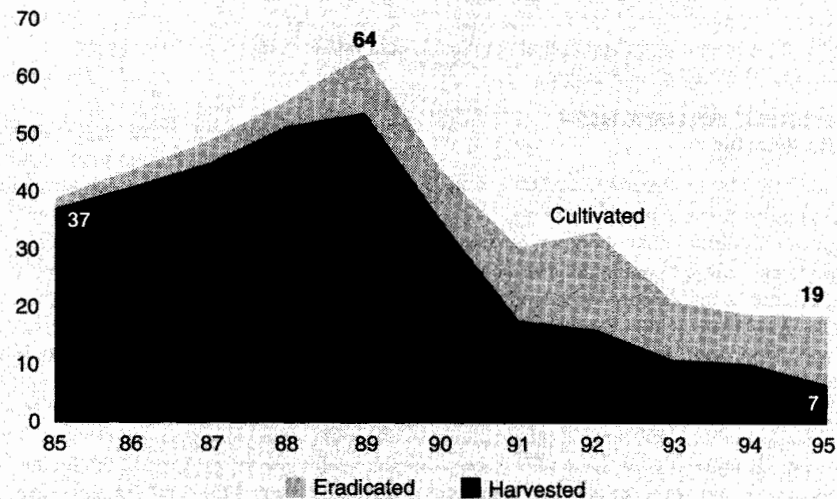
Second, there is the monumental problem of inspecting all of the cargo which *legally* enters the United States. DEA officials estimate that a mere 3% of the 8-9 million containers entering U.S. ports annually are actually inspected today. Similarly, hundreds of millions of passengers cross the borders, as do about 12 million air cargo shipments, and something like 47 million trucks—a mammoth screening challenge. Even in those cases where inspection does occur, the drug traffickers are constantly developing ingenious new ploys to foil existing detection systems: packing cocaine inside concrete posts eludes X-rays; placing packaged cocaine deep inside blocks of frozen shrimp stymies drug-sniffing dogs; hiding cocaine in canned tuna lots, where only one can in a thousand is not legitimate, stands an excellent chance of passing inspection; and so forth.

Only the extensive introduction of new detection technologies will turn the tide. For example, Magnetic Resonance Imaging (MRI) technologies, today applied routinely in the medical field, hold promise for the war on drugs. Here the detection system excites atomic nuclei in the scanned material and, by “reading” the atomic signature of elements, is able to locate the presence of illegal narcotics. Currently, however, only relatively small targets (such as letters or packages) can be effectively scanned this way. Other technologies under development, such as the Explosive/Contraband Detection System (E/CDS) which uses alpha and gamma rays, can handle somewhat larger packages, perhaps 2×2×2 feet—still substantially smaller than standard cargo containers (8×8×40 feet).

Another promising possibility is to use neutron beam technology, developed in the 1980s to verify nuclear and chemical weapons disarmament accords, in the anti-drug war. The technology was designed to put a Soviet nuclear missile through a screening system and count the number of

FIGURE 28
Marijuana eradication in Mexico

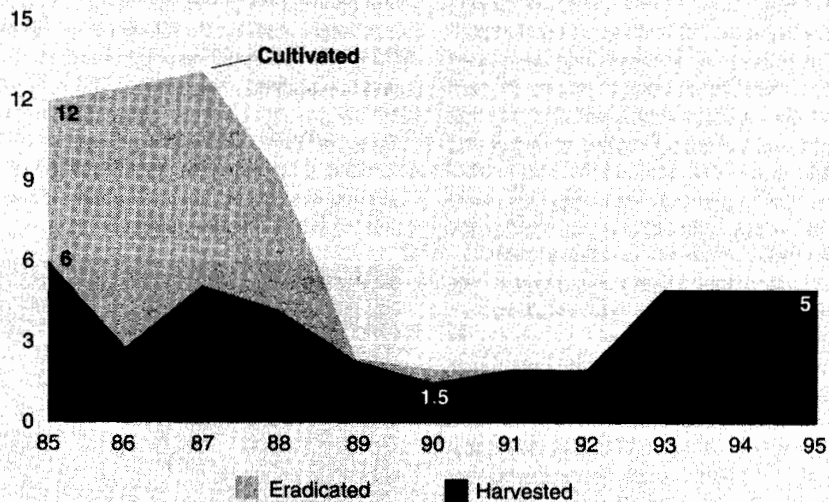
thousands of hectares



Sources: NNICC; INCSR; PGR, Mexico; EIR.

FIGURE 29
Marijuana eradication in Colombia

thousands of hectares



Sources: NNICC; INCSR.

warheads on it, because existing treaties did not allow the physical opening of the missile. The converted version of the technology consists of a kind of gantry through which up to 30 containers per hour can be moved, while a neutron beam scans their contents and tells customs agents what chemical elements they contain.

Although much work is still required, it is evident that such an approach is feasible.

Once achieved, all containers entering the United States could be subjected to scanning by such detection systems, and there would be a gigantic jump in the amount of drugs seized. This, combined with the aerial interdiction described above, would be capable of seizing not 25% of the drugs shipped—as with cocaine today—but perhaps 75% or more of the amount of all drugs shipped.

So, if only 10% of the drugs cultivated

gets past the eradication stage, and if only 25% of that reduced amount gets past the seizure stage, we are talking about only 2-3% of the total amount initially cultivated actually making it through to the consumer market. That would put a substantial dent in Dope, Inc. But it is still not enough.

Stopping drug-money laundering

The third leg of the stool, and the key to any successful anti-drug strategy, is to aggressively identify and put out of business any and all financial institutions that engage in drug money laundering—which, after all, is the level from which the drug trade is actually controlled. It is at this point in the discussion that people normally start getting very nervous.

The reason, as we have documented elsewhere in this report, is that global money laundering is run from the top by the most powerful financial interests on the face of the Earth: the City of London, the British Commonwealth, and associated forces.

But once the political will is established to carry out the task, here, too, modern technologies are available. Besides introducing anti-money-laundering legislation in countries where it doesn't now exist, and closing all the obvious loopholes in existing reporting regulations in countries like the United States, real-time computer tracking of even the most sophisticated money-laundering schemes is possible. Coupled with banking transparency—the bane of the free marketeers—such computer monitoring and tracking of suspect transactions can identify the vast majority of money laundering globally.

As important as they are, none of the above measures will be effective, however, unless they are carried out on a global scale by a coordinated effort among sovereign nation-states. The following case study shows why.

In **Figure 28** we see the growing effectiveness of Mexico's marijuana eradication campaign, beginning in 1989. In 1988, only 4,500 hectares were eradicated; but in 1989, according to official statistics, this more than doubled to 10,200 hectares eradicated. In subsequent years, equivalent amounts, and more, were eradicated, reaching a high of 16,900 hectares eradicated in 1992. As the graph shows, the effect of that campaign was not only to eliminate the specific hectares in question, but it also significantly discouraged cultivation in general, which, as a result, dropped from over 64,000 hectares planted in 1989, to less than 19,000 in 1995—a 70% decline in only six years. The

area harvested dropped during that same period by an even greater 87%—from 53,900 hectares in 1989 to 6,900 in 1995. In terms of marijuana output, Mexico went from producing an astonishing 30,200 tons in 1989, to “only” 3,650 tons in 1995.

Was Dope, Inc. concerned? Not particularly.

At precisely the point that Mexico began to put a dent in its marijuana output, Dope, Inc. took steps to make sure that another major producer, Colombia—which itself had been successfully eradicating in the mid-1980s—was brought back on line as a major source. As **Figure 29** shows, in 1985, under the government of Virgilio Barco, Colombia was eradicating half of its cultivated marijuana: 6,000 of 12,000 hectares. Over the subsequent four years, the eradication campaign, which made very successful use of glyphosate herbicide, in particular, forced the total amount cultivated and harvested to drop drastically, down to a low point of 1,500 hectares harvested in 1990—a 75% drop from five years earlier. But then, under the César Gaviria (1990-94) and current Ernesto Samper governments, *all* marijuana eradication ceased—to the delight of the British-run environmentalists, the British-run legalization lobby, and the British-run drug cartels. Predictably, marijuana production rose back up to nearly the levels it had achieved before the eradication campaign began. Thus, in 1995, Colombia produced 4,133 tons of marijuana, to Mexico's 3,285—beating Mexico out for the dubious distinction of being Ibero-America's biggest pot

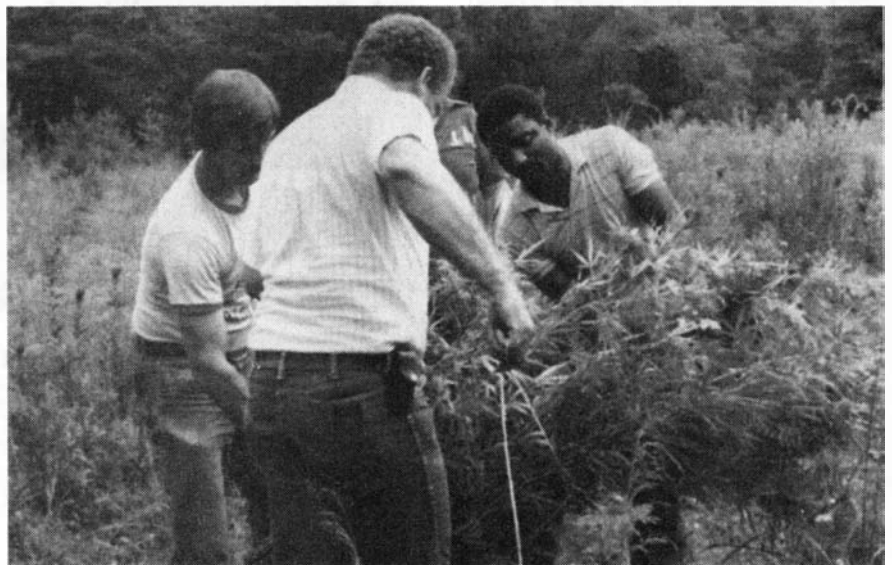
producer, for the first time since 1982.

The moral of the story is, that Dope, Inc. must be defeated everywhere, if it is to be defeated anywhere. With that in mind, we recall for the reader the prescient remarks by Lyndon LaRouche to an *EIR*-sponsored anti-drug conference in Mexico City, held over ten years ago, on March 13, 1985, just as Dope, Inc.'s “Development Decade” was getting under way:

“It is clear to the governments fighting the international drug-traffickers, that the drug-traffic could never be defeated if each of our nations tried to fight this evil independently of the other nations of this hemisphere. If the drug-traffickers' laboratories are shut down in Colombia, new laboratories open up in Brazil. . . .

“The greatest political threat to democracy in Venezuela, Colombia, Peru, and other countries, is the use of the billions of revenues held by the drug-traffickers to fund terrorist armies. . . . It is impossible to break the ominously increasing political power of the drug-traffickers . . . without capturing the billions of dollars of drug-revenues run through corrupt banking institutions. . . .

“Special attention should be concentrated on those banks, insurance enterprises, and other business institutions which are in fact elements of an international financial cartel coordinating the flow of hundreds of billions annually of revenues from the international drug-traffic. Such entities should be classed as outlaws according to the ‘crimes against humanity’ doctrine elaborated at the postwar Nuremberg Tribunal.”



Eradication of marijuana fields in Virginia. Marijuana cultivation poses a challenge to eradication efforts, but is by no means an impossible task, especially if advanced technologies are used.

LaRouche's war on drugs: a bibliography

Lyndon H. LaRouche, Jr. and his associates have been in the forefront of a campaign for a military war against the global narcotics trade since the 1970s. Below are their principal case-studies and exposés.

Sept. 12-23, 1978: *EIR*, "Why the World Bank Pushes Drugs," details how the international monetary institutions enforce economic policies which have driven Third World nations into producing drugs as cash export crops, in order to pay their foreign debts.

December 1978: *Dope, Inc.: Britain's Opium War against the United States*, commissioned by LaRouche and written by a team of *EIR* researchers. The exposé of the financial and political networks behind the multibillion-dollar international drug trade became an instant best-seller.

June 1980: *War on Drugs*, Vol. I, No. 1, is published. The magazine of the LaRouche-founded National Anti-Drug Coalition, it names the names of the "citizens above suspicion" in the drug legalization lobby and behind the dope trade.

July 1980: *The Ugly Truth About Milton Friedman*. Co-authored by Lyndon LaRouche, this book documents the Nobel economist's role in pushing drug legalization as the essence of "free enterprise."

February 1985: *Narcotráfico, SA: La Nueva Guerra del Opio*. The translation of *Dope, Inc.* causes a furor across Ibero-America. Within days, it is banned in Venezuela, on the demand of the powerful Cisneros family. A few months later, Peru's Ulloa family tries, in vain, to do the same.

April 2, 1985: *EIR*, "A Proposed Strategic Operation against the Western Hemisphere's Drug Traffic," a speech by Lyndon LaRouche for a March 13, 1985 *EIR* conference, in Mexico City. The text, along with its 15-point program for a military war on drugs, is published in November 1985, in LaRouche's election platform, *A Program for America*, and in the 1986 edition of *Dope, Inc.*

July 1985: *EIR Special Report*, "Soviet Unconventional Warfare in Ibero-America: The Case of Guatemala," is a case-study of narco-terrorism.

June 1986: *Dope, Inc.: Boston Bankers*

and Soviet Commissars. Second edition of *Dope, Inc.*, includes new sections on the dope cartel's command structure, the drug traffic in Ibero-America and Southwest Asia, and the Soviets' role in running the drug trade with the British and their Boston Brahmin retainers.

July 8, 1988: *EIR*, "How the Banks Got Hooked on Ibero-American Drug Money," proves that the international financial institutions encourage Third World drug production to facilitate payment of the foreign debt, and shows how they promote legalization as the next phase to keep their moribund world financial system alive.

June 23, 1989: *EIR*, "Kissinger's China Card: The Drug Connection," is an exposé of the involvement of Henry Kissinger with the major Hongkong dope banks.

January-February 1990: *21st Century Science & Technology*, "Yes, We Can Win the War on Drugs!" describes the technologies—airial detection, radar, remote sensing scanners—available for a high-tech war on drugs, and counters the naysayers who claim that we must surrender to the cartels.

Nov. 9, 1990: *EIR*, "'Dope, Inc.' Doubling Every 5 Years; Next Target Europe," debunks the Bush administration's pretense that U.S. drug use is declining; *EIR*

warns that the growing narcotics cartel is targeting Europe.

Feb. 8, 1991: *EIR*, "Where Are the Sorties against U.S. Pot Fields, Mr. Bush?" U.S. marijuana production has soared as the economic depression has destroyed American agriculture.

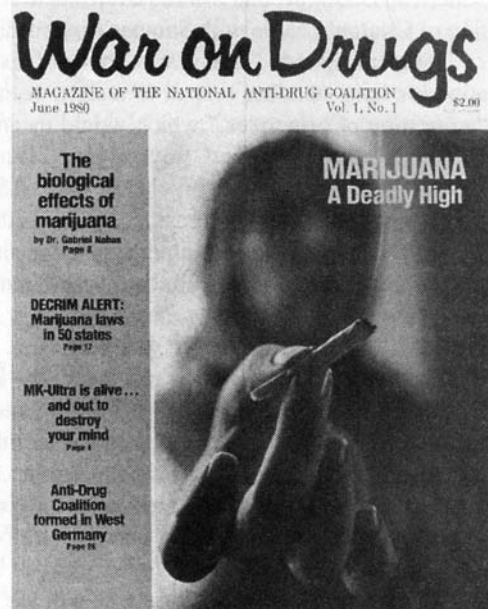
April 1991: *EIR Special Report*, "Bush's Surrender to Dope, Inc.: How U.S. Policy is Destroying Colombia." Official U.S. policy under President Bush fostered Colombia's "truce" with the drug traffickers, turning it into a testing ground for global drug legalization and setting the stage for the current narco-democracy.

Aug. 23, 1991: *EIR*, "Dope, Inc. Expands in Asia," The creation of "free trade zones" in Asia's formerly communist regions, became fertile ground for the drug trade.

June 1992: *Dope, Inc.: The Book That Drove Kissinger Crazy*. Third edition of *Dope, Inc.*, adds new material on the phenomenal growth rates of the global drug trade, on China's role in international drug trafficking, and on the Anti-Defamation League of B'nai B'rith.

May 21, 1993: *EIR*, "IMF Free-Traders Turn East Europe into Smugglers' Paradise," under IMF-imposed "free trade" policies; exposé has special focus on Seagram's and Philip Morris.

Nov. 10 and Nov. 17, 1995: *EIR*, "London's Irregular Warfare vs. Nations of the Americas." Eighty pages on the Cuba-spawned São Paulo Forum, detail who is behind this "Narco-Terrorist International," created to sow separatism, drugs, and terrorism.



Clinton pulls Samper's visa for abetting drug trade

by Robyn Quijano

When U.S. President William Clinton stripped Colombian President Ernesto Samper Pizano of his U.S. entrance visa on July 11, under a provision in the U.S. Immigration and Naturalization Act which "provides for visa ineligibility when there is reason to believe that the individual has knowingly assisted or abetted illegal narcotics trafficking," the British plot to use Samper in their drive for international drug legalization took a hit. Cries that the move would cause a nationalist backlash against the United States have been muted by the evidence that it has given Colombian patriots the maneuvering room to take their nation back from rule by Dope, Inc. The British, and the entire British-run apparatus within the United States, from Henry Kissinger to the Inter-American Dialogue, had worked overtime to stop any escalation of Clinton's battle with Samper's narco-dictatorship.

Samper responded to the cancellation of his visa by reiterating his long-standing refusal to resign, declaring it now a "a question of principles," which would mean surrendering Colombia's "dignity" and "sovereignty." But *El Tiempo*, a Liberal Party daily that has previously backed Samper, called for his resignation, and business leaders and other opponents, who have demanded that Samper step down since the beginning of this year, renewed calls for his resignation.

Demands for Samper to get out

The day after the visa was rescinded, the editorial of *La Prensa* declared: "The truth is that Ernesto Samper has turned Colombia into a narco-democracy and an earthly paradise for organized crime. . . . Today Ernesto Samper, thanks to his brotherhood with the Cali Cartel, is a universal citizen of infamy and secretary general of narcotics trafficking."

The conservative daily *El Nuevo Siglo*, in its main editorial the same day, warned, "Surely he will ask us all to wrap

ourselves in the national flag so Samper and his friends can maintain power." The editors reiterated their long-standing call for Samper's resignation.

Rumors that the United States is preparing to indict Samper are circulating in Colombia and throughout the region. A high-level law enforcement official told *EIR* on July 17 that an indictment is possible.

According to widely read *El Tiempo* columnist Enrique Santos Calderón, Samper may end up indicted by a U.S. court: "The withdrawal of the visa did not merely refer to Samper's witting acceptance of narco-money for his campaign, but [to the fact that] in exchange for that financing, he encouraged policies designed to protect and encourage the interests of the drug cartels."

In what looks like the first major defection from Samper's camp by a national board member of his own ruling Liberal Party, Ines Gómez de Vargas told the press, "Intolerance and violence are growing daily because sometimes one feels that one is not living in a democratic country, but that a dictatorship is being established here. . . . The possibility of dissent doesn't exist, and those who dare to think differently are struck down."

The day after the corrupt Colombian Congress absolved Samper of criminal charges that he knew about drug cartel contributions to his 1994 election campaign, because of "lack of evidence," Samper's lawyer announced that anyone who repeated the charges would be sued. But opponents and former allies have suffered more than legal harassment.

In an interview with *El Tiempo*, former Samper campaign treasurer Santiago Medina revealed that just before his arrest, an assassin was sent by the Samper crowd to shut him up, but that he was tipped off in time. He had been given some damaging evidence against Samper and company by one-time

Samper financier (and the wife of a cartel boss), Elizabeth Montoya, to prove that she had the goods to bury Samper. Before she could testify before the Prosecutor's office, she was killed, with 19 bullets to the face. Hours before her gruesome murder, Samper's aide-de-camp Col. Germán Osorio had made an appointment to meet her. He was ushered out of the country to a diplomatic post in Italy, where he had been hiding until mid-July, when the Prosecutor's office forced him to return to Colombia and testify. Medina predicts that, like Montoya, Osorio will be killed.

Narco-sovereignty?

Samper's interior minister, Horacio Serpa Uribe (known in Colombia as an agent for the Cuba-linked narco-terrorist ELN guerrillas), has charged the United States with wielding a "big stick" in the worst imperialist tradition. Similarly, the Cuban government called the U.S. action "arrogant and unjustified," and claimed it represented "imperial thinking."

Many of Ibero-America's worst enemies have, like Castro's Cuba, proclaimed themselves advocates of "national sovereignty" to defend Samper's narco-dictatorship. Impeached Venezuelan President Carlos Andrés Pérez, just convicted of fraud and embezzlement in his own country, has furiously denounced Clinton's anti-Samper move as "flagrant intervention" into Colombian internal affairs, and as a violation of national sovereignty. He has called on the rest of the continent to rally to Samper's defense.

Ironically, it was Pérez who, as Venezuelan President, took the lead in imposing the doctrine of "limited sovereignty" in the region, and who was praised in 1992 by Kissingerian State Department adviser Luigi Einaudi for promoting collective intervention "in defense of democracy"—or was that narco-democracy?

Also coming to Samper's defense is Inter-American Dialogue President Peter Hakim, who told the July 12 *Washington Post* that the U.S. action will be seen by Colombians as "an insult to their country's sovereignty"—echoing Samper's own argument. It should surprise no one that, like Pérez, this would-be guardian of Colombian sovereignty is an ardent defender of the concept of "limited sovereignty." Hakim has even committed the pro-drug-legalization Dialogue to a so-called "Sovereignty Project," to rewrite the very concept of national sovereignty.

Desperate to shore up his Presidency, Samper has called on Colombia's 10,000-man irregular army of narco-terrorists to join him in an anti-U.S. "patriotic front." In mid-July, two of the country's most powerful labor unions, heavily infiltrated by the narco-guerrillas, carried out a day-long strike to protest Samper's privatization plans. But the rallies were turned into anti-U.S. protests, including the burning of U.S. flags.

Samper's policy of appeasement toward the FARC-ELN terrorists was slammed by Colombia's top military leaders, who denounced the guerrillas as part of the drug cartels, and

warned against using the crisis in U.S.-Colombian relations to "give the advantage to the enemies of peace." Bogotá Mayor Antanas Mockus warned that "we could soon end up with our own Fidel Castro."

Samper's narco-terrorist "popular base" has given him the power to resist demands for his resignation for over a year. Crucial to his success has been the destruction of the military's ability to fight the drug lords and the narco-guerrillas. Witch-hunts against the military for alleged human rights violations in their war against subversion, which is sponsored by British-run non-governmental organizations such as Amnesty International, combined with budget cuts, have sharply curtailed the military's ability to fight the war (see *Documentation*). And the 1991 Constitution that was bought and paid for by the drug cartels, forbids extradition and other measures that would allow a successful war on drugs.

On July 15, director of the U.S. Office of National Drug Control Policy Gen. Barry McCaffrey identified narco-terrorism as one of the greatest difficulties facing Colombia. Asked at a White House briefing whether he thought the administration's decision to revoke President Samper's visa would adversely affect U.S.-Colombian cooperation on drug interdiction, McCaffrey said, "The Armed Forces, the police, the prosecutors, the judges are still confronting an internal enemy that's just incredible—10,000 narco-guerrillas . . . assassination attempts. So, we will continue to cooperate in the counter-drug arena. That is unaffected by de-certification. We're all extremely sad about the complicity . . . of senior members of that government with drug cartels. And that's why the President took the action he did."

Inside Colombia, President Clinton's squeeze on Samper has given room to those who want to take the nation back from the drug cartels to act. On July 9, Colombia's chief prosecutor Alfonso Valdivieso, who has collaborated with the Clinton administration, seized over \$1 billion in assets of the Rodríguez Orejuela brothers, and other top Cali Cartel bosses. The funds from the seizures are to go into the war on drugs, thus strengthening Valdivieso, one of Samper's most important opponents.

Documentation

On July 5, the Conservative Party-linked Center for Colombian Studies sponsored a seminar in Bogotá which featured Armed Forces Commander Adm. Holden Delgado and Army Commander Gen. Harold Bedoya. The two distinguished military leaders used the opportunity to blast the Samper government's financial and political attacks on the military.

The main speaker at the conference, Admiral Delgado, presented a detailed analysis of the budget cuts that have the Armed Forces on the verge of paralysis. He observed that the

original military budget proposed by the Armed Forces was approximately \$2 billion. The budget passed by the Congress was \$1.5 billion. The first budget "adjustment," owing to an agreement between the Samper government and the Central Bank, reduced the military budget to \$1.3 billion. A recent decision by the National Planning Department cut the military budget another \$500 million, with plans to make yet a further \$300 million cut. This leaves the budget of the Armed Forces, at war with a 10,000-strong narco-terrorist army, at \$500 million!

In contrast, Admiral Delgado pointed out, the narco-terrorists have not suffered from the Planning Ministry's axe. In fact, the financing of the FARC, ELN, and EPL narco-guerrillas has grown considerably in recent years, reaching the incredible annual figure of \$1.6 billion—\$700 million from drug trafficking, \$480 million from extortion and robbery, \$330 million from kidnapping, \$12 million from investment profits, \$71 million diverted from municipal and provincial treasuries through blackmail, and \$22 million from other sources.

Delgado pointed out that President Samper's strategy is to "defeat subversion by forcing it to negotiate." He said the principal difficulties of this strategy are: 1) that 40% of military troops are guarding oil installations; 2) the campaign that has been launched against obligatory military service, which would do away with the Armed Forces altogether; 3) that "the soldiers most distinguished in battle against narco-subversion are accused of crimes they have not committed. At this moment, there are 700 cases before the Prosecutor General's office and 300 before the Attorney General's office"; and 4) the low budget and lack of personnel and equipment.

Bedoya: The 1991 Constitution tied our hands

"The worst enemies of the Armed Forces," said General Bedoya, "are not declared enemies. 'Tirofijo' [head of the FARC narco-guerrillas] is not our worst enemy, because we already know he is an enemy. . . . More dangerous are the undeclared enemies, the ones with white collars and top hats, who are like the termites that one cannot see but which gnaw away at your house until it crumbles. One finds these treacherous enemies in the Attorney General's office, in the Prosecutor General's office, in the People's Defender's office. . . ."

"The main problem is that we lack the legal tools for defeating narco-subversion. We have spoken with the Peruvian military, with [Armed Forces Commander] General Hermoza for example, and presented them with our situation. They told us: 'Change the legal framework or you can do nothing.' That is the problem of the 1991 Constitution. That Constitution tied our hands. . . . In Colombia there is no wartime legislation because the Constitution prohibits it. The commander has no authority. The evidence we present is not considered evidence. We have no ability to do intelligence. The 1991 Constitution has taken all of that from us."

TransAfrica's Payne fields anti-Sudan bill

by Linda de Hoyos

The TransAfrica Institute, the Anti-Defamation League, and Baroness Caroline Cox's Christian Solidarity International (CSI) are now operating as co-conspirators for the purpose of forcing President Clinton to ram international sanctions against Sudan through the United Nations Security Council.

The barrage in this British-orchestrated assault on Sudan is a bill introduced on July 9 into the U.S. House of Representatives by Rep. Donald Payne (D-N.J.), chairman of the Congressional Black Caucus and a member of the House Africa Subcommittee. The bill puts into legislative form the precise strategy of Baroness Cox, deputy speaker of the British House of Lords and chairman of CSI.

The British 'slavery' campaign

Taking a page from a Britain's long history of waving the charge of "slavery" as a weapon for its own geopolitical ends, Cox's CSI is the source of hoked-up allegations that the Sudanese government is deliberately conducting slavery in Sudan. The CSI's literature explains that the slavery charge is to be used as "motivation" for the United States to force through the UN Security Council an international trade embargo and economic and military sanctions against Sudan.

Representative Payne has taken the bait. It is unlikely that concern for Africans is his motivation, however. In 1980, the National Democratic Policy Committee, founded by Lyndon LaRouche, was waging a campaign against the International Monetary Fund's murder of African countries, and calling up African-American leaders to stand up for a U.S. policy of economic development for Africa. Hulan Jack, a leader of the NDPC and the first African-American to be elected to high office in New York City, approached Payne at the 1980 Democratic Convention, to seek his support—to which Payne replied: "Why should I give a sh—t about Africa?"

This attitude may be the reason Payne is on the executive board of Randall Robinson's TransAfrica Institute. Another sponsor of the bill, Rep. Ron Dellums (D-Calif.), also has close associations with TransAfrica's Robinson, as Robinson's wife worked in Dellums's office. As *EIR* has documented in detail, TransAfrica is a funded outlet of the Ford

Foundation, which, in turn, coordinates its work on Africa with the Royal Institute of International Affairs and specifically Baroness Lynda Chalker, British Minister of Overseas Development (formerly the Colonial Office).

To justify its funding, evidently, TransAfrica has led the charge against African countries under the British gun—Nigeria and Sudan. The TransAfrica Institute has been one of the key conduits of British policy into the Congressional Black Caucus.

Two sponsors of the bill are known for their strong ties to the Anti-Defamation League, an insidious subsidiary of British intelligence services operating in the United States: Reps. Tom Lantos (D-Calif.) and Barney Frank (D-Mass).

Other sponsoring members of the bill show the input of Christian Solidarity International, which gained entry into the U.S. Congress on the basis of its Cold War campaigning on behalf of the “captive nations.” Among this group of sponsors is found Rep. Edward Royce (R-Calif.), who is also a vocal supporter of the Contract with America; Rep. John Edward Porter (R-Ill.); and Rep. Steve Chabot (R-Ohio), a member of the Africa Subcommittee and booster of Newt Gingrich’s Contract with America.

A hoax

Since the United States has already cut off all military and economic aid to Sudan, Payne’s bill is in reality part of the pressure campaign against President Clinton, to force the administration to do the bidding of British intelligence at the United Nations. British efforts heretofore to force full-scale sanctions against Sudan are all but a lost cause otherwise.

The first bid for such sanctions, fielded in January, centered on London’s demand that unless Sudan coughed up three alleged would-be assassins of Egyptian President Hosni Mubarak in 60 days, then the UN Security Council would impose full-scale sanctions against Sudan. After 60 days, minor sanctions were imposed, but the wind went out London’s sails, when Egypt publicly indicated its lack of interest in destroying Sudan, and when the hit team sent out against Mubarak turned up in Afghanistan, telling journalists that they had never worked with the Sudanese government at all!

Now, “slavery” has become the issue of choice for the British. Precisely timed with Payne’s ballyhoo in Congress, the *Baltimore Sun* sent two of its employees, Gilbert A. Lewthwaite and Gregory Kane, to Sudan to “explore” the slavery charges. Strangely, they wound up in the same plane with Baroness Cox, who squired them around in sections of Sudan controlled by John Garang, the British-backed insurgent in southern Sudan. According to the reporters, they “bought” a slave!

Although the results of their escapade were smeared all over the front pages of the *Baltimore Sun* June 23-25, the

two reporters *declined* an invitation of the Sudanese government to travel legally to Sudan with visas, to go wherever they wanted in Sudan, and to be introduced to government and other leaders who could show them the realities of this country.

The Somalia model

The British oligarchy is determined to destroy Sudan, as it stands today as an example of self-sufficiency and independence that cannot be tolerated in the fascist nightmare of globalization and world dictatorship envisioned at the Lyons summit of the Group of Seven major industrialized nations.

The Payne bill, if it is passed, is to function as a death sentence for Sudan, from the United States. It demands that the U.S. organize:

- A total multinational economic embargo against Sudan. The blockade that will cause untold suffering in the Sudanese population.
- An international arms blockade against the Sudanese government, along with a continuation of the arming of the insurgency in the south.
- The stationing of United Nations monitors throughout the country to report alleged “human rights violations.”

Payne is demanding that the United States carry out the annihilation of this African nation, a policy that will not only destroy Sudan, but will bring chaos and war to the entire northeast quadrant of Africa—spreading the “Somalia model” throughout East Africa.

Ted Dagne, the behind-the-scenes coordinator for Baroness Cox et al. against Sudan, has admitted that “another Somalia” will definitely be the result of full sanctions against Sudan. Predicting that the government would fall if full sanctions were imposed, Dagne, currently at the Congressional Research Service and formerly an aide to the Africa Subcommittee, admitted that there was no national institutionalized force to replace that government—just as occurred in Somalia when the United States and Europe forced the ouster of President Siad Barre. Dagne claimed that there are “factions in the military,” factions in the opposition, the southern opposition is completely fragmented. “All these factions will simply start killing each other,” he said.

Dagne has denied any British involvement in the campaign against Sudan, boasting that the “action” against Sudan was coming strongly from the United States Congress. Britain, he told this reporter, has “no financial interests in Africa”!

In the second week of July, while Payne’s sanctions legislation was being introduced, Dagne was squiring Sudanese People’s Liberation Army warlord John Garang around town. In a seminar at the U.S. Committee on Refugees, Dagne stated his conviction that foreign policy should be made in Congress, not in the Executive branch.

'Ron Brown II' mission to Bosnia: a chance to defeat the British

by Umberto Pascali

The Boeing 707 that, in November 1963, flew President John Kennedy to Dallas and then carried his body back to Washington after he was assassinated, landed in the airport of Dubrovnik, Croatia on the morning of July 11. The plane carried U.S. Commerce Secretary Mickey Kantor and a delegation of business executives representing 16 U.S. companies, including Boeing, Bechtel, Riggs Bank, Northrop Grumman, United Technologies, and Enron Development. The mission's aim: to contribute to the reconstruction of Croatia and Bosnia. The team visited Croatia and Bosnia for three days, concluding several economic deals and opening the way to a potential strategy of real investment in economic reconstruction.

The Boeing 707, U.S. officials announced, will be retired in 1998 and displayed at the U.S. Air Force Museum at the Wright-Patterson Air Force Base in Dayton, Ohio, where the accord that ended the most bloody part of the war of aggression against Bosnia was initialled last year. Nobody offered an explanation of how the decision was made to use President Kennedy's plane for this mission, but everybody involved linked this last historical flight of the assassinated President's plane, to the crash that, on April 3, killed Commerce Secretary Ron Brown and the 34 members of the delegation of executives who were flying with him. The crash was followed by a quick investigation that did little to clarify the causes of the crash.

At the time of the crash, President Clinton made clear that a similar delegation, including representatives of every corporation that had participated in the first mission, would go back to Dubrovnik to accomplish Brown's mission. Speaking in July to the convention of the National Association for the Advancement of Colored People (NAACP), Clinton again emphasized the continuity of policy: "The last thing I did before I got in the helicopter to come here, was to meet with Mickey Kantor and Michael Brown, Ron Brown's son, and the delegation leaving today to finish the mission that Ron Brown started."

Kantor, as soon as he landed, underlined that the sacrifice made by Ron Brown would not be forgotten. "Ron Brown and 34 other wonderful people gave their lives," he said, "so that the threat of war would be trivial, when compared to the promise of opportunity."

Kantor surprised many analysts who knew him as a champion of unbridled free trade, by his statements on the need for building up the physical economy, long-term investments in infrastructure, and collaboration between the government and the private sector, in which the government would provide a general framework for private investments. At least from the public speeches, the "Ron Brown II" mission was a breath of fresh air, in sharp contrast with the usual trend of *laissez-faire*.

Clash with British policy

Kantor's clear intention, declared in every speech, to make the reconstruction of Bosnia possible, clashed with the British determination to carry on "genocide through financial means." A verbal confrontation took place in Sarajevo on July 13, after Kantor had visited with President Alija Izetbegovic and other leaders. Kantor was mobbed by journalists who asked how could he talk about economic opportunities in Bosnia, when British businessmen—notably the chairman of the British Overseas Trade Board who had visited Bosnia a few days before—had emphasized the "problems" that stand in the way of foreign investment. Kantor reacted with what the British news agency Reuter labeled spitefully as "the usual American boosterism that goes with his job." The commerce secretary said: "We Americans think there are more opportunities than problems. That's what distinguishes us from our competitors." He further explained that the difference was that "we see opportunities, but they're long-term"—a slap in the face to the British cult of monetarism.

The official Commerce Department press release emphasizes such a long-term perspective: "Secretary Kantor's mission initiates the implementation of the Clinton administration's comprehensive commercial and investment development strategy for Bosnia and Croatia. . . . This commercial strategy is the next step following the Dayton Accords, underscoring America's long-term commitment to the region through *both* our private sector resources and those of our government" (emphasis in the original).

Kantor also stressed an expression that had been used by Secretary Brown and by President Clinton, in his first comment after Brown's death. "Secretary Brown was committed to helping sustain the peace," Kantor said. "I am dedi-

cated to continuing that work—focussing the *power of trade and commerce* to generate opportunities and development throughout the region. This trip will be a tangible demonstration of the Clinton administration's unwavering support to ensuring a lasting peace and economic prosperity and improving the lives of all the region's citizens. . . . This mission is not an isolated event. Rather it is an integral part of the President's strategy to sustain the peace process."

Immediately before leaving for his mission, Kantor underlined the point: "You can't have peace if people don't have jobs. We have to undergird this peace process with private sector and public sector building of these economies. For instance, in Bosnia today, 75-80% of the people are unemployed. Roads, bridges, gas lines, generators are all gone or destroyed. Industries have been completely obliterated. There needs to be a *complete rebuilding process*. . . . It is going to be a concrete and demonstrable presence of U.S. and private business working with government resources as well as private resources, in Bosnia."

Save Bosnia, and save the United States

The missions of Kantor and Brown are stages in the battle to save Bosnia from the "genocide through financial means" which is being pushed by the British oligarchs and their appendices from the International Monetary Fund and the World Bank. But more than that, the battle for Bosnia is a "battle for the United States"—to save America from the same British free-trade lunacy, which is destroying industries and human lives. The verbal confrontation between Kantor and the British journalist is a signal of something much deeper than mere "competition." Bosnia could become the place where the best of the American tradition can find the courage to successfully challenge the British system.

"There were three main points in the world where Clinton's America had challenged what you call the British," a Bosnian source told *EIR*. "The points are the Middle East, Northern Ireland, and Bosnia. In the first two, the 'British' are winning. Through the use of the weapon of terrorism, they have potentially pushed them back to their worst moment. In Bosnia—that was supposed to be the weak point—the British did not succeed. Will Kantor's words about real reconstruction and investments become a reality? Will this supply the U.S. government with the momentum to go for the final confrontation with this horrible system? It must be clear that when and if the U.S. fights the evil veto of Bosnia's reconstruction, when and if they fight in Bosnia the insanity of privatization, when and if they fight the geopolitical dogma, whenever the U.S. does that, they are fighting forces that have planted deep roots inside its own society. Will they be able to recognize it?"

This contradiction is dramatic at this point. While Kantor stresses the need for a comprehensive intervention of government and the private sector to rebuild Bosnia, the British "businessman" Martin Laing calls for privatization. And the

World Bank's Michel Noel gave his ultimatum to the Bosnian government just three days before the arrival of the U.S. mission: "The state and its entities must disengage itself very rapidly from any direct role in the productive sphere of the economy."

Inside the United States itself, the task of pushing "reconstruction" is being handed to an assortment of monetarists, usurers, and fast-buck artists. A U.S. expert with experience in Bosnia told *EIR* that this may be happening because the administration cannot find anybody who knows how the real, productive economy works.

A typical example was a high-level, semi-confidential conference at the Center for Strategic and International Studies in Washington, D.C. on July 17, titled "Bosnian Reconstruction: Challenges and Opportunities." Executives from some of the biggest U.S. corporations were present. But the word "reconstruction" became, in the main speech and in the ensuing debate, a synonym for "quick and easy money," a pretext for an infantile attack against "public intervention," and a celebration of the magic of privatization.

Bosnian leaders are becoming increasingly outspoken about this problem. On July 17, three months after the government of Sarajevo was forced to swallow the ferocious austerity conditionalities of the World Bank, Bosnian Prime Minister Hasan Muratovic criticized the World Bank publicly for the first time, at a press conference in Washington while on an official visit. Knowing the kind of deadly pressure that the World Bank can exercise, Muratovic's words reveal a conflict that is on the verge of exploding. He stressed that, besides some small projects of reconstruction, the rebuilding of the big industrial centers in Bosnia cannot be achieved "without either big money or new investments." "Lately, we have problems with the World Bank," he said. "The World Bank is posing conditions which are very difficult to reach. And I must say that for the time being, we have been taking credits from the World Bank that are part of our agreement for reconstruction of our previous debts and new loans"—a reference to the fact that the "credits" Bosnia is receiving from the World Bank were *already paid by Bosnia to the World Bank* in the form of payments on the debt of former Yugoslavia.

The situation risks going out of control for the British. This is why, over recent weeks, there has been a constant attempt to re-ignite a Balkan conflict. On July 19, Richard Holbrooke, the former U.S. "trouble-shooter," was recalled to active diplomatic duty, to try to deal with the situation. He succeeded in pushing Bosnian Serb leader Radovan Karadzic, the war criminal who has not yet been arrested, out of public office.

Karadzic's public announcement will probably make it possible to go ahead with the plan to hold elections in Bosnia on Sept. 14. But the situation will not be stabilized, until an alternative to the British-World Bank financial genocide is found.



What we need is help to ignite the engine of reconstruction

This interview encompasses several conversations held from June 29 to July 11, in which Bosnian representative Faris Nanic discussed with *EIR*'s Umberto Pascali the key problems that are tormenting the young Republic of Bosnia. These particularly concern the economy, the creation of a state apparatus, and of a unified army for the Bosnian Federation. The Federation is one of the two entities that form Bosnia and Hercegovina, under the provisions of the Dayton Accords. It represents 51% of the territory controlled by the Bosnian government and the Bosnian Croats. The other 49%—the so-called Republika Srpska—is under the Nazi-like regime of Radovan Karadzic and Gen. Ratko Mladic.

On July 1, Nanic was nominated chief of staff of Bosnia's President Alija Izetbegovic. He had previously served as spokesman for the Defense Ministry. Nanic, who was in Zagreb when the Serbian aggression against Croatia started, was one of the first who contributed to the formation, "from scratch," of the Croatian Army. He also set up the first Bosnian press agency, which he still leads, the TWRA Press Agency. He has led or has been part of diplomatic missions for his country, often as the personal representative of the President. Nanic co-authored the first major interview with Lyndon LaRouche to appear in the countries of post-Yugoslavia; it was published in the Bosnian magazine *Ljiljan*, and sparked a great deal of interest. Many readers were surprised to learn that LaRouche had already, in October 1988, denounced Greater Serbia's strategy of aggression.

Nanic has been a speaker at events organized by the Schiller Institute, and was one of the initiators of the International Parliamentarians Against Genocide in Bosnia (IPGB), the organization which, in October 1993, defied the UN's policy and sent a multinational delegation of 10 parliamentarians to Sarajevo. In April 1996, Nanic was the key Bosnian leader who made possible the visit of a Schiller Institute delegation in the Bosnian capital (see *EIR Feature*, May 10).

Despite the terrible situation of destruction the Bosnian leadership has to face every day, it is clear from Nanic's words, what a principled approach, a sense of historical responsibility, characterizes many of these "nation-builders." Non-professional politicians such as Nanic are motivated by an understanding of the immense task they have at hand, and

by a sense of responsibility toward future generations. And because they look constantly to the future, despite all the horrors they have seen, they maintain an optimistic attitude and a strong sense of justice and morality.

During the first conversation, Nanic's thoughts were concentrated on the negotiations on the Defense Law, which was later approved by the Bosnian Parliament. The aim of that law was the unification of the Bosnian Army and the Bosnian-Croatian military formations (HVO) in the Muslim-Croat federation. But the representatives of the so-called Herceg-Bosna insisted on keeping the two armies separated.

Finally, an agreement was reached, and the Bosnian Parliament approved a plan of integration within three years. Immediately after that, President Clinton announced the beginning of the "train and equip" program for the Bosnian Federation's Armed Forces. That result was also the work of Nanic and his direct superior at that time, Deputy Defense Minister Hasan Cengic. Besides all the—often necessary—tactics, Nanic's "bottom line" position during these tough negotiations, was that the "United States, because of their power position, must implement the principles that are at the base of the American Republic."

EIR: In a recent conversation in Washington, the bishop of Banja Luka, Franjo Komarica, was stressing to us that he is not particularly impressed by the problem represented by the war criminals Radovan Karadzic and Ratko Mladic. The problem, he essentially said, is the protection they have enjoyed. The U.S. is being blocked by the influence of the "Europeans" whom they do not want to "displease," i.e., the Entente Cordiale of Britain and France. In reality, if a political decision is taken, then the problem of the war criminals can be solved easily. What is your opinion?

Nanic: I do not really think that Mr. Karadzic and General Mladic are the problems per se. They wouldn't have so much impact, unless they had been pumped up in a certain way by the Western powers, by the international community's envoys in Bosnia. And the only problem that I see is that, if there is a political decision in Europe to remove them, and to indict and extradite them to the War Crimes Tribunal in The Hague, then *they would represent no problem at all.*

Of course, I am not able to say whether there is really direct support for them from official circles in Great Britain or France, but our impression, from the public statements by officials in France and Britain and the Organization for Security and Cooperation in Europe [OSCE], is that their attitude toward this problem is not principled. I cannot say whether there is open support, but there is some kind. . . . Karadzic and Mladic are being given much more importance than they really have.

Actually, there are a couple of problems connected to that. First of all the OCSE and the international community, especially through its representative in Bosnia, Mr. Carl Bildt, insists on the removal of Karadzic and Mladic, as war criminals, from their political posts, as being the only prerequisite for holding democratic elections in September. That is not true, because even Ambassador Robert Frowick, who is the American representative at the OSCE in charge of the elections in Bosnia, at the beginning of this month said that out of the 14 preconditions for the elections in Bosnia, only one has been fulfilled. This means that there are really no preconditions for the elections in Bosnia.

What does that mean? If we hold elections under these circumstances, then we will legalize and legitimize the final partition of Bosnia, because then the regimes of the para-state Republika Srpska will be finally legalized by the so-called democratic elections. Why? Because the Muslims and the Croats who have been expelled from their homes, still cannot go back, cannot return to their homes; there is no freedom of movement; there is no freedom of press, no freedom of public assembly, of political organizing, and therefore the only party that is represented in Republika Srpska is the Serbian party. Therefore, you risk getting a completely opposite effect from the one you expect. The risk is to pave the way for the partition of Bosnia between the two "entities" constituting Bosnia according to Dayton.

EIR: Mr. Nanic, I would like to ask you about an issue on which you have done a lot of original work, of analysis and elaboration: what is commonly known today as the Marshall Plan for Bosnia. One of the issues that has never been faced by the successor of Lord Carrington and Lord Owen, the "international mediator" Carl Bildt, is the question of economic reconstruction. This issue, together with the arrest and prosecution of the war criminals, is the key to peace and reconciliation. But Mr. Bildt never dealt with the "civilian aspects" of Dayton—that was supposed to be his primary task; while he *spoke* a lot about the problem of the war criminals, in my opinion, it was in a purposeless, demagogical, and counterproductive way. But without reconstruction, there is no peace. Every leader we—the Schiller Institute delegation—met in April in Bosnia, agreed with the need for reconstruction through a Marshall Plan, because this is also the way to have a real reconciliation based on justice.

We are launching a campaign on the Marshall Plan for

Bosnia, which is aimed not just to save Bosnia, but to save the United States from our common enemies: the International Monetary Fund, the World Bank, etc. How do you see the perspectives, possibilities for the implementation of this Marshall Plan?

Nanic: I think this a matter of *political* decision, as it had been a matter of political decision when the Marshall Plan was launched in postwar Europe. I think that if a *political* decision is taken, then there would be no problem. I think that whenever you talk about reconstruction, or about the funds and investments necessary to rebuild and to reconstruct, then you actually are talking about politics. This is not a technical-economic issue. The most important thing, is that you decide that you want to help the reconstruction of the country that has been devastated by war. Therefore, in the same way that the United States played the leading role after World War II in reconstructing Europe, so, now, the U.S. should take on the responsibility in the reconstruction efforts in Bosnia and the whole region, in *tight* coordination with the Bosnian government.

EIR: What is your assessment of the overall economic situation in Bosnia at this moment?

Nanic: First of all, in Bosnia at this moment there *is no economy*. Our industrial plants and facilities are destroyed and damaged to a great extent. We were not a self-sufficient food-producing country before the war, so we are not now. A couple of months ago, the rate of unemployment was about 70-80%. We have a destroyed transportation system and communications system. We have problems in re-starting some of the production facilities that have not been damaged, because we do not have funds. There is no conception of how the economic strategy of the country should look, because there are too many pressures from the outside. We are not able to launch a real development program, because we are not able to issue long-term credits through our National Bank.

As you know, as part of the Dayton Accords, the head of the National Bank of Bosnia, for at least one year, must be a foreigner—appointed by the World Bank—who will be in charge of monetary policy. He will take care only about balancing the budget, some kind of bookkeeping, without envisioning any development or any reconstruction. This is our fear.

Secondly, you know that former Yugoslavia had a debt of about \$16 billion. Now the debt will be divided among the republics emerging from former Yugoslavia, including Bosnia. It is some kind of paradox. We have first to reschedule our debts, as a precondition to get any help from outside, in terms of productive loans which have not yet been launched.

EIR: Speaking purely from a technical standpoint, leaving aside the political impositions: Do you think it would be difficult to arrange a program of adequate reconstruction, a Marshall Plan, that would put Bosnia on its feet like it was before,

or even better?

Nanic: Technically it would *not* be difficult, because we have tremendous resources for a small country. We have considerable human, scientific, and natural resources to re-start very advanced production of various kinds.

For example, we have two main sectors that I see as of vital importance: the military industry that we had before the war, which has been partially damaged, but could be revived very fast and converted to civilian production; and the construction sector, public works. We have quite an experience there, because our companies used to work all over the world, before the war. I think these two sectors can be utilized immediately, and I don't think that technically there is any problem at all.

Let me give you some examples. First of all Bosnia's largest construction company, called Hidrogranija, was a large contractor in Iraq before the war, for the construction of a high dam—a \$2.5 billion contract. It was also involved in huge construction works in Asia and Africa. We have a skilled labor force, we have a large number of engineers, we have international experts, i.e., we really know what an international contract is, what the terms and conditions are, how to compete and how to conduct the whole project in a proper way.

Secondly, we had a large military industry, because the military industry of former Yugoslavia was concentrated in Bosnia. And we have actually inherited all these plants, which are partially damaged, but we are able to produce interesting civilian and military programs with the plants that we have. You know that a skilled workforce and expertise are the basics, and we have them.

So, if somebody thinks that to come to help the reconstruction of Bosnia is like going into the desert or a primitive society, this is a very wrong assumption. We know how to rebuild Bosnia and we have capabilities; what we need is investment and help, to ignite the engine of our reconstruction. We are an industrialized nation: This is the most important thing to say. We know what industrial production is. Of course, it is not at the level of the United States or western Europe, but we were an industrialized nation and we had a capability to export our goods all over the world.

EIR: By the end of June, a huge number of military personnel—220,000 people between the Bosnian army and the Croatian military formations in Bosnia—have been demobilized, according to the Dayton agreement. No provisions have been contemplated for these soldiers, who fought against all odds to save the country from aggression. It also wastes a precious resource, in terms of labor, for the potential reconstruction of Bosnia. I know that you, as the main civilian authority in the Defense Ministry, have dealt with this problem. How can this situation be solved?

Nanic: Under the terms of the Dayton agreement, we were obliged to demobilize 165,000 from the Bosnian Army and

some 40,000 soldiers were to be demobilized from the Croatian Defense Council (HVO). These people were demobilized and now represent 205,000 unemployed people. And this is only on the territory of the Federation.

The majority of these are skilled workers, industrial workers, engineers, medical personnel, doctors, professionals, various kind of experts, and they can be utilized *immediately*. Besides, it is imperative to prevent possible social turmoil and instability as the result of the anger of these people, who have been fighting for their country for four years. We think these people should be given jobs as soon as possible. Therefore, I think that the reconstruction process could also serve as a possible way to use these resources and prevent a social explosion.

Unfortunately, no program has been submitted to the Bosnian government, to the Defense Ministry, or anybody else, that would take care of the demobilized soldier. Nobody in Dayton thought about the possible consequences. . . . We have also another problem, the Ministry of Defense doesn't have a penny from the budget, because under the Dayton agreement, *there is no budget for defense in the Federation of Bosnia-Herzegovina*. We have to find our way anywhere, to try to take care not only of the military that we now have, but we feel an obligation to take care of the demobilized soldiers, to help in some small way, at least with a monthly salary, like DM 50-100 [\$30-70]. We are trying to find some financial source, some donor state . . . presenting it as an humanitarian problem. . . . But our soldiers are telling us: We are not a humanitarian problem, we are workers. They have their dignity and their rights, which they have clearly demonstrated by fighting for their country.

EIR: On April 3, the plane of U.S. Commerce Secretary Ron Brown crashed in Dubrovnik, Croatia, killing the secretary and some of the most prominent U.S. business leaders. When we talk about the Marshall Plan for Bosnia, many in this country say, "Oh, you mean what Ron Brown was doing: direct, massive investment from the United States to Bosnia, without any intermediaries."

Nanic: We have always advocated that certain bilateral cooperation is crucial. Mr. Brown led a delegation of about 30 prominent businessmen, who were committed to investigate the real economic situation in Bosnia and to invest—but to invest in productive investments. I cannot say precisely what program of investments they would have started, had the plane not crashed, but if our information is correct, these people were committed to invest real money, to launch a real reconstruction of the country. That crash has been a real setback. We have the impression that the crash somehow discouraged potential investors.

It is useful to compare the situation in the Middle East and here. They are similar situations. We in Bosnia also accepted an unjust peace, in order to have reconstruction. But now, the result is the same: You have an unjust peace, and on the other

hand there is no reconstruction. So the peace will lose its stability, if reconstruction is not implemented.

In the Middle East, after the last elections in Israel, the peace process could be over; the same thing can happen to Bosnia. If the other part of the deal—reconstruction—is not fulfilled, then also the first part—the unjust peace—will be very fragile.

So, the first part of the Dayton Accord, the formal principle of the guarantee of territorial integrity and sovereignty of Bosnia, would just evaporate, if no mechanism, no mediation is found to implement that principle in reality. . . .

EIR: Lyndon LaRouche has been focussing on the question of the Middle East and Bosnia, in the sense that there is a war, not only *in loco*, but also in Washington. He has pointed a finger at what he called the “new British Empire,” as trying to establish its full control and prevent, for example, the emergence of an independent, prosperous Bosnia. As a Bosnian, what do you think people in the United States should do?

Nanic: First of all, I think that from the beginning of this century, the U.S. has been hostage of the European powers. My opinion is that somehow the U.S. was forced to jump into the European “circle of death” twice in this century, and now it seems there is someone trying to involve the U.S. in a third one. The U.S., as the most powerful country in the world, has been the leader in many fields; I think the U.S. should be more firm, more determined, not only concerning Bosnia, but all the other crisis points in the world. To take a leading role, to take initiatives, to *give ideas* and programs. And the U.S. should not pay too much attention to what the European allies and friends would say. These “allies” will comply with the American initiatives. This is the way to defeat the influence of those powers in Europe that are not committed to peace and development. I think the United States should decisively and bravely take up its traditions and fulfill its leading role in the world.

EIR: On July 8, the *Washington Post* published a front-page article alleging that a large number of mujahideen are still in Bosnia, involved in violent activities. The *Post* alleges that they are connected to the party of President Izetbegovic. This happened after the U.S. administration “certified” that Bosnia had complied with the so-called de-Iranization, i.e., that there are no organized Iranian forces *in loco*.

Nanic: Yes, after that article, the U.S. ambassador asked for an urgent meeting with the President. He met Izetbegovic and asked what that was all about. We told him that we were going to investigate the allegations. He was very satisfied when he left.

I can assure you that there is no support in Bosnia for any ideological influence from outside. There are a few, let’s say, “lone riders,” who came into Bosnia during the war, and some of them would like to get married and stay here. In particular, there was the case of the kidnapping of a young girl. Even in

war conditions, this has been an isolated case. It is totally false and absurd to blame the government of Bosnia. Concerning the article, the “facts” reported there, on the so-called complicity of the government, are completely, *completely*, wrong. The journalist does not base his article on any facts.

EIR: Why is there so much focus on this now in Washington?

Nanic: Maybe it is connected with the starting of the “train and equip” program by the U.S. It also could be an attack against the U.S. administration’s efforts to successfully implement the Dayton agreement. It is interesting that it coincides with the final approval of the defense law, which opened the way for the train and equip program, which is considered a main pillar of the military balance [with the so-called Republika Srpska]—i.e., the basis for a durable peace.

EIR: Mr. Nanic, we hope that in your new position of responsibility, you will be able to do much more—and you have done so much already—for Bosnia and for a real peace based on justice and economic growth. And we hope to interview you soon again, to have an update on these developments.

Nanic: Thank you very much for your wishes and I hope to be able to comply with all the demands that stand in front of me.



LaRouche Campaign Is On the Internet!

Lyndon LaRouche's Democratic presidential primary campaign has established a World Wide Web site on the Internet. The “home page” brings you recent policy statements by the candidate as well as a brief biographical resumé.

TO REACH the LaRouche page on the Internet:

<http://www.clark.net/larouche/welcome.html>

TO REACH the campaign by electronic mail:

larouche@clark.net

Paid for by Committee to Reverse the Accelerating Global Economic and Strategic Crisis: A LaRouche Exploratory Committee.

International Intelligence

German daily hails work of Leibniz and Kepler

In a rare occurrence in German media, the *Frankfurter Allgemeine Zeitung* paid tribute to the work of two of the world's great minds of classical science: Gottfried Wilhelm Leibniz (whose 350th birthday is celebrated this year), and Johannes Kepler. In one article in the July 6-7 issue, the *Zeitung* investigates Leibniz's role in the formulation of statecraft, as including a system of public education for the citizens of a state. The article also delves into his efforts to develop policies of social welfare, a functioning pension system, and a system of incentives for manufactures.

The article on Kepler examines the crisis of the Christian calendar in 1604, and Kepler's role—based on a sound knowledge of the apparent movements of the stars and of the organization of the universe—in developing a functioning new calendar, as laid out in a 1613 memorandum. The *Zeitung* presents Kepler's work on the calendar problem, as a seminal moment of modern historic science, because he had to look into the history of the period around the assumed birthdate of Jesus Christ, to provide a more precise date for the beginning of the Christian calendar.

Yeltsin raises IMF stooge Chubais to high post

The post-election situation in Russia took an ugly turn on July 15, when President Boris Yeltsin named Anatoli Chubais, Russia's "Mr. Privatization," to head the Presidential Administration. Chubais's appointment coincided with the arrival in Moscow of an International Monetary Fund delegation, which is to monitor compliance with IMF conditions for a three-year \$10 billion standby credit.

Presidential spokesman Sergei Medvedev announced that Chubais would be replacing Nikolai Yegorov (former Russian Nationalities Minister) "in connection with [his] transfer to another position." The Presidential decree naming Chubais ordered him

"to work out in the next ten days" a plan to restructure the staff.

In his first comments, Chubais directed a barb against Gen. Aleksandr Lebed, secretary of the Security Council. "I think it was a grave error, that Lebed claimed responsibility in the economic policy domain, in the name of national security." Then, in his usual mode of cloaking lies with formalisms, Chubais said: "I will not be concerned with economic policymaking"; in fact, he will certainly try to have the biggest possible say in that domain. Until January, Chubais had been vice premier in charge of the economy. This year, he ran Yeltsin's election campaign.

New Turkish premier Erbakan confirmed

Necmettin Erbakan won a confirmation vote in the Turkish parliament on July 8 as prime minister. Deputies voted 278-265 to approve Erbakan's Welfare Party coalition with the True Path Party of Tansu Ciller. Under the coalition agreement, Ciller, who was prime minister from 1993 until March 1996, will be foreign minister for two years, and then become prime minister. Her party will also control the Defense Ministry.

Erbakan's party, which won the highest plurality of votes in December, had been blocked from forming a government due to its opposition to Turkey's status as a secular state. In 1980, the Turkish military took power in a coup after Erbakan had publicly called for making Turkey an Islamic republic, in the wake of the Khomeini takeover in neighboring Iran.

The party's platform calls to "liberate Chechnya, Azerbaijan, Jerusalem, and Bosnia," and for an "Islamic NATO." With covert Saudi financing, it provides training, mercenaries, and arms, to Chechen and similar insurgencies in the former Soviet Union. The Welfare Party's intelligence director, Gen. Sami Karasimir, had earlier directed the Special Warfare Department of the Turkish General Staff, which oversees the covert aid to these insurgencies.

More recent calls by the Welfare Party for the revival of the Ottoman Empire, to

counter the "Orthodox bloc," dovetail neatly with British plans for regional destabilization, including the appointment of former British UN ambassador Sir David Hannay—a career Mideast hand—to the newly created post of special envoy to Cyprus.

EU, human rights mafia push for Burma sanctions

On July 15, at the European Union foreign ministers' meeting in Brussels, Danish Foreign Minister Niels Helveg demanded EU support for full sanctions against the military government in Burma, and called for a "full and satisfactory" UN investigation of the death in a Rangoon jail in June of James Leander Nichols, honorary consul of Denmark, Finland, Norway, and Switzerland. Helveg has secured the support of EU President John Bruton of Ireland, and had buttonholed U.S. Secretary of State Warren Christopher on July 10.

Burma, under the State Law and Order Restoration Council (SLORC), is, effectively, a Chinese client state. The opposition run by Nobel Prize-winner Aung San Suu Kyi is a typical "human rights" countergang, complete with heavy backing from speculator George Soros. Soros's Open Society Institute runs the "Burmanet" on the Internet.

On July 11, both Christopher and National Security Adviser Anthony Lake said that the United States "does not rule out sanctions," but is seeking consultation with Asian governments, among Association of Southeast Asian Nations member nations, and Japan, none of which supports sanctions, and which strongly oppose "Western" interference.

Canadian indigenist maps aggressive organizing plan

At the Assembly of First Nations general meeting on July 9, Chief Ovide Mercredi said aboriginal people don't need government approval of their sovereignty. His office issued a declaration meant as a blueprint for a new, more aggressive style of aboriginal leadership. "Every action by a first nation

within its jurisdiction must be recognized as an assertion of its sovereignty and cannot be made subject to the approval of other governments," the document says. "We have talked about sovereignty *ad nauseam*," Mercredi said. "Let's begin to implement sovereignty."

Mercredi, a supporter of Mexico's narco-terrorist Zapatista movement, coupled his remarks with a call for an October conference in British Columbia to promote non-violent civil disobedience, including wider use of roadblocks and sit-ins. "The political system is not serving the interests of my people. I've got to wake up those guys some other way," he said.

Mercredi said he wants to establish an Institute for Aboriginal Non-Violence that would conduct training operations throughout the country. "I want to identify a core group of individuals who are inclined in this way who would become a core group of teachers that would go into communities to promote the idea."

Book exposes U.K. betrayal of anti-Hitler resistance

An editorial in the July 8 London *Times*, "In Another July: When Brave Germans Battled Alone Against Hitler," admits that Britain's wartime elite knew about, and actively undermined German patriots' July 1944 plot to kill Hitler. The editorial refers to a new book by German historian Joachim Fest, *Plotting Hitler's Death*, which the *Times* publishes extracts from.

The editorial begins: "In politics, tyrannicide is the ultimate test of moral courage. . . . If any tyrant deserved that fate, it was Hitler. . . ."

"Fest [argues] that British leaders, including Chamberlain, Eden and Churchill, not only ignored overtures from German resistance circles, but were actively hostile. The British treated these brave patriots as dishonorable traitors, even to the point at which 'Nazi propagandists and Allied spokesmen joined forces, in a de facto coalition, to belittle the accomplishments of the resistance and disparage its motives.'"

The editorial says that British policy was obsessed with "fighting the wrong war," and making the equation between "the Prussian military" and Hitler's Nazis. "With hindsight, it would clearly have been wiser to have taken the emissaries of the German opposition seriously, and to have offered them the very limited encouragement they requested. . . . But whatever their motives, the men and women of the German resistance helped to redeem their nation and humanity."

LaRouche interviewed in Italy's 'Ordine Pùbblico'

The May-June issue of *Ordine Pùbblico*, with 85,000 subscribers in the Italian army and law enforcement organizations, published an exclusive interview with Lyndon LaRouche. Under the headline, "We Need a New Roosevelt," the interview introduces LaRouche as "an economist, Democratic candidate for the U.S. Presidential elections, [who is] much debated because his economic analyses are unorthodox and because of his polemical style. He created turmoil, for example, with his ruthless criticism of the present financial and monetary system centered on the U.S. Federal Reserve. He created turmoil with his attacks against the free market international lobby."

Over three pages, the magazine presents LaRouche's analysis of the ongoing financial disintegration and his proposals for a financial reorganization, accompanied by pictures of FDR, Clinton, and Alcide de Gasperi, who was Roosevelt's ally and the Vatican's man in Italy's first postwar government.

In response to a question on Gingrich's "Contract on America" and Thatcherite economics, and his statement that "unbalanced minds cannot balance a budget," LaRouche launched into a detailed attack on the *Entente Cordiale* between Thatcher and Mitterrand, and the Maastricht treaty. LaRouche concluded the interview specifying that the United States is in the best position to stop this "globalism," and affirming, "I will do everything in my power to do so."

Briefly

ROYALS do the darndest things: Prince Charles celebrated his divorce from Princess Diana on July 15 by attending the 50th birthday party of Sultan Sir Hassanah Bolkiah of Brunei. The sultan dropped a cool \$25 million for his party, including footing the bill for three free Michael Jackson concerts.

ARIEL SHARON buddy Yossef Bodansky, who is now director of the U.S. Congress task force on terrorism, is claiming that China, Pakistan, and Iran are playing a role in the unrest in Kashmir, Afghanistan, and Tajikistan, because of the strategic importance of the revival of the Silk Road, the *Asia Times* reported on July 5. Bodansky's allegations, made in a report issued by the Freeman Institute of Texas, are a clear attack on the nations attempting to build the vital Eurasian Continental Land Bridge.

GERMANY'S first private prison has been built in Waldeck near Rostock. The project took only two years, which is considered breakneck speed for Germany, where environmental impact statements and other red tape have delayed construction. The new prison, in the northeastern state of Mecklenburg-Prepomerania, will be leased to the state for 30 years at DM 7 million per year.

ARCHBISHOP Tulio Manuel Chirivella of Barquisimeto, Venezuela has just been elected to head the country's Conference of Bishops. A former vice president of the Latin American Conference of Bishops (CELAM), Archbishop Chirivella is one of several Ibero-American prelates who signed the letter to President Clinton calling for the exoneration of Lyndon LaRouche.

EUROPEAN UNION President John Bruton called for expanded powers for the EU's police force, Europol, on July 11. Bruton, who is Ireland's premier, claimed that the new police force is the only way to fight organized crime and Europe's growing drug problems.

President Clinton is back on the policy offensive

by Jeffrey Steinberg

In a radio interview with "EIR Talks" on July 18, Lyndon LaRouche reported, with satisfaction, that President Clinton has, since the beginning of July, reasserted leadership on a wide range of foreign policy fronts. "I think," LaRouche said, "that what the President has done, respecting Bosnia, in particular, and a couple of other things, in the past couple of weeks in the foreign policy area, as signalled by his address to the NAACP, the National Association for the Advancement of Colored People conference, shows that the President is really, shall we say, *really back on track*, at least in terms of foreign policy, and that he is resisting those kinds of things which are represented by Dick Morris, and so forth, in many respects. I think that's all beautiful."

LaRouche cited the President's involvement in Bosnia, his deployment of National Security Adviser Anthony Lake to China, and his decision to lift the U.S. entry visa of Colombia's narco-President, Ernesto Samper Pizano (see article, p. 58), as the most significant indicators of a revival of the kind of foreign policy, that earned him the hatred of the British Crown, since he came into office in January 1993.

The *Financial Times* also reported, on July 13, that the President had ordered the National Security Council to send a strongly worded letter of protest to the British government of John Major, holding it accountable for the recent rioting in Northern Ireland. Three days of the worst rioting in decades were triggered, on July 11, by the Royal Ulster Constabulary, when they permitted Order of Orange rioters to march through a Catholic neighborhood in a suburb of Belfast. A powerful car bomb that wrecked a resort hotel near the Irish-Northern Ireland border on July 14, is also suspected of being the work of British intelligence-controlled "countergangs."

According to the *Financial Times*, President Clinton has decided to renew the U.S. travel visa of Sinn Fein leader Gerry

Adams, as another public display of his anger at the British efforts to sabotage his Northern Ireland peace initiatives. The Northern Ireland peace process has been a Clinton administration initiative since Day One, and the President's personal emissary, former Sen. George Mitchell (D-Me.), remains on the scene, chairing the Peace Forum, in an effort to hold the fragile process together.

The 'Dirty Dick' factor

Since the beginning of the year, every single benchmark Clinton foreign policy has been systematically undermined, principally through the Rasputin-like influence of his campaign strategist, Dick Morris. Morris, a protégé and relative of the late Roy Cohn, has had an on-again, off-again relationship with the Clintons since 1977. He was brought back into the Clinton campaign apparatus, following the disastrous 1994 Republican Party mid-term election victories, and he has done everything in his power to turn the President into a warmed-over Republican, ever since.

It was Dick Morris who pressured the President into accepting the Republican ground rules for a "date-certain" balanced federal budget, according to Bob Woodward's recent Clinton biography, *The Choice*. Morris conduited White House inside information to the Republicans, including to his client Trent Lott (R-Miss.), who is now Senate Majority Leader, in order to give the GOP an inside track on how to bend the President toward accepting their balanced budget demands. The conduit? The Republican Party's primo consulting firm, Manafort, Black, Stone, and Kelly. Partner Roger Stone was a lifetime intimate of Roy Cohn; and Dick Morris, when not peddling bad advice to Bill Clinton, spent the better part of the 1990s, working with Manafort, Black on behalf of a number of Clinton's leading Republican enemies, including

Lott, Sen. Jesse Helms (R-N.C.), Gov. Tom Ridge (R-Pa.), and Gov. William Weld (R-Mass.).

Morris had also steered the President into a state of mind, in which all strategic policy considerations took a back seat to his re-election campaign. Gradually, over the first half of this year, the President withdrew from leadership on many of his most important foreign policy initiatives.

In the case of the Middle East peace process, this pull-back took a disastrous form. While actively campaigning for Prime Minister Shimon Peres's election, the President made the strategic blunder of turning to the "Dirty Dick" team. *EIR* has learned from Israeli sources that Morris dispatched one of his protégés, pollster Doug Schoen, to Israel, to "help" Peres. Schoen, like Morris, is a political "switch-hitter." He cut his teeth working for Republican pollster David Garth (and Dick Morris) on Democrat Ed Koch's mayoral campaigns in New York City. In Israel, Schoen had served as campaign adviser to the Likud Party's Menachim Begin, during Begin's successful campaign *against Shimon Peres!*

Israeli and Washington, D.C. sources confirm that Schoen's impact on the Peres campaign was "very negative." Was Morris working at cross-purposes with the President inside the Israeli election campaign? The remnants of the Roy Cohn apparatus in New York City (Cohn died of AIDS in 1986) poured huge amounts of cash into the coffers of Likud candidate Benjamin Netanyahu, who is now Israel's prime minister. Netanyahu's campaign was run by another Cohn protégé, pollster Art Finkelstein, whose other principal "client" is Sen. Alfonse D'Amato (R-N.Y.), perhaps the U.S. Senate's most rabid Clinton-basher. D'Amato owes his political career to Roy Cohn and Cohn's law partner, Tom Bolan.

EIR has also learned that, in 1981 and 1988, Schoen served as a pollster for the Anti-Defamation League of B'nai B'rith. The ADL was one of the driving forces behind the effort to defeat Peres's re-election efforts and scuttle the Middle East peace process. When Netanyahu won the recent Israeli election, ADL National Chairman Abe Foxman was beside himself with joy.

Three bozos in Moscow

The dirty hand of Dick Morris was also behind a nasty public relations stunt against President Clinton, surrounding this month's elections in Russia. On July 15, *Time* magazine claimed that three American political consultants, including Dick Dresner, longtime partner of Dick Morris, had been the "secret weapon" behind Boris Yeltsin's victory over Communist Gennady Zyuganov. In television interviews, Dresner hinted that he had been working on the Russian election project with Dick Morris, and that the entire operation, although it involved nominally GOP-linked campaign operators, was sanctioned by President Clinton.

While Dresner, George Gorton, and Joe Shumate (the trio that ran Pete Wilson's aborted Presidential campaign) were, indeed, in Moscow, their role in the Yeltsin victory was

greatly exaggerated by *Time*. It didn't do President Clinton any good to have his own name, and that of his campaign strategist, linked to dirty tricks in Russia.

A break from paralysis

At the June 27-29 Group of Seven summit in Lyons, France, Clinton reportedly got into a behind-closed-doors confrontation with his British and French counterparts on a variety of issues. After his return to the United States, he began to break from his Morris-induced political paralysis.

When the President returned to the White House, he undoubtedly learned that Washington, D.C. had been saturated, in his absence, with copies of the *New Federalist*, the newspaper of Lyndon LaRouche's political movement, blasting Morris as a Roy Cohn mole, out to wreck his Presidency. Thousands of copies of the newspaper had been circulated on Capitol Hill and near the White House.

One of the earliest signs of the policy shift came when the President spoke, on July 10, before the annual convention of the NAACP, in Charlotte, North Carolina. The President announced that he had just met with Commerce Secretary Mickey Kantor and the son of the late Ron Brown, to give them final instructions before they left on a mission to Bosnia and Croatia "to finish the mission Ron Brown started," to help rebuild the war-ravaged Balkans. A week earlier, the President had sent Defense Secretary William Perry to Sarajevo, to nail down the details of a military agreement, under which the Bosnian Armed Forces will be armed and trained.

Following the NAACP speech, the President also called Richard Holbrooke out of retirement, to make one more trip to the Balkans, to secure the removal of Radovan Karadzic, the accused war criminal, from the leadership of the Bosnian Serbs.

The President also sent Anthony Lake to Beijing in a major diplomatic initiative, aimed at putting U.S.-Chinese relations on a solid footing for years to come. Lake met with the entire Chinese leadership, and laid the basis for an exchange of head of state visits, perhaps before the end of the year. While Lake was in China, the U.S. Export-Import Bank announced that it was granting millions of dollars in credits for the building of a new hydroelectric power plant on the Yellow River. Commenting on the Lake visit on July 18, LaRouche noted that the cornerstone of any effective relationship with China is support for the New Silk Road project, also known as the Eurasian land-bridge. "It looks like the United States has come to a good understanding with the Chinese government on this question," said LaRouche, "and that the President might be over there fairly soon, to concretize this—all of which I think is excellent."

With this shift back onto the policy offensive, President Clinton has now positioned himself to take yet another crucial step toward securing his re-election, under circumstances favorable to himself, to the United States, and to the world: dumping Dick Morris.

Book Review

Parody of J. Edgar in the White House

by Edward Spannaus

Unlimited Access: An FBI Agent Inside the Clinton White House

by Gary Aldrich

Regnery Publishing, Inc., Washington, D.C., 1996
222 pages, hardbound, \$24.95

It would be a close contest as to whether the prize for the literary hoax of the year should go to *Newsweek* columnist Joe Klein for *Primary Colors*, or to Gary Aldrich for *Unlimited Access*. At least Klein's book forthrightly portrays itself as a work of fiction, while Aldrich's parades as a first-hand documentary account of life in the Clinton White House.

After a flurry of lurid headlines, even some of Bill Clinton's worst detractors began to realize that the hype around Aldrich's book was backfiring, and more than one commentator suggested that it might work to Clinton's benefit, because it was so easily discredited. After poking some holes in Aldrich's most highly publicized tale—that of the President sneaking out of the White House late at night for trysts at a downtown Washington hotel—ABC-TV's Sam Donaldson said he'd suggested to a White House official that “maybe Aldrich is a mole of yours.”

Even some of the most rabidly anti-Clinton press, such as the *New York Post* and the *Washington Times*, were quickly compelled to distance themselves from Aldrich's ravings after a couple days of promoting the book. And for the FBI, which has labored hard to rid itself of the tainted aura of the late J. Edgar Hoover, the book was especially embarrassing.

Shades of G-man Hoover

J. Edgar Hoover, who was Aldrich's first employer at the FBI (he worked in Hoover's mail room), was famed for his alleged prudishness, his insistence that FBI special agents have short hair, be clean-shaven, and wear suits and ties at all times. Hoover was known for displaying public outrage toward any perceived sexual deviance, and he maintained files on known or suspected homosexuals in government, and on personnel who were reported to have engaged in sexual or

other misconduct. The FBI's “sexual deviate” file, indexing reports of alleged homosexuality reported between 1937 and 1977, ran to some 300,000 pages.

Hoover's puritan persona, as is well known, simply masked his own homosexuality. Although he deployed the full power of the FBI against anyone who was overheard discussing the director's proclivities, in recent years, abundant documentation has emerged concerning Hoover's own deviant activities, including his long-term homosexual relationship with aide Clyde Tolson, and his cross-dressing at drag parties thrown by Roy Cohn—at which Hoover was affectionately known as “Mary.”

Aldrich's own obsessions, on display throughout his book, are eerily reminiscent of Hoover's.

In describing his first day at the Clinton White House, Aldrich regales the reader with stories of how different it was from “the buttoned-down Bush administration.” Aldrich describes it: “the shaggy-haired middle-aged guy . . . in a loud, checkered, polyester, double-knit suit and badly scuffed shoes,” the woman “dressed like a cocktail waitress. Her shirt was too tight and ended at her midriff; her skirt was short, and she wasn't wearing any hose. . . . I saw jeans, T-shirts, and sweatshirts; men with earrings and ponytails; and every manner of footwear except normal dress shoes.” Then there was the woman whose breasts kept tumbling out of her blouse, and the young lady who bent over in front of Hillary Clinton showing her “bare behind.”

Revealing more about himself than about the Clinton White House, Aldrich confesses: “There was a unisex quality to the Clinton staff that set it far apart from the Bush administration. It was the shape of their bodies. In the Clinton administration, the broad-shouldered, pants-wearing women and the pear-shaped, bowling-pin men blurred distinctions between the sexes. I was used to athletic types, physically fit persons who took pride in body image. . . .”

Aldrich's book boils down to a collection of after-hours barroom gossip, supplemented by political slanders and attacks on Clinton lifted directly out of the *Washington Times*, the *American Spectator*, and kindred publications. Financial backing for the book was provided by Richard Mellon Scaife, whose projects otherwise include bankrolling the Vincent Foster conspiracy-theory industry; Scaife is one of the funders of the Heritage Foundation.

Aldrich also displays his particular obsessions with profanity and neatness. As with everything else, according to Aldrich, a profane word was never heard in the White House prior to its takeover by the Clinton crowd. In the Bush and Reagan administrations, everyone spoke politely, wore underwear, and polished their shoes. Of course they also traded guns for drugs in Central America and Afghanistan, dealt with terrorists in Iran and elsewhere, and then lied about it to Congress. But that's not of concern to Aldrich, who has more important things to be worry about, such as the lack of athletic bodies on display in the Clinton White House.

House Republicans cover up Justice Department role in Waco

by Edward Spannaus

The Republicans who headed the Congressional hearings into the 1993 Waco disaster have tipped their hand, and revealed, not unexpectedly, that they intend to have their committees issue a wildly fraudulent version of the events of 1992-93. The fictitious GOP “findings” load all the blame on President Clinton and Attorney General Janet Reno, while completely burying the role of the Justice Department’s permanent bureaucracy, which arm-twisted Reno into approving the April 19, 1993 assault on the Branch Davidian compound in Waco, Texas, resulting in the deaths of at least 80 people. Furthermore, they intend to hide the role of the Bush administration, under which the initial bungled raid of February 1993 was prepared and set into motion.

Rep. Bill McCollum (R-Fla.) of the House Judiciary Committee, and Rep. Bill Zeliff (R-N.H.) of the House Government Reform and Oversight Committee, previewed their fundamentally flawed “Findings and Recommendations” at an unannounced press conference at the Capitol on July 11—before even presenting their supposed “findings” to the committees which they chair.

At the July 11 press conference, Zeliff presented the GOP conclusions with respect to the Alcohol, Tobacco and Firearms (ATF) Division of the Treasury Department, and McCollum presented the GOP conclusions with regard to the Department of Justice/FBI actions which followed the bungled ATF raid; they jointly issued a written statement.

ATF and the first raid

Zeliff set out his findings concerning the investigation carried out by the ATF, leading up to the Feb. 28, 1993 raid in which four ATF agents were killed.

Zeliff’s major points were:

1) ATF agents had made misrepresentations to the Defense Department, claiming that the Davidians were manufacturing illegal drugs, in order to obtain assistance from the Defense Department, and the information had come from a “disgruntled” Davidian. Unmentioned also is the role of the Anti-Defamation League (ADL) and the Cult Awareness Network (CAN) in directing the “disgruntled” ex-Davidians to the ATF.

2) ATF agents had made false statements in the affidavits used to justify the Feb. 28 search-and-seizure operations.

Zeliff made no mention whatsoever of the Bush adminis-

tration, even though the ATF investigation of the Branch Davidians was initiated under that administration, and almost all of the misconduct he cited took place prior to the Clinton administration coming into office. Likewise, the written summary lays out criticisms of the ATF, but fails to make any mention of George Bush or Bush administration Treasury Department officials, such as Bush’s ally Nicholas Brady, who was secretary of the Treasury when the Branch Davidian investigation was initiated, and when the plans for the raid were prepared. But, in contrast, the report is highly critical of Clinton administration Treasury officials Lloyd Bentsen and Roger Altman, who been in office only about a month at the point of the bungled raid.

The DOJ and the second raid

Representative McCollum presented the GOP findings with regard to the April 19, 1993 assault, which resulted in the deaths of 80 Davidians. McCollum declared that the decision by Attorney General Reno to approve the FBI’s plan to end the standoff on April 19, was “premature, wrong, and highly irresponsible.” He said that Reno was “seriously negligent,” and that she “knew or should have known that the plan to end the standoff would endanger the lives of the Davidians inside the residence, including the children,” and that she “knew or should have known that there was little risk to the FBI agents, society as a whole, or to the Davidians from continuing the standoff, and that the possibility of a peaceful resolution continued to exist.” McCollum furthermore proclaimed that President Clinton should have accepted Reno’s resignation when she offered it after the Waco disaster.

As has been documented by *EIR* (June 30, 1995, “The Long Overdue Cleanup of the Justice Department”), the key role in the Waco massacre was played by the top career officials in the DOJ’s Criminal Division: John Keeney and Mark Richard. Keeney—who has been in the Justice Department since 1951, was the acting head of the Criminal Division in early 1993. Mark Richard, at DOJ since 1967, was the second in command regarding Waco, but played the critical role, going personally to Waco twice, and then briefing the brand new Attorney General on his and the FBI’s recommendations.

It is thoroughly documented by the Justice Department itself—but totally ignored by McCollum—that it was Mark Richard who pressured Reno to accept the FBI plan to launch

the assault on the Davidian compound using CS gas. When Reno first rejected the FBI plan, Richard's comment was: "The FBI will not be pleased." Under increased pressure, Reno finally accepted the FBI plan, and it was Mark Richard who handed Reno the documentation prepared by the FBI justifying the planned attack.

It is therefore with utter duplicity that McCollum attacked Reno—and only Reno—for approving the FBI plan. McCollum stated that "every one" of the reasons cited for ending the standoff "lacked merit." These reasons—which were the reasons cooked up and argued by Mark Richard and the FBI—included arguments that the negotiations had reached an impasse, that there was a threat of a Davidian breakout, that the the FBI Hostage Rescue Team needed rest and retraining, that conditions inside the compound had deteriorated. As to the allegations of physical and sexual abuse of minors (the argument that ultimately swayed Reno), McCollum said that this had occurred, but "there was no basis to conclude that minors were being subjected to any greater risk of physical or sexual abuse during the standoff, than prior to February 28th."

Will lying agents be prosecuted?

At the July 11 press conference, Zeliff stated: "Although probable cause likely existed to suspect [Branch Davidian leader David] Koresh of crimes, the ATF agents responsible for preparing the affidavits knew or should have known that many of the statements they were making were false."

Zeliff then declared: "If the false statements in the affidavits filed in support of the search-and-arrest warrants were made with the knowledge of their falsity, criminal charges should be brought against the people making those statements. The affidavit in support of the warrants contained numerous errors. If their sworn statement was made with knowledge of the falsity of these statements, criminal charges should be brought against the person or persons involved who swore out the affidavits."

This conclusion is also set forth in the written summary presented by Zeliff and McCollum.

This presents an interesting question for the Judiciary Committee. Were this standard to be adopted and generally applied, then the authors of the affidavits used to justify a much larger raid—the 400-agent raid directed against Lyndon LaRouche and associates in Leesburg, Virginia in October 1986—would be sitting in jail. There exists overwhelming evidence, on the court record, that the "LaRouche" search warrant affidavits, signed by FBI special agent Richard Egan, and by Virginia State Police special agent C.D. Bryant, were riddled with deliberate lies and falsehoods. How consistent are Representative McCollum and his colleagues on the Judiciary Committee prepared to be?

Not the final report

Neither subcommittee which was involved in the hearings had yet seen the so-called "findings and recommendations"



Mark Richard, a top Justice Department career bureaucrat who played the critical role in the Waco massacre—but whose role is ignored by the GOP "findings."

presented publicly by Zeliff and McCollum. McCollum said that after the report is assembled, it will be reviewed by the members of the House Judiciary Committee's Subcommittee on Crime, and that members could submit additional views or dissenting views, and the report will then be published. Zeliff said that there would be a vote in the subcommittee of the Government Reform and Oversight Committee on July 18, then the report would go to the full committee; the final report will be issued in August.

Two cases show real corruption of DOJ

by Jeffrey Steinberg

If Congressmen William Zeliff (R-N.H.) and Bill McCollum (R-Fla.) are serious about their July 11 grandstand attack against Attorney General Janet Reno, and their call for prosecution of Department of Justice (DOJ) officials who issue false sworn statements, then they will immediately convene hearings to study the corruption, abuse of prosecution, and fraud upon the court, committed by the most senior, career Justice Department prosecutors, in the case of John Demjanjuk, a naturalized American citizen who was knowingly, falsely accused by the Office of Special Investigations (OSI) of being a Nazi war criminal. And then, they will launch a long overdue probe into the circumstances of the assassination of Tschirim Soobzokov in 1985 by Jewish Defense League

(JDL) terrorists. Soobzokov was also accused by *New York Times* poison-pen and longtime LaRouche-slanderer Howard Blum, of being a wartime Nazi. When he successfully sued the *Times* and Blum, and won a multimillion-dollar settlement, Soobzokov was murdered by the JDL.

These two cases—along with the judicial railroading of Lyndon LaRouche—are the yardstick, by which all other instances of systemic Justice Department corruption must be measured. To talk about Department of Justice corruption at Waco, and to even demand criminal prosecution of the relevant Justice Department officials, without taking up the Demjanjuk, Soobzokov, and LaRouche cases, is the height of hypocrisy and cover-up.

Demjanjuk's 16-year ordeal

Based on KGB-fabricated “evidence,” first published in a Ukrainian Communist Party newspaper, the U.S. Immigration and Naturalization Service launched a probe, in 1978, of a Ukrainian-American retired auto worker from Cleveland, John Demjanjuk. Over the course of 16 years, Demjanjuk was deliberately falsely accused of being the Treblinka, Poland concentration camp mass murderer, known as “Ivan the Terrible.” In the 1980s, Demjanjuk was prosecuted by the Justice Department’s OSI, was denaturalized, and deported to Israel, where he was tried and convicted of genocide.

All the while that the DOJ was prosecuting the Demjanjuk case, and throughout the duration of his capital offense trial in Israel, top officials of the DOJ, beginning with Deputy Assistant Attorney General Mark Richard, and leading into a gaggle of Anti-Defamation League (ADL) zealots inside the OSI, were in possession of reams of evidence proving that Demjanjuk was innocent.

That evidence was withheld from defense attorneys, in both the United States and Israel; and, were it not for the unflinching efforts of members of Demjanjuk’s family, and others, including Lyndon LaRouche, Pat Buchanan, and Rep. Jim Traficant (D-Ohio), Demjanjuk would have almost certainly been executed. Long after Demjanjuk’s extradition to Israel, and even after an Israeli court convicted him of crimes against humanity and sentenced him to be hanged, Demjanjuk’s supporters were able to uncover some of the buried evidence. An Israeli Supreme Court panel eventually overturned his conviction; and, back in the United States, on June 5, 1992, the Sixth Circuit Court of Appeals, in Cincinnati, angered at the Justice Department’s refusal to respond to inquiries about the apparent withholding of evidence, took the extraordinary step of initiating a review of the entire case. Ultimately, as some of the buried evidence was uncovered, the Sixth Circuit appointed Judge Thomas Wiseman as a Special Master, assigned to probe whether the Justice Department conduct had constituted fraud upon the court. In September 1994, the Sixth Circuit ruled that the DOJ had, indeed, committed fraud, and, based on the Justice Department’s action, overturned the entire Demjanjuk proceeding. On Oct. 3, 1994,

the U.S. Supreme Court rejected a Justice Department appeal of the Sixth Circuit’s ruling.

Despite all of this, Attorney General Reno, at the urging of Mark Richard and other Criminal Division bureaucrats, is, to this day, pursuing a new denaturalization case against Demjanjuk. Is this not a case of a continuing criminal enterprise—by the DOJ?

The Soobzokov case

Tscherim Soobzokov did not fare so well. Demjanjuk is alive today, reunited with family and friends; and, in the eyes of all but the most hateful ADL-types within, and outside, the Justice Department, he is vindicated. But Soobzokov, a Circassian-American, was, like Demjanjuk, initially targeted by the KGB. Communist Party U.S.A. propagandist Charles Allen named Soobzokov as a Nazi war criminal, in a series of tracts he penned, beginning in the 1973, based on “data” provided by East Germany’s most notorious state security service (“Stasi”) propagandist, Julius Mader. The list containing Soobzokov’s name was passed on to Rep. Elizabeth Holtzman (D-N.Y.) and Secretary of State Henry Kissinger, who were working together to launch a special Justice Department unit devoted exclusively to hunting wartime Nazis—in partnership with both Soviet and Israeli intelligence agencies.

In March 1977, the Allen-Mader phony documentation appeared in the bookstores as *Wanted: In Search of Nazis in America*, by Howard Blum, published by the *New York Times*. The book helped fuel the creation of the OSI two years later.

Soobzokov sued the *Times* and Blum for the slanders. In 1985, after Soobzokov’s attorneys obtained a court order to travel to the Soviet Union to deposition officials who could prove that the Blum information was knowingly phony, the *Times* agreed to a very lucrative out-of-court settlement, in which Soobzokov was, reportedly, to receive over \$1 million, and public vindication.

All of that was short-circuited on Aug. 15, 1985, when a pipe bomb, planted on Soobzokov’s Paterson, New Jersey front porch, blew up and killed him. At the time of his murder, Soobzokov was still under fire from the OSI, which, despite the outcome of the *Times* libel case, was still out to denaturalize and deport him. He had just won an important court victory against the OSI.

The day before Soobzokov’s assassination, a JDL splinter-group, headed by Mordechai Levy, had demonstrated in front of Soobzokov’s house, branding him a “Nazi.”

Every step along the way, in both the Demjanjuk and Soobzokov cases, Deputy Assistant Attorney General Mark Richard, a longtime “friend” of the ADL, was in the know. As the highest ranking career Justice official, in charge of all international cases in the Criminal Division, Richard was at the top of the chain of command. He knew or should have known that his department was hiding evidence of both men’s innocence. In the case of Soobzokov, and, nearly, in the case of Demjanjuk, that means murder.

Smith introduces Social Security reform bill

Rep. Nick Smith (R-Mich.), the man who tried to force the federal government into default during the budget wars last winter, announced on July 9 that he had introduced a bill to reform the Social Security System, supposedly to make it solvent until 2070. The plan would allow taxpayers to invest 2.3% of the current tax into a private account (with that proportion increasing over time).

At a forum at the Heritage Foundation on July 10, Smith said that not only is the rate of return much higher on private investments than from the Treasury, but that "if Americans start investing and they see the fruits of that investment in the returns and the difference it can make in their wealth and their retirement well-being, we're going to have an exciting new dimension of investment by more and more people in the United States"—in other words, an obvious windfall for Wall Street.

The growth of benefits would be slowed for middle- and upper-income workers and for married couples, and the retirement age would be slowly raised to 69. It would also prohibit the Treasury from borrowing from the Social Security trust funds.

Senate grinds its way to gridlock

The conciliatory attitude that has characterized Senate business since Trent Lott (R-Miss.) was elected majority leader on June 12, came to an end on July 11 when an exasperated Lott complained that "there is a planned, concerted effort to have gridlock in the U.S. Senate." He said that doing "the people's business" was "the best thing to do for ourselves politically" and for the country. But "now I find that in-

stead of gridlock being broken it is beginning to get worse every day."

Lott blamed Democrats for blocking legislation, including a bill on the White House Travel Office affair, the health insurance reform bill, the taxpayer bill of rights (which was cleared for action later that afternoon), the Nuclear Waste Policy Act, and a bill to establish a national gaming commission.

Minority Leader Tom Daschle (D-S.D.) accused Republicans of holding conference committee meetings without telling Democrats and of doing everything possible to prevent debate on bills on which Democrats want to offer amendments that might pass. "We can deal with any one of these bills," he said, "but it has to be done in a bipartisan way."

Democrats hold forums on Family First agenda

Congressional Democrats held the first forum on their Families First Agenda on July 12, and focused on their health care program, which calls for "kids-only," low-cost insurance policies, to be subsidized by the government, and tax credits for families who can't pay the full costs of these policies.

A "kids-only" health insurance bill has been introduced by Sen. John Kerry (D-Mass.). Democratic leaders took testimony from witnesses on the need for such an initiative. Most of the Democrats on the panel made clear, however, that they supported universal health care.

The forum was introduced by Senate Minority Leader Tom Daschle (D-S.D.), who said that 40 million Americans have no health care coverage and that the fastest growing category of uninsured is children. He said the Republican proposals to give

states control over Medicaid would cause 18 million children to lose Medicaid coverage. "The Democrats will block any effort to raid Medicare or Medicaid to pay for tax breaks for the wealthy," he said.

House Minority Leader Richard Gephardt (D-Mo.) said that the Democrats' plan is to require insurance companies and managed care companies which do business with the government to provide low-cost health care for children, and to provide protections for that care, such as preventing them from dropping sick children or refusing care because of "preexisting conditions."

Other Democrats pointed out that the United States is the only industrial nation which does not provide health care for all children. Democratic National Committee General Chairman Sen. Christopher Dodd (D-Conn.) reported on a Government Accounting Office report that he had commissioned on the status of health coverage for children. It was "significant and alarming," he said; 10 million children were uninsured in 1994.

Republican leadership blocks wage increase

According to House Democrats, speaking on the floor on July 10, the Republican leadership has decided not to let the minimum wage increase go to conference committee. Harold Volkmer (D-Mo.) predicted that House Speaker Newt Gingrich (R-Ga.) would either not appoint members to a conference committee until September or October, or fail to appoint them at all, or, "if they appoint conferees, the conferees are never going to come to an agreement."

Albert Wynn (D-Md.) accused the GOP leadership of holding the minimum wage bill hostage until they get

the medical savings accounts into the health insurance reform bill, which has been stalled for three months.

Rosa DeLauro (D-Conn.) said that this "sounds a lot like, 'if you do not play by my rules, then I am going to take my ball and go home.'" Such a refrain belongs in "sandboxes," not in the U.S. Congress, she said.

Minimum wage increase finally clears Senate

On July 9, the Senate passed a minimum wage increase, by a vote of 74-24, with 27 Republicans voting in favor. Three amendments were considered, according to an agreement worked out by party leaders Trent Lott (R-Miss.) and Tom Daschle (D-S.D.).

The Democratic amendment, offered by Edward Kennedy (Mass.), provided for an across-the-board, two-step increase in the minimum wage, to \$5.15 an hour, by July 1, 1997, and repealed the 90-day "training" wage provision in the House version of the bill. The Republican amendment, offered by Kit Bond (Mo.), sought to exclude all small businesses making under \$500,000 a year in sales and to extend the training wage, or "opportunity wage," as Republicans called it, to all workers employed on the job less than six months, as well as delay implementation of the increase by six months. Both amendments failed by votes of 52-46.

Kennedy called the Republican amendment "gimmickry and chicanery. . . . If we care about helping the working poor, then we must support an increase in the minimum wage, regardless of the size of the company they work for."

Paul Wellstone (D-Minn.) called the Republican bill a "great leap backward," which contained "so many loopholes and exemptions . . . it is hard

to even figure out who would actually receive an increase."

Republicans accused Democrats of using the minimum wage issue solely for partisan political gain. Phil Gramm (R-Tex.) said that raising the minimum wage is like trying to repeal the law of supply and demand, but proceeded to talk about the tax provisions of the bill. John Ashcroft (R-Mo.) suggested that the Senate should address issues "which do not address 4 to 5 million people but address 70 to 80 million people."

Chris Dodd (D-Conn.) responded that "this ought to be passing unanimously on a voice vote. This ought not to be the subject of an acrimonious debate on minimum wage at the very hour we are trying to move people from welfare to work."

TEAM Act passes Senate amid veto threat

The Senate passed the Teamwork for Employees and Management, or TEAM, Act on July 10, by a vote of 53-46. It seeks to modify labor relations law to expand the issues that employers can discuss with employees outside the union-management relationship, to supposedly improve cooperation. The bill, however, faces a veto threat from President Clinton.

Nancy Kassebaum (R-Kan.), the chief sponsor of the bill in the Senate, said that it will "improve the quality of life for workers on the job as well as the quality and productivity of American firms competing in the global marketplace." She also said the bill is in response to a series of National Labor Relations Board decisions "that cast doubt on the legality of employee involvement programs, particularly in nonunion settings." However, it was clear during the debate that the two sides couldn't even agree on what the

NLRB decisions they were discussing actually meant.

Democrats said the bill would allow the return of the "company union," a practice that was outlawed with the passage of the National Labor Relations Act in the 1930s. Edward M. Kennedy (D-Mass.) said, "This legislation has nothing to do with cooperation and everything to do with undermining workers' rights. It overturns one of the fundamental protections of American law, that employers cannot set up company-dominated unions as a trick to prevent workers from joining real unions." He pointed to the fact that there are 30,000 companies with cooperative programs in place and the NLRB has only decided 15 cases in the last four years under the relevant portion of the current law.

National 'right to work' act dies in cloture vote

Sixty-eight Senators voted against invoking cloture on July 10, on a bill sponsored by Lauch Faircloth (R-N.C.) which would outlaw mandatory union membership as a condition for work, an issue that was left to the states to decide in 1947. The vote prevented the bill from being brought to the floor.

Democrats opposed to the bill used arguments that throughout the 104th Congress have been the ideological property of Republicans. Robert Byrd (D-W.V.), pointing out that only 21 states have right to work laws, said the Senate would be "imposing a federal mandate on those states that have chosen not to restrict union security clauses." Byron Dorgan (D-N.D.) added that the bill "undermines the basic principles of state rights and workplace democracy." Chris Dodd (D-Conn.) said the bill was "simply one more example of the Republican Party's systematic and unremitting attack on America's labor unions."

National News

Dole snubs NAACP, for baseball with Tom Ridge

When GOP front-runner Bob Dole told the National Association for the Advancement of Colored People that a "scheduling conflict" prevented him from addressing their convention on July 9, he neglected to say that his "conflict" was a baseball game. Worse, Dole's partner at the All-Star game in Philadelphia was Pennsylvania's Gov. Tom Ridge. Ridge, widely mooted by the press to be Dole's choice for vice president, apparently had more difficulty balancing the popcorn, hot dogs, and Cracker Jacks at the game, than he's had balancing the state budget by cutting 220,000 medically indigent Pennsylvanians off from health insurance.

Ridge's latest outrage has been to propose that the state's survey of prevailing wages in construction contracts factor in both non-union (i.e., lower) and union wage rates. Since the state guarantees the prevailing wage on state-funded building projects, the newly calculated average would substantially cut construction wages. A spokesman for the state secretary of labor, in discussion with *EIR*, denied organized labor allegations that the new survey would lower wages by \$200 million. But in the next breath, he nervously stammered that "taxpayers would save up to \$200 million."

Clinton tells Arab daily, 'peace is my priority'

President Bill Clinton reemphasized his personal commitment "to exert all his efforts to help the issue of peace in the Mideast" in an exclusive interview with Arabic daily *Asharq Alawsat*. Clinton's remarks appeared in the London-based paper on the eve of the Cairo Arab Summit that started on June 22. Clinton stressed: "Achieving comprehensive peace in the Middle East remains a foremost priority in the program of the U.S. administration and my own personal program."

In answer to a question on the relationship between Islam and the West, and the fact that such terms as "fundamentalism," "violence," and "terrorism" have scarred this relationship, he responded: "I do not see any scars in our relationship with the Islamic world. . . . We do not believe that Islam equals violence, and we don't see that there is a clash of civilizations between Islam and the western world."

With respect to Palestinian-Israeli relations, since the new Israeli government came in, President Clinton reminded both parties that he expects them to implement "their promises as being part of the temporary agreement they had concluded." He also praised the Palestinian Authority efforts against terrorism and urged the PA to continue.

La Raza, Catholic bishops blast anti-immigrant bill

Cecilia Munoz, deputy vice president of the National Council of La Raza, and John Swenson, executive director of the Office of Migration and Refugee Services for the United States Catholic Conference, denounced the pending federal immigration bill as "extremist," in their commentary in the *Washington Post* on July 5. "Reportedly, some in Congress hardly can contain their glee at the prospect that the President will sign either this dangerous bit of policymaking or open himself to attacks that he 'killed' the immigration reform bill."

The bill could lead to denial of education to undocumented schoolchildren; and would bar U.S. citizens from sponsoring their spouses or children under the legal immigration system unless they earn more than 100% of the poverty level—"hardly a rational policy for a 'pro-family' Congress," they point out. In addition, legal immigrants could be deported for participating in student aid and loan programs, prenatal care, and even certain English classes. "Where is the wisdom in a law that would deport immigrants for doing things we want them to do—such as learning English, nurturing their children and furthering their educations?" they ask.

Confederate constitution is model for 'Contract'

Columnist Jess Bravin charged that Bob Dole, Newt Gingrich, and other proponents of the "Contract on America," who rave about "states' rights," and appeal to the Tenth Amendment to justify this, are in fact "reading the wrong Constitution," he wrote in a *Washington Post* commentary on June 30. "There is another American charter that, more than a century ago, enacted much of the modern Republican agenda for the nation."

Like the Contract with America, Bravin explains, the Confederate constitution "provided for a line-item Presidential veto, as well as other sections that seem consistent with the GOP agenda." Like the Contract, the Confederate constitution also "forbade liberal boondoggles like industrial policy or social insurance. It barred Congress from spending money to spur commerce, and deleted the offensive clause that has permitted the federal government to cause so much mischief—that of granting Congress power to allocate tax revenue for the 'general welfare of the United States.'"

He concludes "Dole, Gingrich and the Republicans of today, probably don't realize that many of their ideas, rejected by the founders of the United States, were ratified by the Confederacy in 1861 . . . and that after the Civil War, rather than use the Confederate constitution as a model, the United States repudiated its values by enacting the 13th, 14th and 15th Amendments."

Clinton announces new meat inspection plans

President Bill Clinton announced in his July 6 radio address that the administration is revamping the U.S. meat inspection process. "We all remember how in 1993 tragedy struck hundreds of families in the Western United States," he said. "Undercooked hamburgers served in a fast-food restaurant were contaminated with a deadly strain of *E. coli*

bacteria. Five hundred people became ill, and four children died."

"Now . . . sometimes families have been exposed to illnesses because some meat and poultry shipped to our supermarket shelves contained invisible and deadly bacteria. The reason was shocking and simple: For all our technological advances, the way we inspect meat and poultry had not changed in 90 years."

Clinton's plan was given more detail that day by Agriculture Secretary Dan Glickman. 1) The government will set standards for salmonella contamination, and the USDA will, for the first time, be responsible for its testing. Beginning this summer, no plant will be allowed to exceed the current average contamination (currently, 20% of chicken products and 49% of turkey products show traces of salmonella). 2) The processors will be required to test for *E. coli*, for which a maximum level will be set. 3) Each meat- or poultry-processing plant must identify points where contamination could occur, then check for contamination at each, subject to USDA approval. 4) All processing plants would have to adopt a written plan within three months.

Resistance grows to Kevorkian death march

Detroit's Cardinal Adam Maida launched Project Life on July 9 to counter the despair of people facing "a life-or-death decision involving abortion or assisted suicide," and to provide them with an alternative. "Before you pick up the telephone to schedule a consultation with Jack Kevorkian," he told a Detroit audience, "call Project Life." He pledged whatever resources it takes to offer alternatives. He said: "No one should feel forced—by whatever problems or pressures they face—to choose abortion or assisted suicide."

Jack Kevorkian, the self-styled "obitirist," has racked up 33 victims since 1990. None of the decedents was terminal, and many did not even have fatal diseases.

On July 4, Michigan law enforcement authorities made a breakthrough in stopping

the murder spree, when the son of victim No. 30, Shirley Cline, agreed to cooperate with investigators. Kevorkian's attorney told the press that Cline was "in horrific suffering from bowel cancer," which had spread to her organs and lungs. At autopsy, it was found that there was no lung metastasis, and, although the cancer had spread, she could have continued to live for years, benefitting from new medical protocols.

Moreover, many new drugs are coming on the market to treat the effects of multiple sclerosis, a non-fatal disabling disease. Five of Kevorkian's victims have been MS patients. As recently as May 17, the FDA approved use of Avonex (Interferon beta 1-a), the first therapy shown to slow the progression of physical disability and decrease the frequency of acute relapses.

Exposé of Bush cover-up of Pan Am 103 shredded

All remaining copies of *Trail of the Octopus*, the 1993 book which exposes the efforts by George Bush and Margaret Thatcher to divert investigation of the bombing of Pan Am 103 from Syria and Iran to Libya, will be destroyed. The book by Lester Coleman and Donald Goddard, will be "pulped," as a result of an out-of-court settlement between the publishers and retired Drug Enforcement Administration officer Michael Hurley, according to the *New York Post* of July 7.

Coleman was a Defense Intelligence Agency employee assigned to penetrate and observe DEA operations in Cyprus, where Hurley was DEA station chief. Coleman's book threatened the Bush-led cover-up of the Pan Am 103 bombing, by exposing how Iranians and Syrians, with help from Monzer Al-Kassar, penetrated a DEA "sting" operation and placed a bomb aboard the plane, which blew up over Lockerbie, Scotland, on Dec. 21, 1988. *EIR* has previously reported on the considerable evidence that high-level U.S. government officials were aware that Pan Am 103, on that day, had been targeted, and failed to intervene. Were the threads of the investigation to be followed, they would likely lead to the doors of George Bush and his flunky Oliver North.

Briefly

HENRY ESPY, the brother of former Agriculture Secretary Mike Espy, was indicted by "independent" prosecutor Donald Smaltz. This is the fourth set of indictments returned in the Espy investigation. It is widely believed that the ultimate target of Smaltz's probe is not Mike Espy, but President Clinton; Smaltz's investigation is very active in Little Rock.

GINGRICHITES who have been targeted by AFL-CIO electronic media ads are howling: California's Brian Bilbray, one of the ads' targets, whined to the *Los Angeles Times*, "They're like heroin addicts. They need their power fix." According to the *Times*, labor walking tours in 76 congressional districts is "harming Republicans in close races."

INMATES in Sheriff Joe Arpaio's get-tough prison system in Maricopa County, Arizona are being punched, kicked in the head, and thrown against the walls by guards, according to a preliminary Justice Department investigation. Guards are also armed with stun guns, in this much-touted, new version of good old Southern justice.

GOODBYE OLLIE, again. A few months ago, Ollie North's radio talk show in Washington was bounced from its prime-time slot of 3-6 p.m. to 9 p.m. Now, his newsletter, *Ollie North's Front Lines*, has folded. He started the newsletter after the 1994 elections, trying to capitalize on the GOP congressional sweep, while never mentioning his own Senate defeat, organized by LaRouche associate Nancy Spannaus.

RICHARD LAMM is a better candidate than Ross Perot, croons an editorial in the *New York Times* on July 12. Why? "This is a man who not only warns about the dangers of the budget deficit, but proposes to deal with it by . . . cutting off Social Security benefits for high-income retirees, slashing veterans' benefits, making people pay more money for Medicare and imposing a huge gasoline tax on motorists."

Britain's war against Ireland

President Clinton's intervention last year to negotiate a cease-fire in Northern Ireland was perceived as an intolerable insult by the British monarchy. With the aid of his National Security Council, President Clinton bypassed the traditionally pro-British careerists in the State Department, in a move which threatened to break the so-called special relationship between the United States and the United Kingdom.

A crucial step in the process was the decision by the President to issue a visa to Sinn Fein's Gerry Adams, which was followed by President Clinton's visit to Ireland in December 1995. The peace process was reversed, by a series of deliberate moves initiated by John Major's Tory government, with direct support from the British Crown. A pretext for Major's refusal to allow all-party talks to continue, were bombings purportedly carried out by a group of intransigents in the Irish Republican Army (IRA).

Under the circumstances, although there is no direct evidence, it is difficult to believe that the bombings were in fact not orchestrated by British Intelligence, working under the direction of the Queen's Privy Council. Certainly, the latest riots and bombings were triggered by the Privy Council, which provocatively first banned and then allowed demonstrations by Irish Protestant zealots, in and around Belfast.

The current round of violence started on July 11, when the Royal Ulster Constabulary rescinded orders that would have kept the Protestant Orange Order from marching in their annual victory parade, commemorating the Battle of Boyne, through the Roman Catholic section of Portadown, south of Belfast. Ostensibly, the police were motivated to stop a riot by the thousands of Orangemen who had gathered to protest, not to march. But, the Orange constabulary immediately began to beat up Catholic protesters, who were staging a sit-in to stop the march.

That night, unknown snipers shot three members of the Ulster Constabulary, and all hell broke loose. In all, some 200 Catholics have been arrested and 121 civilians

injured, often by plastic bullets fired by the Ulster Constabulary; one Irish Catholic was killed when he was run over by an armored personnel carrier; 110 police officers have been injured; over 300 hijackings took place; and more than 900 gasoline bombs were thrown.

Still, on July 12, the Ulster Constabulary allowed another march by the Protestant Orange Order along Ormeau Road in Belfast. Police, backed by troops, threw a heavy security cordon around the road, near the city center. Catholic residents were kept behind police lines. Over 1,000 more special forces were flown in, raising troop levels toward 20,000—the highest they have been in Northern Ireland in 15 years.

The Catholic population of Northern Ireland rightly feared that the British Crown intended to foster the *ethnic cleansing* of Belfast. This created a climate in which the bombing of a hotel at Enniskillen, near the border with the Irish Republic, might be ascribed to the IRA—*notwithstanding their denial of any involvement.*

The blatancy of this latest British outrage has not been lost on Irish Prime Minister John Bruton, who has generally been extremely restrained, even as the peace-process was being sabotaged by the British. And Sinn Fein President Gerry Adams suggested that the bombing might be part of a "dirty tricks" campaign by pro-British agents to discredit his organization: "It comes at a time when the British government is in the dock, and I think it is quite fortuitous for them at this time. I am saying it comes as a major distraction," he said, characterizing the peace process as "in absolute ruins."

Cardinal Cahal Daly, leader of Ireland's Catholics, said angrily: "This was a wrong decision, a disastrously wrong decision. I feel it will have very negative consequences. . . . I, with regret, have to say that I feel betrayed, betrayed by the British government."

If the British monarchy and the Major government thought that they would be giving President Clinton a black eye by blowing up Northern Ireland once again, their calculations may be backfiring, as their own perfidious methods now stand exposed for all to see.

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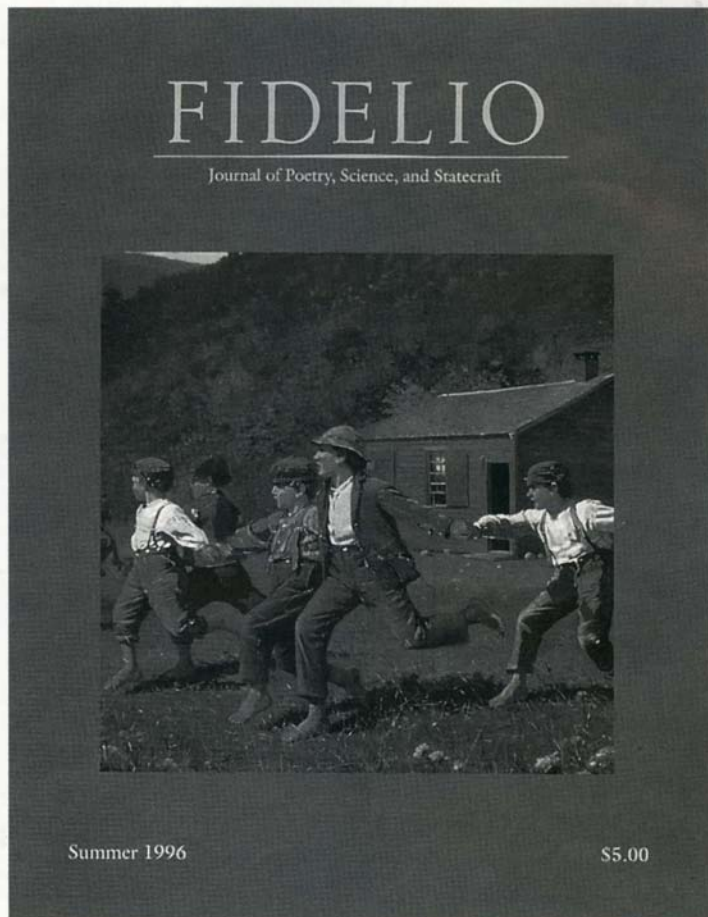
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