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Executive Intelligence Review

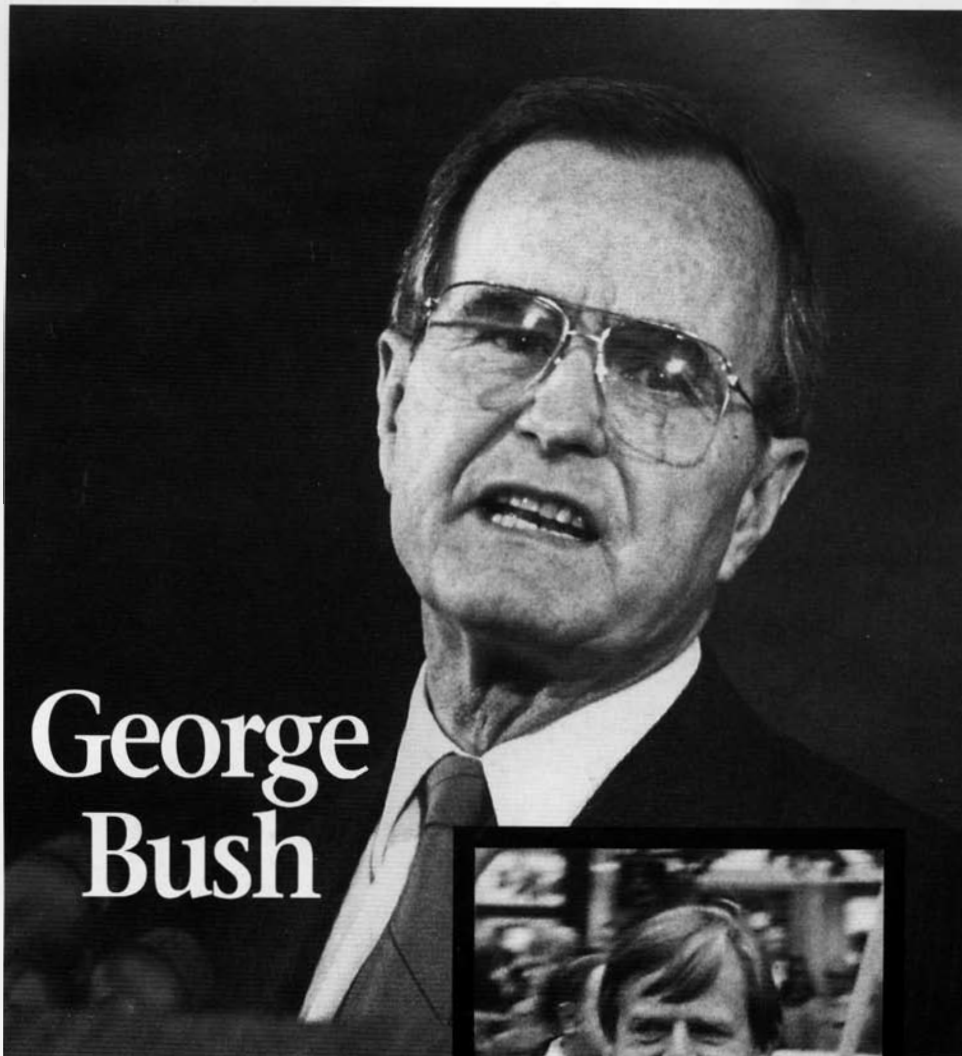
November 1, 1996 • Vol. 23 No. 44

\$10.00

'Democracy' lobby instigates breakup of Russia
The secret network behind George Soros
Belgium stands up against 'pornocracy'

Break the coverup of Bush's drug trafficking





George
Bush

And the 12333 Serial Murder Ring



Growing numbers of the cronies of George Bush's orgy of worldwide drug- and weapons-trafficking, not-so-secret wars, and just plain murder are pointing bloody fingers at each other, and also at their former masters. A case in point: the murder of Sweden's Olof Palme.

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The Olof Palme assassination and coverup, revisited

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From the Associate Editor

The campaign by *EIR* and the LaRouche movement to jail George Herbert Walker Bush took a big step forward on Oct. 25, with the release of a new *Special Report*, "George Bush and the 12333 Serial Murder Ring," available for \$100 from this news service. It is a sequel to our September 1996 report, "Would a President Bob Dole Prosecute Drug Super-Kingpin George Bush?"

Why Bush? Lyndon LaRouche, in his introduction to the new report, spells it out: "Although out of public office, Bush is still a powerful international, and national figure behind the scenes, one of the vilest, meanest, and most corrupt figures in any part of today's world. Your freedom, and that of our nation, hangs upon our ability to purge our institutions of the evil, bootleg, unconstitutional power, represented by the secret government created for George Bush, beginning 1981, under the title of Executive Order 12333."

Referring to the recent exposés of Bush's role as kingpin of the cocaine-trafficking Contras, and in the assassination of Swedish Prime Minister Olof Palme, LaRouche writes: "These presently ongoing, fresh exposures of Thatcher and Bush, are like a Heavensent gift. These facts present an opportunity for our government, our citizens, to free themselves from continued bloody abuses, by secret, armed government, operating from within the precincts of our military's Joint Chiefs of Staff. Sometimes, true facts are the most effective of the weapons by means of which an entire people may regain its lost freedom. This—right now—is such a time."

EIR this week provides a wealth of supporting analytical and documentary material. St. Petersburg correspondent Roman Bessonov's *Feature* shows how the Bush-Thatcher "Project Democracy" networks are financing separatist insurgencies in the former U.S.S.R. that could lead to World War III. In *International*, we have reports on the demise of Bush's defense policy for the Americas; the popular revolt in Belgium against perversion and corruption by Bush's political partners in high places; and the arrests in Italy of Bush-leaguers known as "the new Propaganda-2." See *National* for reports on how the crimes of Bush and his family friend William Weld of Massachusetts are coming under increased public scrutiny.

Susan Welsh

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Part 4 of Roman Bessonov's series, "The Anti-Utopia in Power," shows how the indigenist, separatist, and environmentalist seeds of breakup of the former U.S.S.R. were planted by Gorbachov's "new thinking," and are being nurtured today by the friends of George Bush and Margaret Thatcher, including the U.S. National Endowment for Democracy and its affiliated "quangos."

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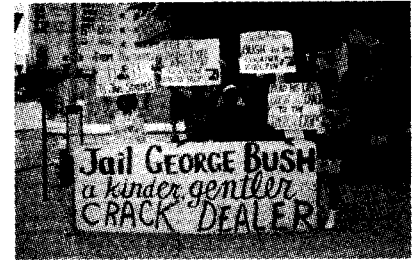
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Zedillo won't privatize oil; speculators take revenge

by Carlos Cota Meza

Mexico is once again being visited by financial instability, triggered by President Ernesto Zedillo's decision to resist the pressures of the international banking community and not privatize the petrochemical industry, instead applying an investment formula in which the state will retain ownership of 51% of the industry, and national or foreign private investors can participate in the remaining 49%. That decision was welcomed by many inside Mexico's ruling Revolutionary Institutional Party (PRI), but was also met with a great gnashing of teeth by the gnomes in Wall Street and the City of London.

The illusion of Mexico's financial stability, so carefully nurtured since the debt bomb blew up in December 1994, dissolved during the third week of October, when Mexico was hit by a familiar pattern of capital flight, a peso slide against the dollar, a skyrocketing of internal interest rates, and a toboggan ride on the stock market. Assurances by Energy Minister Jesús Reyes Heróles to international speculators that suspension of the privatization plan would be but a temporary setback, did little to assuage the wrath of those who had thought that Mexico's oil was finally within their grasp.

'The pirates are angry'

Lawmakers from the ruling PRI are saying for the first time that President Zedillo "is retaking a nationalist path," and that the financial instability "is the backlash of a great conspiracy by all those who find themselves affected." Some congratulated President Zedillo openly for finally listening to the PRI rank-and-file which elected him. Others are warning that "the pirates are angry," and that these are the big foreign moneybags who "wanted to grab Mexican stocks at bargain-

basement prices."

On the other hand, the champions of free trade within the opposition National Action Party (PAN), are hysterically accusing the PRI of "tying the hands of the President," referring to the intense lobbying effort against petrochemicals privatization carried out by the Mexican labor movement and others in the period leading up to Zedillo's decision. They are the ones "who adhere to the general outlines of the Luis Echeverría and López Portillo Presidencies," charged PAN Sen. Francisco X. Salazar.

Luis Pazos, a populist spokesman for the extreme neo-liberalism (i.e., British free trade ideology) of the Mont Pelerin Society, says that the failure to fully privatize the petrochemical industry "is a victory by the dinosaurs, and by the sectors whose goal is to preserve outmoded statist schemes." Enraged columnists accused Fidel Velázquez, veteran leader of the Mexican Workers Federation, of having imposed a "suicidal fundamentalism" against the privatization.

The Mexican media have revealed that intense pressure was applied on members of the Zedillo administration, in the form of private meetings between PRI legislators and public officials. Miguel Mancera Aguayo, Mexico's central bank director, was subjected to one such "private meeting" with members of the finance committees of both houses of Congress, where, at the insistence of PRI deputy Francisco Suárez Dávila, a four-hour discussion was held on the question of central bank autonomy. Congressman Suárez Dávila, who chairs the finance committee, demanded "detailed information" on Mancera's monetary policy, and warned that, its autonomy notwithstanding, it must "not be forgotten" that the Bank of Mexico "does not enjoy absolute independence from the powers of the state."

Sen. Carlos Sales (PRI), who chairs the Senate finance committee, pointed out to Mancera that he must recognize that the "people's patience is running out."

In the middle of this row, some were asking: "Is there any chance that the non-privatization of the petrochemical industry will resolve the economic crisis?" Others responded, "Has economic liberalism resolved the crisis?" But what none of the parties to the conflict have managed to recognize is that the fundamental instability of Mexico is not due to any of the events in which they are participating.

Mexico first to go down—again?

As was admitted in the recent annual meeting of the International Monetary Fund (IMF), the world is going through the worst banking crisis of the century. Mexico's upheavals are directly related to the jam that the international financial bodies are in as they try to deal with each new crisis erupting anywhere around the globe. Rimmer De Vries, former chief economist at J.P. Morgan bank, during a recent seminar at the IMF's Institute of International Economics, said that the "next time a new crisis breaks out in the problem debtor countries . . . we will not see the IMF coming in with billions of dollars in aid, but we will see the consequences of the crisis hit the domestic and international markets."

De Vries points to Turkey and Thailand as countries ready to suffer a financial crisis. De Vries knows Mexico's financial situation, because J.P. Morgan headed up the creditor syndicate in the Brady Plan negotiations of 1990.

The IMF directors have also been explicit that there will no longer be any financial bailout packages to refloat the "next Mexico." The only thing being offered to Mexico at present, according to IMF Managing Director Michel Camdessus, is a so-called "Preventive Plan," which involves "defining the cost of the reimbursement of contributed loans," in order to confront the most recent problems of the financial emergency in Mexico. The plan would begin to function during the first quarter of 1997, and operate until the end of 1999.

Finance Secretary Guillermo Ortiz claims that the "Preventive Plan" is to deal with more than \$10 billion in foreign debt owed to the IMF. In 1995, Mexico paid \$41 billion on its foreign debt; this year, payments will be \$26 billion, not counting the \$14 billion due which were refinanced by new Mexican bonds floated on the international markets.

Adding up the write-offs and bond issues from 1995 to the present, Mexico has recycled some \$81 billion, only to enter 1997 with yet another rescue plan to deal with its obligations to the IMF. And, the "Preventive Plan" does not have the support of the entire international financial community.

The same is occurring with the national banking system, or the "internal markets," as De Vries calls them. It is well known that the Mexican government has been trying for a year and a half to keep Mexico's banks from disappearing, but has not succeeded. The Savings Bank Protection Fund

(Fobaproa) and the National Commission on Banks and Stocks (CNBV) have taken over ten private banks, and aided another 11. So far, these operations have cost 113 billion pesos (roughly \$15 billion).

According to President Zedillo's second State of the Nation address, these actions have done nothing to stop the current banking disaster. Overdue debts in 1995 grew 64.5% over the previous year, and in only the first four months of 1996, non-performing debt was already 98.5% of the level reached in all of 1995. And these calculations don't include interest.

In June 1996, private banks had declared assets of 599 billion pesos, while their debts rose to nearly 606 billion pesos, leading to a deficit of 6.8 billion pesos. The profit margin of the banks is less than 7.69%, rates of return on capital are less than 13.29%, and the yields on assets are less than 0.59%. These indicators exclude banks that have been taken over or are in "a special situation," including Banco Unión, Cremi, Banpaís, Interestatal, Oriente, Obrero, Inverlat, Bancen, Capital, and Sureste.

Traditional banking has disappeared from the national economy. Bank deposits in the first half of the year plunged 23.5%, the loan portfolios of the banks have fallen 56% in the past year and a half, and bank financing has fallen 47.25% in the same period.

With the increase in interest rates and the peso devaluation during the last turbulence in October, it is forecast that arrears will grow, bank income will decline, and bankruptcies in the national banking sector will multiply. Everything now seems to indicate that the IMF, through its famous "Preventive Plan," seeks to directly administer Mexico from now through the year 2000. That plan includes the explicit "obligation" that Mexico privatize its state oil company, Pemex.

'LaRouche plan' is sole alternative

It is this last conditionality which appears to have defined a "boundary condition" for the Mexican ruling class, whose members are now faced with the fact that sticking with IMF conditionalities will mean the eventual privatization of Pemex, something which until just a few years ago was rejected out-of-hand in all public and private discussions. The factional brawl within Mexico's ruling elites over whether that boundary will be crossed is growing increasingly heated.

Addressing the overall financial crisis, U.S. statesman and economist Lyndon LaRouche offered the following on Oct. 16: "The only alternative is mine. . . . My policy is that the governments must act *now*, or set the action up now, to be prepared, the moment the public clamors for it, is willing to support it, to put all this financial system into government receivership and reorganization, to prevent a chain-reaction which could lead to social chaos. That is, to protect the people, to protect the economy from the effects of this financial bubble bursting."

Book Reviews

The 'super-blowout' in world finance

by Lothar Komp

Die Globalisierungsfalle

by Hans-Peter Martin and Harald Schumann
Rowohlt Verlag, Reinbeck bei Hamburg, 1996
350 pages, hardbound, DM 38

Yet another taboo in German politics has fallen. Over a long period of time, despite having been bombarded with documentation, petitions, and pamphlets, the political establishment had hysterically denied Lyndon LaRouche's analysis of the inevitable financial disintegration. Now, this line is no longer sustainable. Suddenly, Hessen's minister of the environment, Joschka Fischer, and Prof. Ernst Ulrich von Weizsäcker, director of the environmentalist Wuppertal Institute, are telling everyone within earshot that there is a risk of a "super-blowout in the cyberspace of world finance." You don't have to look far to find the source of this sudden insight: a new book, *Die Globalisierungsfalle (The Globalization Trap)*, now well on its way to becoming a best-seller in Germany. Written in the snide tone one would expect of *Der Spiegel* magazine staff reporters, the book describes the worldwide onslaught of neo-liberalism (free trade) and the manifest destruction said policy has already wreaked.

The message of the "political-economic Holy Word, with which a veritable army of economic advisers has marched into politics," really means nothing other than "the market is good, state intervention is bad," the authors write. Starting from the Anglo-Saxon world, most Western governments have elevated this dogma into the guiding light of their policies. Deregulation instead of state supervision, liberalizing trade and capital flows, privatizing state firms—such are the "strategic weapons in the arsenal of those governments which have put their faith in the free market economy and into those economic institutions controlled by said markets: the World Bank, the IMF [International Monetary Fund] and the World Trade Organization."

Should anyone still entertain illusions about the conse-

quences of neo-liberal rule, let him look at the United States today. That nation, say the authors, has become "the world economy's biggest cheap labor zone. . . . For more than half of the population, forced-march competitiveness has become the new American nightmare: the ladder straight down to hell. In 1995, four-fifths of all male employees and workers in the U.S.A. earned, in real terms, 11% less than in 1973. In other words, over the last two decades, living standards for the vast majority of the population, have actually fallen. Between 1979 and 1995, some 43 million people lost their jobs. Most quickly found another job, but in three-quarters of all these cases, at a far lower wage, and under far worse working conditions."

Similarly, say Martin and Schumann, "capitalist counter-reformation" has brought about acute social decay: "Criminality has taken on epidemic proportions. In California, itself the world's seventh largest economy, expenditure on jails exceeds that for education. Twenty-eight million Americans, over 10% of the population, live entrenched in high-rise buildings or security estates guarded night and day. Americans spend twice as much on private guards as they do on state police." In all vital questions bearing upon the future, governments have surrendered to the "ineluctable constraints of the transnational economy," while politics has become nothing but impotent theater. Globalization has, in fact, become a "trap for democracy," leading to the "20:80 society," in which 80% of the population are ejected from the economy and have to be kept punch-drunk by mass media entertainment.

The book's most interesting passages deal with the global financial markets. They contain a remarkable documentation of expert warnings on the coming financial crash, so far only seen in publications associated with LaRouche. We are treated to Wilhelm Noelling's proposal that "the financial world needs to be protected from itself," by taking measures to ward off a "super-blowout in the financial system"; to Jacques Chirac's expression of "financial AIDS"; to Felix Rohatyn's warnings on the "deadly potential, which lies in the combination of new financial instruments and overly rarefied trading mechanisms which could touch off a destructive chain reaction; the world financial markets have become a greater threat to stability than atomic weapons."

In 1994, Horst Koehler, president of the German Association of Savings Banks, warned that the collapse of one financial institution could lead to a worldwide domino effect: "The risk will hit the stock exchanges, next the currency exchanges, and then, the real world." Therefore, said Koehler, "a blowout on the financial markets is perfectly possible." Were that to be the case, say Schumann and Martin, trade would screech to a halt, "the entire system will break down and a worldwide crash will become as unavoidable as that which took place on Black Friday in October 1929."

Indeed, in the past few years there have been several occasions, upon which the world financial system stood on the

edge of the abyss, or, as IMF Managing Director Michel Camdessus put it, "a real world catastrophe" is imminent. A slight rise in U.S. interest rates sufficed to unleash, in early 1994, a chain reaction on international bond markets. While \$3 billion of Orange County, California's assets went down the drain, simultaneously, "just overnight more than \$3 trillion" of financial paper went up in smoke, catalyzed by the incredibly bloated mass of financial gambling called derivatives trading.

Camdessus: the puppet on a string

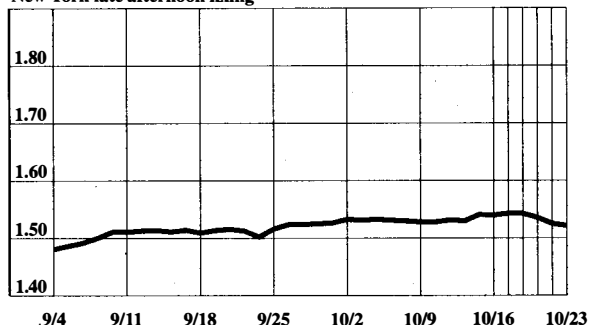
By December 1994, things had gotten much worse. When the Mexico crisis hit, the world financial system was about to disintegrate. As the authors document, a worst-case scenario was impeded only by a desperate, and, in effect, illegal, action by the IMF's boss. "On a cold Monday evening, Jan. 30, 1995," push came to shove. "At 9 a.m. Camdessus received a piece of news which made him shudder. He stood quite alone, shouldering all responsibility to prevent the very disaster which he himself had always thought could not possibly occur. Wracked by anxiety, he could not sit still at his desk. He collected his papers, and left his wood-panelled office for the large conference room, where IMF directors normally gather to discuss issuing credit. 'I was seeking the answer to a question which had never before been posed,' said Camdessus. Should he put aside all previous IMF rules, and, without conditions, without contract, without even the lenders' agreement, grant the largest loan in the fifty-year history of the IMF? Camdessus picked up the telephone, and within a few hours, the mighty director of the world's largest credit institution became but a puppet himself, its strings pulled by people he himself did not even know." The book describes that in these dramatic hours, Camdessus had received a barrage of "calls made by leading New York bankers and investment managers," pressuring him to opt for a gigantic bailout. "Were the Mexican market to collapse, he had heard, nothing could stop hell breaking loose. A chain reaction would be touched off by the mere apprehension of a similar crisis in other Third World countries, the which might well lead to a world wide financial crash."

Such a crash, according to the authors, is, in effect, much more likely than many of the movers and shapers of global markets are admitting to themselves and their clients. Of course, how such a "financial machine run amok" shall ever be brought back under the control of the governments of nation-states, how social tranquility and a decent living standard shall ever be restored, does not overly preoccupy Martin and Schumann. Vaguely pointing to the "Tobin tax," and calling for "a vital, vigorous European alternative to destructive Anglo-Saxon market radicalism," will not do the job. Listening to proposals of a "continent-wide ecological tax reform," coupled with monetary union, "in order to make the Euro the major currency," one can only draw the conclusion that the authors cannot distinguish a coffin from a lifeboat.

Currency Rates

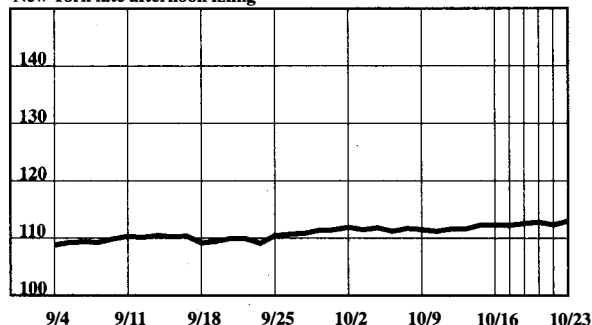
The dollar in deutschemarks

New York late afternoon fixing



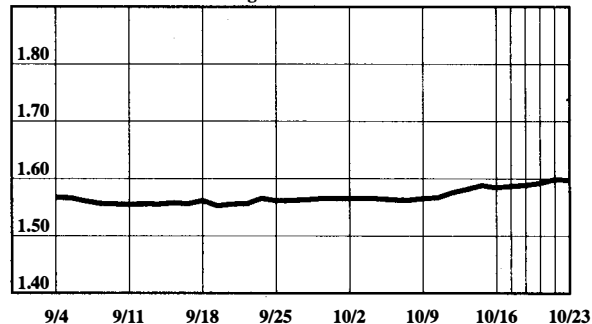
The dollar in yen

New York late afternoon fixing



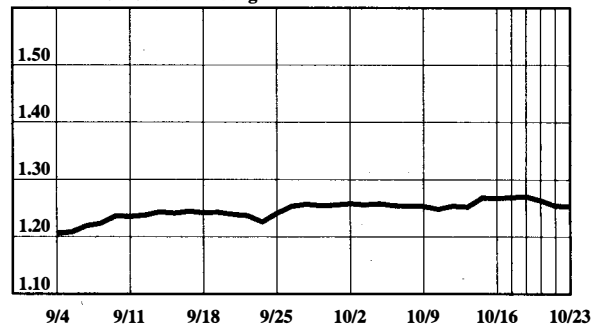
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



Venezuela's austerity plan puts it on the road to a 'Mexican' explosion

by David Ramonet

A chill is sweeping over Venezuelans, as they see the government's "Agenda Venezuela"—the austerity agreement struck with the International Monetary Fund in April—turning more and more into an imitation of the IMF's "Mexican miracle." In Mexico, the illusion of imminent prosperity through financial speculation, even as the vast majority of people sank into misery and unemployment, burst in December 1994, when the peso fell through the floor, and investments evaporated overnight.

Six months of the International Monetary Fund's (IMF) "miracle cure" have apparently changed the opinions of several financial advisers, and even some press commentators, who, during the period in which Venezuela's economic sovereignty was protected from the assaults of international usury, were the fiercest critics of President Caldera. Now, they can see for themselves the consequences of having ignored the "Ninth Forecast" warning of Lyndon LaRouche, that the international monetary system was heading for a crash (see *EIR*, June 24, 1994).

Opening the speculative spigot

On April 15 of this year, President Caldera announced a program of economic adjustment based on IMF demands. Within weeks of lifting the exchange controls Caldera had imposed earlier in his administration to defend the financial system from looting, flight capital began pouring back into Venezuela, headed by the funds of speculator George Soros, who has made headlines with his financial backing for campaigns for drug legalization.

Immediately after the recent annual IMF assembly, at which IMF Managing Director Michel Camdessus stressed the "achievements" of Venezuela's adjustment program, a speculative wave hit the Caracas stock exchange, driving it to over 6,000 points, with a 10% jump in the first week of October.

This, in turn, unleashed euphoria within certain media, with the announcement that bolívar investments in the stock exchange had yielded 150% profit during the first nine months of 1996, and that dollar investments had yielded up to 80% profit. During the last week of September and the first week of October alone, more than \$120 million entered the stock

market which, in addition to inflating the prices of existing stocks, helped the Central Bank withdraw from the exchange market, producing a "revaluation" of the bolívar, from 475, to 469 to the dollar.

According to economist Francisco Vivanco, Venezuela has begun to experience "an unconcealable economic bonanza," given the fact that "inflation is receding, the stock market breaking records, and the national currency appreciating against the dollar." However, Vivanco warns that "these improvements are not being felt by the vast impoverished majority of the country," because, even though inflation is receding, it has still been running at 115% for the past 12 months and at 84% for the first nine months of 1996. Vivanco acknowledges that these signs of "improvement" could reverse at any moment, and "provoke an economic collapse."

Financial adviser Ignacio Oberto comments on the Central Bank's strategy:

"It is surprising to see how those responsible for financial and monetary policy could end up fooled by this speculative 'bonanza,' in which it looks like more flight capital is coming into the country every day, whose only purpose is to obtain disproportionate yields in dollars." Oberto concludes that if things continue this way, "in the long run we are going to have to swallow a bitter dose of 'tequila,' and suffer the effects of a Mexico-style situation, in which reserves dissolved in a split second."

When President Caldera announced his list of neo-liberal (free trade) economic measures on April 15, *El Nuevo País* editor and television commentator Rafael Poleo warned that, from that moment onward, "the IMF's occupation of the Venezuelan economy is a fact." He said that discussing the benefits of such an occupation would be comparable to "the Czechs and Poles discussing the benefits of Hitler's invasion in 1940."

The great reversal

On Oct. 13, President Caldera convened a press conference at La Casono, his official residence, on the ostensible pretext of denying rumors of imminent changes in his economic cabinet, rumors which had caused capital withdrawals

from the stock exchange. "I want to declare categorically that I have not planned, nor am I planning, to make any changes of my economic ministers," he stated. "Agenda Venezuela" is moving forward, he insisted, with "international reserves of \$13 billion, the highest figure in recent years; the bolívar is stabilized, and inflationary pressure is lessening, as can be verified month by month."

Finance Minister Luis Raúl Matos Azócar declared at that press conference that various strategies are being considered for changing "the profile" of foreign debt coming due, on the Mexican or Philippine model. In particular, he said that one approach under consideration was that of issuing bonds on the international markets, in order to buy back restructured (Brady Bond) debt, or to pay off internal debt. That is, to convert internal debt, subject to national conditionalities, into foreign debt, subject to foreign conditionalities. According to the minister, this is possible because the country's international creditors and speculators already see Venezuela as another Argentina or Mexico. "It is impressive to note how the spread of the Venezuelan debt has been approaching that of the rest of Latin America, where only two years ago it was the highest of all. . . . At this point, it is comparable to that of Argentina. . . . These are the most important changes that can be presented . . . to demonstrate the return of international confidence," declared Matos Azócar.

That "confidence" can be measured in the unusual flood of speculative dollars into the country, which Matos Azócar disingenuously referred to one week earlier, during a Washington, D.C. press conference with the IMF's Camdessus, as "not flight capital, but investment capital." Perhaps he felt obliged to issue such a clarification, because a year and a half ago, President Caldera had told a forum of international speculators organized by the *Economist*, the British magazine, that foreign investment would be welcome in Venezuela, "but not flight capital, which doesn't come to share the risk with us."

Not present at the press conference was Cordiplan (Planning) Minister Teodoro Petkoff, the Marxist terrorist converted into an existentialist neo-liberal. Petkoff was in Brussels, praising "Agenda Venezuela" at a forum organized by Venezuela's National Council to Promote Investment. Before an audience composed of representatives of Unilever, Heineken, Makro, Phillips, and others, Petkoff offered his assurances that the Venezuelan government would stick to its plan for "restructuring" (read, "deconstruction") of the state, starting with a dismantling of the social security system. Petkoff said that "entitlements have become a problem both for workers and for businessmen," because the latter will not raise salaries if workers don't agree to reform the system. "Privatizations constitute the first structural reform of a sluggish, inefficient, costly, and corrupt state," Petkoff intoned. Petkoff also pledged a "reform" of the Venezuelan judicial system, the better to protect the rights of foreign "investors."

'Worst is still to come'

Notwithstanding all of the government's assurances, the latest assessment of the *Economist Intelligence Unit* is that that President Caldera has yet to pass the test of fire, virtually insisting that he commit hara-kiri to prove his sincerity. Says the *Economist Intelligence Unit*'s report, published in the Caracas daily *El Nacional* of Oct. 13, "The government began its plan with the easiest reforms," such as elimination of price and exchange controls, increasing gasoline prices 500%, and so on. Such measures, says the *Economist Intelligence Unit*, "were accompanied by painful effects on the population," but the population acquiesced. "However, the greatest test [to] which the government must subject itself will be to continue with reform of the public sector. . . . It is critical that the fundamental causes of the permanent fiscal deficit be eliminated: the hypertrophy of the public sector and the costly system of entitlements."

Such reforms will mean, in practice, the reduction of the public payroll from 1.3 million to 500,000 employees; the halving of the Education Ministry's payroll; and the privatization of state industrial complexes of steel and aluminum, at the cost of some 13,000 layoffs. The *Economist Intelligence Unit* warns that such measures will cause a social explosion:

"The population will not likely be so docile with this next phase of the program, when eliminating public jobs and changing labor laws hits directly at the image of the paternalistic state." In particular, it says that there are fears that the organized labor movement, primarily in the public sector, but with the backing of the Venezuelan Labor Federation (CTV), will begin organizing an opposition that could grow rapidly. Although the British bulletin doesn't mention it, the CTV has until now blocked the dismantling by decree of entitlements, as the investors have been demanding.

Usurers and narco-terrorists join forces

Strangely enough, the *Economist Intelligence Unit* promotes the Causa R (Radical Cause) party, a member of Fidel Castro's narco-terrorist São Paulo Forum, describing it as the leading opposition movement in the country. In fact, Causa R's leading trade union figure, the former governor of the state of Bolívar, Andrés Velásquez, has objected to the government's plan to privatize the Orinoco steel complex (Sidor) as a whole, in order to pull in some \$2 billion. But what Velásquez proposes is not a defense of Sidor, but rather to cut it into pieces, so as to garner \$7 billion. With such a creative accounting approach, it's no wonder the *Economist* loves Causa R!

The truth is that there is a rush to loot Venezuela while there is yet time. Perhaps most telling is the fact that the investment brokerage house Bear Stearns is currently recommending Venezuela as a place to invest to all and sundry. It was Bear Stearns' David Goldman who had given similar high marks to Mexico, just two weeks before the December 1994 collapse from which that country has yet to emerge.

How deregulation shot down the U.S. airlines

by Lyndon H. LaRouche, Jr.

The Sunday, Oct. 20 *New York Times* demonstrated, once again, that, often, that newspaper is to science, economics, and English prose style, what inflatable dummies are to love-making. We refer to the leading piece of the "Money & Business" section: Adam Bryant's "U.S. Airlines Finally Reach Cruising Speed."

To appreciate the authority of the *Times*'s opinion on the aerospace investments, one should remember, that it was the same newspaper, which not only warned its readers against replacing gas lamps with Thomas Edison's electric-light bulb, but which ridiculed the Wright brothers' insistence that heavier-than-air flight was possible, and, which assured us, later, that no rocket could ever escape the Earth's atmosphere.¹ Today, unfortunately, the newspaper's views have a perverse kind of newsworthiness; its silliness is tragically consistent with what passes for "mainstream economic thinking" around Wall Street and Washington, D.C. today.

Consider that piece's substitution of myth, for the reality of the 1978-1996 airlines crisis. A few excerpts from his opening paragraphs are sufficient to make that point.

"While other consumer industries went through good times and bad, airlines mostly gyrated between bad and awful."

Prior to 1978, that did not happen: Bryant has concocted his fiction to fit his fantasy. The back files of the *Times* financial pages, would inform him, that, until the introduction of deregulation of transportation, during the late 1970s, the major airlines were among the leading components of a financial-market investor's preferred mix of holdings.

1. The *New York Times*, on Jan. 6, 1880, wrote that Edison's electric light could never compete with gaslight, and on Jan. 16 quoted a "noted electrician" that "Every claim he makes has been tested and proved impracticable." On Dec. 10, 1903, the *Times* editorialized against Samuel Langley's experiments in heavier-than-air flight, less than a week before the Wright brothers' success at Kitty Hawk, which the *Times* blacked out. In a Jan. 13, 1920 editorial, the *Times* denounced Robert Goddard's experiments in space travel.

He continues, in his next sentence, with the following non-sequitur:

"In just the first five years of the 1990s, they [the airlines—LHL] lost \$13 billions, more than all the profits accumulated since the Wright brothers made their historic flight at Kitty Hawk in 1903."

A responsible journalist would have contrasted the depleted physical purchasing-power of a highly inflated \$13 billions of the 1990s, to the market-basket requirements for operating a safe, technologically progressive airline prior to the fateful years of 1978-1979. Just to show how recklessly ignorant of the subject Bryant is, he has brought up the embarrassing fact which the *Times* has been trying to cover up for nearly a century: that newspaper's original comment on the 1903 flights of the Wright brothers.

A few more samplings from the opening paragraphs of Bryant's piece:

"The explanation can be summarized in one word: over-expansion. . . . The industry didn't seem able to learn from its mistakes, in part because it was dominated by such big egos. . . . Now, however, the big airlines seem to be mending their ways. Stung by their recent disastrous run and taken over in many cases by a new crop of chief executives more in tune with the sober-minded 1990s. . . . 'It's not a testosterone-driven industry any longer,' said Gordon Bethune, chairman of Continental Airlines. 'Success is making money, not in the size of the airline.'"

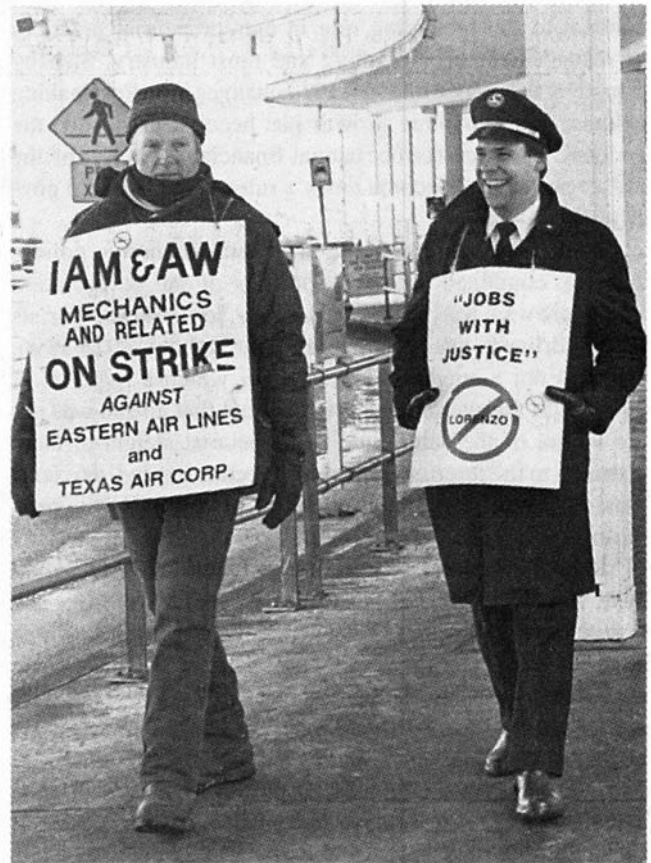
"Sober-minded 1990s?!" The financial powers which dominate the Wall Street market today, are frantic madmen, for whom next week is a long-range investment. They are so obsessed with zeal for quick profits from the wildest forms of speculation, that they make the speculators of the Seventeenth-Century Dutch tulip bubble seem sober citizens, by

comparison. As the *Times* should know, the airlines' "sober-minded 1990s" are typified by the fact, that a certain well-known company was run, not for operating profits, but for the anticipated financial capital gains of a highly leveraged, purely speculative price of its traded stocks.

What ruined the U.S. and other nations' major airlines during the past eighteen years,² is a combination of four factors: 1) deregulation;³ 2) the unchecked, 1982-1996 binge of "takeovers" of airlines (and other industries) under the "skull and crossbones" guidance of "shareholder values";⁴ 3) the impact of the post-1987 transformation of the world's financial system into a casino economy;⁵ and 4) the net collapse of net physical income of the economy, by about half, as measured in terms of market-baskets of infrastructure, agriculture, industry, and households, per capita of labor-force, and per-square kilometer of relevant land-area.⁶ Indeed, nothing has happened to the airlines (and trucking) industry, against which I, and others, at *EIR*, did not warn, in considerable detail, during the period from the 1978 introduction of deregulation under President Carter, through the period of my campaign for the Democratic Party's 1980 U.S. Presidential nomination.⁷

Granted, there are precedents for the post-1978 records of the airlines from earlier parts of the post-war period.

During the 1966-1973 interval, I was teaching a one-semester introductory course in physical economy on several campuses around the northeastern U.S.A. There were three case-studies of speculative looting of infrastructure and industry, which I chose to emphasize to the students: the early 1950s looting of the New Haven railroad, under the direction of speculative raider Maginnis; *Wall Street Journal* writer Norman C. Miller's *The Great Salad Oil Swindle*;⁸ and the mid-Fourteenth-Century collapse of the Lombard banking system. The *Times* has flunked that course: the deregulation



Eastern Airlines employees on strike against Frank Lorenzo's union-busting policies, March 1989. For the past 20 years, the airline industry has been looted by the economic cannibals of Wall Street.

epidemic of 1978-1996 belongs in the same dock with New Haven raider Maginnis and the "Salad Oil Swindle" 's Anthony de Angelis.

There were such pre-1971 precedents for the kinds of swindles which ruined our major airlines over the course of the 1980s and 1990s.⁹ The difference was, that, back during the 1950s and 1960s, even a *Wall Street Journal* reporter considered de Angelis' swindle an embarrassment. The fundamental difference, between the ruinous post-deregulation period, from 1978-1979 onward, and the relatively more prosperous 1945-1966 U.S. post-war economy, is that during the earlier time, cases such as the Wall Street looting of the New Haven railroad and the "Salad Oil Swindle" were in

2. The oil-price hoax of the mid-1970s, did deliver an economic shock to the airlines, as to the transportation sector generally. However, as long as airline regulation was in force, the oil-price shock could have been absorbed.

3. *EIR*, March 29, 1996, "Case Study No. 1: Lorenzo, Deregulation Decimate the Airlines"; "Case Study No. 2: Destruction of the Rail Grid Leads to Accidents"; and "A History of the Push for Deregulation."

4. op. cit. "Daschle Proposes to Bring Back the Entrepreneur." See also, *EIR*, Jan. 1, 1990, "Junk Bond Collapse Triggers Leveraged Blowout of Financial System," p. 30.

5. *EIR*, Oct. 23, 1992, "Casino Mondiale: A Swindle Runs the Monetary System." See also, *EIR*, Jan. 1, 1990, op. cit.

6. *EIR*, April 14, 1995, "NAM's 'Renaissance' of U.S. Industry: It Never Happened," by Christopher White; "U.S. Market Basket Is Half What It Was in the 1960s," *EIR*, Sept. 27, 1996.

7. *EIR*, June 26-July 2, 1979, "Deregulation: The Road to Transport Chaos"; *EIR*, Sept. 15, 1981, "Deregulation Schedules U.S. Airline Service for a Return to the 1930s," p. 7.

8. Norman C. Miller, *The Great Salad Oil Swindle* (Baltimore, Md.: Penguin Books, 1965).

9. Although the shift in U.S. policy, away from our republic's traditional emphasis on capital-intensive, energy-intensive investment in scientific and technological progress, to a "post-industrial" utopianism, occurred during the second half of the 1960s, full-scale insanity in U.S. economic policy was not unleashed until the successive blows of the institution of the post-1971 "floating exchange-rate" international monetary system, and the mid-1970s oil-price shock.

contrast to the prevailing rule in entrepreneurial practices of management of agriculture and most industry. Step by step, over the course of 1966-1979 changes in policy-making axioms, real economic growth has become a lost art; the endemic tendency for occasional financial swindles, of the earlier period, has become today's rule of business and governmental practice.

Those changes in axioms of general economic policy-shaping, combined with the specifics of the deregulation mania, are what has bankrupted leading, formerly prosperous major airlines, again and again, throughout 1978-1996. There is not a single known case, in which a major U.S. airline was thrown into bankruptcy, that that airline was not the victim of the same kind of monetarist sleight-of-hand common to the three case histories I recommended, as examples of criminality, to the attention of my students, back during 1966-1973.

If the *Times* were a competent financial analyst, it would have warned its readers, that airline deregulation, like the hostile takeovers of the 1980s generally, is a swindle which Vice-President George Bush et al. should not have been permitted to legalize. To parody that fabled New York City entrepreneur of the 1970s, "Crazy Eddie," the newspaper's economic "policies are insane." Like today's *Wall Street Journal*, the *Times* continues to push a form of economic cannibalism otherwise fairly describable as "shareholders' socialism."

Economic cannibalism

It may be fairly argued, that the Wall Street Republican "neo-conservatism" of today is the campus socialism of 1968: "Students Destroying Society (SDS)."

According to principles laid down by the leading Bolshevik economist of the 1920s, Yevgeni Preobrazhensky, the practice of 1980s raiders such as Michael Milken and Frank Lorenzo, and of the "derivatives" bandits of today, is a form of "primitive socialist accumulation": running an industry, even an entire national economy, into the ground, as a source of relatively short-term profit for the speculator. The airline industry has been a victim of approximately eighteen years of the latest fad in slave-owner's democracy, the "shareholder socialism" of "Contract With America."

To clarify your understanding of this form of economic cannibalism, turn your attention to the new stage of global economic crisis, now erupting world-wide. Then, consider the mechanisms by which the shared "free trade" ideologies of the *Times* and *Wall Street Journal* made this crisis inevitable.

What the *Times*'s Bryant is defending, is the kind of "socialism" which put the East Germany government of Erich Honecker into its 1989 bankruptcy. It could happen to Wall Street, and the United States, very soon: whenever the current U.S. stock-market mimicking of the "Weimar 1922-1923

bubble" comes to its inevitable end.

Today, as a cold winter approaches, a menacing, infectious, popular social insurgency against Gingrich-like cut-backs, has broken out in western continental Europe. A wave of political strikes is now endemic in Jacques Chirac's France. A political mass-strike has erupted suddenly, triggered by popular rage against a pedophile ring close to NATO circles, in Belgium. Once again, the social ferment in the eastern part of Germany is echoing the rumblings which led to the 1989 collapse of the old East Germany Communist state. The conditions in western Europe today are comparable to the combined economic and social crisis which led to the break-up of the old Soviet Union over the 1989-1991 interval. The present eruption occurs in the same time-frame that Gingrich-like policies are pushing Russia toward the point of some mighty social and political explosion.

To understand the immediate political implications of the *Times*'s present economic policies, one must recall the Czarist regime of 1916 Russia, or the French monarchy of 1789: the *Times* and *Journal* are sputtering the last, manic gasps of a deluded, and doomed "old regime." *EIR* has described this process repeatedly before; look at the same process here from the standpoint of the individual industrial enterprise, or particular industry, such as the victim of the *Times* piece, the U.S. airline industry.

There are three "capital factors" which are decisive for determining the relative economic health, or morbidity, of a producer firm or industry. The first, is the quality of the labor-force employed: the local communities' accumulated "capital investment" in the culture and education, its skills, its health, its household standard of living of the households from which the employed labor-force is recruited. The second, is the aging of its capital investment in plant, machinery, tools, and essential inventories. The third, is the effectiveness of the productive enterprise's effective command over the relevant factors of technological attrition.

In all three of these areas, the key word is "control." Does the firm, the industry (or farmer) have effective control over the needed improvements of quality, and availability, in its available labor-force? Does the firm have effective control over the refurbishing of the aging stocks of physical capital which it is depleting? Does the firm have effective control over the urgent refurbishing and advancement of its technological position? To lack that quality of effective control, is to increase the factor of risk accordingly.

In addition, in a similar way, the firm's performance depends upon the quality of development of basic economic infrastructure, in the vicinity of its operations: transportation, water and sanitation, power, and so on. Infrastructure is the capital factor of the economic environment; as infrastructure is relatively more poorly developed, costs are higher, performance is poorer, all relevant factors of risk are greater.

Both of these sets of capital factors, are subject to the

general, physical-economic rule of thumb which this writer and *EIR* have identified in sundry earlier locations.

Take all physical factors of productive output and consumption, plus the factors of education, health, and science and technology services: determine the manner and degree a variation in productive potential is effected by increasing, or decreasing the various elements of this content of the market-basket of consumption (by households, infrastructure, agriculture, industry, and so on). Measure this in terms of per capita of labor-force, per household, and per square kilometer of relevant area. The result is, that for any designated level of productivity, there is a level of market-baskets' contents which is required to ensure continued productive potential at that level. Call this "energy of the system."

Then, all of the output of those market-basket elements which is in excess of the required "energy of the system," may be termed "free energy." The unwasted portion of this excess, is the "net free energy."

Now, however, the normal effect of the investment of the "net free energy" is either to expand the existing productive, and related, operations in scale, or, to increase the capital-intensity of existing work-places. In both cases, the ratio of "energy of the system" per capita is increased. However, it is necessary that the ratio of "net free energy" to "energy of the system," as measured in per-capita of labor-force, and in relevant square kilometer of area, must not decrease, even though the "energy of the system" per capita is increasing.

That principle applies to the individual productive enterprise, to entire industries, and to the economy considered as an integrated whole. The only way in which this requirement can be satisfied, is through investment in scientific and technological progress. Scientific and technological progress is the only source of what might be termed "sustainable profit."

Although the pre-1966 professional production manager usually did not understand the scientific principles governing scientific and technological progress, he (or, she) understood the importance of such a principle of practice. Such managers understood, at least as rules of thumb, each of the principles of production management we have just summarized. The manager's executives and staff measured these factors in terms of bills of materials and process-sheets, showing the flow of the physical materials and labor activities, the work-centers, and so on, and also noted the prices and related costs of each such factor of the bills of materials and process-sheets. The competent such manager also agreed with the trade-union representative, that there is a relationship between standard of community and household life of the available labor-force, and potential productive powers of labor.

From the standpoint just outlined, a relatively precise

definition of "economic cannibalism" can be supplied for purposes of setting broad policy-parameters. In those terms of reference, the accelerating degeneration of the U.S. economy during the recent quarter-century can be summarized as follows:

1. The unique source of macro-economic profit of an economy, its capital-intensive, energy-intensive investment in scientific and technological progress has been suppressed. Respecting functional content, the requirements for a classical and scientific content of public-school and higher education have been depleted greatly during this period. The increase of class-size in schools, the reduced literacy of teachers, the lowering of standards of pedagogy, increased use of drill and grill, corresponding multiple-choice-questionnaire testing, use of personal computer terminals to replace cognitively essential teacher-student interactions, and increased ratio of class-hours to total hours, are typical of the degeneration of the quality of education, per teacher, and per student, at both the public-school and university levels. Similarly, the course content, in both public and university education, has been collapsed, such that it is not atypical that a secondary-school graduate of thirty years ago, had a higher level of cognitive development and general literacy, than university graduates today.

2. Where the modal standard of skilled industrial operatives and technicians, was formerly the family household organized around a single principal wage-earner, two and three incomes per household are needed now to reach up to the physical standard of living enjoyed by a comparable household today. The difference in standard of living of wage-earners, is pure economic cannibalism: what Preobrazhensky identified as "primitive accumulation."

3. The non-investment in maintenance of public and private investments in basic economic infrastructure, is another source of economic cannibalism.

4. The physical aging of capital stocks, is a similar form of looting, with potentially catastrophic results.

5. The replacement of high-quality controlled technical and related services and sources of supply, by cheaper, less reliable contracted sources, is also economic cannibalism.

For approximately twenty years, since the oil-price shock of the mid-1970s, but, most emphatically since deregulation and hostile takeovers, the airline industry has been looted savagely by the economic cannibals of Wall Street, the Frank Lorenzos and Carl Icahns.

The aging fleets, and strained maintenance and air-traffic facilities, have been depleted to such a degree, that the economic cannibals now see the virtual elimination of all Federally regulated safety and maintenance standards, as the only way in which the economic cannibals of Wall Street can continue to enjoy a rewarmed meal from this industry.

What is the safety-conscious passenger's alternative to looted airlines? Even walking isn't safe any more.

Whole classes of patients are denied treatment with 'managed care'

by Marcia M. Baker and Anthony K. Wikrent

Almost every day, you see news coverage of some individual or group in the United States—nurses, doctors, patients, patients' relatives, etc.—announcing, "Managed care is harming people, but it's here to stay. Let's correct the (fill in the blank) abuse, and make it fair."

But this is impossible.

In fact, the thousands of instances of wrongdoing in the era of "managed" health care, stem not from mere coincidental perpetration of *abuses*, but, rather, from what is *characteristic* of the managed care system. Under the managed care principle, medical services are to be limited in a way to maximize profit-taking by designated interests, at the expense of the person, the economy, and the country. In practice, this means that managed care kills.

The way to deal with the rash of managed care "abuses," is to mobilize to roll back the whole system as soon as possible, in the interests of the public good.

The practices of denying and restricting treatment under managed care are so distinct that they constitute crimes under the Nuremberg Principle, under which the U.S. government tried Nazi officials and doctors in 1945. The Tribunal established the doctrine of, "knew, or should have known," governing the culpability of officials whose decisions result in harm and atrocities.

In recent weeks, we have printed biographical case studies of individuals harmed, and brief reports on whole categories of patients harmed, by managed care. We continue that coverage here.

Mental health patients

The limitation, or denial, of care to subgroups of mental health cases have become so widespread that remedial actions have been prompted in several states, and in thousands of court cases. For example, the consumer-affairs agencies of California and Rhode Island have begun investigations of how managed care companies code and handle mental health cases.

Over the 1980s to the present, most HMO plans cut back on the number and type of mental health treatment services formerly covered by fee-for-service, or other means. This was accomplished through outright cuts, and through pressure on the medical staff, and facilities involved. As of late 1995, Dr.

Russell Newman, who deals with issues connected to clinical practice for the American Psychological Association, said, "We're starting to see clients up in arms. People are starting to realize there's a conflict of interest for those who are deciding how much therapy they can get." Dr. Newman is referring to the HMO profits coming from such practices as limiting sessions with psychotherapists, limiting hospital stay, and so forth.

"It violates the Hippocratic Oath," stated Dr. Robert Feder, staff psychiatrist and medical director of the partial hospitalization program at Optima Health Catholic Medical Center in Manchester, New Hampshire, in statements given to the Oct. 13 *Boston Globe*. Dr. Feder said, "That Oath calls for us to do everything possible to help a patient, not everything possible to reduce care for a patient so an insurance company can make bigger profits. . . . Let's put it this way. Managed care companies seem to be taking more risks with patients' lives than we as clinicians feel comfortable doing, especially when it comes to length of in-patient stays."

Clinicians point to patients hospitalized in a suicidal state, who are then ordered by managed care to be discharged after only a few hours of being stabilized.

In 1993, the RAND Corporation conducted a study tracking 617 patients for two years, who were treated for depression by different kinds of health insurance plans. In the more serious cases, individuals did worse under health plans that imposed fewer treatment sessions because of cost limits.

Mary Hurtig, policy director for the Southeastern Pennsylvania Mental Health Association, told the Jan. 24, 1996 *New York Times*, "A major profit center for health plans has been mental health. For example, I know of one large HMO that gets \$35 per month for mental health treatment for its members who qualify for Medicaid. But they subcontract their mental health care to a managed-care firm at a rate of \$14 per month. The result is that some vulnerable, very ill people are getting badly hurt by arbitrary denial of care."

Mentally disabled children

One entire group facing cut-off of Social Security benefits is mentally disabled children. There are about 900,000 such children in this category nationwide. The Social Security Administration has announced they expect that 185,000 of these

children will be cut off from benefits by next July.

Before a 1990 Supreme Court decision, such benefits, known as the Supplemental Security Income (SSI), and usually amounting to about \$400 a month, were not available for children suffering from such childhood conditions as spina bifida, Downs syndrome, and autism. Then this was changed, following a Supreme Court finding that thousands of children had been illegally denied SSI assistance, because their specific disorder had not been included on a list of eligible disabilities. The eligibility requirement was changed, making it contingent on an expert determination of whether a child could function at a level appropriate for his or her age, based on reports from teachers and other child care providers, and by a Social Security physician.

As a result of the broadening of eligibility following the 1990 Supreme Court ruling, the number of children receiving benefits tripled, from 300,000, to over 900,000 presently.

Such rapid growth in an "entitlement" program—though the increase only amounted to less than \$3 billion annually—became a target for the Conservative Revolution. In 1994, Rep. Jim McCrery (R-La.) declared in congressional testimony that many of the new beneficiaries had been coached by their parents to *fake* the symptoms needed to become eligible for benefits. Bob Dole, then senator from Kansas, chimed in, declaring that "children's SSI needs a tune-up." A national hot line was set up, with teachers and other child care providers instructed to call to report any children they believed had been coached to feign mental disability.

The minimal hot line results show how venal were the accusations. From September 1994 to July 1995, only 230 calls were made to the hot line. Of those, only about half involved children actually receiving, or applying for, benefits. Of the 115 or so cases thus investigated, the Social Security Administration recommended further investigation in 83 cases. That is one *possible* case of fraud, for every 7,228 recipients. One wishes that such a record could be established for Congress!

Despite the minute amount of possible fraud, Congress pressed ahead, and, in the recently passed welfare "reform" legislation, ordered the Social Security Administration to tighten the eligibility requirements for children's SSI. Under the new law, mentally disabled children are eligible for SSI, only if they suffer from a "medically determinable impairment which results in marked and severe functional limitations" that are potentially fatal, or which last more than one year.

The new law also directs that 300,000 of the nearly 1 million children receiving benefits, be reevaluated. Melinda Bird, a managing attorney with Protection and Advocacy Inc., a disability rights law firm in Los Angeles, told the *Los Angeles Times* on Oct. 17, "It's part of the Social Security Administration saying we basically have a goal of eliminating people off of our rolls. It's more a cost goal, than based on any evidence that these people aren't disabled."

Pregnant immigrants

The same welfare reform law also prohibits local government assistance, including medical care, for illegal immigrants, unless a state specifically passes a new law providing such aid. In California, Gingrichite Governor Pete Wilson immediately announced that state assistance for prenatal care for illegal immigrants would be cut off, saying the state could not afford the \$69 million cost.

A number of medical associations have attacked Wilson's deadly cuts. "Cutting prenatal care for pregnant women will cause unwarranted suffering, avoidable birth complications, smaller babies, and needless disability," the Los Angeles County Medical Association president, Dr. Brian D. Johnson, told the *Los Angeles Times* on Oct. 17.

Dr. Jack Lewin, executive vice president of the California Medical Association, which represents 34,000 physicians in the state of California, said Wilson's cuts "will cause an epidemic of low-birth-weight babies, and expectant mothers presenting late to emergency rooms. This is absurd public policy for the state."

Lisa Kalustian, a spokesman for Wilson, replied, "What we're saying is that people who are in this country illegally, who broke the country's laws, should not have this care paid for by California taxpayers. They should be getting aid in their own countries."

Doctors throughout the state are warning that it is a sick fantasy to believe that pregnant women will go home to seek proper care during their pregnancies. Instead, the women simply will not seek, and will not receive, proper prenatal care. And treatments for infants born with health problems that could have been prevented by prenatal care, easily cost far more than prenatal care.

"We are attacking one of the weakest, but most important, links in our society—that is, the mother," said Fred Quevado, former executive director of the Philippino Medical Society of Southern California.

'Mercy killing' of the poor and elderly

A recent study in the *Archives of Internal Medicine* shows the well-founded grounds for fear among the poor and elderly, of being targets for "mercy killing" by the euthanasia movement. A survey was taken by researchers at the Duke University Geriatric Evaluation and Treatment Clinic, in Durham, North Carolina. A group of 168 elderly patients (average age, 76) and their relatives were canvassed on whether they favored physician-assisted suicide for the terminally ill. Less than 40% of the elderly patients at the clinic said that they agreed. But close to 60% of their relatives said they were in favor.

Dr. Harold Koenig, the research director, said, "These findings are provocative and of great concern, because the frail elderly, and poorly educated and demented members of our society, have little power to influence public policy that may affect them."

Business Briefs

Petroleum

Iraq, China will develop the al-Ahdab oil field

The *Middle East Economic Survey* reported on Oct. 14 that Iraq and China signed an agreement last August to develop the al-Ahdab oil field in central Iraq. The deal, signed by the Iraqi oil minister and senior officials of the China National Petroleum Corp., will become effective when it receives final approval from Iraq's President Saddam Hussein, the report said. The field's production capacity is preliminarily put at about 80,000 barrels per day.

"This is the first agreement to be initiated by the Iraqi oil authorities, who have been carrying out upstream talks with foreign firms during the past five years," the *Survey* said. "The fact that the Ministry of Oil has decided to propose a production-sharing agreement to the political authorities is a significant breakthrough in the prolonged negotiations with foreign firms and is an important challenge to the UN sanctions regime."

The *Survey* added that "the Iraqi oil authorities have held upstream talks with over a score of European, Asian, Arab, and even some U.S. firms, but no agreements have been concluded yet."

Infrastructure

Mubarak launches great water project in Egypt

On Oct. 15, Egyptian President Hosni Mubarak led an "historic celebration" of the diversion of waters from Lake Nasser into the Toshka overflow canal. As reported in the Oct. 16 London *Financial Times*, in an article entitled "Mubarak's Historic Moment Aims to Make the Desert Bloom," this was the "first time the reservoir behind the Aswan High Dam reached more than 178 meters since its construction in 1964." This was due to heavy rains in the Ethiopian highlands.

The Toshka Depression, 6,000 square kilometers, is 30 miles away from Lake Nasser. It is to drain 4 billion cubic meters per

day, which will allow for reclamation of land not now cultivated. Mina Iskandar, chairman of the Aswan High Dam Authority, was quoted saying, "The increase of water level means that Egypt, for the next seven years, will be able to draw its annual share of 55.5 billion cubic meters of water, even if subsequent annual floods are low."

According to Egypt's daily *Al Ahram*, Mubarak characterized the project as a road to the 21st century. With the newly available water supply, Egypt will be able to increase the amount of cultivated terrain from 4%, to 25%, or 500,000 feddans (a feddan is slightly larger than an acre). This expansion of agricultural production will require further infrastructure outlays; apparently, the project involves the creation of another fertile valley, in addition to the Nile, which will encircle the desert, between the Nile and west of it. A rail line is planned to reach the area of the Toshka Depression, where cities will be built. Thus, an entire economic region is being developed.

Mubarak stressed the fact that this infrastructure project could not be built by the private sector, but he welcomed private investment in agricultural programs. The irrigation minister reportedly ridiculed ecological arguments, including about drought, the ozone hole, and global warming. He emphasized that people living in the Nile Valley know that there have been cycles of floods and droughts for thousands of years, but this kind of project shows that the cycle can be broken.

Science

Iron fertilization of the ocean holds promise

A potential manifold increase in the world's fisheries and a transformation of the biosphere is possible, based on the results of the Iron Ex II oceanographic experiment designed to test whether dumping iron into the oceans would increase the amount of plankton, the Oct. 10 issue of *Nature* magazine reported.

The experiment was designed to test whether "global warming" could be ameliorated by reducing CO₂ levels in the atmosphere through an increase in CO₂-absorbing

phytoplankton, but what it really demonstrated is the ability of man to increase biological activity of the oceans and transform the biosphere.

The experiment consisted in seeding a 25-square-mile area of the Equatorial Pacific with 1,000 pounds of ferrous sulfate, a compound of iron thought to be most common in wind-borne dust deposited naturally on surface waters. Trace amounts of iron seem to be essential for numerous cell activities, including the manufacture of chlorophyll and the processing of nitrates.

The scientists, representing 13 institutions in the United States, England, and Mexico, chose a patch of ocean about 800 miles west of the Galapagos Islands that is nearly a "desert," in terms of living organisms. The iron "fertilization" led to the growth of more than 2 million pounds of phytoplankton in a week, a 30-fold increase. Kennet S. Johnson of Moss Landing Marine Laboratories in California reported, "We had an explosion of phytoplankton that's almost biblical in proportions; the water went from clear blue to this green, soupy-looking mess."

South Africa

IMF plan draws attacks during Camdessus visit

International Monetary Fund Managing Director Michel Camdessus praised the macroeconomic plan that the South African government adopted on June 14, after a meeting with President Nelson Mandela in October. But Camdessus, on his first official visit to South Africa since Mandela came to power, was greeted with severe criticism. The Congress of South African Trade Unions (Cosatu), allied with the African National Congress-led government, blasted Camdessus's presence. Cosatu Deputy General Secretary Zwelinzima Vavi said, "The IMF is not a friend of the working people or the majority of the South African people. . . . All their recommendations and policies have caused disasters in many developing countries in Africa."

Camdessus attempted to assure a hostile committee of legislators that South Africa,

and not the IMF, would design any package agreed to, i.e., they could pick their own poison.

Camdessus claimed that because of IMF interventions, economic growth in Africa now averaged 5%, while South Africa could not hope for more than 3.5% growth this year. The reality is that African nations have been so devastated by IMF policies, that their continued existence is in doubt.

Trade

WTO demands free trade for poorest countries

The World Trade Organization announced on Oct. 18 that it was calling a meeting of ministers from the world's 48 poorest countries, to be held in Geneva on Nov. 13-15, apparently to convince them that if they want to partake of the benefits of world trade, they must ease restrictions on foreign direct investment (FDI). The announcement followed a meeting between WTO Director General Renato Ruggiero, and Rubens Ricupero, secretary general of the United Nations Trade and Development Agency (UNCTAD), which is helping to set up the gathering. UNCTAD has been working increasingly closely with the WTO, which is not formally part of the UN system.

The 48 countries are the Less Developed Countries (LDCs), defined by the UN as countries with per-capita income less than \$600. The total LDCs' population is more than 550 million. In 1995, according to Unctad, the LDCs' share of world trade was less than 0.4%; LDCs received only 2% of the global flow of foreign direct investment.

In the past, these proposals have been criticized by LDCs and other developing countries, which have insisted that they must maintain their powers to steer FDI according to national development policies. Many Asian and African developing countries also argue that discussion of investment issues should be pursued in Unctad, and not in the WTO, which sets binding rules for all its members.

Meanwhile, the trade secretaries of about 20 developing countries in Asia and Ibero-America scheduled a three-day plan-

ning meeting in New Delhi, in preparation for WTO negotiations, and explicitly excluded Singapore, the Sept. 23 *Asia Times* reported. The immediate issue is Singapore's "doubtful stance" on one of the most contentious issues, the Western demand for a "Multilateral Agreement on Investment," which would dictate against any sovereign limits on foreign ownership of companies, and use the WTO to enforce this and similar colonial rights. S.P. Shukla, India's former ambassador to the General Agreement on Tariffs and Trade, said that adoption of such an agreement would involve loss of sovereignty for national governments.

Finance

Belgium loses money in derivatives speculation

On Oct. 15, Belgian Finance Minister Philippe Maystadt testified before a Parliamentary commission, to explain how and why the government engaged in international currency speculation over the past five years, which has resulted in unrealized losses of over \$1 billion.

An op-ed in the Oct. 15 *Wall Street Journal Europe* said that the operations were part of what the government termed "active management" of the huge Belgian national debt. According to court records, between September 1989 and April 1992, the Belgian Treasury entered swap contracts, borrowing deutschemarks (a strong currency) and lending in lira (supposedly weak), and the difference used to offset the Belgian debt. But, in September 1992, the lira collapsed after speculative attacks by George Soros and others, falling 30%. As a hedge against such losses, Belgium sold "put" contracts in U.S. and Canadian dollars.

The outcome was that every side of the complex bet went against the Belgian Treasury, resulting in, instead of a nice gain, an added \$1 billion of public debt. But because it was the government, and it makes its rules, the losses never showed up on the public budget until they were discovered in October. The case also raises questions of "trading on government privileged information for profit."

THAILAND and Myanmar have completed studies to integrate a deep-water seaport with regional industrial development, the Sept. 5 *Bangkok Post* reported. The port, at Tavoy, on Myanmar's Andaman Sea coast, is also the end point of a natural gas pipeline being constructed to Bangkok, and would turn the route into a development corridor.

CHINA will build 120,000 homes in Nigeria, the Nigerian state news agency reported Oct. 19. Works Minister Abdulkareem Adisa said, "The agreement . . . is within the framework of technical cooperation among developing countries in the spirit of south-south cooperation."

MALAYSIA launched the \$5.5-billion Bakun Dam in Sarawak Oct. 2. By 2002, the 2,400-megawatt project will provide power for development of the mostly primitive island of Borneo, and send power through the world's longest submarine cable to peninsular Malaysia.

BANGLADESH'S Prime Minister Sheikh Hasina said on Oct. 11 that the nation will tie into the Eurasian rail projects. This is "required for the economic interest of our country," she said, the Oct. 12 *Daily Star* reported. "We can't afford to remain disconnected with other countries in this modern world."

ASIAN FARMERS defended agricultural supports against free trade demands, at a forum in the Philippines in October. Mitsugi Kamiya, president of the Food and Agriculture Research Center in Japan, said, "Rural folk . . . cannot survive in a free trade arena if they don't get enough support from their governments," especially investment in infrastructure and research.

EUROPEAN Commission President Jacques Santer attacked EU finance ministers for "killing" five of 14 Trans-European Net (TEN) projects and threatening the others by refusing to authorize an extra \$1.25 billion, at a meeting on Oct. 14.

Bush's 'democracy' lobby instigates breakup of Russia

by Roman Bessonov

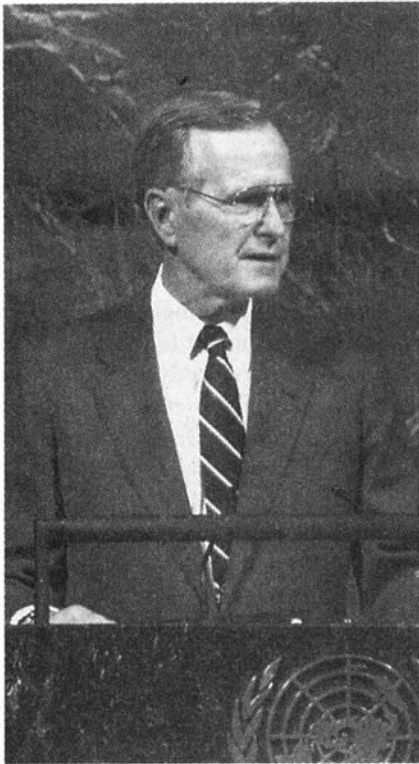
Part 4 of a series on "The Anti-Utopia in Power" in Russia. The author subtitled this section, "How to Build a Bomb." Parts 1-3 appeared in EIR on Sept. 16, Oct. 4, and Oct. 18.

In the late 1970s and early 1980s, the two world superpowers, the United States and the Soviet Union, were economically developed enough to have charted a policy for the whole world, based on the peaceful use of advanced technologies, the joint exploration of space, development of infrastructure, reform of modern education, and overcoming backwardness and poverty in the Third World.

The most popular genre of Soviet literature, in those years, was science fiction that depicted the future world as a community of strong and brave people. The heroes of these novels were neither studying Marx and Engels, nor exporting "proletarian" revolution to Ibero-America. They were building cities on new planets and growing gardens in the Sahara, conquering wild nature and making it serve Man, with a tremendous passion of selfless creativity. One book, perhaps the most popular in my youth, was titled *People Like Gods*. It expressed a view directly opposite to the misanthropic image of "people like animals," pushed by the House of Windsor through supranational institutions like the United Nations, as well as in the permanent bureaucracies of both the United States and the Soviet Union.

The resonance of Lyndon LaRouche's International Development Bank proposal (1975) was tremendous within the Non-Aligned Movement and elsewhere in the Third World, because leaders of those nations hoped to enter an era of economic development. But such perspectives collided with the poison of post-industrialism and the "information age," which had already become a weapon of the transnational cartels that sought total financial control of the world.

Inside the Soviet Union, the interests of international petrochemical giants, for example, matched the corporate appetites of the Soviet petroleum bureaucracy. The resultant shift of the lion's share of investments into oil and natural gas,



The process of destruction which we see today in the former Soviet Union, began with the imperial "new world order" of the "Gang of Three" (left to right): George Bush, Mikhail Gorbachov, and Margaret Thatcher—all shown here at the United Nations.

contributed to the stagnation of the country's technological development, already in the Brezhnev period (1965-82).

The Soviet economy's stagnation, as it became dependent on petroleum export revenues, coincided with the end of the fixed-parity currency system in the Western world (1971), and the beginning of the subsequent upsurge of financial speculation, ever more decoupled from the real economy. The Russian side of that global process of sacrificing real economic development to financial priorities, helped set the stage for the final corruption of the Soviet elite and the collapse of the U.S.S.R. (1989-91), but that collapse did not bring freedom to the independent states. They found themselves in another prison, in the deadly grip of the international financial institutions. Today, it is difficult to still be glad about the end of the Cold War, because Russia is totally destabilized, its military technologies in the hands not of space explorers, but of organized crime.

The last stage of the destructive processes which led to the miserable result we can witness today, began under the world's domination by the "Gang of Three," Margaret Thatcher, George Bush, and Mikhail Gorbachov, in 1988-91, the period when Gorbachov and Bush proclaimed the anti-nation-state "new world order."

Gorbachov's 'new thinking'

The "new thinking" of Mikhail Gorbachov, who took office as General Secretary of the Communist Party of the Soviet Union (CPSU) in 1985, initially consisted of two intercon-

nected parts: "democratic socialist" changes in ideology and economy, rooted in the concepts of old Bolshevik Nikolai Bukharin, and post-industrialist environmentalism, pushed under the cover of "repentance" (for the crimes of the Soviet past) and "humanism." The latter was a Soviet version of the self-fixation of Baby Boomers in the United States: Gorbachov's propaganda campaign for the "human factor" in society and the economy, diverted people from thinking about common values, about the goals of the country's economic development, to concentrate on themselves, their biology, physiology, and physical circumstances.

Criticizing the bureaucracy (in order to initiate purges that improved his position), Gorbachov blamed high state and industrial functionaries for damaging people's health in heavy industry, with poor environmental protection. But the oil *nomenklatura* retained and enhanced its privileges, according to the Bukharinite formula, "Enrich yourself," which was applied in such a way as to encourage officials to run semi-legal businesses. The petroleum bureaucracy achieved an advantageous position from which to "privatize," later becoming a part of the world elite. In the late 1980s, this part of the *nomenklatura* controlled the regions where oil was extracted and refined.

Before becoming a powder keg, the Caucasus, especially Chechnya, was an oil barrel. The oil men in this area were probably the first to realize that the trappings of the state, especially tax obligations, were nothing but an obstacle to their private and clan interests. Outside interests, those cen-

tered in London, as well as associated U.S. companies like Amoco, could exploit these private appetites for their own advantage, here and in other regions. As elsewhere in the world, the old instruments came into play: ethnicity, pagan mythologies, and environmentalism.

Not a one of those political and cultural currents failed to receive funding from the U.S. National Endowment for Democracy, and its sub-groups. Over and above those cases in Central Asia, where NED-approved groups are embroiled in the exploding “cockpit of war” around Afghanistan, the association of the NED and its subsidiaries with movements that have contributed to the fragmentation of Russia, fuels hostility toward the United States on the part of many patriotic Russians. A letter published in *Nezavisimaya Gazeta* on Oct. 19, attributed to “the collective of officers of the General Staff,” gave voice to such passions: Denouncing the “trans-Atlantic sponsors of the Kremlin,” the letter alleged a U.S.-instigated design “to crush the system of military leadership today, [which] means that, tomorrow, impoverished people will, on the pretext of a deterioration of the internal Russian situation, call in NATO forces under the UN flag to come help, and the latter will take control of the administrative centers and all military-strategic facilities.”

The collapse of communism and the inability of the 1989-91 “democratic reformers” to find any formula by which to unite the nation, aside from primitive neo-liberal rhetoric, left the field open for synthetic, as well as spontaneous, particularist ideologies. The soil (especially the soil rich with oil) was well prepared for classic British Intelligence manipulations. Mixed up with human rights rhetoric, and fueled by great sums of money, environmentalism, especially under pretext of the “protection of indigenous populations,” was to play a key role in a multitude of ideological and parareligious left-right games, which promoted a process of destabilization throughout Eurasia.

I. The ‘separatist’ card in Russian politics

Some years before the collapse of the CPSU and the Soviet Union, when Gorbachov transformed the official ideology into a vague mixture of “pink and green” conceptions, he opened the gates to a resurgent Orthodox culture, while permitting all sorts of formerly forbidden *samizdat* literature to be printed, at first only for the limited readership of the journal *Naslediye* (*Heritage*), of the Soviet Culture Fund. It was under the auspices of this state fund, headed by Raisa Gorbachova, that George Soros launched his activity in the U.S.S.R. Soros was able to make friends with leading intellectuals of the “left” and the “right,” such as the historian Prof. Yuri Afanasyev, future head of the “radical liberal” Democratic Russia movement, or the Slavophile writer Valentin Rasputin. Out of this milieu came the separatist card, which was to be played with force in

the Russian political battles of the 1990s.

Afanasyev developed Gorbachov’s theme of “repentance,” by insisting that the Soviet republics should not be forced to remain in the U.S.S.R. His motto was, “For your freedom, and ours!” The idea of a Declaration of Independence of Russia itself from the U.S.S.R., meanwhile, came from the Russian nationalist Rasputin, who argued that the other republics were “eating Russia’s bread.” Rasputin especially attacked the peoples of Central Asia and the Caucasus.

Both these lines in public thinking, the “radical liberal” and the “nationalist,” had the backing of high officials in the CPSU ideological apparatus. The support for both sides, resembling a great ideological game, evidently originated with Aleksandr Yakovlev and some younger officials from the “thaw” generation, such as Aleksandr Degtyaryov, deputy head of the Central Committee’s Ideological Department.

The Russian opposition of the early 1990s was not quite fair, when it accused Boris Yeltsin of “destroying the Russian state.” Gorbachov pointed the way, with the policies he summarized in his famous, much-ridiculed phrase, “The process has begun.”¹

The power of the central Soviet administrative bureaucracy was significantly undermined by official or semi-official protection for the first generation of cooperative proprietors and other shadow economy operators. The bureaucracy adapted to the new situation, spawning semi-private commercial operations out of the existing management structures; these would later be “institutionalized” by Russian Premiers Ivan Silayev, and then, in 1992, Yegor Gaidar.²

As the central economic structures abandoned their management duties in favor of these private economic projects, the leaderships of Soviet Socialist Republics (S.S.R.), Autonomous Soviet Socialist Republics (A.S.S.R.), and provinces were left with only one weapon for pressuring Moscow. They used the advantages of their respective economic specializations (in the Soviet system, many industries were concentrated in one or a few regions), as leverage for demanding privileges. The famous miner strikes of 1989, effectively used by Russian politician Yeltsin against Soviet President Gorbachov, could only have happened with support from the Ural elites, who were seeking a more privileged position in the country.

The Ural elites have a tradition of regionalist ambitions, reaching back at least two and a half centuries, which was expressed in many plans for a separate Ural Republic, even during periods of strong central leadership in Russia. The famed industrialist Demidov, granted privileges by Peter I in

1. When Yeltsin supporters, later, were mocking Gorbachov, one Supreme Soviet deputy completed the phrase: *Tualeta ne nashol, a protsess uzhe poshol*, which means, “He hasn’t found a toilet, but the process has already begun.”

2. Roman Bessonov, “IRI’s Friends in Russia” (Part 1 of this series), *EIR*, Sept. 6, 1996, presents the notion of “institutionalization,” developed in Russia by Vitali Naishul, according to which the “informal,” or criminal economy should be promoted to a central role in the national economy—“institutionalized.”

the early eighteenth century, illegally issued his own Siberian currency. There were similar developments during World War I; in 1918, Siberia and the Urals became the headquarters of the White Russian troops, opposing the Bolsheviks.

In 1991, one of the regional concerns established in Sverdlovsk-Yekaterinburg,³ started issuing “Ural francs.” In the summer of 1993, Boris Yeltsin was effectively forced to support the project for creating a Ural Republic; he granted special raw materials export privileges to the Sverdlovsk clan, which had brought him to power. Yeltsin needed their political and financial support, in his drive to crush the Russian parliament, the Supreme Soviet. But when, after Yeltsin prevailed in the October 1993 massacre in Moscow,⁴ the Sverdlovsk provincial *soviet* dared to adopt a Constitution of the Ural Republic, Yeltsin dissolved it, along with all the other regional legislative bodies in the country. In 1995, the rebellious regional leader Eduard Rossel ran for the Sverdlovsk governorship, and Yeltsin again felt obliged to support him, although Rossel won against the candidate of Our Home Is Russia, set up as the “party of power.”

In the framework of the Soviet Union, other centers of regionalist ambitions were the Caucasus (Azerbaijan, Georgia, and Chechnya) and the Volga (Tatarstan and Gorky Province, now Nizhny Novgorod). Several powerful elite groups, or economic clans, had their home in Ukraine, concentrated in Dnepropetrovsk, Donetsk, Odessa, and Simferopol. The last all-U.S.S.R. “congress” of organized crime was convened in the south Ukrainian industrial city of Dnepropetrovsk in the late 1970s. Still, the majority of the Russian “thieves-in-law,” or “godfathers,” originated from the so-called Caucasus criminal brotherhood; their next generation grew up in the Moscow suburbs.

A desert with casinos: the case of Artyom Tarasov

The neo-Bukharinist shift in economic policy, introduced in order to boost the “living creativity of the people” (the theme of Gorbachov’s speeches in London, in December 1984, when he received the accolades of Mrs. Thatcher, just months before his elevation to the post of CPSU General Secretary), included a relaxation of responsibility for economic crimes. The criminal revolution made its first headway, under Gorbachov.

The mass media, in those late 1980s days, promoted certain young adventurers, as heralds of the “new thinking” in the economic realm.

One such herald was Artyom Tarasov from Lyubertsy, an industrial town in Moscow Province—a place as famous for its organized crime traditions as Dolgoprudny, Balashikha,

and Solntsevo. In his interviews, Tarasov emphasized the fact that he was half-Armenian. Tarasov’s first co-op, called Tekhnika, was co-founded by a prominent local criminal, Vladimir Ponomaryov, who had made his fortune reselling stolen cars. Tekhnika bought and resold computers. The first criminal investigation of Tarasov for tax fraud was halted, due to the fact that a relative of U.S.S.R. General Prosecutor Oleg Soroka was involved in his business. Then Tarasov offered his service to high officials of the Yeltsin leadership in Russia, making friends with Academician Tikhonov, head of the Cooperatives Union. His new structure was called Istok (which means “source,” or “outflow”).

In 1989, the Russian leadership launched a highly publicized program called Crops-90, under which Russian peasants sold their crops for vouchers, later exchangeable for consumer goods. Some crops were traded for oil (40 million metric tons of it!), to be sold abroad. Tarasov won exclusive rights to handle these transactions. At the time, the state’s monopoly on foreign trade had been loosened enough to allow semi-private operations; the thing to do was to found a “foreign-trade economic association.” Along with his association, also called Istok and co-founded by the same Ponomaryov, Tarasov established a Russian-British joint venture, with an account in Paribas-Monaco Bank. The money from the oil sales never returned to Russia.⁵

In the summer of 1990, Gorbachov’s police were about to arrest Tarasov. The obstacle was his parliamentary immunity as a deputy of the Russian Supreme Soviet, to which he was elected earlier that year with assistance from the Washington-based Kriebel Institute of the Free Congress Foundation.⁶ Tarasov escaped arrest, and emigrated; he entered Britain on the passport of a citizen of the Dominican Republic. (Such passports could already be purchased from Moscow criminal firms.)

In London, Tarasov set himself up to assist Russian businessmen who had escaped prosecution in Russia, and founded a special institution for harboring flight capital. Evidently, his service to the Yeltsin “reformers” was rather significant, since in November 1993 he easily returned to Russia, on the same passport, won election to the State Duma (parliament), and took a seat on the Duma Commission for the Supervision of Law Enforcement Agencies—still being a citizen of the Dominican Republic! In 1995, he ran for the Duma as a top environmentalist, one of the leaders of the “ecological” election block, Kedr.

In summer 1994, Artyom Tarasov gave a remarkable interview to Radio Liberty, on Russian statehood. In his view, Russia consists of a large number of regions with quite differ-

3. Yekaterinburg was called Sverdlovsk in the Soviet period. It has reassumed the old name, but the surrounding area is still Sverdlovsk Province.

4. On Sept. 21, 1993, Yeltsin abolished the Russian Constitution and the parliament, the Supreme Soviet. The Supreme Soviet’s resistance was ended on Oct. 4, with many casualties, when Army tanks shelled its headquarters.

5. According to an unconfirmed report, published in the not-always-reliable Russian weekly *Zavtra* in 1994, another of Tarasov’s partners in this deal was the Swiss oil magnate (and fugitive from U.S. tax evasion charges) Marc Rich.

6. *EIR*, Oct. 4, 1996. Part 2 of this series reported on the Kriebel Institute (p. 55), and its help to Tarasov’s campaign (p. 57).

ent specializations; these regions are “self-sustainable” and can function as separate states, which is a “natural way of transformation.” He did not make clear how a future Tyumen Republic, possessing oil, will solve its border questions with some republic of the Far North that has no fuel or food, but a lot of nuclear warheads. Maybe he was just an optimist, but more likely this was the typical thinking of an experienced organized-crime figure, who knows very well what it means to control a territory with all its industries.

The example of the Kalmyk Republic, where a person with a similar career, Kirsan Ilyumzhinov, established a dictatorship, ignoring a federal laws and owing trillions to the national budget—shortchanging other regions, as well as his own people—gives an impression of what a Tarasov-headed “independent region” would look like: a desert, with casinos.

The ‘human rights’ war

The Artyom Tarasov story is just one example of how shadow economy figures, used by Gorbachov and Yeltsin against each other, were themselves a conveyor belt for the kind of oligarchical thinking, according to which a “confederalist” model for Russia is preferable to the model of a nation-state. In the Tarasov case, we also see that the U.S. Republican neo-conservatives, and people like Tarasov, whom they support in Russia, are pupils of that same school of oligarchical thinking, which is headquartered in London and promotes the “decentralization” of both the United States and Russia. They abhor a strong central system of economic development.

The pro-separatist strategies of the British don’t contradict the option of a monarchical model for Russia, or the ideological instigation of U.S. “hawks” against Russia, for their purpose is not only to undermine the United States and Russia, but to get them into a bitter and disastrous conflict against each other. As we shall see, there are examples of the “peaceful coexistence” of separatist and monarchic models, even inside one conception.

One of the favorite Russian politicians of the National Endowment for Democracy, Galina Starovoitova, may be the best illustration of this “yin-yang” coexistence of pro-separatist and monarchic ideologies in one person. In 1990-91, she was the most passionate supporter of the idea of dividing Russia into dozens of entities. A year later, she offered herself as candidate for defense minister, made friends with Cossack groups, and spoke (on Artyom Borovik’s “Top Secret” TV program) about the need for a strong, reformed intelligence service on the base of the former KGB. In 1994, she promoted Marshal Shaposhnikov for the Russian Presidency, and said that Russia would take back the Crimea from Ukraine; in a talk with St. Petersburg Mayor Anatoli Sobchak, she expressed delight with the West European constitutional monarchies. As soon as the new war began in Chechnya, she returned to pro-separatist positions, betraying the President in the most difficult period for him. In general, her activity results in nothing but destruction, and even Democratic Russia members admit, off the record, that she is responsible for the blood of



A collage on the front page of Argumenty i Fakty, the largest circulation daily in Russia, on Jan. 3, 1996, titled “Chechen Shashlik.” The picture reflects the anger of Russian nationalists at the growth of separatist insurgencies: Russia is being carved up and served on a skewer, by Chechen separatism.

Armenians, Azerbaijanis, Chechens, and Ingushi, to a greater extent than any of the regional warlords.

But Starovoitova is only a part of a task force, formed years before, dating back to the 1960s. Her political mentor is considered to be Viktor Sheinis, a graduate of the Institute for the World Economy and International Relations (IMEMO), who was in disgrace after 1956, for protesting against the Soviet invasion of Hungary. In the early 1960s, after the new round of destalinization at the 22nd Party Congress (1961), he was accepted to Leningrad State University (LGU), where Aleksandr Degtyaryov, son of a repressed CPSU official, was head of the Komsomol (Communist Youth League) organization. His wing of the “thaw” generation was the source of the Bukharinist revival within the CPSU, campaigning for “internationalism” as opposed to “imperialism,” and becoming a most useful tool for British subversive operations.

Those Anglo-American strategists who thought in terms of dismembering the Soviet Union and then Russia, saw a good opportunity, when dissident Academician Andrei Sakharov was vilified in 1973 and exiled to Gorky in 1980. The Sakharov Congresses, which began to be held in the United

States when Richard Nixon was President, heavily concentrated on ethnic problems in the U.S.S.R., especially the problems of Caucasus peoples oppressed by Stalin, the Crimean Tartars, and others. After Sakharov died, it became clear that his widow, Yelena Bonner, daughter of a purged Armenian Comintern official named Gevork Alikhanyan, would continue to be active for such causes. Through her and a group of intellectuals in Soviet academic institutions, the issue of Nagorno-Karabakh (a province of Armenia, assigned to Azerbaijan under Soviet rule—a complex ethnic and territorial problem with similarities to the Jewish-Arab problem in Palestine) became an object of political speculation, and the detonator of the late-1980s wave of wars in the Caucasus.

The aged Sakharov, or rather his image, was used as a universal tool for pushing geopolitical games, under the cover of human rights. There were very decent people among the political convicts, rehabilitated together with him, but only a tiny group of militant radical liberals like Sergei Kovalyov and Gleb Yakunin made a career.

At the Second Congress of the U.S.S.R. People's Deputies in the fall of 1989, Sakharov's document on the reform of the U.S.S.R. proposed equal status for all the ethnic regions within the Soviet Union. Later, after his death, this naive approach would be exploited by powerful private interests in the clashes between Georgia and Abkhazia, Georgia and South Ossetia, and the Russian Federation with Tatarstan and Chechnya.

Lastly, Sakharov was used to make careers. During the election campaigns in 1989, politicians like Gavriil Popov (famous for legalizing corruption), Sergei Stankevich (now a fugitive), and Konstantin Zatulin (one of the first big Moscow privatizers) were photographed with Sakharov, and thus paved their way to power.

The core group of influentials most active in the Caucasus in 1989-91 included Bonner, Starovoitova, Viktor Sheinis, Anatoly Shabad, Fyodor Shelov-Kovedyaev, and others. In this period, the full-scale Armenian-Azerbaijani war was fueled by multiple ethnic conflicts, started by new leaders, who were brought to power with assistance from this group. Their projects were far from what Sakharov had proposed, but exactly replicated British operations back in 1917-20. The new "anti-Communist" (and, therefore, regarded as positive) Georgian leader Zviad Gamsakhurdia blew up Georgia by eliminating the autonomous status of Abkhazia and South Ossetia, while in Azerbaijan, Popular Front leader Abulfaz Aliyev (Elchibey) pushed a Greater Azerbaijan project, with support from the Turkish Grey Wolves.⁷ The industry, infrastructure, and science of the Transcaucasus went to pieces.

The victory of criminal elites in the Transcaucasus, prepared by the decades-long existing might of the Caucasus criminal brotherhood, was obvious for those who saw the situation from the inside. The unwanted rivals of Gamsakhurdia (Georgia), Ter-Petrosian (Armenia), and Elchibey (Azer-

baijan), though belonging to the anti-Communist forces, were physically eliminated. This happened to Merab Kostava in Georgia, Gamsakhurdia's friend, whose dissident biography, unlike that of Gamsakhurdia, included no episodes of repentance before the authorities. Georgi Chanturia, another prominent Georgian politician who was hard to manipulate, was murdered later.

After Yeltsin came to power in Russia, documents from CPSU archives (those parts that did not "disappear") exposed the fact that the Popular Fronts, which propelled the careers of such leaders as Elchibey in Azerbaijan, enjoyed direct sponsorship from the CPSU Central Committee. Some Gorbachovists tried to explain this pattern as reflecting an intention to "rotate" corrupt elites in the republics, but eyewitness reports from the bleeding Transcaucasus suggested some alternative explanations.

In Karabakh, one could see such a scene: A Soviet Army commander has an unofficial meeting with an Azerbaijani, who pays for a military operation against Armenian positions. The operation is carried out, several more villages, roads, and bridges are destroyed, hundreds more inhabitants and soldiers killed. The next day, an underground Armenian dealer comes to the same commander, and an anti-Azerbaijani attack follows. In both cases, the officer or a group of officers shares the incomes, derived from stolen weapons and equipment (officially listed as "destroyed"), with local criminals. The same picture was seen in the Georgian-Abkhazian conflict in 1992.

The arms trade became a Klondike for organized crime. The shadow elites which started it were born in the Brezhnev era and grew strong in the period of neo-Bukharinite "co-ops." One of Gorbachov's orders introduced semi-private structures in every plant, including most of the military industry. The "shop men" (*tsekhoviki*) needed a market for their products. In 1987-88, they were powerful enough to dictate their conditions to the Soviet leadership. In 1989-90, they were powerful enough to create shortages of basic goods, sabotaging the old state-run retail system.

The human rights milieu was sensitive to unofficial decisions made by the world oligarchy and to the preferences of the criminal community, alike. On Aug. 8, 1991, Yelena Bonner and Yuri Afanasyev issued an open letter to Yeltsin, claiming that "Russia does not need two leaderships." Yeltsin owed his election victories, first as chairman of the Russian Supreme Soviet (1990) and then as President of Russia (June 1991), to the Afanasyev-led Interregional Group in the U.S.S.R. Supreme Soviet. With its constant promotion of a regionalist, even separatist, agenda, however, the Interregional Group was pushing in the direction of the dissolution of the country, of which Yeltsin would be president.

The Caucasus trap

On April 16, 1990, the U.S.S.R. Supreme Soviet, under pressure from the Interregional Group, adopted a law declaring all the republics (both the S.S.R. and the A.S.S.R.!) to be "subjects of the Soviet Union." Gorbachov's yielding to this

7. Joseph Brewda, "The Neo-Ottoman Trap for Turkey," *EIR*, April 12, 1996.

option, by which he hoped still to secure the loyalty of the “autonomies” inside Russia, triggered the process later known as “the parade of sovereignties.” The ethnic architecture of the state, previously regarded as the most sensitive problem of domestic policy, was in shambles.

The first autonomies within Russia that hurried to upgrade their status and become “Soviet Socialist Republics,” were strategic regions with fuel resources, refining industries, as well as an ethnic diaspora—citizens from this area, but living in Moscow, other Russian cities, and abroad, who could serve as lobbyists in those locations. These were Tatarstan and Checheno-Ingushetia (at that time headed by the “pro-Moscow” Doku Zavgayev). Yeltsin answered by carving out Ingushetia as a separate entity, which was a small part of the former Checheno-Ingushetian A.S.S.R. (or now S.S.R.). This brought two immediate results: the rapid decrease of Yeltsin’s popularity in Chechnya, and territorial claims by Ingushetia against the Prigorodny district of the North Ossetian A.S.S.R.; this district, inhabited both by Ossetians and Ingushi, had been a part of Checheno-Ingush S.S.R. in the early Khrushchov period.

Naturally, over 90% of Chechnya’s and North Ossetia’s populations voted against Yeltsin in the June 1991 Presidential elections, and during the August 1991 putsch attempt in Moscow, Chechnya’s leadership supported it, not Yeltsin’s resistance. This set the stage for members of the Interregional Group, together with Yeltsin loyalists Mikhail Poltoranin and Gennadi Burbulis, to promote an alternative leadership for the area. Three years later, Poltoranin and Burbulis explained their support for Jokhar Dudayev, the Chechen general who declared the republic independent of Russia, by saying they thought that if they offered one more “star” to a general, they would gain his total loyalty.

The real explanation was more serious, as it does not require a great intellect to realize, just looking at the map, what games a separatist leadership headquartered in Chechnya can play, with encouragement from the imminent new, foreign proprietors of the Baku oil.

Yeltsin failed to learn from the mistakes of Gorbachov. He allowed the same people who started the Caucasus wars in the 1980s, to dominate Caucasus policy again. Moreover, in the autumn of 1991 Gorbachov was still the formal President of the U.S.S.R. The Soviet military leadership had still two supreme institutions (the Soviet Defense Ministry and the General Staff), but there was not yet a Russian Minister of Defense. When Yeltsin, disgusted by Dudayev’s declaration of Chechen independence, tried to introduce a state of emergency there at the end of October 1991, this order was disobeyed. Democratic Russia, the movement that had ensured his elections in June, turned against him; Bonner and Afanasyev, in October 1991, promulgated a conception that Russia is “united but separable,” alluding to Yeltsin’s own populist phrase, pronounced in a fit of anti-Gorbachov rhetoric, that “everybody can take as much sovereignty as he can.”

Yeltsin was trapped. The Belovezhye agreement ending

the U.S.S.R.,⁸ for which he is now constantly blamed by the Communists, was his attempt to get rid of the “dual power” situation, and solidify his rule in Russia.

Eighty-nine constitutions: the regional issue in Yeltsin’s clash with the Supreme Soviet⁹

In late 1991, State Secretary Gennadi Burbulis, and the young, radical liberal-privatizer crowd around him, pushed a draft law to prohibit all those who had remained CPSU members until the Aug. 19, 1991 putsch attempt, from holding positions of power. Had this option been implemented, Yeltsin would have lost his most loyal people from Sverdlovsk, who had at least some experience in management (such as Oleg Lobov and Victor Ilyushin). Burbulis, Ponomaryov, Murashov, and other “photographed-with-Sakharov” people, participants in British Tory seminars and pupils of the Kriebel Institute, used all their might to create tensions between Yeltsin and the Supreme Soviet, which they had called “the real democratic power” in 1990, but now regarded as “a remnant of Soviet dictatorship.”

The argument that the Supreme Soviet was elected in 1990, when the CPSU still ruled the U.S.S.R., was widely retailed in the Western press, to justify Yeltsin’s struggle against it as a crusade for “democratic” values. The fact that the “world progressive opinion,” shaped by the mass-media, has no historical memory, was well exploited by those British and U.S. manipulators who were on the inside of the process all along, and remembered quite well that Yeltsin, too, was elected when the CPSU still effectively ruled (although Article 6 of the Soviet Constitution, certifying the “leading role” of the CPSU in society, had been eliminated in 1990). They also remembered quite well that Ruslan Khasbulatov was elected chairman of the Supreme Soviet as a candidate of the democratic forces.

Khasbulatov, who comes from Chechnya, also significantly depended on the crew that was playing separatist games in the North Caucasus, which were so profitable for the weapons trade mafia. Together with Burbulis and Starovoitova, he had promoted Dudayev for the Chechen Presidency, and was also involved in projects for a Greater Adygea and a Greater Circassia, in the North Caucasus. He was also somewhat responsible for adoption of the Law on Rehabilitation of Oppressed Peoples, promoted by Bonner and Starovoitova in the autumn of 1991. This law served as an instrument for an armed clash between North Ossetia and Ingushetia, as it legitimized the right of the Ingushi to take back the Prigorodny District of North Ossetia. The efforts of First Deputy Prime Minister Lobov and Security Council Secretary Yuri Skokov managed

8. In December 1991, the Presidents of Russia, Ukraine, and Belorussia met at a hunting lodge in the Belorussian forest, and issued a statement that “the U.S.S.R., as a subject of international law and a geopolitical reality, no longer exists.”

9. There are 89 “subjects of the Federation”—provinces, cities, and republics—in the Russian Federation.

to avert a full-scale war in the region, despite the November 1992 publication in *Izvestia* of an open letter by Bonner, Afanasyev, and others, calling to carve out a separate Prigorodnaya Republic from North Ossetia. But Ingushetia became a "free economic zone" dominated by British companies.

A burning issue during the closing months of 1991, was who would be the prime minister of the new Russia, the person to preside over economic reform. Yeltsin's preferred candidate was Oleg Lobov, but though he belonged to the Sverdlovsk clan, it was impossible to choose him: He was too much attacked by the Thatcher-Bush lobby, such as the publications of the RF-Politika center.¹⁰ Finally, Yeltsin chose Gaidar, whose nomination was suggested by Aleksei Golovkov, an "institutionalist" and the former head of the Interregional Group's staff. Gaidar's candidacy had the overwhelming support of Anglo-American finance and intelligence circles, who knew him well through the Mont Pelerin Society's seminars in the late 1980s.

The shock therapy reform, started by Gaidar's team, seriously affected Russian regional leaders outside the "autonomies." With central budget subsidies reduced, they envied the tax privileges of the "ethnic" autonomies. When a national payments crisis blew up in May 1992, due to an absolute cash shortage with inflation running at a 2,000% annual rate, some regional barons teamed up with the directors of major plants (who were furious not only because of the collapse of industry, but due to the sharp decline of their own fortunes). Since most of them lacked a "democratic" image, they used the "Sakharov-photographed" Boris Nemtsov, governor of Nizhny Novgorod Province, to wave a regionalist threat. Nemtsov's economics aide at that time, Grigori Yavlinsky, introduced a separate Nizhny Novgorod currency.

Yeltsin replaced Central Bank head Yuri Matyukhin with Viktor Gerashchenko, thereby effectively authorizing the money printing presses to be turned on. The old directors' *nomenklatura*, more broadly, rushed to improve their position by regrouping around the Civic Union of ex-CPSU Secretary Arkadi Volsky, now head of the Union of Industrialists and Businessmen. Its draft program, designed to establish the Civic Union as an alternative to Democratic Russia, contained the inevitable nod in the direction of regional bosses' desires: "Each subject of Federation [i.e., provinces, as well as 'autonomies'], should have its own constitution and its own parliament."

Before the Civic Union consolidated as any kind of effective opposition to the total elimination of industry under "shock therapy," its leaders and leaders of member parties like the Democratic Party of Russia found themselves being diverted into courtship rituals in London and elsewhere. DPR leader Travkin was invited to the international conference of the Conservative International, returning to announce at the 1992 DPR Congress, that his party was now not only "democratic," but also "conservative." The Gorbachov Foundation

invited DPR activists into their "image training" programs, teaching the use of Orthodox-patriotic rhetoric with the impoverished Russian population.

Finding no effective flag-bearer in Moscow, the regional elites broke loose in a new wave of regionalism, which greatly shaped the course of the showdown between Yeltsin and the Supreme Soviet in 1993. The clash between the Executive and Legislative branches provided new openings for pro-separatist tendencies. Exploiting the confusion in the center, the regional barons reached for as much privilege as they could.

Beginning in March 1993, as tensions rose between Yeltsin and Khasbulatov, Khasbulatov was recognized by the regional barons as an instrument for taking more economic power from Moscow. The first to speak up was the leadership of Chechnya, whose foreign minister, Shamsuddin Yusef, warned that if Yeltsin removed Khasbulatov, the safety of the Russian population in Chechnya could not be guaranteed.

In eastern Siberia, Khasbulatov won the sympathy of the newly formed Siberian Agreement movement, which grouped together several key regions.¹¹ Another interregional coalition, centered in Samara, called itself Greater Volga. Another group of regions convened in the northwest, where the strongest autonomist tendencies were in Vologda Province, which even declared itself a republic.

The most active supporter of the Supreme Soviet was Kalmyk leader Kirsan Ilyumzhinov. Having established a sort of feudal regime in his region, without any legislature, he spoke out among regional leaders, in favor of strong parliamentary power! Other organizers of regionalist congresses were Boris Nemtsov of Nizhny Novgorod, St. Petersburg City Council leader Aleksandr Belyayev (regionalist tendencies were very strong there), and Ingushetia's President Ruslan Aushev.

Pro-Yeltsin propagandists railed against regional separatism, as a way to attack the Chechnya-born Khasbulatov. From early 1993 on, the Poltoranin-Burbulis-supervised paper *Prezident* served as a mouthpiece for such hysterical support for

11. In the summer of 1994, *Zavtra* published an article called "The Shift to the East," which fit into *Zavtra*'s brand of pan-Slavonic and Eurasian "continentalist" conspirology. It sheds some light on the background to Khasbulatov's courtship by these circles. The author, Boris Isakov of the International Slavonic Academy, argued that the so-called "democenter" of Eurasia, i.e., "the heart of the people's biological field" (*biopole*, a term used by parapsychologists), as well as the epicenter of "ethnic passionarity," had begun to shift from the Moscow area in the fourteenth century, and had now reached eastern Siberia (Krasnoyarsk Territory), while the "geocenter" of Eurasia, i.e., "the center of the biological field of the flora and fauna," had reached the Southern Urals (Chelyabinsk Province), and might proceed on to northern Kazakhstan, which would be "very dangerous." This outstanding "research" was produced by the newly established academy, in collaboration with the Moscow Economic Academy named after Plekhanov. Ruslan Khasbulatov was a professor at the Plekhanov Academy. His most vehement attacks against Yeltsin began in March 1993, after he visited Novosibirsk. After that excursion, Khasbulatov was consistently supported against Yeltsin by the Siberian "regionalist" *nomenklatura*. During the siege of the Supreme Soviet, there was serious discussion of transferring it, and the status of the legitimate capital of Russia, to Novosibirsk.

10. *EIR*, Oct. 4, 1996, p. 59. Part 2 of this series introduces RF-Politika.

Yeltsin, carrying constant crude attacks at the Chechens and other peoples of the Caucasus, ascribing organized crime exclusively to them. At the same time, associates of Bonner and Afanasyev established their influence in one of the centrist factions of the Supreme Soviet, which was speaking for more privileges to the regions. This was the Concordance for Progress faction, established by Victor Sheinis and associated with Grigory Yavlinsky. It was joined by Yuri Nesterov, a close associate of the Starovoitova team (and later a functionary at Interlegal, an NED-sponsored non-governmental organization). Its St. Petersburg branch, headed by Olga Starovoitova, Galina's sister, later merged with the pro-separatist Confederation of National Associations of Russia (KNOR).

After the Supreme Soviet was besieged at the end of September, the centrist factions did not hurry to leave the building, but attempted to remove Khasbulatov from his post—not in order to help Yeltsin, but to promote a “zero option” which would throw both Khasbulatov and Yeltsin out of power, diminish the status of Vice President Rutskoy, and promote a weak figure, Valentin Zorkin, to the Presidency.¹² The behind-the-scenes mover of this operation was Veniamin Sokolov, deputy head of the Supreme Soviet. Some regional bosses coordinated their actions with his group, which included some odd birds like Vladimir Yurovitsky (author of a theory of “informational money”), Yuri Yarmagayev (a regionalization fanatic, linked to Trotskyite groups, who advocated the total elimination of the Executive branch), and Yevgeni Gilbo (a St. Petersburg economist with a “green” bent, sometimes to the left and sometimes to the right). The group of such “theoreticians,” around Sokolov, elaborated a plan for the emission of unlimited quantities of currency, and not only in the capital city, which they claimed was an “anti-monetarist,” “anti-Gaidar” alternative! After the October 1993 suppression of

12. The groundwork for this “zero option” was laid by a group of Supreme Soviet deputies, associated with the Shatalin Foundation (of Academician Stanislav Shatalin, supervisor of the 500 Days radical privatization scheme in 1990), which played a very sophisticated power game. The Shatalin Foundation worked to elevate Valeri Zorkin to the post of the head of the Constitutional Court. Zorkin was then to promote the “zero option,” a “draw” between Yeltsin and the Supreme Soviet leadership, followed by simultaneous Presidential and parliamentary elections.

While Burbulis's radical democrats were loudly agitating for the Supreme Soviet to be dissolved, the centrists were more quietly at work. In early September 1993, when it was still possible to attempt to make peace between Yeltsin and Khasbulatov, Viktor Sheinis drew up a draft new Russian Constitution on behalf of the Constitutional Conference, although that institution had not cleared it. That move triggered a new anti-Yeltsin speech by Khasbulatov, which, in turn, pushed Yeltsin over the edge. On Sept. 21, the President abolished the Supreme Soviet, and the armed denouement followed two weeks later.

In the spring of 1994, at the time of Yeltsin's first serious illness, Zorkin was again promoted as a key figure in a project for a new Russian leadership—the “Accord in the Name of Russia” initiative, which ousted Vice President Aleksandr Rutskoy (in jail from the Oct. 4, 1993 showdown until Feb. 26, 1994). A key organizer of the “Accord” was the last of its signatories: Dr. Aleksandr Tsipko, top official of the Gorbachov Foundation, promoter of regional self-determination, and author of articles in the NED's *Journal of Democracy*.

the Supreme Soviet, this group rounded out its ideology by incorporating the idea of a constitutional monarchy, and even located an odd-looking candidate who regarded himself as Nicholas III, the real successor of the Romanov dynasty.

Phantasmagorical, but real. If a criminal kingpin participated in the Constitutional Conference as the representative of some Far East Cossack movement, why not have a Nicholas III ruling with help from the local *soviets*? If the prayers of Shoko Asahara from the Aum Shinrikyo sect sounded on Russian radio for a whole hour on Oct. 3, 1993, what might happen the next day? Anything.

II. Centrifugal forces with an environmentalist spin

Environmentalist propaganda, imported by Gorbachov and his cronies from the United Nations, the Club of Rome, and their affiliates, played a significant role in the degeneration and criminalization of the Soviet central and local elites. It helped set the pattern, by which Communist rule collapsed and the U.S.S.R. broke apart, but it also contributed to a process of Russia's own disintegration, which appeared as a threat almost immediately after 1991.

The heavy involvement of criminal groups in Russian privatization, along with the dubious state of Russia's strategic arms arsenal, make clear that the collapse of this country poses a threat to all mankind. The intentions of the pseudo-scientific public institutions that promote ethnic types of environmentalism, appear to reflect private interests in Russia's regions, especially those of the oil and metals companies that are violently struggling for market share. The injection of British-cultivated tribal indigenism, brings various kinds of neo-paganism, which resembles a raw material for misanthropic, neo-fascist conceptions. In the Russian Far North and Siberia, rich oil, gas, and precious metals deposits are adjacent to huge stores of military equipment and nuclear arms. Imagine a pagan tribe, possessing nuclear weapons along with a neo-fascist conception, that might establish itself as a Sovereign Kingdom of Novaya Zemlya Archipelago!

From the very beginning, the green ideological movements in Russia targeted large-scale infrastructure projects. The relevant organizations also attacked nuclear energy, in a fashion that provoked mistrust and tension among republics and regions. This undermined the security of the nuclear industry, rather than improving it.

In the late 1980s, green propaganda fell on sensitive ears in Ukraine and Belarus, which had suffered the most from the Chernobyl accident in 1986. People in those two countries felt like victims of a “Moscow experiment,” at the very time when Gorbachov-promoted greens were denouncing the projects for diversion of part of the flow of Siberian rivers, to irrigate the deserts of Central Asia. Kazakhstan's delegates nearly fell on their knees at the First Congress of U.S.S.R.

People's Deputies in the summer of 1989, pleading for urgent action to save the Aral Sea. Getting no answer, they could only conclude that they had no hope for their industry, but could only save themselves by the sale of oil, natural gas, and minerals—and they could do that more profitably, if they didn't have to pay into the U.S.S.R. central budget. Even the thoughtful layers of the Russian opposition, not to mention foreign analysts, pay scant attention to such events, when analyzing the reasons for the dissolution of the Soviet Union.

The green denunciations of the big power projects in Siberia and on the Volga, were promoted by the same Western institutions that promoted the disastrous privatization of basic industry, including fuel and energy production. *Novy Mir* editor Sergei Zalygin, who led the campaign against the Siberian river projects, invoked the work of Prof. Douglas R. Weiner from the University of Arizona, whose "Ecology in Soviet Russia. The Archipelago of Liberty: National Parks and Environmental Protection" was sponsored by the Andrew W. Mellon Foundation and the Russian Research Center of Harvard University.

Contacts of British and American ideological institutions in the Soviet Union had been maintained for years, under the cover of environmental science, religion, and anthropology. Thanks to Gorbachov's close collaborator, longtime Soviet Ambassador to Canada Aleksandr Yakovlev, who now oversaw ideology policy from his seat on the CPSU Politburo, these channels came alive.

Yakovlev's closest associate, Prof. Aleksandr Degtyarov, was head of the ideological department of the Leningrad Party Committee when the infamous "Russian nationalist" Pamyat movement launched its rallies in Rumyantsev Square, not far from Leningrad State University (LGU). Along with blatant anti-Semitism, these Leningrad CPSU-approved nationalists proclaimed green views. In the late 1980s, one of Pamyat's founders, Yuri Riverov, headed up an organization called the Committee to Save Lakes Ladoga and Onega, which campaigned against heavy industry, especially nuclear energy, from an environmentalist standpoint.

Around the same time, a Committee to Save the Volga emerged out of the Russian Union of Writers, which also promoted the "Ladoga" group. The Russian Union of Writers was seeking independence from the U.S.S.R. Union of Writers leadership, but by 1990, it had split into "democratic" and "nationalist" sections, thanks to efforts by Yakovlev's lobby in the "creative intelligentsia."

The propaganda campaign against the projects to irrigate the deserts of Central Asia was pushed mostly through the "Russian nationalist" lobby, but radical "westernizers" became even more successful wielders of the environmentalist agenda than the "slavophiles." A young friend of Academician Sakharov, physicist Boris Nemtsov, launched a campaign against the plans to build a nuclear power plant in the Gorky (Nizhny Novgorod) Region; the project was never carried out. Another young radical democrat, Sergei Belozertsev, was elected to the U.S.S.R. Supreme Soviet by launching an

environmentalist movement in Karelia, in northwest Russia near the Finnish border. Its activists later merged into the so-called Republican Union, a group demanding Karelia's independence from the U.S.S.R. and Russia. (There were probably not enough indigenous Karelians, not to mention a lack of oil and of Caucasus-type temperaments, for that operation to go live!)

Environmentalist ideas also surfaced in Siberia, rich with oil, gas, and precious metals. The intellectual center of such right-left environmentalist operations was Novosibirsk, with its special Siberian branch of the Academy of Sciences. Aurelio Peccei, founder of the Club of Rome, had visited Novosibirsk already in 1967. The adjacent Chelyabinsk region was a playground for anti-industrial propaganda around the Metallurgical Plant and the consequences of a nuclear accident there in the 1950s. Sergei Kostromin, a radical liberal from Chelyabinsk, became a violent anti-Semite in 1992, headed the Party of Russian Nationalists, and demanded a separate South Ural Republic.

Western Siberia, just east of the Urals, is the main oil province of Russia. The richest oil deposits are concentrated in its northern part, which was established as the Khanty-Mansi Autonomous Region in the 1920s. Khanty (Ostyaks) and Mansi (Voguls) are two small ethnic minorities, which had no written culture before the *likbez* (liquidation of illiteracy) program of the Soviet Russian People's Commissariat of Education.

These two minorities, which comprise less than 5% of the population of the district since oil extraction was started there in the early 1970s, have been an object of study by foreign anthropologists since years before Gorbachov's perestroika. Beginning in 1975, Marjorie Mandelstam Balzer, then a Harvard anthropologist, conducted "ethno-historical and field research" in West Siberia, with assistance from Leningrad State University. Her reports concerned not only "menstrual taboos and pollution beliefs," but Shaman rites and other elements of pagan religion. In her 1981 paper, analyzing gender relations among the Khanty and Mansi from a psychoanalytical standpoint, Balzer cited an array of anthropological studies carried out by Oxford, the Finnish Academy of Sciences, as well as Harvard, and expressed special gratitude to Prof. Rudolph F. Its of LGU, who organized her trips to Western Siberia.

Last year, I read the obituary of Rudolf Its, head of the Anthropology Department at LGU, and not just in any publication. It appeared in *Rodnyye Prostory (Native Expanses)*, which is published by one of Its's students—philosopher Victor Bezverkhy, a specialist in "Kantian anthropology," and one of the most radical neo-pagans of the Nazi sort. The frontispiece of his journal is usually adorned with a swastika. Another one of Bezverkhy's teachers, the pagan philosopher Yuri Lisovoy, died in London in 1992; he had gone to England at the end of World War II, through the British zone of Germany, lived in Leeds, and had many friends among Oxford specialists.

The ethnically defined entities within Russia, so exten-

sively profiled by foreign, as well as homegrown ethnographers, and susceptible to environmentalist agitation, became tools in the hands of both the ruling circles and the opposition. A society which had lost its identity, could be split more and more. As early as 1991, Gennady Burbulis, who was a co-author of Chechen separatist Jokhar Dudayev's career, and later eagerly supported the nationalist ambitions of Tatarstan (having enough oil deposits to earn the label of a "New Kuwait"), also backed the idea of separating the Khanty-Mansi national district from the Tyumen Province, on an "indigenist" pretext.

Shamanism, Islam, and UFOlogy

The target areas of the World Wide Fund for Nature (WWF, the former World Wildlife Fund) were also concentrated in Siberia: on the Taimyr peninsula, close by the Norilsk Metallurgical Plant (now Norilsky Nickel); in Yakutia, rich with gold and diamonds; and in the Far East, at the Chinese border, where the WWF hires military personnel to protect tigers from poachers. Besides tigers, the WWF is very anxious about the white stork, which lives in the oil-rich Komi Republic and spends its summer migration period in Afghanistan.

Stork-seekers from Britain were followed by oil-seekers from the United States, and Scandinavia, who formed the Komi-Pechora oil consortium in the 1990s. That is when the Komi people, who also lacked literacy until the 1920s, found out that they have a long and developed culture, tightly connected with Finno-Ugric civilization.

In the nineteenth century, British Intelligence circles had already circulated the myth of a relationship between the Finnish-Hungarian and Turkic civilizations.¹³ In 1990, a tiny group of intellectuals representing the ethnic minorities of the Far North started promoting the "ancient cultural traditions" of their ethnic groups, along with environmentalism. Yuvan Shestalov, an ethnic Mansi with close ties to the Russian nationalist group in the Russian Union of Writers, issued a newspaper called *Shaman*, which revived the pagan traditions of the Finnish-Hungarian minorities, mixed with mysticism and, for some reason, UFOlogy. Other New Age/pagan periodicals published articles by Hungarian scientists, boosting the human rights of the "fraternal peoples"—primarily those ethnic groups (Komi, Khanty, and Mansi), which inhabited the oil-rich areas of the Russian Far North.

Related Finno-Ugric groups inhabiting the Volga valley (Chuvashes, Udmurts, and Mari) were told of their common origin with the Turkic nations. On this basis, the leadership of the Tatar A.S.S.R. (soon to be Tatarstan) planned to form a federation of Volga republics, splitting European Russia right in the middle. Tataria's Muslim union separated from the all-Russia Muslim Association, DUMES; the splinter structure, DUMRT, controlled the Muslim communities along the whole middle Volga.

13. Joseph Brewda, "David Urquhart's Ottoman Legions," *EIR*, April 12, 1996.

The British influences in Tatarstan followed the old pattern of David Urquhart's experiments with the North Caucasus peoples in the nineteenth century. In December 1991, an article entitled "We Must Get Rid of the Russians" appeared in the Tatar paper *Vechnyaya Kazan*, signed by one "Yakup Zaki." According to local investigator Gumer Sabirzianov, that author's real name is James Dickey, and he is not a Tartar, but a professor at the Muslim Institute in London.¹⁴

Such dirty games were pushed not only through the mass media, but through scientific institutions in sore need of financial support, such as the Institute of Africa of the Russian Academy of Sciences, St. Petersburg University, the Institutes of Anthropology and Ethnography in St. Petersburg and Moscow, and others.

Pagan mysticism, mixed with New Age abracadabra, was also served up for ethnic Russians. The first idea was to explain to them that they are *ethnic*. The next idea was that, as some regions of Russia are not ethnically pure, they should be separated, and the remnant (resembling a sort of a sausage) would proudly be called the Russian Republic, as an alternative to the Russian Federation. This option was introduced, not at usual political meetings, but through a so-called "meditation" procedure, which began with a pagan address delivered in old Slavonic, under the sign of a Sun with a three-armed swastika. All this was packaged under a superconception called "authenticism," its ideal being the return to ancient times, when people ate raw meat with no chemicals that cause cancer and intestinal diseases. The weird organization espousing this doctrine was born in 1987 as the Club of Psychic Culture, and reestablished in 1992 under the name of ROD, the Russian Liberation Movement. Based out of the New Age Center in St. Petersburg, ROD sought cooperation with other ethnic cultural societies. In 1993, it founded a Humanist Party, which participated in the Moscow Congress of the Humanist International (Oct. 2-3, 1993), along with Club of Rome members Ivan Frolov (the former editor of *Pravda*) and Academician Nikita Moiseyev, the head of the Russian Green Cross.

ROD's founder, Sergey Semyonov, began his philosophical evolution with Buddhist literature on non-traditional medicine. Buddhism has played a role in a number of political operations in Russia. The march of soldiers' mothers to Chechnya in early 1995, was led by a procession of Buddhist monks. There are "Friends of Tibet" groups in several Russian regions, exclusively in the border areas.

Since 1986, the Dalai Lama has made several tours across Russia, visiting various scientific institutions in Moscow, St. Petersburg, and Siberia. In the 1990s, he began to display specific "regional" sympathies. He favoured Kalmykian

14. Webster Tarpley, "Palmerston's London During the 1850s," *EIR*, April 15, 1994, p. 12, relates how Urquhart "went native," beginning in Constantinople. The modern case of James Dickey, a.k.a. "Yakup Zaki," is reported by Gumer Sabirzianov, *Volzhskiy Tatars i Russkiye v serkale simpatii i antipatii (Volga Tartars and Russians in the Mirror of Sympathies and Antipathies)*, Kazan, 1993.

FIGURE 1

The Caucasus chessboard



leader Kirsan Ilyumzhinov, visiting the Kalmyk capital, Elista, in the company of some Uighur Buddhists. This was not just a coincidence: Kalmyks and Uighurs are a part of a previously numerous ethnos, which used to inhabit the whole territory of today's Kazakhstan.¹⁵ Another target area of the Dalai Lama was the underdeveloped Tuva Republic, which was formally independent of the U.S.S.R. until 1944. The population in Tuva is very poor, but its soil is rich with asbestos and uranium. Kalmykia does not play any strategic role, but under certain conditions it might; during the mostly unofficial discussions of the fate of Baku oil, after Azerbaijan became independent, one option reportedly promoted by then Russian Foreign Minister Andrei Kozyrev was for the Caspian Sea resources to be equally divided among the littoral countries. Approximately one-third of Russia's Caspian shoreline is in Kalmykia (see **Figure 1**).

Pagans, diamonds, and submarines

In June 1994, the "indigenous peoples" of the Russian Far North were favored by a conference organized by the Cultural Committee of "Barents Region." The term "Barents Region" is supposed to subsume the Scandinavian countries, plus several regions of northwest Russia—several, but not all of them. Vologda Province, for example, is not involved, while Arkhangelsk, located farther east, is favored and even serves as a center of the Cultural Committee's activity. There is a curious

coincidence in this selection: Unlike Vologda, which is covered with thick, swampy forest, Arkhangelsk Province includes part of the Timano-Pechora oilfield, and has rich diamond deposits.

The "Barents" ideologues' concern for indigenous peoples is so strong, that it extends from Sweden to eastern Siberia, across thousands of kilometers to Yakutia—this time under the aegis of the Council of the Barents-Euroarctic Region. Yakuts are neither Finno-Ugric, nor even Islamic, and the only thing they have in common with the inhabitants of Arkhangelsk, is the diamond-rich territory on which they happen to live.

The name "Barents Region" originates in Sweden; still, it is attributed not to Swedish officials, but to a frequent guest in Stockholm, former Russian Foreign Minister Andrei Kozyrev.

At a recent pagan meeting in St. Petersburg, a self-styled Russian nationalist from Arkhangelsk Province boasted that he had received New Year's congratulations from "one of the Volga Presidents," i.e., the head of one of the Finno-Ugric republics. The sect to which the Arkhangelsk nationalist belongs (he goes by the name of Vladimir Bogumil II) calls itself Yarl-Pomors, and claims to promote the interests of "indigenous" Ingrian (or Ingermanland) Finns. That is on the "right" side; on the "left," the Ingrian community, representing less than 1% of the population of Leningrad Province, belongs to the "radical liberal" Confederation of Russian National Associations (KNOR), which also includes the Abkhazian and Chechen cultural societies, along with one of the organizations called Friends of Tibet. The first promoter of a separate Ingrian Republic on the territory of Leningrad Province, was radical environmentalist Yuri Shevchuk, currently deputy head of Gorbachov's Green Cross in St. Petersburg.

The former head of the Ingrian Union (Inkerinliitto), Dr. Aleksandr Kiryanen, also runs the local branch of the Unrepresented Nations and Peoples Organization (UNPO)¹⁶ (see **Figure 2**). The Inkerinliitto headquarters building was a Finnish church before 1917, and later became the House of Nature. Dr. Kiryanen is a cousin of Marina Salye, leader of the Free Democratic Party of Russia, one of the most convinced advocates of "self-determination." In 1995, Salye became the number-two person in a newly established political party called Preobrazheniye (Transformation), headed by Eduard Rossel, governor of Sverdlovsk Region and the ideologist of an independent "Ural Republic." Kozyrev was midwife to the new party.

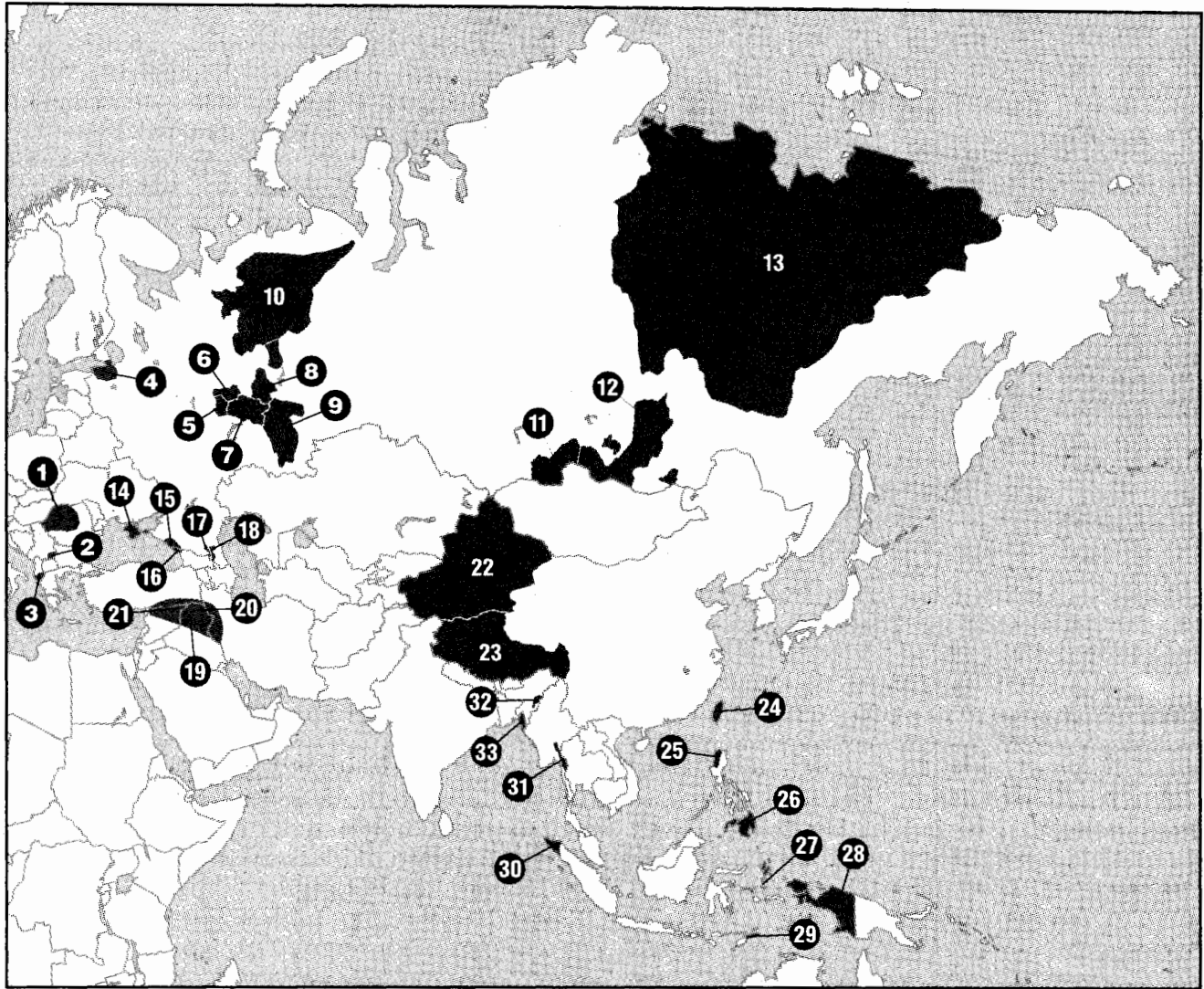
Unlike many Russian political players, who prefer the warm climate and clean air of the North Caucasus, Andrei Kozyrev has gravitated to the cold and damp Russian northwest. Twice he was elected to the Russian Parliament from Murmansk Province, bordering Norway. Kozyrev attracted various United Nations institutions to the region, apparently

15. Joseph Brewda, "Pan-Turks Target China's Xinjiang," *EIR*, April 12, 1996.

16. Mark Burdman, "UNPO Plays Key Role in Transcaucasus Blowup," *EIR*, April 12, 1996.

FIGURE 2

The 'parade of sovereignties,' as seen by the UNPO



The map shows some of the 50 "peoples" and "nations," which, the Unrepresented Nations and Peoples Organization (UNPO) says, should be independent states. The names of those targeted areas within Russia and other CIS countries, which are mentioned in this article, appear in bold.

- | | | |
|--|----------------------------|---|
| 1. The Hungarians of Romania | 6. Mari | 20. Assyria |
| 2. Kosova | 7. Tartarstan | 21. Kurdistan |
| 3. The Greeks of Albania | 8. Udmurt | 22. "East Turkestan" (Xinjiang, China) |
| 4. The Ingrian Finns of the St. Petersburg region | 9. Bashkortostan | 23. Tibet |
| 5. Chuvash | 10. Komi | 24. Taiwan |
| | 11. Tuva | 25. Cordillera (Philippines) |
| | 12. Buryat | 26. Mindanao (Philippines) |
| | 13. Yakutia | 27. Moluccas (Indonesia) |
| | 14. Crimean Tartars | 28. West Papua (Indonesia) |
| | 15. Circassia | 29. East Timor (Indonesia) |
| | 16. Abkhazia | 30. Aceh (Indonesia) |
| | 17. Ingushetia | 31. Karenni state (Myanmar) |
| | 18. Chechnya | 32. Nagaland (India) |
| | 19. Iraqi Turkoman | 33. Chittagong Hill Tracts (Bangladesh) |

for reasons having to do with the problem of nuclear waste.

Nuclear waste pollution troubles Norway, and not only due to the personal views of the country's former prime minister, the environmentalist Gro Harlem Brundtland. The 1989 catastrophe of a Soviet submarine in the Norwegian Sea reminded the local population of Chernobyl. To prevent new accidents, requires investments for the utilization of spent nuclear fuels, and to provide security at the Kola nuclear power plant in Murmansk Province. Any foreign diplomat knows the glistening of Russian officials' eyes, at the word "foreign investments."

In June 1994, a delegation from British Nuclear Fuel paid a visit to Murmansk. In autumn 1995, the object of British interest, the floating nuclear waste-processing base, was put up for auction. Against expectations that a well-known Russian company would place the winning bid, it went to an Anglo-French consortium.

While the European Union was discussing nuclear security, a group of Russian sailors, led by a captain of second rank, was caught stealing some uranium-containing cylinders. This was in autumn of 1995. Since the used cylinders were hardly a saleable commodity, the theft looked for all the world like a pretext for mass media hysteria. The officer turned out to be a member of a Pentecostal sect with an office in Murmansk, frequented also by Norwegian citizens.

A month later, a new scandal broke out, which is intensively discussed up to the present day. Russian security forces searched the Murmansk office of a Norwegian environmentalist organization called the Bellona Foundation. The whole Russian and international green and human rights beaumonde mobilized to denounce the KGB and support the Norwegian institution. Besides Academician Aleksei Yablokov, a fierce opponent of nuclear energy and former member of the Interregional Group of Deputies, and former Soviet Minister of Ecology Nikolai Vorontsov, the outcry came from Greenpeace, National Resources Defense Center, former French Minister of Ecology B. Lalonde, and even the International Fund for Animal Welfare (IFAW)—although Bellona, judging by the results of its own fact-finding mission, was interested less in evidence of environmental pollution around Murmansk, than in the location of the nuclear objects of Russia's Northern Fleet. (Bellona's two reports on the Murmansk area, with detailed maps, have been posted on the Internet, where—thanks to the efforts of financier George Soros to expand Internet access in the former Soviet Union—any Russian or Chechen youngster can also find instructions for a "human rights" militant, entitled "How to Make a Bomb.")

Capt. Aleksandr Nikitin, a Bellona author who was arrested on Feb. 6, 1996 in St. Petersburg, before he could escape to Canada, was sincerely surprised when the Bellona office was searched by Russian intelligence. "Why," he said, "but for three years nobody interefered with our work! Some officials even praised it. For example, Andrei Kozyrev." "And Mikhail Gorbachov," added a Norwegian Bellona member. "We just met him on the plane to Moscow. We gave him our

report, and he said we're doing a very useful work."

After the 1995 Duma elections, International Republican Institute officials boasted that their greatest image-making success was the victorious campaign of Andrei Kozyrev in Murmansk, coordinated by the Moscow IRI office. They changed their tune changed after Kozyrev's resignation and Nikitin's arrest. "Now we'll have to quiet down, and cancel public seminars for some time," the same official said nervously.

He didn't have to worry. Kozyrev is travelling around the world, saying that if he were the International Monetary Fund, he would do to Russia just what the IMF is doing. He said that as a featured speaker at the IRI's event, held in San Diego during the Republican convention this past August. Nikitin is in jail, but this fact is a great advantage for the Human Rights Bureau (co-chaired by Yelena Bonner), which was hired by Bellona at \$20,000 per half-year, to campaign for his exoneration. Amnesty International has already declared Nikitin the next "prisoner of conscience," after Sakharov, and uses him in its fundraising material. Mikhail Gorbachov, surrounded by an odd-looking crowd of Buddhists, tries to make Russians fall in love with him again (when he is not making well-paid appearances in California, or Sioux Falls, South Dakota).

They think themselves secure amid the disaster they wrought—although, they should hear the warning signals, as George Bush's role in the world drug trade is discussed in U.S. newspapers.

In late autumn 1995, Russian TV channels broadcast a short report from the town of Khalmer-Yu in the Komi Republic, where coal mining had stopped, due to a complete lack of finances. It was a horrible picture of a deserted town, comparable to Chernobyl. The last inhabitants were leaving. The TV cameraman zeroed in on a reindeer-drawn sledge with two Nenets peasants in it; through a snowstorm, they were gazing at the cross-barred doors of the last shop, already closed. With the miners leaving, the local population, comprised of the ethnic minorities, was left with nothing. Probably the next time the liberal mass media would speak of real problems of the Far North, was when its inhabitants starved and disappeared.

Gorbachov and Bush don't care for them, as nor for the unfed miners and hungry soldiers. They travel across the world, hold press conferences and order banquets. They are at the feast in the time of the plague.¹⁷ But nobody in the world, including them, can really be secure, while the resources vital to feed people, to educate children, to provide high-technology energy sources and infrastructure, are siphoned into the dope and arms trade, to prop up financial speculation, or fund table-turning, Shaman dancing, and environmental spying. If the situation doesn't change in the nearest future, the world will be doomed. The feast during the plague doesn't last an age—not even a decade.

17. "The Feast in the Time of the Plague," is one of the "little tragedies" of Russia's poet Aleksandr S. Pushkin (1799-1837). Edgar Allan Poe's *The Masque of the Red Death* treats the same theme.

Democracy or destabilization? What the NED funds in Eurasia

The published list of current and recent grants by the National Endowment for Democracy (NED), to support organizations and activities in north-central Eurasia, is excerpted below. We provide some annotation in brackets, to assist in comparing this flow of official U.S. funds, with the painful and dangerous fracturing of Russia, chronicled by Roman Bessonov in this issue's installment of his "The Anti-Utopia in Power" series.

As William Jones reported in his introduction to Bessonov's series (*EIR*, Aug. 9, 1996), the NED is officially styled as "a nonprofit, bipartisan, grant-making organization," whose aim is to "strengthen democratic institutions around the world through nongovernmental efforts." Funded by Congressional appropriation, "the Endowment's worldwide grants program assists organizations abroad—including political parties, business, labor, civic education, media, human rights and other groups—that are working for democratic goals."

As government covert operations drew unwelcome attention from Congress during the 1970s, it was deemed desirable to "privatize" many intelligence operations, making them immune to Congressional oversight. The NED was established as a "private" entity in 1983, in order to shield it from the depth of scrutiny a fully public organization would incur.

President Reagan announced the creation of the NED in a 1982 speech delivered at Westminster, in England. In testimony at congressional hearings on the Iran-Contra scandal, Walter Raymond, National Security Council staffer for "Project Democracy" operations in the mid-1980s, revealed that that speech was co-drafted for Reagan by Lawrence Eagleburger, Henry Kissinger's close associate.

The legislation that established the NED created a new species, the "quasi-autonomous non-governmental organization," or "quango." There are four main quangos under the NED: the International Republican Institute (IRI, run by the Republican Party), the National Democratic Institute for International Affairs (NDI, Democratic Party-dominated), the Center for International Private Enterprise for business, and the Free Trade Union Institute for Labor.

'Democracy' in Russia

John Brademas, chairman of the National Endowment for Democracy, in the NED's Summer 1996 newsletter:

"To judge from the participation in the parliamentary and presidential contests, Russian citizens are truly politically engaged. On June 16, 70% of the electorate voted; on July 3, 69%! Boris Yeltsin made a remarkable comeback, from leading Communist Party chief Gennadi Zyuganov by 35% to 32% in the first round to achieving a landslide triumph of nearly 54% to 40% in the second. Democratic leaders around the world voiced great relief. . . .

"While Russia's progress toward democracy has been the historic achievement of the Russian people, I am proud to recognize the important assistance given to Russian democrats by the Endowment and its four core institutes. I want especially to commend the Endowment's party institutes (the NDI and the IRI) for the training they provided over the past six years to reform candidates and party activists. The modest expenditure of U.S. tax dollars in this effort may be one of the most cost effective investments in peace and security in our nation's history."

Lyndon H. LaRouche, Jr., in his October 1996 Presidential campaign paper, *The Blunder in U.S. National Security Policy*:

"A short-lived democracy in Russia was brought to an end by artillery-fire against the parliament, during October 1993. Both the rebellious spirit of that suppressed parliament, and the shelling, were prompted by the pressure of the 'IMF conditionalities' introduced in accord with the 'New Morgenthau Plan' geopolitics of Prime Minister Thatcher and her familiar, President Bush. Thus, in the hallowed name of 'democracy' and 'market economy,' a short-lived genuine political democracy was destroyed in Russia, as real democracy is repeatedly destroyed, all in the name of 'democracy' and 'free trade,' in Central and South America."

LaRouche's diagnosis and the fairy tale from Brademas may be usefully contrasted, against the backdrop of Roman Bessonov's articles, beginning with his report (*EIR*, Sept. 6, 1996) on how organized crime took charge of the Russian economy, on the wings of the "free market" reform. In his *Blunder* paper, LaRouche recalled William F. Buckley, Jr.'s acknowledgement of how hostile to democracy is the Mont Pelerin Society brand of economics, imposed on Russia: "It is possible," Buckley said, "that Milton Friedman's policies suffer from the overriding disqualification that they simply cannot get a sufficient exercise in democratic situations."

Some 1994 and 1995 NED grants

The following are excerpts from the published list of NED grants. Our comments are in brackets:

Russia

Former Soviet dissidents Yelena Bonner and Sergei Kovalyov were honored at the NED's Fifth World Conference on Democracy, May 1-2, 1995, in Washington. Among the other Russians in attendance were Galina Starovoitova, Sergei Grigoryants of the Glasnost Public Foundation, and Andrei Vasilevsky, head of the Panorama Information and Research Center.

Center for International Private Enterprise—\$110,025. To help educate Russia's younger generation in the basics of economics and the free market by developing instructional materials for a high school curriculum entitled "Economics for Young Russians."

Center for International Private Enterprise—\$94,316. To enable the Center for Political Technology to engage in research and advocacy on the role of business associations.

Free Trade Union Institute—\$1,046,232. To support democratic worker organizations in Russia, including education and training activities, and continued support to *Delo*, a Russian newspaper covering developments in the independent trade union movement and industrial relations, as well as the operation of FTUI's Moscow field office and five small liaison offices located in major Russian industrial centers.

[The FTUI, formed in 1977, continues an earlier U.S. government-funded AFL-CIO project, the Free Trade Union Committee. It is the only one of the core NED quangos that existed prior to the NED. The FTUC had been run by Irving Brown, who was in charge of AFL-CIO operations in Europe in the post-war period, then succeeded Jay Lovestone as head of the AFL-CIO's international department. His mentor, Lovestone, had led a Bukharinite faction in the Communist Party U.S.A., before becoming a specialist, for U.S. intelligence agencies, in subversive operations under trade union cover.]

Freedom House—\$11,000. To enable Panorama, an independent Russian information and analysis group, to produce a study on the various extremist groups in Russia.

[Founded in 1941, Freedom House is the leading private intelligence organization of "social democratic" coloration in the United States. From its inception, Freedom House was closely allied with the networks of Jay Lovestone and Irving Brown. Leo Cherne, who chaired the organization for over 40 years, was vice-chairman of the President's Foreign Intelligence Advisory Board during the Reagan administration, when the NED was created. A close ally of George Bush, Cherne oversaw much of the private intelligence apparatus used in bankrolling the Afghan mujahideen, and funding the

Contras, as well as arming groups in Iran.]

Freedom House—\$44,000. To enable Panorama to publish a reference guide to regional politics in Russia, including information about local politicians, administrative structures, political parties, and independent organizations.

[Typical of the guidance provided by Panorama was its position on the Democratic Union, Russia's first political party to declare itself in opposition to the CPSU (1988). In 1993, an official at the U.S. embassy in Moscow cited the Panorama guide in support of his view that, insofar as leading Democratic Union figures had taken positions opposed to Yeltsin, that group could no longer be considered a "pro-reform," or "democratic" movement.]

Glasnost Defense Foundation—\$44,000. To publish five books on issues of importance to journalists and state officials who deal with journalists, including a book on violations of journalists' rights during the military campaign in Chechnya, a guidebook of key information for journalists reporting from conflict zones, an annual report of all violations of journalists' rights throughout the former Soviet Union, an anthology of legislation concerning media issues, and an anthology of proposed codes of ethics for media agencies.

Glasnost Public Foundation—\$52,150, \$53,170. To review the activities of Russia's intelligence services; to examine the political influence of the secret service and the relationship between the secret service and Russia's new commercial structures; and to organize a legal consultation service to review cases involving the violation of human rights by the security services. [In 1995, also] to update its data bank on the KGB and its successor institutions.

Interlegal—\$49,278. To enable this Moscow-based group to serve as a clearinghouse for non-governmental organizations' activity in Russia; provide legal advice to nonprofit organizations; and work with the legislative and executive branches in the drafting of relevant national legislation.

[See previous article, p. 26, on some of the Russian personnel of Interlegal, among whom was Galina Starovoitova's ally, Yuri Nesterov.]

Jamestown Foundation—\$24,590. To enable the Globe Independent Press Syndicate to serve as an information clearinghouse for the various democratic blocs in preparation for the Russian national and local elections.

New Times (Novoye Vremya)—\$38,200. To enable this Moscow-based journal to respond to the growing threat to democracy from anti-democratic groups and ideologies by publishing articles on Russian nationalism and other right-wing extremist trends.

Panorama—\$40,000. To research, analyze, and publish comprehensive reports on the December 1995 parliamentary and the June 1996 presidential elections.

Partners for Democratic Change—\$65,000. To promote the development of public mediation centers in Moscow, Krasnodar, Arkhangelsk, and Khabarovsk which will

provide training in negotiation skills, cooperative planning, and public mediation.

Russian Center for Citizenship Education—\$15,000.

To enable this Moscow-based grassroots network to conduct a series of public policy workshops aimed at developing the knowledge, skills, and habits necessary for conducting productive civil discourse, especially among provincial teachers and civic activists.

St. Petersburg STRATEGY Center—\$40,000. To analyze the third sector in St. Petersburg; and to conduct a series of workshops and a conference on NGO development.

Azerbaijan

Democracy Development Fund of Azerbaijan—

\$30,000. To enable this Baku-based organization to conduct educational programs, promote public policy debate, and publish a bulletin aimed at strengthening democratic values and civil society in Azerbaijan.

Armenia

Center for International Private Enterprise—

\$91,688. On behalf of Technical Assistance for the Republic of Armenia (TARA), to provide consultations and organizational advice to businesses and associations such as the All Armenia Women's Union; to mobilize and train advocacy groups; to remove obstacles to private sector development; and to advise small-scale entrepreneurs on business plans.

Belarus

Center for International Private Enterprise—

\$73,313. On behalf of the Independent Institute of Socio-Economic and Political Research, to analyze the impact of free-market economic principles in the activities of political and economic leaders, and to commission a national survey of attitudes toward privatization and market reforms.

Georgia

National Peace Foundation—\$55,000. To enable the

Caucasian Institute for Peace, Democracy and Development in Tbilisi to conduct a series of programs to help promote democratic and free-market values and consider solutions to the problems of the democratic transition in Georgia and the Caucasus.

Kazakhstan

ARKOR Foundation—\$30,000. To establish an Inter-

ethnic Relations Monitoring Center; and to provide an open forum for political parties, government officials, and others to discuss inter-ethnic issues and formulate policy recommendations on how to ameliorate tensions.

Free Trade Union Institute—\$329,565. To support the Independent Trade Union Center of Kazakhstan and its network in ten oblasts; and to conduct training to strengthen democratic workers' organizations.

Kyrgyzstan

Center for International Private Enterprise—

\$88,152. To provide entrepreneurship development training for Kyrgyz entrepreneurs, managers of entrepreneur associations, journalists writing on economic issues, business school instructors, and government officials of agencies pertinent to small business development.

Tajikistan

Glasnost Defense Fund Light of Day Journal—

\$40,000, \$50,000. To support the publication of *Charoghi Ruz* (*Light of Day*), an independent Tajik-language newspaper providing information not available in the state media on current events in Tajikistan, human rights issues, and the positions of a wide spectrum of the country's political forces.

[According to a Moscow source who worked with *Charoghi Ruz*, the paper served as a mouthpiece for the Tajik opposition group of Akbar Turajonzoda (see *EIR*, April 12, 1996, pp. 44-48, for Ramtanu and Susan Maitra's dossier on the Tajikistan civil war and its relationship with Afghanistan). Besides this apparent indirect funding from the NED, Tajik opposition figures have been supported by the Washington-based U.S. Institute of Peace, a USAID-funded private organization in the NED orbit, directed by former U.S. Ambassador to Pakistan Robert Oakley. Tajik opposition candidate (in 1991) Davlat Hudonazarov was a USIP "peace fellow" in Washington in 1995. In February of that year, the USIP funded a U.S. tour for Turajonzoda and Muhammadsharif Himmatzoda, of Hudonazarov's Movement for Islamic Revival. That movement has collaborated with the Taliban in Afghanistan, although Turajonzoda claims to be "strictly observing neutrality" toward the current strife there.]

Turkmenistan

Dashkhovuz Ecological Club—\$15,000. To increase in-

formation available on a local level; to establish a system to deliver print media from Russia and other former Soviet republics; and to create a Dashkhovuz Public Information Center to house publications and other materials.

Ukraine

Center for International Private Enterprise—

\$153,427. To enable the Association of Entrepreneurs of Ukraine to raise the level of entrepreneurial activity in the country by expanding its database of economic information, identifying barriers to development of key sectors of the economy, and providing training in privatization and business practices.

Freedom House—\$62,838. To enable the Democratic Initiatives Research and Educational Center to conduct nationwide and regional public opinion polls designed to provide democratically-oriented politicians with reliable, unbiased information on the political attitudes of the Ukrainians.

International Republican Institute—\$333,210. To

conduct a multi-faceted program designed to prepare parties for the 1994 parliamentary and presidential elections in Ukraine, including civic education, poll watcher training, and technical assistance; and to field an election monitoring team for the parliamentary elections.

[The IRI's standard of "civic education" is suggested by a briefing sheet used in one of its Russian-language youth programs, which advised that before addressing an audience, "It is useful to tell oneself: • I can reduce my viewpoint to one sentence, and my basic thoughts to three; . . . • I have written the main points of my speech in different colors on cards . . . and not forgotten to number the cards, in case I drop them."]

International Republican Institute—\$36,925. To enable Democratic Initiatives to compile and publish a "Directory of Elected Officials," including national parliamentarians as well as members and chairpersons of local councils throughout Ukraine.

Ukrainian Center for Independent Political Research—\$82,000. To support its public affairs television program P'yaty Kut ("Fifth Corner"), which focuses on issues relating to democratic and free-market transition; to continue providing information and analysis on the current situation of women; to encourage the formation of new women's associations; and to publish a yearbook, Democracy in Ukraine, 1994-1995, assessing the transition to democracy.

Uzbekistan

Foundation for Eurasia—\$45,000. To enable a group of leading opposition figures and journalists from Uzbekistan to publish and distribute the Forum, a pro-democracy newspaper featuring news, information, and analysis otherwise unavailable in the country.

National Democratic Institute for International Affairs—\$64,484. To encourage dialogue among the Uzbek democratic opposition, and between the opposition and the government; to bring together political activists in an effort to better coordinate activities and agree on a common strategy and program; and to encourage the government to recognize opposition forces.

Regional

National Democratic Institute for International Affairs—\$142,785. To conduct a joint program with the Turkish Democracy Foundation for participants from Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Turkmenistan, and Uzbekistan focusing on the importance of a multipartisan political process in promoting democratic reform.

Union of Councils—\$75,000. To support the work of its Central Asian Human Rights Information and Monitoring Network, particularly in Tajikistan, Turkmenistan, and Uzbekistan, including publication and distribution of biweekly information bulletins.

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Calcutta	0330*	Richmond	1700
Caracas	1800	Rio de Janeiro	1900
Casablanca	2200	Rome	2300
Chattanooga	1700	St. Louis	1600
Chicago	1600	St. Petersburg	0100*
Copenhagen	2300	San Francisco	1400
Denver	1500	Santiago	1800
Detroit	1700	Sarajevo	2300
Dublin	2200	Seattle	1400
Gdansk	2300	Seoul	0700*
Guadalajara	1600	Shanghai	0600*
Havana	1700	Singapore	0530*
Helsinki	2400	Stockholm	2300
Ho Chi Minh City	0600*	Sydney	0800*
Honolulu	1200	Teheran	0130*
Hong Kong	0600*	Tel Aviv	2400
Houston	1600	Tokyo	0700*
Istanbul	2400	Toronto	1700
Jakarta	0500*	Vancouver	1400
Jerusalem	2400	Vladivostok	0800*
Johannesburg	2400	Venice	2300
Karachi	0300*	Warsaw	2300
Kennebunkport	1700	Washington	1700
Kiev	2400	Wellington	1000*
Khartoum	2400	Wiesbaden	2300
Lagos	2300	Winnipeg	1700
Lima	1700	Yokohama	0700*
Lincoln	1600	Yorktown	1700
Lisbon	2300		

*Mondays

IMF pressure is driving Russia toward civil war

by Rachel Douglas

The sight of ailing Russian President Boris Yeltsin, appearing on TV on Oct. 17, to fire Gen. Aleksandr Lebed as head of the Security Council, brought home to millions of Russians what happened in last summer's elections: They elected not a President, but a continuing time of strife, verging on civil war. Yeltsin signed the decree in front of the cameras (lest it be claimed he hadn't signed it), after days of furious scandal-mongering, counter-accusations, and coup threats among the top figures in Moscow, including the Russian Armed Forces.

An economic crisis, more severe by the day, is driving the political turmoil in Moscow. Lyndon LaRouche reported to a U.S. national TV audience last June 2, after his visit to the Russian capital in April, that "the country is on the verge of an explosion. They have only one option, and that is to get rid of the International Monetary Fund." But the IMF, which dispatches a delegation to Moscow every month to approve or disapprove the Russian government's performance and decide whether to release the latest \$300 million tranche of its current loan to Russia, is fanning the flames.

The Sept. 28-Oct. 1 IMF annual meeting, where IMF Managing Director Michel Camdessus again admitted that the international financial system is on its last legs, was attended by a hefty contingent of Russian officials: First Vice-Premier Vladimir Potanin, Central Bank chief Sergei Dubinin, Vice-Premier and Finance Minister Aleksandr Livshits, and Minister of Economics Yevgeni Yasin, all close associates of the IMF's darling, Anatoli Chubais, chief of the Presidential Administration. The Moscow daily *Nezavisimaya Gazeta* was headlined Oct. 5, "High-Ranking Russian Functionaries Satisfied with Their Visit to Washington; Implementation of the IMF's Demands, However, Threatens the Existence of Russia."

The group received only a \$159 million World Bank credit (to "develop the securities market"!), but returned to launch a tax-collection assault on Russian industrial firms. On Oct. 11, Yeltsin decreed creation of a new tax collection agency, the Temporary Extraordinary Commission, or Ve-Che-Ka—the original name of the KGB secret police in the Soviet Union, in Lenin's day!

Our correspondent in Russia asks, "When the IMF comes to dictate conditions to Germany, will they set up a collection commission and call it the Gestapo?"

Thomas Wolf, the IMF's representative in Moscow, told the press how happy he was with this innovation, and the *New York Times* editorialized that now the IMF can better "hold Russia to exacting fiscal standards."

Pyotr Mostovoy, head of Russia's State Bankruptcy Committee, announced Oct. 15 that bankruptcy proceedings would begin against three oil companies, an aluminum plant, and two auto firms, unless they pay 1.3 trillion rubles (\$240 million) of tax arrears within a week. The debtors are the oil firms Tatneft and Purneftegaz, the Krasnodar oil refinery, aluminum producer Achinsky Glinozemny Zavod, and car manufacturers Moskvich and KamAZ (located in Tatarstan). They paid under 20% of their taxes due in the first six months of 1996, Mostovoy said. The 185 largest firms owe 12 trillion rubles (\$2.4 billion) to the federal budget and more than 25 trillion rubles (\$5 billion) to local budgets.

No economy, no taxes!

Behind the agitation about Russian tax collection is the disintegration of the economy, during nearly five years of deregulation and looting called "reform." Yes, Yeltsin eased tax demands on regions and firms last winter, as part of his

reelection effort. But, wrote Academician Leonid Abalkin Oct. 8, the search for tax evaders is no "fundamental approach" to lack of revenue. If the military, science, and social services aren't financed, and there is an overall payments crisis (30% of transactions in Russia are carried out by barter), then companies and institutions don't pay wages or collect payroll taxes, and can't pay taxes. There is no revenue base to support the functions of government.

In the draft 1997 budget submitted by Prime Minister Viktor Chernomyrdin's government (already rejected by the Duma, or parliament), Russia was to borrow \$9.2 billion on foreign markets, while spending \$9.2 billion to service the foreign debt. "There will not be one spare cent," wrote Abalkin, "to be invested in the Russian economy." Russia also owes billions to the Moscow banks of the *nouveaux riches*, which bought short-term government bonds at triple-digit interest, tiding Yeltsin over before the elections.

Economist Sergei Glazyev, as Lebed's economics desk chief at the Security Council, made the same point. He proposed radical state intervention, to promote a process of investment in the real economy, decoupled from the speculative markets. This did not accord with the agenda of Chubais or the IMF. Hours after Lebed's ouster, Glazyev resigned. (For more on the views of Glazyev and Abalkin, see *EIR*, May 31, 1996, "Russia, the U.S.A., and the Global Financial Crisis," a roundtable discussion in Moscow between LaRouche and Russian economists; and "Growth in a Transitional Economy," an analysis by Glazyev.)

The payments crisis persists

But the payments crisis won't go away. On Oct. 21, workers at two of Russia's nine atomic power stations stopped work for an hour, though by law they are forbidden to strike, to demand payment of back wages for June through October.

Russian Health Minister Tatyana Dmitriyeva said that, during the first 10 months of the year, the health care sector received only 38% of funds due from the national budget. According to Nikolai Gerasimenko, head of the Duma's Committee on Health Care, Russian medical institutions are unable to deliver even minimum services.

At an Oct. 23 press conference during his visit to Moscow, Secretary General George Weber of the International Federation of Red Cross and Red Crescent Societies, said that "30 to 40 million vulnerable people in Russia need help during the country's transition." That is nearly one-third of the population: the elderly, the homeless, and the disabled.

In Chita Province, where pensions have not been paid in over three months, conditions may be called "famine," said an Oct. 15 article in *Moskovsky Komsomolets*. It quoted a letter provided by Duma member Sergei Kalashnikov, chairman of the Committee for Labor and Social Policy, from a parent there: "I have five children. For three weeks now we have had nothing to eat at all. We live on oil cake and mixed fodder. The children are fainting from hunger. Please help."

Hot autumn

At a press conference the night of his dismissal, Lebed charged Chubais with running an illegal regency for the sick Yeltsin, and warned of a "hot autumn." Asked to elaborate, Lebed cited the most dramatic wage demand of the month, a letter published in *Nezavisimaya Gazeta* on Oct. 19 and attributed to "the collective of officers of the General Staff" (the coordination body of the Armed Forces).

Whether or not it is authentic, the text expresses the rage of Russian patriots at IMF-induced economic devastation. The officers demand payment of all back wages by Oct. 25, or else. "We command sufficient forces and means, to force the Kremlin gentlemen to drop their plans." The "plans," identified as crushing Russia's military leadership as a prelude to putting the country under UN rule, are attributed to "the trans-Atlantic sponsors of the Kremlin."

The publicity given this letter by pro-Chubais TV stations, linking it to Lebed, seemed designed to bolster charges from Internal Affairs Minister Anatoli Kulikov and others, that Lebed was planning a coup. But the document gained credibility, when Chief of the General Staff Marshal Mikhail Kolesnikov was shifted to another post on Oct. 20, and there was a shakeup in the command of the Airborne Troops.

Lebed, who ran third in the Presidential elections (after which he got the Security Council post from Yeltsin, who needed his supporters' votes in the second round), is launching a new political movement.

Yeltsin set up one more structure to run Russia: a Consultative Council, consisting of himself, Chernomyrdin, Federation Council Speaker Yegor Stroyev, and Duma Speaker Genadi Seleznyov, a Communist Party leader who helped grease the chute for Lebed's slide from office. Chubais will be attending CC meetings in Yeltsin's place, until after the latter's heart bypass surgery, scheduled for mid-November.

As we go to press, however, there are more demands for Yeltsin to step aside. Gen. Aleksandr Korzhakov, ousted as Yeltsin's chief of security, and lately a political ally of Lebed, told the London *Guardian* in an Oct. 23 interview, that "Chernomyrdin must take the reins," as Yeltsin is unable to govern. He charged that Yeltsin was a prisoner of his daughter, Tatyana Dyachenko, the partner of Chubais in the "regency." "Why is the Chubais regency so dangerous for Russia?" asked Korzhakov. "We have a regent with a President alive, this is extremely dangerous. . . . I wouldn't like things to get to a level of popular revolt, but events are moving this way by themselves."

In the Oct. 22 issue of *Komsomolskaya Pravda*, Korzhakov was seconded by another close Yeltsin aide of the recent period—Nikolai Yegorov, fired as Yeltsin's chief of staff in July, to make way for Chubais. The President, Yegorov alleged, "is remote from reality." Like Lebed at his press conference, Yegorov identified Moscow financiers Boris Bezrovsky and Vladimir Gusinsky as key backers of Chubais in the current power struggle.

Belgium rocked by protests as people stand up against 'pomocracy'

by Rosa Tennenbaum

In Belgium, as in other countries, political scandals have become part of everyday politics, but what was revealed to the public in the last few weeks, was just too much: a ring of pedophiles, killers, blackmailers, and thieves, directed by Marc Dutroux, operating with the protection of the highest-level political circles in the country. At least four girls were killed by Dutroux's gang, including two who were starved to death. Over several years, investigations yielded no results, until investigator Jean-Marc Connerrotte took over the case. He identified Dutroux, and put him behind bars; he rescued two girls out of their hell of captivity; and he even managed to put people such as Alain Van der Biest, a former government minister, into prison. It is no surprise that Connerrotte became a very popular public figure.

Thus, the decision of the highest Belgian court, on Oct. 14, to remove Connerrotte from the case, hit like a bombshell. In the same hour that this decision became known, spontaneous protests started all over the country. Everywhere, workers put down their tools and went into the streets to vent their anger. They were joined by housewives and students; teachers left their classrooms with their students to demonstrate; firemen blew their horns; engineers stopped their trains at noon-time for 30 minutes; bus drivers followed their example; garbage collectors formed their trucks into caravans to protest. In the port of Antwerp, the lock-keepers went on strike; in Namur and Charleroi, the birthplace of Dutroux, bus drivers went on strike for the whole day; workers of the national telephone company walked out; workers at an aeronautics factory blocked the streets to a nearby airport; students occupied the judicial palace in Antwerp and set up a vigil; and the fire brigade in Liège drove their trucks downtown and turned their water cannons against the Justice building to demonstrate that "the whole judicial system needs a good cleanup." Even in the southern part of the Netherlands, 600 workers at the Nedcar auto factory stopped work for one hour in remembrance of the murdered children. All these protests were spontaneous—no trade union, no social grouping had organized them. And they were only the beginning.

Connerrotte was made a scapegoat by the high court. Connerrotte, who uncovered the biggest judicial scandal in the history of the country, was found guilty by the highest judges of having attended a dinner sponsored by the Children Funds,

together with State Attorney Bourlet. There, the two little girls whom Connerrotte had freed from Dutroux, honored him with a bouquet of flowers and a pen. The Children Funds "donated" to each judge a plate of spaghetti. The organizers of this meeting wanted to raise funds for the mother of a kidnapped girl, who lacked money to pay her lawyer. That was evidence, according to the high court, that Connerrotte was biased; they removed him from the case, despite the fact that a number of judicial officials had made clear beforehand, that the Children Funds were not an interested party in any court case, and therefore the investigator was only taking a clear position against crime in general, and not for any particular party.

The background

This was not the first time that Connerrotte's investigations had been sabotaged. In 1992, the high court had dismissed Connerrotte from another hot case: the murder of André Cools, who had been vice prime minister and head of the Socialist Party of Wallonia. He was involved in the so-called "Augusta" affair, in which the Italian helicopter manufacturer Augusta bribed Belgian politicians to supply the Italian Army with their helicopters. Shortly before Cools was killed in 1991, he had announced that he would name the names of everybody who was involved in this bribery, which was connected to the "Iran-Contra" scandal.

Already back then, Connerrotte had identified and arrested suspects who were set free again by the court in Liège. Even though this was a clear indication of a judicial coverup, nothing was done. The same was true in the case of the investigating judge in Charleroi, who had put aside dossiers on suspicious activities of certain policemen.

Instead, the single successful investigator, Connerrotte, was now being dismissed for a second time.

These facts, nourished the suspicion in the Belgian population, that the child abduction case, too, was to be suppressed because of its links to the highest political circles. Such suspicions were compounded by public statements of some of the highest judges—such as the honorary chairman of the highest court, André Mazy, who defamed the two investigators as "cowboys" and "demagogues," "unreasonably lucky" in their search for the criminals, and who dis-



The "White March" in Brussels, Belgium on Oct. 20, to protest the government's coverup of crimes committed by high-level pedophiles and murderers. The kidnapping and murder of four young girls is being linked to other unsolved crimes, including the 1992 murder of former Vice Prime Minister André Cools.

missed the mourning parents as "sick people." In addition, people who pointed out that a coverup was being perpetrated, suddenly came under political and physical attack. An activist for children's rights, Marie France Botte, for example, who expressed her fear that high representatives of the state may have built up a ring of ritual killers, was assaulted in front of her apartment. She escaped her would-be killer, but was seriously injured.

Everything indicates that the population is right to suspect a coverup. Newspapers such as *La Libre Belgique* reported that Connerrotte had successfully tracked down high-level officials involved in the murder case. He managed to confiscate 5,000 videos, in which child abusers were filmed in their orgies; apparently the intent of whoever made the films was to blackmail the abusers afterwards. High officials in politics, law enforcement, the judiciary, the different parties, and so on, are said to have been captured on tape *in flagrante delicto*. The tapes are now being evaluated, under utmost secrecy.

The 'White March'

The population responded to all these disgusting revelations with an unprecedented wave of protests, reaching a high point, the "White March," on Sunday, Oct. 20. The parents of the girls who had been killed by the Dutroux ring, called the huge demonstration to Brussels, the capital of Belgium.

Out of the nation's 10 million inhabitants, around 325,000 people came—three times the number that was expected. From grandmothers to babies, everybody participated in the march. The demonstration had to leave much earlier from its staging area, Gare du Nord, just to make room for the thousands more constantly streaming into the city.

It was one of the biggest demonstrations in the history of the country, one which "had a touch of the year of change 1989," Belgian media observed, referring to the mass rallies in Leipzig, East Germany, that brought down the communist regime. Demonstrators accused the judicial system of complicity with Dutroux, and demanded that the crimes be investigated and cracked ruthlessly. They demanded the heads of high-level officials involved in the coverup, and that the judicial apparatus (which is not independent in Belgium, but staffed and controlled by the parties in power), be reformed. Throughout the country, literally every second house is decorated with a white banner or bed sheet, to make known their solidarity with the movement. White, the symbol of purity and innocence, became the color of this movement.

The protests have already produced results. Right before the march, King Albert II, in a speech to a seminar on child abuse and missing children in Brussels voiced his concern about the moral condition of the judicial system. "One of the state's main duties is to ensure the security of all its citizens,

and particularly the most vulnerable ones: our children," the king said. "This drama must be totally clarified, along with its origins and its ramifications." Such statements that clearly exceeded the king's constitutional status, which obliges him to refrain from interference in political affairs.

The strength of the protests forced Prime Minister Jean-Luc Dehaene to meet with the victims' parents after the demonstration. He promised definite measures to clean out what everybody calls the "pornocracy." The parliament felt compelled to finally agree to a reform of the judicial system, to make it independent.

Bring morality back into politics

This scandal hits a people who have already suffered much at the hands of the politicians. The government has imposed draconian austerity measures, and still unemployment is rising. At the beginning of this year, the parliament handed over emergency powers to the government, in a desperate attempt to meet the European Union's Maastricht Treaty criteria, at any price. One newspaper quoted a trade union representative at Volkswagen, Brussels, as saying: "We are totally fed up with people in high places telling us what is good and what is bad for us, whether it be the high court, or the people who tell us our salaries are too high and that we should join the single currency."

People are standing up against these policies, across ethnic and national borders. Three weeks ago, British papers were gloating that this scandal would finally tear the country apart, which has always been divided along ethnic lines between Dutch-speaking Flanders and French-speaking Wallonia. Exactly the opposite happened. In their grievance and anger, people closed ranks against corruption and political incompetence. "We are one country and are standing up for one cause," was one of the slogans at the march. People are asserting a "common humanity that has risen above the squalid deals of a political class that has failed the nation," the London *Times* admitted on Oct. 21. "Belgian society remains steeped in the precepts of mainstream Roman Catholicism. Last weekend, those moral certainties challenged the political establishment to live up to its responsibilities."

Strikes, demonstrations, and protests continued throughout the week after the march. The scandal around the pedophile ring was just the detonator, which sparked the widespread anger and frustration about the economic and political situation. As the mother of one of the missing children said at the "White March": "We owe a lot to these dead children, for a new force is born, thanks to them."

That force wants to put morality back on the agenda; the movement is carried by moral principles, for humanity and justice. The Belgians are discovering the power of the people, or, as one marcher said: "It is as if we were waking up from a bad dream. . . . It is urgent to put morality back in the running of this country."

Italian prosecutors close in on 'new P-2'

by Claudio Celani

The Sept. 15 arrest of Lorenzo Necci, general manager of Italy's national railway company, is threatening Italy with consequences which observers describe as potentially more devastating than the 1993 "Tangentopoli" corruption scandals that rocked the country's post-war political system. The scandals have had the immediate effect of jeopardizing Italy's largest infrastructure project. But there is more to it than that.

Necci was the architect of a 36,000-billion lira plan for high-speed railway construction, which had just started to be implemented. The project consists of east-west routes, from Turin to Venice, which would be connected to the French high-speed network and to the central and eastern European networks through new tunnels under the Alps. A north-south line would stretch from Milan to Naples. Although the project has some critical weaknesses, especially in its financing, Necci worked for five years to rationalize the structure of the national railway company, Ferrovie dello Stato (FS), and the project finally did get under way. Work began on the Rome-Naples, Milan-Bologna, and Florence-Bologna lines, all involving the largest private and state-owned construction companies, such as FIAT, ENI, and IRI.

The whole project is now thrown into doubt, even if the government did quickly replace Necci as president of the FS, and Transport Minister Claudio Burlando stated that the work will not be interrupted. But the prosecutors who arrested Necci and are keeping him in jail, are focussing on a suspected system of illegal bribes which involves all contractors for the Alta Velocità project. Therefore, developments in the investigation could easily block the project.

Also targeted for investigation is Public Works Minister Antonio Di Pietro, the former "Operation Clean Hands" prosecutor, who had just announced a vast program for building and upgrading highways, aqueducts, and roads, especially in southern Italy. Di Pietro was apparently supporting construction of the famous "Messina Bridge," to connect Sicily to the mainland.

All these infrastructural projects had been attacked by radical ecologists, such as Environment Minister Edo Ronchi, and by Treasury Minister Carlo Azeglio Ciampi, who

was unwilling to finance them. Strong opposition came from the European Commission as well, which is pressuring Italy to comply with the Maastricht Treaty's "criteria" of budget balancing.

All the pressures notwithstanding, the economic and social situation in the country, above all the high unemployment (more than 20% in southern Italy), had pushed the investment plans ahead. Now, the new scandals have changed the picture.

The representative of a parliamentary faction whom this author met at the beginning of October in Rome, described the situation: "Here, everybody is afraid of being arrested the next day." Real issues, such as the economy or international strategy, are being set aside until the issue of survival is solved. "Our priorities are: first, to avoid getting arrested; second, to implement, quickly, an institutional reform limiting judicial power against political power [again, avoiding getting arrested]; and third, the economy."

The institutional conflict

A number of parliamentary forces believe that the Italian judiciary—a completely independent body, which, has no elected representatives—has gone out of control. This faction insists that, if they are not stopped, the "Party of the Prosecutors" (*Partito dei Giudici*) will make the Italian political landscape into scorched earth, to the advantage of such Jacobin forces as the Northern League.

The opposite faction, which ardently desires to put a majority of Parliament in jail, insists that corruption is real and has to be eradicated; that the prosecutors are just doing their job.

Both factions are right, in a way. Therefore, the institutional conflict is getting worse and worse, and apparently the only solution, is for one institutional grouping to destroy the other. The real solution, however, can come only if the fundamental hypothesis underlying the current political process is changed.

For instance, there is no longer a figure around of the stature of Aldo Moro, the Christian Democratic statesman who was kidnapped and killed by the Red Brigades, under orders from Henry Kissinger, in 1978. Moro, before being killed, had successfully defused what he correctly perceived as a scandal campaign engineered by U.S. State Department circles, centered around revelations about bribes coming from the Lockheed Corp., and aimed at destroying Moro's party. It is not important here to discuss whether Moro or his colleagues took the bribes. What is relevant is that Moro understood that the attack was directed against the political system itself, and reacted with a famous speech in Parliament, in which he declared: "We will not let ourselves be put on trial." Moro could act that way, not only because of his known moral integrity, but because he represented a "political hypothesis" of national sovereignty, on the basis of which he could rally

the support of both the government and the opposition, the famous "national unity" policy of which he was the undisputed leader.

Unfortunately, today there is no Moro around, and the political process is determined by paradigms ensuring the self-destruction of the system, such as world government, globalization, and privatization. In order to defend the political system from disintegration, one has first to believe that a political system is needed. But if you believe in the free market and world government, you do not need a political system; you just need technocrats.

The higher level

Yet, the very investigation of Necci supplies a couple of leads that could turn the situation around. What is needed, is that investigators raise their attention to the higher levels, those "above politics"; if followed, such investigations take you outside of Italy. Indeed, the system of political corruption in post-war Italy was "built" by forces centered in the City of London, with the intention of, first, corroding the system from the inside; and second, of easily destroying it, when the time were right, with well-steered scandals. These are the same forces which are today pushing deregulation, the free market, and privatization.

Lorenzo Necci is connected to two key figures: banker Francesco "Chicchi" Pacini Battaglia; and a U.S. citizen named Enzo De Chiara, named by investigators as the head of "the new Propaganda-2" (from the name of the famous secret P-2 masonic lodge discovered in 1981).

"Chicchi" Pacini Battaglia was already identified in 1992 as the person who managed a system of bribes through his Swiss bank, Karfinco. Karfinco was founded in 1980, as a conduit through which money coming from the Italian state-owned company ENI could be used for bribes to political parties, especially the Christian Democrats (DC) and the Socialists (PSI). Strangely, Pacini Battaglia walked free, after being interrogated by prosecutor Antonio Di Pietro, while hundreds of other politicians and business managers who had committed the same crime, were arrested and spent months in prison.

The reason that Pacini Battaglia was not arrested, has to do with the fact that the "Clean Hands" investigation was never supposed to destroy the system of corruption itself, but only certain political parties. The system of corruption had to stay, in order to control the next phase.

Pacini Battaglia inherited a system built by British agent Eugenio Cefis in 1963, after Enrico Mattei, the founder of Italy's national oil company ENI, was assassinated. Cefis reversed Mattei's policy of national independence and Third World development, and started to build a network of Swiss subsidiaries of ENI, in partnership with the Union Bank of Switzerland, in order to operate out of the control of Italian authorities.

Cefis left ENI in 1975, but after his retirement, the front line was taken by Florio Fiorini, who was financial director of ENI until 1980, and later by Pacini Battaglia.

The old P-2

The system of political corruption was officially elaborated by Licio Gelli, the head of the P-2 lodge, in his "Plan for a Democratic Renewal," found in the possession of Gelli's daughter on July 14, 1981. In January of that year, investigators had seized a partial list of 900 members of the secret freemasonic lodge, which included all the heads of the Armed Forces, police, and secret services, as well as top bankers, businessmen, and politicians from all the "anti-communist" parties. Gelli's Plan describes corruption as a way of steering political parties, trade unions, and the mass media, from the outside. Complementing the Plan is a "Memorandum on the Italian Political Situation," which states bluntly: "It is good to add, in conclusion, that if, to reach our aims, it were necessary to insert oneself . . . in case we had necessary funds, amounting to 10 billion liras . . . in the current DC membership system, to buy up the party, it would be necessary to do it without hesitating, with cold Machiavellianism."

Pacini Battaglia, as well as his predecessor Florio Fiorini (who ran ENI's illegal bribe system from 1970 to 1980), have worked in close connection with P-2 members.

The P-2 was officially a "pro-American" organization, but in reality it obeyed the Grand Mother Lodge in London. Two parliamentary investigating committees established a central role of the P-2 organization in all major terrorist and destabilizing events in Italy's recent history. For instance, Moro's assassination was possible, because the P-2 controlled all police and secret services structures, as well as the leadership of the terrorist Red Brigades.

Members of the P-2, like former secret services number-two man Gianadelio Maletti, have been found perpetrating a coverup of the 1980 terrorist bombing of the Bologna train station. Today, Maletti is in South Africa, dealing with the weapons traffic.

South Africa is the base of "Operation Longreach" which, according to recent revelations, was used to assassinate Swedish Prime Minister Olof Palme in 1986. One of the operation's leaders, Craig Williamson, was an employee of Giovanni Mario Ricci, connected to the P-2, and a partner of Francesco Pazienza, a P-2 member well introduced into the Bush administration.

The P-2 involvement in the assassination of Palme had already emerged, in a phone call between P-2 head Licio Gelli and Philip Guarino, a top member of the U.S. Republican Party, a few days before the murder. Guarino told Gelli: "The Swedish tree will be felled, tell our good friend Bush" (Palme is referred to as "Palm tree").

Guarino, Gelli and Pazienza were guests at the inauguration of the Reagan-Bush Presidency in 1981. The P-2 organi-

zation had played a major role in that election campaign, by engineering the "Billygate" scandal against Jimmy Carter. Eventually, the P-2 network was used as a channel for the arms delivery to Iran, after the Paris negotiations between U.S. National Security Adviser Robert McFarlane and the ayatollahs.

The new P-2

The P-2 was officially disbanded in 1981, but, according to investigators, it recycled itself through other freemasonic lodges, and has kept operating. The head of the "new P-2" is, according to Aosta prosecutor Davide Monti, Enzo De Chiara, a U.S. citizen and foreign policy adviser to the Republican Party and a friend of George Bush, Sen. Al D'Amato (R-N.Y.) and Bob Dole. There is an arrest warrant out for De Chiara from Italian authorities, on charges of "conspiracy" and "secret association."

Investigators discovered that in the spring of 1994, De Chiara organized the participation of the separatist Northern League in the government led by Silvio Berlusconi. In a meeting with, among others, De Chiara, Northern League leader Umberto Bossi, and national police chief Vincenzo Parisi, it was decided that the Interior Ministry (which oversees both the police and the internal secret services) be given to Northern League representative Roberto Maroni.

Another participant in that meeting was separatist activist and financial swindler Gianmario Ferramonti, who was arrested last spring because of his involvement in a \$13 billion money-laundering ring. The mastermind of the operation, according to investigators, was De Chiara. The ring apparently also involved former U.S. Secretary of State James Baker's law firm in Houston, and a Nicaraguan banker with ties both to Contra and Sandinista circles, Alvaro Robelo.

Robelo, through the Rome branch of his Banco de Centro America e de Italia, issued false certificates which allowed Ferramonti to get credits from Swiss banks. The credits were used, according to investigators, to launder dirty money. The same people tried to sell old German Weimar bonds to the Russian government, at a discount price. Russia, in turn, used them at face value to pay outstanding debt to the German government. The Baker law firm had been contacted to provide expertise in the bonds. The scheme was discovered, before it could be implemented.

With Robelo, the circle of the "new P-2" is closing in on George Bush and Oliver North's "drugs for weapons" operation in Central America. An investigation into De Chiara's friends in Washington could therefore not only support Italian prosecutors in clarifying who is pulling the strings of the Italian destabilization, but could also help uncover who destabilized America through the spreading of crack-cocaine in the streets of Los Angeles.

In both cases, the question "*cui bono?*" is answered: the London-centered oligarchy, working to destroy nation-states in favor of world government.

Europe's responsibility in Bosnia-Herzegovina

by Gen. J.A. Graf von Kielmansegg (ret.)

Two weeks before the Sept. 14 elections in Bosnia-Herzegovina, a delegation from the Schiller Institute visited the Bosnian capital of Sarajevo. German Gen. J.A. Graf von Kielmansegg (ret.) accompanied the delegation, and submitted the following report, which has been translated by Anita Gallagher.

General Kielmansegg was, until 1993, Chief of NATO Northern Command of Europe. In 1992, he called for NATO air strikes against Greater Serbian targets. After his retirement in early 1993, he spent a week in Sarajevo during heavy fighting, mobilizing public opinion in Germany thereafter to support NATO military action against Serbian aggression. See EIR, April 19, 1996, for excerpts from a 1994 article in which he showed how a military victory could be achieved against Serbia—contrary to the insistence of the UN, NATO, and the European Union mediators, that a military solution was out of the question.



On my last trip, in August of this year, to Bosnia-Herzegovina, which I had already visited several times during the war, I found a country whose ravaged and destroyed appearance had only barely improved a year after the war's end—in part through Europe's standing on the sidelines and non-intervention in the war.

I have spoken with politicians, soldiers, church leaders, and the people of the country; the picture was diverse and often perplexing. However, all were agreed that the situation ought not to continue as it is, if the peace and the unity of the country and its future are not to be lost altogether. And again, it appears that the lack of resoluteness on the part of the Western nations, and their political self-interest, unkept promises, and timid wait-and-see attitude, bear a good measure of blame for the current situation. However, it is also the case that, along with Bosnia, the credibility of Europe and of the free world, their last chance to stand as a morally legitimate au-

thority, and a great part of their political freedom of action, would perish.

No aid, harsh IMF conditions

I found a country in which the destruction of housing, infrastructure, the energy supply, and manufacturing plants, is unbelievably great. The will to rebuild, and even the capability to do so, do exist in the country. However, the pledged and so urgently needed financial and economic aid, so far, has either still not arrived—is just dragging along and becoming available drop by drop—or is tied, mainly by the World Bank and the International Monetary Fund (IMF), to conditionalities which, for a country so impoverished and destroyed, are completely unattainable. A kind of Marshall Plan for Bosnia-Herzegovina would be necessary, just as, 50 years ago, it helped us Germans to get back on our feet.

It appears almost as though it were in the political interest of some powers, to keep Bosnia-Herzegovina permanently weak and dependent. Moreover, humanitarian aid is no solution; it only humiliates the victims as long as it continues. People must become able to earn their own living and shape their own future.

I found a country in which the conditions of the Dayton Agreement have not been complied with up to now, or are not enforced by the guaranteeing powers. The return of especially Bosnian Muslim refugees, especially to Serbian-occupied territories, is neither being prepared for, nor enforced. IFOR [the U.S.-led Implementation Force] is far less established in the Serbian part of Bosnia than in the Bosnia-Croatian Federation; within that, Herceg-Bosnia is a virtually lawless, Croatian-run district, in which the mafia of Croatian Defense Minister Susak holds the power.

Freedom of movement in the country, in reality, is only guaranteed, to a certain extent, in territory secured by the Bosnian government's army. In all other parts, it is either enforced by IFOR, or by international pressure. The result is, now as before, that the only fully permeable border in Bosnia-Herzegovina for Muslims and Croats, is the inner Bosnian border between the Serbian-occupied part of Bosnia and the rest of the country. IFOR, whose military mission up until

now was a success, is becoming so tied up with political handicaps in the enforcement of its other internal state tasks, that its role is dwindling to that of observing, staying on the sidelines, and waiting. Thus, it will assume, over the short or long term, the same disastrous role as Unprofor [UN protection force] did in its time, for the entire country. Therefore, it is not sufficient to prolong its stay, although that is, in any case, necessary. At the same time, its mandate must be changed, in order to carry out its internal state responsibilities as well as the full enforcement of the Dayton Agreement. For, an effective, competent, and generally recognized police force, bound only by the law, has not been established in the entire country by a long shot.

The West refuses to act

The fact that the Serbian part of Bosnia-Herzegovina is governed by Europe's most terrible criminals, and that the free world tolerates it, is a scandal of the first order. IFOR ducks: No one has jurisdiction; beware of violence. How could it be otherwise? Every police force resorts to violence, and runs a risk, if it takes violent criminals into custody. There is no doubt at all, that [Radovan] Karadzic, [Ratko] Mladic, and the others could have been arrested, if there had been a desire to do so. The truth seems to be that there are nations—above all, those which always exercised a pro-Serbian policy—which have no interest in a trial of these people. With this, the impotence and/or indifference of Europe in the pursuit of international criminals becomes obvious. Enforcement of the law becomes a plaything at the caprice of political interests.

I found a country in which all men, from simple farmers up to the highest political leaders, live not only in want, but under enormous pressure. This has to do with the conditions which I described above, even if only inadequately, as the tip of an iceberg. Men are no longer masters of their lives; they are, and feel, alien. For the most part, invisible authorities and requirements leave them helpless. That leads, on the one hand, to complete resignation, and, on the other hand, to a relentless internal power struggle. At the brink of the abyss—for which we share the blame—each struggles for himself, and for physical, psychological, and political survival, by every means. No one trusts anyone else any longer. This also manifests itself in the party landscape, their conduct in the distinctively colored ethnic and religious interests, in the contradictions and turns which we often become aware of, shaking our heads. There are the struggles and convulsions of a country that we indeed rescued from death, and that we surely do not want to let completely die, which, however, we are not really helping to a future worthy of human beings, with all the measures that are necessary and possible for us. No one ought to blame the people in Bosnia-Herzegovina, who, indeed, are victims, for this behavior.

I found a country, in which the approaching elections through the OSCE [Organization for Security and Cooperation in Europe], and also in the countries that are hosting

Bosnian refugees, have been prepared in an utterly insufficient manner; have been manipulated in advance, through massive abuse of the so-called P2 printed ballots; above all, rigged in the Serbian part of the country to favor the victor, and thus fraudulently alter the outcome. The elections will be neither free, nor democratic, nor fair. That they will be carried out under these conditions, is a second scandal. The key to it lies with the OSCE and in Washington; however, no one appears to have the courage to tell the truth: that it is not working. The outcome is foreseeable. The results of war, genocide, and expulsion have been ratified and legalized.

The division, and with it, the destruction of the multi-ethnic state, will thus be sealed. Perhaps it is so intended. However, no one can say: We did not know.

The refugee problem

Under these circumstances, the utmost caution must be used in the return of the refugees, including from Germany, which up to now has helped so much. No forced return should be allowed—not at this point in time, at any rate. There are indeed many districts in Bosnia-Herzegovina which are proportionally intact; however, those are the ones, as a rule, from which people did not flee.

The expelled persons living among us come from the scorched-earth regions or the areas now under Serbian control, in part also Croatian-settled areas, which they were not allowed to enter, and if and when they did, they were without rights, defenseless, without any resources. Unless economic and political conditions are substantially improved, with our help; unless human rights, protection of minorities, and freedom of movement in the entire country are guaranteed and enforced, these people would be sent into a *void*. If this were done, they would lose the last remnant of hope in a future worthy of man.

It is right that the refugees should return to their own country someday. Only under this condition, could we undertake projects on so grand a scale. Only in this way, will their own country have a future, in which they can and must work together. President [Alija] Izetbegovic has stated clearly enough that Bosnia-Herzegovina needs its people who are now living in Germany: their knowledge, their skills, and their will to rebuild. This process can now also get under way. However, each case must be examined.

The principle of free will is still supposed to be predominant. If the conditions for a life worthy of man are again strengthened in the country, or, at least, appear within reach in the near future—and, on that, above all, effort should be concentrated—then the other expellees could, and will surely follow.

The securing of Bosnia-Herzegovina's future is the decisive test, the great challenge for a common European foreign, security, and economic policy guided by justice and freedom. The West ought not once again become guilty in this country—this time, guilty of a lost peace.

The challenge facing post-election Armenia

Vazgen Manukian, leader of the National Democratic Union, was the unified opposition candidate in Armenia's Presidential elections, held Sept. 22. Formerly head of the now-ruling Armenian Pan-National Union, he served as prime minister and defense minister of Armenia. The Armenian Central Electoral Commission certified a 51.75% return for President Levon Ter-Petrossian; even adjusting only for the vote fraud documented by observers from the Organization for Security and Cooperation in Europe (OSCE), would have pushed Ter-Petrossian below 50%, requiring him to face Manukian in a run-off. Hovhannes Galajian's article in EIR on Oct. 18, 1996, reported on the vote fraud and post-election violence. Vazgen Manukian was interviewed for EIR on Oct. 14, answering questions from Karl-Michael Vitt and Hovhannes Galajian.

EIR: How do you assess the situation, after the Presidential elections? The OSCE observers established that there were electoral violations on a massive scale.

Manukian: The situation in Armenia may be said to feature a semi-dictatorial regime, with a democratic shell. Before now, the world had only seen the democratic shell. But the population of Armenia understands the essence of the regime very well: The population remembers the vote fraud that took place in the [1995] parliamentary elections and the vote on the Constitution, and so the citizens of Armenia realized, that there would be vote fraud, and the use of force, in the Presidential elections. Many parties and politicians wanted to boycott the elections, thinking that the result was a foregone conclusion. I was one of the few who thought that any chance should be utilized, either to achieve some results in the elections, or to show, once and for all, what kind of a regime has been established in Armenia.

Because L. Ter-Petrossian was sure that, with the population intimidated and lacking confidence in the electoral process, the opposition would be unable to run a successful campaign, he allowed fairly decent conditions for election campaigning, of which we immediately took advantage. It was only in the last few days before the elections, that the regime understood that it was losing the campaign, and again unleashed the fraud machine and resorted to violence. This time, however, our people's dream of having a regime, based on the people's power, was especially strong, and therefore the elections were followed by a powerful confrontation, and mass protest rallies. Our demand was not that L. Ter-Petros-

sian not be President, or that he resign; we were simply demanding verification of the election results.

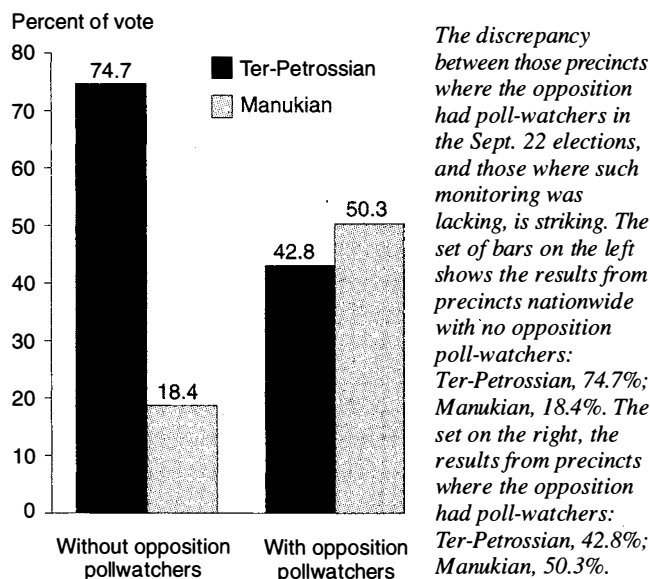
The population was very well informed about the vote fraud. What the OSCE observers confirmed, was only the tip of the iceberg, but the population is familiar with the deeper layers of the fraud.

The situation in Armenia is such that, if there is not now going to be complete openness on the question of the elections—i.e., if there is not a decision to hold new elections, or a second round, or to recognize the legitimate President—the Armenian population will not take part in elections henceforth, and we, as politicians, will also consider that it is useless to participate in any elections.

EIR: Armenia's physical economy has been destroyed, as a result of the extreme liberal reforms. Many Armenian citizens have left the country to work abroad, to be able to feed their families. The infrastructure has been destroyed. What is your analysis of the consequences of this situation, for the people?

Manukian: Two aspects of the economic policy, implemented in Armenia, should be delineated. The first is the official economic policy, which will lead to the total destruction of industry in Armenia; a population of only a half-million will be left, working in small-scale handicrafts and primitive agriculture. I do not exclude, that a few major industrial plants will also exist, owned by foreign capital or with mixed ownership, but on the whole, the result of this policy will be Armenia's transformation into a third-rank country, and the loss of everything we had in the preceding period. The fact

FIGURE 1
Poll-watchers reduced fraud in Armenian elections



remains, that despite the totalitarian Communist regime, Armenia, in recent decades, became an industrial country with a powerful scientific and technological capability, and there is a danger of all this being destroyed.

The second aspect, is that, besides the official economic policy, there is also an unofficial one, which features clan relations, corruption, and the total suppression of any investors who don't belong to the five or six clans that have a monopoly in the Armenian economy.

The continuation of both the official and the unofficial economic policies dooms Armenia to the position of a fourth-class country, of no interest not only to surrounding countries, but even to its own people. The greater part of Armenians will be scattered to various countries, and we shall lose all the potential we had. Thus, what was at stake in the Presidential elections was not only to replace the President and establish people's power, but also a change in economic policy.

EIR: L. Ter-Petrossian, the International Monetary Fund, with its conditionalities, and the World Bank are responsible for the present situation. What is your alternative?

Manukian: After the destruction of the U.S.S.R., the World Bank ran into a new situation. The World Bank had drafted projects, which were supposed to bring undeveloped African and Asian countries into the mainstream of world economic integration. It had dealt only with countries that lacked the relevant trained personnel and had a very low standard of living and education, but the World Bank attempted to apply the same methods, in the countries formed as a result of the break-up of the U.S.S.R.—where, I am convinced, this policy could not succeed.

Leave aside the circumstance, that the international financial organizations wanted to have levers, by which to exert their own influence in these countries. In and of itself, the implementation of a Keynesian, purely monetarist model does nothing for their development. In Armenia, the monetarist model leads to the destruction of industry, since it is entirely based on the principles of economic Darwinism: strong sectors of the economy develop, while the weak ones perish. Under current conditions of world economic competition, however, a small country like Armenia cannot have strong sectors of industry, so the application of the "natural selection" model means that *all* sectors perish. I do not attribute malicious intent to the international financial organizations, but they do not understand the processes that are under way in the post-Soviet area.

EIR: American economist and former Presidential candidate Lyndon LaRouche has proposed to reform the current financial system, including the IMF and the World Bank, and to create a new system, based on the real possibilities for the economic development of nations. He proposes to build a Eurasian land-bridge, with big infrastructure projects, such as railroads, linking Europe and Asia. Armenia, being at the

crossroads between East and West, and North and South, would be in the middle of this development corridor. What do you think about these ideas, particularly, the revival of the old Silk Road?

Manukian: After the break-up of the U.S.S.R., we are living in a new world; unfortunately, few people understand that. As a result, the philosophy, and the economic and political methods, typical of the Cold War, continue to be applied in practice. The world has changed, which should lead to a change in the principles of international relations, and in political approaches. A time has come for new politicians. In many countries, rather than political players, leaders will come to power, who possess a philosophical way of thinking and a vision of the contours of the future world community.

As for this concrete program, it is one feature of a new world community, which is still hidden in the mist, but its contours will gradually become more defined. Of course, Armenia is interested in these programs—the rebuilding of the Silk Road, the Eurasian bridge, and so forth, but I repeat, that these are only details of the picture that is still only barely seen in the smoke.

EIR: Iran, China, and some other countries have already oriented toward this. As President of Armenia, how will you promote the Eurasian development program?

Manukian: Of course, we are taking steps in the direction of implementing these programs. I advocate helping politicians, economists, and philosophers to change their approaches to the future. It is necessary to take the right path, but at the same time, to take into account the opinion of the international community, and to take steps to prevent this path from being termed offensive, since that would be a blow against the development of one's own country.

Armenians can do a lot to help change the world climate, because we are not only citizens of Armenia, but we are also scattered across the whole world, and in some countries, we have considerable weight and influence on public opinion.

EIR: After the Presidential elections, there were large protest demonstrations in Yerevan, against the vote fraud. After a provocation, the Army was brought in, many people were wounded, and political activists jailed and beaten. What should the so-called "free world" do, to help democratic forces in Armenia improve the situation?

Manukian: The world community has an interest, in each of its members being a normal, democratic state. In this sense, their interest is obvious. It must be taken into account, of course, that specific powers have their own interests in this region, and sometimes these two factors come into conflict.

I think that each people ought to win its own freedom. The help we would expect from the international community, is to understand the situation in Armenia, and refrain from supporting those forces which are pulling the country backwards.

'Williamsburg II' flops: Time to dump Bush's defense policy for the Americas

by Gretchen Small

The second Defense Ministerial of the Americas (DMA), which brought most defense ministers of the Western Hemisphere to Bariloche, Argentina, on Oct. 7-9, reached no conclusions of substance on regional defense strategy or policies, nor did it produce even a semblance of that condition so beloved by diplomats, a "consensus." Mexico, once again, did not send its defense secretary, and empowered its lower-level delegation to participate only as observers. Not even a date or host country for a next defense summit was firmed up, despite U.S. Defense Secretary William Perry's proclamations that the "Williamsburg process"—a term invented out of the first defense ministers summit held in Williamsburg, Virginia, on July 24-26, 1995—has been accepted as an institution by all involved.

Pentagon officials like to spin a different story, but what participation has occurred, has been achieved through diplomatic and economic pressure, and that old Teddy Roosevelt standby, the threat of unilateral military intervention against nations which refuse to go along with the takedown of their military capabilities demanded by the so-called "globalization" of the world economy.

Secretary Perry's "Williamsburg process" is a failure, creating more distrust and hostility in Ibero-America than acceptance, while wreaking havoc on the capabilities of the nations in the region to defeat growing narco-terrorist forces. The insanity of the policy is epitomized by Perry's proclamations in Bariloche that the Williamsburg process has produced "dazzling victories for peace and security in the Americas," and that the Williamsburg principles, which assert that democracy is the number-one security concern, "are now . . . promoting stability and security throughout the hemisphere."

There is no "peace and security" *anywhere* in the Americas today, and, thus, little democracy worthy of the term. The nations of Ibero-America, looted to the bone by International Monetary Fund policies, face imminent disintegration from spreading war, misery, and British-sponsored indigenist separatist movements, while the breakup of Canada, and the United States itself, is being pushed by the agents of the British Crown as well. Colombia faces a nationwide offensive by 10-15,000 well-armed narco-terrorists, which are backed from the Presidential Palace by the drug cartel's Samper Pizano government. Colombia's insurgents are but a local branch of a continental force, the São Paulo Forum, operating

under the immediate command of the Castro regime in Cuba, whose allies now deploy sufficient force in Brazil, Mexico, and Venezuela, that civil war could begin at any moment in these countries, too.

In a campaign strategy paper, *The Blunder in U.S. National Security Policy*, issued in October 1995, then-U.S. Presidential candidate Lyndon LaRouche, Jr. warned of the catastrophic global consequences for U.S. security which would result from continuing these Bush-era free trade and democracy policies, and laid out the basic hypotheses upon which a competent U.S. national-security doctrine and policy must be premised, if the United States is to survive the ongoing global financial and strategic firestorm.

The failure of Bariloche, coming on the eve of the likely election of a second, strengthened, Clinton administration, opens an opportunity for the United States to dump the whole supranational "Williamsburg process," inherited wholesale from the despised Bush administration, and return to a defense strategy based on those classical principles of military defense of sovereign nation-states outlined by LaRouche, before the utopian ideologues hand over the Western Hemisphere to narco-terrorism and chaos.

A creepy-crawly from under London's rock

Secretary Perry's "Williamsburg process" was, from its start, conceived as a central feature of the drive to create a Western Hemisphere Free Trade Area (WHFTA), the equivalent for the Americas of the Maastricht Treaty, whose implementation in Europe has led to widespread mass protests. The proposal for a WHFTA was drawn up under Sir George Bush's administration, and first presented under the name of the "Enterprise for the Americas." As Sir Henry Kissinger reiterated most recently in his remarks to the Inter-American Press Association on Oct. 9, the concept behind WHFTA is not merely a free trade zone, but "the creation of an economic and political system of the Western Hemisphere" (emphasis added).

The number of "Sirs" promoting this project is no coincidence. As the global financial system disintegrates, the London-centered international financial interests are ever more strident that supranational structures must replace national governments, because even the weakest nation can, at a time of such crisis, become an instrument of its people to defend

national existence. Because of the military's active role in Ibero-America historically as a central national institution, a project was started back in the mid-1980s, to silence, reduce, and destroy national militaries, as a necessary flank in the war to weaken, reduce, and eventually eliminate nation-states in the region.

London has been overt in its support for the anti-military project. The London *Economist* magazine greeted the Bariloche conference in its Oct. 5 issue, as an opportunity to rewrite the "mechanisms of defense cooperation in the Americas." Under the headline, "Toys for the chicos?" the *Economist* argued that the expansion of free trade in the region raises the question, "What use are the weapons anyway?" London's financiers assert that defense needs have changed, and so, "Latin America could use a framework to decide what they are, and how to meet them through military collaboration—under civilian control." The *Economist* specified that Bariloche should also consider setting regional "guidelines on weapons purchases."

And as Bariloche concluded on Oct. 9, London's International Institute of Strategic Studies released its annual global study, *Military Balance*, which likewise argued that Ibero-America's armed forces must make "uncomfortable readjustments to their political roles, as well as reducing and reorganizing their force strength."

The Williamsburg game

The idea for the "Williamsburg process" itself was drafted by the Inter-American Dialogue before Secretary Perry was ever named to his post. The Dialogue, ever since its founding in 1982, has been the primary Anglophile policy-making body for the region on this side of the Atlantic.

The Dialogue's December 1992 report, *Convergence and Community: The Americas in 1993*, outlined the policies demanded of the incoming Clinton administration by the London-centered financier interests for which the Dialogue works. The centerpiece of the program was that the Clinton administration expand Bush's Enterprise for the Americas into a WHFTA, in order to "lock in" Ibero-American nations to free trade policies. International treaty agreement "restricts national sovereignty and . . . constrains national responses to special problems . . . precisely to limit the sovereign choice of the contracting nations," it wrote.

Should treaties not be sufficient, however, the Dialogue specified that it is crucial that the WHFTA "club of nations" be empowered with political and military powers, including for "multilateral military intervention" should any nation decide to leave their "club." All this, in the name of "democracy," of course.

Key to achieving this goal, *Convergence and Community* insisted, is to curtail the influence of the armed forces, and to establish, as law, the principle that the military has no voice in national life or policy-making in the region. To do so, the Dialogue proposed that "the Organization of American States

(OAS), its individual member states, and non-governmental organizations should foster national and regional dialogues among civilian and military officials to take a fresh look at their armed forces—their mission, size, weapons, and cost."

The Dialogue specified:

"The OAS should consider organizing a permanent forum of civilian defense ministers, armed service commanders, and key members of legislatures, to develop regionwide norms of civil-military relations and the evolving missions of armed forces in the Americas. Clearly, such norms would not be immediately adopted by all armies, but they could lead to a growing convergence of attitudes and behavior as has happened on such matters as the conduct of elections and economic management."

Because the member-states of the OAS have continued to balk at transforming what serves as an inter-American forum, into a supranational institution, with its own powers, advocates of this policy finally proceeded—unilaterally. The "Williamsburg process" initiated by Perry is intended to become the "permanent forum" proposed by the Dialogue, sneaked in through the back door by a crude diplomatic ruse.

Invitations were issued to the Williamsburg summit, with the promise that the intent was simply to exchange views on hemispheric security, without any commitments required. Pentagon officials insisted no joint declaration would come out of the conference, but said that Secretary Perry would issue a "chairman's declaration" summarizing what he saw as the major themes and "commonalities" discussed.

Lo and behold, however, at the summit's end, Perry announced that the nations had accepted his chairman's declaration as their own, and adopted six "Williamsburg principles," all based on the premise that the number-one security issue before the region was "democracy." Perry admitted no vote had been held on his principles. "I passed out the draft of these principles this morning," he told the press at the conclusion. "Each of the delegates had an opportunity to read them, and then I invited comments for changes and amendments." And because no delegation stomped out, Pentagon officials now repeat, over and over, that every nation in the hemisphere, minus Cuba, adheres to said principles!

'Join me, or I'll shoot you'

If Williamsburg was a fraud, the final declaration issued from the Bariloche summit was flat-out ridiculous. Signed by no one, it reports that delegates had "discussed a wide range of security concerns and interests of participating states," during which discussions, the delegates had "recalled . . . the conference held in Williamsburg"; "stressed the necessity of deepening inter-American cooperation"; "considered that the measures to promote mutual confidence are appropriate"; "urged all countries . . . to promote, through an active and voluntary participation [sic], the success of [UN] peacekeeping missions"; and lastly, "took note of the initiatives proposed during this conference."

“Recalled,” “stressed,” “considered,” “urged,” and “took note”: verbs appropriate to a modern t-group session, but which do not connote action or agreement, and certainly do not carry diplomatic weight.

Most sharply rejected, were proposals for the creation of a multinational military force for the Americas. The U.S. delegation reportedly “informally” raised the idea of a regional anti-drug military force in various bilateral meetings held during the summit. Proposals viewed as thinly disguised stepping-stones to a multilateral force were presented to the full meeting by Panama—an occupied nation which no longer has a military, since Bush’s 1989 invasion—and by Argentina’s Williamsburg toadies. Panama proposed a counter-drug center be set up in Panama; Argentina circulated a proposal to establish a regional peacekeeping training school.

Frontal attacks on the principle of sovereignty are still politically explosive in Ibero-America, despite more than 14 years of IMF economic dictates, and proposals to create any regional multinational force have repeatedly been rejected. Even the Inter-American Dialogue cautioned in its 1992 *Convergence* report that, while “many of us believe” that the OAS should establish “a modest security or peacekeeping capacity . . . to respond to actual or threatened breakdowns of democratic order,” discussion of creating an inter-American security force “should be deferred . . . [because] a divisive debate on the subject might well weaken the emerging hemispheric commitment to collective action in favor of democracy.”

But the worsening global crisis has put the issue of a supranational military force to police the region back at the center of the globalist agenda.

Before the meeting in Bariloche convened, senior State Department policy adviser Luigi Einaudi (who brags that he “came in with Kissinger” at the State Department and stayed to set U.S. policy for Ibero-America for over 20 years) was chosen to deliver that message. Writing in the special package on “The Security of the Americas,” published by the U.S. National Defense University’s *Joint Force Quarterly* in its Spring 1996 issue, Einaudi threatened that Ibero-America must learn the lessons of Panama and Haiti. Ibero-America had better authorize creation of “a military arm” for the OAS, because if it does not, “armed peacekeeping activities will be left either to the United Nations or to unilateral action by the United States,” he wrote.

Einaudi left unsaid that such foreign interventions stripped Panama and Haiti of their militaries altogether.

Equally devoid of subtlety, Perry centered his opening at Bariloche on what he claimed were “dazzling victories” won for the Williamsburg principles over the past year—and they were all supranational gains. The first and most important victory repeatedly cited by Perry was the ouster and jailing of nationalist Gen. Lino Oviedo as Army commander in Paraguay in April 1996. That so-called victory for “democracy,” had been accomplished under the explicit threat conveyed to the Paraguayan government and military, that General Lino

be ousted, or Paraguay would be militarily invaded, by either the United States, or Brazil and Argentina.

Likewise, Perry hailed the proliferation of international peacekeeping exercises in Ibero-America as “dramatic symbols of the change which has swept our hemisphere.” Dramatic, indeed. Whereas, before Williamsburg, no multilateral exercises had been held under the rubric of peacekeeping in Ibero-America, since August 1995, five such exercises have been held, most sponsored by the U.S. Southern Command “under the United Nations umbrella—its doctrine, organization, and vision,” according to the deputy commander for operations of the U.S. Army South, Col. Alfred Valenzuela.

Perry also claimed “peace is breaking out” in Guatemala, with Williamsburg’s help. There, what Perry calls “peace” is a formula for unending ethnic war, as the UN directs the reshaping of Guatemala’s Constitution to establish indigenist bantustans, cut the military by one-third in force strength and strip it of all political power, and grant the Guatemalan National Revolutionary Union (URNG), allies of the Colombian narco-terrorists, major political powers.

Formation of a multilateral force, under whatever guise, nonetheless, was rejected. Mexican Foreign Ministry Undersecretary Sergio González Gálvez, who headed their observer delegation, told the press afterwards, “under no circumstances” would Mexico support any multinational force, because it “violates the principle of self-determination.” González Gálvez cautioned that Panama’s proposal for an international anti-drug air traffic control center in Panama, had been “sponsored” by the United States, and would only “be admissible if it is limited to multilateral information-sharing.”

Pentagon Public Affairs spokesman Lt. Col. Arnie Owens assured this reporter on Oct. 18, after checking with higher-ups, that “there are no plans for any sort of international force, peacekeeping, counter-drug, or otherwise.” So, what about the *Joint Force Quarterly*’s publication of Einaudi’s knuckle-dragger demand? Owens tried to dismiss the senior State Department official’s article as one of “a whole lot of ideas being floated by all sorts of think-tank people. . . . What I’ve just given you is where we are, officially, on it,” he insisted. “It’s not anything that’s been floated in official channels.”

‘Bush manual’ made official

Perry’s major initiative in Bariloche was the announcement that the United States will establish an Inter-American Center for Defense Studies (ICDS) in Washington, “to foster a cadre of civilians” who are to run defense in the region, and thus ensure a “commonality of approach [on] . . . military strategy,” and “institutionalize civilian direction of the armed forces.”

This is a sweeping proposal, indeed. Until now, the globalizers’ anti-military project has been run out of non-governmental organizations and “academic centers,” working with government officials such as Einaudi, but in a way such that it could be denied that these projects were official U.S. policy.

The most notorious example of this is American University's Democracy Program, which produced the book *The Military and Democracy; The Future of Civil-Military Relations in Latin America*, which *EIR* made famous in the region as the "Bush manual."

Now, that whole "Bush manual" project is being made official U.S. policy—with all the resources and power that entails. Perry specified that officials working on defense matters, "mostly civilians drawn from the Defense Ministries, Foreign Ministries, and legislative defense staffs," will be brought up to Washington to receive "on-the-job training courses" in quick three- or four-week programs. At the same time, "teams of instructors" will go to Ibero-America, "and set up courses there." Research fellows will also be sponsored throughout the Americas.

This proposal, too, has met strong opposition. A Pentagon official, speaking at a pre-summit briefing, insisted that the Pentagon is "very sensitive to . . . the views of many of the countries in the region" that defense establishments must be built up in each country nationally, "and that it cannot be done in any sense by the United States, or for them, by any outside power." The final report from the working group where Perry presented the proposal, states that the delegations agreed to "carry out consultations" on how the Center should function.

Consultations may be held, but they are for window-dressing only. According to the Pentagon's Colonel Owens, preparations for the Center are already well-advanced. The new Center is funded for Fiscal Year 1997 (by reallocating \$2 million from the Army budget), and the first class is expected to get under way in June 1997. The National Defense University (which publishes *Joint Force Quarterly*), has been handed control over the project, and is already drawing up the curriculum. Next year, the Pentagon will submit a funding request to cover the full expenses of all the foreign students involved. Ibero-American countries suggested that the Center be placed under OAS control, but, as Owens emphasized, this Center is "a [U.S.] Department of Defense operation."

Colombia haunts Williamsburg

Leading Ibero-American countries object to the blatant attempt to use "the Williamsburg process" to create a de facto permanent regional defense institution. For the second time, Mexico refused to send its defense minister, deploying a diplomatic delegation as observers only. The president of the Defense Commission of Mexico's Chamber of Deputies, Gen. Luis Garfias Magana, reiterated on Oct. 15, that that decision had been taken at "the highest levels" of the Mexican government. What generates "distrust" in Ibero-America, is the U.S. intention to head an intercontinental military strategy, he noted.

The Chileans reportedly informed other governments in advance that they do not wish to "institutionalize the Defense

Ministerials." At the Pentagon's pre-summit briefing, the U.S. official found it necessary to assert, "We have no objective to create an institution of defense ministers, an alliance, [or] anything like that at all."

Perry, once again, left such niceties aside. "There will be a consensus to have a third meeting," he declared in Bariloche.

The final communiqué, however, announces no date, and no host country, for the next meeting. Colombia's defense minister told the press that they had been chosen as the host for the next summit, but, when asked by this reporter whether it would not discredit "the process" if the next host were the narco-terrorist regime of Ernesto Samper Pizano, the Pentagon's public affairs spokesman insisted no such decision had been taken.

Colombia's crisis has haunted the Defense Ministerial

'Democrat' Sarmiento: an Anglophile racist

"[Advances] in civilization, instincts, and ideas, are not carried out by mixing the races. . . . Anyone who carefully studies the instincts, [and] industrial and intellectual abilities of the masses in Argentina, Chile, Venezuela, and elsewhere, has occasion to experience the effects of that inevitable, but damaging amalgam of races [which are] unsuited for civilization. . . ."

"All of the colonizations carried out in the last three centuries by European nations, have crushed the savages populating the lands they came to occupy. The British, French, and Dutch in North America established no community whatsoever with the aborigines, and when, over time, their descendants were called upon to form independent states, they were found to be made up of pure European races, with their traditions of Christian and European civilization intact. . . ."

It is impossible to glean anything other than the crudest racism from these words, written by Domingo Faustino Sarmiento, President of Argentina during 1868-74. Yet, on Oct. 8, speaking at the Defense Ministerial of the Americas in San Carlos de Bariloche in Argentina, U.S. Defense Secretary William Perry expressed the desire that a new Inter-American Center for Defense Studies would be "infused" with Sarmiento's "democratic" spirit.

This goes well beyond racism, however. Perry's embrace of Sarmiento confirms that the plot to demilitarize Ibero-America is rooted historically in the British colonial doctrine of free trade and destruction of the institution of the nation-state. Sarmiento was an agent for Italian Giu-

from its outset, exposing the disaster contained in the “democracy” agenda adopted by its sponsors. Even as the drug scandal grew over the Samper Pizano government, U.S. Vice President Al Gore used his keynote to the Williamsburg summit on July 25, 1995, to attempt to stop the scandal from bringing down the Samper government. Gore stated that “we can applaud the work of those like President Samper and Defense Minister [Fernando] Botero in Colombia, who are standing up to traffickers often at tremendous personal risk, demonstrating tremendous personal courage.”

Perry backed up Gore all the way in his defense of the Samper regime, telling a press conference the next day, “I strongly agree with the vice president’s statement. In fact, I helped prepare his text in that regard. And it’s based on . . . solid information. . . . The relationship between Colombia

and the United States is very good . . . at the Presidential/vice-presidential level . . . and exceedingly good at the Defense Ministry level.”

Their timing proved exceeding bad. The day Perry delivered his paeon to Samper and Botero, Samper Pizano’s Presidential campaign treasurer, Santiago Medina, was arrested by the Colombian Prosecutor General’s office, which then, as now, has worked well with U.S. anti-drug officials. Medina turned state’s witness, and named Defense Minister Botero as one of the people who had ordered him to meet with the Cali Cartel to arrange campaign financing. On Aug. 1, 1995, an official of the Prosecutor’s office requested an investigation begin into Botero’s activities, and on Aug. 2, Botero resigned. He is now serving a 63-month sentence for his crimes, and on Oct. 9, the United States cancelled his visa.

sepe Mazzini’s “revolutionary” Young Italy and Young Europe movement, whose agents were deployed throughout Ibero-America to impose these British-dictated policies. The same forces were behind Britain’s attempt to dismember the United States during the 1861-65 U.S. Civil War.

In the late 1830s, Sarmiento belonged to Mazzini’s Young Argentina lodge, later known as the Association of May, and spent decades trying to achieve Argentina’s economic and political submission to British geopolitical goals. From exile in Chile, he collaborated openly with the Anglo-French alliance which tried for almost three decades to overthrow the 1828-52 government of Juan Manuel de Rosas, because of the latter’s resistance to free trade. He conspired with the French-speaking *literati* who operated against Rosas from their bases in Santiago, Chile and Montevideo, Uruguay.

At the center of Sarmiento’s Mazzinian philosophy was the British-created Black Legend, the lie that Ibero-America’s economic backwardness is a product both of dirigistic (“authoritarian”) state and economic structures set up by Spain in its colonies, and the alleged inferiority of Catholic culture. Argentina could better prosper and industrialize, he asserted, if its people possessed the same qualities as the “pure” Anglo-Saxon race which had populated Britain’s North American colonies.

This is the same drivel put out by Lawrence Harrison, one of the chief ideologues of the plot to demilitarize Ibero-America. In his presentation “The Genesis of Latin American Underdevelopment,” published in the National Defense University’s 1989 book *Security in the Americas*, Harrison bragged that he belonged to a school of thought which “views Latin America’s condition as a consequence of traditional Hispanic culture, profoundly influencing a Latin American culture that is anti-democratic, anti-social,

anti-entrepreneurial, and anti-work.” Canadians and Americans “attach more importance to work—and work harder—than in Latin America,” he raved.

On Spain itself, Sarmiento wrote in his essay *Popular Education* that “the South American states belong to a race which is at the tail-end of civilized nations. In the theater of the modern world today, Spain and its descendants are destitute of all those qualities which life in our era demands . . . due to their radical lack of knowledge of natural or physical sciences, which in other countries of Europe have created powerful industry.”

Sarmiento is infamous in Argentina, and Ibero-America, for equating “civilization” with free trade, and “barbarism” and “slavery” with economic protectionism. In his 1845 work *Facundo*, he attacked the Rosas government for refusing to grant Britain its chief demand, the right of free navigability of Argentina’s rivers. Only Buenos Aires, dominated by British trade interests, is “civilized,” Sarmiento argued. Only Buenos Aires, “in contact with European nations; she alone exploits the advantages of foreign trade; she alone has power and income. In vain, have the provinces been asked to allow a bit of civilization, of industry and European population to enter; [but] a stupid and colonial policy offered deaf ears to the clamor.”

Sarmiento also used the demand for “opening up” the economy, the same one wielded by today’s globalists, against Paraguay. The Argentine “democrat” labeled Paraguay’s rulers as “tyrants” for daring to apply protectionist economic policies to achieve internal industrialization. Sarmiento was President during the last two years of the 1865-70 Triple Alliance War, in which Argentina, Uruguay, and Brazil, under Britain’s direction, allied to slaughter Paraguay’s population and impose free trade.

—Cynthia R. Rush

International Intelligence

Brazilian hero denounces terrorist rehabilitation

Brazilian World War II hero Gen. Carlos Eugenio Moncao returned his medals to the government in protest over Brasilia's decision to pay reparations to the families of two of the 1970s leading terrorists, Carlos Mariaghella and Carlos Lamarca (see *EIR*, Oct. 4, p. 43). In a letter to the Secretary General of the Army Ministry, Moncao denounced the logic of a government that indemnifies terrorists, but lets its citizens starve: "It is the National Treasury which will pay the obscene indemnities; that is, the people. This, even as starving children rummage through dung-heaps hunting for food, bereft of any moral solidarity. This is institutionalized subversion, an efficient stimulus for growing criminality."

He continued that he was returning two medals he had earned on the battlefields of Europe during World War II, when he fought with the Allied Forces in the Brazilian Expeditionary Force, because the medals were granted "during the war against Nazi-fascism, in which Brazil was engaged—which were granted to me on the basis of values which are today no longer believed—and which, therefore, have lost their significance, in the face of the decision by the commission, a governmental one, to indemnify the two killed in a fight, which they themselves had unleashed on ideological grounds."

Bougainville premier shot as conflict tears island

Bougainville Premier Theodore Miriung was shot dead on Oct. 12. It is believed he was shot from behind by two men as he was eating dinner with his family. The island, which is part of Papua New Guinea, has been torn for a number of years by war between the pro-independence Bougainville Revolutionary Army (BRA) and the Papua New Guinea government.

The conflict flared up again earlier this year, at the same time that Papua New Guinea Prime Minister Sir Julius Chan very publicly expelled the World Bank from his

country, after refusing to submit to its austerity demands. *The Australian* of Oct. 14 reported that Miriung was a former National Court judge, who accepted the premiership in early 1995 after "rejecting the BRA's armed struggle as the means for achieving independence." It is not known who shot him: The government Defense Force and the BRA are blaming each other for his death. Chan has said it is the work of "ungodly cowards," and the commander of the P.N.G. Defense Force, Brig. Gen. Jerry Singirok, has blamed "brutal gangsters." "The premier and I have worked closely since 1994 for peace on Bougainville," he said in a written statement. "I am at a loss at the news."

Baroness Cox heats up the war against Sudan

Following a recent, dramatic escalation in the military operations of the Sudanese opposition's military wing in northeast Sudan from inside the Eritrean territories, the Khartoum government accused the U.S. CIA and Britain's Baroness Caroline Cox of signing an agreement with the Sudanese National Democratic Alliance (SNDA). The agreement is designed to supply the forces of John Garang's Sudanese People's Liberation Army (SPLA) with new weapons and facilities, and to provide logistical aid to move his operations from south Sudan, where the SPLA is losing its bases, to Eritrea in the east.

The Sudanese government claimed that Baroness Cox has recently donated £1 million (\$1.5 million) to the SNDA to promote the political activities of the Sudanese opposition, which is currently facing imminent disintegration. The SPLA is being squeezed out of the south of Sudan, as a result of the recent Iran-mediated agreement signed by Uganda and Sudan. This agreement will eliminate all bases and logistical supplies for the SPLA from different operations, including UN and non-governmental organization operations based in Uganda. The northern Sudanese opposition, which is based in London and has its major public support base in Cairo, is being discredited by the Egyptian government and political layers. The SNDA

and the SPLA have no other choice but to move to Eritrea to reorganize their ranks with the full support of the British and certain dirty elements in the United States.

British harbor hijackers as 'political refugees'

Reliable sources revealed to *EIR* in September that the Iraqis who hijacked a Sudan Airways plane on Aug. 26, are being protected by the British government. The hijackers, identified publicly only as "Iraqi opposition figures," threatened to blow up the plane, which was en route from Khartoum to Amman, Jordan, unless the pilot re-routed it to London. Once in London, the hijackers were persuaded to leave the plane and release all hostages.

The Sudanese government has reportedly demanded they be extradited to stand trial in Sudan, in accordance with international law, but the British authorities are refusing, claiming the Iraqis are political refugees. Her Majesty's government has said, according to British press accounts, that it would examine the case to see if any crime had been committed, before granting asylum.

A Muslim press source in London said the leader of the hijackers is an Iraqi who had been jailed for some time in Sudan, for involvement in smuggling persons. The man is known in Britain, for having arranged for Iraqi dissidents to be smuggled out of Iraq and into the U.K., where they have received asylum.

New terror outbreak wracks Germany

A new rash of terrorist acts by "Autonomous" groups has struck Germany over recent weeks, typified by the Oct. 7 derailing of locomotives and sabotage of railroad property along the transport routes for nuclear waste destined for Gorleben. The Lower Saxony state security office placed the blame for the attacks on the "Autonomous" groups, saying, "The attacks on the railroad are a part of the battle against the

state." According to the Oct. 13 issue of *Bild am Sonntag*, the state governments of Hamburg and Schleswig-Holstein financed "civil disobedience" training by "Autonomous" thugs for high school students.

At the same time, Germany's ZDF television network aired an investigation exposing the training of the terrorist Anti-Imperialist Cells (AIZ) by the Kurdish Workers Party (PKK). This has rung alarms among German anti-terror experts, as the AIZ has carried out numerous bombing and arson attacks against several politicians, and last year, issued a manifesto threatening to "carry the war into the private homes and workplaces of the power elites."

As *EIR* has stressed for two decades, German terrorism has never been a "sociological phenomenon," but always coincides with British-authored destabilization efforts. The most recent upsurge in terrorism in Germany, coincides with Sir Jimmy Goldsmith and Lord William Rees-Mogg's revival of the line that Germany is attempting to build the "Fourth Reich" out of the Europe of the Maastricht Treaty.

Iran expands diplomacy into Central Asia

Iranian Foreign Minister Ali Akbar Velayati spent a week visiting the Central Asian nations of Kyrgyzstan, Uzbekistan, Tajikistan and Kazakhstan, in an effort to coordinate policy to prevent the Afghanistan war from exploding throughout the entire region. According to the account in *Ettala'at* of Oct. 17 and 18, Velayati met Kyrgyz President Askar Akayev on Oct. 15 and presented him with a message from Iranian President Hashemi Rafsanjani. Akayev characterized Iran's role in the region as "positive" and stressed there was no military solution to the Afghan crisis.

On Oct. 16, Velayati met Uzbek President Islam Karimov, who also supported Iran's efforts. The two called for continuing bilateral consultation, criticized all foreign intervention into Afghanistan, and urged all Afghan groups to negotiate a peaceful solution. In Dushanbe, Tajikistan, Velayati met with President Imomali Rakhmanov, who

expressed "great concern" over the situation in Afghanistan. Rakhmanov "briefed the Iranian minister on last week's summit talks of Central Asian states and Russia on the Afghan crisis." The two also discussed the ongoing talks in Teheran between the Tajik opposition and government representatives, and reviewed progress on the Tajan-Sarakhs-Mashhad railway, a key link in the new Silk Road connecting China to Europe, the Mideast, and Africa.

In Almaty, Kazakhstan, Velayati met with President Nursultan Nazarbayev, and again agreed that the only solution to the Afghan crisis were through talks. Nazarbayev called on all Afghan groups to settle their disputes and called on foreigners not to intervene.

Pakistan's Bhutto now fears for her life, too

Pakistani Prime Minister Benazir Bhutto told the Islamabad daily *The News* that she does not "feel safe any more" after the political murder of her brother, Murtaza Bhutto, in Karachi on Sept. 20. She added that she did not believe a police report that he was caught in the crossfire of a shootout between police and his guards.

"I don't know who is next," Bhutto told the daily on Oct. 19. "I don't feel safe any more. My husband and my children are not safe. . . . It seems that the Bhuttos are meant to be killed," she said, referring to the 1979 execution of her father, former Prime Minister Zulfikar Ali Bhutto, after he had been overthrown two years earlier. "I am a politician, an educated person, I know history, and I feel there is more to this," she said. "I don't know whether they are going to hit me next, my husband next, hit my children next, and God forbid they are going to hit my mother, Murtaza's children next, and other members of my family."

Bhutto said that although her brother had formed a rival political group, she always thought that if something happened to her, people would turn to him to carry forward their father's "mission and dream of a Pakistan which is democratic, federal, egalitarian and progressive. After his brutal death, I feel absolutely isolated," she said.

Briefly

LORD REES-MOGG attacked the social doctrine of Pope Leo XIII as being "the basis of the economic structures of Fascist Italy and Spain," and blamed the main problems afflicting Europe today on his 1891 encyclical, *Rerum Novarum*. Rees-Mogg, nominally a Catholic, is an unabashed apostle of Adam Smith's hateful doctrines.

SINGAPORE sabotaged a U.S. effort to crack down on seaborne drug and weapons traffic, after the United States had requested that ASEAN countries cooperate on stricter control of the ports. ASEAN was reported to be "decidedly cool" to the idea, and, according to *Asia Times*, "Singapore in particular was concerned it might lose port traffic if transshipment times were to slow down."

EIGHT VIETNAMESE provinces have been severely hit by the worst flooding of the Mekong River in two decades. Some 2 million people are seeking relief, and up to 350,000 people have been or will have to be evacuated from the inundated delta area, according to the Red Cross/Red Crescent societies.

NIGERIA AND RUSSIA signed an agreement on Oct. 10 on cooperation in science, culture, and education during 1996-98. Dr. Walter Ofonagoro, the minister of information and culture, thanked the Russian Federation for its firm resistance to the imposition of sanctions on Nigeria. Earlier, the Russian ambassador said 50 Nigerians have been offered scholarships to study in Russian universities.

YASSER ARAFAT attacked the Israeli government's latest proposal for Hebron, from which Israel was supposed to withdraw, as "apartheid," which indicates "Israel's aggressive intentions in Hebron and shows complete and abhorrent racism." Arafat was speaking during his visit in Cairo on Oct. 16. The Israeli proposal would have divided the town into Israeli and Palestinian zones, and given Israel the right to pursue Arabs anywhere in the town.

The secret financial network behind 'wizard' George Soros

by William Engdahl

The dossier that follows is based upon a report released on Oct. 1 by EIR's bureau in Wiesbaden, Germany, titled "A Profile of Mega-Speculator George Soros." Research was contributed by Mark Burdman, Elisabeth Hellenbroich, Paolo Raimondi, and Scott Thompson.

Time magazine has characterized financier George Soros as a "modern day Robin Hood," who robs from the rich to give to the poor countries of eastern Europe and Russia. It claimed that Soros makes huge financial gains by speculating against western central banks, in order to use his profits to help the emerging post-communist economies of eastern Europe and former Soviet Union, to assist them to create what he calls an "Open Society." The *Time* statement is entirely accurate in the first part, and entirely inaccurate in the second. He robs from rich western countries, and uses his profits to rob even more savagely from the East, under the cloak of "philanthropy." His goal is to loot wherever and however he can. Soros has been called the master manipulator of "hit-and-run capitalism."

As we shall see, what Soros means by "open," is a society that allows him and his financial predator friends to loot the resources and precious assets of former Warsaw Pact economies. By bringing people like Jeffrey Sachs or Sweden's Anders Åslund and their economic shock therapy into these economies, Soros lays the groundwork for buying up the assets of whole regions of the world at dirt-cheap prices.

The man who broke the Bank of England?

An examination of Soros's secretive financial network is vital to understand the true dimension of the "Soros problem" in eastern Europe and other nations.

Following the crisis of the European Exchange Rate Mechanism of September 1992, when the Bank of England was forced to abandon efforts to stabilize the pound sterling, a little-known financial figure emerged from the shadows, to boast that he had personally made over \$1 billion in speculation against the British pound. The speculator was the Hungarian-born George Soros, who spent the war in Hungary under false papers working for the pro-Nazi government, identifying and expropriating the property of wealthy fellow Jews. Soros left Hungary after the war, and established American citizenship after some years in London. Today, Soros is based in New York, but that tells little, if anything, of who and what he is.

Following his impressive claims to possession of a "Midas touch," Soros has let his name be publicly used in a blatant attempt to influence world financial markets—an out-of-character act for most financial investors, who prefer to take advantage of situations not yet discovered by rivals, and keep them secret. Soros the financier is as much a political animal, as a financial speculator.

Soros proclaimed in March 1993, with great publicity, that the price of gold was about to rise sharply; he said that he had just gotten "inside information" that China was about to buy huge sums of gold for its booming economy. Soros was able to trigger a rush into buying gold, which caused prices to rise more than 20% over four months, to the highest level since 1991. Typically for Soros, once the fools rushed in to push prices higher, Soros and his friend Sir James Goldsmith secretly began selling their gold at a huge profit.

Then, in early June 1993, Soros proclaimed his intent to force a sell-off in German government bonds in favor of the French, in an open letter to London *Times* Financial Editor



George Soros speaks on "United Nations Reform" at the National Press Club on Aug. 19, 1996. Soros's concept of the "open society" means that everybody should open their pockets, so that he can take their money.

Anatole Kaletsky, in which Soros proclaimed, "Down with the D-Mark!" Soros has at various times attacked the currencies of Thailand, Malaysia, Indonesia, and Mexico, coming into newly opened financial markets which have little experience with foreign investors, let alone ones with large funds like Soros. Soros begins buying stocks or bonds in the local market, leading others to naively suppose that he knows something they do not. As with gold, when the smaller investors begin to follow Soros, driving prices of stocks or whatever higher, Soros begins to sell to the eager new buyers, cashing in his 40% or 100% profits, then exiting the market, and often, the entire country, to seek another target for his speculation. This technique gave rise to the term "hit and run." What Soros always leaves behind, is a collapsed local market and financial ruin of national investors.

The secret of the Quantum Fund NV

Soros is the visible side of a vast and nasty secret network of private financial interests, controlled by the leading aristocratic and royal families of Europe, centered in the British House of Windsor. This network, called by its members the Club of the Isles, was built upon the wreckage of the British Empire after World War II.

Rather than use the powers of the state to achieve their geopolitical goals, a secret cross-linked holding of private financial interests, tied to the old aristocratic oligarchy of western Europe, was developed. It was in many ways mod-

elled on the 17th-century British and Dutch East India Companies. The heart of this Club of the Isles is the financial center of the old British Empire, the City of London. Soros is one of what in medieval days were called *Hoffjuden*, the "Court Jews," who were deployed by the aristocratic families.

The most important of such "Jews who are not Jews," are the Rothschilds, who launched Soros's career. They are members of the Club of the Isles and retainers of the British royal family. This has been true since Amschel Rothschild sold the British Hessian troops to fight against George Washington during the American Revolution.

Soros is American only in his passport. He is a global financial operator, who happens to be in New York, simply because "that's where the money is," as the bank robber Willy Sutton once quipped, when asked why he always robbed banks. Soros speculates in world financial markets through his offshore company, Quantum Fund NV, a private investment fund, or "hedge fund." His hedge fund reportedly manages some \$11-14 billion of funds on behalf of its clients, or investors—one of the most prominent of whom is, according to Soros, Britain's Queen Elizabeth II, the wealthiest person in Europe.

The Quantum Fund is registered in the tax haven of the Netherlands Antilles, in the Caribbean. This is to avoid paying taxes, as well as to hide the true nature of his investors and what he does with their money.

In order to avoid U.S. government supervision of his fi-

nancial activities, something normal U.S.-based investment funds must by law agree to in order to operate, Soros moved his legal headquarters to the Caribbean tax haven of Curaçao. The Netherlands Antilles has repeatedly been cited by the Task Force on Money Laundering of the Organization for Economic Cooperation and Development (OECD) as one of the world's most important centers for laundering illegal proceeds of the Latin American cocaine and other drug traffic. It is a possession of the Netherlands.

Soros has taken care that the none of the 99 individual investors who participate in his various funds is an American national. By U.S. securities law, a hedge fund is limited to no more than 99 highly wealthy individuals, so-called "sophisticated investors." By structuring his investment company as an offshore hedge fund, Soros avoids public scrutiny.

Soros himself is not even on the board of Quantum Fund. Instead, for legal reasons, he serves the Quantum Fund as official "investment adviser," through another company, Soros Fund Management, of New York City. If any demand were to be made of Soros to reveal the details of Quantum Fund's operations, he is able to claim he is "merely its investment adviser." Any competent police investigator looking at the complex legal structure of Soros's businesses would conclude that there is *prima facie* evidence of either vast money laundering of illicit funds, or massive illegal tax evasion. Both may be true.

To make it impossible for U.S. tax authorities or other officials to look into the financial dealings of his web of businesses, the board of directors of Quantum Fund N.V. also includes no American citizens. His directors are Swiss, Italian, and British financiers.

George Soros is part of a tightly knit financial mafia—"mafia," in the sense of a closed masonic-like fraternity of families pursuing common aims. Anyone who dares to criticize Soros or any of his associates, is immediately hit with the charge of being "anti-Semitic"—a criticism which often silences or intimidates genuine critics of Soros's unscrupulous operations. The Anti-Defamation League of B'nai B'rith considers it a top priority to "protect" Soros from the charges of "anti-Semites" in Hungary and elsewhere in Central Europe, according to ADL National Director Abraham Foxman. The ADL's record of service to the British oligarchy has been amply documented by *EIR* (e.g., *The Ugly Truth About the Anti-Defamation League* [Washington, D.C., Executive Intelligence Review: 1992]).

According to knowledgeable U.S. and European investigators, Soros's circle includes indicted metals and commodity speculator and fugitive Marc Rich of Zug, Switzerland and Tel Aviv; secretive Israeli arms and commodity dealer Shaul Eisenberg, and "Dirty Rafi" Eytan, both linked to the financial side of the Israeli Mossad; and, the family of Jacob Lord Rothschild.

Understandably, Soros and the Rothschild interests prefer to keep their connection hidden far from public view, so as to

obscure the well-connected friends Soros enjoys in the City of London, the British Foreign Office, Israel, and the U.S. financial establishment. The myth, therefore, has been created, that Soros is a lone financial investment "genius" who, through his sheer personal brilliance in detecting shifts in markets, has become one of the world's most successful speculators. According to those who know him and who have done business with him, Soros never makes a major investment move without sensitive insider information.

On the board of directors of Soros's Quantum Fund N.V. is Richard Katz, a Rothschild man who is also on the board of the London N.M. Rothschild and Sons merchant bank, and the head of Rothschild Italia S.p.A. of Milan. Another Rothschild family link to Soros's Quantum Fund is Quantum board member Nils O. Taube, the partner of the London investment group St. James Place Capital, whose major partner is Lord Rothschild. London *Times* columnist Lord William Rees-Mogg is also on the board of Rothschild's St. James Place Capital.

A frequent business partner of Soros in various speculative deals, including in the 1993 gold manipulation, although not on the Quantum Fund directly, is the Anglo-French speculator Sir James Goldsmith, a cousin of the Rothschild family.

From the very first days when Soros created his own investment fund in 1969, he owed his success to his relation to the Rothschild family banking network. Soros worked in New York in the 1960s for a small private bank close to the Rothschilds, Arnhold & S. Bleichroeder, Inc., a banking family which represented Rothschild interests in Germany during Bismarck's time. To this day, A. & S. Bleichroeder, Inc. remains the Principal Custodian, along with Citibank, of funds of Soros's Quantum Fund. George C. Karlweis, of Edmond de Rothschild's Switzerland-based Banque Privée SA in Lugano, as well as of the scandal-tainted Rothschild Bank AG of Zurich, gave Soros financial backing. Karlweis provided some of the vital initial capital and investors for Soros's Quantum Fund.

Union Banque Privée and the 'Swiss connection'

Another member of the board of Soros's Quantum Fund is the head of one of the most controversial Swiss private banks, Edgar de Picciotto, who has been called "one of the cleverest bankers in Geneva"—and is one of the most scandal-tainted. De Picciotto, from an old Portuguese Jewish trading family, who was born in Lebanon, is head of the Geneva private bank CBI-TDB Union Bancaire Privée, a major player in the gold and offshore hedge funds business. Hedge funds have been identified by international police agencies as the fastest-growing outlet for illegal money laundering today.

De Picciotto is a longtime friend and business associate of banker Edmond Safra, also born in Lebanon, whose family came from Aleppo, Syria, and who now controls the Repub-

lic Bank of New York. Republic Bank has been identified in U.S. investigations into Russian organized crime, as the bank involved in transferring billions of U.S. Federal Reserve notes from New York to organized crime-controlled Moscow banks, on behalf of Russian organized crime figures. Safra is under investigation by U.S. and Swiss authorities for laundering Turkish and Colombian drug money. In 1990, Safra's Trade Development Bank (TDB) of Geneva was merged with de Picciotto's CBI to create the CBI-TDB Union Banque Privée. The details of the merger are shrouded in secrecy to this day. As part of the deal, de Picciotto became a board member of American Express Bank (Switzerland) SA of Geneva, and two American Express Bank of New York executives sit on the board of de Picciotto's Union Banque Privée. Safra had sold his Trade Development Bank to American Express, Inc. in the 1980s. Henry Kissinger sits on the board of American Express, Inc., which has repeatedly been implicated in international money-laundering scandals.

De Picciotto's start as a Geneva banker came from Nicholas Baring of the London Barings Bank, who tapped de Picciotto to run the bank's secret Swiss-bank business. Barings has for centuries been private banker to the British royal family, and since the bank's collapse in March 1995, has been owned by the Dutch ING Bank, which is reported to be a major money-laundering institution.

De Picciotto is also a longtime business partner of Venetian businessman Carlo De Benedetti, who recently was forced to resign as head of Olivetti Corp. Both persons sit on the board of the Société Financière de Genève investment holding company in Geneva. De Benedetti is under investigation in Italy for suspicion of triggering the collapse of Italy's Banco Ambrosiano in the early 1980s. The head of that bank, Roberto Calvi, was later found hanging from the London Blackfriars' Bridge, in what police believe was a masonic ritual murder.

De Picciotto and his Union Banque Privée have been implicated in numerous drug and illegal money-laundering operations. In November 1994, U.S. federal agents arrested a senior official of de Picciotto's Geneva bank, Jean-Jacques Handali, along with two other UBP officials, on charges of leading a multimillion-dollar drug-money-laundering ring. According to the U.S. Attorney's Office in Miami, Handali and Union Banque Privée were the "Swiss connection" in an international drug-money-laundering ring tied to Colombian and Turkish cocaine and heroin organizations. A close business and political associate of de Picciotto is a mysterious arms dealer, Helmut Raiser, who is linked in business dealings with reputed Russian organized crime kingpin Grigori Luchansky, who controls the Russian and Swiss holding company Nordex Group.

Another director of Soros's Quantum Fund is Isodoro Albertini, owner of the Milan stock brokerage firm Albertini and Co. Beat Notz of the Geneva Banque Worms is another

George Karlweiss and the Rothschild family

Throughout their history, the Rothschild family has created "golems" like George Soros, to do their dirty work for them. One of the major sources of funds for the founding of Soros's Quantum Fund N.V. was George Karlweiss, who was then with Edmund de Rothschild's Banque Privée. Only a few years earlier, Karlweiss was busy launching the business career of the "Detroit Kid," Robert Vesco, who, with Rothschild assistance, would soon take over Investors Overseas Services (IOS) and milk it for a fortune, before becoming a fugitive.

Given that Soros has recently spent millions in a campaign to legalize drugs, it is interesting that Vesco, flush with over \$100 million capital from looting IOS, helped the Medellín drug cartel set up its finances, finally settling in Havana, Cuba, where he operated as part of the "Silver Triangle" cocaine trade.

—Scott Thompson

private banker on the board of Soros's Quantum Fund, as is Alberto Foglia, who is chief of the Lugano, Switzerland Banca del Ceresio. Lugano, just across the Swiss border from Milan, is notorious as the financial secret bank haven for Italian organized crime families, including the heroin mafia behind the 1980s "Pizza Connection" case. The Banca del Ceresio has been one of the secret Swiss banks identified in the recent Italian political corruption scandals as the repository of bribe funds of several Italian politicians now in prison.

The sponsorship of the Rothschilds

Soros's relation to the Rothschild finance circle represents no ordinary or casual banking connection. It goes a long way to explain the extraordinary success of a mere private speculator, and Soros's uncanny ability to "gamble right" so many times in such high-risk markets. Soros has access to the "insider track" in some of the most important government and private channels in the world.

Since World War II, the Rothschild family, at the heart of the financial apparatus of the Club of the Isles, has gone to great lengths to create a public myth about its own insignificance. The family has spent significant sums cultivating a public image as a family of wealthy, but quiet, "gentlemen," some of whom prefer to cultivate fine French wines, some of whom are devoted to charity.

Since British Foreign Secretary Arthur Balfour wrote his famous November 1917 letter to Lord Rothschild, expressing

official British government backing for establishment of a Palestinian national home for the Jewish people, the Rothschilds were intimately involved in the creation of Israel. But behind their public facade of a family donating money for projects such as planting trees in the deserts of Israel, N.M. Rothschild of London is at the center of various intelligence operations, and more than once has been linked to the more unsavory elements of international organized crime. The family prefers to keep such links at arm's length, and away from its London headquarters, via its lesser-known outposts such as their Zurich Rothschild Bank AG and Rothschild Italia of Milan, the bank of Soros partner Richard Katz.

N.M. Rothschilds is considered by City of London sources to be one of the most influential parts of the British intelligence establishment, tied to the Thatcher "free market" wing of the Tory Party. Rothschild and Sons made huge sums managing for Thatcher the privatization of billions of dollars of British state industry holdings during the 1980s, and today, for John Major's government. Rothschilds is also at the very heart of the world gold trade, being the bank at which twice daily the London Gold Fix is struck by a group of the five most influential gold trade banks. Gold constitutes a major part of the economy of drug dealings globally.

N.M. Rothschild and Sons is also implicated in some of the filthiest drugs-for-weapons secret intelligence operations. Because it is connected to the highest levels of the British intelligence establishment, Rothschilds managed to evade any prominent mention of its complicity in one of the more sordid black covert intelligence networks, that of the Bank of Credit and Commerce International (BCCI). Rothschilds was at the center of the international web of money-laundering banks used during the 1970s and 1980s by Britain's MI-6 and the network of Col. Oliver North and George Bush, to finance such projects as the Nicaraguan Contras.

On June 8, 1993, the chairman of the U.S. House of Representatives' Committee on Banking, Rep. Henry Gonzalez (D-Tex.), made a speech charging that the U.S. government, under the previous Bush and Reagan administrations, had systematically refused to prosecute the BCCI, and that the Department of Justice had repeatedly refused to cooperate with Congressional investigations of both the BCCI scandal and what Gonzalez claims is the closely related scandal of the Atlanta, Georgia Banca Nazionale del Lavoro, which was alleged to have secured billions of dollars in loans from the Bush administration to Saddam Hussein, just prior to the Gulf War of 1990-91.

Gonzalez charged that the Bush administration had "a Justice Department that I say, and I repeat, has been the most corrupt, most unbelievably corrupt justice system that I have seen in the 32 years I have been in the Congress."

The BCCI violated countless laws, including laundering drug money, financing illegal arms traffic, and falsifying bank records. In July 1991, New York District Attorney Robert Morgenthau announced a grand jury indictment against

BCCI, charging it with having committed "the largest bank fraud in world financial history. BCCI operated as a corrupt criminal organization throughout its entire 19-year history."

The BCCI had links directly into the Bush White House. Saudi Sheik Kamal Adham, a BCCI director and former head of Saudi Arabian intelligence when George Bush was head of the CIA, was one of the BCCI shareholders indicted in the United States. Days after his indictment, former top Bush White House aide Edward Rogers went to Saudi Arabia as a private citizen to sign a contract to represent Sheikh Adham in the United States.

But, what has never been identified in a single major Western press investigation, was that the Rothschild group was at the heart of the vast illegal web of BCCI. The key figure was Dr. Alfred Hartmann, the managing director of the BCCI Swiss subsidiary, Banque de Commerce et de Placement SA; at the same time, he ran the Zurich Rothschild Bank AG, and sat in London as a member of the board of N.M. Rothschild and Sons. Hartmann was also a business partner of Helmut Raiser, friend of de Picciotto, and linked to Nordex.

Hartmann was also chairman of the Swiss affiliate of the Italian BNL bank, which was implicated in Bush administration illegal transfers to Iraq prior to the 1990 Iraqi invasion of Kuwait. The Atlanta branch of BNL, with the knowledge of George Bush when he was vice president, conduited funds to Helmut Raiser's Zug, Switzerland company, Consen, for development of the Condor II missile program by Iraq, Egypt, and Argentina, during the Iran-Iraq War. Hartmann was vice-chairman of another secretive private Geneva bank, the Bank of NY-Inter-Maritime Bank, a bank whose chairman, Bruce Rappaport, was one of the illegal financial conduits for Col. Oliver North's Contra drugs-for-weapons network during the late 1980s. North also used the BCCI as one of his preferred banks to hide his illegal funds.

Rich, Reichmann, and Soros's Israeli links

According to reports of former U.S. State Department intelligence officers familiar with the Soros case, Soros's Quantum Fund amassed a war chest of well over \$10 billion, with the help of a powerful group of "silent" investors who let Soros deploy the capital to demolish European monetary stability in September 1992.

Among Soros's silent investors, these sources say, are the fugitive metals and oil trader Marc Rich, based in Zug, Switzerland; and Shaul Eisenberg, a decades-long member of Israeli Mossad intelligence, who functions as a major arms merchant throughout Asia and the Near East. Eisenberg was recently banned from doing business in Uzbekistan, where he had been accused by the government of massive fraud and corruption. A third Soros partner is Israel's "Dirty Rafi" Eytan, who served in London previously as Mossad liaison to British intelligence.

Rich was one of the most active western traders in oil, aluminum, and other commodities in the Soviet Union and

Russia between 1989 and 1993. This, not coincidentally, is just the period when Grigori Luchansky's Nordex Group became a multibillion-dollar company by selling Russian oil, aluminum, and other commodities.

Canadian real estate entrepreneur Paul Reichmann, formerly of Olympia and York notoriety, a Hungarian-born Jew like Soros, is a business partner in Soros's Quantum Realty, a \$525-million real estate investment fund.

The Reichmann tie links Soros as well with Henry Kissinger and former Tory Foreign Minister Lord Carrington (who is also a member of Kissinger Associates, Inc. of New York). Reichmann sits with both Kissinger and Carrington on the board of the influential British-Canadian publishing group, Hollinger, Inc. Hollinger owns a large number of newspapers in Canada and the United States, the London *Daily Telegraph*, and the largest English-language daily in Israel, the *Jerusalem Post*. Hollinger has been attacking President Clinton and the Middle East peace process ever since Clinton's election in November 1992.

Soros and geopolitics

Soros is little more than one of several significant vehicles for economic and financial warfare by the Club of the Isles faction. Because his affiliations to these interests have not previously been spotlighted, he serves extremely useful functions for the oligarchy, as in 1992 and 1993, when he launched his attack on the European Rate Mechanism.

Although Soros's speculation played a role in finally taking the British pound out of the ERM currency group entirely, it would be a mistake to view that action as "anti-British." Soros has long-standing and strong ties to Britain. In 1947, Soros went for the first time to London, where he studied under Karl Popper and Friedrich von Hayek at the London School of Economics.

Soros's business ties to Sir James Goldsmith and Lord Rothschild place him in the inner circles of the Thatcher wing of the British establishment. By helping the "anti-Europe" Thatcherites pull Britain out of the ERM in September 1992 (and making more than \$1 billion in the process at British taxpayer expense), Soros helped the long-term goal of the Thatcherites in weakening continental Europe's economic stability. Since 1904, it has been British geopolitical strategy to prevent by all means any successful economic linkage between western continental European economies, especially that of Germany, with Russia and the countries of eastern Europe.

Soros's personal outlook is consonant with that of the Thatcher wing of the Tory Party, those who three years ago launched the "Germany, the Fourth Reich" hate campaign against unified Germany, comparing Chancellor Helmut Kohl with Adolf Hitler. Soros is personally extremely anti-German. In his 1991 autobiography, *Underwriting Democracy*, Soros warned that a reunited Germany would "upset the balance of Europe. . . . It is easy to see how the interwar

scenario could be replayed. A united Germany becomes the strongest economic power and develops Eastern Europe as its *Lebensraum* . . . a potent witches' brew." Soros's recent public attacks on the German economy and the deutschemark are fundamentally motivated by this geopolitical view.

Soros is quite close to the circles of George Bush in the U.S. intelligence community and finance. His principal bank custodian, and reputed major lender in the 1992 assault on Europe's ERM, is Citicorp NA, the nation's largest bank. Citicorp is more than a lending institution; it is a core part of the American liberal establishment. In 1989, as it became clear that German unification was a real possibility, a senior official at Citicorp, a former adviser to Michael Dukakis's Presidential campaign, told a European business associate that "German unity will be a disaster for our interests; we must take measures to ensure a sharp D-Mark collapse on the order of 30%, so that she will not have the capability to reconstruct East Germany into the economic engine of a new Europe."

While Soros was calling on world investors to pull down the deutschemark in 1993, he had been making a strong play in the French media, since late 1992, to portray himself as a "friend of French interests." Soros is reported to be close to senior figures of the French establishment, the Treasury, and in particular, Bank of France head Jean-Claude Trichet. In effect, Soros is echoing the old Entente Cordiale alliance against Germany, which helped precipitate World War I.

Soros admits that he survived in Nazi Hungary during the war, as a Jew, by adopting what he calls a double personality. "I have lived with a double personality practically all my life," Soros recently stated. "It started at age fourteen in Hungary, when I assumed a false identity in order to escape persecution as a Jew." Soros admitted in a radio interview that his father gave him Nazi credentials in Hungary during the war, and he looted wealthy Jewish estates. Further research showed that this operation was probably run by the SS.

Soros did not leave the country until two years after the war. Though he and his friends in the media are quick to attack any policy opponent of Soros, especially in eastern Europe, as being "anti-Semitic," Soros's Jewish identity apparently has only utilitarian value for him, rather than providing moral foundations. In short, the young Soros was a cynical, ambitious person, the ideal recruit for the British postwar intelligence network.

Soros savages eastern Europe

Soros has established no fewer than 19 "charitable" foundations across eastern Europe and the former Soviet Union. He has sponsored "peace" concerts in former Yugoslavia with such performers as Joan Baez. He is helping send young east Europeans to Oxford University. A model citizen, is the image he broadcasts.

The reality is something else. Soros has been personally responsible for introducing shock therapy into the emerging

economies of eastern Europe since 1989. He has deliberately fostered on fragile new governments in the east the most draconian economic madness, policies which have allowed Soros and his financial predator friends, such as Marc Rich and Shaul Eisenberg, to loot the resources of large parts of eastern Europe at dirt-cheap prices. Here are illustrative case histories of Soros's eastern "charity":

Poland: In late 1989, Soros organized a secret meeting between the "reform" communist government of Prime Minister Mieczyslaw Rakowski and the leaders of the then-illegal Solidarnosc trade union organization. According to well-informed Polish sources, at that 1989 meeting, Soros unveiled his "plan" for Poland: The communists must let Solidarnosc take over the government, so as to gain the confidence of the population. Then, said Soros, the state must act to bankrupt its own industrial and agricultural enterprises, using astronomical interest rates, withholding state credits, and burdening firms with unpayable debt. Once this were done, Soros promised that he would encourage his wealthy international business friends to come into Poland, as prospective buyers of the privatized state enterprises. A recent example of this privatization plan is the case of the large steel facility Huta Warszawa. According to steel experts, this modern complex would cost \$3-4 billion for a western company to build new. Several months ago, the Polish government agreed to assume the debts of Huta Warszawa, and to sell the debt-free enterprise to a Milan company, Lucchini, for \$30 million!

Soros recruited his friend, Harvard University economist Jeffrey Sachs, who had previously advised the Bolivian government in economic policy, leading to the takeover of that nation's economy by the cocaine trade. To further his plan in Poland, Soros set up one of his numerous foundations, the Stefan Batory Foundation, the official sponsor of Sachs's work in Poland in 1989-90.

Soros boasts, "I established close personal contact with Walesa's chief adviser, Bronislaw Geremek. I was also received by [President Gen. Wojciech] Jaruzelski, the head of State, to obtain his blessing for my foundation." He worked closely with the *eminence gris* of Polish shock therapy, Witold Trzeciakowski, a shadow adviser to Finance Minister Leszek Balcerowicz. Soros also cultivated relations with Balcerowicz, the man who would first impose Sachs's shock therapy on Poland. Soros says when Walesa was elected President, that "largely because of western pressure, Walesa retained Balcerowicz as minister." Balcerowicz imposed a freeze on wages while industry was to be bankrupted by a cutoff of state credits. Industrial output fell by more than 30% over two years.

Soros admits he knew in advance that his shock therapy would cause huge unemployment, closing of factories, and social unrest. For this reason, he insisted that Solidarnosc be brought into the government, to help deal with the unrest. Through the Batory Foundation, Soros coopted key media opinionmakers such as Adam Michnik, and through coopera-

tion with the U.S. Embassy in Warsaw, imposed a media censorship favorable to Soros's shock therapy, and hostile to all critics.

Russia and the Community of Independent States (CIS): Soros headed a delegation to Russia, where he had worked together with Raisa Gorbachova since the late 1980s, to establish the Cultural Initiative Foundation. As with his other "charitable foundations," this was a tax-free vehicle for Soros and his influential Western friends to enter the top policymaking levels of the country, and for tiny sums of scarce hard currency, buy up important political and intellectual figures. After a false start under Mikhail Gorbachov in 1988-91, Soros shifted to the new Yeltsin circle. It was Soros who introduced Jeffrey Sachs and shock therapy into Russia, in late 1991. Soros describes his effort: "I started mobilizing a group of economists to take to the Soviet Union (July 1990). Professor Jeffrey Sachs, with whom I had worked in Poland, was ready and eager to participate. He suggested a number of other participants: Romano Prodi from Italy; David Finch, a retired official from the IMF [International Monetary Fund]. I wanted to include Stanley Fischer and Jacob Frenkel, heads of research of the World Bank and IMF, respectively; Larry Summers from Harvard and Michael Bruno of the Central Bank of Israel."

Since Jan. 2, 1992, shock therapy has introduced chaos and hyperinflation into Russia. Irreplaceable groups from advanced scientific research institutes have fled in pursuit of jobs in the West. Yegor Gaidar and the Yeltsin government imposed draconian cuts in state spending to industry and agriculture, even though the entire economy was state-owned. A goal of a zero deficit budget within three months was announced. Credit to industry was ended, and enterprises piled up astronomical debts, as inflation of the ruble went out of control.

The friends of Soros lost no time in capitalizing on this situation. Marc Rich began buying Russian aluminum at absurdly cheap prices, with his hard currency. Rich then dumped the aluminum onto western industrial markets last year, causing a 30% collapse in the price of the metal, as western industry had no way to compete. There was such an outflow of aluminum last year from Russia, that there were shortages of aluminum for Russian fish canneries. At the same time, Rich reportedly moved in to secure export control over the supply of most West Siberian crude oil to western markets. Rich's companies have been under investigation for fraud in Russia, according to a report in the *Wall Street Journal* of May 13, 1993.

Another Soros silent partner who has moved in to exploit the chaos in the former Soviet Union, is Shaul Eisenberg. Eisenberg, reportedly with a letter of introduction from then-European Bank chief Jacques Attali, managed to secure an exclusive concession for textiles and other trade in Uzbekistan. When Uzbek officials confirmed defrauding of the government by Eisenberg, his concessions were summarily abro-

gated. The incident has reportedly caused a major loss for Israeli Mossad strategic interests throughout the Central Asian republics.

Soros has extensive influence in Hungary. When nationalist opposition parliamentarian Istvan Csurka tried to protest what was being done to ruin the Hungarian economy, under the policies of Soros and friends, Csurka was labelled an “anti-Semite,” and in June 1993, he was forced out of the governing Democratic Forum, as a result of pressure from Soros-linked circles in Hungary and abroad, including Soros’s close friend, U.S. Rep. Tom Lantos.

Lighting the Balkan Fuse

In early 1990, in what was then still Yugoslavia, Soros’s intervention with his shock therapy, in cooperation with the IMF, helped light the economic fuse that led to the outbreak of war in June 1991. Soros boasted at that time, “Yugoslavia is a particularly interesting case. Even as national rivalries have brought the country to the verge of a breakup, a radical monetary stabilization program, which was introduced on the same date as in Poland—January 1, 1990—has begun to change the political landscape. The program is very much along the Polish lines, and it had greater initial success. By the middle of the year, people were beginning to think Yugoslav again.”

Soros is friends with former Deputy Secretary of State Lawrence Eagleburger, the former U.S. ambassador to Belgrade and the patron of Serbian Communist leader Slobodan Milosevic. Eagleburger is a past president of Kissinger Associates, on whose board sits Lord Carrington, whose Balkan mediations supported Serbian aggression into Croatia and Bosnia.

Today, Soros has established his Foundation centers in Bosnia, Croatia, Slovenia, and a Soros Yugoslavia Foundation in Belgrade, Serbia. In Croatia, he has tried to use his foundation monies to woo influential journalists or to slander opponents of his shock therapy, by labelling them variously “anti-Semitic” or “neo-Nazi.” The head of Soros’s Open Society Fund-Croatia, Prof. Zarko Puhovski, is a man who has reportedly made a recent dramatic conversion from orthodox Marxism to Soros’s radical free market. Only seven years ago, according to one of his former students, as professor of philosophy at the University of Zagreb, Puhovski attacked students trying to articulate a critique of communism, by insisting, “It is unprincipled to criticize Marxism from a liberal standpoint.” His work for the Soros Foundation in Zagreb has promoted an anti-nationalist “global culture,” hiring a network of anti-Croatian journalists to propagandize, in effect, for the Serbian cause.

These examples can be elaborated for each of the other 19 locations across eastern Europe where George Soros operates. The political agenda of Soros and this group of financial “globalists” will create the conditions for a new outbreak of war, even world war, if it continues to be tolerated.

Soros’s looting of Ibero-America

by Scott Thompson

Several Ibero-American countries have recently been invaded by George Soros, who begins with a small beachhead, then ends, as in the case of Argentina, as the country’s largest landholder. As Soros’s tentacles spread through the country, cries of alarm go up. Here are some case studies.

Brazil

In 1993, Soros put out the word that he was moving into Brazil. Of assistance to this operation, was the fact that the director general of Soros Fund Management is Arminio Fraga, the former head of foreign functions at Brazil’s central bank.

An executive of the Soros group told Brazilian businessmen that Soros and company are currently “twisting Brazil’s arm ‘to put its house in order.’ ” According to Fraga, the Soros group was counting on then-Economics Minister Fernando Henrique Cardoso—today President of Brazil—to do that job. As Fraga told *Gazeta Mercantil* of June 26, 1993: “Brazil is an important market and deserves our attention. . . . At the moment, it is present in all of our analysis. . . . The presence of Fernando Henrique Cardoso in the Economics Ministry is very good. Anyone who has been in the government knows that he is dealing with the sore spots, doing things which people wanted done but have been unable to do. . . . He has an open and organized mind and knows he has to first put in order public finances.”

Two days before, Brazil’s *O Globo* newspaper had cited an unnamed “Soros executive,” stating that Soros’s group was “tired of speculative investments and want to bet on some projects. He specifically mentioned linking the western rivers of Brazil with the Rio de la Plata.” In other words, Soros was betting on the industrial and agricultural heartland of South America.

Argentina

Soros’s involvement in Argentina can best be described by the fact that today, with total holdings of 348,000 hectares, he is the country’s most powerful landowner. This was accomplished through his October 1994 purchase of the Cresud land company, owner of 20,000 hectares, for a total of \$64 million. Since then, through purchase of a large number of smaller plots of land, whose owners were driven out of business by the Menem regime’s austerity policies, Soros has been able to expand his holdings. Located in Salta, Catamarca,

Corrientes, and parts of Buenos Aires's fertile *pampa humeda*, his total holdings are larger than those owned by Argentina's Bunge and Born grain cartel, the Perez Companc holding company, and business magnate Amalia Fortabat. Soros reportedly has another \$30 million on hand reserved solely for land purchases. He visited Argentina in March 1996, to inspect his properties. During his visit, he lavished praise on Finance Minister Domingo Cavallo, threatening that foreign investors would withdraw their funds from the country, were Cavallo to leave office.

Soros began his operations in the country in 1990, and in 1991 purchased part of the IRSA real estate company, which became his vehicle for buying up undervalued properties, remodeling them, and selling them at a large profit. He eventually increased his holding in IRSA to 38% of the company's outstanding shares, with a market value of \$47 million. One of his first projects was conversion of the Chrysler Palace in Buenos Aires, a former Army building, into luxury apartments. Baring Securities, a subsidiary of Britain's old "Opium Wars" bank Baring Brothers, arranged for IRSA shares to be sold on foreign stock markets, and placed 13 million shares among its own clients including Merrill Lynch, Arnold & S. Bleichroeder.

When the Argentine branch of Citibank sold its shares in Citicorp Equity Investments (CEI) in 1992, Soros bought 2% of the shares through his investment funds. Through CEI, Soros moved into the purchase of privatized companies, including Altos Hornos Zapla, the steel complex formerly owned by the Army; the state-run telephone company; two large gas firms; and many more. He bought up 1 million shares in the state-run oil firm, YPF, when it was privatized in mid-1993, and CEI purchased another 3 million shares in the same company.

The Jan. 15, 1996 edition of *Clarín* reported that IRSA had \$80 million available to continue purchasing properties in Argentina. Soros has his eye on the Buenos Aires Airport, lands in Retiro, and some part of the Campo de Mayo Army base, all of which are expected to be privatized soon.

Many Argentine businessmen and legislators are alarmed at Soros's activities in the country. As of mid-1993, Soros's Quantum Fund executives were looking to exploit Argentina's oil reserves, as well as invest in gold mines. Also of concern is Soros's relationship with American fugitive and millionaire businessman Marc Rich. Soros is rumored to be the power behind Rich, who is a big investor in Argentine oil and raw materials, and a partner with Swiss-Argentine business magnate Santiago Soldati in several ventures.

Mexico

Mexico has become a major target of Soros in partnership with the Canadian Reichmann brothers, who went bankrupt over their Canary Wharf office building project in London and the bursting of the real estate bubble in general. They had formed a joint venture with Soros in early 1993, to purchase

prime real estate at depressed prices in North America. In July 1993, Reichmann International and Soros Realty agreed in principle to develop a \$500 million Santa Fe real estate scheme in Mexico City. The joint venture began negotiating property developments that could be worth \$500 million in the Alameda district, and up to \$300 million for the construction of two tower blocks on Paseo de la Reforma. The July 14, 1993 London *Financial Times* said that the joint venture was looking for other investors, and Soros said the sums mentioned "only represent the total value over a long time and would not represent any specific investment laid out." The total Alameda project cost, with the building of homes, offices, and shopping centers in what had once been a garbage dump and strip mine, would be an estimated \$5-10 billion. Soros became upset at the media coverage of the project, and reiterated that he would only be putting in a small part of the total cost, so that it was not the sole project of the \$600 million Quantum Realty Trust Fund that Soros set up with Paul Reichmann as manager.

Soros put his trust in then-Mexican President Carlos Salinas de Gortari, now a fugitive, as investigations into his family's corruption have expanded. In late June 1993, just 48 hours before the closing of the regular sessions of the Mexican Congress, the House of Deputies approved a Presidential bill, submitted by Salinas. It completely deregulated the real estate market, and reformed the Civil Code, the Procedural Rules Code, and the Federal Consumer Protection Law to open the way for big real estate investors like Soros. The same reforms paved the way for what is known as the New Rental Law, which in one fell swoop stripped away all manner of protections for Mexico's renters. Now, with the slightest pretext, renters can be expelled onto the streets, without protection of the law.

Peru

On July 23, 1993, Soros announced that he "considers that the present conditions have improved in recent years, especially in the application of liberal reforms, both economic and institutional." So, he said that the Soros Fund Management would expand its investments in Peru. Soros flew to Peru to make this announcement, adding: "What is important about the investment we are about to make in Peru is that our group characteristically invests in highly profitable activities, which we find emerging in markets like Peru." Soros was said to be prepared to invest in a brewery, and in mining and pension funds. After his \$387 million purchase of a 12% share of Newmont gold mine from Sir James Goldsmith, it is notable that Soros was also said to be interested in development of a gold mine in Cajamarca Province, together with the Peruvian Buenaventura company.

According to the Sept. 7, 1993 daily *El Peruano*, fugitive Marc Rich's company, which is an ally of Soros, was one of 24 interested in purchasing the large Centromin Peru mining company, which was about to be privatized. The announce-

ment was made by Alberto Benavides de la Quintana, president of the committee on privatization of state companies. Benavides is also the owner of Buenaventura company, which a few months ago entered into association with Newmont Mining to develop a gold mine in Cajamarca Province. Benavides also sold Marc Rich, in association with the Brazilian company Paraibuna Metals, the zinc deposits located at Iscaycruz in Peru.

Soros, while praising Peruvian President Alberto Fujimori for his free market reform policies, which made possible Soros's looting of privatized industry, at the same time demanded a cessation of military action against the narco-terrorist "Shining Path." Thus, on July 22, 1993, George Soros's brother Paul, who runs an engineering company, travelled to Peru with Pedro Pablo Kuczynski, a banker with First Boston-Crédit Suisse and a Peruvian national, to announce the expansion of Soros's investment in Peru. However, Kuczynski, who is also a member of the bankers' drug-legalization front, the Inter-American Dialogue, was also sent to call for eliminating the military role against Shining Path. Human Rights Watch/Americas, which is funded by George Soros, had already campaigned to end Peruvian sovereignty by stopping military action against the narco-terrorists and cutting back the Peruvian military itself.

And, Paul Soros, in a full-page ad in the *New York Times* on Sept. 28, 1993, emphasized that there was "a lot of wealth in Peru," before issuing an ultimatum: "[Only] when you can be sure that military influence in the government is firmly finished can the value of any investment be secured. . . . In Latin America, whenever the army, as an institution, is part of the country's power structure, all investments are discounted, because that introduces an element of instability. As an investor, one likes stability. . . . When you can be sure that [military influence in the government] is really firmly finished, the value of any investment goes up 30, 40, even 50%." The ad was co-signed by Gerard Manolovici, managing director at the time of Soros Fund Management. Together, they threatened that foreign investment would be cut by as much as 50% if the armed forces were not eliminated.

The Oct. 8, 1993 issue of the intelligence weekly *El Informador Público* published a press release by *EIR*, warning that Soros's entry into Peru under conditions of dismantling the military would lead to a resurgence of Shining Path narco-terrorism. The release was entitled, "Soros and Company Support President Gonzalo for President of Peru." "President Gonzalo" is the nickname for the chief of the Shining Path.

Soros continued his investments in Peru. In October 1993, he bought a large share in the national telephone company, as well as several textile companies.

On April 19, 1994, *La Mañana* cited *EIR* to attack Soros, under the headline, "Investment Funds, the Big Hole in the U.S. Economy? George Soros Called before the U.S. Congress to Explain the Financial Disasters Resulting from Speculative Maneuvers with These Funds." It continued: "For

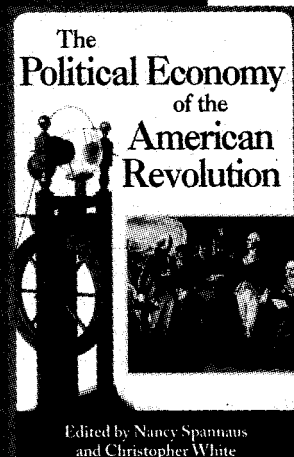
many, this personage is one of the untouchables in the U.S. According to the magazine *EIR*, the secret of his power is not only based on the unlimited credits which he receives from the large banks in the world, but in other types of maneuvers . . . which cohere with his objectives, such as financing the humanitarian organization Americas Watch, whose reports . . . have been able to debase Peru's image."

By May 1994, Soros began pulling out of Peru. The weekly *El Mundo* leaked on May 7: "Wall Street's most important investor and speculator is considering the possibility of withdrawing at any moment from the Peruvian stock market, where he has invested more than \$60 million." The reason was that Peru had begun to stabilize, which meant it was no longer as attractive for exploitative investments. And, Soros, who had been linked to promoting the Presidential candidacy of former UN Secretary General Javier Pérez de Cuellar, was worried about the outcome of the election. Pérez de Cuellar was the co-chairman of the Inter-American Dialogue, and had called for cutting back the military to please foreign investors.

By January 1995, after Fujimori won the Presidential election, it was announced that Newmont Mining had sold off 41% of its stock in Peru's largest mining company, Southern Peru Copper Company. Newmont's spokesman at First Boston-Crédit Suisse, David Mulford, who had been deputy treasury secretary in the Bush administration, said that Newmont intended eventually to sell off all its shares.

DO YOU KNOW

- that the American Revolution was fought *against* British "free trade" economics?
- that Washington and Franklin championed Big Government?
- that the Founding Fathers promoted partnership between private industry and central government?



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Coverup begins to crack on Bush cocaine ring

by Edward Spannaus

In the days leading up to a three-hour Senate hearing on the "CIA" crack-cocaine allegations, the leading establishment news media in the United States launched a frantic effort to discredit the *San Jose Mercury News* story, which had triggered the current national uproar over the U.S. government's role in drug-trafficking.

The CIA is not the beneficiary of the coverup sought by the news media. The CIA has little to fear, should it be the primary target. The purpose of the coverup is to protect George Bush and his "secret government" killer apparatus, which was consolidated in the early 1980s using Executive Order 12333.

Nevertheless—and perhaps despite the intent of its organizers—testimony at the Senate hearing on Oct. 23 took matters well beyond the CIA, pointing to the White House/National Security Council operation which Oliver North has come to symbolize. While this gets the investigation out of the dead end of scapegoating the CIA, it does not yet hit the nail smack on the head by identifying the real command structure which ran the 1980s guns-for-drugs operation.

Discredit where credit is due

The *Los Angeles Times*, which had been generally silent since the publication of the *San Jose Mercury News* series, initiated a three-part series on October 20 attempting to discredit the *Mercury News* stories. The first part opens, "The crack epidemic in Los Angeles followed no blueprint or master plan. It was not orchestrated by the Contras or the CIA or any single drug ring. No one trafficker, even the kingpins who sold thousands of kilos and pocketed millions of dollars, ever came close to monopolizing the trade."

The *Los Angeles Times*'s line of argument was very similar to the "analysis" published Oct. 4 by the *Washington Post*, in which the *Post* conceded that, yes, there were Contras

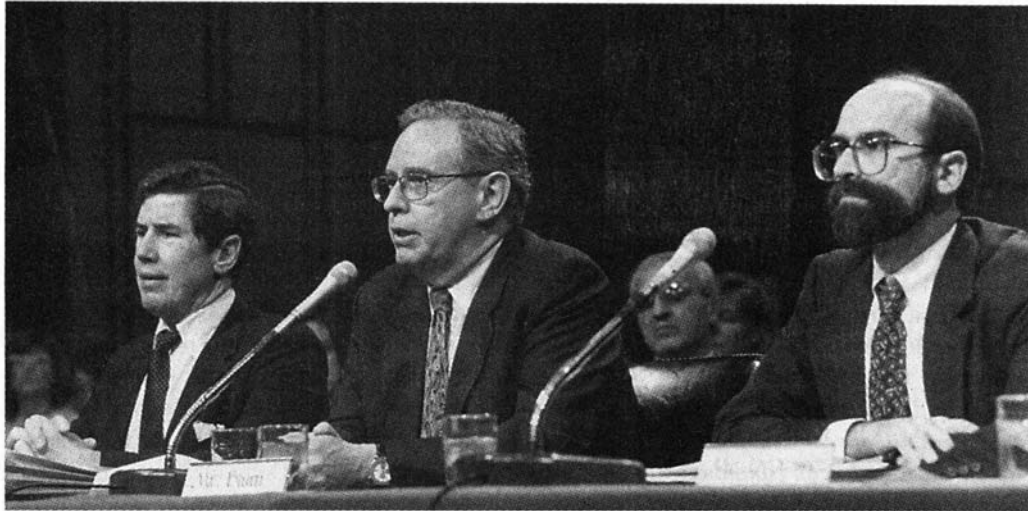
smuggling drugs, and, yes, the CIA was involved with some of them, but "Freeway" Ricky Ross didn't sell *that* much crack, and, hey, what's a little drugs in the African-American community anyway?

The *Los Angeles Times*'s third installment was an outright racist diatribe against the black community, quoting quackademic scholarship to prove that African-Americans "are particularly susceptible to conspiracy theories." *Washington Post* columnist Richard Cohen, who is linked to the Anti-Defamation League of B'nai B'rith (ADL), spewed out a typically racist piece of venom on Oct. 24, attacking Rep. Maxine Waters (D-Calif.), because she "virtually accepted the *Mercury News* story as gospel and demanded investigations. . . . When it comes to sheer gullibility—or is it mere political opportunism—Waters is in a class of her own."

On Oct. 21, the *New York Times* also weighed in with an article with the headline, "With Little Evidence to Back It, Tale of CIA-Drug Link Has Life of Its Own." The article is replete with references to "scant evidence," and makes strenuous efforts to ridicule the black community for being so susceptible to such wild conspiracy theories.

Break the coverup!

At the Senate Intelligence Committee hearing on Oct. 23, the lead-off witness was Jack Blum, former special counsel to the Sen. John Kerry (D-Mass.) subcommittee of the Senate Foreign Relations Committee, who, in 1986-88, conducted the most thorough investigation of Contra drug-running to date. While Intelligence Committee Chairman Arlen Specter (R-Pa.) tried to narrow the focus of his hearing to the crack epidemic in Los Angeles and the CIA itself, Blum emphasized that the responsibility for drugs coming into the country should be put on the "policymakers," and that the CIA was just an "implementing agency." Blum's testimony, as well as



The Oct. 23 hearing of the Senate Select Intelligence Committee. On the witness stand are, left to right: Frederick Hitz, CIA Inspector General; Jack Blum, former Special Council to the Senate Foreign Relations Committee, Subcommittee on Terrorism, Narcotics, and International Operations; and Michael Bromwich, Justice Department Inspector General.

that of Justice Department Inspector General Michael Bromwich, focussed heavily on the White House/NSC operation around Ollie North (who was emphatically *not* an official of the CIA).

Blum's remarks point in the right direction, but that is not sufficient. If any investigation of Contra drug-running is to break the fog of obfuscation which has been firmly in place since the mid-1980s, it must expose the official structure under which these and other covert operations were run in the 1981-92 period. That structure was created under the implied authority of Executive Order 12333 and certain National Security Decision Directives (NSDDs) which accompanied it, and it was built around the office and the person of George Herbert Walker Bush.

To ignore this, in favor of hitting the "easier" or "more acceptable" target, the CIA, is to be complicit in perpetuating the coverup which has allowed so much death and destruction to go unpunished to date.

How the 12333 'secret government' worked

EIR has compiled the most comprehensive picture of how the "secret government" apparatus of the 1980s was created, and has shown that it functioned under the direct control of Vice President George Bush, operating through the NSC—and not the CIA (see *EIR Special Reports*, "Would a President Bob Dole Prosecute Drug Super-Kingpin George Bush," September 1996, and "George Bush and the 12333 Serial Murder Ring," October 1996). Following is a summary adapted from the two *EIR Special Reports*.

"Crisis management" is the key to understanding how George Bush became the covert operations "tsar" of the Reagan administration. Step by step, it worked like this:

1. In the early months of the Reagan-Bush administration in 1981, there was a brawl between George Bush and Secretary of State Al "I'm-in-charge-here" Haig over the control of crisis management. On March 22, 1981, a leak to the *Washington Post*, headlined "Bush to Head Crisis Management,"

said that Vice President Bush would be placed in charge of a new crisis management structure, amounting to "an unprecedented role for a vice president." Haig protested, but Bush won out. The article noted that Bush "was chosen to chair meetings in the Situation Room in times of crisis," although it also noted that the Presidential directive formalizing this had not yet been written. This was a reference to the Special Situation Group (SSG), the status of which was only formalized in December of that year.

2. On Dec. 4, 1981, President Reagan signed Executive Order 12333, which designated the NSC as "the highest Executive branch entity" for review, guidance, and direction of *all* foreign intelligence, counterintelligence, and "special activities" (i.e., covert operations). This effectively put the NSC in charge of the CIA, military intelligence, special operations, etc. A little-noticed provision of E.O. 12333 gave the CIA the exclusive conduct of "special activities," "unless the President determines that another agency is more likely to achieve a particular objective." This officially opened the door for assigning covert operations to the NSC staff.

Most important, Section 2.7 of E.O. 12333 permitted U.S. intelligence agencies to enter into secret contracts for services with "private companies or institutions." This was the Magna Carta of Bush's "secret government."

3. On Jan. 12, 1982, National Security Decision Directive Number 2 (NSDD-2) was issued, which formalized the NSC structure. It confirmed the existence of a series of Senior Inter-agency Groups (SIGs) for foreign policy, defense policy, and intelligence—thus reducing the power of the secretary of state and other department heads.

4. A month earlier, on Dec. 14, 1981, NSDD-3 had *already* been signed. Entitled "Crisis Management," it affirmed the existence of the Special Situation Group (SSG) to be "chaired by the vice president," and assigned to the SSG responsibility for crisis management. "Crisis Management" was defined as encompassing "a national security matter for which Presidential decisions and implementing instructions

'Bill Weld blocked our investigation'

Below are excerpts from the Oct. 23 hearings of the Senate Intelligence Committee, chaired by Arlen Specter (R-Pa.), during the testimony of Jack Blum, formerly the special counsel to the 1986-88 Senate Foreign Relations subcommittee on terrorism and narcotics (the "Kerry Committee"). Blum's references are to William F. Weld, who was at the time the U.S. Assistant Attorney General. Weld, governor of Massachusetts, is now the Republican candidate for U.S. Senate, against incumbent Democrat John Kerry, who chaired the Kerry Committee.

Mr. Blum: Now, you might ask, why did the hearings we ran in '88 and the report we released in 1989 not get more attention? And the answer is, we were subject to a systematic campaign to discredit everything we did. Every night after there was a public hearing, Justice Department people, administration people would get on the phone and call the press and say the witnesses were all liars, they were talking to us to get a better deal, that we were on a political vendetta, that none of it was to be believed, and please don't cover it.

Senator Specter: But let me ask you, on a question relevant here, did you ever see any of that interference by U.S. intelligence, CIA or otherwise, of any prosecutions against cocaine in Los Angeles?

Mr. Blum: We did not focus on Los Angeles and Los Angeles prosecutions. I can tell you there were cases in Miami, and there were other cases in other parts of the

country.

Senator Specter: Now did those cases permit cocaine dealers to continue to operate?

Mr. Blum: One had the sense they did, but—when we got into this area, we confronted an absolute stone wall. Bill Weld, who was then the head of the [Justice Department] Criminal Division, put a very serious block on any effort we made to get information. There were stalls. There were refusals to talk to us, refusals to turn over data. An Assistant U.S. attorney who gave us some information was reprimanded and disciplined, even though it had nothing to do with the case. . . . We had a series of situations where Justice Department people were told that if they told us anything about what was going on, they would be subject to very severe discipline.

Sen. Bob Kerrey (D-Neb.): Mr. Blum, when you talked to me, you said there was a systematic effort to discredit the work of the subcommittee. . . . How would you define "systematic"?

Mr. Blum: An organized effort from the top—

Senator Kerrey: Who was in charge of it?

Mr. Blum: As best I could tell, it was coming from the top of the Criminal Division.

Senator Kerrey: Who was at the top of the Criminal Division?

Mr. Blum: Bill Weld.

Senator Kerrey: And when you say, the effort was made, what would they do? Would they call—

Mr. Blum: They would tell U.S. Attorneys, systematically: "You can't talk to them. Don't give them paper. Don't cooperate. Don't let them have access to people who you have in your control." And we had a very tough time finding things out.

are required more rapidly than routine interdepartmental NSC staff support provides." This formalized George Bush's control over intelligence and covert operations.

5. On May 14, 1982, the first phase of the Bush takeover was completed, with the issuance of an extraordinary memorandum entitled "Crisis Pre-Planning," by the national security adviser. Citing the authority of NSDD-3, this memorandum established an interagency, standing Crisis Pre-Planning Group (CPPG) subordinate to the SSG. The CPPG was created as a *standing* body, which would meet regularly, and develop plans and policies for the SSG. The SSG-CPPG, under the direct control of the vice president, was given control over *any* area in which a *potential* crisis could emerge, and was to develop *preemptive policy options* for dealing with it. "Crisis management" was no longer just for crises.

This SSG-CPPG structure, according to a chart later thrown at Secretary of State George Shultz in 1983, operated

on the same level as the National Security Council, and was *above* the secretary of state. In reality, it superseded the NSC.

Shultz vigorously opposed the creation of a "Public Diplomacy" unit in the State Department which would report to the NSC instead of him. He asked Reagan for a structure in which he would be the President's "sole delegate in carrying out your policies." What he got back was a memorandum in the name of the President which stated: "Success in Central America will require the cooperative effort of several Departments and agencies. No single agency can do it alone nor should it." Attached was the chart entitled "NSDD-2 Structure for Central America" putting Bush's SSG-CPPG on the level of the NSC, in between the President and the secretary of state.

This is how, during the Reagan administration, intelligence and foreign policy "crisis management" was consolidated under the operational control of the Vice President of the United States, George Bush.

DOJ's Bromwich: Some oppose drug probe

by S. K. Rose and E. Spannaus

In marked contrast to the attitude of the CIA Inspector General, who has already concluded that there is no merit to the *San Jose Mercury News* allegations—even before he completes his investigation—the Justice Department Inspector General, Michael Bromwich, told the Senate Intelligence Committee on Oct. 23 that he is treating the allegations and his investigation very seriously.

"I've reviewed the articles in the *San Jose Mercury* [sic], and it seemed to me that there were enough troubling questions about the points of contact between individuals employed by different components of the Justice Department, and the allegations that drew together the CIA and the Contras in the introduction of crack cocaine into South-Central Los Angeles, that I thought it was very important to launch an investigation," Bromwich testified. "I did so on my own without being directed by anyone, either inside the [Justice] Department or outside the department."

Meetings in Los Angeles

Bromwich said that he has already made two trips to Los Angeles, over the opposition of some inside the Justice Department. On the day that he decided to open the investigation, Bromwich met with Rep. Maxine Waters (D-Calif.), who has spearheaded the drive for investigations of the San Jose, California daily's allegations. "I subsequently met with her again," Bromwich said. "She facilitated an introduction to me to Gary Webb, the author of the *San Jose Mercury* articles, and I have talked with Mr. Webb on subsequent occasions." He then met with many of the other members of Congressional Black Caucus who have called for an investigation. Then he went back to Los Angeles again:

"I just returned last night, Senators, from what for me was an extraordinary trip to South-Central Los Angeles. I was invited to do so by Congresswoman Millender-McDonald, to meet with some community leaders so that they would have a chance to meet first-hand with the person who is going to be conducting one of the investigations that touches on these issues. I won't say that that trip was roundly endorsed by others in the department."

At that point, hearing chairman Arlen Specter pressed Bromwich on this point; Bromwich said that, "I prefer not to talk about that in public session," but, he added, "It was op-

posed by some."

Although Bromwich declined to identify who opposed his efforts, it is almost a sure guess that at the top of the list would be Jack Keeney and Mark Richard, the two long time "career professionals" at the top of the Criminal Division. Richard was singled out in the 1988-89 "Kerry Report" as having obstructed the Senate investigation of Contra drug-trafficking.

The DOJ opposition team

At the opening of his testimony, Bromwich told the committee that, "for better or for worse, I'm not a stranger either to issues of narcotics distribution nor to issues relating to Iran-Contra." He was a federal narcotics prosecutor for four years in New York City, focussing on high-level narcotics trafficking, and then he went to work for the Iran-Contra independent counsel, Lawrence Walsh. There, he first obtained guilty pleas from Carl "Spitz" Channell and Richard Miller, for illegal fund-raising on behalf of Oliver North and the Contras. He was part of the team which prosecuted Ollie North. And he headed a team investigating illegalities in the Contra resupply effort, which led to the indictment of Joseph Fernandez, the CIA station chief in Costa Rica. "That case, as you know, was aborted subsequently in the latter stages of 1989 because the Department of Justice . . . refused to release the documents and declassify the documents that our office needed in order to pursue that matter."

"Were you dissatisfied with that?" Specter asked. "Very much so," was Bromwich's reply. Specter asked if Bromwich now has the power "to get into the inside of that." Bromwich said he does.

Bromwich has his work cut out for him. He will no doubt face formidable opposition within his own department, as he goes back into the issues of Justice Department obstruction of the Iran-Contra and drug-trafficking investigations. The Fernandez case is indicative.

According to the Final Report of Independent Counsel Lawrence Walsh, the classified information at issue in the Fernandez case involved the location of two CIA stations in Central America, which were already publicly known. Walsh said that the actions by Bush's Attorney General, Dick Thornburgh, "were an unprecedented and unwarranted intrusion into a prosecution of a case conducted by an Independent Counsel."

While Bush and Thornburgh may be gone, a number of those who handled the Fernandez matter are still in the Justice Department; this includes Jack Keeney and Mark Richard, who supervised the DOJ Internal Security Section which was designated as the section with which Walsh was to deal directly. Two other officials who were directly involved with the Fernandez case are also still in the Criminal Division; these are John Martin of the Internal Security Section, and James S. Reynolds, now of the Terrorist and Violent Crimes Section.

Battle lines drawn against Social Security privatization

by Marianna Wertz and Richard Freeman

Just weeks before the Nov. 5 election, both sides in the debate over the privatization of Social Security called press conferences in Washington, D.C., to set forth their agendas for the incoming administration and Congress. On Oct. 15, the National Association of Manufacturers, representing the banking elite, Wall Street, and such leading mouthpieces for privatization as the Cato Institute and the Heritage Foundation, launched what they called a "national campaign calling for enactment of Social Security reform and a schedule for its implementation before the end of the 106th Congress, as a key focus of its agenda to promote higher economic growth." (Calling their plan "reform" is like calling murder "assisted suicide," as we shall see.)

Two days later, a press conference jointly sponsored by the AFL-CIO and the Campaign for America's Future blasted the proposed "privatization," with CAF spokesman, former U.S. Sen. Howard Metzenbaum (D-Ohio), calling it "an insidious effort of the investment banking community to get their hands on the funds. To say that privatizing will be helpful brings to mind Orange County," Metzenbaum said. Orange County, California went bankrupt last year as a result of misinvestment of public funds in derivatives swindles. Metzenbaum urged Americans to "speak out now before Clinton takes a position."

Under the various plans to privatize Social Security—which were better called "piratization"—already drafted into legislation and awaiting the return of the Congress in January, the annual Social Security tax, or its equivalent, will be diverted into individual worker "private retirement accounts" (PRAs), to be managed by Wall Street sharks. *EIR* estimates that the diverted flows could total as much as \$9-10 trillion over the next 15 years (see *EIR*, Oct. 11, 1996, "The Plan to Privatize Social Security: A \$10 Trillion Bankers' Rip-Off"). The financial sharks see the funds as one of the last sources of revenue to shore up the collapsing worldwide financial bubble. They also stand to make as much as \$200 billion from fees and use of the money.

But when the markets blow, and tens of millions of elderly need the money, it won't be there.

Dole and Clinton have both refused to be pinned down on the issue prior to the election, for obvious, pragmatic reasons: The vote of elderly Americans is key to determining who will be elected. During the second debate, on Oct. 16 in San Diego, both candidates avoided a direct answer by calling for a bipar-

tisan commission to study the problem and come up with a solution. "Take it out of politics!" both candidates screamed.

The American Association of Retired Persons (AARP), the lead lobbying organization for the nation's senior citizens, tried, unsuccessfully, to pin the two down in a survey printed in the October 1996 *AARP Bulletin*. "Asked whether fundamental changes would be needed to stabilize Social Security in the next century, Clinton once again was cautious. . . . He also was guarded about ideas emerging from the Social Security Advisory Council that the system be partially privatized—specifically, that some contributions paid into the trust funds be invested in the stock market.

"If 'the market is a better deal than government securities,' he said, that's 'worth a careful study and maybe some sort of experimentation. I don't feel that I personally have the level of expertise to say . . . that is a good idea.' "

Dole told AARP, "We have to shore [Social Security] up again." But, he "was cautious," said the *Bulletin*, "about ideas the Advisory Council on Social Security was floating to partially privatize the system. . . . 'That may have some appeal,' Dole said, 'but there are some policy questions you have to address. Do you want the U.S. government owning corporations, or part of corporations?'"

LaRouche Democrat leading the fight

There is one candidate, however, who is boldly opposing the privatizers' plan, naming the names, and organizing the population to defeat them. She is María Elena Milton, the Democratic candidate in Arizona's 4th Congressional District, who is challenging incumbent Republican and leading Gingrichite John Shadegg. Milton, a political associate of *EIR* founder Lyndon LaRouche, has made Shadegg's secret support for Social Security privatization a lead issue in her campaign, forcing Shadegg out on the issue in one of the nation's most heavily senior-dominated districts.

In an hour-long debate which was broadcast live on cable TV in Arizona on Oct. 16, Milton exposed Shadegg's support for the "murderous" privatization policy. In reply, all Shadegg could do was lie, claiming, "The system is bankrupt, I'm just trying to save it." In fact, as Milton has revealed, Shadegg is working closely with the Public Pension Reform Caucus in the House, a group of 40 to 50 congressmen committed to privatizing Social Security, which is led by his fellow Arizona Republican, Jim Kolbe.

Milton's 24-page campaign brochure includes a feature titled "The Plot to Privatize, or 'Piratize,' Social Security." Milton explains that the plot to privatize will result in "handing over trillions of dollars from the Social Security Trust Fund, into the hands of financial sharks and speculators."

Milton then takes on the lies of NAM and similar privatizers: "There have been many scare stories about how Social Security is going to run out of money. The reasons given for this scare are that the U.S. population is aging too fast, and that seniors are too greedy. The real reason that there is any danger of a Social Security shortfall, is that the productive workforce of the U.S.A. is too small, and is being denied the ability to be productive."

'No to Wall Street's greed'

At the Oct. 17 press conference of the Campaign for America's Future, one of the speakers was Richard Trumka, the AFL-CIO secretary-treasurer and former president of the United Mine Workers. Trumka said he was speaking on behalf of 13.1 million AFL-CIO members, an equal number of

union retirees, and millions more Americans. "We say no to privatizing and to Wall Street's greed," Trumka said.

In a debate on Oct. 18 on Washington, D.C.'s Fox Morning News broadcast with NAM President Jerry Jasinowski, Trumka continued the fight. He first made clear that NAM's doomsday propaganda about Social Security going bankrupt is just that. "Actually, the 2030 year is predicated on an unrealistically low-growth expectation. Those figures are on a 1.5% growth rate. If the economy grows more than that—which it has for the last four years, which we anticipate it will, and which Jerry wants it to grow at twice that up to the year 2000, there is no problem."

Trumka then concluded, "Privatization is a \$60 billion a year get-rich-quick scheme by the mutual funds industry. Look, Social Security was designed to give everybody a social safety net, a minimum level of retirement income. Once you take that out, that guarantee out, and put it into the private market, markets go up, and markets go down. They will go down, and you could end up at retirement age with no pension. The worker assumes all the risks."

'Piratizers' show their concern

The National Association of Manufacturers released the following "Resolution on Social Security Reform" at its Oct. 15 press conference, which had been approved on Sept. 21, by its board of directors. While lying about the degree of crisis confronting the Social Security system, the resolution completely ignores the only real solution to the crisis—put forward by economist Lyndon LaRouche—which is to put the economy through an orderly bankruptcy procedure, drying out the speculative bubble which NAM and others are seeking to prop up, and to revive real economic growth through a directed credit system. Such a program would create the level of productive employment that would easily guarantee the tax base to make the Social Security fund solvent well into the 21st century.

Whereas, Social Security is of enormous concern to Americans, because of both the reliance by millions of individuals on the system as a retirement program, and the corresponding magnitude of liabilities assumed by the federal government and, ultimately, by the taxpayers;

Whereas, an apparent consensus among economists indicates that the Social Security system, as currently structured, will eventually prove unable to satisfy liabilities for benefits promised to a significant portion of the American workforce, a situation grossly unfair to individuals who have relied in good faith upon the promises of

the federal government;

Whereas, any remedy for the financial problems of the Social Security system through greater taxes would increase the costs of labor and capital, raise unemployment, lower productivity, reduce the ability of American businesses to compete in domestic and foreign markets, and ultimately, undermine the vigor of the U.S. economy; and,

Whereas, the only apparent solution to the financial problems facing the Social Security system—not involving a significant increase in taxes and/or a significant reduction in benefits—is reform of the program in favor of a system that requires individual savings rather than collective entitlement, and leads to increased economic growth and prosperity for employees and employers alike;

Therefore, we are resolved,

- first, to educate members of the NAM, and the public more generally, on the urgency of problems facing the Social Security system;

- second, to urge that the Congress respond by enacting legislation that retains a safety net for the truly needy while transforming a portion of the program to a system for retirement savings by individuals, funded with a choice of investment opportunities, separated from the assets and liabilities of the federal government, with transition provisions to protect employees from hardship in adjusting to the reformed system and to prevent increased financial exposure to employers; and

- third, to urge that such a reform program and a schedule for its implementation be enacted before the end of the 106th Congress.

National News

Backlash against GOP kingmaker reported

Arthur J. Finkelstein, whom the Republican Party has paid \$500,000 as a "senior political consultant" to a number of its candidates in the November elections, may have overplayed his hand in the Minnesota Senate race.

According to a poll in the Oct. 22 *Washington Post*, many of the voters who had seen Finkelstein's campaign ads, said they were now more inclined to vote for incumbent Paul Wellstone (D), and against Republican Rudy Boschwitz, whose campaign is being guided by Finkelstein. The Boschwitz campaign has depicted Wellstone as soft on welfare recipients, murderers, drug-pushers, and terrorists. One ad showed a bearded hippie, inducting Wellstone into the "1967 Liberal Hall of Fame."

Finkelstein is an avowed homosexual, who played an important role in the Bush-league National Conservative Political Action Committee—infamous for its Iran-Contra intrigues and the White House "call-boy" scandals. Finkelstein's secret role as Benjamin Netanyahu's campaign manager was revealed after the Israeli elections. There, Finkelstein's television ads had linked together terrorist-bombed houses, Arafat, and Netanyahu's opponent Shimon Peres, as "a dangerous combination for Israel."

After 20 years, America prepares return to Mars

NASA Administrator Dan Goldin, opening a series of press briefings Oct. 16, issued a stirring declaration: "After a hiatus of 20 years, America returns to Mars." Goldin was referring to two American spacecraft scheduled for Mars launchings over the next two months. Responding to a question about manned missions to Mars, Goldin replied: "I think we could be on Mars in the second decade of the next century. If the nation has the will to do it, America could do anything

it wants to do."

The Mars Global Surveyor, which will place a spacecraft in Mars orbit for geological and climate mapping for a full Martian year (687 Earth days), is scheduled for launch on Nov. 6. On Dec. 2, the Mars Pathfinder lander heads for the planet, carrying a micro-rover named Sojourner, which will be the first rover on Mars. Between these two launches, on Nov. 16, the Russian Mars '96 mission is scheduled to launch, carrying an orbiter, two landers, and—for the first time—two penetrators to probe under the surface of the planet.

Goldin also announced that the photographs and data transmitted from the Mars missions will be made available on the Internet. "Every day on the Internet, we're going to post the weather report on Mars," Goldin said. Internet users will also be able to see what the Pathfinder lander and rover "see." The rover, which Goldin describes as a "22-pound geologist," has cameras which will provide close-up views of the rocks it has been deployed to examine.

Pathfinder will be landing in the Ares Vallis region of Mars, which is an ancient flood plain. Dr. Michael Carr of the U.S. Geological Survey explained that a channel in the targetted area is up to one kilometer deep, and was created by a catastrophic water event. It is estimated that the equivalent of the water in America's Great Lakes was discharged into this plain in the space of two weeks.

St. Louis aldermen cite Bush's role in dope ring

On Oct. 18, the St. Louis Board of Aldermen became the first elected body in the country to pass a resolution naming George Bush in connection with recent exposés of secret government drug-trafficking. The resolution, passed unanimously by the 29-member board, declares in part:

"Whereas, the *San Jose Mercury News* has in a three-part series, alleged the role of the U.S. Intelligence Agencies in financing covert operations through the sale of drugs, specifically crack cocaine into neighbor-

hoods throughout Los Angeles to finance Iran-Contra operations; and

"Whereas, these alleged activities were under the aegis of then Vice-President George Bush in his capacity as National Security Director, and that the Kerry Committee elicited testimony to the Congress on Feb. 11, 1987, that the Contras moved drugs . . . 'Not by the bag, but by the ton, by the cargo plane load.' . . .

"Now therefore be it resolved, that the St. Louis Board of Aldermen endorses the call by Congressman Waters, Senators Feinstein and Boxer, the Los Angeles City Council, and others for the investigation of these allegations as they will serve the best interests of the citizens of the United States."

FBI official charged in Ruby Ridge coverup

Federal prosecutors filed charges Oct. 22 against an FBI official for obstruction of justice in the murder trial of Randy Weaver, following the 1992 shoot-out instigated by federal agents at Ruby Ridge, Idaho. Justice Department sources said E. Michael Kahoe, who was chief of the FBI's violent crimes section during the incident, has agreed to plead guilty to the charges, and to cooperate in the long-running probe.

U.S. Attorney Michael Stiles of Philadelphia, who was specially appointed to conduct the investigation, said Kahoe participated in the concealment and destruction of a document from FBI headquarters, sought by federal prosecutors in Idaho preparing for Randy Weaver's trial. According to the new charges, Kahoe was ordered by his superiors to prepare an "after-action" critique of the FBI's conduct in the shoot-out. Kahoe allegedly received a copy of a letter from the prosecutors in Idaho requesting any documents about the incident.

When the Justice Department eventually ordered that all of the FBI documents be given to the prosecutors, Kahoe allegedly withheld the after-action report from the documents to be delivered, then destroyed all his copies, and ordered a subordinate to make it appear as if "it never existed."

'BUCKINGHAM Palace would not normally expect to figure in an American election campaign, but the Queen popped up unexpectedly in Oklahoma the other day, courtesy of George Bush," the London *Sunday Times* reported Oct. 21. At a GOP event, "Bush embarked on an anecdote about his visit to the palace, to be invested as an honorary Knight Grand Commander of the Order of the Bath. 'I was made a real live knight,' he told his tittering audience."

WILLIAM WELD has been caught in another lie, according to the Oct. 22 *Boston Herald*. In his Massachusetts U.S. Senate campaign, Weld has intoned that "the only cure for pedophilia is prison." Seven child pornographers he prosecuted on felony charges during his stint as U.S. Attorney, however, were released on probation without serving any time.

SERIAL KILLER Jack Kevorkian delivered the corpse of Mrs. Nancy DeSoto Oct. 17 to a hospital in Royal Oak, Michigan. At the same hour, his lawyer was telling a press conference that Mrs. DeSoto had not come to Michigan to commit suicide, but only to talk to Kevorkian. Attorney Geoffrey Fieger claimed he did not know where DeSoto was. "Dr. Death's" latest victim, afflicted with multiple sclerosis, was 55 years old.

DRUG LEGALIZATION advocates still have not scored with the electorate, and face another defeat this year, according to a recent survey. The Community Anti-Drug Coalitions of America released a poll Oct. 23 of over 1,000 candidates running for office in November, showing that 86% of them have no confidence in legalization as an effective means of dealing with the current drug crisis.

A NEW STUDY released by the American Medical Association, claims that 45% of uninsured adults report having difficulty in obtaining medical care, and that 70% of them were unable to get treatment when their symptoms were either "very serious" or "somewhat serious."

The FBI's destruction and concealment of documents in the Ruby Ridge case, was cited in affidavits submitted earlier this year by the plaintiffs in the long-pending *LaRouche v. Webster* civil rights case against the FBI, filed in federal court in New York in 1975. In the *LaRouche* case, the FBI had argued that the absence of any records showing illegal activity, could be taken as conclusive proof that no such activity had ever taken place!

On Sept. 2, 1996, Federal Judge Mary Johnson Lowe issued a landmark ruling in New York's Southern District Court, vacating key sections of the FBI affidavit in *LaRouche v. Webster*, which was used as the basis for the Justice Department's 1985 motion to dismiss the *LaRouche* suit. One part of the FBI affidavit struck by Judge Lowe's ruling, was its statement that the FBI's Headquarters file comprised "a complete record" of its investigation of the *LaRouche* organization. Judge Lowe cited the plaintiffs' allegations that the FBI had destroyed records—a practice again confirmed in the Ruby Ridge case.

Postal workers campaign against privatization

The American Postal Workers Union is waging a campaign against the plan by Congressional Gingrichites to privatize the postal system. Postal workers are distributing a flyer nationwide with the title "Postal Customer: What Postal Privatization Would Mean for You." It is a devastating exposé of the privateers' scheme to loot the nation on a vast scale.

The leaflet details the huge stakes involved: If the U.S. Postal Service were privatized, four of its six major product lines would qualify as Fortune 500 companies. The Postal Service owns 6,865 buildings with a total of 168 million square feet, and leases 27,437 buildings with 89 million square feet. If the Postal Service were a private company, it would be the 12th largest business in the United States and the 33rd largest business in the world. Its 1995 revenues of \$54 billion exceeded those of Coca-

Cola, Xerox, and Eastman Kodak combined.

The postal workers charge that privatization would increase the cost of mailing, cut rural delivery, and reduce security of the mail. Another major attraction to the privateers, not mentioned in the flyer, is the fact that the Postal Service has the largest and most sophisticated cash transaction system in the world.

Suits filed against immigrant aid cuts

The first suits filed to stop the cut-off of aid to illegal immigrants, under the provisions of the new federal welfare reform and immigration bills, were filed Oct. 11 in New York and Oct. 15 in California—the states with the largest immigrant populations.

Mayor Rudolph Giuliani (R) sued on behalf of New York City in Manhattan federal court, contending that provisions allowing city employees to turn in illegal immigrants, who seek services such as police protection, hospital care, and public education, were unconstitutional. Provisions in both of the new federal bills overturned a 1985 New York City executive order, which forbade city employees from reporting illegal immigrants, with the exception of criminal suspects.

In California, the American Civil Liberties Union joined with a coalition of immigrant rights groups, seeking a court injunction against a federal Welfare Reform Act provision, which allows California to withhold prenatal care from illegal immigrant women. They brought their suit to U.S. District Judge Mariana Pfaelzer—the same judge who issued the injunction against the anti-immigrant Proposition 187 in 1994, and the 1995 summary judgment blocking any implementation of the ballot initiative.

According to the Oct. 16 *Washington Post*, California Gov. Pete Wilson's press secretary, Sean Walsh, denounced the suit as "madness, lawyers run wild even before any services have been eliminated." Seventy thousand illegal immigrants currently receive prenatal care in California, according to Susan Drake, executive director of the National Immigration Law Center.

Editorial

A crisis of the institutions

Nearly six years after the breakdown of the Soviet system, a crisis of confidence in the institutions of government is sweeping western Europe as well.

When the Berlin Wall fell in November 1989, a mood of optimism swept through the world. Not only was an end to the Cold War in sight, but there was the opportunity for a surge in economic growth in the West and the East alike, which would be fuelled by massive infrastructure investment in the former East bloc. Unfortunately, such was not to be the case.

Lyndon LaRouche's proposal for the integration of what he called the European "Productive Triangle," as a motor for global economic development, centered in the industrial areas of France and Germany, was blocked. Instead, the British Crown prevailed. "Shock therapy" epitomized the looting policies that were imposed.

Six years later, the situation in Russia is catastrophic, and it is little better in western Europe and the world in general. We are now faced in the immediate months ahead, with an economic, social, and political crisis which is reminiscent of that which brought down the Wall in Germany and drove Mikhail Gorbachov from power.

The mass strike process which has been unleashed in France and Belgium is a lawful response to this situation. Unless the policies put forward by LaRouche prevail, the crisis will deepen. Only a showdown with the British Empire and the oligarchy which it represents, can save the day.

In Belgium, the demonstration by more than 300,000 people against the corruption of Belgian judicial institutions must be seen, on the one hand, in the context of the growing dissatisfaction of the population against the increasingly brutal austerity being imposed on Europeans through the mediation of the International Monetary Fund. Equally significant, is the fact that the pedophile ring exposed in Belgium, is directly connected to George Bush and his friends.

When the Belgian government tried to suppress the revelations, a mass protest erupted. An equally explo-

sive environment is building in the United States, as a result of the revelations of the role of the George Bush-deployed networks in pushing crack-cocaine in U.S. inner-cities.

The deepening of the economic crisis throughout the world, is reflected in this social process. This is precisely what occurred in the last days of the Soviet Union. It is in periods such as this that people lose confidence in the institutions of government, and broad, uncontrolled popular revolts are unleashed.

Only by an uncompromising exposure of corruption within and outside governments, can trust in the ruling institutions be restored. It is not a matter only of prosecuting the relative small fry, but it is imperative that people on the level of George Bush and Margaret Thatcher, be indicted and convicted for their crimes. Which means also that Lyndon LaRouche and his associates, who were unjustly persecuted by these high-level criminal networks, be exonerated.

It is the global network which Bush and Thatcher have created at the behest of the British Crown, which has successfully imposed financial dictatorships, and administrative tyranny, on nations throughout the West—making "politics as usual" virtually useless. That individuals who are willing to subject whole populations to genocide, as in Africa, should also inflict sexual abuse on young children, is not surprising, but symptomatic of the moral corruption rife in our culture.

The kind of mass strike movement which we now see emerging in Europe, and the initial signs of the same ferment in the United States, are a first step in transforming the situation. But, without the leadership of the LaRouche movement, such popular outrage can also fuel fascism. Which way the situation will go, depends on the rapidity with which the LaRouche movement is able to grow; but one thing is clear: The status quo cannot persist.

In 1989, on the occasion of the fall of the Berlin Wall, LaRouche wrote in *EIR*: "Thus we must choose: Do we want an oligarchical society, or do we want a republican society?" The choice is still before us.

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