

# EIR

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Build India's railways, to boost Land-Bridge  
Hongkong returns to China, as 'monkeys shriek'

**LaRouche announces he will  
run for President in 2000**



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by Lyndon H. LaRouche, Jr.

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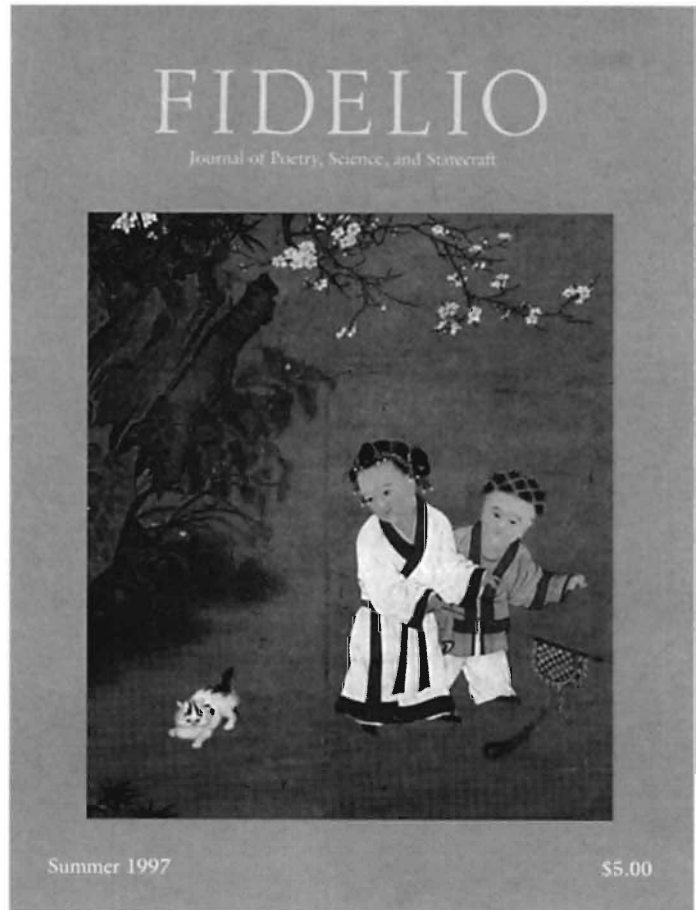
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## From the Managing Editor

Lyndon LaRouche's announcement on July 18, that he has begun his campaign for President of the United States in the year 2000, is welcome news, indeed. There is a leadership vacuum in the United States, which only he can fill. LaRouche outlined the strategic situation, in a speech entitled "War on the British, or, How to Save the Economy," at an *EIR* seminar in Washington, D.C. on July 23:

"Today, the question of a worldwide financial crash, something far more severe than 1929-1931, is no longer a matter of forecasting. . . . The crash is already here. . . . The nature of the crisis, however, goes much deeper than a mere financial crash. . . . We're not talking about how to bet on the stock market. We're not talking about where to park your money while the storms blow over the financial system; we're talking about saving the very existence of this civilization, planetary-wide, as it presently exists."

LaRouche's policies and his declaration of war against the British and the International Monetary Fund are shaping political and economic developments around the world. (In this issue of *EIR*, for example, note Italy's decision to tax derivatives, and developments in the Eurasian Land-Bridge—a report on a conference in Iran, and on Indian railways in *National Economy*.) And Americans in particular, should note well that his campaign is a challenge to them, to join an anti-British patriotic movement to save their nation, and civilization.

This week's *Feature*, on the history of Hongkong, should help cut through some of the media-induced virtual reality. In a statement entitled "Schiller Institute Congratulates China on Return of Hongkong" (see *EIR*, July 18, p. 48), Schiller Institute founder Helga Zepp LaRouche wrote, "Let us remind the world of what the Hongkong question was and is all about. It is definitely not, that 'socialism is gobbling up a bastion of 'free trade.' ' The truth about Hongkong is that one of the many crimes of the British Empire is finally coming to an end." Our *Feature* makes clear that so-called "democracy" under the Privy Council, which runs the British Empire, is a fraud. There was no democracy in Hongkong under British rule.



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The “shrieking monkeys” of the world (most of them swinging around London) were not able to deter the government of China from recovering Hongkong from the current-day British Empire—financially and politically, still the most powerful single entity on Earth. Emerging from the upheavals of the Cultural Revolution, the Sino-Soviet split, decades of tensions with the United States, and many regional wars, the leaders of China realized that their nation could not develop, without stability and peace. To achieve this, it was essential, as the late Deng Xiaoping repeatedly stated, to find new, peaceful solutions for the “problems left over from the past,” such as Hongkong.

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## Currency crises lead march to October global crash

by William Engdahl

For more than two months, a series of currency crises and fears of worse to come, have devastated the stock markets and foreign exchange reserves of a growing number of Asian countries, led by Thailand and the Philippines. Are these shocks, tiny as they are in comparison with the scale of financial and currency markets in the United States or Europe, the precursor of a global financial earthquake?

“Right now we have a Southeast Asia crisis,” S.J. Lewis, a City of London economist, commented to *EIR*. “But, as that begins to combine with what I see as the maturing potential for a full-scale Brazil financial crisis, then we are looking at something far more serious.” Lewis added, “Combine this with the financial costs of the ongoing floods in Poland and the Czech Republic, which is spreading financial unrest there. Then, sometime in October, we can also expect to see a full-fledged crisis in the European Monetary Union [EMU], with currency crises probable in Europe as well.”

The potential is great, that the Thai baht crisis, what is now a relatively small perturbation on the global financial markets, could thus detonate a chain reaction of ever-larger crises which, given the bloated stock markets across Europe and the United States, could converge with a global stock market crash. Stock and currency collapses simultaneously in more than one part of the world financial system, according to Swiss bank sources, would be “uncontainable.”

### The Asia turmoil

The immediate trigger for financial market uncertainty has been Thailand (see *EIR*, March 21 and June 6). On July 2, following a more than month-long effort to counter massive speculative attacks, reportedly led by Quantum Fund's George Soros and other offshore hedge funds to force devaluation of the baht, Thailand's government let the baht float.

Since then, the baht has fallen more than 25% against the dollar, with no bottom yet in sight. The problem is that the Thai economy is in the midst of an intense banking crisis which has yet to fully implode. When it does, it promises to unleash a new wave of currency crises which are likely to spread across so-called Emerging Market countries from Asia to Ibero-America. Moreover, Thai corporations have borrowed huge sums abroad, some \$60 billion. As the baht falls against the dollar or yen, companies' debt service soars. A wave of Thai bankruptcies is at this point all but preprogrammed, which will put Thai banks under stress.

On July 28, following feverish negotiations with the Japanese government (Japanese banks are the major Thai lenders, with \$37 billion in loans outstanding), and with the International Monetary Fund (IMF), the Thai government is scheduled to announce whether it will accept harsh IMF austerity conditionalities. This IMF agreement is the minimum precondition reportedly demanded by the Japanese government for granting an estimated \$20 billion emergency bailout assist in stabilizing the Thai situation.

According to Japanese financial sources, Japan's Ministry of Finance is trying to organize a Mexico-style international rescue package to prevent a collapse of the Thai banking system. Such a crisis would threaten severe problems for embattled Japanese banks. “The economic dilemma facing Thailand's banking system is far worse than the one Mexico faced,” claims Goldman Sachs' Roy Ramos. “Thailand is far more leveraged, with loans outstanding equal to more than 140% of GDP, compared with Mexico's 45% in 1994 before the peso crisis.”

The Thai currency crisis has spread to attacks on other fragile emerging countries. On July 21, the IMF announced that it had rushed through an extraordinary \$1 billion loan to help the

Bank of Philippines stabilize the peso, the first such IMF action since the 1994 Mexico crisis. On July 22, the Indonesian rupiah lost more than 7%. That same day, Malaysian Prime Minister Mahathir Mohamad denounced unnamed speculators, in a clear reference to Soros, for politically motivated attacks on Malaysia's and other Asian currencies. "Are we sovereign nations?" Mahathir asked. "If we are sovereign nations, shouldn't we be able to protect what belongs to us? Instead we are told we should allow such speculative activities. But they are teaming up to impoverish the poor countries."

UBS, one of Europe's largest banks, has just issued a study of the banking problems in Asia. It calls Thai bank problems, because of large bad real estate loans, low risk provisions, and wild speculation, "truly stratospheric." But UBS places the Philippines, and South Korean banks, in the same league. UBS describes the Philippines financial system as "more vulnerable now to a meltdown than at any point in the past two decades. No other Asian country has a banking system that is in as much trouble."

In South Korea, where banks just bailed out the failing automaker KIA, and where exports have stagnated for months, UBS warns its clients, "While bank runs and failures are rare in Korea, banking 'crises' are reflected in their share prices, which have fallen 40% since mid-1996. Stay away from the Korean market." On July 23, Standard & Poors, the U.S. credit-rating agency, placed five Korean banks onto its "credit watch" list for their combined \$1.9 billion exposure to KIA, to reflect what it called "heightened industrial risks faced by Korean banks as defaults continue to emerge among Korea's highly leveraged conglomerates." Hanbo and Sammi Steel collapsed earlier this year, and since then, Korean banks have agreed to rescue industrial companies. "This could lead to higher non-performing loans" for many Korean banks, S&P warned.

## Floods in Europe

The problems are not restricted to Asia, as some have tried to argue. For several weeks, the central European regions of Poland and the Czech Republic bordering Germany have been hit by the worst floods in the century. With a severe deficit of economic infrastructure investment, especially in Poland (see p. 6), the floods have caused billions of dollars in damage to the vital Silesia coal and industrial region. In the Czech Republic, just barely out of an earlier currency crisis in June, the floods will force the government to spend unplanned billions there to repair damage, threatening a new collapse of the Czech Stock Exchange and the koruna, making urgently needed foreign investment that much less likely.

Investors have taken to flight out of the Polish zloty and the Czech koruna. Some estimates put the actual damage, as opposed to what is insured, in both countries as high as \$10 billion. Speculators have reacted. The zloty fell 4% in one day, despite central bank interest rate rises and intervention, and the koruna is again under pressure.

Investors have also begun to rethink the recent success story of Brazil, where draconian economic deflation measures in the "Real Plan" 18 months ago have controlled hyperinflation, but at the price of severe bankruptcy problems for mid-size companies unable to repay bank debt. Brazil has covered over the problem in recent months with a huge inflow of short-term borrowing from mainly U.S. banks, such as Chase and J.P. Morgan. Were confidence to collapse and the banks to call in their loans—an estimated several billion dollars—Brazil would plunge into a Mexico-style crisis as well. In mid-July, investors, fearing that the Thai crisis would spread, sold stock shares in the São Paulo exchange, triggering a 15% collapse in three days.

The Brazilians and their U.S. bank creditors are holding their breath. Lewis estimates, because the bad loans held by Brazil's banks will increase as long as the Bank of Brazil is forced to defend its currency with higher interest rates, that "sometime in September or early October we could see a full-scale Brazil crisis."

## Is a euro crisis next?

In this context, little noticed outside foreign-exchange trading rooms has been the development on Europe's foreign exchange market in recent days. The German mark, traditionally the "anchor of stability" for the European Union, has fallen 23% against the dollar since summer 1995, when the Bundesbank began to ease interest rates in hopes of stimulating Germany's depressed economy. But today, the mark is in danger of free fall, as speculators calculate that the Bundesbank is powerless to stop a fall during the countdown to Europe's EMU. A rise in German rates to defend the mark would trigger a market panic across Europe, risking killing the EMU.

Traders say the late-July decline in the mark was triggered by growing belief that the resulting single supranational currency, the euro, due to be created on Jan. 1, 1999, will be a weak one. On July 21, French Finance and Economy Minister Dominique Strauss-Kahn revealed that an audit of government finances showed the deficit likely to hit 3.5-3.7% this year. The 1997 deficit for a country to be allowed to enter the EMU, should not be above 3.0%. When the French government revealed its far weaker economic results, and combined it with a restatement of French intent to be among the first EMU countries, along with Italy, financial markets reacted by selling francs and marks, and buying dollars.

In the complex political chess game now under way to determine who qualifies to join EMU, the issue of Italy has become pivotal. "If Italy manages to join on the first round," Lewis stated, "my view is that Germany would then be forced to announce delay of the entire EMU, something with unpredictable and perhaps fatal consequences."

Marcello de Cecco, an Italian economist, told *EIR*, "The German elites, especially the banks, want a hard, stable euro because they're prepared, and the other countries' banks and companies aren't. German banks are fixated on switching

from their present tradition of industrial economy to a service economy where banking and finance dominate. This, they believe, will only be possible if the euro is strong from the start. Then they can buy up weaker French or other banks at a premium discount." On July 24, Deutsche Bank Chairman Rolf Breuer announced that Germany's largest bank, which just posted record after-tax profits of 27%, was planning to buy up French banks or financial institutions. "This is one of the biggest things we're looking at," Breuer said.

But, France, for political reasons, insists that weaker countries like Spain, but especially Italy, must also be allowed to join the EMU, partly as a defense against stronger German banking competition.

According to informed Brussels European Commission reports, this tension over Italy will come to a head around October, when the EC issues an official estimate of each country's expected budget deficit for 1997 and 1998. According to this report, the "estimate" will show Germany, France, and Italy in 1997 all with a 3.4-3.6% deficit. But, for 1998, Brussels reportedly will estimate both Germany and France below 3%, but Italy at 4.8%. "These estimates in any case are politically manipulated," stressed De Cecco. But such a report, with so negative a forecast for Italy, according to currency traders, would trigger a panic sell-off of the lira, and soaring Italian interest rates, which would devastate Italian

chances of early entry to the EMU. For months, banks and investors have speculated that Italy will meet the criteria, and have invested billions into Italian bonds, which still pay a higher interest rate than French or German bonds.

"But an EMU crisis in October," Lewis concluded, "especially in the context of what by then I expect to be even larger banking crises in Asia and probably Latin America, would create the critical mass for a real global crisis. Add to these currency problems which are building across the world, the problem posed by historic new record high stock markets from New York to Frankfurt to Paris and Milan. The moment the Fed or German central bank raises interest rates, that bubble will also burst."

The present vulnerability of the global system to such a shock, was noted by a Boston fund manager in reference to Fed Chairman Alan Greenspan's July 22 Senate testimony. "If Greenspan says anything about 'irrational exuberance,'" he noted, "the market is going to panic." Obviously, this was just the reason Greenspan perplexed his listeners, by intoning a bizarre hymn to a "new paradigm" of inflation-free prosperity, suggesting no plans to raise interest rates. Had he raised rates even 0.25%, as he did on March 25, it would likely have triggered a chain-reaction collapse of world stock markets, and detonated an emerging market collapse which would drag down banks from New York to Tokyo to London.


# Videotapes Available from FDR-PAC

## The U.S. Backers of Britain's Africa Genocide



EIRNS/Stuart Lewis

**FRONTMAN:** New Jersey Congressman Chris Smith



Courtesy of Adella Hardin, Elko Daily Free Press

**KINGPIN:** Former President George Bush, who is a board member of Barrick Gold, which led the 1996 mining companies' invasion of Zaire. Here, Bush visits Barrick's Goldstrike facility in Elko, Nevada, along with former Canadian Prime Minister Brian Mulroney.



EIRNS/Stuart Lewis

**FRONTMAN:** Virginia Congressman Frank Wolf



EIRNS/Stuart Lewis

**FRONTMAN:** New Jersey Congressman Donald Payne, former head of the Congressional Black Caucus



EIRNS/Stuart Lewis

**BLOODSUCKER:** Televangelist 'Diamond' Pat Robertson



EIRNS/Stuart Lewis

**KABILA'S BUDDY:** U.S. Refugee Committee chief Roger Winter

**Africa: Looting Ground for 'Bush, Inc.' or Breadbasket for the World? Part 1,** Jan. 11, 1997: 1 hour, \$20 [FDP 97-002]; or, 2 hours, \$35. [FDP 97-005]; (dubbed for Spanish: 1/2 hour, \$20 [FDP 97-007]).

**Africa: Looting Ground for "Bush, Inc." or Breadbasket for the World? Part 2,** Jan. 25, 1997: 1 hour, \$20. [FDP 97-004]

**Never Again! London's Genocide Against Africans,** June 18, 1997: 1 hour, \$20 [FDP-97-012]; or 90 minutes, \$30 [FDP-97-013].

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# Southern Poland can be an economic powerhouse

*The following statement, entitled “Make Silesia and Southern Poland the Most Modern Economic Region in Europe!” was released by the Schiller Institute in Poland and distributed to Sejm (parliament) deputies, trade unionists, and government agencies. Poles are overwhelmed by the extent of the disaster which has resulted from two weeks of heavy rains: About 1,000 villages and townships have been flooded, including two big cities, Wroclaw and Opole, and over 20% of the country will have to be rebuilt almost from scratch. The next danger the population faces is the threat of epidemics, because bodies of thousands of dead animals are floating in flood waters, and many sewerage systems have been destroyed. The \$750 million credit line which the National Bank of Poland opened for reconstruction, plus small amounts of credit from other sources, will almost certainly not be enough to rebuild, let alone to turn this tragedy into an economic success.*

It is in the face of disastrous crises and catastrophes, that the willpower of a nation and its people to struggle for the common good is tested in the most direct way. The tragic death toll, which the flood of the century in southern Poland had taken, the thousands of homeless people, who lost everything except their lives — this must be a moral imperative for all of us to turn evil into good, as it is the only *human* answer to such a disaster. If we want to give meaning to the lives of those people who died in the flood, we have to finally reverse those fundamental shortcomings of the neo-liberal shock therapy approach of the last three years. The government asked the Parliament to approve a loan from the National Bank of \$750 million. It is important now that this money be properly spent.

We have to remind ourselves, that every great project to build or rebuild a national economy into full prosperity, was undertaken *against the free market forces and only on the basis of political-strategic decisions by governments to launch an economic recovery*. There are many examples for this — de Gaulle’s France after 1958, the Kennedy program in the United States, etc.

But let’s take an example, which can be a good comparison for the present situation in Poland. In 1923, Tokyo was destroyed totally by a disastrous earthquake. The debate arose, whether the city should be rebuilt or not. Finally, the Japanese government decided to build a modern Tokyo — with the most modern infrastructure and technical equipment — on the basis of a breathtaking generation of incredible sums of *credit!* This credit was created by the National Bank

of Japan. The official school of economic liberalism was in panic over the danger of “hyperinflation” that this huge sum of credit would create. But the effect of this operation was a deflationary stabilization of the Japanese currency, because the project to rebuild one of the greatest cities on earth, Tokyo, stimulated the greatest economic recovery Japan had ever seen. All branches of the economy — machine building, construction, electrical industry, steel, coal, auto production, etc. — participated in an unprecedented way in this recovery program.

With such a methodological approach, the present natural disaster in Poland must become the spark for transforming the whole southern part of our nation into the most prosperous region of Europe. If we decide to not simply “rebuild,” but actually build from scratch, the high-speed railways (including maglev trains), new highways, dams and water control systems, modern electricity plants (such as HTR reactors), entire new cities with modern, underground infrastructure, new scientific and cultural centers, a new industrial infrastructure for high-technology chemical and machine-building factories using the advantage of the traditional coal and steel mills in Upper Silesia, which must not be closed down — then we would instigate the greatest economic recovery period that Poland has ever lived through.

## **This is not a financial problem**

Who will pay for it? This is not a financial problem, but only a political one. At stake is the national sovereignty of Poland. We have to recapture this sovereignty as a political principle, which must be expressed by a reform of the National Bank. The National Bank has the duty to generate — outside the budget — the necessary credit lines, which can be limited only by the availability of workers and material. The detailed technicalities of this credit generation must be worked out by a group of experts immediately. Whatever method of obligations they want to choose — state bonds or National Bank credit poured through the private banks — this must be decided from the standpoint of speed and effectiveness. The credits must be given *only* to the projects of the recovery plans and must be issued as long-term, low-interest credits. With such an approach, we will not only transform Silesia and Poland, but we will invite the neighboring Czech and Slovak Republics, which are also suffering from the flood, to cooperate, as well as other European countries that want to participate in the rebuilding efforts. By this, Poland could create a European-wide process of economic recovery. It should be added, that this whole rebuilding project should be seen as part of a broader perspective to rebuild the economies of the Eurasian continent along the infrastructure program of the Eurasian Land-Bridge, which is an imperative for the next century, if we do not want to fall backward into a Dark Age of misery, poverty, and war, through the prevailing dogmas of monetarism, where the speculative part of the economy has already largely destroyed the productive part.

# Italy adopts a tax on derivatives

by Claudio Celani

On July 11, the Italian government announced a capital gains tax, including on derivatives transactions. Starting in July 1998, speculative gains in the Milan stock and currency markets will be taxed 12.5%. The measure now goes to a special committee in Parliament, the "Committee of 30," which is a fast-track procedure, for approval.

If the measure is not killed by the Parliament, it will be the first time that a member-nation of the Organization for Economic Cooperation and Development and NATO has moved openly to curb financial speculation. The significance of such a move is more political than economic; it is, in fact, projected that the tax will not increase revenues, but, rather, discourage speculation. It is therefore wished that other OECD countries follow the example: first of all, Lionel Jospin's government in France, because French Socialists have campaigned against financial speculation, but the United States as well.

An effective derivatives tax must hit the world centers of speculation: Wall Street and, foremost, the City of London. The Italian derivatives tax will help deflate the speculative bubble in the Milan markets, but capital will simply flow to London or other tax-free markets. Nevertheless, a small part of the cancer, on the Italian side, will be cut out. It has been calculated that the Milan Futures Market, which amounts to about \$1.7-1.9 billion, will be reduced by at least 30% by the new tax. An official in charge of the derivatives market for the Italian Banking Association, hinted to *EIR* that, given the ongoing process of "harmonizing" fiscal systems among European Union countries, it is theoretically possible that all European nations could adopt the same capital gains tax. However, the decision to adopt such a tax on a European scale is entirely political. It would be conceivable that continental European countries (Italy, France, and Germany) would adopt such a policy, but only if they decide to revive their pro-industrial tradition and dump free-market policies. In that case, they could force Britain to do the same, threatening to introduce capital controls if Britain refused.

In other words, the fight has just started. The reader may be asking himself: Why did the Italian government, led by a friend and former partner of speculator George Soros, suddenly decide to fight financial speculation? The question is legitimate, because it is not the case that Italian Prime Minister Romano Prodi has turned pro-development. In reality, the derivatives tax is the result of the intervention of *EIR* founder

Lyndon LaRouche. LaRouche was in Italy in late 1996 and in April 1997 (see *EIR*, Dec. 13, 1996, p. 13; April 25, 1997, pp. 4-5), where he met with high-level political representatives. LaRouche told his interlocutors: The international financial system is going to explode; do not follow the International Monetary Fund down with the *Titanic*, but get out of it as soon as possible. In those days, the Finance and Banking committees of the two houses of Parliament, both chaired by pro-labor forces, were discussing a strategy to save Italy's bankrupt banking system, and the derivatives tax was an issue on the table. The collaboration between the two committees and the finance minister has brought as a result the bill announced by the government on July 11. The radical free-market faction in the government, which includes Prodi, but whose chief is Economics Minister Carlo Azeglio Ciampi, apparently could not oppose a move which was smartly presented as one of "budget balancing."

## Policies decided by financial markets

In a related development, a new book, *Unemployment and Third Capitalism*, by former minister Paolo Savona, now head of the Interbank Deposit Protection Fund, has recently been published. In it, Savona blasts globalization as a dictatorship of financial oligarchies, taking monetary sovereignty away from nations, producing unemployment, and destroying social welfare. Savona, who is an internationally renowned economist, reports on the initiative of the "Fondazione Guido Carli," a quasi-institutional body chaired by Banca d'Italia's Governor Antonio Fazio, to push for a new international monetary order. This proposal goes in the same direction as LaRouche's proposal for a new Bretton Woods system. In the book, written in the form of an interview with journalist Gianni Pasquarelli, Savona says: "A new form of democracy (but I doubt that democracy is the right word to define it) is emerging, in which policies are not proposed by governments and decided by parliaments, but proposed and not infrequently decided by financial markets, above all the international financial market."

Explaining who those forces are, Savona says: "It is those who possess or more simply can move huge masses of money from one place to another, exploiting market liberalization, globalization, computerization of systems and the abdication of monetary authorities from controlling those paper masses. . . . It is an economic-financial oligarchy, that is, a limited number of persons in relationship to the inhabitants of a country or of the world."

**Q:** "Do you mean an underground government? . . . A world economic government?"

**Savona:** "In a certain sense, yes, but without 'conspiracy theories.' . . . It works in broad daylight. . . . Markets today count more than parliaments, not to speak about the 'man in the street.' "

**Q:** "Is this confirmed by George Soros's answer . . . 'I make economic fundamentals of countries'?"

# Currency Rates

**Savona:** “. . . The situation is exactly what you describe. . . . It is the international financial market which has monetary sovereignty. . . . The progress of civilization involves maintaining popular sovereignty and a network of social welfare. . . . Oligarchies controlling the international market do not show social sensibility. . . . For them, cutting the welfare net is the banner under which they fight the new economic battles.”

Savona accuses the EU of proceeding with an insane policy, the Maastricht Treaty for a single currency union. “The European Union claims fiscal rigidity . . . awards the rentier and penalizes the productive entrepreneur. . . . This is the vice, the ‘big sin’ of those who have the responsibility for international monetary creation. . . . For this reason I believe that, if things stay like this, the worst is yet to come.”

**Q:** “Will we have a Great Depression again and a new New Deal?”

**Savona:** “Maybe, but if this were true, history has taught us nothing! . . . I insist that a more forceful fight should have been engaged to prevent the insanity of Maastricht’s rigid parameters. . . . The kind of Europe they propose to us will end up with using unemployment as the unique and prevailing instrument for adjusting international competition . . . to present us with a ‘nice’ financial democracy.”

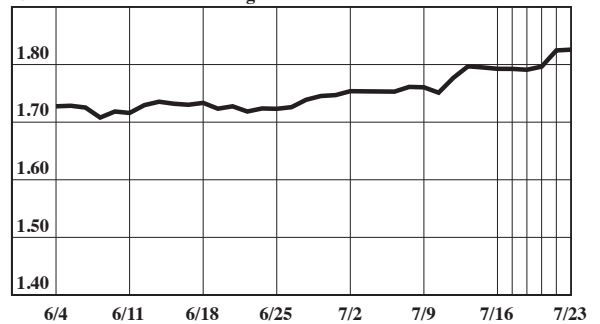
## An anecdote

To illustrate the lunacy of people who decide policy in the international financial institutions, Savona recounts an anecdote: “At the beginning of the 1970s . . . I participated at the first meeting of the Eurodollar surveillance committee at the BIS [Bank for International Settlements]. . . . Together with Francesco Masera, head of the Study Center of the Banca d’Italia, we presented a memorandum demonstrating the technical possibility to control, and even neutralize, international financial speculation. Boxed in at the logical and technical level, representatives of other central banks admitted that it was possible to intervene with good probabilities for success, but that there were so few areas of freedom in the world . . . that, if we were to abolish or limit the freedom of moving capital and creating international money, the world would have felt suffocated. . . .

“The Fondazione Guido Carli, recently founded by the Italian Senate, the Bank of Italy, Confindustria [industrialists’ association], LUISS university, and Mediocredito Centrale bank . . . wants to bring up again the issue of a functioning international monetary system. . . . The fight could be won; however, not at the level of a single country, but rather through an international agreement. If, for instance, European heads of government intended to regain monetary sovereignty, instead of the simple control over state deficits, demanding that central banks implement this action, maybe we would feel Europe was closer and more civil than the rest of the world. . . . Therefore, the responsibility is still on those authorities which count, the United States and Germany first of all, but Japan as well.”

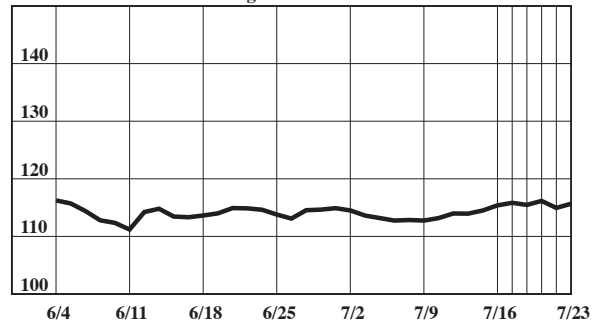
## The dollar in deutschemarks

New York late afternoon fixing



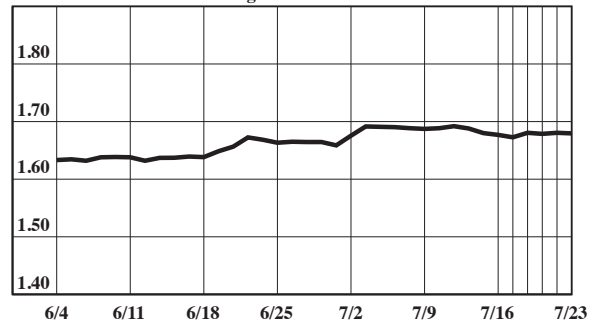
## The dollar in yen

New York late afternoon fixing



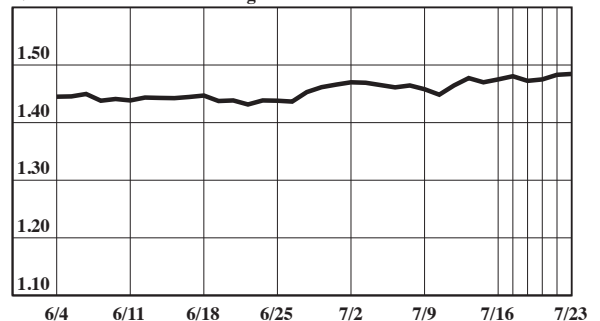
## The British pound in dollars

New York late afternoon fixing



## The dollar in Swiss francs

New York late afternoon fixing



# Iran takes up the fight for the development of Africa

by Muriel Mirak Weissbach

If events in Africa have made the headlines of the world's main press organs, it has been, more often than not, to chronicle the ongoing genocide perpetrated against civilian populations throughout the Great Lakes region, or to deny that it is taking place. Rarely has public opinion been informed of constructive efforts being launched, to benefit the nations of the great African continent.

In this light, a conference which took place in the Iranian capital of Teheran recently, deserves considerable attention. On July 14-15, a seminar was held, which posed the central strategic issue, what future for the African continent. The seminar, sponsored by the Institute for Political and International Studies (IPIS), was the third on the theme which this institute, associated with the Foreign Ministry, has organized over recent years. Political figures joined with clergy, academic researchers, including several from Europe, and members of the diplomatic corps from Africa, to present views on "Iran-Africa: Practical Ways for Development and Cooperation." Papers on a variety of themes, related to economic, political, and cultural questions, were presented by Iranian government officials and guests. Among the government spokesmen, were His Excellency Abdollah Kashani Movahed, Director of International Affairs of the Ministry of Industry; H.E. Hossein Shaikh al-Islam, Deputy Foreign Minister for Arab and African Countries; H.E. Seyyed Mohammed Kazem Khansari, Director General of Arab Middle East and North Africa, Ministry of Foreign Affairs; H.E. Karbasian, Deputy Trade Minister; and others. Among the speakers from Africa, were the ambassadors from South Africa, Senegal, and Sierra Leone; diplomats from Libya, Egypt, Nigeria, and Niger, were also present.

Even if the conference had been convoked, merely to provide basic information on the subject, it would have been a laudable effort. Although Iran's activities on the Eurasian continent, linked to the expansion of railway networks, have been the subject of careful, usually critical scrutiny and press commentary, the country's foreign policy thrust in Africa has been either ignored, or condemned as an attempt to "Islamize" the continent. Thus, it was extremely important to set the record straight.

The contours of Iran's Africa policy were presented by the outgoing Iranian President, Ali Akbar Hashemi Rafsanjani. Speaking to a closed session of speakers and diplomatic guests of the seminar, President Rafsanjani, who conducted a successful Africa tour last year, developed the concept that countries of the developing sector, in particular in Africa, have much to benefit from in the experience of the Islamic Republic of Iran. The I.R.I. could be a model, he said, in that it, like many African countries, had resources which were being plundered by international forces, instead of being developed for the benefit of the independent nation and its people. Referring to the enormous human potential and vast natural resources in Africa, Rafsanjani said that the illegitimate presence of foreign powers, with colonial objectives, had prevented development there. "History bears witness to the fact that the big powers lack good will in rendering assistance to other countries and their presence in the Third World countries only aggravates the problems facing those nations," he said. Illustrating the modus operandi of the great powers in Africa, he said, "They come in with milk powder, with weapons, and with some loans from the World Bank. Then they create conflict." He attacked Great Britain, the United States, and France for their role in Africa, and pointed specifically to the Great Lakes region, where foreign powers, he said, are fomenting conflict in order to allow the cartels to take over raw materials. He mentioned Burundi, Rwanda, Zaire, Sudan, and Eritrea in this context. Although, he said, tribal and ethnic problems have existed in these countries, today they are being exploited by outside forces.

## Immense resources underutilized

Turning to the question of development, Rafsanjani reported on how, during his Africa tour last year, he had seen immense resources being underutilized. "Since the talent, potentials, and wealth of African nations are undoubtedly admitted by all," he said, "there should not be any justifiable cause for their poverty and various shortages. It gives us great pain to observe such a situation." In Zanzibar, he said, the enormous tuna potential had not been developed; several great rivers on the continent, he said, had created immense stretches



*The historic square of Isfahan, the capital of the Safavid Dynasty, from the 16th century to the 18th century. Isfahan was the capital of Persia during this time. The magnificent palaces and mosques are among the greatest achievements of Islamic architecture in the world.*

of arable land, which, however, was not being cultivated adequately. He mentioned the problem in Sudan, which has the rich Nile waters, but not enough pumps to take water where it is needed. With very little, he said, a significant increase in economic growth could be generated.

In this context, he also criticized the conditions of trade imposed on African nations from abroad: Instead of being able to trade with one another, or to trade directly with other countries, for example, in the Middle East, African nations are forced to sell their goods to European merchants, who then sell them to other buyers. He pointed to one case of a country which was selling its cashews to a European trader, who then sold them to other buyers, taking 20% off the top. Rafsanjani suggested instead, that value added through processing in the producer country, should go to the benefit of the producer. For this reason, he said, Iran promoted direct bilateral trade relations, and encouraged other countries to do the same.

What Iran can do concretely, he said, is to use its expertise in development, by sending personnel to African countries, or inviting Africans to Iran, for training. One central point made by Rafsanjani, was that it would be less important for

Iran to simply sell its manufactured products to African countries, than to help enable those countries to produce manufactures themselves. Iran's experience in road-building, rail building, dam construction, the oil industry, and so forth, could be usefully exploited by African nations. He proposed that Iran build schools and universities in Africa.

Rafsanjani said, "The Islamic Republic of Iran has good will in its relations with the African nations and its cooperation with them is prompted only by Islamic and humanitarian motives." He urged the participants in the seminar, to come up with concrete proposals for enhancing cooperation with Africa.

### **What Iran has done in Africa**

What the President outlined as policy parameters, was complemented by several speakers, who documented the actual work done by Iran on the continent. The ambassador of the Republic of South Africa, in Teheran, H.E. Moosa Mohammed Molla, noted that the Islamic Republic of Iran, which had cut off relations with the apartheid regime, was among the first to establish relations with the post-apartheid government. The South African diplomat welcomed Iran's



*Muriel Mirak Weissbach (at podium, second from left) delivers a speech to the seminar in Teheran on Africa. Chairing the session is Her Excellency Haja Alari Cole (second from right), ambassador of Sierra Leone in the Islamic Republic of Iran.*

offer of a “special relationship,” based, he said, on cooperation in the areas of mining, economics, cultural exchange, health, and technology. He pointed out that the diplomacy pursued by Teheran, to develop parity relations with a country of Christian and indigenous African religions, “bridged the cultural divide,” and refuted the notion of an “inevitable clash of civilizations,” promulgated by those spinning scenarios of conflict. Iran, he said, had established diplomatic relations with South Africa, Nigeria, Sierra Leone, Tunisia, Morocco, Libya, Egypt, and Sudan, and was establishing ties with Togo, Gambia, and Uganda. Mozambique, Namibia, and Ghana have relations, although they have not yet opened embassies in Teheran.

Among the achievements of Iran’s foreign policy on the continent, presented by H.E. Abdollah Kashani Movahed, Director of International Affairs of the Iranian Ministry of Industry, are bilateral agreements for infrastructure and the promotion of trade. In addition, Iran has made banking agreements for payment in trade, and has established civil aviation, shipping, telecommunications and postal links. Several other measures have been taken, to encourage relations on a bilateral level, including the abolition or facilitation of visas, legislation to prevent double taxation, and protection of foreign investments.

Kashani pointed to the creation of a High Council for Africa, as indicative of Iran’s commitment to pursue relations with the continent. The council was founded in the wake of Rafsanjani’s 1996 Africa tour, and works under the President’s direction. Perhaps the most crucial factor in Iran’s Africa policy, identified by Kashani, is the access

which African interlocutors will gain, through Iran, to future trade partners throughout Central Asia. “Open access to Iran,” he said, “means access to 15 countries, to members of the Economic Cooperation Organization, and to former Soviet republics.” Kashani cited a March 1997 circular, which guaranteed countries seeking trade with the Central Asian Republics, access without any particular permits. “We are opening markets in Central Asia to all African countries,” he announced.

### **Recolonization or economic cooperation**

The connection of Africa to Central Asia, through Iran, was developed as well, in a paper by Muriel Mirak Weissbach, of *EIR* magazine. Addressing “The Role of the Great Powers in Africa and the Consequences on Relations between Africa and Iran,” she contrasted the raw materials grab strategy of British-led cartels, to a policy of regional peace and security, through economic cooperation. Depicting the strategic goals of the cartels, she drew a grim picture of nation-states being dismantled and populations subjected to genocide, while the cartels move in to secure concessions, protected by private mercenary armies. This onslaught, which is continuing in the Great Lakes region, and threatens to expand to Kenya, Nigeria, and Sudan, she said, should be placed in the context of the imminent collapse of the monetary and financial structures associated with the post-World War II order.

Diametrically opposed to this recolonization drive, she said, was the policy enunciated by Iran, for bilateral trade and economic cooperation agreements. This is an application to Africa of the policy Iran has been pursuing throughout Central



*A view of Teheran. Throughout this immense city of over 7 million inhabitants, cranes can be seen, along with other construction equipment. The Iranian government is engaged in a vast project to provide housing for its population, by constructing high-rise apartments, such as those seen here along the city's skyline.*

Asia, in cooperation with China, to build the Eurasian Land-Bridge. If Iran has been under attack by British geopolitical circles, because of its commitment to the Land-Bridge program, it is also being assaulted for its analogous approach to Africa. Yet, despite such sabotage, she said, the momentum for the infrastructure development approach had become unstoppable, and must be accelerated at all costs. Here, the speaker proposed that the Eurasian Land-Bridge be extended into Africa, along the lines of the infrastructure projects elaborated and circulated by *EIR*, for transcontinental rail networks, as development corridors. This would allow for the integration of the economies of African nations, and lay the basis for the long-overdue task of industrializing the continent. She concluded by identifying the possibility that the Clinton administration, faced with the financial collapse, could be forced to introduce new monetary structures, and support a perspective for Eurasian and African economic development.

### **The summary declaration**

Several of the themes discussed and recommendations made during the two-day seminar, were picked up in the con-

cluding session, when J. Roshanzamir, Head of Africa Studies, of the Institute for Political and International Studies, presented a summary declaration. The seminar had examined economic policies which could be the foundations for development, he said, and had focussed on the need to increase trade between Iran and African nations. The seminar had reviewed the influence of the Great Powers on the continent, and had considered geopolitical issues, like the collapse of the bipolar system and its effects on regional cooperation in Africa.

Among the recommendations listed, were the following: Iran should expand ties to Africa, in full respect for national sovereignty and independence, and in a spirit of neutrality. Citing Rafsanjani, the final communiqué said that Iran's approach should not be for profit, but for development. This would require the creation of orderly mechanisms between Iran and African countries, within the context of enhancing South-South cooperation. Bilateral relations should be enhanced through the establishment of shipping and airline connections. Human resources should be trained. Iran should rather export technology and services, than manufactured goods: In particular, Iran can use its vast experience in con-





*Iranian President Ali Akbar Hashemi Rafsanjani (right) received the speakers and diplomatic guests of the "Iran-Africa" seminar, on July 14. In his speech to the group, Rafsanjani outlined the Islamic Republic of Iran's approach to Africa, based on economic cooperation, technology transfer, and respect for national independence and sovereignty.*

struction of dams and silos, in Africa. Furthermore, the Silk Road should be extended to Africa, a project in which Iran had a special role to play. There should be a firm stand against colonial powers and vigilance. Iran will expand its relations with Muslim countries of Africa, through the Organization of Islamic Conference. Finally, Iran should expand its university studies programs in Iran and in African countries, and the sponsoring institution, the IPIS, should establish relations with similar institutes in Africa.

### **Other aspects of foreign policy**

Although economic cooperation were the motor force behind Iran's approach to Africa, other vitally important aspects of foreign policy were not overlooked in the seminar. Considerable attention was devoted to questions relating to cultural issues, the relations among different religious communities, and the role of Islamic organizations.

H.E. Ayatollah Taskhiri presented a "Review of the Cultural Situation in Africa, Influence of Western Culture and Ways to Counter and Enhance Cultural Strength of Africa." Ayatollah Taskhiri began with a few key statistics that summarize the plight of Africa's populations. Although the continent has over 600 million people, it accounts for only 4% of international exports. The annual income of the entire continent, he said, equalled that of the Netherlands, which has only one-tenth the population. In this situation of poverty and underdevelopment, where despair leads to crime, the speaker reviewed the role of certain Christian churches on the continent. Stressing the fact that most of the new Christian communities implanted there, numbering in the thousands, were introduced by the colonial powers, he identified cases in which

church organizations were being "used and misused by foreign forces." In particular, he criticized certain sects presenting themselves as Christians, who claim special powers from Jesus Christ, to heal the sick, and perform other miracles. As for Islam, the religious leader reported on the establishment of theological schools, in Ghana, Sierra Leone, Tanzania, and Kenya, as well as of universities, especially the African university in Sudan, where students from 44 African countries come to study.

The "Cultural Influences of Foreign Powers on Africa: An Overview," was presented by H.E. Haja Alari Cole, the ambassador of Sierra Leone in Teheran. In her paper, Ambassador Cole illustrated the richness of African culture, and the wide variety of ethnic groups and linguistic communities, and their associated traditions, arts, and technologies. With the 19th-century scramble for Africa, Western customs and languages were introduced, according to the policies of "assimilation," in the French and Portuguese territories, and "indirect rule," among the British territories. Ambassador Cole complained that "Western tastes were acquired more quickly than Western skills," such that European dress was adopted, for example, but not the means to produce it. The resultant "cultural confusion" in Africa, she said, could be overcome, if the way could be found of "re-establishing some old values in the process of modernization." Ambassador Cole stressed, this did not mean returning to pre-colonial days, but, strengthening African identity in harmony with the process of development. In this context, she evaluated the experience of several African countries, with Iran; they "have embarked on positive policies ranging from technological exportation to training of human resources, to





*The Islamic Republic of Iran has implemented an ambitious infrastructure development policy, providing the country with modern three- and four-lane highways, as well as extensive railway networks.*

broaden the scope of cooperation.”

The common religious heritage of Islam, was considered by several speakers as a great advantage in striving to encourage African economic development. In particular, the Organization of Islamic Conference (OIC), was identified as a vehicle for promoting such cooperation. Hamid Hadian, an expert on international affairs, spoke at the seminar on “The Forthcoming OIC Summit Conference in Teheran: A Groundwork for Development of Institutionalized Cooperation with Muslim African Nations.”

Hadian argued that, “in the absence of the traditional ideological rivalries between the United States and the former Soviet Union, common cultural and religious beliefs have prepared the groundwork for greater cooperation among Muslim nations.” These, which comprise one-fourth the world’s population, represent 20% of the world’s land mass, and possess massive oil and gas reserves, could turn into a powerful bloc, he said.

Hadian turned to the OIC, which, he said, had been “founded to pursue political goals,” but proposed that it be utilized as a vehicle for economic progress. “The African Muslim nations, with their enormous economic and trade potentials, rich natural resources, high populations, and geopolitical conditions, on the one hand, and political, economic, and cultural changes, on the other, have the ability

to institutionalize their cooperation in the context of the OIC, thus strengthening their economic cooperation, as the best strategy for upgrading their position in international relations.” Hadian proposed as well that Iran make use of the OIC’s “specialized committees and the Islamic Common Market for the development of economic and trade relations with Muslim African countries,” as well as of industrialization.

The proposal floated at the seminar, to recast the function of the OIC, is of immediate relevance, considering that Teheran will host the summit of that organization, in December 1997. In fact, as the seminar was taking place, Iranian Foreign Minister Ali Akbar Velayati was conducting a tour of African Muslim countries, to deliver the invitation from President Rafsanjani for the summit, to the heads of state. The Presidents of Gambia, Guinea, Mali, Niger, Togo, Benin, Chad, Gabon, and the Comoros, announced their acceptance of the invitation, and pledged to participate actively in the conference. Speaking to the press on his return, Velayati noted that the officials and the people of the countries he visited harbored a special respect for Islam and Iran. While referring to the fact that the overwhelming majority of African nations are members of the OIC, Velayati noted that apart from relations in the political field, good ties can also be built in the economic and commercial spheres.

## Rio Tinto attacks the nation-state

*The Queen's own company is out to break not only the unions, but destroy the nation as well.*

On June 10, the 470 unionized employees of the Hunter Valley No. 1 coal mine in northern New South Wales walked off the job in protest at the plan of their employer, the Coal and Allied company, to institute "individual contracts," and thus to eliminate the three unions to which the workers belonged. Coal and Allied is a subsidiary of the infamous multinational, Rio Tinto Zinc, now known as Rio Tinto. Rio Tinto claimed that the unions had to be wiped out, because the mine's profits had fallen from \$40 million in 1992, to \$5.6 million last year. As of this writing, the strike continues, though both sides have now agreed to talk.

Spokesmen for the unions involved see the situation as a conspiracy to implement the government's new Australian Workplace Agreements Act, designed to eliminate unions altogether. Tony Maher, a strategist for the Construction, Forestry, Mining, and Energy Union, charged that the government of Prime Minister John Howard, which has threatened to bring in troops to keep the mine working, is merely "the political department of Rio Tinto."

Maher's charges have a sound basis: A key Rio Tinto executive, Mike Angwin, who had been seconded to the government without pay to help draft the legislation, is today the company's chief strategist in the Hunter Valley strike. Erroll Bailey, a union safety officer and production miner at Hunter Valley, added, "They want us to work for a bowl of rice and we aren't going to do it. Before Rio Tinto bought this pit three years ago, it was the most profitable in the Hunter. Since then they have run it down so they can jus-

tify this confrontation by saying it is unprofitable."

Rio Tinto has a history of manipulating, and even overthrowing Australian governments, as in the key support it provided to oust the Liberal Party's Prime Minister Sir John Gorton in 1971, and then Labor's Prime Minister Gough Whitlam in 1975. Whitlam and Gorton, each in his own way, were nationalists who wanted to use Australia's great mineral wealth for the good of the nation, instead of the enrichment of a handful of British-owned multinationals.

The stakes in the current strike go far beyond simply installing, or even owning an Australian government: Rio Tinto intends, through breaking Australia's unions (the backbone of the old Labor Party which built the nation of Australia), and through the scam of "Aboriginal land rights," to eliminate the Australian nation-state altogether.

Rio Tinto is the second largest mining company in the world. Together with its business partner, Anglo American, it controls almost 15% of the entire non-fuel mineral production of the Western world. The company is an arm of some of the oldest, and dirtiest, elements of the British oligarchy, and is crucial for that oligarchy's strategy to grab all the world's raw materials it can, in the face of the onrushing global financial collapse.

Rio Tinto was founded in 1873 by Hugh Matheson, with the profits of the Hongkong-based Jardine Matheson, itself founded in 1828 to run opium. Matheson's new company was set up to take over much of the mineral wealth of Spain, after the British installed a pro-free trade government.

Ties to the dope trade have continued into the modern era: Matheson's successor at Rio Tinto in 1898, was J.J. Keswick, a partner in Jardine Matheson, a relative of the Mathesons by marriage, and himself of another leading opium-trading family, while the financing which enabled the 1962 merger between the London-based Rio Tinto and Consolidated Zinc, an Anglo-Australian firm, was provided by the First Bank of Boston, whose ties to the drug trade for over a century have been documented in the best-seller, *Dope, Inc.*

Rio Tinto is controlled by a mere 126 "accounts," who represent a number of the British oligarchy's *fondi* (family funds). Chief among these is the private fortune of Queen Elizabeth, (under)estimated by *Harpers and Queen* magazine in 1991 to be \$13 billion, having grown an astonishing 25% over the year before. The Queen's Rio Tinto holdings are notorious enough, that former RTZ Chairman Sir Mark Turner once observed, "You're running into problems of what the government is going to say about the Queen's involvement."

This is the apparatus now being unleashed against Australia. As serious as the assault is, it has its ironies. Rio Tinto has for years been the chief funder of Prince Philip's "Aboriginal land rights" operation in Australia (see *EIR*, April 28, 1995, "Prince Philip's 'Indigenist' Plot to Destroy Australia"), whose purpose is to splinter the Australian nation-state, which scam is naively supported by the very unions whom the company has sworn to destroy. Meanwhile, Rio Tinto's pals in the Australian government have been doing somersaults trying to figure out how to accommodate recent High Court rulings for "Aboriginal land rights," without totally enraging its voter base, particularly in rural Australia.

## A whiff of hope for nuclear power

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*The latest success with the experimental breeder reactor provides a new opportunity for a power-starved nation.*

**O**n July 12, India's experimental Fast Breeder Test Reactor (FBTR) was formally synchronized with the power transmission grid for the first time. The event was hailed by the engineers at the Indira Gandhi Center for Atomic Research (IGCAR) at Kalpakam, in the state of Tamil Nadu, as a "major milestone" in India's three-decades-old ailing nuclear power program.

The experimental FBTR had gone critical in 1985, and the reactor's synchronization with the power grid is the culmination of 12 years of efforts. The delay, according to authorities, was caused by several major technical problems with the reactor and ancillary equipment. The experimental reactor is fuelled by a mixture of plutonium and uranium carbides, and is now working at a level of 11 thermal megawatts.

The mixed fuel has been fabricated indigenously at the Bhabha Atomic Research Center (BARC), India's premier nuclear research center, and is considered the forerunner to the second stage of India's nuclear program. This stage involves utilization of plutonium, generated by the thermal reactors developed in the first stage, in the fuel-generating breeder reactors. In the first stage, atomic energy authorities had developed CANDU-type natural uranium-fuelled reactors.

On the face of it, given the power generation capacity of the experimental reactor, the achievement seems small. But, the technological success attained in developing a plutonium breeder reactor is of great significance. Dr. Placid Rodrigues, the director of IGCAR, has termed it a historic

achievement which will pave the way for the country's first 500 MW prototype fast breeder reactor (PFBR), a step prior to developing commercially viable breeder reactors locally.

In addition to the technological achievement and future prospects this event signals, the news means that India's nuclear power program, which had been in a rut for years, is not quite dead. The success suggests that it is worth saving this ailing sector now, particularly in light of the growing power shortages in the country and the useful role that nuclear power can play. In fact, the basic premise on which the nuclear power program was launched in the 1960s by the late Homi Bhabha, was to establish an indigenously developed, unlimited power generation source.

The question is: Will New Delhi seize upon this opportunity to give the nuclear program the pride of place it deserves in the long-term national power development program? It is an important question which needs to be answered. After years of research, and undisputed success in this area, India's nuclear power installation remains a measly 1,840 MW. The failure to provide people with the power they deserve is reflected widely in India's poverty.

The other reason that this question needs to be answered, is that India has been bullied too often into a corner on the nuclear issue. The U.S.S.R., before its breakup, had promised India a sale of two 1,000-megawatt VVER reactors. Despite years of negotiations, it is not yet clear whether Russia has the courage to defy the United States, which has objected to the sale.

In early July, at the confirmation hearing before the U.S. Senate Foreign Relations Committee, Karl F. Inderfurth, nominated to be assistant secretary of state for South Asia, made it clear that he would bring up the reactor-sale issue with Russia.

So far, Delhi has remained quiet, continuing to get brow-beaten and deprived of the fruits of the sale of legitimate products. The U.S. Department of Commerce has already accused 13 foreign firms of being "engaged in proliferation of weapons of mass destruction." Among them are four Indian entities, against which export controls have been slapped, and the Commerce Department's William Reinsch said, "More will be named."

In addition, a CIA report has concluded that India's missile program is not wholly indigenous, contrary to what New Delhi claims. The report also accuses India and China of supplying Iran with equipment to help it develop chemical weapons. It can be safely assumed that all these charges were designed to put an export control ban on more entities belonging to India and some other countries. Too often, the bans are imposed on entities which play an important role in nuclear and other high-tech research development.

It would be naive, if not suicidal, to assume that the bullying will stop soon, if ever. It is also true that New Delhi has too often used "foreign bullying" as an excuse to keep the nuclear power program undermined. Under the Eighth Plan, which ended only recently, the nuclear capacity addition target was 1,100 MW, an amount considered a drop in the bucket compared to what the country needs. But that target, too, remained distant, and the anticipated achievement was only 440 MW, because budget cuts were imposed to satisfy the "accountants" whose goal was to lower India's fiscal deficit.

# Business Briefs

## Natural Gas

### Pakistan okays Iran's gas supply to India

On July 12, Pakistan's Finance Minister Sartaj Aziz, in Dubai on his way to Teheran for a meeting of the Iran-Pakistan Joint Economic Commission, said that his country had agreed, in principle, to let Iran transport gas to India by a pipeline through Pakistan, the *Times of India* reported.

"We have no objection, because we do not feel any threat," Aziz said. "Rather, this project will be beneficial for Pakistan as well." Aziz said Pakistan was also negotiating the purchase of gas from Iran, and the project would cost less if the same pipeline were to be extended to India.

Iran had proposed such a pipeline to India some time ago, but details about its route have not yet been finalized. The pipeline and a proposed joint venture oil refinery in Pakistan are the main items on the agenda of the two-day meeting of the commission.

## Economic Theory

### Mexican columnist: Read List, study LaRouche

José Neme Salum, the leading financial commentator of the Mexican daily *Excelsior*, on July 14 saluted the decision of Mexico's *Fondo de Cultura Económica* publishing house to print a new edition of Friedrich List's *National System of Political Economy*, with a prologue by PRI Congressman Francisco Suárez Dávila. The book was first printed in Mexico in 1942, and reprinted in 1979, in a minuscule 3,000-copy run.

"This is a true scientific treatise on economics, not a simple theory, or one of those dysfunctional monetarist econometric model jobs, with which only crises can be created," he wrote of the German-born American System economist. Neme reviewed some of the influence of List's book (e.g., on Russia's Count Sergei Witte, Japan's Meiji Restoration), ran nearly a page of List's attacks on free-trade propagandist Adam Smith, and recommended that everyone read the book, in which "they will dis-

cover the correct ideas of List, which are those of Alexander Hamilton, of Mathew and Henry Carey. Of those who, in turn, were the sources which fed these latter, such as Gottfried W. Leibniz. And, with time, they will come to the Greek statesman, the great republican, Solon, and why, even then, the necessity of prohibiting usury. Then . . . in search of those who have continued the American System, they will come across its latest leader, Lyndon H. LaRouche.

"Then, you will be left with the question: Why are they afraid of LaRouche? Perhaps, because they will discover themselves to be subjects oppressed by the ideas of the erroneous British System, of perverse globalization?"

## Nuclear Energy

### China forms new company to expand production

China has set up a new finance company, China Nuclear Finance, to borrow on domestic capital markets and channel funds to nuclear power plants, as Beijing moves for an ambitious expansion of its nuclear power industry. The new company will act as the financial arm of the China National Nuclear Power Corp., which oversees the nation's multibillion-dollar nuclear power development program, a finance company official said.

"We want to make use of domestic funds to help build nuclear power plants," the official said. "We are also thinking about raising funds internationally, but that is not part of our scope at the moment."

China Nuclear Finance will also help channel funds to China's efforts to turn some of its nuclear weapons resources toward the civilian power program.

China has two commercial power plants and numerous experimental reactors in operation. It plans to build at least four more plants by the year 2000, and has cooperation projects with Canada, France, and Russia.

China Nuclear Finance has \$39 million in registered capital. Its 32 shareholders are all from the nuclear power sector, and include the Qinshan nuclear power plant, one of the nation's two operating commercial power plants. It will be allowed to take de-

posits and extend loans, as well as participate in the nation's interbank market, the official said.

## Infrastructure

### Indian government meets on financing bottlenecks

Top officials of the Indian government met with representatives of financial institutions and the private sector on July 15, to discuss problems related to financing infrastructure projects, the New Delhi *Business Standard* reported. This was the first time that the government has held a meeting on this scale to address problems related to infrastructure financing. The meeting revolved around the report of the Rakesh Mohan committee on infrastructure development; however, no policy decision emerged.

Top officials from the power, telecommunications, surface transport, and petroleum sectors were expected to get direct feedback from the lending agencies and the private sector, which was then to be used to prepare an agenda for a dialogue between Prime Minister I.K. Gujral and industry. Gujral had convened a meeting with industry on July 19, which has been postponed.

The July 15 meeting, organized by the Industrial Development Bank of India, was chaired by cabinet secretary T.S.R. Subramanian. Other officials present included Finance Secretary Montek Singh Ahluwalia, Petroleum Secretary Vijay Kelkar, Power Secretary E.A.S. Sarma, Telecom Secretary A.V. Gokak, and Surface Transport Secretary Yogendra Narain.

## Australia

### Planned tariff cuts will ravage manufacturing

A battle is brewing in Australia to save 50,000 jobs that will be lost, if the Mont Pelerin Society-dominated government of Prime Minister John Howard continues with plans to slash tariffs on textiles, clothing, and footwear (TCF) from 34% to 5% within a

decade, the June 30 *Australian* reported. The push to eliminate tariffs is coming from a draft report by the fascist "Productivity Commission," gurus of privatization and free trade.

Council of Textiles and Fashion Industries of Australia President Robert Hershman said that Australia's clothing industry would lose half its workforce of 96,000 workers. "It will bring a savage reduction in investment, employment, and activity in the TCF industry," he said. Hershman, managing director of Pacific Brands, said that his company would move its operations offshore if the government cut tariffs further.

The Mont Pelerin-owned Treasurer Peter Costello stressed that the commission's report was only a draft, and no decision will be made until September. The government partially backed down in a recent battle with the auto industries over tariff reductions, and now it is trying to wreck the clothing industry.

Philip Holt, Australian Business Chamber director, said, "Government assistance to the TCF has been slashed by 70% in the last 10 years, while other nations have become more protectionist."

## France

### Jospin announces new plan for Thomson

In one of the first major decisions of his government, French Prime Minister Lionel Jospin rejected the scheme worked out by his predecessor, Alain Juppé, for the privatization of the defense and electronics giant Thomson CSF. Jospin announced a new plan which, although not the best of possibilities, goes along the line of protecting national interests.

Thomson CSF will be partially privatized, with the state keeping a 41% minority, i.e., control over the company, particularly in areas in the strategic domain, and 41% will go to a conglomerate of French interests headed by Alcatel/Alstom (TGV, electronics, telecommunications) allied with Dassault (aerospace) and with some participation by Aérospatiale. The remaining 18% will be placed on the stock exchange.

The Juppé plan, which was rejected by a

privatization commission, would have handed over Thomson's defense activities to MATRA, a defense contractor headed by Jean Luc Lagardère, who has some joint ventures with British Aerospace, British Airways, and General Electric Company. The high-tech electronics part was to go to the Korean Dae Woo. Because of the firm's debt, both sides of Thomson were to be sold for one franc. This had provoked an uproar in the country, because Thomson's debt is not an insurmountable problem for the company.

## Health

### Sleeping sickness spreads in wake of Sudan war

There is currently a surging outbreak of sleeping sickness in Tambura County, and doctors believe that the case documents the way in which disease follows war, the July 16 *New York Times* reported. Tambura County is on the Congo-Sudan border, and was the recent scene of fighting by Ugandan and Sudanese People's Liberation Army (SPLA) troops invading southern Sudan. Up until the latest round of the war there, Sudan, in general, did not have problems with sleeping sickness, or African trypanosomiasis, spread by tse-tse flies.

In 1990, when the SPLA invaded this area, the Belgian doctors working there pulled out because of the fighting. Medical services to the population ceased, and many people fled south into Congo, picking up sleeping sickness, where it is endemic. Now, they are bringing the disease back into Sudan. Doctors from CARE are treating people, but even their work was interrupted recently for a month by the SPLA. In the town of Ezo, near the border, 3,000 people out of 8,000 have the disease.

The disease is curable, but treatment costs \$100-500 per person. Untreated, sleeping sickness is a killer disease. The trypanosome parasite carried by the tse-tse fly multiplies in the blood and lymph nodes, causing fever, weakness, sweating, pain in the joints, and stiffness. In two to three years, the parasites migrate to the brain, causing madness, seizures, and, ultimately, paralysis and death. In Uganda, 4 million people died in a sleeping sickness epidemic in 1906.

**THE BRITISH** Broadcasting Corp. will upgrade seven of its key bureaus, in Brussels, Moscow, Hong-kong, New Delhi, Johannesburg, Washington, and Jerusalem, to regional "hubs," pumping in £15 million to improve its global news coverage, the *Asian Age* reported on July 13. BBC also plans to overhaul foreign news coverage under which 42 overseas bureaus will be reorganized.

**RUSSIAN**, Chechen, and Azerbaijani officials signed an agreement in Baku on July 11, on the export, via Chechnya, of Azerbaijan's Caspian Sea oil. Russian and Chechen oil executives also signed an agreement in Grozny on July 12, whereby Russia will undertake pipeline repairs.

**ASIA TIMES**, known as the "hot money" *Times*, halted publication as of June 27, as did the monthly *Manager* magazine, because of a "cash flow crisis," the *International Herald Tribune* reported. *Asia Times* was reportedly losing \$1 million a month.

**AUSTRALIA** and New Zealand Banking Group's global investment bank has reported a 60% increase in profit at its ANZ Grindlays India arm in the year to March. ANZ, formed from firms created for colonial exploitation, has emerged in India as the largest arranger for international syndicated loans, and has a high profile in major infrastructure projects.

**SOUTH KOREAN** banks bailed out the Kia Group, the country's eighth largest business conglomerate, on July 15, the third such rescue in three months. The Kia auto subsidiary was suffering a sales and share price collapse, and the Kia Group as a whole has \$10.7 billion in debt, much of it bad.

**CHOLERA** bacteria have been detected in the Moskva and Medvedka rivers in several areas of Moscow Oblast, the July 15 *Nezavisimaya Gazeta* reported. State Sanitary and Epidemiological Center officials said that contamination was caused by sewage leaks into the river.

## Build Indian railways for the Eurasian Land-Bridge

by Susan B. Maitra and Ramtanu Maitra

The key to fruitful trade along the southern tier of the Eurasian Land-Bridge, lies in strengthening the existing railroads that run through the Indian subcontinent from east to west. Out of an approximately 2,200 km-run through the subcontinent from the Myanmar border in the east to the Iranian border in the west, freight trains will traverse some 1,500 km of Indian territory. Aside from being the largest server in the subcontinent, the Indian railroads, serving 950 million people and a developed agro-industrial sector, will have to bear the brunt of future Land-Bridge freight. Equally important is the role of the railroad in bringing trade and commerce from and into Southeast Asia through the Land-Bridge (**Figure 1**). However, what emerges from the survey here, is that, barring the manpower requirements, Indian railroads are not equipped to handle the potentially large Land-Bridge freight effectively, unless speed and efficient functioning of the railroads are given immediate attention.

Unlike China, which set its focus a decade ago toward building a cheaper transportation system, such as railroads, to ferry bulk materials between China and Europe, and also to serve the Central Asian nations that lie in between, India lagged behind, both conceptually and physically, on the Land-Bridge issue. No serious thinking was done at the decision-making level, and no effort was made to establish a railroad-based trade and commerce route between Asia and Europe, with India at the hub of it. It is only in recent months, after the Chinese made their intent clear in 1996, that New Delhi has begun to wake up, and the necessity for setting up rail linkages between India and Southeast Asia through Bangladesh and Myanmar, and India and Europe through Pakistan and Iran, is being considered.

One of the reasons for such a delayed reaction, is perhaps the Cold War, which had pitted the subcontinental neighbor-

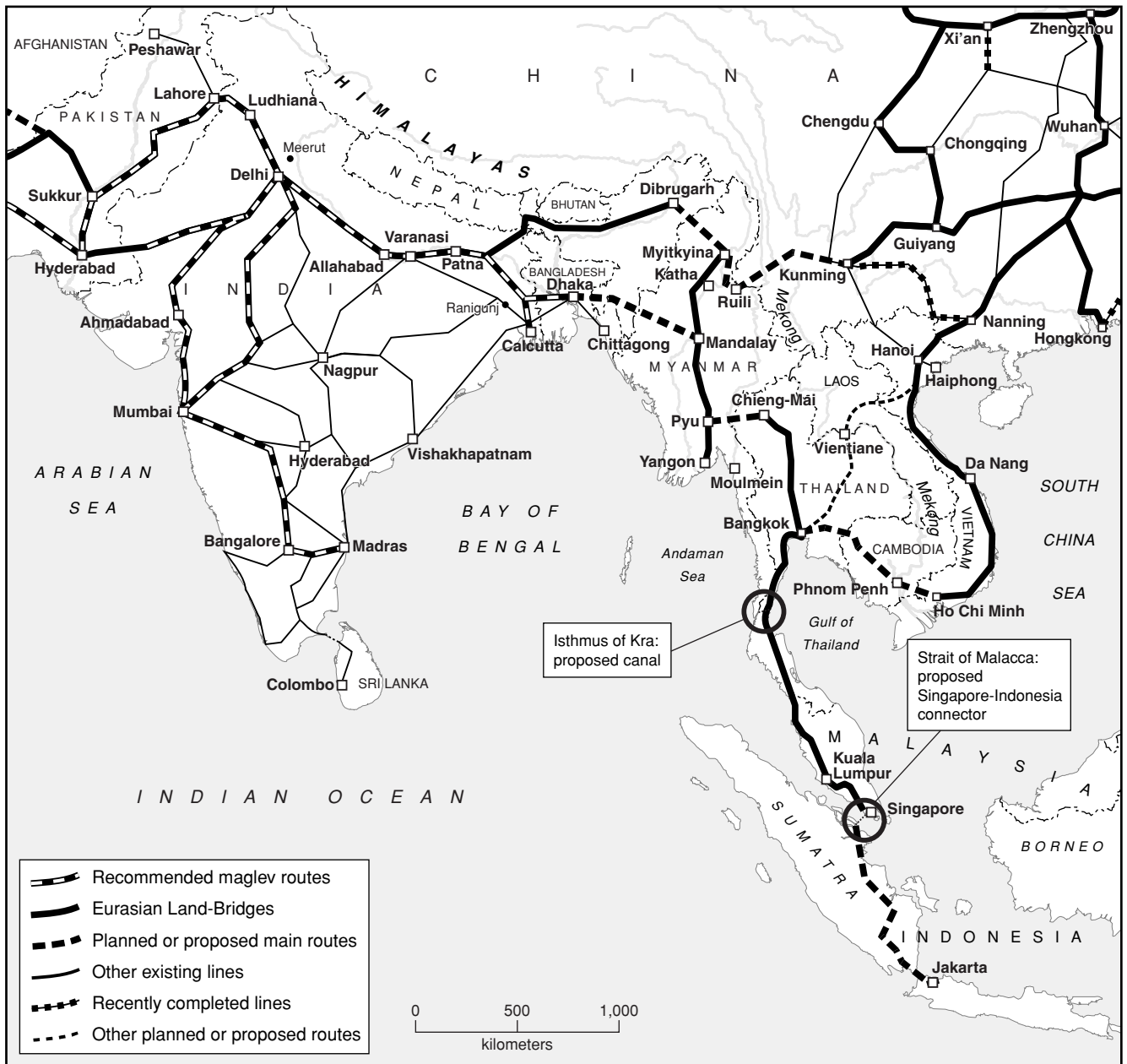
ing nations against each other, blocking trade, commerce, and infrastructural development of the region. Despite the change that occurred almost six years ago in the regional political environment, due to the collapse of the Soviet Union and the subsequent emergence of Central Asian countries as independent nations with vast untapped oil and mineral reserves, and China's build-up of its railroads, India's planning of the railroad sector has remained stultified. The Ninth Five Year Plan (1998-2002), which is now on the anvil and is expected to impose a fresh set of priorities on future railroads, on the basis of the changes in the regional environment, is, however, pursuing the age-old objective of providing every village in India an access to the railroads, and little more. Strengthening the railroads along the Land-Bridge route for heavy traffic, and introduction of a rail-based, high-speed modern transportation system, have so far escaped the attention of the policy-makers.

It is not that the inadequacies of the Indian railroads can escape the notice of anyone living in or visiting India. The problem, perhaps, lies in the attitude of the policymakers toward what the railroads are for. There is no apparent realization that India is entering the 21st century with 950 million people, and that the exploitation of the potential to become a major world economic power is necessary for sheer survival. The mindset of the policymakers is to maintain the status quo of the days of the British Raj of the 19th century, that of a poor nation that gets by somehow.

Back in 1994, the Prakash Tandon Committee report on the restructuring of the railways said that the authorities should "regard themselves as being in the business of transportation, and not railways alone." The committee, whose report is collecting dust in the government office archives where such reports are piled up routinely, pointed out that

FIGURE 1

**Southern Eurasian Land-Bridge, with emphasis on high-speed corridors**



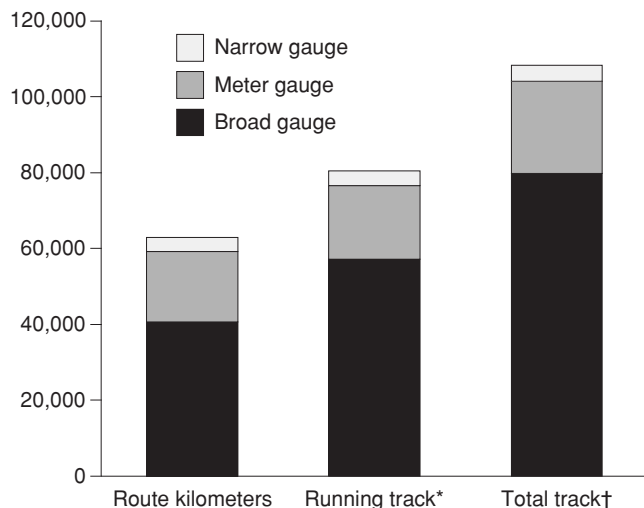
officials should take the initiative to integrate the railways into a multi-modal transportation system for freight and passengers.

Even the World Bank, which prefers all archaic and technologically inefficient systems over capital-intensive technologically advanced and efficient systems, particularly in the developing nations, suggested a complete overhaul of railway operations in India in a report in 1995.

While the Prakash Tandon Committee report lingered

over how to run the railroads more efficiently and make them profitable, without outlining the broader visions of modern high-speed railroads for the future, the World Bank concentrated on the necessity of eliminating subsidized travel, and the low-cost services and redundant employments provided by the Indian railways. The report suggested as a remedy to the present problems, the privatization of passenger services, and use of domestic double-stack container operations “to reduce pressures on the rail budget as well

FIGURE 2  
**Distribution of rail types**  
 (kilometers)



\* Includes double/multiple- and single-track together.  
 † Includes track in yards, sidings, etc.

as the saturated road links.” On the future objective of the Indian Railways, it should “concentrate exclusively on being an inter-city freight and passenger operation,” the report propounded.

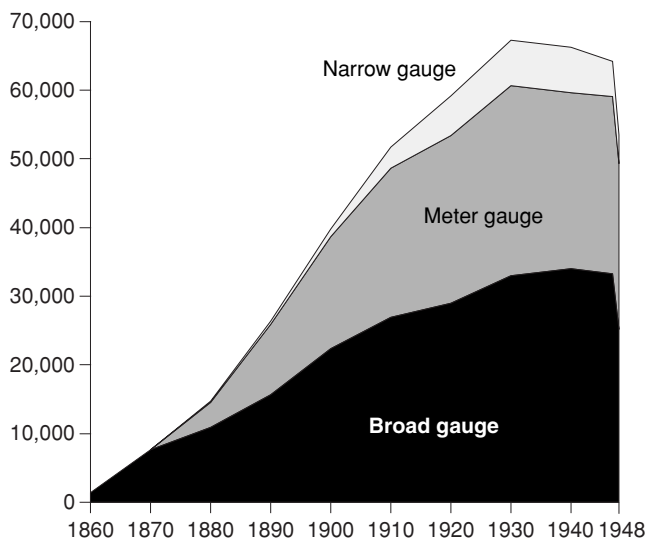
### The backdrop

Despite various shortcomings, the railroads, founded 144 years ago, remain the principal mode of transport in India. In 1995-96, over 11 million passengers travelled every day by railroads over a network spread over 62,915 route-km, covering some 7,060 railroad stations. The railroad network consists of broad, meter, and narrow gauge, totalling 108,336 track-km (Figure 2).

India has the unique distinction of being the first country in Asia to have railways (Figure 3). In 1843, with the British East India Company governing India, a railway engineer of Great Western Railway in England, George T. Clark, went to Bombay (now Mumbai) to study the feasibility of laying railroads from Bombay to a port across the Western Ghats, the mountain range that runs along the western coast of India. Clark’s proposal was launched under the banner of the Great Indian Peninsular Railway (GIPR), but was rejected while a rival project was pushed, which envisioned a railroad line from Bombay in the west to Calcutta on the east coast, with lines veering off northward to Allahabad and southward to Madras. This later project was seconded by the Liverpool cotton interests seeking fresh sources of raw cotton, and with an eye on the potential market for cotton goods.

Clark soon joined the latter group, and in 1849, Great

FIGURE 3  
**Expansion of railways in India, 1860-1948**  
 (route kilometers)



Indian Peninsular Railway entered into a contract with the East India Company for construction of a 35-mile experimental line from Bombay. The project was completed in 1854, although the 20-mile stretch between Bombay and Thane had been opened in 1852, with two tracks running from the east side of Bombay Harbor, to Kalyan, a small town in the foothills of Western Ghats.

Another railway company, the Eastern Indian Railway, was inaugurated in 1845, and proposals were made before the Court of the East India Company, that the latter should guarantee a minimum return of 3% on an investor’s capital. Later, the deal was sweetened by raising the return to 5% and half the surplus profits; no account was taken of deficits (losses); remittances were to be calculated for conversion at one shilling and ten pence to each rupee, and this was to be done each half year.

In his book, *Prosperous India: A Revelation from Official Records*, William C. Digby has documented the Raj exploitation of the Indians, in the context of building railroads. Digby, quoting a paper read to the British Association in the year 1900 by Miss Ethel Faraday, tells the following:

“The result was that the Indian Government (i.e., Indian taxpayers) bore all the losses of the unprofitable half-years, and, after 1875 never received its full share of the profitable ones as the rupee value fell below the floor of one shilling ten pence. The shareholders received a gradually increasing proportion of surplus profit. The contract obligation of a fixed interest of 5% prevented the state from taking advantage of cheaper money available at 2.5% with which they could have paid off the debt. On these three lines in question, taken to-



gether, the average proportion of earnings remitted to England 1892-1897 was 99.70%, and the net annual loss to government amounted to Rs. 13 million, a tax imposed on the Indian public for the benefit of British shareholders.”

By October 1846, the Court of Directors of the East India Company was presented by the promoters by no fewer than 15 schemes for railways: six emanating from Calcutta, three from Bombay, four from Madras, and two in the Upper Provinces (now Uttar Pradesh) from Allahabad to Delhi, and then on to Meerut and Ludhiana in Punjab. Finally, in line with the proposal in the western coast in 1849, the East India Company asked the promoters of the East India Railway the same year to set up an experimental 120-mile railroad between Calcutta and the coal-rich Ranigunj.

Part of the agreement with the railway companies included the provision of free land for the railroad tracks and installations by the Government of India on a 99-year lease. It was early in 1851 that land was made available to the East India Railway for construction purposes. The engineer for the railway was responsible for all design work, which then had to be approved by the consulting engineer appointed by the government.

At the very outset, Indian railroad builders were caught up in the “battle of the gauges” raging in England then. Lord Dalhousie was appointed governor general of India in 1847, and he was fully aware of the gauge controversies in England. Two gauges—one 4 feet 8 inches, and another 7 feet 0 inch—were the main contenders. Dalhousie called for a broad gauge for India, compromising finally on the width of 5 feet 6 inches, instead of 7 feet. In India, throughout the subcontinent, 5 feet 6 inches came to be known as the broad gauge, and both the Bombay-Kalyan and the Calcutta-Ranigunj experimental lines were of that width.

## Railways for geopolitics

It is clear that the British government was keen to exploit the railway’s inherent potential to consolidate its grip over India. Dalhousie had the experience of the “railway mania” in Britain, where, from 1825 to 1850, there were already 6,500 miles of railway lines laid, adding as much as 1,450 miles in two years between 1848 and 1850. Dalhousie was looking at the strategic interests. He recognized the necessity for moving forces to control the vast country. He adopted the policy of acquiring the territories of Indian princes, by what was known as the Doctrine of Lapse. This policy had given rise to a great deal of resentment, and Dalhousie realized that the building of the railroads would give the empire the capacity to move troops, use force, and keep India under the British flag.

Dalhousie was aware of the help that the railways had provided to the British to move forces in Ireland and also in the Crimean War to capture Sebastopol. Dalhousie, overruling the army chiefs of the East India Company, pushed ahead and planned a railroad system intended not only to produce political and commercial advantages, but to simplify adminis-



*Indian Railways has a rolling stock of 6,900 locomotives, 40,000 coaches, and seven times that number of freight cars. It employs 1.6 million people, making it India’s single largest employer.*

tration and to facilitate troop movements. In 1857, when the first major widescale uprising for Indian independence took place, Dalhousie’s policies helped the British to brutally crush that volatile movement. Subsequently, the British pushed ahead to connect the distant major cities by railroads, following Dalhousie’s policies.

By January 1871, Calcutta was linked to Delhi via Patna, a distance of some 900 miles. By 1871, the East India Railway had put in about 5,000 miles, of which broad gauge accounted for most of it. Meter gauge accounted for about 20 miles, and and less than 30 miles was narrow gauge (0.762 meter or 0.610 meter).

Starting from 1853, Indian Railways, under British rule, had grown to 8,165 km by 1871, and had linked up not only the four metropolitan cities Madras, Calcutta, Bombay (all major ports), and Delhi—the entrance to the fertile Ganga Valley from the west—but also Lahore (now in Pakistan).

Thus, a strategic transportation network was established.

In Europe the railways were playing a major role in shaping history. The railway network assisted Germany immensely in humbling France in 1871 and in unifying the nation. Italian unification also came about in 1871. By 1870, Germany had put in 19,500 km of railways, as against England's 24,500, France's 17,500, and Italy's 6,000 km. By 1910, Germany had 61,000 km and had outstripped the United Kingdom in the extent of its railway network, as well as in the production of iron.

India, on the other hand, was under British rule, and the rapid growth of railways came to a premature halt. The Industrial Revolution, which was a reality in Europe and the United States, was unheard-of in India then. Except for being forced to purchase products from abroad, going down the scale in terms of wealth, India had no freedom even to emulate what had been done in Europe. Railway development was perceived as a way to loot India.

Relying on William Digby again, we come to know that the British adopted a stick and loot policy. In his book, Digby writes:

“Over 22,000 miles in length. Cost over 300 million pound sterling. Practically the whole of the sum invested in Indian Railways (share capital) is held by Europeans, barring that which certain Feudatory States [for example, Hyderabad, under Nizam, was taken over by the British and named as Nizam's Guaranteed State Railway. When a committee, formed by two Indian members of the elite, asked the government to make the whole thing transparent, those two gentlemen were deported from Hyderabad—RM] have ‘benevolently’ loaned. Amortization from the start would have made a difference of many million pounds sterling, to the Indian taxpayer, and, with wise provision, the earlier railways been largely redeemed.”

India was hit hard on all these transactions. “The accounts show that 40 million pound sterling have been taken from general revenues to make up guaranteed interest to shareholders. The sum will never be repaid,” Digby noted.

At the same time, the ruling British were paranoid about an “impending” invasion from the Tsarist Russia. The strategic purpose for which the railroads were built by the British stemmed from two factors:

- to take the raw materials out of India by sea at a minimal cost, and strengthen the Empire and gain control over Europe and Africa; and
- to build frontier posts in the western part of India, using Afghanistan as the buffer state between the British Empire and the “advancing” Russia.

It is for the latter reason, that the British disregarded serious railroad development north of the Ganga River. The Himalaya Mountains, considered by the British an insurmountable buffer, were used mainly for summer visits and as resorts. On the highly populated vast tract of extremely fertile land

north of the Ganga River leading up to the Himalayas, the British built meter gauges.

But, through the sparsely populated desert-like terrain of Sindh and Frontier Province, the British built broad gauges, so that troops could be moved in large numbers to the Afghan border. This retrograde action left for posterity a continuing negative impact, as if the more highly populated areas of northeast Uttar Pradesh and Bihar had been amputated. This large area remained outside of the mainstream of commerce that was set up by the broad gauge trunk routes south of the Ganga, and were doomed to stagnate in a state of underdevelopment for almost a century.

If the entire foothills of the Himalayas from the northeast frontier up to the Kumaon hills remained underdeveloped because of the meter gauge, so did the south. Meter gauge was introduced in the south of India, and also in the west, from Saurashtra to the southern fringe of Punjab, covering an area whose potentials were great, but which was allowed to stagnate.

Railroad construction nonetheless proceeded at a reasonable speed. During 1890 and 1900, the maximum length of 13,439 km of rail lines was opened to traffic. Between 1880 and 1910, a total of 36,913 km had been constructed. However, the level of railroad development that was carried out by the British was negligible, compared to what was necessary. This can be understood, by comparison with the railroad development in Europe.

Countries of Europe are individually much smaller than India. Therefore, comparison of the Indian Railways can be valid only when European countries are grouped together, in a manner that would be representative of the geographical terrain that exists in India, and in which the overall area of the group becomes compatible to the undivided India's physical area.

For this purpose, one may consider the United Kingdom, France, Germany, Belgium, the Netherlands, and Denmark forming the western bloc, with Norway, Sweden, Finland, and Switzerland forming another bloc of mountainous countries. Add to this yet another bloc represented by Italy, Czechoslovakia (today the Czech Republic and Slovakia), Hungary, and Romania. All these European countries add up to 3.1 million square kilometers of land area, as against 3.28 million square kilometers of India's land area. The 14 European countries had put in, by the year 1940, a total of 225,108 km of railways of practically one gauge, namely 4 ft 8.5 inches (standard gauge). In contrast, the British had put in India, by 1940, a total of 66,234 km of railroads, consisting of three different gauges. It is evident from the comparative figures that the development of railroads during the rule of the British Raj was not only lopsided to serve British geopolitical interests, but was also grossly inadequate.

While the British maintained some momentum in building railroads in India till 1930, the whole thing slowed down

FIGURE 4

### Freight loaded in 1995-96

(millions of metric tons)

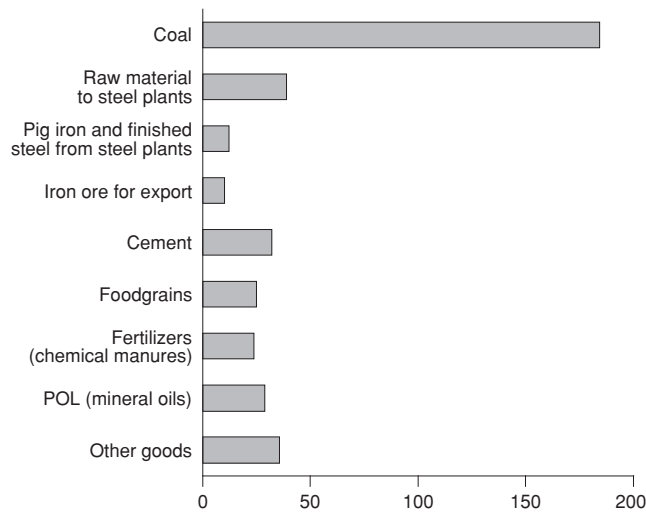
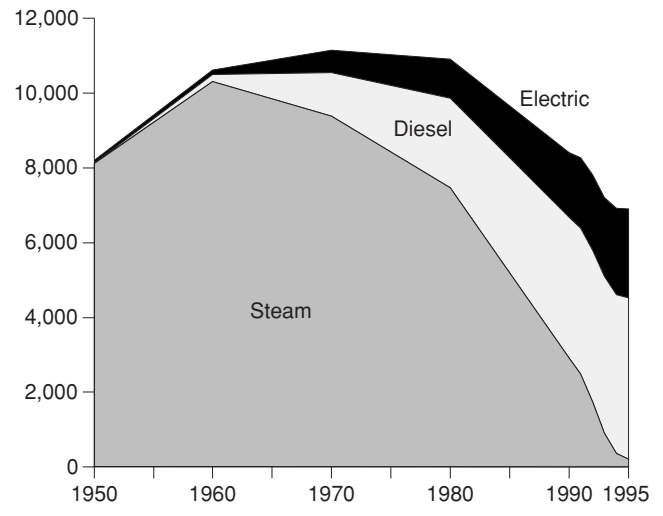


FIGURE 5

### Locomotives

(number of units)



to the point of negative growth. For instance, the total route-kilometers of railroads built by 1930 were 67,148 (of which the broad gauge were 33,006), the route-kilometers of railroads at the time the British left in 1947 were 65,217 — shrunk by almost 2,000 km over the succeeding 17 years. In 1947, at the time of India’s partition, broad gauge railroads accounted for 33,289 route kilometers.

While investigating this retrograde action by the ruling British vis-à-vis the railroad building in India, it becomes evident that a number of factors were behind the British decision to slow down. To begin with, as the independence movement in India under Mohandas Karamchand Gandhi gained momentum, and the departure of the British from India became inevitable, the British were no longer interested in developing railroads to further their geopolitical or economic interests on the subcontinent.

The second factor was the worldwide economic depression of the 1930s, and then World War II. In fact, since 1939, the ruling British uprooted some railroad tracks in India, after closing down a few routes. These railroads showed up later in the West, serving British wartime interests.

On the date of Indian independence, Aug. 15, 1947, these meager route-kilometers were divided between India and Pakistan. The Indian share consisted of a network of 25,170 route-kilometers of broad gauge, 24,153 of meter gauge, and 4,153 of narrow gauge. As a result, Pakistan (which consisted then of West and East Pakistan; the latter part became an independent nation, Bangladesh, in 1971) got a mix of 8,119 route-kilometers of broad gauge, 1,616 of meter gauge, and 1,006 of narrow gauge.

It is not simply that the subcontinental railroad was truncated by the 1947 division of the country into three parts, but that partition resulted in far-reaching changes in the pattern of traffic. For instance, the flow of traffic from and to northern India, which used to be routed through Karachi, a very important port city which became the capital of Pakistan in 1947, was now diverted to Bombay, thus increasing the load on the Bombay-Delhi corridor, which was not designed for such heavy loads. To make the line somewhat functional, additional lines and facilities had to be constructed to augment existing capacity.

Worse happened with the partition of Punjab. The flow of traffic had been mostly to and from Delhi to Lahore, which became part of Pakistan. This traffic was abruptly stopped. In addition, the traffic needs of the State of Jammu and Kashmir were met by rail-heads at Rawalpindi, Pakistan’s Army headquarters adjacent to the present capital of Islamabad, and Jammu. Both these rail-heads were directly connected to Lahore. With the partition of the subcontinent, Jammu and Kashmir was deprived of these two routes, and became inaccessible from India by rail.

### Post-independence

Few will deny that Indian Railways is a wonder of its own kind. With a network of 62,915 route-km which cater to 11 million passengers and 1.1 million tons of revenue-earning freight daily (Figure 4), Indian Railways has a rolling stock of 6,900 locomotives, of which 209 are steam, 4,313 are diesel, and 2,387 are electric; about 40,000 coaches and seven times that number of goods-carrying wagons (Figures 5 and

FIGURE 6  
**Types of wagons**  
 (thousands of units)

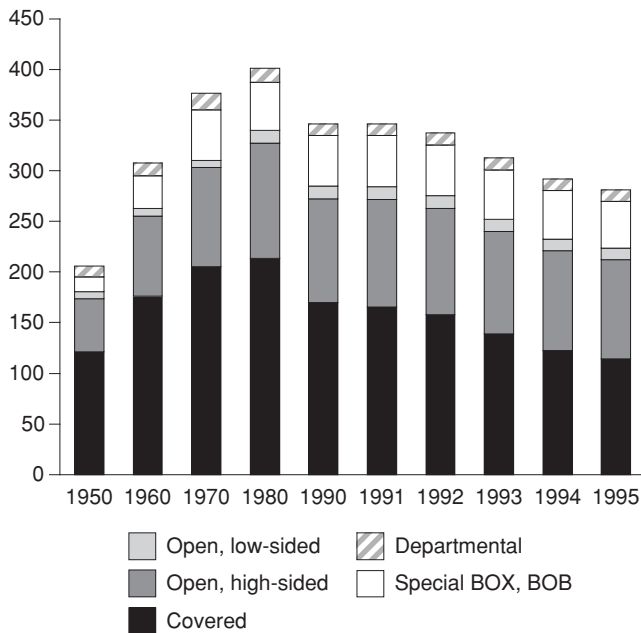


FIGURE 7  
**Average speed of freight trains**  
 (kilometers per hour)

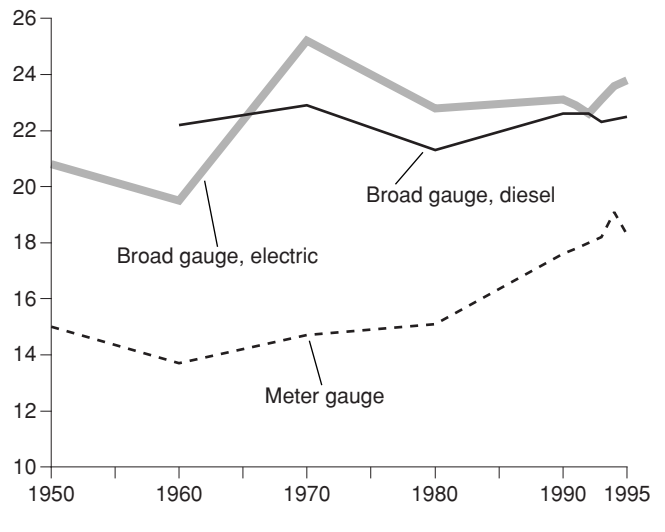
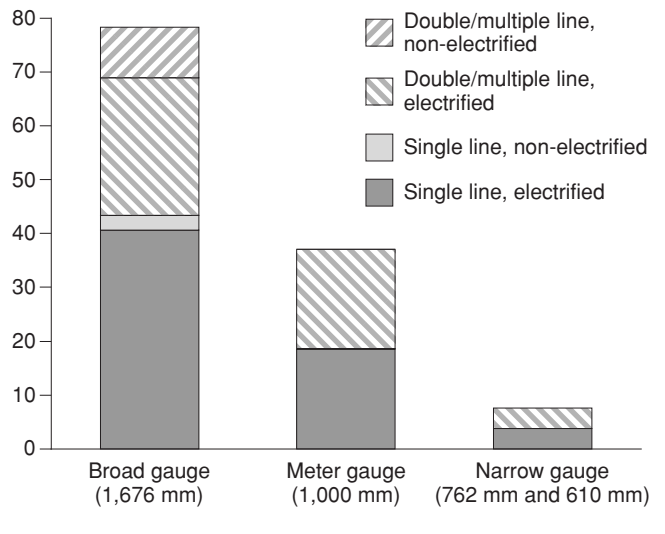


FIGURE 8  
**Double and single track, by gauge**  
 (thousands of kilometers, as of March 31, 1996)



6). It employs 1.6 million people, making it the largest single employer in India. It provides more employment than the Army, Navy, and Air Force combined. Its direct, and particularly indirect, impact on the national economy cannot be over-estimated.

If the above figures project the importance of railroads in the national economy, their inadequacies are also worth noting, particularly in light of building an efficient Eurasian Land-Bridge.

To begin with, the average speed of both passenger and freight trains is abysmally low (Figure 7), because of poor management and use of overaged and technologically obsolete equipment. Since independence in 1947, India has added a meager 9,439 route-km of railroads and converted 5,652 route-km of meter gauge and 359 route-km of narrow gauge, to broad gauge (Figure 8). Out of the total 62,915 route-km, only 12,306 route-km, or about 20%, have so far been electrified (Figure 9).

What becomes evident from the figures exhibited here, is that Indian Railways is coasting along without solving the problems. In fact, the problems are getting bigger and more difficult to solve. Unfortunately, there do not exist the plans necessary to leap forward and catch up technologically. A series of ad hoc and incomprehensible policy decisions, the lackadaisical attitude of the population, and lack of long-

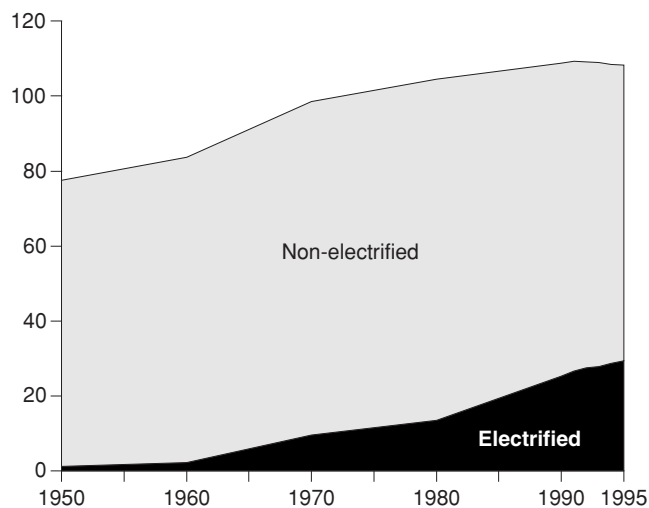
range vision among the policymakers are the principal causes for this stagnant situation. However, few have shown any interest in breaking out of the status quo and pushing railroad development, in the way China began to do in the 1980s.

In an insightful article published last year, R.C. Acharya, a former member (mechanical) of the Indian Railway Board,

FIGURE 9

## Growth of electrified track

(total track, thousands of kilometers)



pointed out that the Chinese, following in the footsteps of the Russians, decided in the '80s to make their railways a major vehicle for industrial and economic growth. A clear-cut long-term objective was laid out by the Chinese railroad authorities, under the leadership of Han Zhubin, minister for railways. A distinctive plan for additional track to overcome the existing traffic bottlenecks was drawn up, to focus the inputs so as to strengthen the existing railroad network, enabling it to meet the demands of the coming decades.

The 2,370 km Jing Jiu line from Beijing to the Shenzhen special economic zone near Hongkong was given the push to become the second north-south trunk route. This route will serve nine provinces and municipalities with a population of over 70 million. The work includes construction of 1,045 bridges, 150 tunnels, and 180 stations, capable of carrying trains at 120 km per hour.

Projecting an economic growth rate of 8-9% a year, it is estimated that by the year 2000, the Chinese railroads will require the capability to haul 2,100 million tons of freight. In contrast, the Indian railroads have plans which are ridiculously inadequate. For the year 1996-97, the authorities set a target of moving at least 410 million tons—a growth of only 7% over the previous year's 385 million revenue-earning tons that the railroads moved. Unfortunately, even this target could not be achieved.

### What is wrong?

There are many views of what went wrong with the Indian railways. Among the authorities, some would even argue that nothing is really wrong at all, and the Indian railways are

doing famously. Perhaps one has to look for answers between these conflicting views.

The problem with the Indian railways is about the same as the problems that the Indian power sector has faced throughout the last two decades. As of yet, a clear understanding of the power requirement has not emerged among the bureaucrats and politicians, and hence, there is little hope that the power situation will improve in the near future.

The problem is that the Indian authorities have not shown the capacity to think beyond a linear rate of growth, and anything but maintaining the status quo. In the case of railways, as in the case of power, demand projections are not based on realities, but on the linear projection of what was achieved before. This is, however, absurd, in the context of changing times, changing economies around the world, changing opportunities around the world, the changing technologies in this country and elsewhere, and the changing attitude within the Indian population. Nonetheless, the planners, bureaucrats, and politicians assiduously project low demand, low financial outlays, and low expectations. All this leads to a complete lack of vision and a projection of a future which is painfully inadequate.

In fact, it is worse. By not pushing forward modernization of railroads based upon higher travel speed and a gross improvement in freight tonnage haul, the railroads have been run down. No consideration has been given to building railroads that would allow India to achieve a global competitive edge by developing its physical economy.

The freight and passenger trains in India travel at average speeds of 24 and 65 kmph, which is abysmal by any standard, and in fact, the freight traffic speed has become slower over the years. If India is to become competitive globally in trade and commerce, it has no option but to use the fast and cheap mode of transportation that the high-speed railroads offer nowadays. In contrast, in Europe, the average speed attained by passenger and freight trains is 150 and 250 kmph, respectively. Not surprisingly, the overall capacity utilization in the Indian railways compares poorly with railways elsewhere in the world. In fact, the railways in China, with as many wagons and a slightly larger number of locomotives, carry four times as large a freight traffic as Indian railways.

Another area of incomprehensible neglect is the computerization of freight movement. At the beginning of the 1970s, a decision was reached that freight computerization was a priority. However, that remained on paper, and what exists today is not computerized freight, but a miasma created over the two decades by the relevant authorities, without explaining why computerization has not been done, and how much the national economy suffered for lack of it.

Despite visits to the United States, United Kingdom, and Canada by a number of delegations since the early 1980s, ostensibly to check out the computerization systems in those countries, Indian railways has none. A contract was signed



*India's railways will have a major role to play in freight traffic on the Eurasian Land-Bridge, but they are currently far from being able to handle such a potential. What is needed are modernization, computerization, and, most important, vision and inspiration on the part of policymakers.*

with CANAC (a consultancy arm of the Canadian National Railway) in 1985 for the supply of software and consultancy for the central segment of the Freight Operation Information System (FOIS). The Center of Railway Information System (CRIS) was subsequently asked to customize the software for Indian conditions. An IBM computer was brought in, in 1989, and the project has gone through its initial development. In May 1993, the order was there for "urgent implementation." However, internal political problems within various railway institutions have blocked implementation of the FOIS, and, as a result, the Indian railroad freight service has still not been computerized.

On the other hand, such harebrained concepts as setting up new railway zones to serve the political interests of certain groups and individuals, go through at a breakneck speed. The inauguration of six new zonal railways—the last three saw the light of day on July 15—were just inserted in the 1996-97 budget. These new railways will not generate an iota of extra freight or passenger traffic, but will be a constant additional burden on Indian Railways' finances. The capital cost for setting up these new zones can be as high as 10 billion rupees (about \$285 million).

The major innovations in railway engineering in Europe in recent years have come from computer and electronics applications. Powerful, well-distributed computer systems with networking capabilities have led to significant improvements in signalling and operations control systems. Automatic control by computers leads to better utilization of track, junctions, terminals, and trains, as well as enhancing safety. To improve the performance of its core networks and achieve high speeds, Indian Railways must adopt these

systems quickly. With continuous automatic train control, solid-state interlockings, and computer-aided train monitoring, the performance would improve significantly. It is for this reason, that Europe has adopted computerized rail-roading.

Another weakness of the Indian railroads at present, is in signalling and telecommunications technology. It is not yet recognized by the authorities that improved signalling, at very little extra expenditure, could reduce the headway between trains and allow more trains to ply over a given block length.

### **Strengths to build on**

Despite these weaknesses, the Indian railroads have developed a great deal of strength in certain areas. A computerized coach-manufacturing system, known as the Computer Integrated Manufacturing (CIM) at the Rail Coach Factory (RCF), is comparable to any in the world. Designing an under-carriage, which used to require 10-12 trials and almost two years, can now be done at the RCF in no time. An entire coach is manufactured in less than two months.

RCF routinely exceeds its annual capacity. In addition to shoring up its productivity, the factory is now going for faster design upgrades and variety. With introduction of the CIM, the RCF can now produce 10 different types of coaches, and has moved into developing containers.

Another recent breakthrough made by Indian Railways was in 1993, when it signed a contract with the ADtranz (a union of the Swiss Asea Brown Boveri with the German Daimler-Benz, in the area of locomotive manufacturing) for the import of 30 electric three-phase AC asynchronous induc-

tion motor-driven 6,000 HP locomotives and the transfer of the technology of the same to the Indian railways. The first of the Indian-made locomotives of the same specification will be rolling out next year. Out of the 30 locomotives imported, 13 came assembled, and the other 17 were assembled in India, as part of technology assimilation.

Two other railway institutions have earned their stripes internationally: Rail India Technical and Economic Services Limited (RITES) and IRCON International Limited. RITES provides comprehensive consultancy services in sectors such as railways, airports, highways, urban planning and transport, inland waterways, ports and harbors, ropeways, and industrial engineering.

Some of the important projects undertaken by RITES include: technical and management assistance to railway systems in Tanzania, Zambia, Botswana, Cambodia, Mozambique, Nepal, Swaziland, and Saudi Arabia; training local personnel, maintenance management, and electrification to Malaysian Railways; providing consultancy services of Advisory Consulting Engineer and Highway Planner to Ghana Highway Authorities; Nepal Multi-Modal Transit and Trade Facilitation project for planning and setting up three inland container terminals in Nepal; dieselization and upgrading of Nepal Railways through supply of diesel locomotives, coaches, and associated services.

IRCON is involved in construction of railways, roads, bridges, and highways, as well as of industrial and even residential complexes. It has a large number of projects overseas, in Tanzania, Malaysia, Turkey, Iran, and Bangladesh; it is involved in the electrification of railroad lines in Turkey. IRCON also plays an important role in domestic construction activities centering around railroads.

## What needs to be done

To begin with, India must acknowledge immediately that speed in the movement of goods and passengers is of supreme importance. In order to give the priorities a definitive push in that direction, policymakers must seize upon the opportunity that the southern tier of the Eurasian Land-Bridge provides for the future (Figure 9).

In this context, the Indian planners would do well to look at recent developments in Europe. Germany has put in operation a magnetic levitation (maglev) transport system, Transrapid. The Transrapid, which is designed for passenger transport at maximum speeds of 450-500 kmph, will begin commercial operation between Hamburg and Berlin in 2005. There are indications that the Hamburg-Berlin line may widen to become an all-European rail network. Japan is also in the process of developing a slightly different system for high-speed passenger transport, and numerous countries, including China, are working on maglev technology.

The key feature of magnetic levitation systems, is that they eliminate the mechanical contact between vehicle and

track, replacing the classical relationship between wheel and track by a magnetic (or electromagnetic) interaction operating at a distance. Thereby, the major source of vibration, friction, and wear on the vehicle and track, which affects all traditional modes of transport, is eliminated. At the same time, the magnetically levitated transport systems permit new methods of locomotion and control of moving vehicles. Unlike the frictional traction used by "wheel-track" systems, the magnetic/electromagnetic interactions in maglev systems can be regulated by electric currents supplied to linear motors and positioning devices which control the entire movement of the magnetically suspended vehicle. This advantage shows up in the following ways:

- Magnetically levitated trains are capable of routine operation at much higher speeds than any other traditional "wheel-track/road" mode of transportation.
- Maglevs are capable of much higher acceleration and deceleration than the "wheel-track" mode of transportation. For example, the Transrapid takes only 1 minute and a track length of 3 km to reach a speed of 300 kmph.
- Maglevs can operate on much steeper inclines and tighter curves for any given speed, than conventional trains.

There is no doubt that the maglevs are highly capital-intensive, and there is also little doubt that such high capital investment can be utilized, through developing systems which will have intensive use of these trains. Such intensive use can be achieved in main trunk lines in India. The southern tier of the Eurasian Land-Bridge is one such trunk line. In addition to that, high-speed trunk lines must be developed north-south, to connect the Land-Bridge with the vast agro-industrial potential of southern India and the industrial excellence already achieved in western parts of India and some belts in southern India. This concept must be incorporated in the long-term planning for the modernization of Indian railways. This, and not the cheap wage, will provide the competitive edge to India in future global trade.

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## Hongkong returns to China, while ‘the monkeys shriek’

by Mary Burdman

Beside the wreckage of a sunken ship, countless vessels have sailed by;  
before a withered tree, thousands of plants flourish.

Amid the incessant shrieking of monkeys from the shore, the small boat  
has already passed thousands of mountains.

These famous T’ang dynasty verses were quoted by Chinese Foreign Minister Qian Qichen, in a speech to the new members of the Hongkong Special Administration Region Provisional Legislative Council, on Dec. 21, 1996.

The “shrieking monkeys” of the world (most of them swinging around London) were not able to deter the government of China from recovering Hongkong from the current-day British Empire — financially and politically, still the most powerful single entity on earth. China’s leaders, especially the late Deng Xiaoping, were determined to bring the former British Crown Colony back into the Chinese nation. The primary issue was that of national sovereignty, but other vital issues were at stake. Emerging from the upheavals of the Cultural Revolution, the Sino-Soviet split, decades of tensions with the United States, and many regional wars, the leaders of China realized that their huge and ancient nation could not develop, without stability and peace. Not only China, but all developing nations, urgently need a new, just, and rational international political and economic order to survive. To achieve this, it was essential, as Deng repeatedly stated, to find new, peaceful solutions for the “problems left over from the past,” such as Hongkong.

### China’s policy

At the Asian-African Conference held in Bandung, Indonesia in April 1955 (the founding conference of the Non-Aligned Movement), China’s Prime Minister Zhou Enlai endorsed the “five principles of peaceful coexistence.” In 1973, Deng Xiaoping, speaking at the United Nations, stressed the importance of these five principles, and called for debt cancellation and economic cooperation among Third





*Schiller Institute delegation participates in a celebration of the return of Hongkong to China, in Los Angeles, on June 27. The question of Hongkong is definitely not about the end of "democracy." "The truth about Hongkong is that one of the many crimes of the British Empire is coming to an end," said Schiller Institute founder Helga Zepp LaRouche, in a statement released on July 29.*

World nations to enable their development.

This remained a fundamental principle of Deng's policies, reiterated in his discussions with developing sector and industrialized nations' leaders. In a discussion with Indian Prime Minister Rajiv Gandhi in December 1988, Deng stated, The "North-South question . . . is only a question of development. . . . We should look at this problem in terms of the development of mankind as a whole." There can be no "Asia-Pacific century," unless Asia's two Third World giants, India and China, are developed, he said. "Two things have to be done at the same time. One is to establish a new international political order; the other is to establish a new international economic order." China understands the urgency of the question, Deng said, particularly "because of mistakes made in the past, especially during the 'cultural revolution,' we have wasted about 20 years when we could have been building the country."

It was on the basis of adherence to this policy, that China ultimately recovered Hongkong. Britain did not want to yield its last, rich colony, but ultimately, it had no choice. The remarkable story of the Chinese-British negotiations and conflicts, shows not only how deftly the Chinese government handled the termagant Margaret Thatcher—the "Iron Lady," who led the West into the disastrous geopolitical war against Iraq in 1991—but also exposes intramural wars within the British establishment, over how best to reach long-range goals in relation to China. Here, remains a problem: On the one hand, are the brawlers, such as Thatcher, and the last imperial governor of Hongkong, Chris Patten; on the other,

and much more insidious, are the Foreign Office and British intelligence "mandarins," such as Sir Percy Cradock and Sir Robin McLaren, those representatives of the inner establishment of the Empire, whose policy is to gain long-term influence *inside* China through financial, political, and ideological influence.

This is not a new issue within the Empire: In the last century, "mandarins" such as Sir Robert Hart, the British, long-term head of China's imperial customs, was constantly decrying the excesses of the hyper-active "forward school" in London or in India, and the harm they were doing to such work as his attempt to penetrate the inner workings of China's economy.

China's leaders will have to remain vigilant. They have made a great historic gain; not only have the people and city of Hongkong rejoined China, but this process has also demonstrated how it is possible to justly resolve century-old conflicts.

Deng Xiaoping might also have greatly enjoyed his opportunity to tell Thatcher, how China was doing itself, and Great Britain, the great favor of relieving them of the burden of being colonialists. Whether they appreciated the favor, is another question.

### **The mandarins**

The British "mandarins," however, have not given up their longer-term policies of penetration. Throughout the past two centuries, Britain's long-term strategy has been to play the



*Deng Xiaoping (left) meeting British Prime Minister Margaret Thatcher, on Sept. 24, 1982. China would do the British the favor of relieving them of the burden of being colonialists, Deng said. The "Iron Lady" met her match in Deng, she admitted in her memoirs.*

dominant role in East Asia. Britain is the largest investor in China; British investment is twice that of Germany and three to four times that of France and Italy. It is also China's seventh-largest trading partner. More important, is the centuries of experience of British firms in China. Such old imperial enterprises as Hongkong and Shanghai Banking Corporation Ltd., Swire Company, Standard Chartered Bank, and Cable and Wireless are prominent in both China and Hongkong today. As the English-language *Hongkong Standard* wrote on June 30: "There are almost a thousand British corporations and individuals involved in trade, finance, banking, and other areas of economic endeavor. Their continued involvement in Hongkong's growth will be important to Britain's access to [China], the world's largest economy. Hopefully Britain will understand and appreciate where its true interests lie and will act accordingly. . . . The emphasis will have to be on economic relations, the one area where both can make immeasurable gains."

British Labour Prime Minister Tony Blair, and his nasty foreign secretary, Robin Cook, are playing a double game. While Blair, who led the absurd, three-person "boycott" including himself, Cook, and U.S. Secretary of State Madeleine Albright, of the Chinese ceremonies marking the return of Hongkong on July 1, had harsh words for China, he had a second, more insidious message: "We have to look to the future. . . . There is nothing else we can do," he said. "If we have to act, then the people of Hongkong will expect us to mobilize international opinion. China must know that Hongkong will be destroyed if they try to undermine the Joint Declaration."

But, at his meeting with Chinese President Jiang Zemin, Blair also said: "We want a strong relationship with China based on the twenty-first century, putting the battles and struggles of the past behind us, because we want a new relationship for a new world." Blair pointed to the importance of Britain

as a signatory on the Joint Declaration and the impact on Britain's own position and international opinion, if the Declaration were not adhered to.

### **Economic future for Hongkong**

The greatest guarantee of Hongkong's real security, will be the rapid integration of the former colony into the vast, rapidly expanding economy of China. Since 1949, Hongkong has been a "window to the West" for China; but, in recent decades, Hongkong's economic role has been ever-more determined by China's, now undergoing the most intensive infrastructure, industrial, and scientific development in its history.

China's limited port capacities, both sea and inland, have long been a severe problem. Medium- and long-term national plans are to expand the capacity of existing ports, as well as to build new ones, but, until that can be accomplished, Hongkong has a key role to play.

Despite its inauspicious beginnings as a haven for British opium smugglers, and later as the financial and logistics base for their "legitimized" drug operations, for the last five years, as the Chinese economy has opened up, Hongkong has become the largest container port in the world. It handled 13.4 million containers last year, 70% of which were from or bound for inland China.

China's Minister of Railways, Han Zhubin, in an interview with China's news agency Xinhua on June 16, described plans for expansion. Since 1962, three express cargo trains have been running between Hongkong and inland China; after 1997, these express trains will still be the most advanced cargo trains in the inland areas, Han said. For passengers, the first Guangzhou-Kowloon train was launched on April 4, 1979. Now, seven trains from inland China reach Hongkong. In mid-May, the great engineering project of the new Beijing-

Kowloon railroad was completed, through a belt in which 117 million people live, greatly increasing China's north-south rail capacity. This, and the Shanghai-Kowloon rail lines, have shortened the distance between Hongkong and China's big cities, including Beijing, Shanghai, Tianjin, Nanchang, and Zhengzhou, Han said.

In southwest China, the Kunming-Nanning railroad is just being completed, also expanding the importance of Hongkong as an international port.

The Ministry of Railways is committed to better operation of container-transport trains between inland China and Hongkong, Han said. The ministry has already, in cooperation with the Kowloon-Canton Railway Corporation, started through-train container transport service from Zhengzhou, Wuhan, and Chengdu to Hongkong. Kunming, Guizhou, and Chongqing, far in the interior, will also open through-trains to transport containers to Hongkong. Regular cargo service, including for food and produce, will also be expanded.

River and road transport will also expand Hongkong's capacity as a transport hub. Not only can Hongkong, as a Special Administrative Region (SAR), independently develop shipping ties with other countries or regions, but the completion of projects such as the Guangzhou-Shenzhen Expressway, the Shenzhen-Shantou Expressway, and river harbors along the Pearl River will expand Hongkong's role as an entrepôt for the rest of China. Huang Zhendong, Chinese minister of communications, stated on June 19 that China's inland international harbors handled a combined 8 million containers last year. More large-sized transport facilities are under discussion.

Every day, over 24,000 vehicles, 91% of which are trucks, cross the border between Hongkong SAR and China. In 1996, Xinhua reported, nearly 1.2 million tons of goods from the inland areas were transported to Hongkong via rail, while 800,000 tons of cargo were shipped to the inland areas from Hongkong. The number of passengers that crossed the border by train reached 48 million in 1996, some 5 million more than in the previous year.

Now, the rapidly developing infrastructure of the Shenzhen Special Economic Zone will be even more closely integrated with Hongkong, and relieve the bottleneck on Hongkong's own facilities.

And, in a message that should be noted in the financial circles in the City of London, in his inaugural speech delivered on July 1, Hongkong SAR's new Chief Executive Tung Chee-hwa said that among the first steps of the government would be to "draw up a comprehensive plan to improve the quality of education," and to relieve the severe housing shortage. "The crux of the housing problem is inadequate supply, causing prices to soar and creating opportunities for speculators," Tung said. "We will draw up a ten-year housing plan; extend the mass transit system and [carry out] infrastructure development. . . . We will devise a range of anti-speculation measures and monitor the market closely. We will take resolute action when it becomes necessary to do so."

## Ruled by the Crown

Any who might have illusions, that all the fuss kicked up recently about "democracy" in Hongkong, has any veracity, should study the history of the British colony.

Being a Crown Colony, meant that Hongkong was run on the basis of an Order in Council—that is, the Queen's Privy Council, the most powerful single organ in the current British financial and political empire—by a governor *appointed* by the monarch. All land in Hongkong, until June 30, 1997, was *owned* by the Crown; under this feudal system, builders could only lease, or sub-lease, not own, land in Hongkong. Britain itself, of course, still has a similar feudal system; it has never enjoyed a land reform. Huge tracts of land in city and country are still owned by the Crown or aristocracy, and only leased by farmers, villagers, and city tenants.

While China has, since 1949, regarded all ethnic Chinese living in Hongkong as Chinese nationals (unless they were born overseas), the British legal position was that they were British nationals—within strict limits. Since 1962, no "citizen" of a British dependent territory has had the right to live in Great Britain; they had special "dependent" passports. The 1981 Nationality Act created a new category: British Dependent Territories Citizen, who only had a right to an abode in one particular British territory.

The inner workings of the "latter days" of British Hongkong have been well documented, especially by the mandarins Sir Percy Cradock and Sir Robin McLaren. Cradock published his memoirs, *Experiences of China*, in 1994. He was Thatcher's foreign policy adviser (1984-92), chairman of the Joint Intelligence Committee, and became a Privy Councillor in 1993. He was ambassador to China during 1978-84. London's Royal Institute for International Affairs has just published a paper, "Britain's Record in Hongkong," by McLaren, also an ambassador to China (1991-94), a key representative of the British in the negotiations over Hongkong, and a senior official at the Foreign and Commonwealth Office.

On colonial "democracy," McLaren wrote: "It is undeniable that representative government came late to Hongkong. The Legislative Council (Legco), was still wholly appointed at the time the Joint Declaration negotiations took place, and the first, indirect elections were not held until 1985." The colonial government was run by the Crown-appointed governor, with the "advice and consent of the Legislative Council," and Executive Council. "Membership of the two councils was laid down in Royal Instructions to the Governor"; they were British officials. In a city 98% Chinese, the "local," i.e., Chinese, members of the Legco were always known as the "unofficials."

## From the opium wars

Throughout the nineteenth and first half of the twentieth century, Hongkong was of relatively minor importance, little more than a stuffy, "very British" colonial backwater on the south China coast. The real center of British, and other colonial power, was Shanghai, the industrial and financial center of all East Asia, the huge port where the Yangtze River,

China's vast inland waterway, met the Pacific sea routes. Only after 1949, when foreigners were booted out of their concessions in Shanghai, did Hongkong begin to assume real importance as a port and a financial center.

The British Empire acquired Hongkong Island as a permanent colony as the result of the first Opium War of 1840—Britain's bloody enforcement of its need to balance the East India Company's books by selling opium to China, the only "profitable" venture of this trading empire. (Britain produced nothing that any other nation wanted to buy; opium was its great "success.") Following the Second Opium War of 1856, launched by Anglo-French forces, China had to cede the tip of Kowloon peninsula, also "in perpetuity." In 1898, as other world powers were staking out spheres of influence in China, Britain forced the Qing government to sign a treaty, the Convention for the Extension of Hongkong, to grant a 99-year lease to a large stretch of land on Kowloon and over 200 islets, called the "New Territories." These were the "three unequal treaties."

McLaren noted that, at the end of World War II, U.S. President Franklin Roosevelt "would have preferred to see Hongkong made over to Chiang Kai-shek, once the Japanese had been ousted. That would also have been Chiang's preference, and he had no doubt been encouraged to believe that Hongkong would be returned by Britain's willingness, in the Sino-British Treaty of 1943, to confirm its abandonment of the right to extraterritoriality and to maintaining concessions in China. Winston Churchill, however, had no intention of giving up Hongkong."

The British colonial administrators imprisoned by the Japanese after 1941, were determined to re-take Hongkong. When the Japanese capitulated in August 1945, their forces were still in possession of huge areas in Southeast and East Asia. Gen. Douglas MacArthur had forbidden Britain to accept the surrender of Japanese forces anywhere, until the final surrender document was signed in Tokyo Bay on Sept. 2, 1945. But, in Hongkong, an interned British colonial official slipped out of a Japanese prison camp, retrieved a British flag he had hidden in 1941, and ran it up. A British naval task force sped to Hongkong, to take the Japanese surrender on Aug. 29—violating MacArthur's orders. The Chinese forces would not take the territory of an ally; Hongkong was again British.

Since the founding of the People's Republic of China in 1949, Chinese policy has been to consider Hongkong part of China's territory. The People's Republic did not recognize the three "unequal treaties" as valid; its policy was that the issue of Hongkong should be settled through negotiations when "conditions were ripe"; until then, the status quo should hold.

China's policy remained, during the complex situation following World War II, to recover Hongkong, as the People's Republic's statesman, Zhou Enlai, repeatedly stated. Already in 1958, McLaren wrote, Zhou Enlai warned in a conversation with a British visitor to Beijing, that a plot was being hatched to turn Hongkong into a self-governing territory like Singa-

pore. He wanted the British government to know that China would consider any such development, a very unfriendly act.

In March 1963, the Beijing *Zhongguo Qingnian Bao* (*China News Daily*) reported, "faced with overseas criticism of China's Hongkong and Macao policy (such as, that 'a socialist country actually tolerates colonialism')," China published for the first time in the *People's Daily* the statement that: " 'Hongkong and Macao are leftover historical problems from a series of unequal treaties forced on China by imperialism.' As to such problems, 'our consistent stand is that, when the terms are ripe, we will solve them peacefully through negotiation. But until they are solved, we will maintain the status quo.' "

China remained isolated. Although the Soviet Union, India, Pakistan, Indonesia, and other independent developing nations recognized the Beijing government after 1950, Western nations did not. Britain, followed by the Netherlands in 1954, established relations, but only at the *chargé d'affaires* level; they maintained ties with Taiwan.

It was French President Charles de Gaulle who broke the situation open. In January 1964, stating the importance of dealing with the nation of China in world affairs, especially over the crisis in Vietnam, he sent a full ambassador to Beijing. It is one of the tragedies of recent history, that de Gaulle had wanted to discuss this policy toward China with U.S. President John

## Cricket and the British Empire

One essential matter for understanding the workings of the British mind, are the "rules of the game" of cricket. The very highest level of "mandarins" constantly use images from this most British of games, one of endless "rules" and "precedents," not of action and motion. The greatest of British social values is to "keep the playing field level"; Sir Percy Cradock expressed his outrage at the national leaders of China, that they had insisted that the British "should give the game away before we ever got on to the pitch."

Cricket play is dominated by its bible, called the *Wisden*, which is an annual chronicle of all cricket matches played around the world. It contains not only the scores, but also the rules of the game, controversies, and so forth. This behemoth ranges in length from more than 1,000 to 2,000 pages. Cricket rules are so extensive, and so enormously complex, that no one save a lawyer or an umpire can possibly begin to remember them. Every cricket match requires two umpires working simultaneously.

The rules are called the "laws" of cricket. Although it originated as a folk game, it was taken over by the aristocracy and gentry in the seventeenth century, and only after

Kennedy, whom he had warned about the dangers of falling into a morass in Vietnam. This discussion never took place: Kennedy was assassinated before it could happen.

In 1972, Britain and Japan also sent ambassadors to Beijing, but the United States did not establish full diplomatic relations with China until 1979.

## Regaining Hongkong

In 1972, the United Nations General Assembly voted to give the permanent seat on the Security Council, until then occupied by Taiwan, to the People's Republic of China. China then sent a letter to the UN Special Committee on Decolonization, stating: "The questions of Hongkong and Macao belong in the category of questions resulting from the series of unequal treaties which the imperialists imposed on China. Hongkong and Macao are part of Chinese territory occupied by the British and Portuguese authorities. The settlement of the questions of Hongkong and Macao is entirely within China's sovereign right. . . . The Chinese government has consistently held that they should be settled in an appropriate way when conditions are ripe."

This ensured that it would not be possible for the British to create a situation in which Hongkong or Macao would be declared "independent," and that decisions on the future of Hongkong were to be dealt with only bilaterally, between

China and Britain. The 27th UN General Assembly supported the Chinese view.

In the same period, the leaders in Beijing were developing their strategy for dealing with London. In May 1974, Mao Zedong met with British Conservative Party leader Edward Heath, and the two agreed to the "peaceful and stable handing over of Hongkong in 1997," the Zhongguo Xinwen She (China News Agency) wrote on the history of Hongkong on June 29.

(Heath, British prime minister during 1970-74, is an interesting figure. In March 1972, under Heath, Britain sent its first full ambassador to China, and ended its diplomatic ties with Taiwan. Heath leads the moderate, anti-Thatcher wing of the Tory Party; his relationship with his successor, Margaret Thatcher, can be described as one of mutual loathing. The British press have commented that his love for Classical music stands in contrast to her intense dislike of it. In the midst of Thatcher's drive for war against Iraq in 1990, Sir Edward was the most prominent member of the British Conservative Party in Parliament to publicly, repeatedly oppose her.)

## A new solution to an old problem

When Deng Xiaoping came to power, and the Cultural Revolution's "Gang of Four" was crushed, his policies to modernize and open up China were confirmed in 1978 by the

1830 did professionals and their patrons begin to appear on the scene. After 1870, and until the 1940s, the game was controlled by the gentry. Each summer, in England, there would be two cricket matches between the "Gentlemen" and the "Players"—the "Gentlemen" being the aristocrats and gentry, who, of course, did not play the game for money, while the "Players" were the money-making professionals and other social "riff-raff." When these two games were played at the Lord's—the most exclusive of English cricket clubs, located in the London suburbs—the "Players" were only allowed to enter the ground through one designated gate, while the "Gentlemen" had the privilege of entering through the other. Mixing up the gates was never allowed.

In 1744, many new "laws" were introduced, drawn up by the London Club, whose president was the Prince of Wales, and a committee consisting of noblemen from London, Middlesex, Kent, Hampshire, Surrey, and Sussex.

## An affliction of the Commonwealth

Cricket has been made an affliction of the British Commonwealth. Former colonies have the privilege of engaging in "Test Matches" between the best 11 players of two countries. Currently, England, Australia, the West Indies, New Zealand, India, Pakistan, Sri Lanka, Zimbabwe, and South Africa are allowed to play "test matches"; Bangla-

desh has only just now qualified to join this "elite" group.

A test match is a five-day affair, with five test matches usually played between two countries at one go, called a "rubber." On each day, under normal conditions, the game is played for six hours: two hours before lunch, two hours between lunch and tea, and two hours between tea and when the "stumps are drawn." During the two-hour sessions, "drinks" are brought in twice on a trolley by the "twelfth man" of each side.

A game *can* be won or lost during the five days—but not necessarily! In the second case, there will be a draw, or a drawn test match. Whoever wins more test matches, out of the five played, wins the "rubber." Notably, more games are drawn than won or lost.

The most extreme example of such aimless "play"—but always by the rules!—was what is known to cricket historians as the "timeless" Test. This Test was scheduled to be played to an end, but *could not be finished* and had to be recorded as "abandoned." The "timeless" Test was played at Durban, South Africa, in 1938. The game started on a Friday morning. On the tenth day of play, the players finally came off, because of rain. While there could have been an 11th, and indeed a 12th day of play, the charade had to end, because the players' boat, *Athlone Castle*, was leaving for England and could not delay its departure any longer.—*Ramtanu Maitra*



*Hongkong Island's waterfront from Victoria Peak. Hongkong's Chief Executive Tung Chee-hwa said that among the first steps of his government would be to "draw up a comprehensive plan to improve the quality of education," relieve the severe housing shortage, and curb speculation.*

Third Plenary Session of the 11th Chinese Communist Party Central Committee. Hongkong had an immediate role: Since 1979, Hongkong has provided 60% of the direct investment into China.

Deng also began initiatives in international relations, particularly with the most-important, yet very sensitive question of relations with the United States. Deng "started to consider the use of the new concept, of allowing two social systems in one country, which he put forward for solving the Taiwan issue during the negotiations for the establishment of diplomatic relations between China and the United States in 1978, to solve the Hongkong issue," China News Agency wrote.

One additional reason for the ultimate Chinese success on Hongkong, was the fact that it was the British who had to initiate the talks, indicating to Beijing what it had been waiting for: "Conditions were ripe," because of Britain's own colonial policy.

"All land in Hongkong was—and will be until 30 June 1997—owned by the Crown and leased to those who used it," Sir Robin McLaren wrote. On Hongkong Island, leases were given for 99 years, but on the New Territories, where most of the building was going on, all leases had to be written to expire a few days before 30 June 1997—under the Crown's own 1898 Order in Council. Standard mortgages ran for 15 years, making 1982 the last possible year in which new 15-year leases could be issued.

The British, as Sir Percy Cradock wrote, wanted to "blur the 1997 deadline," by a new Order in Council, which would allow new sub-leases, valid so long as the Crown administered the territory. That would be left "open," i.e., the terminal date in 1997 would simply not appear in the new Order.

Sir Murray MacLehose, Hongkong governor at the time, was sent to Beijing in March 1979, to begin the British ap-

proach. The Chinese were ready for him. Instead of the usual procedure, in which Sir Murray would have met lower-level officials, in preparation for his reception by Deng Xiaoping, he was ushered into Deng's presence immediately. Deng took the initiative, and raised the question of Hongkong's future. He "advised" against any reference to "British administration," and, in response to Sir Murray's "technical" inquiries on the terminal date, Deng would only assure him that investors should "set their hearts at ease." Deng emphasized the importance of Hongkong to China's modernization plans, but said that any solution had to have as a prerequisite, that Hongkong was part of China, although with special status.

Deng's view made it clear that, for China, "political goals came before market forces, and that any solution was likely to require a recognition of Chinese sovereignty," Cradock noted of the meeting.

### **Changing the rules of the game**

The Chinese education of the British in matters of diplomacy continued. When Thatcher's foreign secretary, Lord Peter Carrington, went to Beijing in April 1981, Deng was not forthcoming during their meeting; he only suggested that the British should study Taiwan.

But, one year later, Deng ran a wonderful diplomatic coup against Thatcher. In April 1982, he "opened up," to none other than her nemesis, former Prime Minister Heath, who was visiting Beijing. Deng proposed to Heath what ultimately became the resolution of the Hongkong situation: that Britain accept a solution for Hongkong, with a proposed nine-point plan for peaceful reunification, with Taiwan as a model. China would regain sovereignty, but Hongkong would become a Special Administrative Region, and remain a free port and international financial center.

Thatcher, however, refused to listen to Deng's message. She was then in the midst of a war to recover control of another British colony: the Malvinas Islands off the coast of Argentina ("the Falklands," in British terms), which had been taken militarily by Argentina—a position supported by the Chinese. Flush with her victory, Thatcher went to China in September 1982. By that time, she was in full flight forward. "Fresh from the Falklands experience," Sir Percy Cradock wrote, Thatcher kept looking for possibilities to deny China sovereignty: Could Hongkong Island survive on its own; could the United Nations be involved; what could the British military do? This was all fantasy. The Japanese forces had overrun Hongkong in three days in 1941; Hongkong was totally dependent on the mainland for every vital supply.

But, Thatcher kept insisting that the three unequal treaties were valid, and Chinese sovereignty would mean capital flight from Hongkong, and economic and financial collapse. Her only so-called concession was that, on condition that Britain continue to administer Hongkong, the British would "consider" China's claim to sovereignty.

But Thatcher had met her match. In their meeting on Sept. 24, 1982, Deng told Thatcher:

"Our basic position on Hongkong is clear. There are three major issues involved. One is sovereignty. Another is the way in which China will administer Hongkong after 1997. And still another is the need for the Chinese and British governments to hold appropriate discussion on ways to avoid major disturbances in Hongkong during the 15 years between now and 1997.

"On the question of sovereignty, China has no room to maneuver. To be frank, the question is not open to discussion. The time is ripe for making it unequivocally clear that China will recover Hongkong in 1997. . . . It must be on that understanding that China and the U.K. hold talks on the ways and means of settling the Hongkong question.

"If China failed to recover Hongkong in 1997, when the People's Republic will have been established for 48 years, no Chinese leaders or government would be able to justify themselves for that failure before the Chinese people or before the people of the world." To fail to do this, would make the Beijing government the equivalent of the Qing regime, which would have to abdicate, Deng said.

"In a broad sense, China's announcement of this policy decision will be beneficial to Britain, too," Deng added, "because it will mean that 1997 will mark the end of the era of British colonial rule, and that will be welcomed by world public opinion."

While Deng committed China to maintaining capitalism in Hongkong, he put this in clear perspective. "The main concern of people today, is that if prosperity is not maintained in Hongkong, it might retard China's drive for modernization. In my opinion, while we cannot say it would have no effect whatever on China's modernization, it would be a mistake to say the effect would be very great. If China had decided to base the success of its modernization drive on prosperity in

Hongkong, the policy decision would have been wrong. People are also concerned about the possible withdrawal of foreign capital from Hongkong. But so long as our policies are appropriate, capital that leaves Hongkong will return. . . .

"I also want to tell Madam, that when the Chinese government made this policy decision, it took all eventualities into account. We even considered the possibility of something we would hate to see happen—what we should do if serious disturbances occurred in Hongkong during the 15-year transition period. The Chinese government would then be compelled to reconsider the timing and manner of the recovery. If the announcement of the recovery of Hongkong has, as Madam put it, a 'disastrous effect,' we shall face that disaster squarely and make a new policy decision. . . .

"I am concerned that there may be major disturbances in this period, man-made disturbances. These could be created not just by foreigners, but also by Chinese—but chiefly by Britons. It is very easy to create disturbances. . . . The governments of the two countries should not only refrain from doing anything that would impair the prosperity of Hongkong, but they should also ensure that entrepreneurs and people in all other lines of work refrain as well. . . .

"The prerequisite is the understanding that China will recover Hongkong in 1997."

### **Thatcher takes a tumble**

The "Iron Lady" was shocked. She retorted, Cradock reported, that any serious disturbances would not be of Britain's making; but, if China intervened, the world would know what to think.

But her armor was cracked. Leaving the Great Hall of the People after this discussion, Thatcher slipped and fell down the steps.

Her banquet for the Chinese side that evening was a failure; she had insisted on bringing British regimental silver to decorate the tables, but these remnants of British military prowess were lost among the Chinese decorations.

Thatcher could do nothing but give vent to her anger. At a press conference back in Hongkong, she insisted that the three treaties were all valid in international law. Nastily, she said, if a country would not stand by one treaty, it would not stand by another.

For the next six months, the talks remained at a standstill, because Thatcher would not yield on the issue of sovereignty. But Deng, and ever-worsening crises in the financial system, had not done with her yet.

In autumn 1982, McLaren wrote, the situation in Hongkong was "one of considerable nervousness." The exchange value of the Hongkong dollar and the Hang Seng stock exchange index were affected. While Chinese leaders were discussing their policies, including on Hongkong, the British "felt unable to go on the offensive themselves. . . . To have engaged in a propaganda war would hardly have made the task of persuading the Chinese of the need for British administration easier, nor would it have improved business confidence."



## Eastern China



Then, in November 1982, the Chinese dealt their next blow: the formulation of their proposal for post-June 1997, of “Hongkong people running Hongkong.” This policy — rather different from having the Queen run Hongkong — was something which, Cradock had to admit, had “considerable international appeal.”

Her advisers clearly nervous about the effects Hongkong financial instability would have, Thatcher finally yielded. In March 1983, she sent Beijing a letter stating that she “would be prepared to recommend to Parliament,” the discussion of Chinese sovereignty in Hongkong. Of getting Thatcher to back down, Cradock — who knows China very well — wrote, “It was as well I did so. Some explosive ideas were being canvassed in the frustration of the time: a public statement by the PM; a UN-supervised referendum on Hongkong; bringing Hongkong Island and Kowloon, nearer independence.” Thatcher even called in Defense Minister Michael Heseltine.

As a fall-back position, Thatcher clung to the illusion that the Chinese would allow British “administration” even after sovereignty was returned to China. But this was to no avail. The Chinese counterattacked, and, again, financial fragility intervened. As McLaren wrote: “There was a wider . . . dimension which placed severe constraints on the British government’s freedom of action and affected its negotiating tactics. . . . The British government were responsible for the territory and knew that if business confidence was seriously damaged *the markets could spin out of control, with potentially disastrous consequences*. The start of the talks coincided with a downturn in the economy. . . . In September 1983, when a barrage of Chinese attacks and threats made it

impossible to conceal the fact that the negotiations were on the verge of breakdown, both the Hang Seng index, and, more seriously, the Hongkong dollar came under increasing pressure. . . . The decline gathered momentum in September. . . . There was no support from China. On the contrary, the Chinese argued that the crisis was artificial, manufactured by the British to put pressure on China.” The British Treasury expressed its fears of having to bail out the Hongkong dollar; the slide was only stopped in mid-October, when the intervention was made to link the Hongkong currency to the U.S. dollar, an arrangement still in effect.

Cradock, who was leading the negotiations in Beijing that summer, wrote that British insistence on “British administration, British law, and British freedoms” for Hongkong, had led to the crisis. Chinese chief negotiator Yao Guang utterly rejected the “dream of British administration.” If there were no agreement by September 1984, Yao said, China would announce its plans for Hongkong, and if there were disturbances in Hongkong, China might have to intervene earlier. As the currency and Hang Seng fell, Cradock wrote, he became convinced that “Deng was not bluffing and would let the Hongkong economy go to the wall if he had to.”

Deng took no further chances. The Chinese negotiators announced that they wanted to set up a Joint Commission, to be stationed in Hongkong to oversee the last years before 1997. The British were opposed, but it was Deng’s idea. “One virtue he saw in it,” Cradock wrote, “was that it might deter the British from removing the family silver from Hongkong before they themselves left.” While Cradock attempted to dismiss this as a “primitive suspicion,” the Chinese were right: Jardine Matheson, the biggest opium smuggler of them all, and “*the establishment*” of colonial Hongkong, moved its headquarters to Bermuda in March 1984 to escape the Chinese government.

### The ‘bottom line’

In July 1984, British Foreign Secretary Sir Geoffrey Howe went to Beijing, where he was delivered what Cradock called the “Chinese bottom line.”

Deng told him: “We will be paying close attention to developments during the remaining 13 years. . . .

“We hope that the position of the Hongkong dollar will not be shaken. . . . At present the currency has good credit, because it is backed by substantial reserves. . . . This state of affairs must not change.” The British Hongkong government would be allowed to sell its Crown lands, “but we hope,” Deng said, “it will use that income for capital construction and the development of land. . . .

“We hope that the British Hongkong government will persuade people in the relevant departments not to let British capital take the lead in withdrawing from Hongkong. . . .

But after these warnings, Deng was genial: “I am confident,” he told Howe, “that the ‘one country, two systems’ formula will work. This will produce a favorable reaction internationally and will serve as an example for other nations in



settling the disputes history has bequeathed on them. When we developed the concept of 'one country, two systems,' we also considered what methods could be used to resolve international disputes. There are so many issues all over the globe that are tangled in knots and very difficult to solve. It is possible, I think, that some of them might be disentangled by this method. Our sole purpose has been to find mutually acceptable solutions to disputes. In the past, many have flared up and led to armed conflicts. If fair and reasonable measures are taken, they will help eliminate flash points and stabilize the world situation."

Deng's stern warnings had their effect. When the Chinese and British signed their Joint Declaration in December 1984, the Joint Liaison group was established, based in Hongkong starting on July 1, 1988; it will be abolished on Jan. 1, 2000. The Chinese Hongkong Special Administrative Region retains the equivalent of over \$40 billion in reserves. During the 50-year transition period, these funds must be spent within Hongkong, but the "family silver" remained Chinese.

Deng had little mercy for Thatcher. After the agreements were reached, he sent her a message, via Howe. Deng "congratulated Mrs. Thatcher on bringing to an end British colonial rule, just as General de Gaulle had brought to a close French colonial rule." It would be most interesting, to know how the "Iron Lady" took that one.

### The 'democracy' farce

The British were not done, however. During the next years, the British kept trying to re-interpret the Joint Declaration, trying to replace "a high degree of autonomy" with "maximum autonomy." Press and politicians kept up an international fuss about China's policy of stationing troops in Hongkong, and even attempted to finesse the issue of sovereignty, by insisting that Britain should be represented in Hongkong not by a consul-general, as other nations were, but by a "British commissioner"—a scheme which could have brought Hongkong into the British Commonwealth, through the back door.

None of these ploys succeeded, but, in July 1992, in came Chris Patten, as Hongkong's last colonial governor and representative of "British democracy." On Oct. 7, 1992, Patten unilaterally put forward his so-called Hongkong "constitutional reform package," including "wider elections" than had been agreed to, without previous negotiation with China, and despite requests from Beijing that he not make so provocative an announcement. Patten based his action on the claim that in what he called the "post-Tiananmen 1990s," Britain could not negotiate such matters with China. This latter-day democracy was, in British colonial tradition, hardly broad. The Legco was still fully appointed by the Crown Colony government until 1985; and then, only 24 of 56 Legco seats were even *indirectly* "elected" by various Hongkong institutions. Direct election of only 18 seats did not occur until 1991. While the Chinese Congress agreed to 20 directly elected seats in 1997, Patten's great "reform" only provided for 10 more directly elected seats!

In early 1990, the Chinese National People's Congress had accepted the British proposal, that if the composition of the last Legco under British rule, to be set up in 1995, conformed to Hongkong's Basic Law, its members could become members of the first Legislative Council of the Hongkong SAR in July 1997—the much-noted "through train." But, Patten's tactics, which included increasing the number of Legco members who held foreign nationality, wrecked this.

The Joint Declaration only stipulates that the "legislature of the Hongkong SAR shall be constituted by elections"; the time for these elections was unspecified, but the SAR government has already pledged to hold them within a year.

Unwilling to accept Patten's Legco as legitimate, the Chinese government decided to create a Provisional Legislative Council, an action Patten claimed was a "bizarre farce." But what was the colonial Legco? "A political structure serving colonial rule," Xinhua noted on Dec. 21. Its election was wholly directed by the Hongkong governor, the deputy of the British Queen.

It is worthwhile to compare Chinese and British methods of governing Hongkong.

In January 1996, the Preparatory Committee for the Hongkong SAR was established, consisting of 150 members, of whom 94 were from Hongkong. The Preparatory Committee decided to form a Provisional Legislative Council, and to do this, in November 1996, chose an electoral body of over 400 people, the Selection Committee, from more than 5,000 Hongkong candidates. The Selection Committee was in charge of selecting the first chief executive and the Provisional Legislative Council.

On Dec. 11, the Selection Committee elected Tung Chee-hwa as chief executive; ten days later, the Selection Committee elected 60 members of the Provisional Legislative Council of the Hongkong SAR. Thirty-four members of the serving Legco put their names forward for election; 33 were elected.

It was over this procedure, that British Foreign Secretary Malcolm Rifkind threatened to bring the "issue" of the Provisional Legislative Council to "the International Court of Justice.

In an interview with the Taiwan newspaper *Chung-Kuo Shih-Pao* on June 15, Zhou Nan, director of the Hongkong branch of Xinhua and a leader of Chinese negotiations for Hongkong, said: "Britain, the old-line colonialist, [was] originally unwilling to return Hongkong. . . . But Comrade Deng Xiaoping did not listen to such nonsense. . . . China would not compromise on the issue of sovereignty. . . . The reason why we can peacefully resolve the Hongkong issue is nothing but our adherence to 'one country, two systems,' [and] that our national strength has grown. . . . In her memoirs, Margaret Thatcher admitted: Due to a great disparity in actual strength and because the Chinese side did not compromise, Hongkong, for the sake of principle, can no longer be Britain's. Margaret Thatcher did not indicate which side was strong and which side was weak, but the answer was obvious for all to see."

The British empire has taken one good defeat.

## Strategic threat to Australia: Pyongyang, or London?

by EIR Asia Desk

Despite commendable initiatives from some official quarters in Australia, the London Privy Council's line is that expressed by U.K. Labour Party Prime Minister Tony Blair: that all Commonwealth institutions, including Australia's military, shall perceive tiny North Korea as the chief strategic "enemy image" of the moment. This implies that if, as the World Food Program says, 5 to 10 million North Koreans are about to starve to death—including 3 million children under six—so much the better for the Anglo-Dutch financier-oligarchy's plans for South and East Asia.

Better informed Australian patriots will recognize in London's current Asia policy, echoes of Winston Churchill's plan, during World War II. It was London's intention, at the outset of Japan's entry into that war, that Britain and its U.S. ally should abandon all of Australasia east of India, in order to prolong the war in the Pacific theater as long as possible. Territories which London intended be abandoned for as much as a decade or more of temporary occupation by Japan, included not only the Philippines, but, also most of Australia.

Churchill's intention was frustrated by Churchill's most determined and deadly adversaries, especially U.S. President Franklin Roosevelt and General Douglas MacArthur. Australia's patriots rallied to MacArthur and Roosevelt, and, despite the heavy toll those allies suffered in a few crucial battles in the archipelago flanking Australia, that U.S.A.-Australia partnership won the war in the Pacific with the greatest net economy in time and in lives of both adversary forces in all major warfare of the 20th century.

The same issue, of imperial-minded London against the U.S.A. under another President, William Clinton, is key to the leading strategic policies of the neo-Thatcherite Tony Blair's policies for all of Australasia today.

If Christian charity won't speak for feeding those North Korean children, then consider coldly what the strategic threat

London's policy represents for Australia, once again, today.

Queen's Privy Councillor Baroness Margaret Thatcher has been emitting declarations, over recent months, asserting that North Korea should be the next "flash point" for war. These calls for conflagration are repeated weekly by the present wearer of the Prime Ministerial motley, Tony Blair, by London's Defense Ministry, and also such U.K. Foreign Service stables as Royal Institute for International Affairs (RIIA, "Chatham House"), and the International Institute of Strategic Studies (IISS). The underlying axiom of current U.K. "balance of power" policy, whether in East and South Asia, in the Middle East, or in Northern Ireland, for ever-yet another "hot spot" like Northern Ireland or the West Bank in the Mideast, is: Where can Lord Palmerston's London play, yet once again, the bloody game of "let's you and him fight."

Just as London uses Irish tensions to control U.K. politics and Arab-Israeli tensions to monopolize Mideast oil, they have a bigger fish to fry in Asia—and that, is China. In this Great Game of Empire, Korea and Australia are expendable chunks of meat.

Her Majesty's Privy Councillors have sworn to destroy China as a nation. This has nothing to do with "communism." Bertrand "Dirty Bertie" Russell, after returning from his visit to China, in 1922 and 1923, expressed the view that China, and the rest of East and South Asia simply had too many people, whose numbers London might be obliged to reduce, he wrote, "by methods which are disgusting even if they are necessary." That same Malthusian sentiment is the key to London's strategic policy toward South and East Asia, and also Australia, today.

Just as London, over the past three decades, has turned Australia itself back toward becoming a pre-industrial, even an aboriginal territory, so it views China, and rest of populous East and South Asia. London refuses to tolerate the idea, that

such a great nation as China might, like Japan, become a modern industrial power. London's fear is, an industrial China, the United States, and Australia, might combine notions of common self-interest, to bring the Pacific Rim into a new Industrial Age.

In a dozen maps published in London, China is shown about to be dismembered, carved up like Yugoslavia—starting with a “Ring of Wars” around China's borders. Chaos in Korea is one such British “flash point”; the South China Sea islands another; Myanmar another; and bleeding Cambodia just one more.

### The economic danger

The most immediate threat to Australia is that a descent of North Korea into chaos would set off a chain-reaction, which would, at very least, collapse perhaps 30% of Australia's foreign trade—since Japan and South Korea are Australia's two largest trading partners—and, at the same time, lead toward a threat of nuclear face-off between China and the United States, a war which Australia could not survive.

The fact is that South Korea and Japan, where together Australia sold 30% of its merchandise exports in 1996, accounting for millions of Australian jobs and farms, are going flat out bankrupt. Bad loans about to crash at Japanese banks exceed \$700 billion, and perhaps \$100 billion at South Korean banks. The official London International Bank Credit Analyst (IBCA) company just July 17 downgraded South Korea's top three banks to junk-bond status, and has done the same to major Japanese banks. Major industrial corporations—some of Australia's best customers—from Seoul's Hanbo Steel to Tokyo's Sumitomo, Inc., are going under, for lack of export markets.

As rational policymakers in Seoul and Tokyo know, the only solution for their export-dependent economies, is to invest in large-scale development projects in the geographical giants, such as China and Australia, building the railroad, power, and other infrastructure for the 21st century—known as Lyndon LaRouche's “Eurasian Land-Bridge.” North Korea is just another obvious place for this economic development to go full steam ahead—for Koreans to build a railroad from “Pusan to Paris,” to unify their nation, and the continent.

That, Britain will do anything to stop. IBCA, and other members of the London-centered Anglo-Dutch financier oligarchy are bent on crashing every currency and bank in East Asia—starting with South Korea, Japan, and Thailand—to wreck such a “Great Project.” London promotes enough war and related acrimony in the region to abort presently ongoing efforts toward such cooperation. If London succeeds, the economy of Australia dies.

### The strategic danger

The strategic danger, is not that North Korean U-boats are about to blockade Darwin. While wild-eyed madmen remind us, that, on paper North Korea's military may be number two



*The Privy Council orders which British Prime Minister Tony Blair is carrying out in Asia, represent the greatest threat to Australian national interests.*

in mere number of men in uniform in the world today, with 1.2 million men under arms at the DMZ just 30 miles north of Seoul, the real question is whether or not this force is now too weak from hunger to walk, and thus has less than nothing to gain from launching an attack.

The strategic danger is, that a totally chaotic collapse of North Korea, from sheer millions of human beings dying—such as in the Black Death of the 14th century—could lead to unthinkable consequences for the entire region bordering North Korea. British military circles are already predicting that millions of starving refugees will begin flooding Seoul and Tokyo, but with begging bowls, not weapons, barefoot.

The 39,000 United Nations troops on the DMZ—including 37,000 Americans—would be hostage to this “Black Death” scenario.

If Australians wish to live in their present neighborhood, Australia might prevent the Anglo-Dutch imperial oligarchy's motley figures from London, such as a Lady Thatcher or Tony Blair, from using Australia as an expendable cat's-paw for British Malthusian fantasies.

The appropriate message might be sent, by parodying the symbols of Victorian imperialism erected at Bombay's “Gateway to India.” For this purpose, one might construct a statuary, sited at the port of Darwin, representing two figures, each looking northwestward. Imagine this giant statuary, astride a portion of the Darwin port in emulation of the legendary Colossus of Rhodes. One of the two figures should be based upon the design provided by a famous, appropriately British cartoon, the figure of a chimpanzee greatly burdened with the head of Charles Darwin. Around that figure's neck should be a leash. The leash should be held by the giant statue of an armed man attired in the uniform of a World War II Australian soldier. The legend should be, “Don't try to make a monkey out of me.”

## British media work overtime vs. Australia

In the wake of Australian Member of Parliament Pauline Hanson's call to feed the starving millions of North Korea, the *Sydney Morning Herald*, an establishment rag partially owned by Queen Elizabeth II's buddy, Kerry Packer, commissioned a poll of business leaders in Asia. An included purpose of the poll was to inflame tensions between Australia and its neighbors, by showing that prominent Asians fear Hanson as "racist."

On July 11, Hanson called upon her government to sharply increase food aid to North Korea, following a mobilization by Lyndon LaRouche's co-thinkers in Australia for famine relief. The immediate food need "is over 1 million tons," Hanson said. Australia must "take the lead among the nations of the world community to ensure the entire food deficit is filled as soon as possible. . . . If we seriously regard ourselves as a nation of the Asia-Pacific region, it is incumbent upon us to respond to the humanitarian crisis facing North Korea." Hanson was the only Australian MP with the morality to publicly call for such help.

The poll was of 200 business leaders among the top

500 companies of each of four cities, Kuala Lumpur, Manila, Bangkok, and Jakarta. "Many branded her a racist and said she was anti-Asian," summarized the *Sydney Morning Herald*, predicting dire consequences for Australian trade. The poll also found that Hanson "is by far the most heard-of Australian politician" in Asia, with name recognition of some 25%, compared to Australian Prime Minister John Howard's 5%. The poll—which did not report her North Korean call, and was therefore fraudulent—was also carried by Reuters, an arm of British intelligence.

The populist "Hanson phenomenon" was almost entirely created by media barons Packer and Murdoch—the same ones who blacked out her call to feed North Korea. Australia's Anglophile "multi-cultural" establishment has tried to create a plausibly racist straw man, whom they can crucify in a wave of McCarthy-style hysteria, in order to crush any genuine nationalism in the country, as best represented by LaRouche's associates in the Citizens Electoral Council. Sources in Australia's political establishment have told *EIR*, that "word has gone out" that no one should say anything about Hanson's North Korea initiative, since that tends to break up the rigged game in Australia, not to mention such silence abetting Britain's strategic design for chaos on the Korean peninsula, the ultimate target of which is China.

## London puts the squeeze on Kenya

by Linda de Hoyos

The government of Kenyan President Daniel arap Moi has now become the premier target of London's marcherlord forces. Although former British Minister of Overseas Development Baroness Lynda Chalker, had reportedly assured Moi during her visit to Nairobi last fall that his government would not come under renewed assault—as it did, for instance, in 1992—by July, the Moi government was under siege from the opposition bolstered by the international press.

At issue is whether constitutional reforms, which would eradicate pre-independence laws that impede free political organization, will precede Presidential elections which are due for this year, but not yet scheduled. But behind this stands a far more powerful force: the British Privy Council and its militarist machine led by President Yoweri Museveni of Uganda, Kenya's neighbor to the east and a source of a major portion of its food supply.

As early as April 4, the London *Times*, speaking for the British Foreign Office, had declared that Moi would be the "next to go" after Zaire's Mobutu Sese Seko was swept aside. Mobutu and Moi, the *Times* intoned, "are among the last members of a generation who has ruled with the absolute power of tribal chiefs, harnessing the national coffers to fund a system of corruption and patronage to ensure loyalty. . . . Having been seen by Western powers as vital defenders of capitalism during the Cold War, Africa's autocrats are now perceived as men whose time is past." Then again, on June 5, the *Times*'s Sam Kiley, waxing eloquent on the "new breed of African leadership" represented by Museveni et al., quoted one Western diplomat's musings: "Will they try to take on every bad guy on the continent? . . . How comfortable is Mr. Daniel arap Moi in Kenya? Is he on their hit list?"

The answer is yes. According to regional sources, the opposition in Kenya has been heavily penetrated by forces from Museveni's Uganda, and Uganda is being put forward as the model for the "new Kenya," among students, who have been organized to play the role of battering ram against the Moi government. The image of the "Kabila revolution" in Zaire is also being conjured up. In the second week of July, opposition parliamentarians vowed to render Kenya "ungovernable," if Moi did not accede to their demands. "Those who make peaceful change impossible make violence inevitable,"

declared opposition parliamentarian James Orenge. "The mood of the country is that there is a beginning of a revolution." The government "must take responsibility for the murder and mayhem that Kenyans have witnessed during the last few days." On July 8, demonstrations against the government left 10 dead, and police stormed the All Saints Cathedral in Nairobi, when demonstrators took refuge there, in a dramatic desecration that fueled the opposition cause.

Known British quantities such as Richard Leakey, son of the famous anthropologist and an on-the-ground asset of Prince Philip's World Wide Fund for Nature, have also called for "revolution." Leakey, who heads the banned Sarafina Party in Kenya, warned on July 15 that "nobody is calling for violence in the reform movement. But people hijack mass action, and chaos might erupt because the police beat people and violence ensues."

Ties of the opposition to the Museveni warlord machine are direct. Opposition leader Raila Odinga, a Presidential candidate against Moi, was in Rwanda in late June, where he met with government leaders. Later in Houston, Texas, on July 11, Odinga was queried by the Schiller Institute on his views toward British warlord Museveni, to which he answered categorically: "Museveni is a patriot for Uganda and all of Africa." Answering a question on the mass murder of Hutus carried out in eastern Zaire by Ugandan and Rwandan troops, Odinga claimed that there was no evidence of massacres of Hutus, and otherwise repeated the same line heard by all those organized around the Dar Es Salaam University-spawned theories of the Ugandan President, that revolution is "always fraught with violence."

## Diplomatic squeeze

By mid-July, as the agitation against Moi, highly publicized in the Western press, reached its height, Rwandan Defense Minister Paul Kagame arrived for a visit to Nairobi. The purpose of the visit was to reestablish diplomatic ties between Nairobi and Kigali, which had been severed in 1996, when Rwandan agents were nabbed in an attempt to murder a leading Rwandan Hutu exile in Nairobi.

Kagame was met at the airport by Kenyan Vice-President George Saitoti and Lonrho East African Chairman Mark Too. Too had previously arranged Moi's first public handshake with Congo's Laurent Kabila. Kagame's presence at the height of the agitation left no doubt that at least some elements of the opposition coordinating body, the National Convention Executive Committee, are orchestrating their efforts with forces outside Kenya.

Kagame carried a list of Rwandan Hutu exiles in Kenya whose extradition to the Arusha genocide tribunals in Tanzania he demanded. Moi has heretofore refused to cooperate with the tribunal, on the grounds that it must also investigate the murder of Rwandan President Juvenal Habyarimana on April 6, 1994, which action precipitated the invasion of Rwanda by Kagame's Rwandan Patriotic Front and the mas-

sive bloodletting of April-May. According to regional sources, Kagame's visit was also backstopped by the deployment of a combined force of Ugandan, Angolan, Eritrean, and Ethiopian forces, backed by Tanzanian medical and training forces, deployed along the Ugandan-Kenyan border.

As diplomatic ties between Kigali and Nairobi were revived, Kenyan police, in concert with officials of the tribunal itself, on July 18 arrested seven of the "most wanted": former Rwandan Prime Minister Jean Kambanda; former senior military commander Gratien Kabiligi, former head of the Presidential guard in Kigali; Pauline Nyiramasuhuko, a former Rwandan minister; her son Arsene Shalom Ntahobali; a former mayor of Butare, Sylvain Nsabimana; Hassan Ngeze, editor of the magazine, *Kangura*; and Aloys Ntabakuze, a former senior Army commander. On July 19, another 80 Rwandan Hutus were rounded up by the police, but it is suspected that they will be released.

Simultaneously, Moi began to seek a compromise with the opposition, offering a dialogue and negotiations to determine the modalities for political reform. The opposition, which is already divided on ethnic lines, is now divided on how to respond to the Moi overtures.

Despite the orchestrated pressure that Moi either join London's game or face political annihilation, the Kenyan President decided not to accept the invitation to attend the African heads of state summit of July 20 in Kinshasa, called for the purpose of sticking a diplomatic seal of approval on the new Kabila regime.

Striking the pose of the famous "hear no evil, see no evil, do no evil" trio, the 10 heads of state attending the Kinshasa summit gave their unconditional support to Laurent Kabila and his regime. Signing on to the scandalous communiqué were: President Robert Mugabe of Zimbabwe (currently under threat by British Intelligence in his own country); Kabila himself; President Chiluba of Zambia, who aided the invasion of Zaire; Ethiopia's Meles Zenawi; Eritrea's Isaias Afwerki; Rwanda's figurehead President, Pasteur Bizimungu; J. Chissano of Mozambique, who has led his country into the British Commonwealth; Central African Republic President Patasse, whose country is under threat of invasion by Rwanda et al.; Namibia Republic President S. Nujoma; Vice President of Gabon Divangi di Ndinge; and London's Yoweri Museveni of Uganda.

The communiqué bemoans the "persistent unsubstantiated disinformation campaign" against the Kabila government; "notes with appreciation the total repatriation of the few remaining refugees who were scattered in various parts" of the Congo; "commends . . . Kabila for his tireless efforts to restore normalcy" to the Congo; backs Kabila's demand for broadening the UN investigation; and lastly, "commits" their respective countries to "providing, within their means, concrete material and financial support to the Congo," stating that Kabila requires "timely support without attached strings and preconditions."

# Brazil's President Cardoso fiddles, while the nation burns

by Lorenzo Carrasco

Since the late June rebellion of military police in the state of Minas Gerais, in the heart of Brazil, the situation in this country has become increasingly serious, to the point that it threatens to break out into a full-fledged institutional crisis. The June 25 edition of *Jornal do Brasil* described the developments in Minas Gerais as "one of the most serious military police rebellions since the 1964 coup d'état."

The conflict began with the march for wage hikes by some 3,000 CABOS, soldiers and military police sergeants, in the state capital of Belo Horizonte, a march which arrived at the offices of the state government. Throughout the march, the population greeted the marchers with enthusiasm and confetti. The protest swelled with 700 civilian police and prison guards, and other public officials, and the environment became more aggressive. "We did what we could, but we couldn't prevent people from expressing their indignation," said Nilton Moraes, president of Soldiers of Minas Gerais.

Under these conditions, state governor Eduardo Azeredo had to call on the Army, which sent more than 100 troops to protect the government offices. At the same time, those policemen who did not join the strike were deployed to repress their colleagues, which caused an exchange of gunfire that led to the death of one soldier. Only a miracle prevented a bloody confrontation with the Army. The next day, the governor decided to fully meet the demands of the police, putting a temporary end to the crisis.

## A wave of strikes unleashed

These developments had a major impact on the nation, given that the military police of Minas Gerais have a reputation for their exemplary and disciplined behavior. What was unleashed in its wake was a wave of strikes and protests by military police in several Brazilian states, and there is unrest percolating within the Armed Forces. As of this writing, there have been demonstrations in São Paulo, Rio Grande do Sul, Para, Paraíba, Pernambuco, and Alagoas, but the situation is spreading rapidly across the country. After Minas Gerais, the most serious situation occurred on July 18 in the northeastern state of Alagoas, when military and civil police demonstrators, backed by the population and by other public

officials, threatened to take the state palace and legislative assembly by force of arms. After a firefight with Army forces, the crisis was calmed when the governor of Alagoas, Divaldo Suruay, decided to resign.

The situation must be blamed squarely on the deliberate policy of President Fernando Henrique Cardoso, to asphyxiate state finances, and to channel tax revenues instead to payment of a domestic and foreign debt which continues to balloon. Under this financial dictatorship, all resources from the privatizations of state patrimony and public concessions are being allocated to payment of domestic and foreign creditors. In this way, the country is being handed over, piece by piece, to the major mineral and financial consortiums, which are primarily concentrated in the British Commonwealth.

## The hottest situation

As Lyndon LaRouche explained in a July 15 radio interview: "The situation in Brazil is, in terms of potential impact, the hottest strategic situation presently in the Western Hemisphere. What is it? Brazil is being targetted for a takeover of its raw materials assets by British interests, the same British interests which have raped Africa, that is, the raw materials cartels, the London strategic minerals cartel, and so forth, and the petroleum cartel, and it is targetted."

President Cardoso, LaRouche explained, "is a darling of the British, and has been fostering this takeover and *rape* of his own country, by these British interests that have looted, and are looting Africa. It's coming to a head."

But while his policy of "controlled fires" increasingly threatens to set the entire nation aflame, the President and his cabinet are concentrating on maintaining his international image as a statesman, a personal vanity which is being nurtured by those who control Cardoso.

It is not enough that Henry Kissinger has called Cardoso a "philosopher President," in an effort to turn him into Clinton's main interlocutor in Ibero-America. Now, Cardoso is readying himself to receive the title of "Sir" at the hands of Queen Elizabeth II, an event slated to occur during his state visit to England this coming December.

## Capitalizing on the chaos

No one should think that this picture of public calamity surprises the Cardoso government. Indeed, he and his team know perfectly well that one of the consequences of their monetary and fiscal austerity must be generalized social convulsion. Their policy is to try to keep these pockets of social and political instability under control, manipulating one against the other to the benefit of the so-called “economic reforms,” which are in the final analysis, what is causing the social and institutional chaos in the first place. In sum, the policy is to control the chaos caused by the dismantling of the Brazilian state, in order to generate still worse chaos. The proposed solution offered the states is austerity, and still more austerity, and an auctioning of the remaining physical assets of those states.

Before analyzing the behavior of the Cardoso government regarding the military police upsurge, it is worth noting the government’s attitude toward the agricultural crisis, which was provoked by Cardoso’s so-called “Real Plan” of 1995. The “caravan of trucks,” the protesting farmers who travelled more than 2,500 kilometers to the capital city, was scorned, while the leaders of the pro-terrorist Landless Movement (MST) were received by the government and encouraged, as a form of threat to the farmers. From that moment onward, the MST took the government’s attitude as a green light for it to launch massive land invasions throughout the country, to the point that the President himself was forced to try to rein the MST in, to avoid civil war in the interior of the country.

It is this same perfidious attitude that we see once again on the part of the Cardoso government toward the Minas Gerais military police crisis. Both sides were armed, the governor was holed up in his palace and surrounded by the Army, and President Cardoso’s recommendation during a trip to New York City was to refuse to negotiate with the protesters, under any circumstances.

As we have repeatedly exposed in these pages, the policy of the Cardoso cabinet is to provide brazen support for the international human rights mafia, which has the military police in the gunights of its well-financed campaigns. Through such support, the Cardoso government is in reality seeking the weakening of its own Armed Forces, which, through successive confrontations with the military police, will lose any ability to command them, as has historically occurred in moments of crisis or internal convulsions. At the same time, the Armed Forces are being made to assume public security functions, diverting them from their primary responsibility as guardians of territorial integrity and national sovereignty.

President Cardoso is thus fulfilling to the letter the proposal of the bankers’ think-tank, the Inter-American Dialogue (of which he is a founding member), namely, to convert the Armed Forces into a kind of national guard, far

from their historic mandate as the final bulwark of national defense.

## Institutional crisis

President Cardoso’s plot did not proceed as planned in Minas Gerais, primarily because Governor Azeredo, a political ally of the President, in an act of common sense, agreed to the demands of the military police. His decision provoked a confrontation with the federal government. Minas Gerais Finance Secretary João Haroldo Lima, in an interview with *Gazeta Mercantil* of July 11, responded to possible reprisals by the Cardoso administration, with a virtual revolt against the federal government: “How many times must the life of the country suffer risks which were not foreseen by technocrats? We are not voluntarily opting to disobey any kind of [fiscal] clause, but at the moment when it became evident that it was impossible to fulfill, the government of Minas took a sovereign decision. We are therefore not going to discuss the point further. We are absolutely aware of our responsibilities, but what occurred was reality.”

In the interview, João Haroldo called the attitude of Cardoso’s economic cabinet “intolerant and superficial. This kind of vision, so common in Brasilia, must be fought. These individuals have no idea of the difficulties the states face. . . . It would be good for these jerks in Brasilia, who place bets on the states, to learn this. . . . This is the problem; often, the political agenda and socio-economic developments trample our plans.”

On July 16, *Gazeta Mercantil* reported more statements by João Haroldo: “The states haven’t the means to achieve financial balance. With the crisis of the military police and its spread to other units of the federation, the picture is worsening.” We can see by this reaction of the Minas Gerais government that the rupture of the federated system as a consequence of Cardoso’s fiscal dictatorship is advancing.

The respected journalist Carlos Chaga, in his July 10 column in *Tribuna de Imprensa*, explained: “As things are now going, the situation will become generalized, to the point that, in order to survive, the majority of the population will have to oppose the current institutions. . . . The reaction of the civil and military police throughout the country is just one more reflection of this dead-end street which the elites insist on following, like ostriches with their heads in the sand in the middle of a storm. They are not going to be able to remain that way, especially if we transfer the situation from the level of individuals to the level of nations.”

And what is President Cardoso doing? According to the July 7 *Folha de São Paulo*, Cardoso is spending a great deal of time studying the proper etiquette for receiving his title from the Queen: “Since he needs to arrive with everything on the tip of his tongue—from the historic details to other details—in case the Queen should converse on the subject, the President has begun a phase of studies. He is receiving



weekly ‘papers’ on ceremonial matters, which he is reading and re-reading with his advisers.”

That he will be the first sitting President in the history of Ibero-America to receive the coveted title from the fawners and flatterers of the British Empire, is totally merited. In his rapid ascent to power in Brazil, Cardoso has done everything in his power to catch the benevolent eye of the British sovereign. It was in 1993 when, as the minister of foreign affairs of President Itamar Franco, Cardoso spoke before the Royal Institute for International Affairs at Chatham House, and promised to reestablish the “special relationship” that had existed between Brazil and England, and which made Brazil a subject of an imperial system, from the time the nation was born in the early 19th century, until its 1930 revolution.

President Cardoso’s request for authorization to sign the Nuclear Non-Proliferation Treaty, sent to the national Congress on July 20, is one more proof of his conscious effort to place Brazilian diplomacy at the service of British foreign policy, and to sit as a permanent member of the United Nations Security Council, even if it is just to keep that seat warm.

### **An agreement with Chatham House**

In an article in the July 16 *O Globo*, the Brazilian ambassador in London, Antonio Rubens Barbosa, announced an agreement between Brazil’s Foreign Ministry, Itamaraty, and Chatham House, cradle of British imperial policy, from which one can easily recognize who is pulling Brazil’s diplomatic strings. “The Brazilian Embassy in London always followed the conferences of Chatham House, as part of its routine work of political observation. In this way, one can gather important elements of analysis and reflection on the present international situation. . . . To broaden Brazil’s links with that forum and to give them an institutional basis, a pioneer project of academic cooperation between the embassy and Chatham House has been established.”

Ambassador Barbosa added that this pioneer project “is a powerful instrument for spreading and promoting Brazilian foreign policy while, at the same time, it reinforces Itamaraty’s channels of communication and dialogue with the international academic community. . . . The program of cooperation with Chatham House, whose continuity will be fundamental to the objectives we seek to reach, is complemented by another academic initiative in the United Kingdom, which is also already a reality: the Center for Brazilian Studies at Oxford University.” The central issues of this “special relationship,” apart from the tired cant of free trade, are security and defense, and future scenarios for international insertion.

It is clear that while President Cardoso and his team of Anglo-American-educated technocrats are prepared to set all of Brazil aflame, Cardoso and his muses at Itamaraty are content to fiddle and dance to the tune of the British Empire.

## **Cheminade: France’s Jospin must solve a difficult paradox**

Jacques Cheminade, a close friend of Lyndon LaRouche’s and head of the French Progress and Solidarity Party, was interviewed by Gabriele Liebig, editor of the German weekly newspaper *Neue Solidarität* on July 9. France’s elections in May swept conservative Prime Minister Alain Juppé and his allies in the National Assembly out of power, and replaced them with a coalition headed by Socialist Lionel Jospin. Unlike conservative “Gaullist” President Jacques Chirac, who overconfidently called the snap elections, and his hand-picked Premier Juppé, Jospin’s team opposes the implementation of the Maastricht Treaty’s single currency if it means further austerity, social welfare cuts, and higher unemployment. In this, Jospin has broken utterly with the policies of the Socialist regime of President François Mitterrand, which ruled for 14 years; in fact, Jospin and his Interior Minister Jean-Pierre Chevènement — Mitterrand’s education and defense ministers, respectively — were the only two Socialists to walk out of the Mitterrand government, in protest of his policies.

In 1995, when Chirac ran for President, he promised to reverse the social and economic decline of the country; after his election, at the Group of Seven heads-of-state summit in Halifax, Canada, he blasted the effort to maintain a crumbling international monetary and financial system, referring to it as “financial AIDS.” Soon thereafter, he turned his back on everything he had said, adopting Thatcherite liberal economics, which only drove France deeper into economic and social desperation, and cost him the May 1997 National Assembly elections. Now, Jospin faces the same challenge.

As we reported in our July 4 *Feature* story, Jospin has made a good beginning (although he also displayed his serious weaknesses), as his June 18 speech to the National Assembly showed. More shocking, perhaps, was his address to the Socialist International conference in Malmö, Sweden, where he set himself up as the counterpole to Britain’s new Labour Prime Minister Tony Blair, who may be even more committed to Thatcherite neo-liberalism than Jacques Chirac. Similarly, at the Amsterdam European Union summit to finalize the Stability Pact for implementation of Maastricht, Jospin insisted that the criteria for meeting membership in the European Monetary Union not overshadow the need to fight rising unemployment throughout the Union.



*LaRouche ally Jacques Cheminade, campaigning for President of France in 1995. Back then, his insistence that France break with the collapsing international financial system were ridiculed; today, many in the government quietly concede how right he was.*

It was in the context of Jospin's election, and the expected signing of the Stability Pact, that, during the week of June 9, a group of 331 European economists published an open letter, denouncing the economic fraud underlying the EMU, and warning that there are powerful "interests" in the financial sector who are profiting from the economic-financial crisis. That letter is excerpted in our July 4 *Feature*.

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## Interview: Jacques Cheminade

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**Q:** What do you think about Lionel Jospin's public address of July 3? Did he live up to what the French people expect from him?

**Cheminade:** Jospin's address to the National Assembly on July 3 calls for a "new republican pact with Frenchmen," and defines a state "based on the service of the nation," which signifies a principled break with the age of Mitterrand and Chirac. Nonetheless, the concrete content of the speech is still inadequate and made up of a sum of measures—about 45 of them—of social interest that, put together, do not make a policy. Such measures are limited (their total cost is no more than 10 billion francs), and are not aimed at the fundamental issues facing the nation. Obviously, as he explained later, Jospin wanted to lay out the main lines of his commitment, but to wait until the fall to reveal his strategy.

Therefore, it is more in other speeches than in this very

official one, that you can see what Jospin has in mind. First, let's refer here to two of his declarations, of April 21 and June 19. He first states, "I do want Europe without renouncing France," and then adds: "The nation is not only a living reality, to which we are all attached, but is, above all else, the place where the heart of democracy beats, the whole within which the most profound solidarities build themselves up." This is in total opposition to the supranational interests for whom the nation-state is outmoded and the state bypassed by the "technical, economic, and social realities of the present time." Jospin himself relates to the old tradition of the Socialist defenders of the nation-state, such as Jean Jaurès, and stands in opposition to the "new left" types, à la Tony Blair or even Jacques Delors. "Europe," he also said, "can make more room for democracy, but will never be able to replace the nation." So, Jospin represents a current in the French Socialist Party opposed to the "federalist" view of Europe, and he is by instinct an "enemy of Anglo-Saxon liberalism," as he himself also stated.

Second, and even more important, he sees the public sector as representing the long-term prospects and promises of the nation-state. This means, as he said repeatedly at the European Socialists' meeting in Malmö, that he rejects those "market forces that, if freed from all controls, will threaten our very conception of civilization." These are very strong words, all the more so, since they were said right in front of Tony Blair, who instead called for respect for the markets: "Let's adapt or die."

But to my thinking, the most remarkable statement by

Jospin was on economics, again in Malmö: “Europe is going to find once again the path of a stronger and more stable growth, only if investments that are not profitable in the short term, but nonetheless indispensable for the prosperity of future generations, are undertaken as early as today.” This is a reemergence in Europe of the concept of physical economy, and in contrast to the Maastricht disaster. Jospin, by the way, does not hide, in private, the fact that he feels uneasy at having supported Maastricht under pressure from Mitterrand, when he was Education Minister. Soon thereafter, he withdrew from Mitterrand’s cabinet.

So, Jospin is at heart a very peculiar and interesting type of Socialist. But his problem is twofold: First, he is surrounded by an “establishment” of bankers and civil servants from the “new left,” with whom he does not think he can break. This is potentially very dangerous, because these types are well trained, vicious, and committed to destroying Jospin’s good intentions from within. Second, he is isolated in Europe, and feels too weak to break with the rules of the game.

Hence the paradox: Jospin expresses a very interesting potential, but does not take any concrete measure corresponding to this potential. He is presently trying to buy time, until this fall. He seems to understand that the end of the year will be a decisive period for France, Europe, and the world, and tries to prepare himself to confront the coming storms. His way is obviously not mine, but at least he represents a potential, as opposed to the Chirac-Juppé duo, who had betrayed all their electoral promises and were wholeheartedly—and disgustingly—playing the game of the markets.

Besides, Jospin was elected to make a policy shift in favor of labor and production, and against the financial oligarchical interests. If he tries to escape his past commitments, his career will end quickly. At the recent European labor demonstrations in Paris, there was a huge banner saying: “Juppé—we got you; Jospin—we’re watching you.” So, there is the man Jospin and the political dynamics behind him, and I and my friends are quite pleased with this combination, but London and Wall Street are less appreciative.

**Q:** Jospin has clearly set himself apart from Tony Blair and his “Thatcherism in a new package.” But what does Jospin stand for?

**Cheminade:** Jospin comes from the tradition, through his family, of “French universal education.” This is the best side of him. As a Socialist, his friend, Education Minister Claude Allègre, says that he owes a lot to Jaurès, far more than to Marx or anybody else. Besides, Jospin is a Protestant in a Catholic country, which is not necessarily a bad thing. He is not a Geneva or London type of Protestant, Calvinist, or Anglican, but rather a Huguenot committed to the concept of statecraft in Henri IV’s Edict of Nantes: Beyond religious or personal feuds, you define an area of common agreement, or common good, embodied in republican institutions. As such,

Jospin is definitely not anti-clerical, as too many French Socialists are, but a “man of the common good” and of dialogue around this notion of common good that he identifies as the “republic.”

He had a very interesting response to a statement by a member of the Club Saint-Simon, the meeting-place of the “*pensée unique*,” the axis of the French Nomenklatura. This man told Jospin: “You talk a lot, but you know that nothing can be done against the will of the markets. They are the power, not you politicians.” He immediately responded: “I absolutely disagree with you. My concept of a politician is a concept of willful commitment to ideas and actions. The markets are not a sacred cow. If I thought as you do, that nothing can be done against them, I would immediately retire from politics. Politics are for me the universe of willful change.” Jospin recently proved this, when he nixed the nomination of Jean-Pascal Beaufret to head the Economics Minister’s staff, because the candidate had been one of the key advisers to [Mitterrand’s] late Prime Minister, Pierre Bérégovoy, and a partisan of austerity and a “strong franc.” “We were elected to restart social-monetarism,” Jospin allegedly said.

There is, however, another side to Jospin: He is a politician who was, for a long time, very close to Mitterrand. Hence some of his “instinctive reactions,” such as his tactical alliance with the ecologists and the disastrous cost: the announced closing of the Super-Phénix fast breeder and the definitive halt of the Rhine-Rhône Canal project. This completely contradicts his commitment to a public works policy. So my own policy is to set before the Jospin government the contradiction involved in this issue, and to endorse the fight of the local population of the Savoie and Isère departments to keep the Super-Phénix. Most Communist Party and Gaullist Party members, and even most among the Socialists, agree with me on that, but are too cowardly or too compromised to stick their necks out.

I am confident that our fight, and the economic and social dynamics of the coming period, are going to make it possible for the Jospin government to change its decision on that. It is more than a question of national independence, it is a matter of knowledge and respect for science and skilled employment. At this point, the person in the Jospin government who symbolizes this opposition to the Super-Phénix is Bettina Laville. This woman is really bad news: She arranged the electoral deal between Jospin and the ecologists, and besides, she comes from the old Mitterrand-Bérégovoy cabinet. A few years ago, she also promoted Greenpeace material. So I see my role as that of a doctor who is going to try to excise this Mitterrand leftover from Jospin’s foot. He may pretend that the operation is painful, and dislike my medicine, but in the long run it will be much better for him if I succeed. . . .

**Q:** Just before the EU summit in Amsterdam, a memorandum signed by more than 300 European economists was pub-

lished, which made a rather competent criticism of the Maastricht Treaty and presented an alternative economic strategy for Europe. To what extent does this memo reflect views shared by the new government?

**Cheminade:** This memo does not officially reflect the government's views. Why? Because the memo calls for a choice in favor of an employment and growth pact in Europe against the Maastricht Stability Pact. (Every time you hear "stability," it means "austerity.") They say that you cannot have growth and employment with the Maastricht criteria, and they call for a policy of national banking, that is, issuance of productive credit and currency by national banks, which they correctly understand is absolutely mandatory for conducting a policy of great projects and employment; whereas the Maastricht Central Bank is supposed to be a financial institution totally independent of the European states.

Jospin and his friends had—and surely still have—a lot of sympathy for that approach to economics. But they were isolated at the Amsterdam Summit. During his campaign, Jospin had said that the Stability Pact was a "super-Maastricht," and that he did not feel bound by it. But once he was

in power, President Chirac told him that he, Chirac, feels bound by it, because the Juppé government signed the pact and he approved it. So, Jospin was cornered, between Chirac and the other European states, which all called for financial austerity.

At this point Jospin called together his closest friends and said: We can't push against the Stability Pact at Amsterdam, because we are too weak. We can't at this point, and he emphasized this point, afford a triple crisis—a crisis with Chirac in terms of the cohabitation (sharing of power with the President), a crisis with the German government, and worst, a crisis with the markets. There were threats to Jospin that he had to agree, "or else," meaning a withdrawal of foreign capital from France—foreign capital which, now, under the guise of British and American mutual funds, controls a good chunk of the French economy.

I can't blame him too much for bowing to the pressure, because a head-on fight at that time would have been suicidal. His friend, the talented Economics Minister Dominique Strauss-Kahn, found a compromise to reach an agreement at Amsterdam. A new pact, called a pact for growth and employ-

## The political power behind 'l'Affaire Cheminade'

Recently, French Prime Minister Lionel Jospin stated that he would make the country's justice system independent of the Executive branch. It would be nice to think that he was referring to the frame-up of Jacques Cheminade, which is a paragon of the perversion of justice for political ends. More than a simple travesty, the purpose of the dirty operations against Cheminade, was solely to blacken his name and the political authority of Lyndon LaRouche in France.

In 1982, LaRouche's associates in France met Mrs. Denise Pazéry, who over the years became a generous supporter. Mrs. Pazéry passed away in October 1986. In March 1987, her heirs launched a criminal suit against Cheminade and several of his associates for "fraud," charging that they had taken advantage of the 63-year-old Pazéry, who, the heirs claimed, had suffered from Alzheimer's disease, although it had only been diagnosed two years posthumously! Despite offers by Cheminade et al. to refund her donations, the family insisted on a laborious (and unprofitable) criminal complaint.

In 1990, a judge found no basis for pursuing the complaint and ordered the case dismissed. The government

immediately appealed, and, with the charges now upgraded to "theft," the defendants were indicted again. In the process of discovery, Cheminade and his associates learned that the Renseignements Généraux had issued a memo connecting the co-defendants to LaRouche, who, by that time, had been framed up and imprisoned in the United States. In 1992, Cheminade et al. were convicted, given suspended sentences, and fined, required to pay heavy restitution to Pazéry's heirs. The defendants appealed.

In 1995, Cheminade declared his candidacy for President of France, laboriously meeting the rigorous requirements for ballot status and for state funding for his campaign expenses, for which he raised 4.7 million francs in loans. Logically, he expected to repay his lenders from the publicly disbursed campaign funds. On Oct. 11, 1995, the Constitutional Council outrageously rejected Cheminade's campaign accounts, claiming that the loans were improperly raised because his supporters had not charged him interest! The ruling left Cheminade personally liable for roughly \$1 million.

Then, to make sure that Cheminade's voice would be stilled, the Paris Court of Appeals upheld the Pazéry conviction, even though, as recently as 1995, a medical report to the magistrates had concluded that there was no proof that Mrs. Pazéry—who until her death, drove her own car, regularly attended social events, and managed her considerable personal finances—had any mental disorder.

ment, was written and appended to the Stability Pact, both being “covered” by a common declaration of intent—the only thing in common they could ever had! This monster was adopted as “European policy.”

Jospin was blamed by part of the French left for his softness. But my thinking is that, for good reasons this time, he tried to do the only thing he could: prepare himself for a future fight. And if you look more closely at what was decided in Amsterdam, you see two things: At first blush, the French delegation only obtained vague pledges, no commitment and no money for their policy of European public works. The French proposal for a European Fund for Economic Growth in favor of advanced technology projects was rejected. But, second, the French delegation did get something: a precise calendar for discussing the key issues again. There will be an extraordinary European Council in Luxembourg to discuss how to create employment in Europe. According to the latest reports, it is going to take place on Nov. 21 or 22. And there will also be the official December European Council in Luxembourg, which will discuss a common paper of the European Commission and the Council on the Coordination of European Economic Policies.

So, the French delegation did manage to open the Pandora’s box of the physical economy: discussions in Europe will no longer be restricted to monetarism and financial management, but will include in the forefront economic development, public works, and employment.

This will come in a very tumultuous period of European history, at the end of this year. What has to be seen until then, is whether the Jospin government moves quickly toward a new political and economic agenda. I hope he will: Social dynamics are going to push him in that direction, and we, myself and my friends, are going to help to give direction to the process.

When he was last on TV, Jospin hinted at two things: that he is in favor of [the single currency] the euro, but on condition that it not impose any form of new austerity, and that if there is a contradiction between France’s European commitments and the need to create employment and growth, he would have to consult the French population on the nation’s future policy. Alain Madelin, the ultra-liberal spokesman of the parliamentary opposition, immediately rushed to the microphone and said: “Jospin is not saying it, but he is preparing French public opinion for a withdrawal from Maastricht and the euro.” This statement may be exaggerated, but not entirely false.

**Q:** Are there other pressures on Jospin, from outside the cabinet and the French Socialist Party (PS)?

**Cheminade:** The factional situation in the “French left” is extremely interesting. On one side, you have the ecologists and the CFDT trade union federation. The ecologists claim to be reluctant on the issue of Maastricht—they want “social

justice,” but oppose the notion of public works. Dominique Voynet, the greenie Planning and Environment Minister, clearly said: “In public works, you get to see a lot of dirt moved around, a lot of machines deployed, and very few people employed, while in the housing sector and in a lot of socially and ecologically useful undertakings, you can create a lot of employment per million francs invested.” This opposes the Socialist Party and the official Jospin line, that public works are necessary to launch a recovery in Europe, and to create employment.

It is, therefore, clear to everybody that the “compromise” cannot hold. There has already been a first clash on the issue of Super-Phénix nuclear fast-breeder reactor. Jospin, as a result of the electoral deal with the ecologists, as I said before, had to announce the abandonment of the project. But this is French politics, and there are various ways to conjugate the verb “to abandon.” The ecologists want an immediate stop to the whole project, creating an irreversible situation. But others in the PS, such as Strauss-Kahn and Industry Minister Christian Pierret, want instead to let the fast-breeder continue operating until the one and one-half [fuel] “hearts” that have already been installed, are consumed. This would mean that the fast breeder would keep going until the year 2005, before the definite abandonment. The Greens, the party of Dominique Voynet, have already protested, denouncing Pierret by name and blasting his speech to the National Assembly, where he said that nuclear energy is one of the bases for the French wealth and power.

This means that much sooner than expected, the conflict between the pro-industry, pro-science faction in the government and the ecologists is going to break. The Communists, or a large majority of them, and Chevènement’s party, the Citizens Movement (MDC), are going to side with the pro-science, pro-industry faction. And the dynamics of public works, if the Jospin government is serious about it, is going to create a break between the population and the ecologists.

This is all the more true, since Chevènement put his name forward very adamantly in support of public works, as well as against the Stability Pact. He went so far as to intervene in the Council of Ministers on June 18, which is unprecedented for a minister, to voice his utter hostility to the Stability Pact, in a situation where the government and the President do not belong to the same party. In a dramatic move, he said that he will remain part of the government because there is no other alternative, but he asked the general secretary of the government to register for future generations his opposition to the Stability Pact: “When, in the future, historians can open our archives, they will see that there was at least one minister to denounce the consequences of the Stability Pact.” Chevènement’s initiative received widespread coverage in the press, notably by his friend, MDC Deputy Georges Sarre, who commented that Chevènement “has always said that he maintains his confidence in

Lionel Jospin, but he notes that there are things that weigh heavy on the Socialists,” meaning the legacy of Mitterrand. He continued: “Jospin did not want to create a crisis in the first European summit of our government, but watch what is coming.”

Sarre and Chevènement were joined by Communist Party leaders, such as Alain Bocquet, Louis Viannet, head of the CGT union, and Maurice Blondel, head of Force Ouvrière (FO) union. Viannet declared: “This majority was put in power to go in a new direction. If, in the name of the constraints of the euro, Maastricht, and the Stability Pact, we find ourselves again on the track of a policy that has already been condemned, neither the CGT nor wage-labor would accept it. . . . We would greatly have preferred that the Stability Pact had not been signed as it is. Chirac has committed our country without any debate. . . . I hope that the European summit on employment this fall will become an opportunity to launch a strong trade union initiative. . . . Jospin has to listen to the people, and not to the civil servants from the finance administration.” Maurice Blondel added: “If an austerity plan is proposed this fall, there will be immediately a big fight.”

Interestingly enough, Jospin’s collaborators leaked to the press that he was not angry at those pressures, but instead quite happy. He refused, for example, to blame Chevènement for his tirade. . . .

Such social, political, and labor dynamic will make a debate on fundamental issues unavoidable this fall. And Jospin seems to be preparing for it. Now the ball is in the court of the other European states and of Bill Clinton. . . .

**Q:** To what extent did your own Presidential election campaign in 1995 shape the political debate in France?

**Cheminade:** My Presidential campaign should neither be overestimated nor understated. I put one thing on the table: the need to break with the financial cancer of the markets and the rule of the City of London and Wall Street. Jacques Chirac spoke, just after the April 1995 Presidential election, at the Halifax G-7 summit, of the “financial AIDS” caused by the markets. And then he buckled, and delivered his Oct. 24, 1995 speech, where he said, “We have no other choice than to be supported by the markets.” It is because of such a betrayal that Chirac and Juppé were defeated in the recent legislative elections. It is more the case that they were defeated, than that Jospin won victory, as such.

Now Jospin is facing a similar challenge: Either he confronts the markets, or the population goes against him. He knows that. And why is the French population more alert than others to that? There are historical reasons, linked to the drive for a Republic, the nation-state, in France. But it is also because, in the Presidential elections, I let the cat out of the bag, which was not supposed to happen. I made public something that was supposed to remain private, and

the flak that I got from the Establishment, at first damaged me and my movement a lot, but, given the Chirac-Juppé betrayal, gave me and my ideas a lot of credibility in the 10% of the population which has a say in politics.

Let me tell you a funny story: One of my colleagues at the National School of Administration, the famous ENA, attended a meeting of a left Christian group of civil servants, including highers-up from the staff of the Treasury. The discussion was about world international finances and the likelihood that the financial bubble would implode. Suddenly, a question came up, in the rather formal way, which is common in those circles: “Look, what is the accuracy of the problems laid out by Cheminade in the Presidential campaign? It doesn’t seem to me to be crazy or right wing.” The answer from one of the heads of the French Treasury Establishment was: “It certainly is neither crazy nor right wing. It is basically accurate, but you should never say so.”

Well, now with our new government in France, the issue is public, and the cat is out of the bag and running around French voters’ homes. Now, it is not just the 10% of the people who are well-informed who see the animal, but a majority of my fellow citizens. I have been blacked out of the press and left without money by a corrupt political power structure, but I watch happily as the cat runs around, meowing, and a few people in the Nomenklatura who are starting to wake up, look at me with astonishment: “Where have you been all this time since 1995? Didn’t you say a few good things after all? What is your American friend LaRouche doing?” They are not determined to defend me from the injustice I was subjected to, but they “open channels” in a typical French way.

And my cat is very busy sharpening its nails.

**Q:** What economic measures have to be urgently taken in order to get France and Europe out of the depression?

**Cheminade:** First, to announce that France will not continue to participate in the European process if a common public works policy is not immediately launched, throughout Europe and beyond. A new Marshall Plan approach is needed from the Atlantic to the China Sea, a new Eurasian Land-Bridge. This is the dimension needed for a recovery. The simple Delors Plan for large-scale public works in Europe, by itself, is insufficient to tilt the balance of strategic interests.

Second, European states should seek help and support from the United States, and demand that it abandon its complacency vis-à-vis the financial interests of the British Commonwealth and its allies, particularly the Bush and Gingrich circles within the United States itself. We, as Europeans, should immediately support those interests and forces in the United States, who try to put the Clinton Presidency on the path toward a New Deal. This means Lyndon LaRouche and his movement, and those in the American trade union movement who share a congruent commitment. Europe, and partic-

ularly France, should stop blaming “the Americans” for everything bad that happens in the world, and start looking at themselves in the mirror. It is time that they understand the term “Anglo-American,” which de Gaulle, to some extent, understood, as one in which the “Anglo” component is the leading one.

Third, these projects connected to the Eurasian Land-Bridge, the new horizon for Europe, need credit and currency in order to be financed. Nation-states need national banks to issue such credit and such a currency. Therefore, the autonomy of European central banks and the Maastricht austerity criteria should be abandoned forever, and instead, a policy of credit and currency issuance from National Banks should be adopted.

Fourth, the French government should call for an international conference to discuss these issues and adopt policies corresponding to the challenge of a world financial system that is about to implode, and a monetary system that produces only unemployment and asset-stripping. Of course, the French government, being too weak to impose such a drive, should work its policy through with China, Russia and India, and those circles in the United States willing to take the same challenge. The LaRouche issue, in such a situation, becomes a codeword for Europe. I see my role as a reference point for his ideas and his conception for a new world financial, monetary, and commercial order, and for the bankruptcy reorganization of the present financial-monetary system, with an orderly cancellation of all bad financial debt, to make room for productive investment. . . .

**Q:** Let me shift to foreign policy for a moment: The Summit of the Eight in Denver was pretty much a disaster in respect to French-American relations. Why?

**Cheminade:** The summit was, by all means, a disaster — but an irrelevant disaster. I mean that all the issues discussed there were even more irrelevant than a discussion of how to arrange the deck chairs on the *Titanic* would have been. Denver was a circus. Nothing on future French-American relations can be deduced from what happened there. It is noteworthy that Jospin refused to go. I don’t want to be Chirac’s little helper, he said, and be bored and enraged by lectures on neo-liberalism.

As for the more serious question of French-American relations, it is crucial that Jospin and at least some people in his government, have an understanding of what LaRouche and his friends are trying to do in the United States. And that they understand the Clinton issue in that context. If they don’t, they may ruin everything they are trying to accomplish otherwise. They should think about the consequences of Jaurès’s misunderstanding of American politics in 1914, and his misinterpretation of what Woodrow Wilson and the Anglo-American banks were up to. A very unfortunate mistake of a great man, for Europe and for the world. I do my best to avoid letting his present followers commit a similar mistake.

**Q:** What about relations between France and Germany? After all, a lot of people in Germany would like to escape from the deflationary Maastricht straitjacket.

**Cheminade:** Well, it is very simple. Without extreme austerity measures, which will wipe out their respective governments, neither France nor Germany is going to be able to meet the Maastricht criteria of a public deficit below 3% of the Gross National Product.

Dominique Strauss-Kahn, who speaks fluent German and is an admirer of German culture — notably Heine — said it very bluntly. On June 26, in the economic journal *Forum de l’Expansion*, she declared that “in the present state of affairs,” France is going to go over the authorized limits. In private, it is acknowledged that this year, in 1997, the public deficit will be at least at 3.8%. Furthermore, Jospin has refused to privatize France Telecom, the public telephone company, and therefore, to “hold up” the pension fund of its retired workers, as Juppé wanted to do. This is 37.5 billion francs, that is, about 0.5% of the French GNP. With no new austerity measures, which Jospin pledged not to take, and since  $3.8 + 0.5 = 4.3$ , we are quite far from 3%.

At precisely that moment, Chancellor Kohl stated, on June 30 in Berlin and on July 1 in Munich, that he considers 3% to mean 3.0%.

This simply means, to my best rational knowledge, that Maastricht is finished, and that Chancellor Kohl is pretty far advanced in digging his own grave. First, because Germany is itself well beyond the 3.0% mark. If Kohl and [Finance Minister Theo] Waigel try to impose the 3% criterion on their country, they would have to further cut the living standards of the pensioners and wage-earners, and as well as cutting tax rebates to firms. Second, because some German Social Democrats, for their own opportunistic reasons or otherwise, are starting to listen to Jospin. Therefore, I see Kohl’s political grave becoming deeper and deeper, if he keeps going on that way. If they freeze all payments on the railway debt, then the long-protected taboo of not touching the debt payments is violated, and the political corpse of Chancellor Kohl will be buried.

To finish with France, it is another sign that the Jospin government has decided to finance its minimal new social measures, not by cutting another 10 billion francs from other spending, but by “unblocking” funds frozen by the Juppé government at the beginning of this year as a sign of submission to the austerity of the markets. This is not so important concretely, but very important symbolically. Jean Arthuis, the co-author of the Dublin Stability Pact, immediately commented: “If the government undertakes new spending without saving corresponding amounts of money, it runs the risk of disqualifying France for participating in the euro.”

So, there is an area of necessary and natural agreement for France and Germany, but agreement must occur outside the Maastricht straitjacket, and be located within the framework of the Eurasian Land-Bridge.



# The 'Get Fujimori' operation escalates

by Manuel Hidalgo

For those who thought that the Peruvian government of Alberto Fujimori had assured its stability three months ago, by successfully recovering the Japanese residence from the MRTA narco-terrorists who had seized it, the events of the last few weeks have been a bucket of cold water. The plan to overthrow President Fujimori has actually escalated over this period, and there have even been scarcely veiled death threats against him—coming from U.S. Ambassador to Peru Dennis Jett.

The British, and their agents of influence in the U.S. State Department, such as Jett, have it in for the Fujimori government, because of its stubborn defense of national sovereignty, which stands in the way of their genocidal plans for the region. Among these plans are taking control of the country's mineral riches, including important deposits along the northern border with Ecuador. Thus, part of the "Get Fujimori" operation includes provoking a border conflict between Peru and Ecuador.

U.S. Presidential candidate Lyndon LaRouche explained the matter in a July 15 radio interview with "EIR Talks": "The current issue in Peru—leading issue—is the fact that George Soros's friends, in their operation with the current government of Ecuador, are using the government of Ecuador as a cat's-paw for certain British interests, including their collaborators in the United States, to grab part of the territory of Peru bordering Ecuador, in order to control some gold-mining prospects!"

LaRouche named Luigi Einaudi, the Kissingerian who ran State Department policy on Ibero-America for 23 years, as one of the keys to the plot "to get that border area set up as a kind of a 'no-man's-land' in which these British interests can take over various mineral assets inside Peru, under cover of so-called disputed claims between Ecuador and Peru, which have been revived for precisely this purpose."

Einaudi retired from the Foreign Service in July, but has been kept on as the lead consultant to the U.S. team involved in border negotiations between Peru and Ecuador. State Department sources report that he also maintains a close working relationship with Ambassador Jett.

In early 1997, these same British-sponsored interests ran the MRTA assault. The same media which told you then that the MRTA killers were innocent youthful "rebels," now lie that Fujimori is a "dictator," whom the world must overthrow to "restore democracy." And today, instead of MRTA commander Nestor Cerpa Cartolini, the anti-Fujimori barrage is being headed up by Jett, or "Nestor" Jett, as some in Lima

prefer to call him in private.

Peru's foreign minister called Jett in on June 25, to deliver an official protest over Jett's repeated interference in Peru's internal affairs. Jett's response was a scarcely veiled threat against Fujimori. On July 3, he decried an alleged "persistent sense of political instability" in Peru. Democracy "is a system of institutions, and not individuals," he said. "Individuals come and go, and a helicopter accident which could provoke a dramatic change, cannot be discarded. If there are solid institutions, one knows that there will be continuity."

The reference to Fujimori, who frequently travels by helicopter, was unmistakable.

## The case of Baruch Ivcher

Jett is using the case of Peruvian-Israeli TV magnate and arms trafficker Baruch Ivcher, to rally an internal opposition movement to topple Fujimori. Even prior to the military raid to retake the Japanese residence, Ivcher's Channel 2 had conducted a violent campaign to discredit the Peruvian Armed Forces, presenting them as torturers worse than the narco-terrorists. The military officially denounced Ivcher on May 24. Media subsequently reported that he and his brother are arms suppliers to the Ecuadoran Army, and work directly with Gen. Paco Moncayo, the head of Ecuador's Armed Forces. On July 13, the government revoked Ivcher's naturalization, after documenting that he had not given up his Israeli citizenship, as the law requires.

According to Peruvian law, a foreigner cannot own mass media—which now spells the end of Ivcher's control over Channel 2. The Peruvian opposition, led by Jett, accused Fujimori of violating freedom of expression. Jett threatened that there would be capital flight from Peru, if Fujimori did not revoke the suspension of Ivcher's naturalization; the local partner of Soros, Jorge Picasso of the business federation Confiep, repeated the same line. The State Department came to Ivcher's defense on July 15, calling his case a "test" for the Fujimori government on freedom of the press. And the opposition, controlled by persons who receive funding from the National Endowment for Democracy and the State Department Agency for International Development, organized street protests, which culminated on July 17 with a rally of ultra-leftists who tried to storm the Presidential palace.

Fujimori has not backed down, and has instead accused the opposition of using totalitarian methods of "brainwashing" to convince the population of the lie that they are living under a "dictatorship." On July 15, however, Jett's mobilization of the opposition fractured the cabinet, and Foreign Minister Francisco Tudela resigned. On July 17, Fujimori swore in a new cabinet, which the press denounced as "militarized," because of the inclusion of two active-duty military men as ministers of interior and defense. That same day, the commanders of the Army, Navy, Air Force, and the police, along with 120 top officers, led by Gen. Nicolás Hermoza, met with Fujimori and pledged their full support to his government.

# International Intelligence

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## *Charles 'should not head the church,' says vicar*

The Prince of Wales's vicar said on July 17 that Prince Charles should not succeed his mother as Defender of the Faith and Supreme Governor of the Church of England. Fr. John Hawthorne is vicar of St. Mary the Virgin, Tetbury, which is the Prince's parish church at Highgrove. "If the Prince continues to have an adulterous relationship, or if he marries, then I cannot see how he can be Defender of the Faith of a Church whose laws, whose rules and teachings he so obviously rejects," Hawthorne added. "He is an admitted adulterer, perhaps unrepentant—and certainly if he married Mrs. Parker Bowles he would be an unrepentant adulterer." Hawthorne does not recognize the Prince's civil divorce from Princess Diana, and considers him to be still married in the eyes of the church.

"I have nothing personal against him. . . . But I would find it very difficult to swear an Oath of Allegiance if he was Defender of the Faith." Hawthorne added that Charles's preparations to host Camilla Parker Bowles's 50th birthday party at Highgrove indicated that a "serious question" needed to be addressed: "The church has got to have a role and has got to state its mind."

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## *China urges peace in Cambodia and Korea*

"All parties in Cambodia should cherish the current peaceful situation and resolve current problems to prevent a deterioration of the situation," Chinese Foreign Ministry spokesman Tang Guoqiang told a regular news briefing in Beijing on July 17. Tang was careful not to take sides. "China will never become involved in Cambodia's affairs," he said. "This is an internal matter." He refused to comment further on the crisis which has been ongoing since Cambodia's Second Prime Minister Hun Sen deposed First Prime Minister Prince Norodom Ranariddh on July 6. On July 17, Cambodia's King Norodom Sihanouk, Ranariddh's father, was holding meetings at his residence in Beijing (where he is receiving medical

treatment), with three foreign ministers of the Association of Southeast Asian Nations, to discuss the crisis.

China ended its 1970s opposition to Hun Sen upon the signing of the 1991 Cambodian peace pact, which it had helped broker as a permanent member of the UN Security Council. China's schism with Hun Sen's enemies, the Khmer Rouge, became permanent when the latter refused to recognize the 1993 elections.

Tang also remarked on the July 16 border incident between North and South Korea resulting in an exchange of fire, saying that China hoped all parties concerned would act calmly and handle the situation with the aim of safeguarding the stability and peace of the Korean peninsula. If so, he said, the incident would not affect planned Aug. 5 peace talks in New York, which China is to attend for the first time, along with the United States and both Koreas.

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## *Katapat meeting backs New Bretton Woods call*

On July 17, Katapat, a coalition of 32 trade and manufacturing associations in the Philippines, held its Second National Congress. The guest speaker was Dr. Jozef Miklosko, former deputy premier of former Czechoslovakia and president of the Schiller Foundation in Bratislava, Slovakia. He reviewed his country's Velvet Revolution, the lost opportunity of 1989-90, and the rush of former Communists to embrace the disastrous "Western" free-market economics. Dr. Miklosko elaborated the role of Lyndon and Helga LaRouche in bringing forward an alternative to the International Monetary Fund (IMF) system, embedded in their proposal for President Clinton to convene a New Bretton Woods conference. He also detailed the political prosecution of the LaRouche movement.

Keynote speaker Dr. Alejandro Li-chauco addressed the current turmoil in the Philippines, because of the 10% devaluation of its currency on July 11. With biting wit and compassion, the leading national economist said that the country's multi-faceted crisis has its origin in the fact that the country never underwent an industrial revolution,

never developed a machine-tool capability to build the country. Without such a revolution, he said, the Philippines, as a consumer economy addicted to imports, faces ever-increasing poverty and will sink into the kind of barbarism, epitomized by the trade in illegal drugs.

The Philippines' development was prevented by international agencies, which instead imposed the new name of colonialism: globalism and free trade. He then reviewed the tough protectionist measures imposed in the 1950s, which led to a 29% increase in manufacturing per annum. But this potential was cut short, and dismantled, with the imposition of the first IMF program in 1962.

Following the presentations, *EIR*'s Gail Billington presented the proposal for a New Bretton Woods conference to reorganize the world's economy. Conference participants adopted a resolution endorsing both the New Bretton Woods proposal and the exoneration of Lyndon LaRouche.

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## *Millions of Spaniards protest ETA terror*

The latest act of terror by the Basque separatists ETA—the July 11 kidnap-murder of Basque Mayor Miguel Angel Blanco Garrido—sparked an outpouring of protest throughout Spain, with millions of Spanish citizens, both inside and outside the Basque provinces, taking to the streets in protest.

ETA, and its "legal" electoral arm, Herri Batasuna, is a paragon of the kind of separatist-terrorist operation that British geopolitical interests specialize in. As *EIR* has documented, ETA commits blind terror in Spain, and, through its fugitive members in Ibero-America, has played a central role in setting up similar synthetic movements, which go under the umbrella of the São Paulo Forum.

In response to the outrage, Colombian Armed Forces Commander, Gen. Harold Bedoya wrote: "I believe, that the day that we Colombians unite against crime, the day that the criminals of the ELN, the FARC, or their associates, the drug-traffickers, feel that all Colombians repudiate them, reject them, name them, that day we will win this war." He charged that the head of the ELN, Father Pérez, "is a representative of ETA in

our country, who has murdered thousands of Colombians; he has kidnapped them, extorted them, and has destroyed the national economy.”

Venezuelan Interior Minister José Guillermo Andueza announced on July 17 that his government will simply deport ETA member Ramón Sagarzazu, should Venezuela's Supreme Court reject Spain's extradition request.

In Mexico, *La Jornada*, the mouthpiece of the Zapatistas and Cuauhtémoc Cárdenas's PRD party, nervously defended what it called the “persecuted Basque minority,” and called upon the Spanish to not “overreact.”

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## ***Kohl's coalition may not last through August***

The question of whether the German coalition government of Chancellor Helmut Kohl will last through the summer is being raised, not least because the budget for FY 1998 and the supplementary budget (for emergency borrowing of 10-12 billion deutschmarks for FY 1997) are not at all certain to have the support of all members of the coalition majority in the Parliament. In mid-August, the budget package will be presented to the Parliament, which is cutting short its summer recess.

It is no secret that inside Kohl's Christian Democratic Union (CDU), many disagree with the chancellor for numerous reasons, and they may use the budget vote to teach Kohl a lesson. But there is also the liberal coalition partner, the Free Democrats (FDP), who, all of a sudden, now claim that the CDU had made concessions to them on cutting taxes and state subsidies for industry and agriculture, during the turbulent budget negotiations in late June—which the Christian Democrats say they did not make. The FDP has particularly called into question the “solidarity tax” to raise funds for eastern Germany (and guarantee votes from eastern voters). The fracas over whether the tax is on the agenda or not, may leave room for a few FDP dissidents to ruin Kohl's thin majority in the August-September budget vote. The coalition parties have a majority of only 10 votes.

If the budget vote fails, Kohl's coalition will have to govern without a legal budget, at a time of dropping revenues and rising unemployment and social welfare costs. With such a shaky hold, pressures from within the CDU for Kohl to resign, and for early elections this autumn, will increase. The fact that Kohl is already viewed overseas as a “lame duck,” explains why Bonn is so irritated about repeated hints recently from Paris, London, and Washington, that his reelection is far from a foregone conclusion.

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## ***Moscow journalist sees NATO in 'disarray'***

The view in Moscow is that the NATO summit in Madrid last month demonstrated “strategic disarray” in the alliance, a factor which creates new dangers for the Russians, Pavel Felgengauer, the military correspondent for Russia's daily *Segodnya*, told *EIR* on July 16. Moscow strategists, he said, see the NATO summit as having been “a very bad event for NATO, a grave event. NATO is now expanding, without any agreement about how to change. There are disagreements on everything, and the alliance is being pulled in different directions. Clinton clearly wants a collective defense arrangement for Europe, with the Russians as part of it, but there are others, who are determined to keep out the Russians. There are many, who see collective defense as anathema, as the alliance must be *against* someone.

“So, what this adds up to, is strategic disarray. The common logic, is that expansion *should* keep the alliance together, but Moscow observers think it will pull NATO apart.” This dynamic, Felgengauer continued, could be “dangerous” for Russia. “Here we have an unstable NATO, seeking what it should be, and, at the same time, expanding. This is dangerous, because there is a tendency for improvisation, and *looking* for threats, and seeing those threats coming from Russia. That's what worries us, about the new rash moves in Bosnia, this SAS action against the Bosnian Serbs. It's not the action in itself that is worrisome, but what it suggests about possible improvisations, in the future.”

## **THE CITIZENS ELECTORAL**

Council, LaRouche's co-thinkers in Australia, have met all the requirements to be officially registered as a political party, the Australian Electoral Commission ruled on July 9. CEC National Secretary Craig Isherwood immediately announced that the party would gather 10,000 signatures petitioning U.S. President Clinton to exonerate Lyndon LaRouche.

**SIR JIMMY GOLDSMITH**, the Anglo-French billionaire populist, environmentalist, and avowed enemy of Lyndon LaRouche, died of cancer on July 19. As a French citizen, he founded the populist “Other Europe” party; as a Brit, he founded the phony anti-Maastricht Referendum Party.

**DO MUOI**, secretary general of Vietnam's Communist Party, was in China for meetings with President Jiang Zemin and Prime Minister Li Peng in mid-July. The leaders discussed all-round expansion of Chinese-Vietnamese ties, economic and trade ties, and sought solutions to remaining border issues.

**NEW ZEALAND** is hosting peace talks between Papua New Guinea's secessionist Bougainville Interim Government and its terrorist arm, the Bougainville Revolutionary Army, and the P.N.G.'s Bougainville Transitional Government. The talks are being mediated by the Harvard Conflict Management Group. As *EIR* documented last week, the destabilization of P.N.G. is being carried out by British Empire firms which are eyeing Bougainville's vast mineral wealth.

**KAZAKHSTAN** is continuing to experience labor unrest, as workers at the Stepanogorsk Uranium Producing Plant in Akmola Oblast staged a strike on July 15 to protest the fact they have not received wages in five months. Itar-Tass reported on July 16 that pensioners in the city of Saran are requesting coffins instead of their pension arrears.

## Lyndon LaRouche begins Presidential campaign

by Nancy Spannaus

The first public announcement of economist Lyndon LaRouche's intention to campaign for the Democratic Party nomination for the year 2000, was made in Pittsburgh, Pennsylvania, at the national convention of the National Association for the Advancement of Colored People (NAACP). On the morning of July 17, a huge new banner suddenly appeared outside the convention, alongside the one sporting the slogan, "Exonerate LaRouche." The new one read, "LaRouche for President in 2000, Blood vs. Gore."

The convention had already been saturated with literature from the LaRouche movement, both on the issue of African genocide—against which LaRouche has spearheaded a national drive—and on the issue of exonerating LaRouche and his associates, from the political witch-hunt which sent him to prison, and still hangs over his head. Some 500 delegates and participants, including 235 national and local officers of the NAACP, had signed the Open Letter to President Clinton to Exonerate Lyndon LaRouche. Now, with the LaRouche Presidential banner raised, according to a state legislator inside the convention, everybody began talking about the campaign.

LaRouche issued his official statement on July 18 (which appeared in the last issue of *EIR*, p. 80), noting that the "time has come" for him to fill the vacuum of leadership in the country. The initial response at the NAACP convention underscored LaRouche's point about that vacuum. A vast portion of the national electorate, more than 50% of which boycotted the last Presidential election campaign, considers itself abandoned by the "mainstream" political leaders, and is looking for strong political leadership. The civil rights movement is exemplary of the constituencies which can be expected to

rally to LaRouche's campaign.

Three leading civil rights leaders—Mrs. Amelia Boynton Robinson, the Rev. James Luther Bevel, and Oklahoma leader Wade Watts—were among the first to endorse LaRouche's Presidential campaign, as representing the certain trumpet required to lead the nation out of disaster.

### Exoneration critical

LaRouche's announcement for the Presidency immediately calls the question on the matter of his exoneration. It has long been recognized by many Democratic Party leaders—and those few sane, largely retired, Republicans—that LaRouche's economic analysis and proposals are the only ones which truthfully address the crisis in the world financial system, and that, therefore, they must be heard by the President. It is LaRouche who pulled together a grouping in 1995, to defeat House Speaker New Gingrich's (R-Ga.) "Contract on America" insanity, and it was LaRouche who led the fight against Nazi-style budget cutting, as it expressed itself most flagrantly in the case of Republican Pennsylvania Gov. Tom Ridge.

More recently, LaRouche, and his wife Helga Zepp LaRouche, have launched an international organizing drive for President William Clinton to convene a conference to establish a New Bretton Woods system, in order to restart the world economy on a sane economic and financial foundation. The organizing drive, launched in February 1997, has drawn the support of hundreds of parliamentarians from around the world, including some prominent former heads of state, such as Mexico's José López Portillo, and Brazil's João Figuerido.

Where political leaders are fighting the austerity policies

of the International Monetary Fund, and the nation-destroying effects of British free trade, they are turning to LaRouche's leadership. In the Philippines, in Ukraine, across Ibero-America, to mention a few places, such fighters do not hesitate to cite LaRouche's record and programs on economic policy. But, particularly here in the United States, the effects of the defamation campaign—which was an integral part of the illegal prosecution—scare many political leaders away from taking the necessary steps of linking up with LaRouche.

The LaRouche movement, which has already expanded the scope of the exoneration petition drive (which has currently garnered more than 4,000 signators), will therefore be intensifying the exoneration effort, along with the Presidential campaign.

Indicative of potential breakthroughs on this drive was a speech given by Pennsylvania Democratic State Representative Harold James, head of the Black Legislative Caucus, at an event in Philadelphia on July 21. Appearing with Mrs. LaRouche before 200 community activists and citizens, Representative James included in his remarks, a stinging condemnation of the corruption of the Department of Justice, and announced that he had written to President Clinton on the LaRouche case. "How can we stand before the world as a defender of the freedom of speech and political association, while many elected officials and citizens are still fearful of being associated with Mr. LaRouche's ideas on economics and other policy issues which impact the quality of life, because of his fraudulent conviction and imprisonment?" Representative James asked.

### **LaRouche's indispensable role**

In an interview with the radio program "EIR Talks" on July 22, LaRouche elaborated his view of the strategic situation, which led him to declare his candidacy. We quote:

"There are several problems, therefore, around the President, which are extremely important: You must remember, Clinton is going to have to make the crucial decisions upon which the fate of civilization depends, before the year 2000. So, forget Al Gore and what Al Gore will do after the year 2000. It's what Clinton does *before* the year 2000, which is crucial to the survival of this nation and civilization. Now, you can not sit back and say you don't like Clinton. That is not a responsible, or *sane* attitude. Because, either you get *this* President, who is incumbent, to take the appropriate action, and give him the backing when the time comes that he's willing to do it, or else, 'Look, Mama, no hands, no feet, and no head either!'

"Therefore, if you're concerned about *anything*: about your family, about your grandchildren, about the nation, about the fate of civilization on the planet, you have to be concerned about getting Bill Clinton—now the President of the United States—to utilize the powers, and influence of that office in a very definite way. You can not turn your back

on the President of the United States and expect to survive yourself. Only very foolish people will do this.

"Now: But Clinton isn't doing too well! A lot of people exaggerate that, but even from my standpoint, and I'm—maybe I'm generous—but, he isn't doing too well lately, particularly since he capitulated to pressure from what was typified—reported as being Morris, but there were other people involved—in refusing to veto that essentially *criminal* welfare rights bill last year, the welfare reform. At that point, he lost the chances for the Democratic Party to win the Congress; he lost a great deal more. And the problem is, the President, in his spirit of *compromise* with forces within his own party, and trying to compromise with *suburbia* on the Republican side, is *losing*, inch by inch. He's not doing everything wrong; he's doing a number of things which are quite good, actually. But, he's made too many compromises, and the way he's going, he *isn't going to make it*. And, if *he* doesn't make it—that is, as President, not that he's going to lose office—the country's going to fail, if he keeps going the way he's been compromising away his options, in net effect.

"Now, he's got a couple of problems: First of all, he's mortgaged his Presidency increasingly to the purpose of electing Al Gore in the year 2000, . . . but the point is, there's too much of Gore's ideology, [and it] is holding back, and Gore supporters are holding Clinton back from thinking clearly. He's got a problem in the Democratic Party. There is very little discussion of ideas in the Democratic Party, in the Senate or the House. The way there was, say, earlier last spring, in 1996; that's *gone*. The party is a shambles; the leadership of the party is a shambles, at the present time, even though there are some very good people in there, but the party, as a party, is a shambles.

". . . So, the time has come that my voice has to intervene. I have to create the situation to break the President free of the degree of compromise, which is threatening to kill him and this country. I have to force an open discussion of ideas within the Democratic Party, in particular, but also within the Congress generally. . . . *I've* got to get in there and turn the thing around, and the only way to do it is for me to run for office, and so, I said, okay, I'm going to do it. I'm in *very good health*. . . . I know more about what's going on in the world, perhaps, than any other individual in political life, and there's some other things besides. I've been *right*; the best economist—that's been proven; there's no question of that, and the crisis is the central leading expression of that.

"Obviously, I'm the person who is intellectually qualified to lead the nation. The President is Chairman of the Board, the Chief Executive Officer; he actually leads the nation, but I must provide the *intellectual* climate of leadership, in which the President and other people around him, may be brought together, and begin to function, in the way that is necessary, to save this country, and civilization from a *horror* which is beyond the belief of most people who are listening. But, it's there."

# LaRouche's campaigns for the Presidency

by Susan Welsh

*Idiots in the U.S. media sometimes refer to Lyndon LaRouche—when they mention him at all—as a “perennial Presidential candidate.” In fact, he has run for the nation’s highest office in every election since 1976, and in each campaign, he has brought the highest level of policy deliberation to bear, in a political arena that has generally been characterized by venality and intellectual bankruptcy. His campaigns—most dramatically in the case of the Strategic Defense Initiative—have changed the course of history, bringing into existence a worldwide political movement committed to implementing the solutions he has demanded. Yet, the alternatives LaRouche proposes, particularly in the domain of economic policy, have not been taken up by the governments of the Western world, including the United States. For that reason, the crisis he has forecast, is now fast coming down upon us. In the following brief chronology, we give a sense of some of the fights that LaRouche has waged, without attempting to present a comprehensive picture.*

### 1976

LaRouche campaigned, as the Presidential candidate of the U.S. Labor Party, against Jimmy Carter, who, he charged, was being promoted by the Trilateral Commission of David Rockefeller and Henry Kissinger. LaRouche counterposed the Rockefeller policy of deindustrialization and Malthusianism, to his own program of international economic development, as well as to Soviet research on advanced physical principles that could lead to beam-weapon antiballistic-missile defense.

In LaRouche's first nationally televised Presidential campaign broadcast, on **Nov. 1, 1976**, he showed how the policies of Jimmy Carter's advisers could lead the world to thermonuclear war. He laid out his own proposals for reorganizing the bankrupt international monetary system, creating an International Development Bank to promote the industrialization of the Third World, and thereby, the recovery of the former “advanced sector.”

“There are two dominant tendencies in present U.S. foreign policy,” LaRouche said. “Carter's advisers represent one of those tendencies. Because the world monetary system cre-

ated at the end of World War II is now collapsing—the case of Italy, the case of Britain, the collapse of the Eurobond market, the collapse of the Eurodollar market, the fact that 17 and perhaps 20 developing sector nations are now in default on their international debts, the fact that there is no confidence in the international monetary system—certain forces within the United States are committed to attempting to save this bankrupt monetary system. The methods to which they are resorting are consciously modelled on those used earlier by Hjalmar Schacht, Hitler's finance minister, particularly during the 1933-1936 period.”

LaRouche cited the examples of establishment figures George Ball and William Paddock, who call for reducing the population of Mexico, from 58 million to 28 million people, by a policy of “triage”—allowing the “useless eaters” to die.

### 1980

Campaigning for the Democratic Party's Presidential nomination, LaRouche warned that if the United States continued on the course dictated to it by Henry Kissinger and Zbigniew “Rasputin” Brzezinski, a thermonuclear confrontation with the Soviet Union was likely. Federal Reserve Chairman Paul Volcker's decision to send interest rates into the stratosphere, he said, was putting the industrial and agricultural sectors of the non-communist world out of business, with devastating consequences. In a nationally televised address on **May 31**, LaRouche underlined, “The root of our problem is not merely military weakness. The root of our problem is that our military weakness is a reflection of our combined economic and moral decay, particularly over the period since 1967, the time that some boys in the government decided to cut down NASA.”

LaRouche put forward a solution to the bankrupt economic policies of both incumbent Jimmy Carter, and Republican contender Ronald Reagan: Join with the governments of France and West Germany to put together a new international monetary system, reorganizing the debt of the Third World countries to promote development, and gearing up Western production of capital goods for export to those countries.

Campaigning hard during the New Hampshire primary, LaRouche is widely credited with having knocked George “Skull and Bones” Bush out of the Republican race. LaRouche supporters exposed Bush's political and ideological affinity with the British oligarchy, and his role in the infamous Trilateral Commission.

### 1984

After Ronald Reagan's first term as President, campaigning against Walter Mondale for the Democratic Party's Presidential nomination (and later, as an Independent), LaRouche emphasized the need for a “science-driver” approach to an economic recovery, including the indispensable role of a properly conceived Strategic Defense Initiative.



*LaRouche (left) with Ronald Reagan, campaigning in New Hampshire in 1980. LaRouche's policy design of the Strategic Defense Initiative, which Reagan announced on March 23, 1983, changed the course of world history*

He gave 15 half-hour nationally televised campaign broadcasts, including the following:

**Jan. 21:** "LaRouche Calls for a National Defense Emergency Mobilization." LaRouche reported that nearly two years ago, during a two-day seminar in Washington, D.C., he had proposed a new strategic doctrine for the United States, to an audience which included Soviet officials as well as representatives of U.S. government agencies. His proposals caught fire immediately, and, with the knowledge of the U.S. government, he conducted exploratory discussions privately with Soviet representatives for a period of over 12 months. On March 23, 1983, President Reagan not only announced such a new strategic doctrine, but offered to negotiate with Moscow—as LaRouche had proposed—to bring the age of thermonuclear revenge-weapons to an end. "If the Soviet leaders had accepted the President's offer at that time, tonight you and your family could sleep in knowledge that the age of thermonuclear terror was being brought to an end.

"But, the Soviet Union did not wish peace. They rejected our President's offer with a violence we have not seen from there since Nikita Khrushchev was kicked out." As a result, the situation today, "in general, is far worse than it was at the outbreak of the Berlin crisis or the Cuba crisis under President John Kennedy."

Therefore, LaRouche proposed, the U.S. President must use his Constitutional powers to declare a National Defense Emergency Mobilization, on the precedent of what President Roosevelt did between 1939 and 1945. This must include "federalizing" the Federal Reserve System, and launching

a crash program to give this nation a first-generation anti-missile shield by 1988, and to fill the gaping holes in our defenses. We must also change our policies toward our friends in Latin America and elsewhere, negotiating a sensible reorganization of their debt payments, at between 2% and 4% interest.

**Feb. 4:** "Stopping the Worldwide Economic Collapse." Those people who speak of an economic recovery, LaRouche said, "who talk of prosperity just around the corner, are falling into the same trap that brought down poor Herbert Hoover after the effects of the 1929 world financial collapse. This depression, remember, like all modern economic depressions, is completely unnecessary. During the period 1939 through 1943, President Franklin Roosevelt proved that with the right measures, the Federal government can get us out of a depression any time it chooses, or can stop a depression at any time our government has the sense and the willpower to take the necessary measures."

**March 17:** "Great Projects Versus Kissinger Genocide." Under the policies of Federal Reserve Chairman Paul Volcker and Henry Kissinger, domestic investment in Ibero-America, and elsewhere, is undergoing a catastrophic collapse. The Soviets are about to exploit the grievances caused by those catastrophic policies. "There are people in Washington, friends of Henry Kissinger, who say that the black population of Africa must be wiped out by famine and epidemic. This is not an inference. I am referring to explicit plans. Those plans are already in operation. Presently between 120 and 150 million people in black Africa are being murdered, through processes of famine and epidemic coming





*LaRouche at the Workingman's Club in Manchester, New Hampshire, 1980. LaRouche's campaign was widely credited with destroying the 1980 Presidential ambitions of George Bush.*

out of the friends of Henry Kissinger and the Swiss bankers.”

**March 17-18:** “Reopen America’s Steel Plants Now!” (broadcast to Pennsylvania voters).

**March 26:** “Henry A. Kissinger, Soviet Agent of Influence.”

**April 27:** “The United States Under President Reagan’s ‘Hoover’ Recovery.” “What the U.S. government has done, by supporting the International Monetary Fund and Kissinger’s New York bankers, is to loot the U.S. dollar and to loot the indebted nations, both at the same time.”

**May 31:** “The Ominous Crisis in U.S. Defense Policy.”

**June 1:** “Stopping the Present Spiral of Worldwide Financial Collapse.” LaRouche laid out the major elements of a package of Executive Orders and Emergency Legislation that he would issue, within the first hour after being sworn in as President. These measures include: pegging the dollar to gold; suspending the powers of the Federal Reserve System, and placing the regulation of national economic policy under the agencies specified in the U.S. Constitution; issuing \$500 billion of U.S. Treasury notes for approved categories of lending, including defense, infrastructure development, agriculture, industry, and hard-commodity exports; emergency legislation, mandating the authorization of \$22 billion over four years, to develop and deploy a first generation of strategic ballistic missile defense, using “new physical principles.”

**June 2:** “Solving the Catastrophe in U.S. Foreign Policy.”

**June 11:** “A Sane and Effective U.S. Defense Policy.”

**Sept. 3:** “The Emerging Food Crisis in the United States.”

**Nov. 5:** “Operation Juárez.” LaRouche summed up his proposal to the nations of Ibero-America, known as “Operation Juárez.” “Let us return the foreign policy of the United States to the principles on which our republic was founded. Let us return our thinking about foreign policy toward Ibero-America to the kind of thinking represented by John Quincy Adams and his ambassador to Mexico, Joel Poinsett.”

**Nov. 5:** “Why the Soviet Government Supports Walter Mondale and Fears LaRouche.” Detailing the events leading up to the U.S. endorsement of a Strategic Defense Initiative—and the Soviet rejection of cooperation on such an initiative—LaRouche stated that there are three courses of action that could save the United States from Soviet domination. “First, we must abandon the insane doctrine of nuclear deterrence, as the President proposed on March 23 last year. Second, we must develop rapidly a first generation of strategic ballistic missile defense capable of destroying not less than forty percent of all Soviet missiles which might be launched against the United States or our allies, and must continue to develop and deploy improved systems which will destroy over ninety-five percent of all such missiles. Third, we must change our monetary and economic policies toward both our allies and toward developing nations generally. We must promote rapid technological progress in agriculture and basic industry among all those nations which are either our military allies or merely friendly republics.

We must build a wall of steel, a great wall of powerful economic progress, around the Soviet Union.”

## 1988

LaRouche announced his campaign in a statement on **Oct. 4, 1985**—three years before the Presidential election. His statement emphasized the threat of the AIDS epidemic, in the context of a collapsing economy. “AIDS is the leading issue which every serious candidate must face, but it is also a symbol of the economic and foreign-policy issues in the mind of the majority of citizens.”

In the Spring of 1986, two LaRouche Democrats in Illinois won the primary election for lieutenant governor and secretary of state, resulting in an explosion of worldwide attention to LaRouche’s policies, media coverage, and intensified efforts on the part of LaRouche’s enemies to block his influence. On Oct. 6, 1986, the “Get LaRouche” task force of Federal, state, and local agencies launched a 400-man raid on companies in Leesburg, Virginia associated with LaRouche, and a plan to assassinate the candidate himself was thwarted at the last minute.

Among LaRouche’s principal interventions during the 1988 campaign, was a nationally televised broadcast on **April 12**, in which he graphically compared the world financial crisis to a “bouncing ball” that goes up and down over the short term, while over the longer term, it is steadily falling.

On **Oct. 12**, in a press conference at the Kempinski-Bristol Hotel in Berlin, LaRouche forecast the reunification of Germany, and laid out a U.S. foreign policy appropriate to that perspective. His speech was broadcast on American national television two days later, as a Presidential campaign statement. “The time has come,” he said, “for steps toward the reunification of Germany, with the obvious prospect that Berlin might resume its role as the nation’s capital. . . . The Soviet bloc economy has reached the critical point. In its present form, it will continue to slide downhill from here on.

“We must rebuild our economies to the level at which we can provide, to the nations of the Soviet bloc, an escape from the terrible and worsening effects of their economic suffering. . . . I shall propose that we act to establish ‘Food for Peace’ agreements, with the goal that neither the people of the Soviet Union, nor the developing nations, shall go hungry.”

On the campaign trail in 1988, George Bush said, “Lyndon LaRouche deserves to be in a lot of trouble.” LaRouche was indicted and convicted; he was put in prison, as the result of a political railroad, the week that Bush was inaugurated President, in 1989.

## 1992

LaRouche campaigned, from prison, as a candidate for the Democratic Party’s Presidential nomination. In a statement in **December 1991**, he laid out a program to create 6 million

jobs in the United States, through infrastructure development, such as railway projects, water system projects, and power systems.

With his running-mate, Rev. James Bevel, LaRouche issued *The LaRouche-Bevel Program to Save the Nation: Reversing 30 Years of Post-Industrial Suicide*. The book-length program elaborated policies for economic reconstruction, health care, education, the space program, and foreign policy. It promoted LaRouche’s idea of a “Productive Triangle” of European high-technology development (Paris-Berlin-Vienna), which would generate “spiral arms” of economic progress reaching across Eurasia, toward Africa, and beyond. The basic conception of this “Productive Triangle” would emerge, in the years to come, as the core of the Eurasian Land-Bridge program, which is now being implemented by China, Iran, and other nations.

## 1996

LaRouche’s 1996 campaign for the Democratic Presidential nomination focussed on intervening into the Democratic Party’s fight over economic policy, while defeating the murderous policies of the Conservative Revolution, as typified by those of Pennsylvania Gov. Tom Ridge. A minority Democratic faction around Senators Ted Kennedy (Mass.), Jeff Bingaman (N.M.), and Tom Daschle (S.D.), and House Minority Leader Richard Gephardt (Mo.) was attempting to reverse the vicious austerity programs of the GOP-dominated Congress, and to defend the living standards of the working population and the unemployed, as well as creating new jobs. On the other side of the battle lines, were Democratic Party Chairman Don Fowler and President Clinton’s “Rasputin,” Dick Morris.

Despite attempts of Fowler and Morris to silence LaRouche’s voice and keep his campaign out of the public eye, LaRouche made a strong showing. He ran in the primaries in 26 states, and won nearly 600,000 votes, including 7.0% in California (162,656 votes), 11.2% in Colorado, 11.7% in Louisiana, 11.2% in Nebraska, 34.5% in North Dakota (where Clinton was not on the ballot), 8.3% in Ohio, 12.7% in Oklahoma, 8.2% in Pennsylvania, and 13.8% in West Virginia.

LaRouche’s nationally televised campaign broadcasts included that of **Jan. 27**, “Unbalanced Minds Cannot Balance the U.S. Budget,” and that of **June 2**, a report-back from a late-April visit to Moscow, “How ‘Consensual Pragmatism’ Ruined U.S. Policymaking.”

As LaRouche pointed out in his statement of July 18, 1997, launching his campaign for the year 2000, his new campaign was necessitated, in large part, by the fact that the potential seen in the Democratic Party in Spring 1996, was not realized. Therefore, he argued, it is essential that he intervene to break “the present Hamlet-like pattern of worsening indecision in our nation’s capital, and in the Democratic Party.”

# Explosive new developments in Nebraska child abuse case

by Allen Douglas

Six years ago, on June 21, 1991, Alisha Owen, a 15-year-old victim-witness in the infamous child abuse case centered around the Franklin Credit Union in Omaha, Nebraska, was found guilty of perjury, and sentenced to 15 years in jail, where she remains today. Dr. Judianne Densen-Gerber, a New York expert on child abuse who had investigated the case for the state Senate's Franklin committee, commented about Owen's conviction in a rigged, 30-day trial, "This is unprecedented, probably in the history of the United States. If the children are not telling the truth, particularly if they have been abused, they need help, medical attention. You don't throw them in jail."

But, Owen, and the other children, were telling the truth, and the evidence reached all the way up to then-President George Bush. Bush was Vice President during Franklin's heyday in the mid- to late-1980s, and his name came up repeatedly in the case. Now, dramatic developments could finally prove the children's allegations: Rusty Nelson, the lover and official photographer of Franklin Credit Union boss Larry King, has reappeared, together with a cache of some 100,000 Franklin-related photographs and documents; after years on the run, Nelson is finally willing to testify. Owen and other victim-witnesses had stated that Nelson was a central figure in the case; the FBI, and corrupt local police, had claimed that Nelson either did not exist, or was insignificant to the case.

The question is: Will the friends and protectors of George Bush have Nelson killed, or declared insane before he can do so? As documented in the 1996 *EIR Special Report* "George Bush and the 12333 Serial Murder Ring," the Bush-leaguers have a habit of having people killed to cover up their dirty deeds.

## The Franklin case

Most child abuse cases, if they manage to get into court, usually dissolve in a welter of confusion, so traumatized are the victims, so unbelievable are many of the crimes, and so corrupt are the legal, judicial, and media establishments involved.

The Franklin case, by contrast, has been documented with extraordinary clarity by Owen's attorney, former Nebraska legislator John DeCamp, in his book, *The Franklin Cover-Up*:

*Child Abuse, Satanism and Murder in Nebraska*.<sup>1</sup> Perhaps the best brief summary of the case is taken from its back cover, which has sold 60,000 copies without a penny spent in advertising:

"The shut-down of Omaha, Nebraska's Franklin Community Federal Credit Union, raided by federal agencies in November 1988, sent shock waves all the way to Washington, D.C. \$40 million was missing. The credit union's manager: Republican Party activist Lawrence E. 'Larry' King, Jr., behind whose rise to fame and riches stood powerful figures in Nebraska politics and business, and in the nation's capital.

"In the face of opposition from local and state law enforcement, from the FBI, and from the powerful *Omaha World-Herald* newspaper, a special Franklin committee of the Nebraska Legislature launched its own probe. What looked like a financial swindle, soon exploded into a hideous tale of drugs, Iran-Contra money-laundering, a nationwide child abuse ring, and ritual murder.

"Nineteen months later, the legislative committee's chief investigator died—suddenly, and violently, like more than a dozen other people linked to the Franklin case.

"Author John DeCamp knows the Franklin scandal from the inside. In 1990, his 'DeCamp memo' first publicly named the alleged high-ranking abusers. Today, he is attorney for two of the abuse victims."

If they both stay alive, DeCamp may soon be Rusty Nelson's attorney, as well.

## Willing to testify

Nelson was arrested recently in Oregon, on charges of pornography unrelated to Franklin. However, local police found in his possession, not only a hoard of Franklin-related material, but DeCamp's book. Contacted by the police, DeCamp went to Oregon. There, as he stated in an April 28 affidavit, just released to *EIR*, which he wrote in order to stop Nelson's material from being destroyed, "I viewed the materials for several hours. . . . Though I was only able to

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1. The second edition of DeCamp's book may be ordered from AWT, Inc., P.O. Box 85461, Drawer B, Lincoln, Nebraska 68501, for \$9.95 plus \$3 shipping and handling.

examine a fraction of the tens of thousands of pictures and negatives and notebooks and other materials of Rusty Nelson, one thing was clear from my examination. . . . That fact is that pornographic materials and documentation going back to and through the entire period of the 1980s which involved Franklin are part of these materials and will . . . almost certainly prove the truth of the children's stories with respect to Franklin personalities."

DeCamp secured a temporary injunction against the destruction of the material; Nelson has not been so fortunate in his legal efforts. Upon his arrest, an attorney who had "just so happened" to walk in off the street and volunteered to defend him, for free, attempted to have the material destroyed, as part of a plea bargain. Nelson was opposed to this, and repeatedly attempted to fire his attorney, as is his right by Oregon state law. To stop that, the presiding judge declared that Nelson should have a psychiatric examination, to see if he were competent to participate in his own defense, i.e., to fire his lawyer. Nelson was shortly thereafter committed to a psychiatric institution in Salem, Oregon. DeCamp told *EIR* on July 19, "He is no more crazy than you or I. And, I am certain, that his life is in the utmost jeopardy" (see *Documentation*).

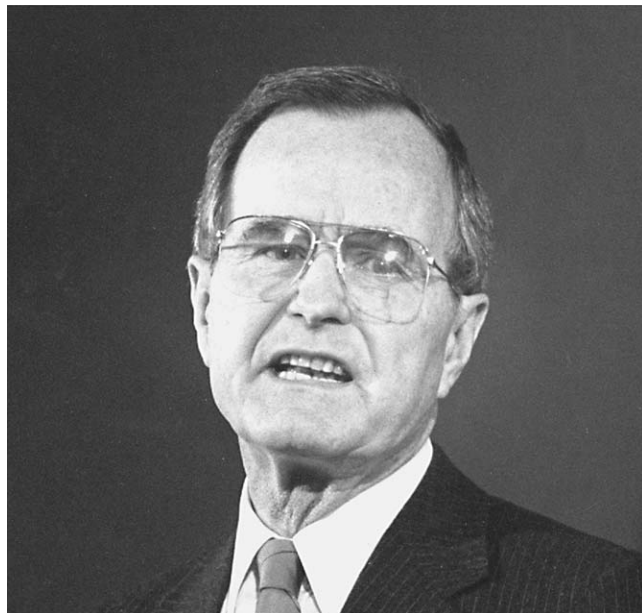
### **Wadman and the FBI: protecting the abusers**

Besides his national patrons, Larry King was well-protected locally, by Omaha police chief Robert Wadman. Wadman had been named by Alisha Owen, and other children, as her chief abuser. Owen had repeatedly identified Rusty Nelson as someone who could prove her charges against Wadman, King, and others. Under oath to the Senate's Franklin investigative committee, Wadman was asked about his alleged "investigation" of Nelson:

"We had a situation where we were advised that there was a possibility of child pornography. . . . We investigated it, found the photographer to be, you know, legitimately involved in the photography business. . . . The only involvement is that this individual had subleased his studio apartment from Larry King, and that was the extent of our investigation into pornography-related activities involving Mr. King in any direct way."

On Oct. 13, 1989, Wadman testified again before the Nebraska Senate's Franklin committee, pleading that the FBI looked at the case exactly the same way he did. Said Wadman to the committee's attorney, John Stevens Berry: "The tough thing with this, Mr. Berry, is that we have the FBI who conducts an investigation and basically says the same things that we have said. If the FBI—are they now linked to this cover-up in some way? Should the Justice Department be investigated as somehow or another assisting in this 'cover-up'?"

As DeCamp noted drily, in recording this exchange in his book, "Wadman said it, but in this case it's true." DeCamp devoted an entire chapter to the FBI's heinous role in the affair, beginning with the fact that Wadman's closest friend



*Damning new evidence implicating George Bush in the child abuse case centered around the Franklin Credit Union in Omaha, Nebraska, is at hand—if a key witness can be kept alive.*

in Omaha was FBI Special Agent in Charge for Omaha, Nick O'Hara. Among other things, the FBI:

- Repeatedly intervened against Franklin committee chief investigator Gary Caradori, to hide or destroy evidence. Caradori and his nine-year-old son were killed on July 11, 1990, when his plane blew up in mid-flight, as he was returning to Nebraska with evidence which, he had told associates, "would blow the case wide open."
- Threatened the children victim-witnesses with long jail terms, if they told the truth, or that they would die mysteriously, as did victim-witness Troy Bonor's brother.
- Called Franklin committee Chairman Sen. Loran Schmit and DeCamp in to threaten them, if they continued the investigation. Schmit and DeCamp were interrogated by O'Hara, as if *they* had perpetrated a crime.

This perversion of justice by the FBI continues today, as documented in Nelson's affidavit (see *Documentation*).

### **Bill Colby and the 'Monarch Project'**

As DeCamp revealed in the second edition of his bestseller, former CIA chief William Colby was the key figure pushing to investigate Franklin right from the beginning. Colby and DeCamp had been very close since the days when Colby was DeCamp's commanding officer in Operation Phoenix in Vietnam. And, on Nov. 22, 1993, Colby wrote to Attorney General Janet Reno, to request her assistance in getting to the bottom of the Franklin case. Enclosing a copy of DeCamp's book with his letter, Colby noted that he himself had been engaged to investigate aspects of the case, and that he had every "confidence in the integrity and rationality of my old

friend,” John DeCamp—a ringing endorsement of the devastating charges in DeCamp’s book. Despite the promise by Reno underling George C. Burgwasser, Acting Chief of the Department of Justice Child Exploitation and Obscenity Section (see graphic) to review the case, the DOJ did nothing.

Colby was particularly interested in one of the most sensitive aspects of the case: The highly sophisticated brainwashing carried out against some of the children, through creating Multiple Personality Disorder, in order to program them to be spies, assassins, drug couriers, or prostitutes. Such conditioning, the children testified, was known as the “Monarch Project.” It was based, at least in part, at the extremely secretive Strategic Air Command base at Offutt Air Base in Omaha—to which Larry King had ready access. Already back in 1975, Colby had enraged many in the dirty side of the U.S. intelligence community when, in testimony to the U.S. Senate Intelligence Committee, he lifted the lid on many of that community’s “mind war” operations. Though blamed on the CIA, most of this had been carried out, as the Offutt example indicated, by the Pentagon. Colby was dumped as CIA chief shortly thereafter, and replaced by George Bush.

Colby strongly pushed DeCamp to write his book, insisting that it was the only way to protect his life, in a case where the stakes were “so extraordinarily high.” In late April 1996, Colby himself was found dead, under mysterious circumstances, in a river near his vacation home on the Chesapeake Bay in Maryland. As DeCamp notes in the final chapter of his second edition, besides Colby’s involvement in Franklin, he had also been snooping around in the activities of London’s Lord William Rees-Mogg, former editor of the London *Times*, and had specifically warned DeCamp against Rees-Mogg’s bird-dog, Ambrose Evans-Pritchard. Colby had also told DeCamp that Bill Clinton, whom Rees-Mogg and his friends were committed to destroying, was a “great President,” and that it were urgent that Clinton be re-elected.

## All roads lead to Bush

The lead editorial of the July 23, 1989 *Omaha World-Herald*, in reporting on the Franklin case, noted that “one child is said to believe that she saw George Bush at one of King’s parties.” The *World-Herald’s* reference to Bush was disingenuous, given that, in interviews with abuse victims, child psychiatrists, community activists, and others, George Bush’s name repeatedly popped out.

Rusty Nelson, too, has raised Bush’s name. There is apparently evidence on Bush in Nelson’s vast archive of photographs and records, but Nelson has also told DeCamp of one incident, in which Secret Service or FBI agents came in to sweep a room, before Bush and a group of VIPs entered for one of Larry King’s parties. Present in the center of the room were two punch bowls, one with alcohol, and one with cocaine, for Bush and his friends.

As indicated in the *Documentation*, Nelson could say much more, if the Justice Department and George Bush don’t shut him up first.

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## Documentation

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*Excerpts from an affidavit by Rusty Nelson. Some punctuation has been added.*

The following I believe to [be] true to the best of my knowledge. It is of severe consequence and grave danger to myself and family that I am providing an account of my experiences in an affidavit, let alone the vast amount of physical evidence I obtained during my association with Larry King of the Franklin Credit, and I have had over the years in my possession, in the years following which, I have been on the run from those involved with its cover-up, money laundering, abuse of children and prostitution. . . .

As the things that I hid away, in the cave on the cliff and the mine, should prove incredibly damaging to various high-ranking figures in government and business, and on not only the local area, but on a national scale, as the events that transpired went all the way to the top! There were things done by the FBI, the Secret Service to facilitate the cover-up, along with numerous others. Over the years, I’ve had in my possession vast areas of photographs, copies of documents, secret diaries and such, which on many occasions people have attempted to rid me of, and even attempted to “eliminate” me, for they are [a] missing link to incriminate numerous people into positions of ultimate jeopardy. This information I brought forth and that I shared with Gary Caradori ultimately led to his untimely demise. *His plane did not* just break apart by chance [emphasis in original]. The items I shared with Mr. Caradori included audio tapes I had secretly recorded, photographs of various acts of wrongdoing, including group sex parties with children; bank documents; even drug trafficking list of people’s names and such that I could acquire related to their involvement. This information was “not all lost” with him, as some of which I made copies for my own protection if needed. These are the items I have attempted to stash away for safekeeping, as I tried to place them in places of which would have extremely limited access.

I am agreeable to seeing justice be served on the Franklin matter, and will do what I can to assist. . . .

*The following is a partial transcript of a telephone conversation between John DeCamp and Rusty Nelson on July 18. Nelson was speaking from a psychiatric institution in Salem, Oregon, to which he had been consigned as part of an effort to cover up the Franklin case. Some punctuation has been added.*

**DeCamp:** Hello, hello, Mr. Rusty. How are you?

**Nelson:** Good, I guess, all things considered.

**DeCamp:** Listen, I guess you were sitting there when I had a fairly intense and in-depth discussion with the psychiatrist. . . . I’m sending her a bunch of stuff . . . several copies of my book . . . and a report of the Franklin Committee of the Nebraska Senate. Just so you know, I’ve taken a number of pieces of the information you’ve provided me, and I want

you to be aware of these three or four things. Everything I've done, I'm trying to do for your protection. . . . Number one, I explained to her how seriously, at least I'm personally taking this, and my biggest concern is for your health, safety and welfare, because anyone who has been in a key position like you are, with information that could jeopardize others, has ended up dead, from Caradori to others who have "committed suicide," and others about the time they were willing to testify. I think she understands how serious it is, and she assured me that she would offer protection. . . .

**Nelson:** She is about the only person I've come across out here, who even pays me an ounce of heed toward what's happening. I mean, the other people are just saying "all right." They've got me listed [as] hallucinating.

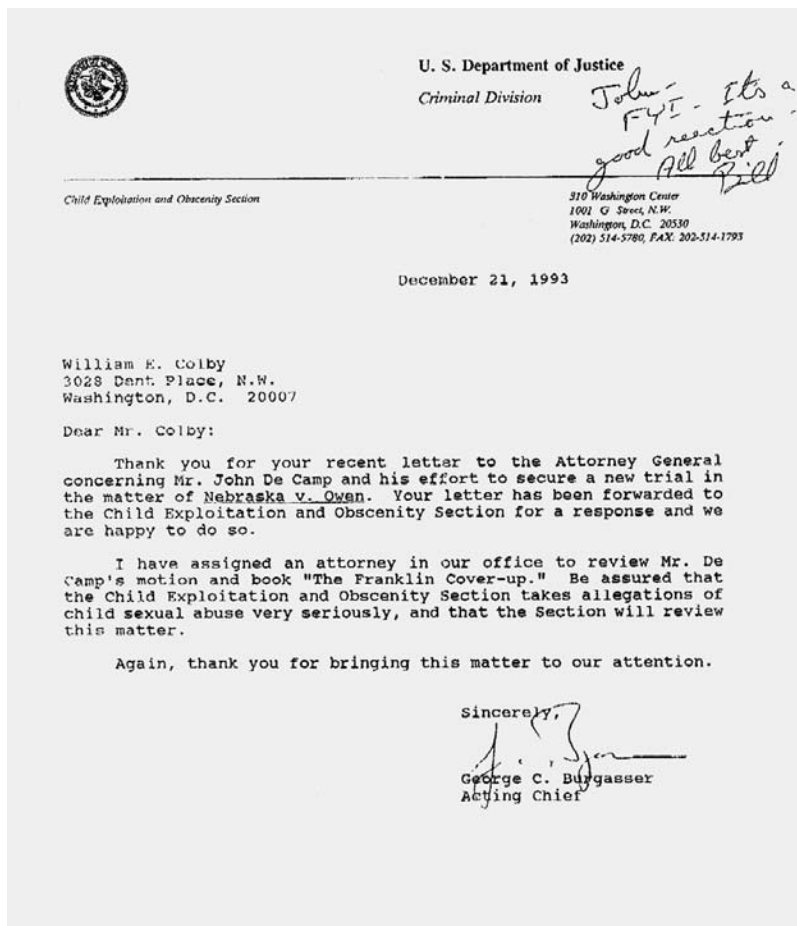
**DeCamp:** Delusional.

**Nelson:** Delusional. . . . In all my reports, and they are trying to get me to become that way. . . . They have went to great lengths. I mean, if you are not nuts when you get here, I'll guarantee you'll be when you leave.

**DeCamp:** Well, anyway, I'm meeting with your brothers tomorrow morning 9:00 a.m. . . . I'm going to tell them exactly what has occurred here. I'm going to also provide them with the following information because they have asked me to represent you and the whole family in this matter of trying to protect you. They made it clear they want you protected. They made it clear to me that they had no confidence in what is going on. . . . I did tell her also, this psychiatrist, just so you know . . . I told her the safest place for you was her guarding you almost in her own ward. . . . I told her, "Look, if you have any doubts that I'm delusional, I'll pick two or three of the best people in the state [Nebraska] you can name. You name, and I'll have them call you and just give you the background."

I said, my goal is to get a couple of U.S. Marshals protecting Rusty Nelson, and get the U.S. Attorney or a judge to authorize them coming out and accompanying or escorting and protecting him to the key places where he has materials hidden, so it can be seized and taken without being damaged and without somebody destroying it, and without Rusty being killed in the process, and so that we know that it is valid, and so they can testify in court later on for the whole purposes of witness protection, immunity, and identifying the significance of the material and where it leads and what it means. That is what that's about. She said they'd be happy to arrange it. . . .

**Nelson:** She's working with me, but the other doctors that are here, I don't trust for nothing, and most of the staff I do not trust. . . .



*This letter, from the Department of Justice's Acting Chief of the Child Exploitation and Obscenity Section, to former CIA chief William Colby, was in response to a letter from Colby to Attorney General Janet Reno, asking her to review the entire Franklin case. Colby's handwritten note to DeCamp is in the upper right.*

**DeCamp:** I think you ought to cooperate totally with Dr. Brylzscki. . . . I think she is a straight shooter, and I think to the degree that you can totally cooperate with her and educate her. . . .

I have assembled a packet of information to deal with one of the U.S. Attorneys to try to convince them to take immediate action. I have just used your affidavit, some of the materials you had, some of the pictures to make it clear you definitely did know Larry King, which of course the Chief of Police [Wadman] lied about and denied. That you provided information to Caradori, as I understand it from reading your affidavit. Is that correct or not?

**Nelson:** Yes.

**DeCamp:** So you definitely — where did you meet him or talk to him, or provide him what?

**Nelson:** I don't remember where I met him, but what he was provided with were pictures of one of the parties that I had. Larry got the pictures usually.

**DeCamp:** You mean the pictures you took, Larry King usually got?

**Nelson:** Oh, yeah. Larry insisted. . . . He would grab the film from me. . . . And, you know, there was some that I had basically ran off on part of an end of a roll that I had on something else, and I stuck it away and . . . he didn't get those. . . .

**DeCamp:** And what did those have on them, if you recall?

**Nelson:** Basically, one of the parties; it had some of the people, some of the children and things like that. [name deleted] was in some film.

**DeCamp:** [Name deleted], you mean the police chief [name deleted]?

**Nelson:** Yeah.

**DeCamp:** Anyway, I have additionally, for your protection, I have made clear, in a kind of a public sense, talking on some talk shows. . . . I point out that you have been arrested, I read the statement from the police chief, just like in the affidavit, you know. I point out that clearly the police chief is lying, and clearly you are the "smoking gun" with a lot of information, and you need protection, and if anything happens to you, it's going to create more stink, so they ought to be wise enough to leave you alone, because just eliminating you ain't going to do any good. Is that satisfactory?

**Nelson:** It should help.

**DeCamp:** That's what I theorized. I remember all those who decided to keep secret ended up dead.

**Nelson:** Well, that's what they came to me with, and it wasn't just one.

**DeCamp:** Understand—

**Nelson:** One of the FBI guys themselves.

**DeCamp:** One of the FBI guys essentially told you what?

**Nelson:** Basically, it was too hot, and drop it. . . .

**DeCamp:** Do you remember what his name was?

**Nelson:** [Name deleted]. . . .

**DeCamp:** How did he [Larry King] get so tight with Wadman? You have indicated he was really tight there.

**Nelson:** Everytime they said something like "send flowers," that meant money.

**DeCamp:** Money to who?

**Nelson:** Wadman. Sending flowers to Wadman.

**DeCamp:** Who was the money from?

**Nelson:** Larry, I think possibly [name deleted]. There was a bunch of it coming from back east.

**DeCamp:** What was he doing with all his money?

**Nelson:** I guess laundering. There was something to do—remember that daycare center? He had some non-profit corporation. That is how he was finding little kids. There was something to do with that. I never could quite figure out what the deal was on it, but there was a day that they closed the doors on him. They were flying back east and he had all hell to pay just to get that opened back up. There was something about a call to Reagan on this, because I sat there and listened to it.

**DeCamp:** He was on an airplane when he did this.

**Nelson:** I believe so, that was on the airplane. I believe it was Reagan. It sure as hell sounded like it. . . .

## Starr protects Bush in Whitewater farce

by Jeffrey Steinberg

In recent months, a sub-theme of the continuing Whitewater assault against President William Clinton has grabbed increasing attention in some of the most hard-core Conservative Revolution press, typified by the *American Spectator*, an unabashed outlet for the London Club of the Isles' Hollinger Corporation media cartel. Increasingly, Whitewater special prosecutor Kenneth Starr is being targetted for harsh criticism, for failing to go for the President's jugular. Even his own longtime backer, Mont Pelerin Society moneybags Richard Mellon Scaife, through his private poison pen, Christopher Ruddy, has attacked the special prosecutor, for failing to hold President Clinton accountable for the death of his former aide, Vincent Foster. Among the most rabid Clinton-haters, who peddle their smears through a variety of well-funded newsletters, such as the *Wall Street Underground*, Starr has become the Devil incarnate, a full-fledged member of the "Clinton conspiracy."

From the outset, Whitewater has been more of a cruel hoax, than a genuine scandal. The issue, for the obsessive Clinton-bashers, was never in seeking the truth. Nevertheless, they do have one legitimate bone to pick with Starr. It is becoming more and more clear, as new evidence surfaces, that Starr's agenda—beyond the targetting of President Clinton—has been to protect Starr's highly vulnerable former boss, George Bush.

Anyone who has attempted to get at the truth behind some of the more sensational Whitewater allegations, especially the swirl of rumors about big-time drug-trafficking in Mena, Arkansas, has uncovered evidence far more damning against Bush than against the former Arkansas governor. And recent attempts to link President Clinton to the mass-murder rampage and raw materials grab now under way in the former Zaire, in fact, reveal a deep personal involvement by former President Bush.

### Mena revisited

The root of most of the nasty slanders against President Clinton, including some of the core allegations being probed by special prosecutor Starr, all trace back to allegations of corruption, drug trafficking, and illegal weapons smuggling in Arkansas during the 1980s. Former U.S. Rep. Bill Alexander (D-Ark.) spent years pursuing all of the rumors, eyewitness-

ness accounts, and so on about guns-for-drugs smuggling out of Mena, a backwater in the far western corner of the state, where a big-time narcotics smuggler, Barry Seal, operated his own small air force. The links between then-Governor Clinton and the Mena story all boiled down to the simple assertion: He must have known. However, Alexander's exhaustive probe of the Mena story persistently led him in a different direction—to the Reagan National Security Council and the Office of the Vice President.

There is no doubt that Barry Seal was involved in a large-scale cocaine-for-guns operation, run out of a number of out-of-the-way locations in the Deep South. Mena was but one spot on Seal's underground guns-for-drugs pipeline. The airport in Jackson, Mississippi was another favorite drop point, according to documents released in a late-1980s probe by a Senate subcommittee chaired by John Kerry (D-Mass.). Seal's ties to the Reagan-Bush national security "secret team" are undisputed, and were thoroughly documented in a September 1996 *EIR Special Report*, "Would a President Bob Dole Prosecute Drug Super-Kingpin George Bush?" Seal was fêted at the Old Executive Office Building by Bush underling Oliver North; he was also given protected status as a Drug Enforcement Administration informant and undercover operative, at the personal behest of Vice President Bush.

To probe the ins and outs of hot money, drugs, and weapons in Arkansas in the 1980s, is to probe the activities of the secret apparatus formally directed by Vice President Bush, under such Reagan-era national security guidelines as Executive Order 12333 and National Security Decision Directives 2 and 3, all of which put Bush in charge of the covert operations programs, including in Central America, Afghanistan, and Africa.

The one thing that nobody, friends and foes of President Clinton alike, disputes, is the fact that Kenneth Starr is a permanent fixture in the Bush apparatus. As President Bush's Solicitor General, he was the top attorney representing the interests of the Bush Presidency. Mena is a Bush story; and the backfire potential of any serious probe of the events in Arkansas in the 1980s *against the still very politically active George Bush*, are too great. The question can fairly be posed: Is Kenneth Starr's primary objective the framing up of President Clinton, or the protecting of former President Bush? Here is where the split between Starr and the most rabid of the British-linked Clinton bashers comes into focus.

## **Barrick Gold**

Another piece of the Clintongate mythology which has recently emerged, peddled in the pages of Richard Mellon Scaife's *Pittsburgh News Tribune*, the Hollinger Corp.'s London *Daily Telegraph*, Rupert Murdoch's London *Times*, and the Roy Cohn-linked *Vanity Fair* gliteratti magazine, centers around the precious metals grab in Zaire, following the genocidal invasion of that nation by Uganda and Rwanda, and

the installation of Uganda's President Yoweri Museveni's puppet, Laurent Kabila, in power in Kinshasa. Even before the marauding Rwanda-Uganda armies had reached the capital city, Kabila was handing out lucrative raw materials concessions to the leading British cartels. The so-called "American connection" to this kill-and-loom program, was a previously unheard-of mining company based in President Clinton's birthplace, Hope, Arkansas.

The firm, America Mineral Fields, grabbed international headlines in late May, when it hosted a meeting in Kisangani, Zaire, with Kabila and top officials of the leading British raw materials cartels. AMF was soon in the headlines, as the beneficiary of a \$1 billion mining contract. And the British media had a field day, linking AMF to the President, and, by implication, linking the Clinton administration to Kabila.

Anyone familiar with the recent events in Central Africa knows that President Clinton despises Kabila, and especially, Kabila's patron, Museveni. Nevertheless, the media drumbeat around the Clinton-AMF-Kabila connection continues to this day.

Unnoticed in the media swirl was the fact that a Canadian gold mining company, Barrick Gold, had been already operating in eastern Zaire, in the middle of the killing fields, from the very outset of the invasion, in September 1996.

As *EIR* documented, as early as January of this year, the so-called Hope, Arkansas connection of America Mineral Fields was a well-orchestrated hoax, aimed at painting a "Clinton" label on what was a strictly British-Canadian-South African-Australian raw materials grab and mass genocide. AMF was, in fact, a Canadian company, formed by the longtime Zaire desk officer of the Anglo American Corp.—De Beers gold, diamonds, and precious metals cartel. Any competent investigator out to get to the bottom of the AMF story would immediately learn that the Hope connection was a fraud. Yet, the above-cited British-linked media, to this day, keep peddling the same Clinton-AMF hoax.

Barrick's involvement in Zaire is a different story. Not only was Barrick one of the first of the British Commonwealth mining firms to throw its money behind the Kabila marauders, but Barrick *does* have a genuine "American connection," and his name is George Bush. Despite his lying claims to the contrary, Bush does "do corporate boards." He is the honorary chairman of the international advisory board of Barrick, which is headed by the Canada-based member of Prince Philip's 1001 Nature Trust, Peter Munk. Bush has been publicly identified as Barrick's leading international lobbyist and publicist. And the blood of countless Africans in the Great Lakes region is on Barrick's, and Bush's, hands.

So, while the legions of die-hard Clinton-bashers may be writing the early political epitaphs of special prosecutor Kenneth Starr, as a colossal failure and sellout, for one man—George Bush—Kenneth Starr has done just fine.



## **G**OP leadership fissures grow deeper

On July 16, news of a coup attempt against House Speaker Newt Gingrich (R-Ga.) organized by the top Republican Party leadership exploded onto Capitol Hill on the front page of *The Hill* newspaper. In the aftermath of that news report and others that immediately followed, Bill Paxon (R-N.Y.) was fired, or resigned, from his post as chairman of the leadership grouping, a post he was appointed to by Gingrich after the 1996 election.

The news reports identified the leaders of the coup as Majority Leader Dick Arme (R-Tex.) and Majority Whip Tom Delay (R-Tex.), working in concert with a group of renegade GOPers led by Lindsay Graham (S.C.). The scheme they apparently finally agreed upon, after a now-infamous July 10 meeting, was for Arme to take over the Speaker's chair, and Paxon to become majority leader. Other accounts had Paxon as the one who would become Speaker. The coup allegedly fell apart when Arme realized that he wouldn't have the votes to become Speaker, which gave Gingrich the chance to move against the plot.

In the days that followed, Arme and Paxon both denied having any role in the affair, and Delay has refused to comment on it. Delay was fingered by Matt Salmon (R-Ariz.), on the ABC News program "This Week with David Brinkley" on July 20, as the leader who participated in the July 10 meeting, while Arme did not. But, Salmon said, "I think initially when Tom came to the meeting, he was trying to assess exactly how serious this was, which was kind of a Catch-22 because it wouldn't have been that serious . . . had Tom Delay not come to the meeting."

Most Republicans who are speaking out on the affair, including Peter King (N.Y.) and Joe Scarborough

(Fla.), are calling for holding back on a no-confidence vote on Gingrich and the rest of the leadership until after the budget reconciliation and appropriations process are completed, in three or four months.

## **F**oreign Aid bill passed by Senate

On July 17, the Senate passed the 1998 Foreign Operations Appropriations bill, with one amendment on religious freedom in Russia, and another restoring foreign aid to Egypt.

Gordon Smith (R-Ore.) sponsored an amendment that would, in his words, "withhold funds appropriated . . . to Russia unless the President determines and verifies in writing to the Congress that the government of Russia has enacted no statute that would discriminate against religious minorities in the Russian Federation." Smith's amendment was passed by a vote of 95-4.

Only Robert Byrd (D-W.V.) spoke against it, and that after the vote. He said, "If the same standard included in the Smith amendment was applied to all other nations, we would be forced to terminate our foreign aid to other key United States allies, including Israel, Egypt, and Turkey. . . . This amendment, therefore, discriminates against one nation, even while it claims that discrimination is its concern." He strongly criticized the religious laws of Israel, which give Israeli Arabs a second-class status. Byrd said, "I wanted to call to the attention of the Senate the problem here of rushing to vote on matters that we don't clearly understand."

The foreign aid to Egypt was restored by an amendment sponsored by Mitch McConnell (R-Ky.), chairman of the Foreign Operations subcommit-

tee, which voted to cut off the aid a couple of weeks ago. However, McConnell had nothing but criticism for the government of Egypt, complaining about President Hosni Mubarak's supposed lack of interest in the Middle East peace process and Egypt's relationship with Libya, without mentioning a word about Israeli provocations. He described American foreign assistance as being "geared to behavior," and said, "It is my hope that the Egyptians are back on track and willing to resume being a constructive partner in the Middle East peace process."

## **N**egotiations continue on budget and tax bills

A rift has opened between the White House and Congressional Republicans, over how fair the tax plan now under negotiation is, and whether working people who make too little money to pay income taxes deserve tax relief. President Clinton, after meeting with Congressional leaders on July 15, said, "I think we ought to give a tax cut to the people making \$22,000, \$24,000, \$25,000 a year who have children." Under the current Republican plan, people in that income range would be ineligible for the \$500 per child tax credit. Republicans are continuing to call such a tax credit for those income ranges, "welfare."

Other points of contention include the actual amount of the tax cuts. House Ways and Means Committee Chairman Bill Archer (R-Tex.) said on the ABC News program "This Week with David Brinkley" on July 20, that while the Republicans agreed to \$85 billion in tax cuts (they actually want much more) in the budget agreement, Clinton's plan only contains \$58 billion. He said this was "the biggest hang-up" in the negotiations at the moment.

Senate Majority Leader Trent Lott (R-Miss.) expressed confidence, however, after the meeting with Clinton, that both the budget and the tax cut bills would be ready for Clinton's signature by Aug. 1, before the Congress recesses for the summer.

### **Smith, Payne used by Brits on Congo/Zaire**

On July 16, the House International Relations Committee held a hearing to assess "The Democratic Republic Of Congo: Problems and Prospects." State Department representatives were grilled about U.S. policy toward Congo/Zaire, including by Don Payne (D-N.J.) and Chris Smith (R-N.J.).

Payne, former chairman of the Black Caucus and self-appointed "Africa expert," took the position that the administration had no right to pass judgment on Congo dictator Laurent Kabila or the massacres, because of the complicity of the U.S. government in propping up former President Mobutu Sese Seko, and because of the lack of action during the genocide in 1994. Payne argued that holding Kabila to democratic standards, such as elections by 1999, would be hypocritical. While claiming that he supports a UN investigation of the genocide, he blamed the Hutu militias for causing the "ethnic conflict" in Rwanda, going back to 1994, when "people had to come out of Uganda to save people from being exterminated." He suggested that it would be discovered that any current excesses were due to Kabila's forces curbing the activities of the Hutu militias that were allegedly operating out of the refugee camps in eastern Zaire.

Smith, who had called for hearings demanding action to protect the refugees last November, zeroed in on

the recent *Washington Post* articles on the role of Rwandan Defense Minister Paul Kagame in the invasion of Congo. However, instead of attacking the British for directing the operation, Smith is furthering the British game-plan—to dump the blame for the genocide on the Clinton administration, the one Western government which has tried to stop Kabila's massacres.

### **Funds for UN World Heritage rejected**

The House voted 222-203 on July 15, during debate on the Interior and Related Agencies Appropriations bill, to prohibit funding for the UN Man and the Biosphere program and the World Heritage program. Tom Coburn (R-Okla.), who sponsored the amendment, said that "in the last several years millions of dollars have been spent on this program as well as hundreds of other programs without any authorization whatsoever from this body." He said that those who vote against his amendment oppose "us operating under the rules that we have set for ourselves, because what we have said is that we are not going to fund money for any programs that are not authorized."

Helen Chenoweth (R-Id.) said that 47 biosphere reserve sites "have already been designated in the United States without Congressional authority."

Democrats challenged Republican assertions that there have been no oversight and authorization for these programs. But, more to the point, they defended the UN and these programs. Esteban Torres (D-Calif.) argued that these programs "are simply voluntary vehicles for designated areas around the world as international treasures

that must be preserved, and to protect the people of the world from the problems of pollution that, as we all are aware, knows no national boundaries."

### **Hispanic Caucus turns against NAFTA, sort of**

On July 16, the leadership of the House Hispanic Caucus joined a number of Hispanic lobbying organizations to condemn the report on the North American Free Trade Agreement (NAFTA), released by the Clinton administration the previous week. Hispanic Caucus Chairman Xavier Becerra (D-Calif.) was joined at a press conference by Esteban Torres (D-Calif.) and freshmen Loretta Sanchez (D-Calif.) and Ciro Rodriguez (D-Tex.), where they released a letter to President Clinton warning that they could not support fast-track negotiating authority for expanding NAFTA to Chile and other countries, without being certain "that the economic, safety, and health interests of our constituents are not compromised by future trade agreements."

Most of the Hispanic Caucus voted for NAFTA in 1993, but those who remain in Congress are having reservations, because the programs that were set up in the Department of Labor to help workers displaced by free trade, aren't working. Becerra termed NAFTA a series of "broken promises."

However, none are having second thoughts about free trade itself, even though that policy is responsible for their concerns about employment, health, and safety. As Torres said, "We have to fix the programs that are not working." Rodriguez added, "There is a need for us to look at infrastructure, human development, and the environment as we move on with globalism."

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# National News

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## Clinton plans 1998 visit to India

President Bill Clinton is planning a visit to India in 1998, an Indian parliamentary delegation touring the United States was told. Members of the Congressional Caucus on India and Indian-Americans told the eight-member all-party parliamentary delegation from India, led by Mr. P. Upendra, that Clinton is planning a visit next year, and suggested that the Indian Parliament could consider setting up a body similar to the caucus to promote Indo-American relations.

The delegation met U.S. Reps. Frank Pallone (D-N.J.) and Bill McCollum (R-Fla.), co-chairmen of the 88-member caucus, and Stephen Horn (R-Calif.). Indian Ambassador Naresh Chandra was also present. The delegation also had a separate meeting with Rep. Gary Ackerman (D-N.Y.). The delegation was also told that Rep. Benjamin Gilman (R-N.Y.), chairman of the House International Relations Committee, plans to visit India and he would be meeting the Dalai Lama at his headquarters in Dharamsala.

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## Talbott: new 'Silk Road' is good news for U.S.

"The consolidation of free societies stretching from the Black Sea to the Pamir Mountains will open a valuable corridor along the old Silk Road between Europe and Asia," said Deputy Secretary of State Strobe Talbott on July 21. Talbott was speaking at the Central Asia Institute, Johns Hopkins School of Advanced International Studies, on the theme: "American Policy in the Caucasus and Central Asia."

"The Euro-Atlantic community is evolving and it's expanding," he said. "It stretches to the west side of the Atlantic and to the east side of the Urals. The emergence of such a community represents a profound break with the past for all the peoples involved, but for none more than those of the Caucasus and Central Asia, who have for so much of

their history been subjected to foreign domination. Today they have a chance to put behind them forever the experience of being pawns on a chessboard as big powers vie for wealth and influence at their expense. For them, genuine independence, prosperity and security are mutually reinforcing goals. And the United States has a stake in their success. . . .

"The consolidation of free societies at peace with themselves and with each other, stretching from the Black Sea to the Pamir Mountains, will open up a valuable trade and transport corridor along the old Silk Road between Europe and Asia. Now, that's the good news. But the ominous converse is equally true. If economic and political reform in the countries of the Caucasus and Central Asia does not succeed, if internal and cross-border conflicts simmer and flare, then the region could become a breeding ground of terrorism, a hotbed of religious and political extremism, and a battleground for outright war."

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## HMOs poised to kill D.C. Medicaid patients

The Washington, D.C. City Council temporarily killed a measure on July 21 that would have given four health maintenance organizations the exclusive right to treat Medicaid patients in the district. None of the four has offices in the part of the district where 60% of the Medicaid patients live. The measure was expected to come up for another try later in the week. On July 18, Dr. Abdul Alim Muhammad, Minister of Health for the Nation of Islam and director of Washington's Abundant Life Clinic, outlined for *New Federalist* how the planned reorganization of Medicaid into HMOs will deprive up to 80% of the district's poor residents of access to medical care.

The city contracts with the managed care organizations were negotiated in secret by Paul Offner, who was formerly Sen. Daniel "Benign Neglect" Patrick Moynihan's point man for health finance issues. The contracts would award the four MCOs \$800 million, whether or not they treat patients, "saving" the District an estimated \$200 million a year.

A recent survey found that a similar contract in Baltimore resulted in treatment for only 18% of the potential Medicaid recipients last year.

When Dr. Muhammad sought to be named to the provider panels of the four MCOs, he was never contacted or, in the case of Prudential, turned down, although he is one of only six medical practitioners in the part of D.C. that services 60% of the Medicare population.

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## Florida court rejects doctor-assisted suicide

In another closely watched challenge to state laws that protect vulnerable populations, the Florida Supreme Court ruled on July 17 that the state constitution does not protect a patient's right to a doctor's aid in committing suicide. The 5-1 decision reverses a lower court ruling in January that upheld the claims of three terminally ill patients and a Hemlock Society "doctor," who said the state's law against assisted-suicide violated the privacy clause of the state constitution.

The national euthanasia lobby thought Florida gave them a good chance of defeating such anti-assisted-suicide laws, because Florida is one of only four states that have adopted a strong, free-standing right-to-privacy clause in their state constitutions. According to the American Civil Liberties Union, which represented the patients who brought this suit, such clauses hold personal autonomy as paramount over state "intrusions."

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## Valenti explains butcher Museveni to Minnesotans

"Museveni Should Be Stripped of U Honors," read the headline over a commentary in the University of Minnesota campus paper, by LaRouche organizer Phil Valenti. In his article, Valenti, who has spearheaded a campaign for the Hubert Humphrey Institute at the university to revoke awards made to Uganda butcher, President Yoweri Museveni

**ROBERT GELBARD**, assistant secretary of state for the implementation of the Dayton Accords in Bosnia, told the Senate European Affairs Committee on July 17 that "it is time for Radovan Karadzic to be delivered to The Hague [War Crimes Tribunal] and for the Republika Srpska government to function on the basis of the rule of law. Until that happens, Republika Srpska will be denied its share of the considerable international reconstruction assistance presently available to Bosnia."

**THE HOUSE** passed a bill on July 8 that overturns a decision by the Clinton administration to allow financial transactions by U.S. entities with the governments of Sudan and Syria. Sponsored by Charles Schumer (D-N.Y.) and Bill McCollum (R-Fla.), the bill was voted up 377-33.

**COLUMBIA/HCA**, the predatory for-profit hospital chain and managed care company, was served with 35 federal search warrants for its facilities on July 16. According to media reports, the warrants appear aimed at catching Columbia in a fraud scheme with respect to overcharging for Medicare.

**HERBERT BRYANT**, the oligarch who wanted to set up a private military in Loudoun County, Virginia (complete with armored vehicles that stood ready to join the October 1986 Waco-style assault against Lyndon LaRouche), had his 1994 conviction upheld for impersonating a federal official and for making false statements to law enforcement, by the federal appeals court in Washington, D.C., on July 8.

**OSAMA BIN LADEN**, the Saudi expatriate who finances "Islamic" terrorists, is under investigation by a Federal grand jury in New York, according to the July 17 *New York Times*. Federal agents are trying to follow a trail of money, which begins in Afghanistan and Pakistan, and runs through London and Detroit, into New Jersey and Brooklyn.

eni, explained: "The University perhaps was unaware of Museveni's commitment to mass violence and murder as a political weapon, as revealed in a 1969 paper he wrote as a Maoist student leader at the University of Dar Es Salaam:

" 'Political commissars,' Museveni wrote, 'many of them trained in Algeria between 1962 and 1964, agreed that the first obstacle to overcome before enlisting people's support, was to convince them that they could kill a European.'

" 'Once the people got to see a dead white man, killed by Africans, then the ball would have been set rolling,' Museveni wrote. 'Here in Mozambique it has been found necessary to show peasants fragments of a Portuguese soldier blown up by a mine or, better still, his head.' . . .

"The *Minneapolis Star Tribune* of June 24, 1994 reported that Land O'Lakes and other Minnesota corporations sponsored Museveni's trip to the Twin Cities in that year, and that these companies are 'active in Uganda.' Are the University and the Humphrey Institute protecting the interests of their corporate donors? Are they willing to condone genocide for the sake of their financial interests? Isn't it this type of mentality which made the Nazi Holocaust possible earlier in this century?"

## Energy Secretary Peña to hold talks in Moscow

Energy Secretary Federico Peña, who left on a five-day trip to Moscow on July 19, told reporters on July 17 that his trip will "focus on two areas of vital concern to both our countries: reducing the threat posed by nuclear weapons and nuclear materials, and discussing energy policies and agreements that will make more energy resources available to both our countries." Peña was to meet with Prime Minister Viktor Chernomyrdin, First Deputy Prime Minister Boris Nemtsov, Minister of Atomic Energy Viktor Mikhailov, and members of the Duma (parliament).

Peña's discussions will include topics on nuclear non-proliferation, laying the groundwork for an energy ministerial meet-

ing to be held in Moscow next year, and for improving business opportunities for American companies in Russia. Although there are existing bilateral agreements to jointly develop next-generation nuclear technologies, such as high-temperature reactors, the anti-nuclear bias of the top layers of the Energy and State departments has prevented such R&D programs from going forward.

## Spannaus poll: Should Frank Wolf be knighted?

LaRouche Democratic Congressional candidate Nancy Spannaus polled the constituents in her Virginia district, asking whether her opponent, Frank Wolf, should be knighted for his service to the British Empire: "Congressman Frank Wolf is supposed to represent your interests in Washington, D.C. You should carefully consider . . . whether instead he deserves to join the ranks of Sir Henry Kissinger, Sir George Bush, Sir Caspar Weinberger, and a raft of other British assets, knighted by Queen Elizabeth II for their services to the British Empire."

Spannaus detailed Wolf's rank hypocrisy under the cover of "human rights," such as supporting the genocide in Africa of British agents such as Laurent Kabila, or backing the destabilization of China and the former British colony, Sudan. She said, "Wolf qualifies for that select company, because he serves on the International Board of Reference of Christian Solidarity International (CSI)—a British Intelligence front, supposedly concerned about 'human rights'—along with Lady Caroline Cox."

At the same time, " 'human rights' advocate Frank Wolf supports the barbaric death penalty . . . [and] has been silent on the frame-up of Britain's enemy, Lyndon LaRouche, and his associates, which occurred in his district.

"In other words . . . he has been a hypocrite on human rights, and a shameless Nazi-like budget-cutter of all programs to benefit working people, their children, senior citizens, and the unemployed, and there is no doubt whom he will protect when the financial meltdown forecast by LaRouche hits."

## Editorial

### *Impeach Scalia!*

At 9:00 p.m. on July 23, death-row inmate Joseph Roger O'Dell was executed at the Greensville Correctional Center in Virginia. He went to his death insisting that he was innocent of the murder for which he received the capital sentence. This isn't the first time that a man with a palpable claim of innocence was put to death in America: Leonel Herrera was put to death in Texas in 1993, with the clear knowledge of his innocence.

But this case has sparked the biggest outpouring of opposition to the use of the death penalty in the United States' history. Appeals to save O'Dell's life poured in, to the U.S. Supreme Court and to Virginia Gov. George Allen, from tens of thousands of people worldwide. Such leading religious figures as Pope John Paul II and Mother Teresa prayed publicly for O'Dell's life, while both the prime minister and President of Italy, hundreds of Italian parliamentarians, and the European Parliament urged that O'Dell's life be spared, noting the "barbarity" of the practice of capital punishment in a "Western" nation such as the United States.

Lyndon LaRouche, who recently declared his intention to run for the U.S. Presidency and who has been in the forefront of opposition to the death penalty throughout his political career, remarked that Allen, who denied O'Dell clemency, "makes Pontius Pilate look like a Christian."

But LaRouche saved his especial opprobrium for Supreme Court Associate Justice Antonin Scalia, who has pioneered the doctrine on the Supreme Court, that "public opinion," not truth, should be the arbiter of the Court's decisions. LaRouche noted that, though Scalia is an avowed Roman Catholic, his doctrine and his enthusiastic embrace of the death penalty are in absolute opposition to the expressed views of Pope John Paul II and to what is standing Church doctrine on the issue, not to mention the U.S. Constitution.

"There is no question that we should move for his impeachment," LaRouche said, because "Scalia has substituted the law of civilized Christian society with the law of the pagan arena."

The issue is clear, LaRouche said, in an interview

on July 22 with the weekly "EIR Talks" radio program:

"There's a man who is now on the verge of death—of being executed, and the Supreme Court has heard the evidence that the man may be innocent of the crime of which he's charged. But, nonetheless, the Supreme Court voted, with Associate Justice Antonin Scalia casting the decisive margin of vote, to execute him anyway. This is a combination of a pattern of this type, in which Scalia has been prominent, in which the idea of justice in the United States has gone back to the times of the pagan Roman circus, in which executions, public executions, have taken the form of public entertainment, and the judges, rather than looking to the facts of the case, or the truth of the matter, or the defense of the law, as such, say, 'Does the public wish this execution? Is the public saying, "thumbs down," or "thumbs up"?' If the public says, "thumbs down,"' so says Antonin Scalia: 'We must execute—even if we have evidence to the effect that this man is innocent.'

"In the case of O'Dell," LaRouche continued, "there is crucial evidence that should have been presented at the time of trial, or examined more closely at the time of trial, which would show that he in all probability, could not have been the perpetrator of the crime for which he was convicted. . . . But, when the Supreme Court, knowing these facts, votes by majority, provided by Scalia, to execute *anyway*, and *not give the convicted person the day in court, to have the evidence heard*, this is no longer a Christian society. . . .

"Don't talk about justice. Don't talk about fairness. Don't talk about issues. Don't talk about government. Unless you're willing to get the corruption out of the Supreme Court and the Justice Department, you're really not serious about *anything* in this country, so stop squawking!—unless you want to get on this case, and do something about it."

It may well be that justice will finally be done in this case—albeit too late for O'Dell. His last words were, "Governor Allen, you are killing an innocent man. I hope you'll preserve the evidence for future testing." His attorneys have already asked the Supreme Court to release that evidence.

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