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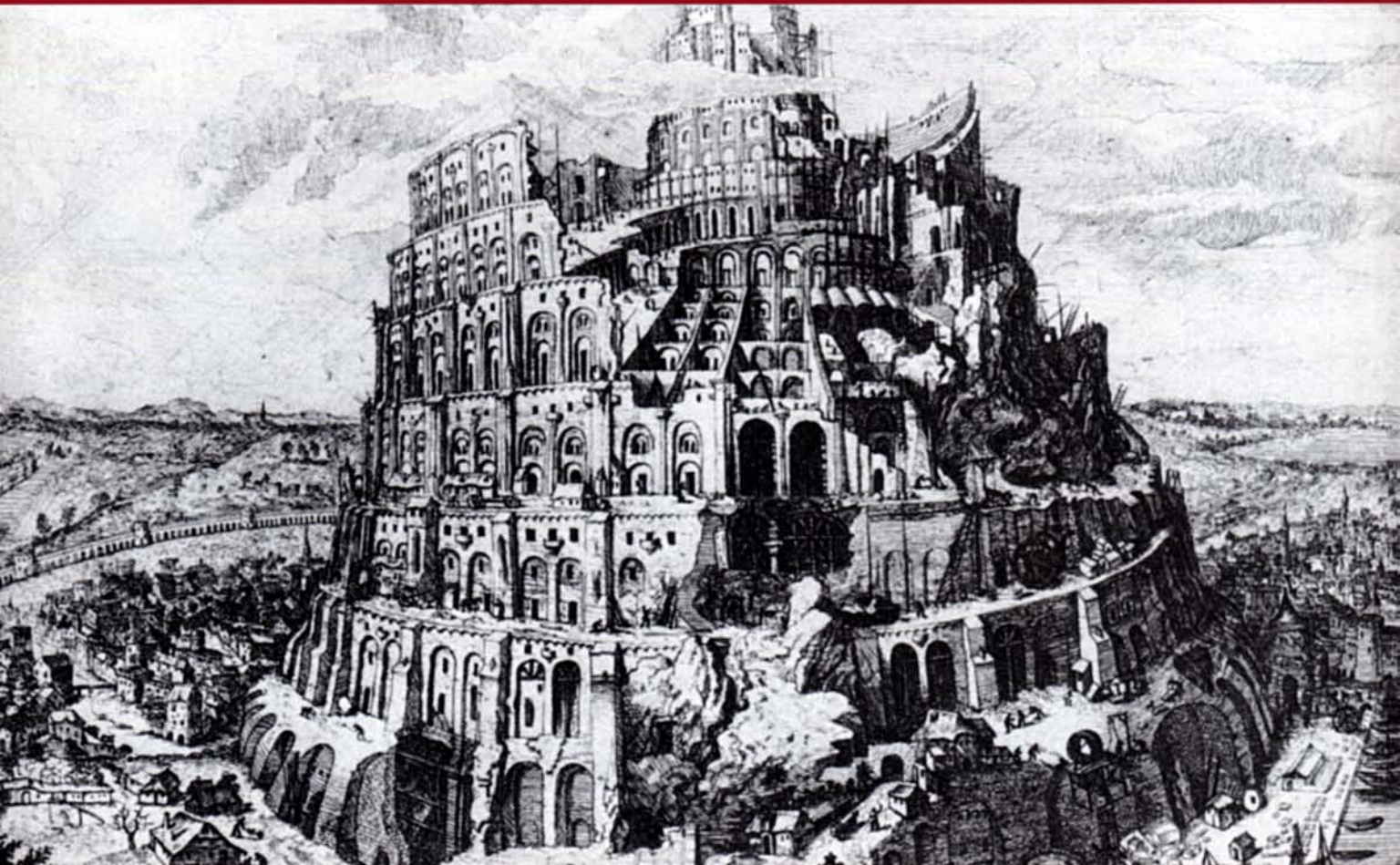
Executive Intelligence Review

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From the Associate Editor

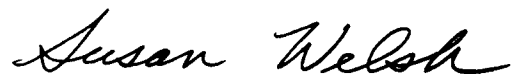
The picture on our cover is an engraving done from Peter Bruegel's 1563 painting, *The Tower of Babel*. Babylon, the ancient center of oligarchism: "Alas, alas, that great city Babylon, that mighty city! for in one hour is thy judgment come. And the merchants of the earth shall weep and mourn over her; for no man buyeth their merchandise any more" (Revelation 18:10-11).

In his feature article in this issue, Lyndon LaRouche relates the centuries-long battle between the "succubus-like system of financier-oligarchism" and the republican nation-state. We now find ourselves in the greatest economic and strategic crisis in 500 years, because we have tolerated the feudal relics of financial oligarchy much too long. Either we seize the opportunity which this crisis presents, to destroy financier-oligarchism once and for all, or we will indeed have lost the moral fitness to survive.

LaRouche's article is an in-depth elaboration of his Nov. 5 speech at Bonn-Bad Godesberg, published in last week's *EIR*, in which he proved that the current financial breakdown is no "cyclical crisis," on the model of 1929-31, but is more akin to the trajectory of a comet careening dangerously close to the Sun. Asked about his new article in an interview, he said that it "could be one of the most important documents written in the past decades, on the subject . . . sort of a summation of my experience and knowledge in this field."

Other articles in this expanded issue complement LaRouche's report. We have a lengthy guest commentary by Prof. V.S. Miasnikov, of the Russian Academy of Sciences, on "The Economic Situation in China and the Perspectives of Cooperation between Russia, China, and Other States in the Field of Realizing the Project 'The Eurasian Land-Bridge.'" Jonathan Tennenbaum and Mary Burdman report on recent diplomacy involving China and other "Land-Bridge" nations.

Of greatest strategic importance, is the ongoing battle against the British monarchy and its satraps. In *International*, we have stories on Helga Zepp LaRouche's visit to Nigeria; the British control of international terrorism; updates on the French cover-up of Princess Diana's assassination; an analysis of the French "permanent bureaucracy" perpetrating that cover-up; and a review of recent books on Diana and the House of Windsor.



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Prof. V.S. Miasnikov, a Corresponding Member of the Russian Academy of Sciences and Deputy Director of the Institute of Far Eastern Studies of the Russian Academy of Sciences, analyzes Russian-Chinese relations and the potential for a “strategic partnership.”

Correction: In last week's issue, the caption on p. 71 (“GOP Promotes Proposals to Lease, Auction Prison Labor”) erred in stating that in today's privatized prison system, a black prisoner in Texas goes for \$31 per month, while white prisoners cost \$29. This pricing of convict labor is from the early part of this century; it is cited favorably in a 1996 report by the Mont Pelerin National Center for Policy Analysis, just recently provided to the House Judiciary subcommittee.

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Engraving from Peter Bruegel's 1563 painting, *The Tower of Babel* (detail).

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Lyndon H. LaRouche, Jr. calls for the defeat of financier-oligarchism—the legacy of Babylon and Venice. Addressing the current world breakdown crisis, he writes: “For thinking people, the most important questions are, ‘Why was this crisis inevitable? Why is the only hope, a ‘new Bretton Woods’ agreement, ending former U.S. President George Bush’s foolish flirtation with a globalized ‘new world order,’ for a return to the United States’ patriotic economic tradition?’ The only alternative to despair, lies in returning, at long last, to those ‘anti-globalist,’ protectionist economic policies which shaped all past periods of net improvement in the prosperity of the United States and all of its people.”

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Japan's crisis threatens global financial crash

by William Engdahl

The worsening of the global financial crisis in Japan and South Korea in recent days, has brought the world payments system to the brink of a systemic crisis like nothing ever seen before. Over the weekend of Nov. 16, feverish behind-the-scenes negotiations were ongoing between Washington and Tokyo, in an attempt to prevent a meltdown of the Japanese stock market and, with it, the collapse of the Japanese banking system. Bankers from London to Zurich to New York, and points in between, held their collective breath in nervous anticipation, as trading on the Tokyo Nikkei stock market opened on Monday, Nov. 17.

On Friday, Nov. 14, the Nikkei stock market, the second-largest in the world after New York, had fallen to 15,082. It had plunged some 2,000 points in as many weeks. What only last July had been a stock market, on paper, worth more than \$3 trillion, had lost more than \$800 billion in a matter of weeks. More alarming, much of that \$800 billion consisted of the capital base of the entire Japanese banking system. According to calculations by IBCA Ltd., the international bank-rating agency, were the Nikkei to fall much below 15,000, the entire "hidden reserves" of 18 of the 20 largest banks, among them six of the world's largest, would turn "negative."

A financial 'Pearl Harbor'?

In what now is widely recognized as a perverse arrangement, Japanese authorities "won" a major concession from fellow central bankers of the G-10 large industrial nations a decade ago. At that time, the leading central bankers of the Basel-based Bank for International Settlements debated new uniform rules which would require member country banks wanting to do business internationally, to maintain \$8 of re-

serves against each \$100 in outstanding loans. This 8% Bank Capital Adequacy rule, agreed on in 1988 to become effective in 1992, was intended to regulate the most extreme excesses of speculative bank lending and guard against bank failures.

The Bank of Japan successfully argued at Basel for an "exception." That exception today has returned to haunt BIS central bankers, as the Achilles' heel of the entire world banking system.

Because the postwar "Japan, Inc." economic miracle had been built on a unique structure of intimate permanent links, through mutual stock share ownership, between the large Japanese banks and the industrial companies tied to them—the so-called *Keiretsu* system—Japan won the right to count those stock shares its banks held, in an amount up to 45% of their required 8% capital, or almost half the total needed.

The stock holdings constitute the so-called "hidden reserves" of the banks in Japan. Hidden, because much of the shares had been bought as far back as 25-30 years ago, when Nikkei shares were a fraction of even today's low value. Every March 31, the close of Japan's accounting year, the current market value of the banks' stock portfolio must be declared according to the closing price on the Nikkei Tokyo Stock Exchange on that day.

Different banks, according to IBCA estimates, have significantly different stock values. But a Nikkei level of 15,000, were that to hold into next March, would wipe out the entire value of most large banks' equity capital. The fear is that, as March nears, in a desperate bid to raise cash to cover the losses on their stocks, the banks would be forced to do what bankers internationally regard as the "ultimate horror scenario": emergency liquidation of their billions in U.S. Treasury securities.

That scenario, which one market source refers to as “the financial equivalent of a new Pearl Harbor,” would likely bring down the entire U.S. bond market, and, with it, the global financial system.

According to official U.S. Federal Reserve data, foreign holdings of all U.S. Treasury securities (bills, notes, and bonds) currently exceed \$1,240 billion. Of that sum, an estimated \$370 billion, almost 30%, is in Japanese hands, including the approximately \$170 billion held by the Bank of Japan, and more than \$200 billion held mainly by Japanese banks and insurance companies.

With the Nikkei in near free-fall in recent weeks, rumors began to circulate that Japan’s banks had begun to sell U.S. Treasuries. ING Barings Bank, the Anglo-Dutch bank which, according to informed reports, had been one of the most aggressive speculators against Asian currencies and markets in recent months, also came out with alarming statements of Japanese bank insolvencies and capital problems. The cost for Japanese banks to borrow on interbank markets had risen sharply for the first time since the crisis of September 1995. Japanese banks faced paying huge costs to borrow, or else had to liquidate assets in order to continue operating as of the Nov. 16 weekend.

A surprise visit from Washington

Not surprising given what is at stake for the United States, in the midst of the crisis and evident Japanese domestic political paralysis, U.S. Treasury Secretary Robert Rubin dispatched his deputy secretary, Lawrence Summers, to make an unplanned stop in Tokyo on Monday morning, en route to a meeting in Manila. Little was said publicly following Summers’s talks with Japanese Finance Minister Hiroshi Mitsuzuka and other Tokyo officials.

According to reliable Tokyo financial circles, Summers pressed his Japanese counterparts for assurance that, “regardless what solution they finally agree on, there would be no liquidation of U.S. Treasuries by the banks. If Japan agreed to this, Washington gave its assurance of U.S. support, should Japan need it in the difficult coming period.”

As the Summers-Mitsuzuka talks were ongoing, a buying pandemonium had broken out on the Tokyo Stock Exchange. Paradoxically, it had been triggered by an official statement from the Ministry of Finance and the Bank of Japan. They announced that Japan’s 10th-largest bank, Hokkaido Toku-shoku Bank, was being closed down, and its problem loans transferred to the government’s Deposit Insurance Corp., while its customers would have deposits guaranteed by and transferred to another regional bank. For the first time, Japan had let one of the 20 big banks, earlier deemed “too big to fail,” close its doors.

There were reports in the Tokyo market that the move was part of a definitive effort by the Hashimoto government to finally deal with the seven-year-old worst bank crisis in



A battle royal is raging in world financial circles, over whether or not to try to bail out the speculators and the bankrupt banking systems. Here, the Peruvian daily Sí takes a pot shot at megaspeculator George Soros, who had described himself, in a Nov. 5 U.S. television broadcast, as “a kind of gigantic digestive tract, taking money in one end and pushing it out the other.”

Japanese history. According to reports, the government was now ready to break the political taboo and spend public funds, ultimately taxpayers’ money, to clean up what private estimates place at \$900 billion to \$1.2 trillion in bank bad debts left from the disastrous “bubble era” of real estate and stock speculation in the late 1980s. It was reported that the government planned to propose a new law allowing the world’s largest bank, the Postal Savings Bank of Japan, to, in effect, buy up the banks’ bad loans to allow the banks to reorganize.

The Postal Savings Bank, a government agency with government guarantees, has become the most sought-after refuge for Japanese savings. Today, it controls an asset base of some \$2.8 trillion, and its deposits total 45% of all Japanese bank deposits. The political problem is that, by law, the Postal Savings Bank is part of the public pension system. It is politically explosive in Japan to speak of taking such money to

clean up the banking mess.

As it turned out, the Tokyo Nikkei index climbed by over 7% on Monday, and another 3% on Tuesday, amid statements from Prime Minister Hashimoto vaguely affirming his intent to offer bank bailout legislation to the Diet on Dec. 10.

The euphoria lasted all of 48 hours. On Nov. 19, the Nikkei plunged again, following a denial by Hashimoto of plans to use public money. "The most powerful institution in Japan today is the Budget Bureau of the Ministry of Finance," London economist S.J. Lewis told *EIR*. "They are strongly opposed to any public bailout. Among other things, they fear an out-of-control public budget deficit, at a time when Japanese elderly public pension costs are about to explode."

As of this writing, the situation in the Japanese financial system hovers on the brink of disintegration. "The Nikkei euphoria is not justified by any political decisions taken so far," noted IBCA Japan bank analyst David Marshall. "If the present crisis can finally force action, I cannot say. But even if, it's a bit late to act decisively now. Had they done so five-six years ago, it would have made a difference." According to Marshall, whose group has just lowered the credit rating of several large Japanese banks, a number of regional banks are also on the brink of collapse, and the Deposit Insurance Fund will likely be drained dry by the costs of closing Hokkaido Takushoku Bank. All this doesn't even reckon the impact on Japan of a meltdown in Asia's second-largest industrial economy, South Korea.

The 'Ginseng Crisis'

As *EIR* described last week, the crisis of the South Korean economy is even more acute than that of Japan. On Nov. 18, the South Korean government said it would no longer try to stop the fall of its currency, the won, which had been formally pegged to the U.S. dollar. The won immediately fell below the "danger" level of 1,000 won to the dollar. As of Nov. 20, it had dropped to 1,140 won, a plunge of nearly 30% since August, with no end in sight.

The crisis of the won is the crisis of "Korea, Inc.," as one Korea expert termed it, or, as some have dubbed it, the "Ginseng Crisis," referring to Korea's most popular herb. In recent years, Korean industrial companies had turned to Japanese and other foreign banks to borrow money to service old debts or to finance expansion. But a high won, the result of the sharp rise in the dollar against the Japanese yen since April 1995, had already put Korea into a deep recession, as its exports were outpriced by "cheap" Japanese and other goods. Since March, seven major industrial groups, *chaebol*, have gone under, with tens of billions in debts. The government has ordered the Korean banks to take over their bad debts, giving the banks a huge bad loan burden, officially admitted to be \$28 billion.

But the real time-bomb in Korea is the foreign debt, reliably estimated at near \$200 billion. Of that, said one Tokyo source, Japanese banks, desperate for profits abroad to make

up for problems in Japan, have lent some \$57 billion to Korean companies. In total, Japanese banks have almost \$200 billion lent across Asia, making Japan by far the worst hit by the deepening Asia crisis.

Even worse, some 75% of South Korea's foreign debt is due in 12 months or less. With the dollar 30% dearer to the won, Korean companies must come up with that margin more of dollars or yen to service the debt, or convince its creditors to roll over the loans. Foreign banks are said to be doing the opposite, i.e., cutting interbank credit lines to Korean banks, expecting the worst.

The Korean government, which had been paralyzed because of Presidential elections on Dec. 18, on Nov. 20 finally asked the International Monetary Fund for a \$70-80 billion bailout. But that begs the question, whether the IMF will be able to organize another \$70-80 billion, in the wake of the \$17 billion for Thailand and the estimated \$40 billion for Indonesia.

"This is the biggest test global monetary authorities have faced in history," Lewis stressed. "It already is larger than the 1929-31 international crisis. Central bankers still feel they somehow will be able to muddle through with the present system. However, Mr. LaRouche's New Bretton Woods monetary reorganization ideas are becoming more credible as the costs of all this climb."

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LaRouche's solutions feted in Arabic daily

Lyndon LaRouche's solutions to the ongoing global financial collapse, delivered at a symposium in Bonn-Bad Godesberg on Nov. 5, were reported on in the Nov. 19 issue of the London-centered Arabic daily *Al-Hayat*. The article, a full-page report, highlights the Eurasian Land-Bridge and the efforts of the LaRouches, the Schiller Institute, and *EIR* to establish a new, just world economic order based on a New Bretton Woods system.

In a section entitled "Can the New Silk Road Save the World Economy from Collapse?" author Mohammed Aref writes: "In politics, as well as in science, progress is possible only because some stubborn people are prepared to go to the extreme frontiers of challenging the dominant stupid ideas. The power of stupidity, which the American statesman and economist Lyndon LaRouche has challenged, put him in prison for five years. . . . However, the ideas of LaRouche, who is over 70 years of age, are attracting ever greater numbers of supporters from all parts of the world. This was confirmed in a recent conference to which LaRouche personally contributed, discussing the subject he has devoted his life to: saving the world economy and the role played by the New Silk Road in achieving that."

Aref reports that the symposium "was attended by 150 researchers from the U.S., Germany, Italy, the states of former Soviet Union, India, and China. The conference was organized by the Schiller Institute, which is presided over by the young German wife of the American thinker, Helga LaRouche, whom the Chinese call 'The Silk Road Lady.'"

The article references LaRouche's description of the disintegration of the world financial system, the incompetence of the economic policies of the past three decades, the danger of the \$100 trillion derivatives bubble, and the impact of this on the economies of the nations of the world. Aref conveys LaRouche's idea, that "the causes of the current crisis are not economic but ideological and political. That the roots of the problem could be traced to the emergence in the 1960s of the idea of post-industrial society, and, failing [to maintain] the commitment to technological progress, leading to the decoupling of finance from reality, then the world withdrew from the commitment to the great development projects in the Third World." Aref says that LaRouche believes the financial system has reached the point of no return, and the attempt to save it would be more like pouring "cold gas on a blazing fire." LaRouche believes, Aref says, "that the current collapses in the stock markets are no cyclical fluctuations; they are more like a comet heading to its final destiny."

The article asserts that the world economy can be saved

in the way prescribed by LaRouche: Revive the Silk Road, bring back finance to serve the real economy, and achieve the development revolution for this part of the globe where three-quarters of the world population live.

In another section, entitled "LaRouche's Method and Style," *Al Hayat* reports that LaRouche is unique in his stand against the mainstream in the West concerning science, philosophy, mathematics, economics, religion, and music. A short list of LaRouche's enemies is used to more precisely explain his personal attitudes. Atop the list are Aristotle; Henry Kissinger, "whom LaRouche describes as the murderer of Lebanon"; George Bush; and the British royals, with special emphasis on the environmentalist groups under their control.

The article informs the reader about the judicial railroad-ing of LaRouche and his associates, and that some of them are still in prison. "LaRouche believes that Henry Kissinger and the Zionist Anti-Defamation League were part of the plot to discredit *EIR* publishing company and frame him and his associates. *EIR* gave out a booklet on the ADL, reporting on some of the most incredible activities of the ADL in the United States. *EIR* asserts that the ADL was created by British intelligence in the last century in order to gain control over politics in the U.S."

The 'Rescue Road'

Under the subtitle "The Rescue Road," Aref describes the Eurasian Land-Bridge as "LaRouche's rescue road." "The American statesman and thinker, Lyndon LaRouche, believes that the great projects to revive the Silk Road can save the world's economy from collapse. . . . LaRouche believes that this is an unprecedented opportunity for industrial investments in Europe, especially in the field of the virtually eliminated machine-tool industry." Aref reports to his Arabic readers that the Land-Bridge can develop the interior of the Arab countries and of Asia, that were neglected during the reign of the British on the high seas.

"This radical American thinker, who is famous for his anti-British views, believes that it [Britain] destroyed all attempts to revive the Silk Road, in order to keep its dominion over the seas, hence the world. LaRouche sees that all the problems in this century were caused by the struggle for the Silk Road, including the First World War between Britain and Germany which had started building a railway linking Europe with the Arab world from Berlin to Baghdad and al-Hijaz."

Under the subtitle, "Islamic Bridge," Aref says that this New Silk Road is a great opportunity for the Muslim world to open its historical gates to the East and become once more the crossroads for the world's greatest civilizations. Aref quotes extensively from the Schiller Institute's Arabic pamphlet on the theme of the Silk Road and its importance for the Middle East and the Arab world. The article reprints *EIR*'s map of the Eurasian landmass, outlining proposed railway and development corridors.

Business Briefs

Central Asia

Rail link gets strong backing from Kyrgyzstan

"The construction of the Andijan-Osh-Kashi railway connecting three neighboring states (Uzbekistan, Kyrgyzstan, and the People's Republic of China), may be called the project of the century," Kyrgyz Television reported on Nov. 5, in its coverage of a conference in Bishkek, the capital. "The railway will become a direct route into landlocked countries and for opening up international markets. Kazakhstan is interested in the project," it said.

Representatives of Uzbekistan, Kyrgyzstan, and China met to coordinate the work of experts for designing the construction of the Andijan-Osh-Kashi rail line, the broadcast stated. The Uzbek delegation was headed by a deputy prime minister, Yunusov; the delegation of the People's Republic of China by the first deputy minister of railways, Sun Yongfu; and the delegation of Kyrgyzstan by the first deputy prime minister, Nanayev. Representatives of "international financial organizations" also were in attendance.

Kyrgyz Prime Minister Apas Dzhumagulov, who met the delegation heads, stated, "The solution of the problem would be a great landmark in our interrelations." The rail line, which passes through China, will shorten travel times and allow Kyrgyzstan access to other countries of the world; it will also be of enormous importance for Kyrgyzstan domestically, connecting the country's northern and southern regions. Construction will be carried out with credit from the Asian Development Bank. If other international financial organizations also help with soft credits, Dzhumagulov said, the task will be entirely feasible. The project is expected to boost the development of the economies of the three nations.

Caspian Sea

Iran protests Azeri unilateral actions

Climaxing a long conflict between Iran and Azerbaijan over exploitation of the Caspian

Sea, the Iranian mission to the UN, in a letter to UN General Secretary Kofi Annan, protested against Azerbaijan's formal inauguration of exploration operations in the Cheragh area in the Caspian Sea, *Ettela'at* reported on Nov. 14. Iran said that the action contravened the Iranian-Russian friendship treaty of 1921, and the Iran-U.S.S.R. commerce and navigation treaty of 1940, both of which are to be respected by the U.S.S.R. successor states, according to the Almaty Declaration of Dec. 21, 1991.

Iran, Russia, and Turkmenistan agree, that a conference must be convened to establish a legal regime for the resources of the Caspian Sea, among all the littoral states, which also include Kazakhstan and Azerbaijan. Especially since Heidar Aliyev's visit to the United States, Azerbaijan has intensified its diplomatic activities, aimed at making deals with foreign concerns for the natural resources in the Caspian Sea.

While Iran was making its protest at the UN, talks were continuing in Baku, between Deputy Chairman of the Azeri national Assembly Yashar Aliyev, and Iranian ambassador Alireza Bigdeli, on ways to resolve the conflict. Iran's Minister for Cooperatives Morteza Hajj, who is also chairman of the joint economic commission, left for Baku, for a meeting of the commission scheduled for Nov. 17-20. Iran is Azerbaijan's largest trading partner, with \$60 million worth of exports and another \$40 million through border trade exchanges. Azerbaijan exports \$240 million worth of gas and oil to Iran.

Petroleum

Kazakhstan boosts ties with Iran, China

Kazakh Minister of Energy Asygat Zhabagin, in a meeting with Iranian Deputy Minister of Oil Ali Majedi, in Almaty on Nov. 12, called for partnership in exploration and exploitation of oil and gas in Kazakhstan. Kazakhstan already swaps 2 million tons of oil with Iran, which exports oil in turn through its southern ports. Kazakh Deputy Foreign Minister Relan Edrisov expressed eagerness to increase the amount of oil which traverses Iran. They also discussed

problems around developing resources in the Caspian Sea, and reviewed the trilateral cooperation protocol which includes Turkmenistan.

Kazakhstan recently changed the composition of the crude oil it supplies Iran; the crude which was being supplied was found to have high amounts of mercaptan, and could not be processed at Iranian refineries. According to the contract, Kazakhstan is to supply Iran 2-6 million tons of crude for 10 years, and Iran will deliver a comparable amount through the Persian Gulf, to Kazakhstan's customers.

Meanwhile, Kazakhstan has chosen China to develop its third-largest oil field, Xinhua reported on Nov. 6. "China National Petroleum Corp. beat off rival bids from Amoco, Unocal, and Texaco for the prized onshore Uzen oil field, east of the Caspian Sea," because of China's commitment to invest billions of dollars in pipelines linking Kazakhstan's oil fields to China, according to the *Petroleum Economist*. The Uzen field has an estimated 207 million tons of recoverable reserves. In return for exclusive rights to develop Uzen at a cost of some \$400 million, China has agreed to invest in two major pipelines, with a combined length of 3,000 kilometers, in Kazakhstan.

Trade

India strengthens economic ties to Sudan

During the first session of the India-Sudan Joint Commission, which ended its three-day session in New Delhi on Nov. 8, India improved its economic ties to Sudan. The focus of the talks related to cooperation in trade, commerce, science and technology, agriculture, and oil and gas exploration.

Indian state radio noted that the first ministerial-level meeting of the commission came two days after the U.S. government imposed sanctions on Sudan. "It is true that India and the U.S.A. had agreed to cooperate in the area of fighting international terrorism, a concern that was articulated during the visit of the U.S. Assistant Secretary of State, Mr. Thomas Pickering, but in its relations with friendly countries, India takes its own deci-

ALAN GREENSPAN, the chairman of the Federal Reserve, is keeping about \$2 million of his \$5 million personal wealth in liquid cash holdings, the Nov. 16 *New York Post* reported. Former Federal Deposit Insurance Corp. Chairman William Seidman commented, "Greenspan thinks we're heading for a crash. He's putting his money where his mouth is..."

IRAN completed a gas distribution and storage project in Khartoum, Sudan, on Nov. 8, *Ettela'at* reported. The project, carried out by "Iran-Gas," should supply 40% of Sudan's natural gas needs, estimated at 2,500 tons.

SPOT GOLD PRICES slid below \$300 per ounce in London on Nov. 14, Reuters reported. The Bundesbank has begun to lend gold to the market, which some see as a step toward outright selling, which fueled the drop. While manipulating the drop in price, the oligarchy is investing heavily in hard commodities.

THE INDONESIAN government wire service reported on Nov. 7 that 16 out of 18 central Java coffee growers are facing bankruptcy and will be unable to export. Liquidity to finance exports is tight, and qualifying for a line of credit can take up to two weeks. Exporters report that in one province, only 10,000 tons will be exported out of 45,000 produced.

A JAPANESE government panel on Nov. 11 urged the nation to build 20 nuclear reactors by 2010, to cut emissions of greenhouse gases. While global warming is a scientific fraud, nuclear energy is important. Japan now has 50 nuclear reactors in operation, which supply more than 28% of the nation's electricity.

THAILAND'S petrochemical industry plans to lay off up to 20% of its workforce by the end of 1997, a company source told *Business Day*. The layoffs come as the nation's debt and currency crises worsen. The industry has \$2.6 billion in debt, incurred in expanding petrochemical and cement operations since 1995.

sions irrespective of the decisions to impose sanctions by third countries," it said.

"In fact, Sudanese terrorists had been inducted into the fold of militants operating in Kashmir, and several militants of Sudanese origin have been arrested by the Indian security forces in Kashmir. . . . To blame the Sudan government for such acts of omission and commission by some Sudanese cannot be taken as a valid ground or a justification for breaking of relations with a big and potentially rich country like Sudan."

Australia

Number of homeless rises 50% in 10 years

Some 12-13% of Australia's 18 million population are now in a housing crisis, often unable to feed or clothe themselves after paying the rent, according to surveys compiled by the Ecumenical Housing, Inc., advisers to the National Council of Churches in Australia. It was also found that 61,000 people are now considered homeless, which represents a 50% rise in the last decade, the *Sydney Morning Herald* reported on Nov. 12.

About 575,000 Australians in the private rental market live in poverty after they pay housing costs, while 70% of low-income tenants spend more than 30% of their income on rent. This "housing poverty," the study showed, contributed to family stress, poor health, and poor education outcomes, which reduced employability.

Hal Bisset, director of Ecumenical Housing, speaking on behalf of the National Council of Churches, said, "Governments' faith in the market is not matched by the churches' experience."

Industrial Policy

Varta begins 'insourcing' jobs back into Germany

The biggest European producer of batteries, Varta, headquartered in Hanover, with 13,000 employees worldwide, has announced that it will shut down its production

facility in Singapore (500 employees), which was set up as part of the company's outsourcing efforts. Production will be shifted back to Ellwangen, in southwestern Germany.

The main reason given by Varta management for the move is that in order to maintain the company's production at the highest quality level worldwide, the skills of physicists and chemists, as well as the far better infrastructure of Germany, are indispensable. In comparison to these factors, management said, labor costs (i.e., cheap labor, a primary factor in the spread of "globalization") are of only very limited importance.

In a commentary, the Berlin daily *Tagespiegel* reported on Nov. 15 that Varta's decision is by no means a unique case, but is indicative of an overall trend. An economist of the Berlin-based Institute for Economic Research is quoted saying that 20% to 30% of all outsourcing projects by German industrial companies into eastern Europe have ended in utter disaster, that is, resulted in an unacceptable drop in the quality of products, and are now being reversed.

Commodities

Iran, Malaysia to set up distribution center

Malaysian Ambassador to Teheran Mohammad Khalis, in a meeting with the Iranian Minister of Transport Mahmoud Hoojati on Nov. 12, announced that Iran and Malaysia will cooperate to establish a commodity distribution center in the special economic zone of Shahid Rajaei Port. Khalis said Malaysia was ready to expand relations with Iran in land, air, and sea transportation, and called Iran "the gateway to Central Asia," IRNA reported.

Khalis said that the center will be set up after the Malaysian minister of transport inspects Iran's transportation network, the Mashhad-Sarakhs-Tajan rail line, and the Shahid Rajaei Port. He said he hoped that transport will be expanded between Teheran and Kuala Lumpur, and added that both countries should strive to increase cooperation in transit of goods to nations in the region and to other destinations.

What economics must measure

by Lyndon H. LaRouche, Jr.

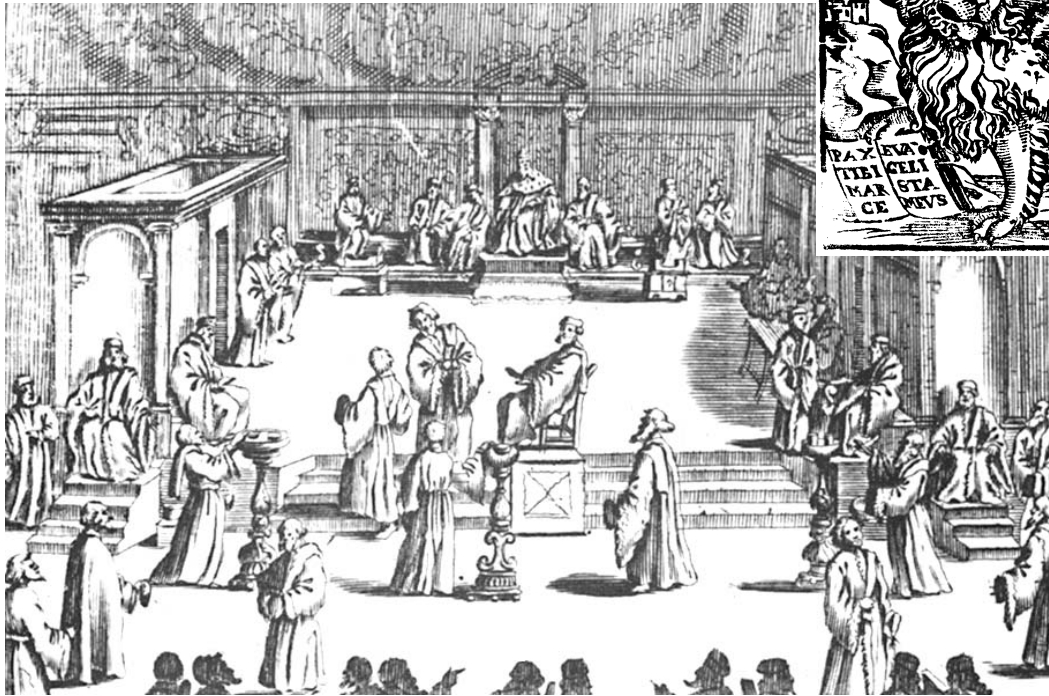
November 9, 1997

By the time this edition of *EIR* appears in the mailboxes, yet another, world-wide round of market disasters will have wracked the tortured, and doomed international financial and monetary system. The persistence of the October-November series of “crashes,” which continue to ricochet throughout world financial markets, have begun a very worrisome, 1997 Christmas season. For the remaining, relatively short time ahead, we acknowledge the conjecturable possibility, that desperate monetary authorities might resort to a hyper-inflationary explosion, modelled upon the torment of 1922-1923 Weimar Germany. Otherwise, contrary to U.S. Federal Reserve Chairman Alan Greenspan’s wishful delusion, this barrel has no bottom.

For sane people, world wide, the only reason for hope is, that the President of the United States, together with other relevant heads of state, will act to create a new world monetary system, soon. To avoid an otherwise inevitable plunge into global chaos, we must have a “New Bretton Woods” arrangement, replacing the hopelessly doomed present “IMF system,” with a new system which is modelled on successful features of the pre-1959 monetary and related practices.

One may hope that U.S. President “Bill” Clinton’s successful, Washington, D.C. meeting, with China’s President Jiang Zemin, signals an outbreak of much greater pungency and force, in confronting the United States’ London-steered political enemies, both within the U.S.A., and abroad, than we had seen from the “White House” quarter since Franklin Roosevelt and John Kennedy. If we are wishfully overestimating the Clinton White House, there is no cause for celebrating “our present way of life,” by the time Christmas — or, the November U.S. Congressional elections — comes due in 1998.

For thinking people, the most important questions are, “Why was this crisis inevitable? Why is the only hope, a ‘new Bretton Woods’ agreement, ending former U.S. President George Bush’s foolish flirtation with a globalized ‘new world order,’



The Great Council of Venice: woodcut from a 1578 edition of Gasparo Contarini's Della Repubblica (inset: the Venetian Lion of St. Mark). The world's current crisis, LaRouche writes, presents us with the opportunity to free mankind of the succubus of the Venice-style financier oligarchy, which has preyed upon the economies of nations for 500 years.

for a return to the United States' patriotic economic tradition?" The only alternative to despair, lies in returning, at long last, to those "anti-globalist," protectionist economic policies which shaped all past periods of net improvement in the prosperity of the United States and all of its people.

Today, months after the Thailand crisis of early July, only persons who are ignorant, or who are blinded by wishful superstition, could still doubt, that the collapse of this present financial system is inevitable. Today, in hindsight, the statistics showing ratios of financial obligations to real assets, are in focus. The practical question is: "To whom could we turn, to inform us what must be done, to rescue the nations and their populations from the inevitable doom of this financial system?"

The key follow-up questions are:

"Why did those in charge wait so long to see this coming? Why did our governments not change their policies in time to prevent this? Should we entrust the making of policy now, to the judgment of persons who imposed and maintained this failed system during the past thirty-odd years, especially the lunatic policies of the more recent eight years?" It is time to remember, that these failed policies were the work of persons who dominated, increasingly, the positions of power and influence in the U.S.A. during the recent thirty-odd years to date, people who clung so stubbornly, so long, to the terrible, ideological errors which this doomed system represents.

"What is the error in thinking, of nearly all leading econo-

mists, and many others, which caused them to reject" my own, often-rejected, but now irrefutable forecast of the present breakdown-crisis of the global system?

The latter is no obscure consideration. Among notable economists, I have the best record in long-range forecasting, during the recent forty years.¹ Yet, despite all the supporting evidence which had been accumulating over recent decades,

1. For example: (a) During 1959-1961, I forecast that, under a continuation of the kinds of axiomatic assumptions which had dominated economic policy-shaping during the Truman and Eisenhower administrations, the existing international monetary system would undergo a succession of shocks during the second half of the 1960s, leading into a breakdown of the existing Bretton Woods agreements, and, that if those axioms were continued beyond that breakdown, the result would be changes paralleling those "Schachtian" austerity measures introduced into post-1931 Germany under Brüning and Adolf Hitler. (b) Speaking as a candidate for the Democratic Party's 1980 U.S. Presidential nomination, during mid-October through early December 1979, I repeatedly forecast that the measures of "controlled disintegration of the economy," introduced by Federal Reserve Chairman Paul A. Volcker during mid-October, would lead into a steep recessionary collapse of the U.S. economy, with a plunge into that recession no later than February 1980. (c) Beginning February 1983, I repeatedly forecast, that if President Ronald Reagan were to offer the Soviet Union a certain type of cooperation, in development of new ballistic missile defense, and should the Soviet government reject that cooperation, the Soviet economy would collapse beginning approximately 1988. (d) During Spring 1987, into July 1987, I forecast a collapse of the New York stock-market during early to middle October. See "The Coming Disintegration of Financial Markets," *EIR*, June 24, 1994. Also published as a pamphlet by *New Federalist*, under the title "LaRouche's Ninth Forecast."

especially since the events of August 1971, until the small beginnings of a change, during 1993-1994, my warnings were rejected, at least in effect, by all but a few leading economists of North America and Europe, and many elsewhere, too. Recent months' events have now supplied much wider circles a shocking demonstration of the intellectual bankruptcy of those in economic policy-shaping who rejected those forecasts. Until that terrible blunder in my opponents' thinking is identified, and corrected, what person would trust the judgment of such experts, and still pass for a rational person, today?

In addressing that not-uninteresting question, it should be evident, that the principal source of my political opponents' failure, is not some isolated error of oversight; the source of their recurring blunders has been, specifically, that faulty kind of so-called "mainstream, post-industrial utopian thinking," which has dominated both private and public policy-shaping institutions, increasingly, during the recent decades. Under the circumstances of a global crisis, which most of them said, until most recently, could not happen: "What are the relevant, characteristic flaws presently embedded in both today's educational systems and so-called 'mainstream thinking'?"

For the answer to the latter question, we must look to the recent decades' trends in thinking among the professors and textbooks at relevant institutions of higher learning. We must focus upon that faulty, "politically correct" ideology, which dominates the institutions which have misshaped the popular ideology among, especially, the "under 55" generations of the United States and western Europe today.

Now, since the fact of the global financial collapse is generally acknowledged, the crux of the matter, for economists and related policy-shapers, is a problem of economic policy which I have addressed in several recently published locations, including my November 5 address to a symposium on international monetary reform, held in Bad Godesberg, Germany.² On the latter occasion, I emphasized the danger in the now-increasingly popular blunder, of assuming that the tactics for dealing with the presently ongoing international financial crisis, might be found by treating the present crisis as comparable to that of 1929-1931.

Indeed, it is characteristic of the miseducation supplied in virtually all economics classrooms, that the professional's usual knee-jerk reaction to the mere thought of a possible, oncoming major financial crisis, is, still today, to look back to the developments of 1929-1931, as if that experience would serve as a model, for explaining and measuring the significance, and severity, of any apparent shock to a part or the whole of the world's financial system. Contrary to such views, the assumption that today's crisis is a cyclical crisis of the same species as that of the late 1920s and early 1930s, is an illusion with no scientific basis in fact; it is a very dangerous

2. Lyndon H. LaRouche, Jr., "1997 Is Not 1929: A Lesson From Carl Gauss," *EIR*, Nov. 21, 1997.

sort of illusion, if it is widely believed among policy-influencers at this time. The burden of that Bad Godesberg address, was to warn against that popular error of presumption.

"How do we take the 'jerk' out of 'knee-jerk'?"

To that purpose, it was necessary that I supply an accurate, if most unfavorable characterization of those modern abracadabrists, who rely upon currently-taught statistical methods of economic forecasting. At Bad Godesberg, I compared such persons, to those misguided astronomers, circa 1801, whose reliance on statistical methods of point-to-point analysis, was the cause of their failure to match Carl Gauss's successful forecast of the orbit of the asteroid Ceres. At Bad Godesberg, I emphasized, that we must now apply to economics, that superior scientific method, through which Gauss revolutionized astrophysics, geodesy, and electromagnetism.

I warned that we must not rely blindly upon mere mathematics. Although economics must deal with quantifiable magnitudes, the mere manipulation of such magnitudes, according to someone's statistical equation, could not, in and of itself, determine the trends toward the macroeconomic profit, or loss, of whole economies. We must look behind the mere statistical surface of things, to the social policies which underlie, and control, the significance of those activities we treat as the measurable inputs and outputs of the economic process.

I indicated there, that we must also follow Gauss's protégé, Bernhard Riemann. We must apply the methods developed by Gauss, as Riemann developed them further: *it is the curvature which must be adduced for small, even infinitesimal intervals of action, which reveals the specific, determining curvature of the same process considered as a whole.*³ We must apply these methods, as Riemann did, to the comparison of differing manifolds.

I indicated, that from this standpoint in method, we must

3. This issue, of the determining role, in the large, of non-linear curvature in the very small interval of action, was the concern which prompted Johannes Kepler to propose the development of a calculus to "future mathematicians," the calculus which Leibniz developed. Unfortunately, few presumably literate science graduates today have the slightest grasp of the significance of the fact that Isaac Newton never developed an actual calculus, and that the revised form of Leibniz's calculus introduced through Augustin Cauchy's sophistry, the "limit theorem," is no longer the Leibniz calculus which Kepler had specified. It was precisely the error of Leonhard Euler, on which Cauchy's revision is based, which Gauss understood, and successfully corrected, in his forecast of the orbit of Ceres. The entirety of the work of Gauss, Wilhelm Weber, and Bernhard Riemann, thereafter, is premised upon Kepler's and Leibniz's recognition that physical action is non-linear in the infinitesimally small, and that it is this non-linearity in the infinitesimal interval of real-life physical action which is key to understanding the principled determination of the same continuing process in its totality. We should not overlook the fact, that Cauchy's trick with fractions is often useful for those work-a-day forms of engineering work, in which calculations may be, and must be simplified. To carry that simplification over into the domain of serious scientific work, is incompetence rooted in scientific illiteracy. The most popular forms of present-day statistical analysis and forecasting are the worst cases of the catastrophes to which blind acceptance of Cauchy's revision may lead.

view the crisis reflected in 1929-1931 developments, as, relatively speaking, a cyclical crisis, as relatively analogous to the orbit of a planet or asteroid around our Sun; whereas, on the contrary, the internal characteristic (Gaussian curvature) of the 1987 stock-market “crash,” and its continuation into the current, 1997 phase of the crisis, represents the present international financial and monetary system, not as a cyclical event, but, as on a terminal trajectory, which it could not, in any case, survive.

In my presentation to that symposium, I emphasized the underlying, related difference, in terms of social characteristics, between all modern business cycles, until the mid-1960s, and the new kind of systemic crisis which has been building up during the recent thirty-odd years. For most economists, and laymen, alike, the nature of this difference takes them into what is, for them, previously unknown territory. It is important, therefore, that I demystify those crucial, but unfamiliar connections and differences. We must clarify the connection between governing ideas of social practice, and the statistical-economic results which those ideas express on the surface of the economy.

Since approximately three-quarters of an hour had been allotted for my presentation, it was not feasible to do more there than to situate and to summarize those crucial issues. A transcript of that address has been published in the preceding edition of the weekly *Executive Intelligence Review*.⁴ Here, I supply the required, expanded treatment of the same core-argument, respecting the social basis for mathematical economics. That is the subject, and purpose of this report.

Ideology versus science

I report that emotive associations, much more than formal lapses of intellect, are the principal source of the difficulty which prevents today’s typical professional, or layman, from recognizing the decisive role of social processes as such, in determining the effects which economic statistics measure. The strong emotional block, which reference to these issues usually awakens today, even among relatively better educated professionals, expresses two problems of modern European culture, pathologies which are centered in contemporary academic life.

The first of these two problems, is what Britain’s C.P. Snow argued in his lectures republished as a book, a few decades ago, under the title of *Two Cultures*.⁵ As matter of historical fact, the gradual takeover of Europe’s culture, by the closely related methods of empiricism, Cartesianism, and philosophical Romanticism,⁶ since the close of the Sixteenth

Century, has created an arbitrary, false, but popular dichotomy between science and art. This is the phenomenon which Snow identified as “two cultures.” That unnatural dichotomy of the human mind, has succeeded to such an extent, that, in some respects, intellectually and emotionally, the representatives of the two branches of studies — science on the one side; art, social studies, and statecraft, on the other — often behave almost as different species.

Therefore, the suggestion, that both science and art ought to be regarded as Kepler and Leibniz did, as subsumed by a common principle of Reason, tends to evoke impassioned, angered, and thoroughly irrational outbursts of sophistry, from among representatives of each of the two departments, especially during recent decades.⁷

Secondly, that “two cultures” problem, has been aggravated by the impact of the takeover of the minds of the post-World War II generations, throughout most of the planet, by a certain, axiomatically asocial, radically positivist form of existentialist outlook.

Notable on the latter account, is the relative hegemony, in today’s philosophy departments, of such variously fascist or quasi-fascist philosophers as Friedrich Nietzsche, the American Anglophile school of irrationalism of pragmatists William James and John Dewey,⁸ Nazi philosopher Martin

effort to destroy the influence of Leibniz and Schiller at Berlin University, Professor Karl F. Savigny. Savigny formalized Romanticism with his decree, that there is no knowable principle of Reason in art or law. He laid down the dictum, that there must be an hermetic separation between science (*Naturwissenschaft*) on the one side, and art and statecraft (*Geisteswissenschaft*) on the other.

7. During the present writer’s life-time, the use of the word “practical” in connection with education had a very dirty meaning, becoming dirtier and dirtier as generations passed. Friedrich Schiller used the German term, *Brotgelehrte*, to describe this phenomenon as seen in his time. As I have stated in earlier locations, I translate Schiller’s “*Brotgelehrte*” as, “people who learn to sing for their supper, not for the benefit of music.” Most among those who entered university under the U.S. returning veterans’ “GI Bill of Rights,” were “playing catch-up,” in a hurry to qualify for employment, and post-graduate economic family security, in a professional’s career; and, institutions of higher education were more interested in providing the kind of assembly-line mass education which met the demands of that market, than burdening the student with the task of discovering whether or not what was learned was truthful. For most of these students, the passion of Socratic search for scientific truth in knowledge was put aside, out of lust for a “more practical” object, of learning to pass the kinds of examinations employed by production-line education. Nonetheless, those educational programs into which those returning veterans were absorbed, were an intellectual paradise, when compared with the intellectual bedlam of today’s educational programs. Today, Orwellian “political correctness” has almost entirely supplanted the traditional forms of education ruled by Socratic passion for truthfulness. Here, we acknowledge the existence of this problem, but our emphasis is upon the axiomatic issues internal to the design of taught doctrines.

8. Just as we are instructed to overlook the fact that Prince Bernhard of the Netherlands was a member of Adolf Hitler’s Nazi SS until the date of his marriage to the princess, so it is considered “politically correct” to overlook the fact, that while some followers of Dewey, such as Sidney Hook and James Burnham, became 1930s Communists, Dewey himself was a 1920s admirer

4. Lyndon H. LaRouche, Jr., op. cit., *EIR*, Nov. 21, 1997.

5. C.P. Snow, *Two Cultures and the Scientific Revolution* (London and New York: Cambridge University Press, 1993 reprint).

6. The authoritative paradigm of Romanticism was derived from Immanuel Kant’s attack upon Gottfried Leibniz, the central feature of Kant’s celebrated three *Critiques*. This was formulated by G.W.F. Hegel’s accomplice in the

Heidegger, German novelist Hermann Hesse, the “Frankfurt School’s” Theodor Adorno and Hannah Arendt, Heidegger’s clone Jean-Paul Sartre, Sartre’s Frantz Fanon,⁹ and such fascist prophets of “digital virtual man” as Norbert Wiener and John von Neumann. Among those professionally qualified persons, who reached adulthood during the 1950s or earlier, the relevant facts of post-1964 changes in social policy, are more or less familiar; however, even among those matured strata, the functional connection of those facts to economic processes, is seldom understood in an adequate degree.

On this second point, it may be said, that the single most stubborn obstacle to rational thought about economics today, is an increasingly popular, existentialist, misconception of man and nature. The presently popular view of human nature, is a popularized, perverted view of the human individual, a perversion which is not merely consistent with the “virtual reality” cults of “information theory” and “systems analysis,” but is often defended on the authority of those radical positivist’s superstitions. In social practice, that perverted, “post-modernist” opinion has become deeply embedded, not only among the so-called “me” generation of 1968 fame, but also that generation’s offspring, and victims, “Generation X.” This perversion represents the individual person as fated to be more a feral creature, than a social one.

That perversion is typified by Nazi philosopher Heidegger’s existentialist dogma, which portrays the individual as struggling to claw his, or her way to a moment of survival and pleasure in a jungle-like society, into which he, or she has been unwillingly “thrown” at birth. It is a notion of a society which is the adversary, an adversary which the feral existentialist individual, or “tribe” of the post-modernist type, must learn to cheat.

For the majority among these post-World War II generations, in both Europe and the Americas, the patriot’s sense of the individual, as an efficient part of humanity as a whole, has been abandoned, or simply mislaid. The typical individual of the current “now” generations, lacks a functional sense of history as a process. In place of earlier, civilized, moral conceptions of both history and society, the recent generations have adopted the utopian fantasy of a “globalist” planet, without nations.

of Benito Mussolini’s fascism, a sympathy well-grounded in Dewey’s own philosophy. Notably, when Burnham departed Communist associations, he harked back to his roots in Dewey, to advocate a variety of “YAFhoo” fascism which he paraded in such locations as the pages of William F. Buckley’s *National Review*.

9. During the immediate period following World War II, there was an obscenely hurried effort to “de-Nazify” Heidegger, especially from French existentialists of curious occupation-period credentials. In fact, he was arguably more Nazi than Hitler. (Apart from his own *pogrom* against Jews at his Basel University,) whereas Adolf Hitler was a Nazi, Heidegger was typical of the malignant philosophers, such as Friedrich Nietzsche, who invented Hitler. Spiritually, Heidegger and his clone, Jean-Paul Sartre, were as close to one another as two maggots in the same Paris bucket.

The fantasies which govern these generations’ behavior, are living nightmares, in which regressive groups of the highly suggestible victims of cultural shock, see themselves as members of post-modernist tribes, each living out a labile pursuit of momentary “relative truth.” Under today’s regimes of “political correctness,” the putative “relative truth” of each “tribe” or individual, differs arbitrarily from the “relative truth” of the neighboring such tribes, and persons, each and all of whom deny the existence of any “external,” common truth to which all mankind is equally subject.

The result of the mass cultural degeneration of this recent thirty-odd years, has been the increasing hegemony of an existentialist’s notion of “cultural relativism.” Among those so afflicted, there is a corresponding aversion to the fact, that the development of society is an expression of a process of converging and diverging long swings in scientifically validatable, or invalidatable *willful* changes of cultural paradigms. The influence of “cultural relativism” is correlated with a refusal, by these younger generations, during the recent thirty years, to acknowledge the fact, that, if a majority of any culture adopts assumptions of practice which are contrary to knowable, universal laws, that society is doomed, implicitly, scientifically predictably, by its own willful mis-choice of culture. We should recognize this principle, from reflection upon the process of degeneration which has gripped the recent thirty-odd years of European culture globally.

In consequence, among most persons typical of the generations under fifty-five years of age, today, there will be, initially, a more or less violent rejection of any discussion to the effect, that the present global crisis is chiefly the result of those post-modernist changes in culture, the which the “golden generation” of the 1968 university student has carried during its upward career-march through the leading public and private institutions.

Yet, despite that defiant resistance to truth, it is precisely that post-1963 cultural paradigm-shift, which is the source of the present process of financial, monetary, economic, and cultural collapse of our global civilization.

Similarly, typical representatives of the post-World War II generations, will tend to entertain the proposition, that some bad mistakes were made during the 1946-1966 interval: prior to the mass-outbreak of the “rock-drug-sex youth-counterculture,” “post-industrial” utopianism, and post-1969 cults of neo-Malthusian “ecologism.” However, even after the presently ongoing collapse of the financial system, a collapse which its generations’ choice of cultural paradigm created, the same majority of those generations will, still, today, tend to reject any approach to even that topic, if it smells to them of what they might term “economic determinism.”

If these generations persist, and succeed, in continuing to impose their “mainstream thinking” upon policy-shaping, then, be assured, not only is the present international monetary system doomed, but the entirety of global civilization with it. In that case, the entire planet will be plunged into chaos, in a

manner echoing what was called Europe's "New Dark Age" of the mid-Fourteenth Century. Under those presently threatened conditions, the proverbial "Four Horsemen of the Apocalypse" would reign for two generations or more, until a significant portion of mankind has purged itself sufficiently of today's "mainstream thinking," to lead the world into some form of cultural and economic renaissance.

So, like Biblical Belshazzar's Babylon, all great empires have doomed themselves, leaving the hollowed ruins of their former glory to be pitied by whatever new cultures, sooner or later, emerged from the self-imposed doom of the old.

There, in this issue, lies the only true vital, strategic interest of the United States today. Any discussion of "strategic interest," which does not proceed from this vantage-point, is pathetically suicidal at best, and perhaps worse. The only available rational choice now, is between either those radical changes in policy which lead to the survival of civilization, or, to a New Dark Age which were inevitable, unless those cultural changes are made. Since that choice will determine the outcome of this presently concluding century, intelligent people will prefer to focus upon the subject-matter of this present report, rather than any different topic.

Consider, thus, the following summary of those issues of method, the which must be addressed as a prelude to any effort to define those new policies which meet the requirements of this point of strategic interest. Situate the discussion within the historical context of the issues.

The modern national economy

Readers of *EIR* are already familiar with the general case: The difference between higher apes and mankind, is located in those "mechanisms," by means of which mankind has escaped that range of several millions individuals, which has been the planet's estimable maximum potential population of apes, during the recent two millions years, to reach population-levels of perhaps two hundred millions human individuals by the Hellenistic period immediately preceding the Roman Empire, and to have risen, from a level of several hundreds millions, during the Fourteenth Century, to over five billions today.¹⁰ (See **Figure 1**.)

This demographic progress, which sets the human species absolutely apart from, and above all other species, is the fruit of the innate cognitive potentials of the individual member of the human species. These cognitive powers are typified, among other ways, by the generation of subsequently validated new discoveries of physical principle.¹¹ The more such

10. See, for example, Lyndon H. LaRouche, Jr., "The Coming Pearl Harbor Effect," *EIR*, Sept. 12, 1997, pp. 29 and 31.

11. Note, those experimentally validatable new discoveries of physical principle which have the effect of being new axioms of a mathematical physics, are of the species known as "Platonic ideas," so distinguished from the inferior conceptions known as "sense-perceptions." The ideas which are implicitly presented as solutions for *metaphor* in Classical forms of art, are also of this same Platonic species of *ideas*. The Socratic dialectic method, underlying

principles are accumulated by a society, the more rapid the realization and continued new discovery of such principles, as measured per-capita of the society, the more rapid the growth, and the more durable, the profitability and improvement of the conditions of individual life and social relations.

The progress of mankind has depended upon a continuing struggle, to bring society into less imperfect approximation of the requirements of each individual person and total population so gifted, present and future, of the society as a whole. It must be a form of society which fosters, to the maximum practicable degree, that developable cognitive potential which enables students, for example, to become true, adult citizens, rather than merely the degraded, existentialist "subjects" of society: to become the living embodiment of past, present, and future history within themselves, and to accomplish that embodiment through the mental acts of rediscovery of valid principles contributed from the past: developing, thus, the power to generate new, valid principles as solutions to newly defined problems. It must be a form of society which affords each developed individual the opportunity to live in a way which is in accord with that developed cognitive potential.

The struggle to overcome the obstacles to such progress in the human condition, has been a long one, and often a bitter historical process. It is by considering the problems and tasks of modern economy in terms of historic, and otherwise inferable pre-historic development, that we are enabled to summon the quality of mind needed to comprehend the efficient connection between progress in social relations, and net increase of the per-capita productive powers of labor.

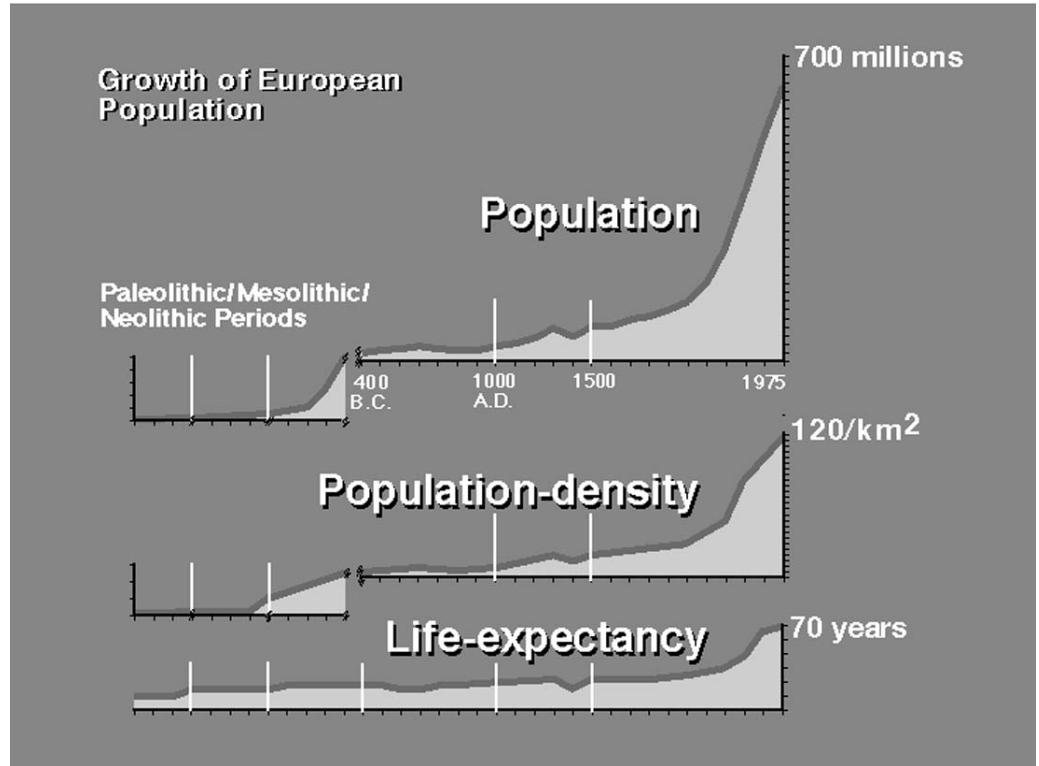
To that purpose, situate our discussion now, by aid of reference to the most relevant background, to the emergence of those vastly improved forms of social relations, the which were developed through the emergence of national economy and the nation-state republic. We now summarize that case.

After the inevitable, self-imposed decline and ultimate doom of the Empires of Rome and Byzantium, most of the world experienced the beneficial influence of a rise of civilization—a renaissance—in northern India and the Arab world. Toward the end of the millennium, at the point the Arab world

all of the dialogues of Plato, provides the rigorous basis for generating, for defining *ideas* in this sense. The passion of concentration, through which such *ideas* are generated (in science, as principles representing solutions for rigorously defined ontological paradoxes; in art, as *ideas* resolving Classical metaphors), is known in Plato's and the Christian Apostle Paul's writings as *agapē*, which is more or less loosely translated as the Latin *caritas*, or, still more loosely, as the King James Version's *charity*. This interdependency among Classical forms of creative Reason and *agapē*, is understood in Christianity (e.g., *I Corinthians* 13) as the *idea* represented by the notion of man and woman made in the image of God. This quality of thought and passion, is the notion of Reason in the work of Johannes Kepler, Gottfried Leibniz, et al., but neither *ideas* nor Reason exist in the work of those empiricists, Cartesians, materialists, positivists, Romantics, etc., whose intellectual ancestry is traceable to the Eleatics, Sophists, William of Ockham, Francis Bacon, Thomas Hobbes, Immanuel Kant, et al.

FIGURE 1

European population growth and life-expectancy



was retreating from the high point represented by the Baghdad caliphate of Charlemagne’s collaborator, the celebrated Haroun al-Rashid, a new era dawned, both in the Europe whose progress had been preshaped by France’s Charlemagne, and with a coincident renaissance in China. The up-swing in Europe and China continued until the middle of Europe’s Thirteenth Century, ending with a long down-turn, coincident with the effects of the Mongol depredations, throughout vast areas of Eurasia.

Thus, during the middle of the Fourteenth Century, Europe was collapsed into a New Dark Age, after which it rose again, this time into the mid-Fifteenth-Century “Golden Renaissance.”¹²

This Fifteenth-Century, Italian Renaissance, centered around the 1439-1440 sessions of the great ecumenical Council of Florence, was reflected in the resulting 1461-1483 reconstitution of France, as the first modern European nation-state, under Louis XI. The same circles in Italy, which organized the Council of Florence and prepared Louis XI’s reconstruction of France, designed and promoted the launching of the wave of evangelization toward the lands on the western shores of the Atlantic Ocean, supplying the maps and other

relevant instructions used by Christopher Columbus in those voyages of exploration sponsored by Spain’s Queen Isabella.¹³

The result of this Fifteenth-Century Italian Renaissance, was the unleashing of the greatest rate of improvement in the productive powers of labor and demographic characteristics of populations, which had been seen in all known human existence. Under this great advance in the human condition, the state took implicit responsibility for fostering the development of the infrastructure of all the nation’s territory, and for fostering education, scientific progress, and protection of the improvement and expansion of agriculture, mining, manufactures, and trade.

From the beginning, then, this progress was accomplished in the course of a great struggle to free mankind from those forms of “traditional” society, in which more than ninety percent of the population of all cultures was condemned to live a life of virtual “human cattle,” as slaves, serfs, or even worse. In the Mediterranean littoral, and in Europe generally, this was a struggle against a long tradition of what was called the “oligarchical model” of ancient Babylon and Tyre, as

12. The same global Eurasian circumstances for the mid-Fifteenth-Century emergence of modern Russia, run parallel to those under which the Italian Renaissance emerged.

13. The reader should be reminded, that both Louis XI’s reconstitution of France, and Columbus’ voyages, were the result of initiatives supplied by the circles, around Cardinal Nicolaus of Cusa, associated with the Council of Florence.



Venetian oligarchs go about their dirty dealings in the dead of night (a 1785 engraving). "Inevitably, the struggle for establishing the modern form of post-feudal society, made war against Venice's incarnate evil inevitable, and justifiable."

continued by Rome and Byzantium, and, as continued under European feudalism.

Therefore, the Fifteenth Century's birth of a new society of freedom and progress, faced bloody reaction from the feudal oligarchy, both from landed aristocracies, and from financial oligarchies of the type represented by the *Phanariots* of Byzantium and by the nobility of a new Tyre, Venice. Man would never be free, until nations were freed from the yoke of the two great feudal parasites, landed aristocracy and Venice-style financier oligarchy. The latter part of that task has yet to be accomplished.

Inevitably, the struggle for establishing the modern form of post-feudal society, made war against Venice's incarnate evil inevitable, and justifiable. The crucial effort to crush Venice, and its succubus-like system of financier-oligarchism, reached a critical juncture, during the first decade of the Sixteenth Century, in the alliance, against Venice, by the France-led League of Cambrai. At the point Venice was about to be crushed, Venice exploited the cupidity of some members of the League, to split them from the League, and, even to become tools of Mephistophelian Venice against France.

Thus, Venice escaped its just defeat, and was able to launch a counteroffensive. Venice split Europe between what became respectively Protestant and Catholic parties, playing both camps against each other. Venice, through such of its operations as its seduction of England's Henry VIII, put the former nation-state allies, France, England, and Spain, at one another's throats, and unleashed the lunacy of religious wars throughout Europe, culminating in that 1618-1648 Thirty Years War which depopulated and ruined every nation of central Europe.

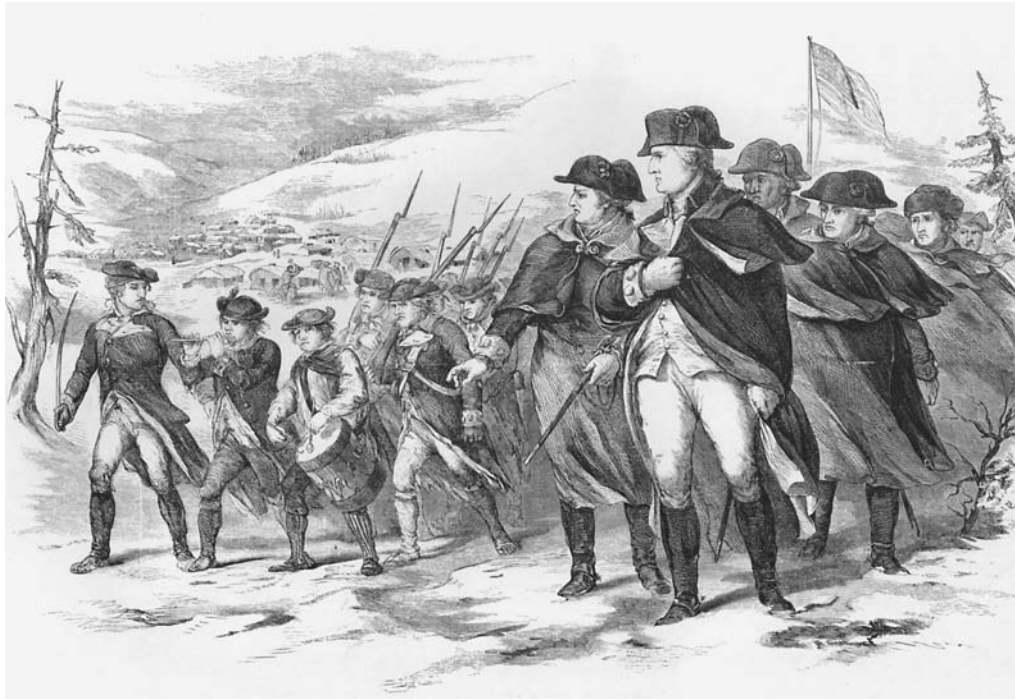
However, despite the effects of Venice's "balance of power" games in religion and politics, the social institutions of the nation-state and national economy, gave the average citizen of the new form of state a per-capita strategic advantage in economy and in warfare. As Venice, during the course of the Sixteenth Century, came to recognize these intrinsic strategic advantages of national economy, the leading faction of Venice, headed by Paolo Sarpi, worked to develop both the Netherlands and England as maritime powers ruled by a financier-oligarchical class, making the ruling oligarchies of these nation-states clones and tools of Venice.

In the course of the wars to which this Venetian manipulation of England's and the Netherlands' roles led, during the Seventeenth and Eighteenth Centuries, all of Europe came under the domination of the combination of Venice and the Anglo-Dutch financier-oligarchic maritime powers which were Venice's allies, and, after the close of the Eighteenth Century, became Venice's successors. These successors were known as the "Venetian Party," or, in the alternative, the "Enlightenment" party, of Eighteenth-Century Europe.¹⁴

In this way, the Europe which emerged from the Napoleonic wars was, predominantly, a Europe in which the emergent new nation-states represented a symbiosis of two intrinsically antagonistic institutions: national economy (as that term would be defined by the German-American Friedrich List), versus politically hegemonic financier-oligarchy. Although the relics of the feudal landed aristocracy persisted in gradually reduced circumstances, even after the Palmerston-directed 1848-1849 revolutions on the continent of Europe, landed aristocracy was being either degraded into virtual museum-pieces, or assimilated, with or without titles retained, into the ranks of a "bourgeois" aristocracy, the Anglo-Dutch model of financier-oligarchy.

The conditional exception was the United States, a fact

14. On the use of the term "Venetian Party" in England, and elsewhere, during the Seventeenth and Eighteenth Centuries, compare H. Graham Lowry, *How The Nation Was Won* (Washington, D.C.: EIR News Service, 1987), passim. This was otherwise known as the party of philosophical liberalism (e.g., empiricism), or, the same thing, the party of the Seventeenth and Eighteenth Centuries' English and French "Enlightenment," as opposed to Christian and republican values, such as those represented in science by Kepler, William Gilbert, Christiaan Huyghens, Gottfried Leibniz, Moses Mendelssohn, Lessing, and the circles of Benjamin Franklin.



Gen. George Washington reviewing the troops at Valley Forge. The American colonists established the world's first true constitutional republic, intended to be free of that kind of symbiotic submission to financier-oligarchy which was characteristic of European nations.

which, despite all the corruption we have endured here, now as earlier, has been key to the historically exceptional, superior character, and global influence, of our species of constitutional republic, ever since 1789.

Under the shackles of the unfavorable political conditions for the nation-state, which Venice's power imposed upon republican-minded Europe, English, French, Dutch, and German colonists, sought to stage their open fight for truth and justice on a choice of battleground at a relatively safer distance from European wars and tyrannies, in North America.¹⁵ Here, semi-autonomous states, governing themselves under provisions of charters obtained, chiefly, from Stuart monarchs, became the foundation for the subsequent establishment of the first true constitutional republic, the 1789 Federal United States of America, a republic intended to be free of that kind of symbiotic submission to financier-oligarchy which was characteristic of European nations.

Unfortunately, imported fungal spores of the financier-oligarchy also polluted North America, as they did the emerg-

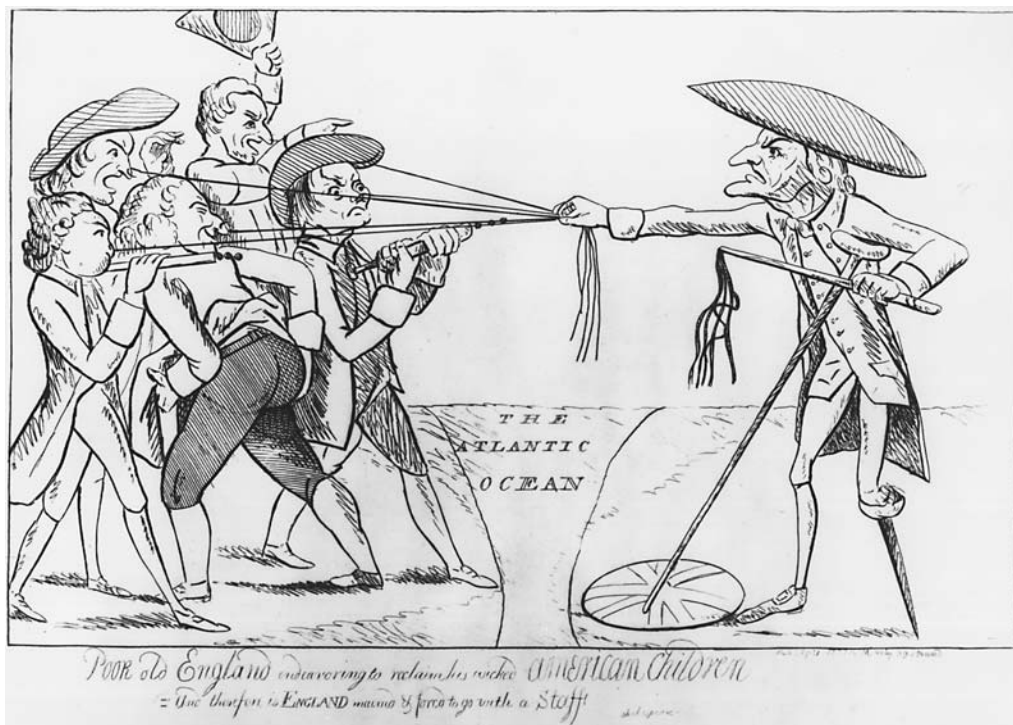
15. There were parallel developments, in opposition to the pervasive oligarchical corruption of the "mother country," in Hispanic Central and South America. Yet, contrary to the chauvinist, anti-Yanqui mythologies rampant in some Ibero-American circles, it was the impact of the "American model," as spread both from the United States, or, as echoed from continental Europe, which gave efficient form of expression to the successful kind of economic development which appeared in Central and South America, during the course of the Nineteenth Century. Indeed, the "American model" was the key to every form of economic and related social progress experienced in Eurasia, Australia, or the Americas as a whole.

ing republics to our South. This so-called "American Tory" corruption persisted, and grew, even after our victory over our mortal enemy, Britain, even after the establishment of our constitutional republic.

Under the unfavorable strategic conditions of the Napoleonic wars and the 1814-1848 power of Britain's alliance with Metternich et al., the United States had no friend, but only enemies, among the foreign governments of note. Foreign meddling into our internal affairs, partly by Metternich's "Holy Alliance,"¹⁶ and chiefly by our deadly enemy, the British Empire, fostered three elements of London-allied financier-oligarchy among us: the New England and other opium-trading partners of the British East India Company; the London-controlled Manhattan bankers, such as the Bank of Manhattan's Aaron Burr and treasonous August Belmont; and, the southern slaveocracy.

This symbiosis of national economy—primarily in Eu-

16. The principal Holy Alliance operations against the U.S.A. during the 1814-1848 interval, were either directed through the Habsburg-dominated (e.g., Metternich) Austro-Hungarian, Spanish, and Portuguese channels in the Caribbean and South America region, or in conjunction with the British monarchy. This continued to be a significant problem for U.S. security through the end of the U.S. Civil War. These networks contributed a part in the assassination of President Abraham Lincoln. This overlapped the operations conducted against the United States by the family of Napoleon Bonaparte, all of whom became either British Foreign Service, or Metternich agents, after the defeat of Napoleon Bonaparte himself. Notably, it is the family of Napoleon Bonaparte which popularized the neologism "Latin America," as part of the imperious Napoleon III's efforts to grab former Spanish colonies for France's Nineteenth-Century "junior empire."



A 1777 cartoon shows "Poor old England endeavoring to reclaim wicked American children." Unfortunately, writes LaRouche, "imported fungal spores of the financier-oligarchy also polluted North America, as they did the emerging republics to our South."

rope, but also spread into the U.S.A.—under the influence of a parasitical financier oligarchy, is the origin of the so-called "business cycle."

The popularized notion of the business cycle, which was put forward by Britain's Haileybury school, and Karl Marx, during the Nineteenth Century, was, at that time, essentially a British East India Company hoax. The idea that boom-bust cycles are characteristic of modern nation-state economy, was a sophistry employed in defense of the British East India Company's claim,¹⁷ that national economy could not have a healthy

17. Pro-satanist (*The Theory of the Moral Sentiments*—1759) Adam Smith's 1776 British East India Company propaganda-tract, *The Wealth of Nations*, is merely typical of the same Company's Haileybury School, and of all leading British economists and their admirers since. While, in fact, England and the United Kingdom were passionately protectionist at home, until relatively recent Twentieth-Century changes, they demanded a strict policy of "free trade" from all their intended victims. Smith's *Wealth of Nations*, published on the eve of the U.S. Declaration of Independence, was written at the behest of the notorious Lord Shelburne, as an anti-American and anti-France propaganda tract of Smith's employer, the British East India Company. This book had little influence among American patriots, until the late 1790s period of the U.S.A.'s near-war with Napoleon Bonaparte's France. The disastrous effects of the introduction of "free trade" policies to the U.S.A., by British agent Albert Gallatin, under the administrations of Presidents Thomas Jefferson and Dolley Madison's James, produced the patriotic sense of outrage expressed by such influential writings of Philadelphia's Mathew Carey as his *The Olive Branch* and his celebrated 1819 contributions to *The Addresses of the Philadelphia Society for the Promotion of National Industry* [See Allen Salisbury, *The Civil War and the American System: America's Battle with Britain, 1860-1876* (New York:

body, unless that body was inalterably wedded, and subordinated to a rapacious parasite, a financier oligarchy of the Anglo-Dutch "Venetian Party" type. Yet, because national economy was strategically indispensable for national defense (and, also, for conquests), each time the oligarchy sucked the national economy into an economic depression, the same oligarchy, for political and strategic reasons, was, sooner or later, compelled to unleash the processes of growth inhering in national economy. This pattern persisted, with some slight modifications, during the years 1901-1964, until the aftermath of détente agreements reached between the Soviet Union and Anglo-American powers, following the 1962 missiles-crisis.

The developments of 1929-1931, and following that, of 1934-1945, are typical of this kind of business cycle. This is also the case with the deep post-war, Truman recession of 1946-1948, the post-Korean War recession of 1952-1954, and the deep recession of 1957-1958. However, the developments

Campaigner Publications, 1978)]. The German-American Friedrich List was trained under the leadership of Mathew Carey. The policies of Benjamin Franklin, Alexander Hamilton, Mathew Carey, Henry Clay, and John Quincy Adams, were introduced as national economic policy again, under the guidance of Henry C. Carey, during the 1861-1879 interval, lifting the U.S.A. rapidly to the status of the most powerful and most technological advanced industrial economy of the world. Under Henry Carey's influence, these policies were introduced, during that latter period, to Meiji Restoration Japan, Germany, and Russia, among other nations of the world. What Hamilton, the Careys, and List, among others, defined as the anti-British, anti-"free trade," "American System of political-economy," is the original historical model of modern national economy as such, world wide.

of the post-1964 period, to date, do not correspond to what was formerly defined as a “business cycle.”

The difference with the world after 1964, is, that the occasion of the establishment of a process of “détente” between the world’s two leading nuclear power-blocs, was seen by the modern heirs of the Seventeenth and Eighteenth Centuries’ “Venetian Party,” as ending the likelihood of Classical modern warfare, and thus limiting future wars to what are termed alternately “limited,” or “cabinet warfare,” such as the Vietnam War, “surrogate warfare,” and what is best described as “irregular warfare.”¹⁸ The designation “irregular warfare,” includes the use of terrorist organizations as controlled surrogates of such powers as the world’s leading patron of international terrorism today, the British monarchy.¹⁹ Notably, exemplary “moles” pushing for this change from within the Kennedy and Johnson administrations, were the prominent authors of the U.S.’ mid-1960s Vietnam War: Defense Secretary Robert McNamara and Henry A. Kissinger patron and National Security Advisor McGeorge Bundy.

Under these conditions of a “détente process” modelled upon the doctrines of Bertrand Russell²⁰ and the Pugwash Conference,²¹ the financier-oligarchic factions unleashed a campaign to undermine, ultimately to eliminate national economy from the planet Earth.²² The campaign began during the middle 1960s, although the openly avowed commitment to elimination of the existence of nation-states waited,

18. E.g., the surrogate war launched in Afghanistan beginning 1979. The term “Classical” signifies warfare as defined by Lazare Carnot’s 1792-1794 reforms of the French army and national economy for victory over the invading armies of France’s enemies. This ended, for a time at least, that feudal tradition in warfare otherwise known, during the Eighteenth Century, as “cabinet warfare:” war as a weapon left in the hands of diplomacy. Essentially, under “cabinet warfare” rules, the military were liveried lackeys sent to administer a few bloody beatings to “soften up the other side” for the demands of the diplomats. “Classical” warfare, by contrast, was designed (as the “Schlieffen Plan” and U.S.A. policy for World War II illustrate this) to annihilate the adversaries’ capability and will to continue effective organized war-fighting. The so-called “U.S. War in Vietnam” was designed and conducted as a feudalistic “cabinet warfare” from inception to end, degrading the U.S. military from the army of a modern republic, to a bunch of “uglies in livery,” deployed as gangsters’ hit-men.

19. See *EIR* series: “The New International Terrorism,” Oct. 13, 1995; “London’s Irregular Warfare vs. Nations of the Americas,” Nov. 10, 1995; “RIM: London’s Narco-Terrorist International,” Nov. 17, 1995.

20. Bertrand Russell, “The Atomic Bomb and the Prevention of War,” *Bulletin of the Atomic Scientists*, Nos. 5 and 6, Sept. 1, 1946, p. 19.

21. Lyndon H. LaRouche, Jr., “How Bertrand Russell Became an Evil Man,” *Fidelio*, Fall 1994, pp. 4-75.

22. This was the “one-world” policy long associated with Bertrand Russell, H.G. Wells, the World Federalists, and the present-day World Council of Churches. The nuclear policy introduced to U.S. strategic doctrine by Britain’s Russell, was first developed by H.G. Wells on the basis of Frederick Soddy’s pre-World War I showing of the feasibility of both nuclear weapons and nuclear power.

until the 1989-1990 onset of the collapse of former Soviet power, and President George Bush’s promulgation of Mrs. Thatcher’s doctrine of “globalization,” Bush’s “new world order.”

The initial, mid-1960s attacks upon the institutions of the nation-state, and against continued investment in fundamental scientific progress, were focussed upon the generation of youth entering universities during the middle to late 1960s. The initial concentration of the “rock-drug-sex youth-counterculture,” “information society,” “post-industrial” utopianism, and, beginning late 1979, “ecologism,” was concentrated upon these culturally pessimistic, “shell-shocked” victims of the missile-crisis, Kennedy assassination, and nightly Vietnam TV shows. The target of this focus was the stratum which would rise into top positions of government, education, business, and the learned professions, over the course of a coming generation—or, the authors of this “New Age” brain-washing of our youth hoped, “degeneration.”

In summary, the effect was to bring about a turn away from investment in both basic economic infrastructure, and scientific and technological progress, and, to introduce coordinate changes in education, in wages-policy, and in social-welfare policies. If we take into account the attrition suffered by prior investments in infrastructure and production, and if we measure the “energy-of-the-system” content of relevant producer and household market-baskets in physical content, the U.S. economy has been contracting, in physical economy’s “energy of the system” terms, per job, per capita of labor-force, at rates in excess of 2% per annum, each year, since 1970-1971.²³

This long-term trend of net negative investment in the physical productivity of the U.S. economy, has provided the margin of negative accumulation of wealth, the which has been used to generate nominal financial profits of enterprises in the economy. The discounting of this marginal negative investment, has provided that flow of funds from the Federal Reserve System, which has been used, increasingly, to lever-

23. A technical note is required here: By “energy of the system” terms, we signify the assigning of the index-value “1.000” to that array of market-baskets of infrastructure, agriculture, industry, households, and professional scientific services, which is required to maintain the productive equipotential of the national economy and its population as a unit-whole. All of these market-baskets must be taken into account, per capita of labor-force, and per square kilometer of relevant land-area, in estimating the content of them all required to maintain the effective equipotential of national-economic, physical productivity per capita. This equipotential, which corresponds to a constant standard of value for “potential relative population-density,” is the level of per-capita physical output, measured in per-capita market-basket terms for each and all of the indicated household and other categories, per capita, which is necessary to maintain, or improve the ratio of “free energy” to “energy of the system,” under the included condition, that the density of the “energy of the system” must increase, in order to foster the rates of technological progress upon which such minimal standards of ratio of “free energy” to “energy of the system” depend.



A demonstration in New York City in 1980. Victims of the counterculture's "New Age" brainwashing, have now risen to the top positions in government and other institutions.

age financial capital gains in fictitious assets, rather than fostering real investment in production of wealth. Since 1971, speculation against "floating" national currencies, in "Petro-dollar" loans, in "Junk Bonds," and in the form of casino-gambling called "derivatives," has virtually superseded real investment with purely fictitious, leveraged financial gains, as a source of nominal financial profit.²⁴

Then, as referenced above, in 1989, the cabal of Britain's Prime Minister Margaret Thatcher, France's President François Mitterrand, and U.S. President George Bush, combined forces, to announce the coming end of the existence of the modern nation-state, and the beginning of a "one-world" utopia, a "globalized" nightmare, President Bush's "new world order."

The impetus for this policy, as for the war against Iraq, came from Prime Minister Thatcher's government. This was introduced in Autumn 1989, under the banner of a racist, Thatcher hate-campaign against Germans. The propaganda-campaign for the British government's devolutionist policy against continental Europe, was led by a pair of scoundrels, Conor Cruise O'Brien and Mrs. Thatcher's Minister Nicholas Ridley. In this matter, Mrs. Thatcher was served by France's regrettable President, British agent of anti-De Gaulle influence, François Mitterrand.

24. Lowering the capital-gains tax-rate, to favor such parasitical speculation, at the expense of the real economy, has been part of this "post-industrial" orgy of national economic lunacy.

Thatcher and Mitterrand intended to prevent the reunification of Germany, arguing that a more powerful German "d-Mark" would establish Germany as a menacing "Fourth Reich." When President Bush was persuaded by advisors that this would not be a smart move, a compromise was struck among Thatcher, Mitterrand, and Bush, to force the German government to pledge to destroy a unified Germany's economy and national sovereignty piece-meal, as a precondition for allowing the reunification of Germany under the terms of extant "Four Power" agreements. The imposition of this economic suicide-pact upon Germany, was part of the same process by which the former Soviet allies of eastern Europe and the Soviet Union itself, would be looted systematically, and savagely, to the point of virtual extinction.

Under a rampage of "free trade" policies and practices, the world's physical economy has been collapsed to the breaking-point. In such a manner, Mrs. Thatcher's handshake jerked President Bush into the 1990-1991 "Desert Storm" war against Iraq. Thus, Britain and Mitterrand's France unleashed a new Balkan war in what they stated to be their aim to "contain the German economy's growth," a London-directed war, using British and French Balkan puppets and other assets, which was intended to destroy the economy and nations of all Balkan countries, for a long time to come. Thus, the self-destruction of the economy of western Europe, and the IMF-dictated destruction of the economies and peoples of eastern Europe, including the former Soviet Union, has proceeded apace.

Thus, the British-directed, willful self-destruction of western continental Europe, and the IMF-dictated destruction of the economies of eastern Europe and the former Soviet Union, have continental Europe qualifying itself economically for associate membership, among the victims of, chiefly, British imperialism, in the Association of Looted African States (ALAS).

Meanwhile, the success of the “summit” between President Clinton and Jiang Zemin, over the objections of the “loyal British opposition” inside the U.S. Congress and in Tory Hollywood, has completed the process of shifting the center of political-economic gravity of our planet, away from the Atlantic crossing, to the transit of goods and technology across the Pacific and Indian oceans.

However, despite the success of that “summit,” the collapse of the world economy, aggravated by the “Venetian Party’s” speculative raids against both the currencies and economies of East and Southeast Asia, of Africa, and Central and South America, has already detonated the potential for a bottomless collapse of the world’s entire financial and monetary system.

In the meantime, since the developments of 1988-1990, the biggest, most burstable bubble in history, has been built up, as an accumulation of virtual “casino side-bets” against the ashes of the ruined former national economies of Europe, Africa, and the Americas. The total current obligations of the international financial system, are presently several times the current GDP of all nations combined: every banking system on this planet, with the possible exception of China’s, is hopelessly bankrupt, if current accounts were to be reconciled. There is no bottom to this ongoing financial crisis, and there is only a fraction of the physical economy which the world once had, to be mobilized in the effort to build a new, viable financial and monetary system. We have entered fully into the maelstrom; we are now enjoying the terminal phase of a systemic crisis, a crisis which absolutely ensures the end of the system, probably before the end of the century, possibly much sooner.

Thus, we have entered, not a boom-depression-cycle’s collapse, but a disintegration of the financial system of a virtual “post-industrial” society.

At the same time, this collapse-process intersects the implications of the Clinton-Jiang Zemin summit: the only hope for building a revival of world economy, out of the ashes of an unstoppable, bottomless collapse of the old financial-monetary system, now depends upon building bridges around the pivot of cooperation between the U.S.A. and China. The kind of world which could be rebuilt from the ruin of this bottomless financial debacle, this collapse now entering its terminal phases, must include the most populous nations of East and South Asia, as partners with the U.S.A., and must also include those nations of Europe, including Russia, which are willing to commit themselves strategically to this

partnership built around cooperation between the U.S.A. and China.

The curvature of economic physical space-time

We have reached the point in this report, at which to address directly the paradox-ridden topic: *Whence do we derive the mathematical expressions which arise out of measuring selected results of social relations?*

Primarily, the paradox is this. Since the actions which we call “productive,” are each and all expressed as physical actions upon nature, how is it possible, that all successful forms of society, are mathematically anti-entropic in their ordering, rather than of that entropic form, the which generally accepted types of modern statistical methods attribute to all kinds of interactions among, or with non-living physical processes?²⁵ *Whence the source of that anti-entropic physical-space-time curvature, the which is characteristic of all societies characterized by net improvement of the productivities, per-capita standard of living, and demographic characteristics of the households, of the population considered as a unit-whole?*²⁶

An adequate solution for this challenge, is supplied by focussing upon two specific contributions to physical science and knowledge in general, from among those of Gottfried Leibniz and Bernhard Riemann. The first, in historical sequence, is the notion of the *monad*, as supplied by Leibniz.

25. This paradox is key to understanding the essentially anti-scientific method employed to construct or defend all of the popularized “ecological” dogmatism of the recent twenty-five-odd years. All of the arguments made by the spokesmen for this irrationalist cult, when they are not simple lying, depend upon the kinds of assumptions central to “linear computer models” of the type associated with F. Sherwood Rowland’s contribution to fabricating the “Ozone Hole” hoax, and the related models upon which the “Global Warming” hoax is premised. The use of any computer or analogous mathematical model, is a linear “curve-fitting” form of mathematical construction, which axiomatically delimits the functional representations to entropic ones. Like all of the leading modern arguments for the assumption that nature is axiomatically linear in the very small (e.g., infinitesimal), the mathematical models employed by today’s “ecologists” are intrinsically frauds, hoaxes which are based on the fallacy called *petitio principii*: the conclusion reached by calculation, was embedded as an axiom of the construction before the first step of the calculation was begun. Since the growth of human population is based on cultures which have the relatively highest rate of anti-entropy in their relationship to nature in general, the axiomatic assumption of all the typical “ecologist” models is fraudulent on principle.

26. Here lies the key to understanding the absurdity of that fascist conceit, the myth of so-called “artificial intelligence,” better named “digital virtual man.” This cult was perpetrated in its present form by radical positivists such as MIT’s Norbert Wiener, John von Neumann, MIT’s Marvin Minsky, et al. (Statistical “information theory” is, axiomatically, the same fraud as the notion of “artificial intelligence.”) How were it feasible, to construct an apparatus, which by design, was incapable of any action inconsistent with linearity in the infinitesimal, and, yet, propose that it would be distinguished by its ability to perform operations which are intrinsically anti-entropic! There are few celebrated scientific hoaxes in history which were not premised on fraud of the same types as “information theory.”

The second, is Riemann's replacement of the earlier, flawed notions, those of matter interacting algebraically within a linearized Euclidean space-time geometry, replacing this mechanistic schema by the notion of a *general theory of physical-space-time manifolds*. The first, Leibniz's notion of the monad, locates the efficient source of functionally anti-entropic curvature occurring within the physical macroeconomic domain. The second, Riemann's general theory of manifolds, enables us to show, and implicitly to measure, the changes in curvature which are characteristic of productive, or functionally related activity, under conditions of realized scientific and technological progress.

We begin this phase of our report with the second case, the implication of *orderable systems of Riemannian manifolds*.

The notion of any Riemannian manifold, is best comprehended, by reference to the system of Plato's Socratic dialogues taken as a whole, with notable included emphasis upon the exemplary *Parmenides*. The most crucial notions to be so adduced, respecting the underlying principles of an orderable system of successive Riemannian manifolds, are Plato's notions of *hypothesis*, *higher hypothesis*, *Becoming*, and *Good*.

As Riemann himself has stressed this fact, the crucial conception, upon which the barest notion of a Riemannian manifold depends absolutely, is Plato's notion of *hypothesis*.²⁷ The simplest form of hypothesis, is any set of interacting definitions, axioms, and postulates, upon which the existence of a corresponding set of theorems depends.

In its simplest expression, this notion of hypothesis implies a deductive relationship of non-inconsistency between any acceptable theorem of the system, and each and all of the terms of the underlying hypothesis of such a theorem-lattice. However, the reader must be warned, that this is not limited to the case of deductive theorem-lattices. We include higher-order manifolds, such as those "metamathematical" ("modular," "hypergeometric") types of non-linear manifolds which, as Leibniz warned, can not be adequately defined within the confines of algebraic deductive relations.²⁸

Provided that a real existence is demonstrated (e.g., experimentally) for the proposition considered, and that the proposition is not inconsistent with any of the terms of the underlying hypothesis, the proposition qualifies as a theorem of the theorem-lattice defined by that specific hypothesis.

Riemannian manifolds are characteristically of the higher, non-linear order of hypothesis. Any Riemannian physical-space-time manifold has two general characteristics,

27. Bernhard Riemann, *Über die Hypothesen, welche der Geometrie zu Grunde liegen* ("On the Hypotheses which Underlie Geometry"), in *Bernhard Riemanns gesammelte mathematische Werke*, H. Weber, ed. (New York: Dover Publications reprint, 1953).

28. e.g., "*Analysis Situs*." Classical musical thorough-composition, of the type which Wolfgang Mozart and his successors, through Johannes Brahms, derived from pioneering achievements by Johann Sebastian Bach, is an example of such a manifold.

which distinguish it absolutely from the Euclid-like manifolds of algebra.

First, the existence of self-evident forms of definitions, axioms, and postulates, is banned absolutely. In particular, all "self-evident" notions of *extension*, *action*, or *continuity* are absolutely excluded. No presumption which claims to bound the action within a manifold, or a system of manifolds, by deduction, is permitted. All of the dimensions of a manifold, such as the notions of extension in space and time, exist only to the degree they have a basis for existence as experimentally demonstrable, efficient principles, in the sense of principle supplied by the Socratic dialectic's notion of *Platonic ideas*.

Second, as Riemann stresses most heavily, most notably in the concluding portion of his habilitation dissertation,²⁹ we can not consider the "dimensions" of a manifold to be thoroughly independent of one another. As the nature of *Analysis Situs* illustrates this fact, the dimensions of a Riemannian manifold interact, to the effect of determining an internal, characteristic, "curvature" of the manifold, which we are obliged to adduce by relevant crucial experimentation, rather than from relying upon an assumed, formal, relative independence of each of the dimensions of that physical-space-time manifold being considered.

Within the bounds of the physical-science curriculum, the notion of an ordered succession of Riemannian manifolds confronts the student, in each case a previously demonstrated system of physics-knowledge is overturned by experimental validation of a new physical principle (or, in the alternative, what is for the student, at that moment, at least, a new physical principle). The required addition of the new principle to the hypothesis of the challenged manifold, produces a new manifold, with what are usually accompanying differences between the crucially demonstrable, characteristic curvature of the new manifold, and that of the superseded manifold.³⁰ Thus, physical science presents an elementary demonstration of the way in which at least one type of series of manifolds may be ordered.³¹

29. op. cit., p. 287. concluding sentence.

30. One of the pedagogically best illustrations of this difference, is found in the history of the experimental proof, by Gauss's and Riemann's collaborator, Wilhelm Weber, of the Ampère-Weber "longitudinal force" of electrodynamics, which requires abandoning the popular delusion that the so-called "Coulomb Force" simply governs physical relations within the region of smallness bounding the atomic nucleus. The physical-space-time curvature of the manifold incorporating Weber's proof, differs in this way, and others, from the manifold simply defined by James C. Maxwell.

31. Everything which is said of the discovery of validatable solutions to ontological paradoxes from the domain of physical science, applies to the role of the form of ontological paradox called "metaphor" in Classical art-forms. In the latter case, the validatable solutions generated, in response to metaphor, within the individual mind, are ideas of the same formal type as discovered validatable solutions of physical principle in physical science. The difference is, that physical science addresses man's interaction with the physical universe, whereas Classical art-forms address both the principles of

Examining this matter more closely, brings us to a direct encounter with Leibniz's notion of the *monad*. Looking at science and technology from the standpoint of the development of the modern principle of machine-tool design, since Lazare Carnot's introduction of this, we encounter that feature of Riemannian manifolds which leads our attention back to Leibniz's original notions of *Analysis Situs* and *monad*.

As stated in the Bad Godesberg address, and other locations earlier, the beginning of the discovery and economic application of new physical principle, is best described in terms of four essential, sequential steps. The proof of the existence and significance of the *monad*, is located in reflection upon the second of those four steps. These steps are as follows.

The first step, is the confrontation of an established, experimentally validated, or other mathematical physics, by experimentally validatable evidence of the existence of effects which that established mathematical physics implicitly prohibits. The impact of W. Weber's experimental proof of the Ampère-Weber "longitudinal force" of electrodynamics, to the effect of implicitly overturning the electrodynamics of Maxwell, is an excellent example of this step.³²

Since, the best claims of the old physics, and the contrary claims of the newly considered physical evidence, are premised upon the same faculty of demonstration, the two claims are *ontologically* counterposed, as, in this degree, mutually exclusive. The old physics and the new evidence, do not inhabit the same universe. This is the prototype of what we term, in Classical epistemology, an *ontological paradox*. Plato's *Parmenides* provides the exemplary definition of "ontological paradox" as a cognitive type. Since the universe is real, it must be presumed that the old physics is that which has abandoned citizenship in the real universe.

These types of ontological paradoxes are the prompting for all human creativity, and of willful progress of all kinds in the human condition. These types of ontological paradoxes, are what defines the absolute difference between man and beast, or man and robot. The ability of the individual human mind, to generate validatable notions of principle, by means of which these ontological paradoxes are solved, is the site of that agency of human cognition, the which is the provable quality defining the human individual as possessed of a characteristic "divine spark of Reason," as "man in the image of God."

In the second step, these powers of cognition are aroused by a passion to generate a solution, in the form of discovered principle, for the ontological paradox presented. In the case,

the mind, by means of which the physical discoveries of principle are effected, and also the functionally related kinds of relations among persons, as these ideas of Classical art bear upon the social ordering of changes in society's relationship to nature.

32. See Laurence Hecht, "The Significance of the 1845 Gauss-Weber Correspondence," *21st Century Science & Technology*, Fall 1996.

that the individual succeeds in this cognitive enterprise, *no external observer can see, hear, touch, or smell, the specific act by which the discovered principle is generated in the mind of the discoverer*. The only way in which that individual's act can be verified as occurring, is through the replication of the same accomplishment, in the same way, by another person. There is no other way, except replication, by means of which the *act of discovery itself* can be known. Demonstrably efficient concepts which have the basis for their existence as discovered notions of this type, represent the class of notions, external to direct sense-perception, which are known as *Platonic ideas*.

This is the heart of what is properly referenced by the term "Platonic Realism." The physical universe is demonstrably ordered by efficient principles which can not be identified in the form of sense-perceptions, even though their efficiency, as fully existent principles, is demonstrated empirically—e.g., by means of "crucial," proof-of-principle experiments. Thus, in discovering such validated principles, we are uncovering, as existent within the domain of Platonic ideas, fully efficient principles of the universe, principles which determine the manner in which the perceptible events expressed by that universe are ordered. Thus, the domain of such principles, is the domain of reality, whereas, the domain of sense-perception, by itself, without knowledge of such Platonic ideas—the world of TV's "Sergeant Joe Friday," and his, "Just the facts, Ma'am"—is a shadow-world, in which men and women are the hapless victims of those irrational, inhuman cruelties which are the harvest of ignorant superstitions.

Unlike the results of the second step, the posing of the ontological paradox, in the first step, was *representable* in modes of communication which make use of sense-perception. However, the ideas themselves can not be contained within such a language or other mode of communication as such. Hence, the obvious hoax in Wiener's dogma of "information theory."

This carries us to *the third step*. The person who has discovered the notion of a principle which he thinks has solved the paradox, may now represent the effect of that discovery in terms of the statement of the paradox in step one. This statement is expressed in a way which implies some proof-of-principle demonstration of the actual efficiency of the discovered principle: this shadow-form of the act of discovery is *representable*.

The next, *fourth step*, is the designing, conducting, and so forth, of the proof-of-principle experiment. As soon as proof-of-principle has been experimentally validated, the experimental apparatus itself becomes a point of reference for designing new kinds of products, and new kinds of productive processes, in which the newly discovered physical principle is incorporated to advantage. This fourth step, thus defines the surface of interface between fundamental scientific research, and production, an interface more easily recognized by the name "machine-tool-design" sector of a national economy.

It should not be necessary to reconstruct, from the beginning, the obvious fact, that this relationship, between that quality of the individual person represented by the second step, and the effect of discovery, expresses the characteristic distinction of “human.” This quality of the individual’s developable, cognitive processes, is the persisting point of origin of all successful economy, whether that individual is acting as a scientist, or employed as productive labor assimilating scientific and technological progress into the process of production.

“Where do we find this most characteristic, determining principle of economy reflected, among the textbooks and classrooms of the university?”

Essentially, today, nowhere!

“Where is this principle found in the serf looted by François Quesnay’s lordly *laissez-faire*, in Adam Smith, in Karl Marx,³³ and so on? Where is it in the formulation of the policies which have misshaped the U.S.A. economy during the recent thirty-odd years? Where is it in the deliberations of the U.S. Congress today? What neo-conservative, a professed ‘evangelical’ or not, is willing to replace his obsessive reliance on old lusty witches’ ‘magic of the marketplace,’ by an economy designed for human beings each made in the image of God?”

From the vantage-point of physics, as it was for Gottfried Leibniz, economy is an essential expression of the relationship between the continued existence of the human species as a whole, and the universe as a whole. Thus, real economy can not be other than physical economy, and real profit can be nothing other than an expression of the increase of the potential relative population-density, the *functional* physical standard of living, and improvement of the *functional* demographic characteristics, of each of the totality of households of which the total population and its reproduction are composed.

33. This was the central feature of my one-semester university lectures, of 1966-1973, in my course on Marx’s economics, in distinguishing between the results of Marx’s view and my own; I have neither changed my position, nor needed to, since then, to the present date. In Marx’s *Capital* I, and elsewhere, he warns the reader that he is leaving the “technological composition of capitals” out of account. Although, in other locations in the three volumes of *Capital* and *Theories of Surplus Value*, Marx takes into account the impact of technology upon price-changes, nowhere does he recognize the standpoint of Leibnizian physical economy, that what Marx puts aside, anti-entropic implications of his omitted “technological composition of capitals,” determines physical-economic “value,” even though, in a related matter, he rejects Lassalle’s “iron law of wages” with sound argument. On the related issue, the dominant role of finance-oligarchy in British Eighteenth-Century political-economy, Marx tends, predominantly, to the mistaken view, that this social-political class is an integral feature of modern national economy. Hence, the fallacy of his model of “extended reproduction” and his mistaken attribution of the origins of “internal contradictions” of capital. To the best of my knowledge, Marx is the only successor of the British East India Company’s school, who acknowledges the fact of omission of the “technological composition of capitals.”

This unique quality of relationship between mankind as a whole, and the universe as a whole, is located in those changes which the realization of humanly discovered principles imposes upon the universe around us. These changes are generated within what we have described as “the second step” of the process of generating a validatable new discovery of a principle of nature itself, including the Classical-artistic principles of those mental processes (cognition) by means of which these discoveries are effected.

We do not *know* the universe from the standpoint of an objective observer contemplating the evidence. We *know* the universe only in terms of discovered, efficient principles of change, changes of that quality which is expressed as an ordered succession of Riemannian manifolds. We know this best in terms of what Gauss and Riemann define as those principles of “curvature” to which I made reference, in contrasting a cyclical economic crisis to the presently terminal, systemic breakdown of the present international financial system.

We have two instances of curvatures to consider. On the one hand, we have the changes in curvature which correspond to progress in the series of manifolds typified by advances in efficient human knowledge. On the other hand, we have the changing curvature of that orderable set of manifolds, the which corresponds to the advancement of man’s practice upon the universe. It is the correspondence between the two curvatures, which some might prefer we distinguish as “subjective” and “objective,” respectively, which ought to be considered as of the greatest importance for a valid science of physical economy.

In other words, we have the changing “curvature” represented by the self-development of that *monad*, as expressed in step two, above, which is the essence of the individual person. We have also, the changing “curvature” of adduced physical space-time, corresponding to fundamental scientific advances in human practice upon the universe at large. The question is, how are these two—“subjective” and “objective”—related?

The feature of most immediate importance for us, as human beings, is the specific curvature of mankind’s successful relationship, as a species, to the universe as a whole. This curvature is specifically *anti-entropic*:

the requirement that the ratio of *physical-economic free energy* to *physical-economic energy of the system*, be *positive*, and that this ratio not decline, under the added condition that this result demands the *functionally increasing density of physical-economic energy of the system*, both *per capita of labor-force*, and *per square kilometer of relevant surface area*. This desired curvature is sustained solely through emphasis upon investment of society’s allocable resources in the equivalent, and correlatives, of scientific and technological progress.

That functionally defined curvature corresponds to an ordered succession of Riemannian manifolds, as we have situated the four-step process. This four-step process is driven by the mental processes which also describe an ordered succession of Riemannian manifolds, as we have indicated that here. This complementarity of functionally determined ordering, defines an axiomatically hypergeometric type of anti-entropic function, this located within the domain which Leibniz identifies by "*Analysis Situs*." Soon, below, we shall return to Plato's notion of hypothesis, to discover what all this means.

The human mind is beautiful

Turn attention now, to both the emotional and the intellectual difficulties which, today, most commonly prevent the individual from understanding the principle at issue in this report, difficulties which impel the individual into that obsessive state of economic illiteracy, which has permitted the present state of ongoing collapse of the existing world civilization. We must begin by searching out that adversary, in those most homely precincts of religion, where he, like the monkey, sleeps at night; here is where the relevant, pathological quality of passion makes its dirty nests.

The problems which obstruct the way to understanding those implications of curvature, those which we have just outlined, are rooted in a kind of pathological belief whose typical habitat is popular, especially so-called "low church" varieties of religions and paganist cults. If you leave untouched the obsessions associated with those religious and related beliefs, you will make little headway in bringing rationality into the domain of public, secular matters.

Since the United States, to which this report is principally addressed, is nominally a Christian nation by virtue of the best part of its cultural heritage, if we wish to bring forth the deepest expression of the relevant passions among our readers, we must couch them in the terms in which our subject-matter touches the elementary issues of religious belief.

One of the most crucial, most deadly internal threats to the security of the U.S. today, is the danger expressed by some U.S. theologians, when they err, axiomatically, contrary to Christianity, by insisting that man, by his nature, is "a wretch." If they are consistent, such theologians must imagine that their god, whoever he, she, it, or them, might be, is blind, and entirely lacking in good taste and judgment. Otherwise, why would that god, or gods, spend so much effort, so tirelessly, to woo and succor creatures which these theologians allege to be the most less-than-worthless, most ferally ungrateful creatures one might imagine in this universe. Confronted with such a paradox, a Christian theologian might but throw up his hands, shrug his shoulders, and murmur, "It is a great mystery."

That priest would be mistaken; there is no "great mystery." It is that theologian of wretchedness, not Christ's God,

who is deceived. The human species is the best thing in this universe, the only creature with the qualifications to be the companion of the Creator.

The day-by-day problem posed by such speculations, is, that most of our fellow-citizens have yet to grow up. Most continue to be very naughty children, who have not grown up sufficiently, spiritually, to become fully human yet, even at retirement age, although the potential to mature morally, as well as physically, is within our given nature. If we examine more closely those theologians who declare all persons, other than themselves, to be "a wretch like me," it requires little effort to discover, that their fascination with those lusts they call "sinful," is a reflection of their own passion for the same practices which they cite as evidence of other people's, alleged, quality of wretchedness. There is a smell of a doctrine of *laissez-faire* for sin, in their thundering homilies on the subject of other peoples' alleged wretchedness. Something in the mind of the reflective man in the pew, might be overheard to murmur: "If I am the 'low dog' which that real-life 'Elmer Gantry' accuses me of being, then I can not prevent myself from practicing these lusts called 'sin.'"

"Hypocrite" is much too neutral a term, these days, for such theologians of wretchedness. "Pornographer" would be a good choice of generic label. A theologian's declaration of mankind's universal and innate wretchedness, is not a war against sin, but, rather a plea to legalize it. "I could not do otherwise, don't you see; it is in my nature, as a wretched creature. God loves me, you see, because he pities me so much, on account of my enslavement to the lusts of the wretched."

One begins to suspect, that that theologian's image of his god, is really of a British Victorian middle-class lady, perhaps a reader of Dickens, a "Lady-do-Nicely" who spends some hours each week, showing the Irish poor of London how to tat doilies for their table (if the poor can afford one on British wages), and curtains for the windows of their barren dwelling.

In any case, among such theologians, "morality" extends not much further than family matters: such a theologian would never be so immoral as to bring his prostitute home with him, or, ever wish to be caught doing anything nasty, if that might do injury to the sensibilities of the community on which he relies for a good opinion of himself. If that theologian is caught in the act, doing something nasty, he feigns pitiable contriteness, but expresses this in that slyly threatening way, which says, "After all, are we not all wretches?"

Who is this wretch, which such theologians such as Pat Robertson insist themselves to be? He is, essentially, a caretaker, ministering to the squire's herd of virtual "human cattle." "Elmer Gantry's" typical gull is, after all, the "Yahoo" of Swift's *Gulliver's Travels*. Swift had a clear understanding of the British oligarchy, who, in their own way, have a certain sensibility respecting such matters of statecraft.

The informed British view regards this theological babble



President George Bush with Britain's Queen Elizabeth II, in Washington, D.C. May 14, 1991. The British-Israelites have spread the fairy-tale, that the Queen is the lineal descendant of Israel's King David, and thus the rightful ruler of the world.

about “wretchedness,” as characteristic of “low church” religion. Among the sensible, this is rightly understood to signify a variety of religion which has been fabricated, as part of the program for controlling the lower classes, those whose rightful status — in the eyes of the oligarchy, of course — veers toward the serf-like condition of “human cattle.”

Since the earliest pagan pantheons, the slicker sort of oligarch has recognized the advantage to the oligarchical system, of insisting that each legalized form of religions — like the modernist pagan religions of Brigadier Dr. John Rawlings Rees, called psychology and sociology — serve as a measure of social control over the empire’s subject populations. Hence, the famous conflict, at Nicea, between the imperial Pontifex Maximus Constantine, and the Christians, was a conflict arising precisely out of the Emperor Constantine’s determination to maintain the tradition of Babylon: that each religion legalized to occupy a place in the imperial pagan pantheon, be “adjusted” to serve more conveniently the administrative functions of the empire.

The “low church” doctrines of a Robertson, et al., bear the hallmarks of that Babylonian pantheonic tradition. The particular function for British “low church” designer cults, was as beliefs consistent with the intent to assist the social control over the British Commonwealth’s lower classes. This was extended to take in as many credulous U.S. citizens as could be induced to accept the British-Israelite’s so-called “evangelical” fairy-tale, that Queen Elizabeth II is currently the lineal descendant of Israel’s King David, and thus the rightful ruler of the world. The “evangelical’s” genealogical

table might be suspect, but the purpose is very much in the real world.

A study of the political effect of such cults as Pat Robertson’s, shows, that this blending of pagan magic with a dictionary nominalist’s fairy-tale versions of Biblical Prophecy, is designed for no different end in view, than organizing the political and economic stampedes, and other manipulations, of those intended “human cattle” whom the British oligarchy deems “the lower classes.” These are classes which the oligarchy prefers would follow the Manichean and Bogomil cults, to receive the misery of their aging years, as just, if cruel, reward for a wretch’s unsuitability to receive the mortal gratifications of great wealth and power.

The British variety of “low church,”³⁴ takes care of such matters, not only in the United Kingdom and British — or, should we say “Brutish” — Commonwealth, but also exerts top-down control over these cults inside Pat Robertson’s U.S.A.

If you wish to smoke out one of those British fellows who specialize in handling the low-church types, merely mention to the suspect, the proposition, that all men and women are born with the gift of a “Divine Spark of Reason”: that will set most of them to clambering around the chandelier! If the suspect is too sly to be trapped easily into such a revealing snit, he might simply insist, *adagio sostenuto*,

34. Naturally, carefully administered by the religious-affairs division of the British monarchy’s Privy Council, the Church of England in its capacity as the modern Apollo priesthood.

“There is no divine spark of reason,” adding, with a measured touch of menace, “you should not be spreading such ideas about.”

This banning of the notion, from low-church theology, of man and woman as made in the image of God, echoes the essential features of the doctrines of such Paolo Sarpi assets as England’s Francis Bacon, and of such other Sarpi followers as Hobbes, Mandeville, Quesnay, Hume, Adam Smith, Jeremy Bentham, John Locke, and our own native pestilence, pragmatists such as William James and John Dewey. The banning of metaphor, and virtual banning of the Classical subjunctive, from English usage, by Thomas Hobbes’ *Leviathan*, etc., is the essential characteristic of British empiricism and of the Franco-Austrian logical positivism of Norbert Wiener, John von Neumann, et al., after it.

In summary of the crucial burden of these several preceding paragraphs on “low church” matters, the habit of regarding the existence of the second step in our four-step array, as virtually, or absolutely non-existent, is pervasive. That empiricist delusion lurks, waiting to destroy the “divine spark of humanity,” from the low-church pulpit, as in the economics classroom, and every other place where the Orwellian nightmares called “mainstream opinion” reign today. It is ironical, that an efficient notion of the soul, is driven from any rational place within nominal Christianity, wherever the inherently “mortalist” dogmas of Aristotle or the empiricists take over the pulpit.³⁵

The practical issue of economic policy here, is this.

Once we acknowledge, that man and woman are made

35. “Mortalism” is the doctrine, that if the human soul does exist, it dies with the body. This was the subject of notable controversies in western Europe during the course of the Sixteenth and Seventeenth Centuries. The seminal argument for mortalism was supplied by the teacher of Venice’s Cardinal Gasparo Contarini, Pietro Pomponazzi, the same Pomponazzi who led in reintroducing the Averroes reading of Aristotle into the Venice-dominated sections of the Sixteenth-Century Catholic, as well as Protestant clergy. Pomponazzi presented a very capable, and authentically Aristotelean proof, that the individual human soul does not exist, a view which political caution prompted him to modify slightly, at the prompting of his former student Gasparo Contarini. While the Seventeenth-Century English tradition of “mortalism” owed much to the heritage of Aristotle, its more immediate origin was the Paolo Sarpi, who, as the leading authority in Venice from 1582 on, did more than any other persons to build up England and the Netherlands as the clones and ultimate successors of the financier-oligarchical power of imperial Venice. Sarpi, a follower of the radically nominalist offshoot of Aristotle’s influence, the radical nominalism of William of Ockham, was officially a Servite monk, but actually an atheist, and was the father of the Sixteenth Century English empiricism of Francis Bacon, Thomas Hobbes, and John Locke, and also French Cartesianism. This is the matrix used by Hobbes et al. to outlaw everything, including metaphor, pertaining to the second step of our four-step cycle. If one brings belief in the existence of the “soul” back into empiricism, arbitrarily, the result converges upon the prosatanic doctrine of the Manicheans and Bogomils (Cathars), which, in fact, was the intellectual model employed by those empiricists, such as Locke, Mandeville, François Quesnay, and Adam Smith, who invented the doctrine of “free trade”/laissez-faire on this basis.

in the image of God, then, we confront ourselves with the obligation to show evidence supporting this specific claim. That evidence must be located within the bounds of a principled difference between the developable functional characteristics of the human individual, and those of all inferior species, perhaps including among the latter, those great apes which Britain’s cruel Prince Philip has claimed his wife and children to be. We have indicated, above, the method by which it is shown, that the *monad* of creative reason can be cognized, and its efficiency in the universe demonstrated. It is permitted, I believe, to sing “Hallelujah” at receipt of such good news respecting *Genesis* 1:26-30.

What is the quality of people who actually know, rather than merely believe, that they are each made in the image of God? Such people are no “wretches;” they are the stuff of which proud citizens of a true republic are made: citizens who, according to the Preamble of the U.S. Federal *Constitution*, take care of the matters to be done on the behalf of the dead, the living, and unborn generations, and cause the republic, which they serve, to do so on their behalf, not only for the population of that nation, but the benefit of all humanity. How unlike the nasty Prime Minister Winston Churchill, who hated the Christianity of President Franklin Roosevelt’s intent for the post-war period, to right the wrongs of colonialism and rid the planet of the barbarities of “British Eighteenth-Century methods” in economic matters generally. These patriotic citizens of our American tradition, are men and women who set forth, like the Good Samaritan on that famous journey, as Cotton Mather rebuked some leading Puritans on this account, *to do good*.

Which would you rather be? The unhappy, mean-spirited creature, mewling pitifully in the offal of his, or her own professed wretchedness, or the proud Christian citizen, as reflected in the inspired Preamble of the U.S. Federal Constitution? Would you worship God because you are a wretch best fit for perdition, or as a veritable angel sent on a mission into mortality, to do good? Are you here, in this mortal life, as punishment for being a wretch, or, are you here because you are needed?

The misled, “low church” fellows speak of “another life.” Do you have the abominable conceit, the insolent vanity, to imagine that God Almighty wishes to forsake his entire creation, like some wild-eyed slumlord, for the sake of some “other life” in a better neighborhood? Dare you, slacker, doubt that you were designed and sent to do a job here, in this universe? You think that you can get out of this mortal life, without being held to account for what you should have contributed to mankind and the universe while you were here? You say you are a Christian? What will you give of yourself, for the sake of this nation, of all humanity, if the circumstances point to you, and conscience says, “You are the Good Samaritan of this moment, who must do this on behalf of God and mankind.”?

I think that that is now sufficient clinical material cited as background, to allow us to now make the first of the two points, respecting emotion.

The two, contrasted points of view, as exemplified by the opposing, rational and empiricist, views of individual human nature, implicitly define the opposing quality of passions which define the difference between them. The *erotic* passion which dominates in persons who accept the self-image of “human cattle,” is the natural emotional state of the empiricist, for whom “the divine spark of Reason” does not exist. The passion opposite to *eros*, is *agapē*, to which the Apostle Paul refers, in the celebrated *I Corinthians* 13; the domination of the person’s emotional life by the passion called *agapē*, is the naturally healthy state of emotion of the citizen of the republic.

In general, the level of culture in the United States today has fallen so low, so precipitously, during the recent thirty-odd years, that the only likely spoken referent for *agapē* which would be easily acknowledged by even a large minority of the population, would be “tears of joy.” Otherwise, the much smaller ration of the population which would be more likely to recognize a state of being corresponding to Plato’s or the Apostle Paul’s use of *agapē*, would be among Classical performing artists in the same tradition as the celebrated conductor Wilhelm Furtwängler, or scientists whose musical interest converges upon the standard of insight referenced by Furtwängler’s celebrated notion of “performing between the notes.”³⁶

36. The phrase “behind the notes” is an alternative one. This means, as he elaborated his argument, that the performer must relive the composer’s process of compositional development. The method of Classical motivic thorough-composition, already implied in such locations as J.S. Bach’s *A Musical Offering* and *The Art of the Fugue*, is based upon a sequence of inversions and other ontological paradoxes arising within a well-tempered polyphonic domain. Replication of the notes of the composition must be the adumbration of the *idea of ideas*: the ideas which are defined by metaphorical resolutions of an ontologically paradoxical ordering of ontological paradoxes. The shaping of the intervals, both within the voice, and among the voices, and the inversions of those intervals, must be brought into a coherent order, for achieving that singleness of effect, of the performed composition as a whole, which evokes from within the musical hearer an appropriate sense of the subsuming idea of the composer’s act of composing the work as an integrated whole. The goal of great Classical work’s artistic performance, is that the performer must command the audience’s concentration at the moment the first tone is sounded, and the individual member of that audience must not be aware of the seat in which he, or she is seated, until after the resonance of the last tone has gone into the past. As the surviving performance record attests, Furtwängler was a master of precisely this quality of performance, to the degree of perfecting the enunciation of the attack upon the first tone by the orchestra, this to the purpose of making the idea of the completed performance that of the composer’s intent. His handling of the Franz Schubert “Great” C-Major Symphony is exemplary of the way in which Furtwängler was unexcelled and rarely matched on this account. The point to be stressed here, is that this example references precisely the approach required for dealing with any valid fundamental discovery of principle in physical science, or in any branch of Classical art.

On this account, respecting *ideas*, such as those associated with *agapē*, educated scientists and artists today, are, with rare exceptions, qualitatively inferior to performers of corresponding relative standing from earlier generations. In music, for example, my relevant best sources emphasize, the best young performers have relatively outstanding physical performance skills, but are usually an interpretative disaster. They have learned to play the notes, with great skill; would they had better traded some of that skill for better ability to perform the music. What I hear from performances, is in accord with that report.

A reference to the four-step outline serves us again, on this specific account. That four-step approach is representative of Classical-humanist education. In such education, typified best by Wilhelm von Humboldt’s reform of education in Germany, the student, instead of “learning the answer,” is required to relive the experience of the original discoverer, or, as near an approximation of the original discoverer’s experience as possible. In other words, the student must relive that as the four-step outline implies. In that case, the successful student repeatedly experiences the specific quality of concentrated emotion which is *agapē*.

This experience of *agapē*, in that way, has two aspects. In the case of reliving scientific discoveries of valid physical principle, it is known as the specific quality of passion one experiences within oneself, whenever concentration is motivated in the way which leads to the resolving discovery of principle. This is the exact same quality of emotion experienced in the act of insight into analogous resolutions embedded in a Classical musical composition, or, in first recognizing the resolution of the metaphor of a Classical tragedy, or poem, or the same kind of mental act in the study of the method of metaphor underlying great paintings by Leonardo da Vinci and Raphael Sanzio.

In the first class of cases, physical science, the emotion is recognized. In the second, Classical art and related matters of *Geisteswissenschaft*, *agapē* is summoned by the compositional principle of metaphor, that *agapē* itself might educate the larger scope of emotional associations of the person’s mind. Thus, Friedrich Schiller’s follower, Wilhelm von Humboldt, specified, that the primary function of the Classical humanist form of combined scientific and artistic secondary education, was to develop the moral character of the student: not by indoctrination in do’s and don’t’s, mistakenly called “character-building” by some misguided people, but by cultivating the pervasiveness of the idea of *agapē* within oneself, as the Apostle Paul demands in *I Corinthians* 13. From this latter true morality springs.

The trouble today is, that the virtual elimination of pedagogical competence unique to Classical-humanist methods (our four-step method) from the pre-science and science curricula, and also artistic habits of the population, has produced a population which has concentrated so much on learning to

pass the examination, that it has little power of concentration remaining for actual thinking. In this way, it has lost touch with the importance of actually knowing what it is that they are learning. Indeed, the moral debasement of educational policy in the U.S.A. today, is typified by the eradication of the principle of truthfulness: one is judged on how well one appears to have learned the approved material, without any consideration of whether the opinions expressed by the material are truthful, or not.

As a result, the essential distinction of the present “under-55” generations, relative to that of the World War II veterans’ generation, is that the newer generations have zero to little capacity for actual happiness in life; their capacity for happiness has shrunk in approximately the same degree their appetite—one might say, their desperation—for momentary pleasure has skyrocketed.

Real happiness lies in the joy of being human, of being a creature made in the image of God. We touch happiness in the experience of those same qualities which are summoned by reliving discovery of scientific principle, by Classical artistic experience, and by any form of constructive problem-solving which draws upon what is supplied by the mental powers expressed in step two of the four-step process.

This pursuit of happiness is individual, but also intrinsically social. To enjoy a discovery, is to anticipate sharing it,

or, at least, some benefit of it, with others. That social result is the element of “pursuit” in the experience of happiness. This is the proper goal of individual life: a happiness which transcends that succession of activities associated with it. Today, one job is to be accomplished; next, another. The happiness lies not in any job as such, but in the process of moving from one to the next, and, on to the next, beyond that. One rejoices if one has the means and opportunity to live such a useful life.

That is a life of happiness, a right with which the Declaration of Independence, and also the Preamble of our Federal Constitution endow each person by law, such as happiness in the fulfillment of uncompleted good work bequeathed to us by a deceased predecessor. Thus, in science, we *name* the discoverers whose work we bring happily to a greater degree of fulfillment. We name the heroes from the past, whose labor, and, sometimes, painful suffering, is justified by our happily realizing the fruitfulness of what they had left uncompleted. We are filled with joy at the thought that some yet unborn persons will derive happiness, long after we are dead, flowing from some good work to which we are devoting our efforts today.

Such is the emotion called *agapē*. The joyful passion which is typified by the happy condition of commitment to truth and justice. But, there is something more to this than is suggested by the popular sense of the meaning of the term “emotion.”

Popular opinion regards all emotion as simply, quantifiably extended impulses. That presumption is in fundamental error. Although unregulated (e.g., “ignorant”) erotic impulses tend to be crudely linear in the sense imputed by popular opinion, *agapē* is never linear; it has a recognizable sense of curvature in the Kepler-Leibniz-Gauss-Riemann sense. The case of the great musical works of Classical motivic thorough-composition, as from Mozart during the early 1780s, through the last compositions of Brahms, most conveniently demonstrates this correlation between agapic emotion and curvature. *Agapē* is an impulse of action; it acts as a principle of action, an action which has a definable “curvature” in a higher sense of that term.

This bears upon the promised second, intellectual, aspect of the matter.

The representation of this fact is made feasible by the notion of an ordered succession of Riemannian manifolds. *This curvature is of the type we have referenced as anti-entropic.* We are back to Plato, and, this time, to the notion of *higher hypothesis*, to the domain which Leibniz sometimes named “*Analysis Situs*.” This is the domain implicit in Plato’s *Parmenides*. It is a domain of what may appear, at first acquaintance, as a realm of eerie sophistication; but, that uneasiness should be put down largely to the fact that, for most readers, the concepts involved are new.

Let us follow the simplest version of Riemann’s representation. This, fortunately, will suffice to show what must be

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said here. If there were no falsehoods in taught doctrines of mathematical physics, then there would be no manifolds which are categorically false, but rather inadequately developed. Thus, in that case, the fault in a manifold of n dimensions would lie essentially in the fact, that a valid manifold of $n+1$ dimensions were better. In such a conjecturable case, the simplest notion of an ordered Riemannian series would be of the form . . . $n, n+1, n+2, . . .$

However, as we have already considered this, we can not define the characteristics of a manifold simply in terms of its valid dimensions. In each case, we must also consider the experimental determination of its curvature. A purely formal mathematical physics, such as might be extrapolated by some marvellous computer, should be regarded as a contradiction in terms. This brings us directly to the *Parmenides* syndrome: *what (one) common factor underlies the generation of an orderable series of such manifolds?*

That “factor”—that “One” of the *Parmenides*—is those cognitive powers of the individual human mind, the which are expressed in step two of the four-step process. Thus, the characteristic change in curvature, in proceeding from manifold n to successive manifolds $n+1$ and $n+2$, and so on, is the curvature expressing the action of that cognitive function. *The general character of that cognitive action is, therefore, shown to be, experimentally, anti-entropic.*

Such an ordering principle, which subsumes an ordered array of manifolds (hypotheses), is Plato’s “higher hypothesis.” This higher hypothesis has a relationship to the array of individual hypotheses which it underlies, which, at first impression, resembles the relationship of any simple hypothesis to a corresponding theorem-lattice. This notion of “higher hypothesis” defines Leibniz’s domain of *Analysis Situs*. This function distinguishes the efficient existence of the principle of individual cognition as an agapic *monad*, whose curvature, however variable, is functionally distinct.³⁷

This monad-activity is thus defined as the principle of change which characterizes the efficient interaction between mankind and the universe as a whole. This interaction, in turn, is defined by the cognitive action of the individual’s mind upon this whole interaction with mankind’s functional relationship to the universe. The crucial questions thus posed, pertain to the matter of the marvellous agreement between the principle of cognition, as governing mankind’s anti-entropic solutions for paradoxes, and the principle of self-generation underlying the existence of the universe as a whole. That connection celebrates man and woman made in the image of the Creator.

The general outline of this proposition was already comprehended by Plato, from whom types such as Riemann and

37. Hence: “hypothesizing the higher hypothesis.” Hence, the correspondence between “hypothesizing the higher hypothesis” and the Becoming. Hence, that which underlies, and rules the timeless eternity in which the Becoming dwells, the Good.

I learned, if somewhat indirectly (e.g., from Leibniz), the conceptions which prompted our approaches to converge upon a common solution.

We can now summarize the implications of this specific, crucial aspect of the whole matter before us, with no need for further elaboration than that, of that particular point here. *It is this anti-entropic curvature of agapic mental action, expressed by experimentally successful cognition of the type illustrated by the four-step model, which is the source of the anti-entropic curvature of successful physical economy.*

This is expressed in bold terms by the outgrowth of the United States’ pioneering development of a full-blown Carnot type of machine-tool-design-driven economy, during 1861-1876, and most boldly by the impact of science-driver “crash programs” as the more concentrated form of machine-tool-design-driven economies.

Thus, this relationship between the curvature in the infinitesimal interval of action, cognition, and the curvature of the process in the large, is situated within Leibniz’s domain of *Analysis Situs*.

Time to conclude for the present

The crucial significance of these notions of hypothesis, is that they lead us effectively to the means by which we are able to extricate the notion of “time” from the undesirable company of that compulsive sophistry of the mathematics classroom, “self-evident truth.” In connection with relevant issues of economics, there are two mutually-dependent notions of “time” to be considered. First, the bare notion of time as an experimentally-based principle. Second, the notion of apparent “time-reversal,” which inheres not only in the notion of higher hypothesis, but which is, empirically, the most significant of the subsumed features, as complement to agapic curvature, of human cognitive behavior itself.³⁸

In first approximation. Given a theorem-set, underlain by its hypothesis. Consider Euclidean geometry as such a theorem-lattice. Two subsumed notions confront us.

First, as Euclid’s geometry illustrates the notion, although each and all theorems have a demonstrably immediate relationship to the conditions imposed by the underlying hypothesis of the theorem-set, the generation (construction) of the theorems is subject to notions of sequential ordering. These sequences are defined by the need to have constructed, or otherwise generated, the preconditions for stating the problem whose solution determines the generation of the new theorem. These sequences are also defined, by actions which must be taken to bring the entire theorem-lattice from the state prior to the generation of the new theorem, into the new state after the addition of the new theorem.

“Is that experience with Euclidean and later geometries, borne out in the domain of physics and the composition and

38. Cf. Lyndon H. LaRouche, Jr., “The Essential Role of ‘Time Reversal’ in Mathematical Economics,” *Executive Intelligence Review*, Oct. 11, 1996.

performance of Classical art?" The characteristic of human behavior is ordering, hence action, as defined by sequences.

Second, the fact that the theorem-lattice has some such notion of sequence associated with its ordering, underscores the fact of the hypothesis's existing simultaneously in all times occupied by the generation of any and all theorems of the corresponding lattice.

For purposes of pedagogy, we could illustrate the latter point's relevance, by stating, that if the duration of the theorem-set's development could be virtually without limit, then the underlying hypothesis would be associated with a notion of virtual simultaneity of virtual near-eternity.³⁹ This notion, in turn, leads to the conjecturable notion of possibly efficient, real forms of time-reversal.

In second approximation. Consider an hypothesis-lattice, such as an orderable succession of Riemannian manifolds. What are the characteristic features of human behavior, especially physical-economic behavior, as viewed from this vantage-point, in respect to time?

In this case, we have an anti-entropic ordering (curvature) of the hypothesis-lattice as such, and, also, an anti-entropic curvature of the process subject to this lattice's development. Again, the condition of ordered hypothesizing of the higher hypothesis, exists in simultaneity with all possible hypotheses and their ordered development. Again, hypothesizing the higher hypothesis, is associated with its simultaneity in virtual eternity. Again, but this time more forcibly, we are confronted by the notion of a functionally efficient role of time-reversal.

This was the last of the mathematical-physical considerations referenced in the Bad Godesberg presentation. It returns now, as the concluding point to be clarified here.

As I have elaborated the formal argument for this earlier,⁴⁰ the fact that the ordering of a succession of Riemannian manifolds is subsumed (underlain) by the higher hypothesis embedded in step two, locates that higher hypothesis in the "simultaneity of eternity." In other words, (through hypothesizing it) the higher hypothesis efficiently underlies future, past, and present, with approximately equal efficiency, simultaneously.

"Exotic"? Only to those who are unfamiliar with the main lines of history of European thought since Plato.

"Not essential"? On the contrary, the practical implications of this are the central issue of all physical science, all Classical art, and all statecraft and related matters of economy.

"Unfamiliar"? Precisely; but, like a society's ignorance of medicine, unfamiliarity is no benefit to those populists who prefer to rely upon "traditional culture's" less expensive home remedies.

39. The notion of "simultaneity of eternity," is an implication of Plato's Socratic dialectic, which, among other considerations, occupies a significant niche within Christian theology.

40. "The Essential Role of 'Time-Reversal' in Mathematical Economics," op. cit.

This notion of higher hypothesis is reflected in the first principle of scientific knowledge: that the tragedian Aeschylus must allow Prometheus' foreknowledge of the future to govern his behavior in the present.⁴¹ This conception escapes the realm of ambiguity when we have shifted the point of reference from choices of theorems of simple hypothesis, to policies rooted in discoveries of principle. That is, when we have apprehended the future state of a process through the quality of cognitive action represented by a discovery of principle, a valid solution to a Classical form of artistic metaphor.

The practical implication of this for economic policy-making, is most readily underscored by the fact, that a policy of free trade has never been successful for any economy subjected to it for a medium- to long-term period. Every successful period of growth in modern national economies, has occurred under what are termed "dirigist" policies of governments, combined with the kinds of "protectionist" measures of regulating trade and foreign exchange associated with economists and statesmen such as U.S. Treasury Secretary Alexander Hamilton, Mathew Carey, Henry Clay, John Quincy Adams, and Henry C. Carey.

By its very nature, productive investment is action taken in the present to bring about a near approximation of a projected future condition. *Wisdom, cognition, is remembering the present, and also the past, in one's actions to bring about a desired future condition. "Wisdom" is living in "the simultaneity of eternity."* The crucial demonstration, which unquestionably separates men from beasts on this account, involves those cases in which the present intention of a future consequence is premised upon the use of a discovered principle, such as a physical principle. This places the actions, linking future to present, within the domain of our step two, the domain of higher hypothesis.

Before the introduction of Paolo Sarpi's empiricism, and empiricism's mechanistic notion of the term "cause," modern European experimental science, such as that of Leonardo da Vinci, Johannes Kepler, and William Gilbert, located the ordering of relations between apparent causes and their consequential effects under the rubric of Reason, as Leibniz did. Leibniz refined this notion of Reason to meet the requirements of experimental physics, with his term "sufficient and necessary reason." Gauss's unique success in forecasting the orbit of Ceres, is a stunning affirmation of the notion of Reason as it appears in the work of Kepler and Leibniz. In mathematical physics, this idea of Reason is represented mathematically by the notion of physical-space-time curvature in the infinitesimally small.

To wit:

Why should the future orbital position of a planet, for example, be manifest in the curvature of a very small interval of its present trajectory? This implies, that the existence of the orbit precedes the planet's inclination to follow that pathway.

41. Aeschylus, *Prometheus Bound*.

The contrary, the empiricist-materialist idea, that this is the result of some repetitive kinematic (e.g., “free trade”) “pushme-pullme” arrangement, was the issue of method underscored by Gauss’s success in the Ceres matter. Although Newton’s general formulation for gravitation was derived, algebraically, from Kepler’s formulation for gravitation, algebraic consistency did not prevent Newton’s derivation from falling into the “three-body problem” fallacy, which did not exist for Kepler’s representation.

Examining the entirety of Kepler’s design retrospectively, from the standpoint of Leibniz, Gauss, and Riemann, the origin of Newton’s failure is clear immediately. Throughout the work represented by the *Mysterium Cosmographicum*, the two editions of the *New Astronomy*, and the *World Harmony*, and also the summary address to the problem in Kepler’s “Snowflake” paper, there should be nothing mysterious left respecting the origin of this difference.

Kepler’s notion of *Reason* as the agency determining the harmonically ordered sequence of available solar orbits, locates Reason as it is expressed by Plato’s notion of higher hypothesis, and as Leibniz chose his term “*Analysis Situs*” to identify an aspect of this.

The result of this approach, by Kepler, Leibniz, Gauss, Riemann, et al., is to abandon the mechanistic, kinematic, algebraic view of physical action as located within a Cartesian-like notion of space and time, and to treat available lawful trajectories as reflections of a principled, specific form of higher hypothesis, underlying the modular ordering of successive (e.g., Riemannian) hypotheses: i.e., *Analysis Situs*.

That said, the reader is to be reminded, that our primary standpoint in this report, is that of an ordering of successive Riemannian hypotheses, as ordered by an higher hypothesis, of implicitly anti-entropic curvature, the which is coincident with a corresponding quality of development of the cognitive capability expressed by step two of the four-step process. In other words, that all effective economic policy of practice must reflect the way in which the human mind applies to the future state of an economy to determine the present.

The effect of this consideration upon the proper design of economic policy, is properly filed under the classification “Freedom and Necessity.” “Freedom” is that which expresses the cognitive potentials of step two. “Necessity” is the curvature which the realization of “Freedom” imposes upon the results; “Necessity” is, therefore, the future state of a society applied to determine the choice of action made in the present.

In the economic domain so defined, science must smile an agapic smile, at the genius with which the Leibniz-inspired American System of political-economy⁴² — of Franklin, Ham-

42. The struggle to determine the future of the English-speaking colonies in North America, became, from the early Eighteenth Century on, a conflict between the opposing political and economic philosophies of empiricist John Locke and Christian Gottfried Leibniz. The former viewpoint came to identify, to the present day, the frequently treasonous “American Tory” faction of the New England opium-trafficker, Manhattan banker, and southern slave-

ilton, the Careys, and List — has apportioned the separate but interdependent economic functions of private initiative and the state. The greatest rate of individual creative innovation, is desired in the processes of production and design of product, the private sector. The success of this private enterprise depends upon the certainty that the basic economic infrastructure, including not only transportation, power, water management, but also education, promotion of scientific progress, national defense, security in public health, regulation and defense of a system of money and credit, and regulation of foreign trade, is developed, by state guarantees, for the needs of all the territory, and all the people.

Both the public and private departments of economy use Reason, to impose the necessary future upon the presently preferred choices of action for change. The division between private and public, assorts the responsibility for progress in such a fashion, as to give the relatively greatest latitude for the individual creative powers in the private sector, and the responsibility for serving the interest of all the people, and all the territory, to the public sector. If some arrangement could be more prudent, history has yet to discover it.

Thus, Reason produces science, and science then produces Necessity.

If we remove from the history of the modern nation-state and national economy, all of those corruptions which are reflections of the backward impulses of so-called “traditional cultures,” and the malicious effects of oligarchical insolence, the modern state and modern national state would show themselves more clearly to have been, by a far length, the greatest boon to mankind, the greatest contribution to the increase of individual freedom, which statecraft has yet to produce. The fault lies not with the nation-state, or with national-economy; the fault lies with our tolerating the feudal relics of financier oligarchy much too long. The fault with the toleration of the oligarchical succubus, is not merely that it has robbed nations’ purses, but, as we have noted respecting the oligarchical abuse of religion, the worst thing it has done, is to rob most of our people of their sanity.

If this lesson of science and history were to become generally understood, at least among statesmen, then that temporary suffering we can not avoid during this present crisis were a relatively small price to pay for the opportunity to free humanity, for once and forever, from the succubus of financier oligarchy.

holder components of the oligarchical faction. The latter, the patriot’s tradition of Franklin, Washington, Hamilton, Henry Clay, the Careys, John Quincy Adams, Abraham Lincoln, and so on. For the “American Tory” generally, as for the Constitution of the short-lived British puppet-state, the Confederate States of America (CSA), the watchword was Locke’s “Life, Liberty, and Property.” For the patriot, the watchword of the U.S. Declaration of Independence and “welfare clause” of the U.S. Constitution’s Preamble, was Leibniz’s devastating rebuttal of Hobbes and Locke, “Life, Liberty, and the Pursuit of Happiness.”

Parameters of world financial collapse

by R. Freeman and J. Hoefle

The U.S. and world financial systems have reached the outer boundary layer of functioning in their current form. The biggest detonator for their final disintegration will be the worldwide derivatives bubble, estimated to be between \$125 trillion and \$150 trillion. The following graphs and tables indicate some of the parameters which reflect the process.

Table 1: In the second quarter of 1997, U.S. financial institutions and corporations held \$38 trillion in derivatives outstanding. Of this amount, the leading eight U.S. commercial banks held \$22.6 trillion; these eight banks have combined bank capital of \$93 billion, just 0.2% of their derivatives exposure. A failure of even a small portion of the derivatives portfolio could lead to a meltdown of the banking system.

Table 2: The Bank for International Settlements reports that in 1996, the world level of derivatives was at least \$82.6 trillion, up from \$62.6 trillion in 1994. For 1997, *EIR* estimates total world derivatives holdings to be \$125–150 trillion.

Figure 1: U.S. derivative holdings have risen from under \$10 trillion in 1990, to \$38 trillion today.

Figure 2: In 1997, America's two-way merchandise trade (exports and imports) represented only 1.99% of total U.S. foreign exchange trading: That is, less than 2% of foreign exchange trading is connected to real goods. Most of the cur-

TABLE 1

Top 25 U.S. derivatives banks

(billions \$)

Rank	Holding company	Equity	Assets	Derivatives	Dollars of derivatives per dollar of:	
					Equity	Assets
1	Chase Manhattan Corporation	\$ 20.8	\$ 352.0	\$ 7,311.4	\$352	\$20.77
2	J.P. Morgan & Co. Incorporated	11.3	250.5	5,984.9	527	23.89
3	Citicorp	21.4	304.3	2,801.2	131	9.21
4	Bankers Trust New York Corporation	5.2	128.9	1,998.8	382	15.5
5	BankAmerica Corporation	20.4	258.4	1,683.9	83	6.52
6	NationsBank Corporation	20.0	240.4	1,330.2	67	5.53
7	First Chicago NBD Corporation	8.5	112.6	1,108.8	131	9.85
8	Republic New York Corporation	3.3	56.1	344.8	104	6.15
9	Bank Of New York Company, Inc.	4.9	61.2	200.7	41	3.28
10	First Union Corporation	10.0	142.9	142.9	14	1.00
11	BankBoston Corporation	4.7	66.1	145.3	31	2.20
12	State Street Corporation	1.8	36.7	99.7	54	2.72
13	Norwest Corporation	6.5	83.9	88.8	14	1.06
14	Fleet Financial Group, Inc.	7.0	83.7	59.5	8	0.71
15	Wells Fargo & Company	13.1	100.2	53.5	4	0.53
16	Mellon Bank Corporation	3.6	43.8	45.1	13	1.03
17	Keycorp	4.8	70.2	33.7	7	0.48
18	Banc One Corporation	9.8	115.6	30.9	3	0.27
19	ABN Amro North America, Inc.	4.2	50.9	27.9	7	0.55
20	PNC Bank Corp.	5.4	72.0	26.7	5	0.37
21	HSBC Americas, Inc.	2.1	32.9	24.8	12	0.76
22	Corestates Financial Corp.	3.2	47.0	20.3	6	0.43
23	Northern Trust Corporation	1.6	26.1	22.2	13	0.85
24	National City Corporation	4.3	52.0	18.8	4	0.36
25	Chase Equity Holdings, Inc.	6.0	51.8	18.4	3	0.36
Totals, Top 25		\$203.9	\$2,840.0	\$23,623.1	\$127	\$8.32
All U.S. commercial banks		\$402.8	\$4,771.2	\$23,831.5	\$ 59	\$4.99

Sources: Office of the Comptroller of the Currency, company reports, *EIR*.

TABLE 2

World derivatives exposures

(billions \$)

Institution	1994	1995	1996	Change 1994 to 1996
Banque Bruxelles Lambert	\$ 178	\$ 201	\$ 326	83.1%
Générale Bank	133	210	259	94.7%
Kredietbank	197	278	407	106.6%
Belgium total	508	689	992	95.3%
Bank of Montreal	403	498	487	20.8%
Bank of Nova Scotia	372	488	589	58.3%
Canadian Imperial Bank of Commerce	569	880	1,039	82.6%
National Bank	60	66	51	-15.0%
Royal Bank of Canada	703	929	857	21.9%
Toronto Dominion	353	460	409	15.9%
Canada total	2,460	3,321	3,432	39.5%
Banque Nationale de Paris	1,919	1,814	2,196	14.4%
Crédit Agricole	704	524	1,601	127.4%
Crédit Commerciale de France	604	367	419	-30.6%
Crédit Lyonnais	1,827	1,053	1,013	-44.6%
Indosuez	935	787	<i>Merged into Credit Agricole</i>	
Paribas	2,142	1,877	2,154	0.6%
Société Générale	3,274	2,543	2,710	-17.2%
Union Européene de CIC	290	409	415	43.1%
France total	11,695	9,374	10,508	-10.1%
Bank Gesellschaft Berlin	95	220	413	334.7%
Bayerische Hypotheken- und Wechselbank	114	160	242	112.3%
Bayerische Vereinsbank AG	288	454	616	113.9%
Commerzbank	392	776	1,082	176.0%
Deutsche Bank	1,410	1,651	2,922	107.2%
Dresdner Bank	473	641	892	88.6%
Westdeutsche Landesbank	345	356	460	33.3%
Germany total	3,117	4,258	6,627	112.6%
Banca Commerciale Italiana	47	77	137	191.5%
Banca CRT	26	23	15	-42.3%
Banca di Roma	28	31	50	78.6%
Banca Nazionale del Lavoro	34	32	52	52.9%
Banco Napoli	34	26	19	-44.1%
Credito Italiano	43	59	94	118.6%
Istituto Mobiliare Italiano	43	52	97	125.6%
San Paolo di Torino	177	183	309	74.6%
Italy total	432	483	773	78.9%
Bank of Tokyo (Mitsubishi 1995)	1,197	2,869	2,843	137.5%
Fuji Bank	1,971	1,891	2,023	2.6%
Industrial Bank of Japan	1,880	2,071	1,805	-4.0%
Long-Term Credit Bank of Japan	863	651	697	-19.2%
Mitsubishi Bank	1,667	<i>Merged into Bank of Tokyo</i>		
Sanwa Bank	1,248	1,495	1,761	41.1%
Sumitomo Bank	NA	1,644	1,677	NA
Tokai Bank	854	671	1,124	31.6%
<i>Japanese banks subtotal</i>	<i>9,680</i>	<i>11,292</i>	<i>11,930</i>	<i>23.2%</i>
Nikko Securities	53	90	87	64.2%
Nomura Securities	134	150	94	-29.9%

TABLE 2 (continued)

Institution	1994	1995	1996	Change 1994 to 1996
<i>Japanese securities firms subtotal</i>	187	240	181	-3.2%
Japan total	9,867	11,532	12,111	22.7%
ABN-AMRO Bank	706	924	1,205	70.7%
ING Bank	214	275	328	53.3%
Rabobank	330	397	490	48.5%
Netherlands total	1,250	1,596	2,023	61.8%
Nordbanken	172	158	184	7.0%
Skandinaviska Enskildten Banken	416	557	607	45.9%
Sparbanken Sverige (Swedbank)	132	153	250	89.4%
Svenska Handelsbanken	306	410	638	108.5%
Sweden total	1,026	1,278	1,679	63.6%
Credit Suisse	1,600	1,959	2,269	41.8%
Swiss Bank Corp.	2,009	2,581	3,336	66.1%
Union Bank of Switzerland	1,718	1,781	1,938	12.8%
Switzerland total	5,327	6,321	7,543	41.6%
Barclays	1,490	1,569	2,207	48.1%
Hambros	480	271	157	-67.3%
HSBC	1,638	1,527	1,510	-7.8%
Lloyds	1,154	1,435	1,639	42.0%
National Westminster	1,394	1,869	2,859	105.1%
Royal Bank of Scotland	196	273	320	63.3%
Schroders	82	104	156	90.2%
Standard Chartered	221	319	358	62.0%
United Kingdom total	6,655	7,367	9,206	38.3%
Bank of New York	80	47	130	62.5%
BankAmerica	1,376	1,581	1,599	16.2%
Bankers Trust NY	1,982	1,702	1,780	-10.2%
Chase Manhattan (incl. Chemical 1995-1996)	1,367	4,834	5,623	311.3%
Chemical Banking	3,182		<i>Merged into Chase Manhattan</i>	
Citicorp	2,665	2,590	2,430	-8.8%
First Chicago	622	815	1,035	66.4%
J.P. Morgan	2,471	3,447	4,670	89.0%
NationsBank	511	1,007	1,322	158.7%
Republic New York	239	268	285	19.2%
State Street	NA	59	65	NA
<i>U.S. banks subtotal</i>	<i>14,495</i>	<i>16,291</i>	<i>18,874</i>	<i>30.2%</i>
Bear Stearns	89	128	353	296.6%
Donaldson, Lufkin & Jenrette	27	39	41	51.9%
Goldman Sachs	995	1,091	1,383	39.0%
Lehman Brothers Holdings	1,086	1,209	1,517	39.7%
Merrill Lynch	1,169	1,610	2,106	80.2%
Morgan Stanley	835	985	1,317	57.7%
Paine Webber	38	41	39	2.6%
Prudential Securities	46	28	29	-37.0%
Salomon Inc.	1,470	1,659	1,981	34.8%
Smith Barney	51	48	81	58.8%
<i>U.S. securities firms subtotal</i>	<i>5,806</i>	<i>6,838</i>	<i>8,847</i>	<i>52.4%</i>
USA total	20,301	23,129	27,721	36.5%
Peregrine Investments Holdings	NA	NA	28	NA
Grand total*	\$62,638	\$69,348	\$82,643	31.9%

FIGURE 1
U.S. derivatives exposure
 (trillions \$)

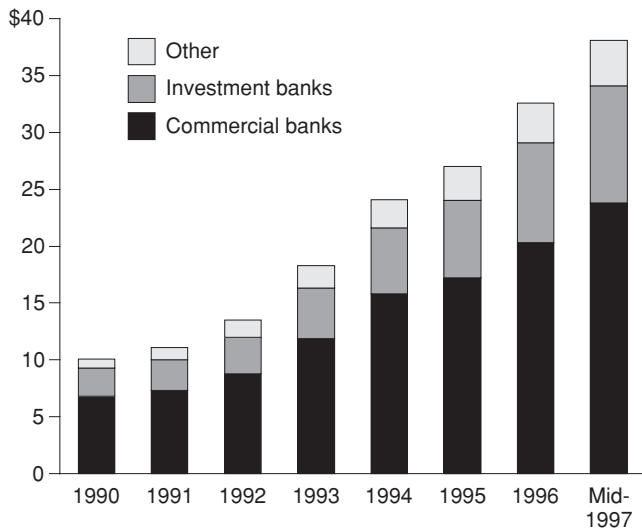


FIGURE 2
U.S. merchandise trade as percent of foreign exchange trading

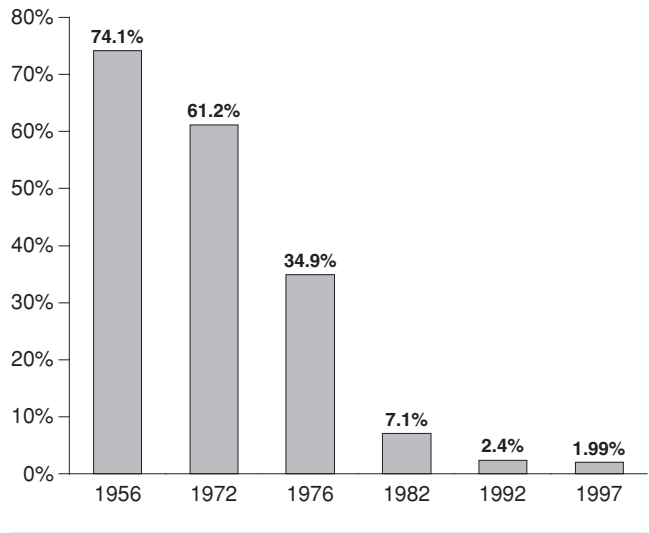


FIGURE 3
U.S. currency supply
 (billions \$)

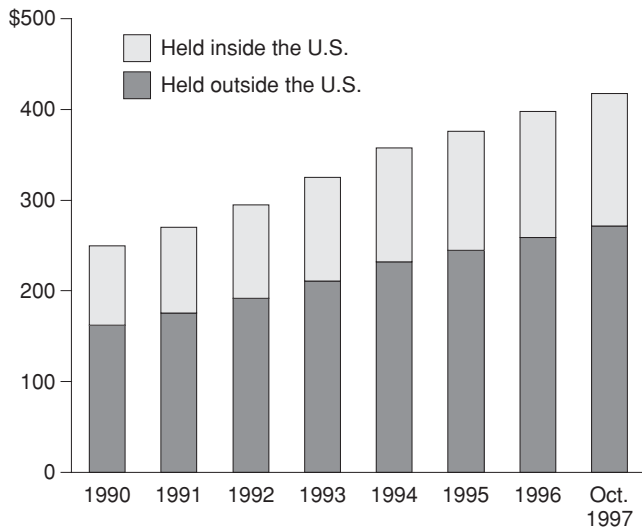
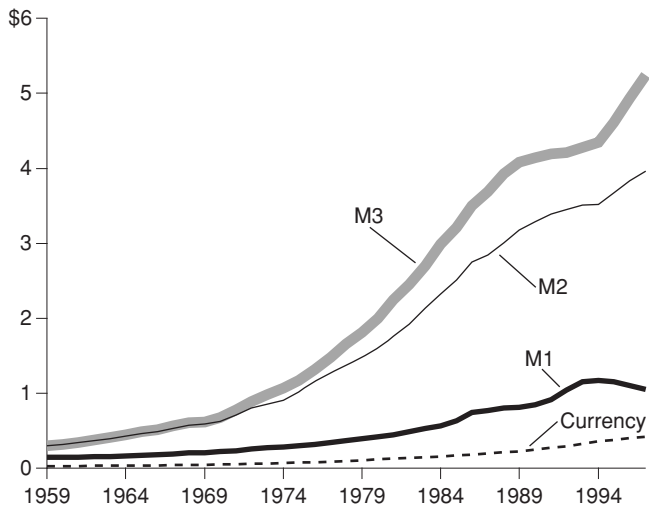


FIGURE 4
U.S. money supply
 (trillions \$)



rency trading is pure speculation. Back in 1956, three-quarters of U.S. foreign exchange trading was related to trade, with much of the rest related to tourism. In 1971, the United States delinked the dollar from the gold reserve standard, setting the conditions for the take-off in currency speculation.

Figure 3: In 1997, there was \$417 billion in U.S. physical currency—cash—circulating in the world, of which \$271 billion, or 65%, was outside the United States. Were foreign

holders of the dollars to dump a significant amount of dollars, this would represent a U.S. vulnerability.

Figure 4: Over the last 10 years, U.S. money supply M-2 (currency, checking accounts, saving deposits, and money market funds) and M-3 (M-2 plus some other accounts) have grown at an increasing rate. The growth of the money supply is not in the service of the physical economy, but rather to keep the financial bubble from blowing out.

Russia, China and the development of Eurasia

by Prof. V.S. Miasnikov

Professor Miasnikov is a Corresponding Member of the Russian Academy of Sciences, and Deputy Director of the Institute of Far Eastern Studies of the Russian Academy of Sciences. The full title of this paper is, "The Economic Situation in China and the Perspectives of Cooperation between Russia, China, and Other States in the Field of Realizing the Project 'The Eurasian Land-Bridge.'" A translation of an article by Professor Miasnikov on the Land-Bridge appeared in EIR, Sept. 19, 1997, p. 9.

Introduction

The next century will put many difficult questions before Russia. These issues are linked with various challenges, some of which have deep historic roots, and others which are the result of tectonic changes of the world situation, and of the economic, political, cultural, and other developments in Russian public life over recent decades.

The fate of Russia depends on whether we, within a fairly limited period, will manage to react in an adequate way to these old and new problems and challenges, and to mobilize a sense of national responsibility, appropriate to the difficult period of transition that Russia today is experiencing.

One of the most important aspects, when it comes to the question about the future of our country, concerns the perspectives of building up Russia's relations with the nations of the East—an East which has nothing to do with traditional, stereotypical prejudices about oriental exoticism and backwardness. On the contrary, the East evokes the image of a tightly wound spring which has suddenly been released. We are witnessing the unprecedented phenomenon of a leap—concentrated into a few decades—from the Middle Ages into a future of advanced development.

The paradigm of world history is now changing along the axis of interrelations between East and West. Many scholars, basing their analysis on the dynamics of this changing situation, have put forward the hypotheses, that the 21st century will be the "Century of Japan," the "Century of China," the "Century of the Asian Pacific Region" (APR). During the period from 1993 to 1996, summit meetings among heads of states and governments of the APR countries began to incorporate these hypotheses into political practice, leading to a change in the strategy of political development of the whole world. This strategy not only predetermines the attempts of the U.S.A. to adapt to the new situation; it also defines a transition, in which the Asian world is advancing toward Western civilization, thus returning the debt that has been accumulated during five centuries of Western colonialism in the East.

Russia is an Eurasian country. For Europe, the Russian state has for centuries remained an appendage of Asia, while for Asia, it has been an outpost of Europe, a part of the West and, consequently, a debtor.

This is the external context for Russia's identity. Its significance is obvious. But for Russia and Russia's people, it is more important to realize a sense of self-identity, based on developing a common national policy and on strengthening oneself, rather than merely recognizing, whether or not one belongs to one or another form of civilization. A comprehensive, clearly conceived foreign policy strategy, strengthened by the corresponding power of the state, makes it completely natural that a given country exercise a presence in areas important to its national interests, irrespective of how remote they might seem to be from a cultural and social point of view. One example of this, is the U.S. presence in the oil-producing areas of the Middle East. Vice versa, a state, tormented by internal conflicts and general weakness, is not even able to



China's President Jiang Zemin (left) and Russia's President Boris Yeltsin. "A strategic partnership with China would have two functional tasks," writes Professor Miasnikov. "First, it would deter a third country from pursuing an offensive foreign policy toward Russia, that would encroach on her national interests. Second, it would itself reduce the probability of a Chinese threat."

pursue its interests in regions to which it is related socially, culturally, ethnically, or in religion (as, for instance, the policy of Russia in the Balkans and in eastern Europe). The character of Russia's relations to its Asian neighbors on the verge of the 21st century is being affected by the unevenness in the development of Russia and the bordering states of Asia.

The problem of the uneven development of different states has existed in all historic periods. In the case of Russia's relations with Asia, this problem arose in the 13th century, in the period of catastrophic confrontation between the principalities formed by Kiev Rus, and the Asian nomadic powers. The nomads were victorious. The highly developed, but politically divided Rus, declined. The development of its original culture was hampered and deformed by the injection of an Asian component. This was the beginning of our "Eurasianism."

The strategy of promoting self-preservation and strengthening internal forces, that was adopted by the ruling elite of that time, led to the consolidation of Rus in the 13th century, allowing it to enter the international arena as an equal partner, and to proceed further in its struggle with the Steppes. The more advanced countries in Europe, which had experienced the first impulses from the industrial revolution, became bogged down in various wars around the succession to the Spanish throne. The Russian state had established diplomatic relations with the great powers of Asia — Turkey, Iran, India, China — and was fighting for equality in those diplomatic contacts. The concept of that equality was based on the real corre-

lation of forces and powers, above all those that even today shape the overall power of a state: economic development, scientific knowledge, national unity, and skillful diplomacy.

Encouraged by the reforms of Peter the Great, Russia made a cultural and social leap forward. Benefitting from the accomplishments of European technology and statecraft, Russia was able to surpass its Asian partners. However, the strategy for national development did not include the priority of developing a capitalistic market economy. The lingering prevalence of the aristocracy, nobility, and other attributes of feudalism hampered Russia's development. The problem of uneven development emerged in acute form at the beginning of this century, when Russia experienced the catastrophe of a war with the Japanese, who had likewise profited from the European experience. For the first time in its 400-year history of expansion to the East, Russia now clearly demonstrated its backwardness as compared with an Asian nation.

Again, in the middle of this century, a gigantic concentration of efforts by the Russians and other peoples of the U.S.S.R., brought our country into the ranks of the leading powers, as one of the two superpowers of the world. However, the forces of stress, connected with that bipolar confrontation, together with other changes unfavorable to our country, led to a situation, in which Russia gradually began to decline in world rank, as measured by an array of parameters. During the most recent years (even without a marked antagonistic confrontation), this process has taken on the character of a threat to national security.

In addition to the issue of self-identity, there is also another issue: how to characterize international partners; how to define their historic perspectives, their current situation, their understanding of Russia, the role they presumably will play in the future of Russia, and, finally, the possibilities for optimizing that role.

The economy of China: some conclusions for the years 1996 and 1997

For four centuries, China has been Russia's main partner in the East. The new geopolitical status of China has been constituted in the 1980s and 1990s. For the first time in the history of Russian-Chinese relations, China (as, also, Japan) has surpassed Russia in aggregate economic power, as measured in its rate of growth and its Gross National Product parameters. The current reality is admittedly such, that in the near future, and perhaps even in the medium term—barring some sort of *force majeure*—China will maintain a more favorable development perspective than will Russia. As far as Russia is concerned, the ongoing changes in China are of such a comprehensive character, that they necessitate a new definition of China as a foreign partner.

In 1996, the economy of China continued to develop under the strong influence of a “moderately austere” credit and financial policy. This policy has been pursued by the Chinese government since the second half of 1993, with the aim of taking the national economy out of a state of “overheating.” The main characteristic of the economic development of China during this period, has been a falling rate of economic growth, together with a simultaneously falling rate of inflation.

At the same time, economic development has progressed evenly and without disturbances. According to official Chinese statistics, for the first three quarters of 1996, China's Gross Domestic Product (GDP) amounted to 4.7 trillion yuan (\$550.3 billion), an increase of 9.6% compared with the same period of the preceding year. (In 1995, the GDP growth rate amounted to 10.2%; in 1994, 11.8%.)

The situation for agricultural production has been very favorable. Despite a severe flood in central China, the spring harvests of grain (including soybeans, potatoes, and batatas) have reached a record level of 110 million tons, which is an increase by 3% compared with the same period of 1995. Taken as a whole, the grain harvest of that year (wheat, early and late rice, corn, and soybeans) amounted to 480 million tons, a record for China. Production of meat was 700,000 tons, and the output of the fishing industry was 400,000 tons.

One of the results of the austere credit and financial policy, combined with a positive balance of trade, has been a stable exchange rate for the national currency in relation to the main world currencies. At the end of September 1996, the exchange rate was 8.30 yuan to the U.S. dollar, compared with 8.31

yuan to the U.S. dollar at the end of 1995.

1996 was the first year of implementation of the Ninth Five-Year Plan, covering the years 1996-2000, as well as the long-term program for development of China's economy until 2019. These policies orient the Chinese economy toward the target of realizing two strategic transformations: from a predominantly extensive, to a predominantly intensive mode of economic growth; and from a system of distribution by plan, to a market-oriented distribution system.

Experts point out, that China has an enormous potential for further development, but the magnitude of the problems China has to solve, is also enormous. In their view, it is impossible in principle to reach a completely unambiguous—completely positive or completely negative—evaluation of the situation in the country.

Concerning 1996, it is obvious that the prevalent tendency of socio-economic development of China, taken as a whole, has led to the aggravation of some old problems and the appearance of new ones.

The Chinese leadership can, above all, take credit for having accomplished a quite successful “soft landing” of the economy. That process started in the second half of 1993, and had the aim of decreasing the rate of growth of investments and of prices, primarily by means of a moderately austere credit and monetary policy. Under conditions of a normal (for the Chinese economy) GDP growth in 1996 of 9.7% (in comparable prices), the growth of the price index amounted to 6%, including 8.3% for the consumer sector. That is considerably less than the inflation rate in 1995 (14.8%). The Chinese have managed to restrain the growth of the added value in industry (13%—one percentage point less than in 1995) and the growth rate of capital investments (18.9% in nominal prices, and 12.5% with a deduction for inflation). Compared with 1995, the real income of the urban population and the rural population rose by 3.4% and 8%, respectively.

The comparatively higher income growth of the rural population in 1996 has, at least partly, been intended to break the tendency for a growing gap in living standards between the urban and the rural populations, with all its social implications. In 1995, for instance, 90 out of every 100 urban families owned a color TV, 66 had a refrigerator, and 89 owned a washing machine. But in the rural areas, the corresponding numbers of families possessing these domestic durables were 17, 5, and 17 out of 100 families.

The policy of active stimulation of consumption has led to a high growth rate of the retail commodity circulation: 13% in physical terms, and 19.4% in terms of monetary value. This has led Chinese analysts to speak of a qualitatively new situation having been attained on the nation's consumer markets: The “deficit economy” (to use J. Kornay's famous expression) has become a thing of the past. Concrete proof of the elimination of deficits in the Chinese economy, can be seen in the process of rather massive decreases in the prices of investment goods and consumer durables, which began in 1996.

Foreign trade relations

The foreign trade relations of the country have continued to develop, owing to a policy of opening to the outside world. It has been possible to overcome the tendency for stagnation in the field of foreign trade, which began to be noticeable during the first half of 1996—a success that was conditioned, to a great extent, by a reduction of the rate of return of value-added tax to exporters. According to expert opinion, the foreign trade turnover of China in 1996 amounted to \$290 billion (\$137 billion in imports and \$183 billion in exports), as compared to \$281 billion in 1995. China moved up to third place in the world in the export of ships, while the export of high-technology products for the first time exceeded \$10 billion.

China's foreign currency reserves reached \$100 billion. The inflow of foreign capital in 1996 was \$48 billion, including direct foreign investments of \$40 billion, a 7% rise compared to 1995.

Starting July 1, 1996, a number of restrictions on foreign exchange transactions were abolished for joint ventures. Starting Dec. 1, 1996, convertibility of the yuan was introduced on current transactions.

In terms of the volume of foreign investments in its economy, China holds second place in the world. In 1995, foreign investments into China's economy amounted to \$38 billion.

While in the first half of 1997 the GDP of the entire P.R.C. economy grew by 9.5% as compared to the same period of the previous year, the volume of pledged foreign investments (\$23.6 billion) has turned out to be 48.7% lower than in 1996. Even with due account given to the fact that real investments (\$20.7 billion) exceed last year's figures by 5.5%, some experts are beginning to talk about the end of the investment boom in China's economy.

Russian capital investments in China amounted to 0.04% of all foreign investments in the country.

In December 1996, came the announcement of transition to convertibility of the yuan for current transactions. (Complete convertibility is projected to be achieved in 2000-05.) The access of foreign capital to the country's financial market has been enlarged: Beijing has finally been included among the cities, where foreign banks are permitted to open affiliates. Permission has been given for the creation of joint ventures in the field of foreign trade (beginning with Shenzhen and Pudong as the first stage), as well as with state farms in the agricultural field.

Financial and credit policy

Compared to 1995, the market in stocks livened up significantly. The index of stocks on the Shanghai Stock Exchange rose from 500 points in January-February 1996, to 700 in the middle of the year, and exceeded 900 points in October-November 1996. The index of stocks on the Shenzhen Stock Exchange, which at the beginning of that year was somewhat below 1,000 points, in July exceeded 2,000 points, and rose by October-November 1996 to 3,500 points. In contrast to previous years, in 1996 the volume of transactions on

the Shenzhen Stock Exchange was, as a rule, 2-3 times larger than in Shanghai. In the course of nine months, the total turnover of share transactions on the two security markets exceeded 970 billion yuan, which is 2.4 times more than for the whole year 1995.

At the same time, during the last months of 1996, there was a sharp increase of speculative tendencies on the stock markets in China. The stock index in Shanghai passed 1,200 points during the first ten-day period of December, while Shenzhen rose to over 4,000 points. The highest quotation was reached on Dec. 9 (1,247 in Shanghai and 4,501 in Shenzhen). Moreover, the turnover from share transactions reached record levels: 19 billion yuan in Shanghai and 17 billion yuan in Shenzhen (a total sum three times larger than the maximum turnover on the stock exchange in Hongkong). The speculative demand for shares was stimulated by prognoses of an impending growth of the stock index to 1,800 points on the Shanghai stock-exchange and to 6,000 points on the Shenzhen stock-exchange.

The Chinese leadership judged that the situation was fraught with the danger of a stock-market crash, which would have extremely severe consequences for the whole economy. Accordingly, on Dec. 15, authorities imposed a 10% limitation for the maximum change in share prices during one day of stock-exchange trading, while, at the same time, launching a broad educational campaign among the population about the existence of a risk factor in stock-exchange operations. This made it possible to bring down the wave of speculative demand for shares. On Dec. 24, 1996, the stock index fell to 865 in Shanghai and 2,916 in Shenzhen, and the turnover decreased to 2.9 and 4.8 billion yuan, respectively.

This once again demonstrated, that the Chinese leadership, at critical moments, does not refrain from using methods of direct administrative intervention into the functioning of the economy.

At the same time, the shift of the center of gravity of macroeconomic regulation to market-type mechanisms, announced in many Communist Party and governmental documents, has overall been quite successfully realized in practice. To give an example: Twice in the course of 1996, there were reductions in the basic interest rates of the People's Bank of China on credits and deposits. (This was one of the serious reasons for the rise in demand for stocks.) Beginning May 1, the average-weighted bank rate on deposits was lowered by 0.98 percentage points, and beginning Aug. 23, by yet another 1.5%. The bank rates on credits were correspondingly lowered by 0.75 and 1.25 percentage points. As a result, the bank rate on one-year deposits went down from 10.98% to 7.4%, and on one-year credits from 12.06% to 10.08%.

This measure is evidence of a certain adjustment of the economic policy in China as a whole. Above all, it indicates that the government has gone over to a policy for stimulating economic growth, rather than restraining it as was done in the preceding stage. According to prognoses by experts at the Academy of Social Sciences of China, the growth of GDP

in 1997 will reach 10.3%. A big growth in investments is expected; foreign trade turnover is expected to be \$321 billion (\$156 billion in imports and \$165 billion in exports). At the same time, the policy of curbing inflation will officially remain in place. Prices are expected to rise by 6.7% in 1997, including 7.9% in the consumer sector and 5.8% in the investment sector of the economy.

The state-sector industry

The softening of monetary policy was intended, above all, to at least partly remedy the severe financial situation of the state-sector industry, where the problems during the last years have been growing like a snowball. According to an expression used by some Chinese economists, the “soft landing” of the economy turned into a “hard, stony ground” for many state-owned enterprises.

At the beginning of 1996, the indebtedness of the state enterprises reached 800 billion yuan. In the middle of that year, the total debts of 148,000 state-owned enterprises to credit and finance institutions, amounted to 3.36 trillion yuan, thus exceeding the sum total of the individual savings of the whole population. The assets to liabilities ratio of the state-owned companies was 85%, as compared with 20% at the beginning of the 1980s. The immediate aim of planned government measures, is to ease the burden of the companies’ interest payments on credits — a sum total of 100 billion yuan a year — in order that they could more actively seek credits to resolve their mutual indebtedness.

Especially alarming is the unprofitability of the textile industry, which has recently begun to reveal itself. For a long period, the textile industry has been China’s leading export industry and an unflinching contributor to the state budget. One of the reasons for its present unprofitability, is the rapid increase in purchase prices of domestically produced cotton (from 6,600 yuan per ton in 1992 to 14,000 yuan in 1996). Here, it seems that China’s leadership has committed a serious miscalculation. The high cotton prices have made it difficult for the peasants to sell their cotton to purchasing organizations, leading to production cuts. Thus, cotton harvests dropped to a mere 3.8 million tons in 1996, as compared with 4.76 million tons in 1995, leading to an increasing demand for imported cotton in China.

The situation is also problematic in the automobile industry, despite plans to make it one of the “locomotives” for the country’s modernization in the medium-term future. In 1996, Chinese car manufacturers were working at 50% of their capacity. By the middle of 1996, the volume of unsold cars reached 116,000 — a third of the total volume of 1995 (320,500).

The worsening of the financial situation of such traditionally successful branches as the textile industry and automobile manufacturing, provides irrefutable proof of the urgency of reforming the state-owned enterprises. This could be the most difficult and most extensive problem confronting the Chinese

economy today. The failure of all previous attempts to reform the state sector, has caused some people to raise doubts about the success of China’s whole reform process, while convincing others of the inevitability of a transition to privatization of the state-owned enterprises.

Responding to these kinds of sentiments, the national leadership took a number of steps during 1996, to search more actively for pathways to reform the state-owned enterprises. These decisions emphasized elaborating methods to reduce state-enterprise indebtedness, including the following: shifting debts to state investments; transforming companies to joint-stock companies and subsequently selling off a part of their shares; using bankruptcy as a means of stopping the growth of indebtedness; giving benefits to companies that have reduced the assets-liabilities ratio to an acceptable level; and so on.

At the same time, there is in China a deepening understanding of the fact, that the transfer of state-owned companies to a market-oriented mode of operation requires an array of interlinked reforms; including, above all, in the administration of state property. Thus, according to a poll, the most difficult area in creating a “system of modern corporations” (that is the official term for the targeted model of reforming the state sector in China), is located in the “uncertainty of property rights” (36% of the company managers and 41% of the civil servants) and “the absence of an adequate social security system” (18% of the managers and 22% of the civil servants). In 1996, steps were taken to reform the system of medical care and pensions, in the direction of increasing the direct payments of the workers for health services and pensions. But the principle of gradualness, which has become something like a distinctive visiting card for China’s economic reform, is maintained also in this domain.

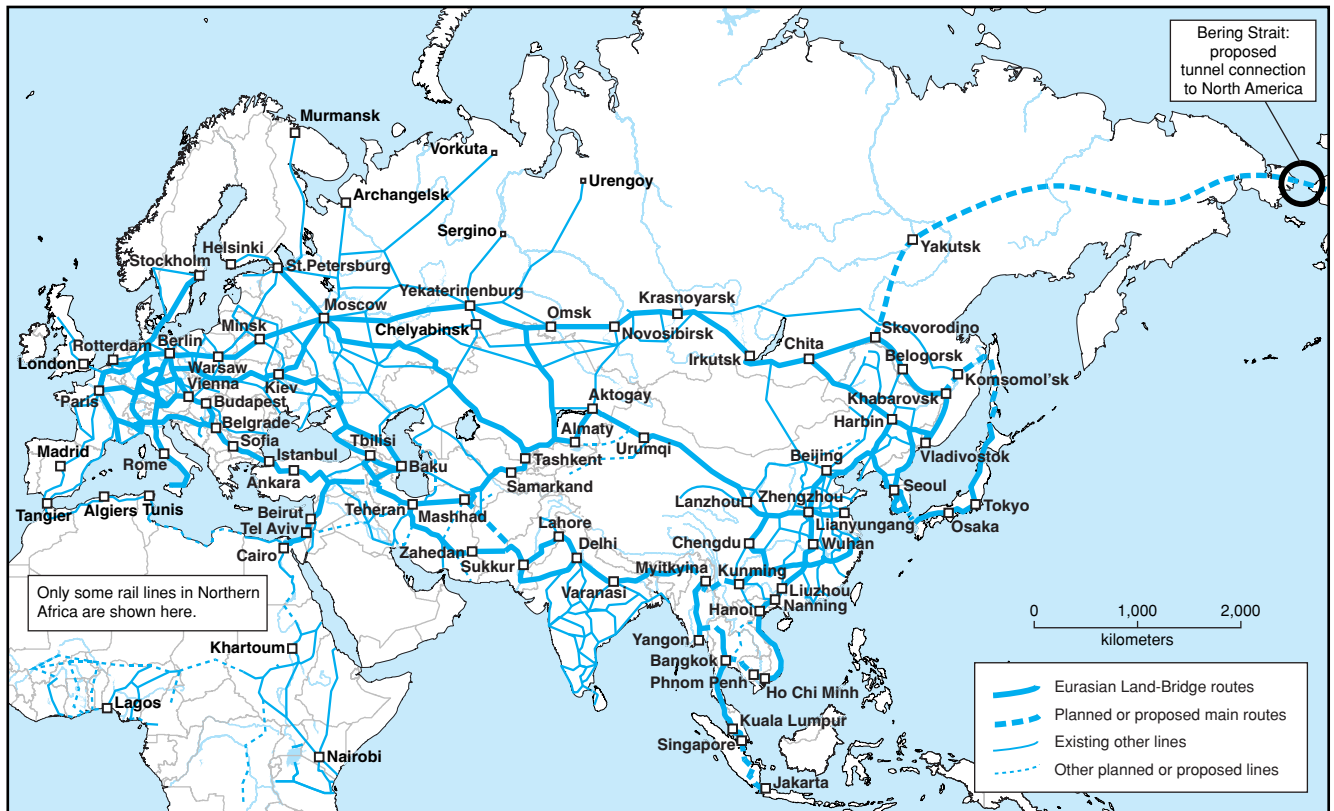
Problems of food supply and living standards

A strategic long-term dimension is inherent in many other problems facing the economy of China. The Oct. 25, 1996 issuance of the document “On the Question of Food Supply in China,” by China’s State Council Information Office, can lay claim to be the event of the year. As a kind of White Book on food supply, this document is intended to prove the groundlessness of various dark prophecies about China’s alleged inability to feed itself in the next century. The document declares, that the measures that have been taken to reform the system of managing agricultural production, and to enhance the productive forces of the rural areas, will enable China to produce 640 million tons of grains by 2030 — enough to feed a population of 1.6 billion people.

The Chinese leaders are worried about the still-high level of poverty among the population. If the poverty level were to be measured on the basis of a per-capita consumption of \$1 a day, instead of using the standard of 60¢ now used in China, the proportion of poor would rise from the official 9% of the population, to approximately one-fourth.

FIGURE 1

Eurasia: main routes and selected secondary routes of the Eurasian Land-Bridge



The overwhelming majority of the poor are concentrated in central and western China. The backwardness of those regions, as compared with the successful coastal regions, has become not only an economic problem, but also a political one, actively debated in the press. In this field, it is high time to translate words into deeds. One important practical step to uplift the western regions, is to raise the city of Chongqing to the status of a city under direct central government jurisdiction (up to now only Beijing, Shanghai, and Tianjin have had this status). In any case, these matters are receiving wide publicity in the world press.

Of course, even the most decisive adjustment of regional policies by administrative methods, does not guarantee that the central regions of the country will manage to reduce the gap vis-à-vis the eastern provinces, over the short term. This disproportion has been growing in the 1990s, under the strong objective influence of China's accelerating transition to a more market-oriented economy. In the near future, the Chinese leaders will give priority to other tasks, such as the transformation of Shanghai into one of the leading economic and financial centers of East Asia, and the problem of "absorbing" Hongkong into the mother country. All this objectively requires massive financial support from the state budget, which

will reduce the resources available to be allocated to the interior regions of the country.

The contradictory and sometimes very painful social effects of market mechanisms, are illustrated by the situation of housing in China. Implementation of a policy of payment for housing, has led to a growth of the average prices on "marketable housing" in the country, from 703 yuan per square meter in 1990, to 1,282 yuan in 1993, and 1,585 yuan in 1995. In Beijing, Shanghai, and Guangzhou, prices went up to 7,000-10,000 yuan. As a result, the value of an apartment of 40-60 square meters, is 10 times the annual income of an average Chinese city-dweller. By comparison, the international norm is considered to be on the level of 3-6 times the annual income. At the end of 1995, there were 40 million square meters of "marketable housing" in the cities, while at the same time, 4 million families live in apartments with less than four square meters of dwelling-space per person.

It seems that the Chinese leadership has become convinced, in practice, that a forced transformation of the economy to a market-oriented one, while solving some problems, creates others which cannot be resolved by the workings of the free-market forces alone. The decisions of the Sixth Plenum of the Fourteenth Central Committee meeting of the

Communist Party of China, entitled "Some important questions about strengthening the construction of a socialist spiritual culture," clearly express the intent to not merely hold the market economy "by the tail," but to direct it more rigorously toward a form of overall development of a society, which officially remains socialist.

Such, in general outline, is the economic situation in China today. Despite all its difficulties, there is little basis for predictions of an inevitable socio-political destabilization in the country. It makes more sense to characterize the state of affairs in China today, in terms of the typical problems of a nation in the process of a difficult transition to a market economy, taking into account the enormous size of the Chinese economy and the problems it is facing.

According to the Ninth Five-Year Plan (1996-2000), the average growth rate of the Chinese economy will be 8% per year. China will continue its policy of macroeconomic control. The level of inflation will be around 6-7%, the turnover of China's foreign trade in 1997 will, according to the prognosis, exceed \$320 billion (a projected growth of 7%), with a small trade account surplus.

Summing up the analysis, it is important to note:

1. The transition from restraining economic growth to stimulating it. That is the distinguishing characteristic of the current economic policy of the Chinese leadership. The adherence to a moderately austere credit and monetary policy, together with a general policy of securing socio-economic stability in the country, is expected to have a positive effect on the growth rate of the economy. This will occur through a more flexible policy on interest rates, an expansion of consumer demand, and a dirigistic solution of the problems of the state sector.

2. During 1996, the leadership of the country gave unprecedented attention to the question of reforming the state-owned enterprises. On the basis of a comprehensive analysis of the underlying reasons for the difficulties of the state sector, it seems that China's leadership has succeeded in finding some concrete ways to solve the problems that have been accumulating. These problems include: how to reduce the number of employees in the enterprises; how to realize plans for "optimizing the property structure," including bankruptcy and selling off property rights of inefficient companies through market channels; and, how to soften the indebtedness of the companies.

3. As a matter of fact, the effectiveness of many of the proposed measures will be seriously tested in the course of 1997. This is occurring in connection with realization of the policy, proclaimed by the country's leadership at many political and economic conferences at the end of 1996, to accelerate and expand the reforms of the state-owned enterprises. Judging from all indications, reforms of the state-owned enterprises, together with measures intended to ensure the success of those reforms — measures such as improvement of the secondary stock market and creation of a social welfare system consistent with market-economic principles — will be given

the highest priority within the overall economic reform in China, in the course of 1997 and following years.

4. The complex character and high social price of the coming market reforms lead one to suppose, that the reform policy in China has reached a critical point. The general success or failure of the whole Chinese model of a "socialist market economy" is directly connected with the final success or failure of the proposed transformation of the state sector and the social security system.

5. The Chinese leadership has also announced, that agriculture belongs among the sectors which should enjoy priority attention in 1997. This should be interpreted with certain reservations. The agrarian sector benefitted from a considerable price advantage in the preceding years. Hence, the only domain that can count on a serious financial support from the state in the near future, is the construction of irrigation systems. The Chinese leadership does not want to force through a new round of reforms in the rural areas, but rather counts on the possibility, that some of the problems will be resolved through the natural functioning of market mechanisms. That would include optimization of the division of arable lands into districts, and rapid development of the non-agrarian sector in the interior districts. At the same time, the way has been paved for a probable activation of the transformation process in the future. Of particular interest, are the elections of local authorities in the rural areas, the acceptance of a law on village enterprises, experiments with various cooperative forms of management, and the decision to carry out the first nationwide inspection of agriculture.

6. There has been increasing attention paid by scientists, businessmen, and politicians, on how to improve China's economic structure. It would appear that this tendency cannot be explained only by the necessity of a better "fine tuning" of the structural policy in order to create a favorable macroeconomic climate for reforming the state sector. There are, in addition, clear indications that the previous strategy for economic development, based to a large extent on forced growth of production and export of labor-intensive products (textiles, shoes, a wide spectrum of domestic durables), has begun to run out of steam. It seems that the attempt to gradually shift the center of gravity for industrial development, to a new group of leading industries — mechanical engineering, electronics, auto manufacturing, petrochemical industries, construction — has not yet led to the projected results. It is not to be excluded that, in the near future, China may undertake a significant correction in the choice of priority sectors. (In our opinion, the main candidate for the role as high-priority industry is the ferrous metals industry. Here, a policy of import substitution, together with an orientation toward exports in this sector, can be expected to produce a large economic gain.)

7. In a short-term perspective, one can expect that the influence of non-economic factors on the economic development of the country, will grow considerably. Of significance, is the emphasis on the socialist character of the development of Chinese society, pronounced by Jiang Zemin and reempha-

sized in the decisions of the Sixth Plenum of the Fourteenth Central Committee Meeting of the Communist Party of China (CPC), in which the goals of economic growth and of the creation of a socialist culture, are allotted equal importance. Also important is the Fifteenth National Congress of the CPC (which has recently taken place), and the evident political consolidation of the "Shanghai group" in the highest echelon of power. The Fifteenth Congress directed special attention to reforms of the state-sector industry. All of these things, taken together, add up to a very powerful "vector of influence." In particular, one can expect a more active struggle against corruption, at least formally, and strong support for Shanghai in its striving to become one of the economically most important centers in the Asia-Pacific region—even if this would compromise the task of uplifting the interior regions of China.

8. In summary, China confronts a large array of complex economic problems which must be solved in the immediate future, many of which are contradictory in nature. China must find answers not only to old questions, but also to new ones, which in many respects are different from those China faced during the previous stage of reforms and opening-up. This, in our opinion, underlines the need to carry out painstaking investigations of the economic life of China, on an ongoing basis.

The new phase in Russian-Chinese relations

China is going through a transition period, not only from a socialist planned economy to a planned market-economic system, but also from being a regional power to becoming a great world power.

The most important components of China's development strategy are fulfillment of the policy of the Four Modernizations, the reunification of Hongkong with China, followed by a union with Taiwan, and the creation of a "Chinese economic space" ("Great China"), comprising the People's Republic of China, Taiwan, Hongkong, and Singapore.

The reunification of Hongkong with the P.R.C. creates a new political climate in East Asia, and may be able to facilitate Taiwan's reunification with the mainland. Favorable developments include the opening of maritime transport routes between the mainland and Taiwan, opening the offshore zone in Gaoxiong, and opening the navigation route to Xiamen. Only technical issues remain to be settled in order to open direct airline service between Moscow and Taipei. The volume of Russian non-direct trade with Taiwan has reached \$1.2 billion in 1996, and is expected to be \$1.5 billion in 1997. At present, all trade transactions are made through third countries.

At the same time, China's influence on the world economy will be strengthened through the interaction between the

"Chinese economic space" and the overseas Chinese population, the *huaqiao*. Finally, Chinese penetration into the economic space of the Commonwealth of Independent States (CIS) countries, above all, Russia, should also play a significant role. In that case, the breakthrough will be achieved through the principle of exerting influence upon the weakest link of the world economic system.

The realization of this strategy to turn China into a great world power, depends to a great extent on the internal development of China in the period after the departure of Deng Xiaoping, and other political leaders of his generation, from the political scene. But already today, it is obvious that a strategy for bringing Russia out of its crisis and making it an active and equal partner of the states of the Asia-Pacific region, or any of its sub-regions—especially in Central Asia—might lead to a confrontation with China's strategy. The struggle for foreign investments, defense of labor markets, and the competition for export markets, constitute by no means all of the areas where contradictions might emerge between the two states and their respective strategies. At the same time, at the present stage, both countries have an interest in strengthening each other as a counterweight to the dominance of the U.S.A. and Japan, as well as in the interest of improving their bilateral relations.

On March 17, 1996, the Ninth Five-Year Plan for economic and social development of China was adopted, together with a long-term program extending to the year 2010. This also means the implementation of the second stage of the strategy for China's entry into the 21st century. China's experience of 19 years of reform gives reason to expect, that the impressive goals of the new plan will be achieved.

Some experts today, who are examining possible scenarios for the development of Russian-Chinese relations on the verge of the 21st century and beyond, foresee not only a probable strengthening of a strategic partnership, but also its inevitable development into some kind of union. Others, however, speak about the Chinese menace and a very high probability of a confrontation between the two powers in the next century. A certain dialectic exists in these two, quite contradictory approaches. That includes, in particular, the fact that we, given the changing situation in our own country, cannot for certain exclude either of the alternatives just mentioned. In this context, we are aware that none of them would be desirable for Russia: A union with China would mean a confrontation with a third country, whereas the second version, by itself, means a confrontation. Therefore, it is absolutely imperative to be clear about the fact, that any sort of confrontation with another great power in the foreseeable future (regardless of whether or not Russia would have support from an allied country) would be disastrous, because Russia would thereby become a pawn in a foreign game.

Consequently, from a geopolitical point of view, a strategic partnership with China would have two functional tasks: First, it would deter a third country from pursuing an offensive foreign policy toward Russia, that would encroach on her



A view of Tacheng, in northwestern China, designated as an opening frontier city in June 1992. Eight kilometers southwest of the city, the Baketu Port, opened to Russia 200 years ago and reopened in 1992 after 30 years, is the transit point for trucks carrying goods from Kazakhstan into China. Russia and China aim at quadrupling trade, to \$20 billion per year, by the year 2000.

national interests. Second, it would itself reduce the probability of a Chinese threat.

A strategic partnership, second in rank compared to a relationship of union, carries a number of advantages: On the one hand, in contrast to a union, it does not presuppose some kind of Russian responsibility for China's activities; nor does it impose obligations that would seriously restrain Russia's freedom of maneuver. On the other hand, it increases the level of confidence in Russian-Chinese relations, and, as seen through the prism of "geopolitical polygons," it stimulates other powers—the corners of these polygons—to upgrade their relations with Russia and China to this higher level. (The latter condition is generally more favorable to China, but even Russia will obtain certain dividends, owing to the interest of other powers in not permitting a further Russian-Chinese rapprochement.)

For example, speaking at the session of the Association of Economic Co-Thinkers in August 1997, Japan's Prime Minister R. Hashimoto set forth a new concept of national foreign policy, described by him as "Eurasian diplomacy." The major objective of the concept is to expand and strengthen ties with Russia, the CIS countries, and China. This step has been necessitated by the new conditions emerging in the world. The main change is the "disappearance of communism as a desired objective, making it possible to direct many countries toward the liberal market economy." A period has come which does not recognize national borders, and international corporations are now free to select the countries where they wish to operate. All this has resulted in the urgent revision of

obsolete stereotypes and the opening of new markets for Japan. In this connection, the primary task is to settle relations with neighbor countries.

Hashimoto put forward two new ideas in the economic field. First, economic cooperation with Russia should be promoted in strictly defined sectors. Japan is prepared to contribute to energy development in Siberia and the Russian Far East. This meets the interests of both countries and the Asia-Pacific region as a whole. Japan is also prepared to take part in joint projects for oil and gas production in Sakhalin, as well as the construction of gas pipelines in Yakutia and the Irkutsk Region. For example, the Japanese side expresses its readiness to take a most active part in development of the Kovyktinsky natural gas deposit in the Irkutsk Region and construction of the gas pipeline to China, South Korea, and Japan. Ten private companies plan to set up a joint investment-based company as early as 1997, which would be a major Japanese partner in the project.

It is necessary to add the reservation, that the realization of all these above-mentioned positive elements, is only possible under conditions of active and competent diplomatic support. An example of this is the array of many-sided and unique measures, such as: the establishment of mechanisms for regular summit meetings between high-level leaders and heads of the governments of the Russian Federation and People's Republic of China, the April 1996 Shanghai agreement, and the April 1997 Moscow agreement with the participation of Kazakhstan, Kyrgyzstan, and Tajikistan.

During his planned visit to Russian Siberia in the beginning

of November 1997, Hashimoto will discuss in Krasnoyarsk city his new "Eurasian diplomacy" with President B. Yeltsin. After this meeting, the Russian leader will visit China.

In these days, the booming economic growth in the countries of the Asia-Pacific region has dramatically altered the attitude to the "Easterly" direction in Russian politics. The development of cooperation with the APR countries, and the search for an optimal path of integration into this region, have become primary tasks for Russia's foreign policy. Accordingly, during recent years, Russia's strongest attention has been fixed on its Chinese neighbor.

The 'new international order'

The transition from one century to another is not a date on the calendar, but a complex historical process, implying qualitative changes in the development of human civilization. This approach to understanding the milestones of the onward march of history, becomes even more important when it comes to evaluating a "double step," i.e., when the turn of the century coincides with the turn of the millennium. Mankind is right now advancing to that sort of landmark.

What we see on the international scene is not simply a regroupment of forces. It is a matter of principal and qualitative changes. The paradigm of world history has shifted: Instead of a confrontation between social-economic systems, the line of conflict now runs East-West and North-South; the struggle between objective tendencies toward economic integration and international convergence, on one hand, and subjective separatist aspirations, on the other, becomes more intense.

The "new international order" (NIO), for which the overwhelming majority of nations is pleading, is a new architectonic structure of international relations, arising in connection with the objective conditions of development in various countries. The NIO is also shaping the new historic conditions, under which mankind will live in the next century. According to the view of the majority of states, the NIO must be built on a democratic foundation, on the principles of the United Nations and the fundamental principles of international law. In the process of its creation, it is necessary to take the basic set of values of each civilization fully into consideration.

On April 23, 1997, during the state visit by Chinese President and CPC Chairman Jiang Zemin to Moscow, Russia and China signed a "Common Declaration for a Multipolar World and the Formation of a New International Order." This document gave concrete form to the paths of development of a strategic interaction between the two powers in the 21st century.

The Moscow Declaration binds the parties, in the spirit of partnership, to "make efforts to contribute to the development of a multipolar world, and the establishment of a new international order." In that respect, both Russia and China adopt as point of departure, the fact that fundamental changes have occurred in the sphere of international relations at the end of the 20th century, following the end of the Cold War. The

system of bipolar confrontation has disappeared and been replaced by a positive tendency to build a multipolar world. These changes not only affect the interrelations among and between the large states, including the former antagonists of the Cold War. Also, a growing number of other countries have come to a common conclusion about the necessity of developing mutual understanding, equality, and mutual benefit, instead of "hegemonism" and power-politics; dialogue and cooperation, instead of confrontation and conflicts. In order to build up a peaceful, stable, just, and rational new political and economic international order, one must not forget the increasingly important role of regional organizations for economic cooperation. Broad international cooperation is an urgent demand of this epoch and an imperative for historic development.

The Russian-Chinese declaration makes it possible to build a realistic road leading to humanization and democratization of international relations. Similar to the UN Charter of Human Rights, the Moscow Declaration is a fundamental code of rights and obligations for the behavior of states in the international arena, adapted to new conditions. The sacrifices made by mankind during the Cold War make it imperative, that mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-intervention in the internal affairs of other states, equality and mutual benefit, peaceful co-existence, and other universally recognized principles of international law, finally may triumph in international relations.

Truly democratic relations imply that each partner in international relations has to be accepted for what it is; that every state has the right, independently of other states, to choose its own path of development, taking into account its concrete circumstances. In this respect, different social systems, ideologies, and sets of values must not become an obstacle for the development of normal relations between nations.

Especially significant, is the statute which says that all nations, no matter if they are big or small, rich or poor, are in fact equal members of the international community. No country should strive for hegemony, pursue power-politics, or try to monopolize international affairs.

It is also important, that the declaration underlines the role of a great circle of developing countries, and of the Non-Aligned Movement, as a significant force, furthering the formation of a multipolar world and a new international order. The interaction between developing countries is becoming stronger; their role in international politics is growing, and their share of the world economy is increasing. "The rise of the developing countries," proclaimed leaders of Russia and China, "gives a powerful impulse to the historic creation of a new international order. These countries must occupy their rightful place in the future international order, to be able to participate as equals in international affairs, and without any discriminatory limitations."

The new international order must not be implemented by coercion or force. In order to consolidate a new, all-embracing



An artist's rendition of the Three Gorges Dam, a project which will provide China great benefits, including power generation and flood control. In the interest of participating in this project, a special Three Gorges consortium has been created in Russia.

security concept, it is necessary to do away with the Cold War mentality and other reminiscences of bloc politics, across the board. "It is imperative," the declaration emphasizes, "to settle disputes and conflicts between nations through peaceful methods, not by force or threats to use force; by means of dialogue and consultations to further the establishment of mutual understanding and confidence; and to strive for peace and security through bilateral and multilateral coordination and cooperation."

One should also note that Russia and China were unanimous in the view that "it is necessary to strengthen the role of the UN and its Security Council." They gave a positive evaluation to the UN's efforts to maintain peace and security in the world as a whole, and particularly emphasized, that "the role of the UN in the world, as the most universal and authoritative organization of sovereign states, cannot be replaced by any other international organization." They expressed their conviction that "the UN plays an important role in establishing and maintaining the new international order." The mission of renewing the character of international relations, has high priority for the peoples of all countries. In the Moscow Declaration, Russia and China "call on all nations to start an active dialogue on the question of building up a peaceful, stable, just, and rational new international order, and are prepared to jointly discuss any constructive proposals brought forward in this context."

Russia's economic and trade cooperation with China

From the side of the People's Republic of China, the Resolution on the Ninth Five-year Plan and the Program for China's Development Up to the Year 2010, emphasize the necessity to continue raising the level of China's opening to the outside world, and upgrading its contacts with other countries. In this respect, it is important to note, that stress is placed on utilizing foreign investments and other foreign resources to promote the development of the central and western parts of China, and that exports of Chinese products are growing dramatically. By virtue of its geopolitical position, Russia occupies a special place in the economic strategy of China.

As a consequence of this, beginning in 1995, Russian-Chinese cooperation in the fields of trade, science, and technology, entered a new phase. The documents signed as a result of President Yeltsin's visit to China in 1996, and President Jiang Zemin's visit to Russia in 1997, have consolidated this new model of relations, in which the leading role will be played by cooperation in the fields of energy, machine-building, space technology, transportation, and advanced technologies. This was elaborated more in detail during the visit to China in June 1997, of Russian Prime Minister V. Chernomyrdin.

In the course of these visits, the leaders of the two countries expressed their wish to promote mutually beneficial bi-

TABLE 1

Soviet and Russian trade with the People's Republic of China*

(millions \$)

	1981-85	1986-90	1991	1992	1993	1994	1995	1996**
Trade volume	6,216	18,922	3,904	5,862	7,679	5,077	5,463	5,697
Exports	3,047	9,546	2,081	3,526	4,987	3,496	3,799	4,338
Imports	3,169	9,376	1,823	2,336	2,692	1,581	1,664	1,359
Trade balance	-122	+170	+258	+1,190	+2,295	+1,915	+2,135	+2,979

* Before 1992, trade between the U.S.S.R. and the P.R.C.; from 1992 on, trade between Russia and the P.R.C. From 1991 on, data based on Chinese trade statistics.

** First 10 months.

lateral cooperation, and came to a common understanding on a wide range of questions connected with the directions, pathways, and goals of a comprehensive partnership between the two nations. They also signed a number of inter-governmental agreements, giving a further impulse to the development of bilateral cooperation in the fields of trade, science, and technology. These documents are of utmost importance for the further development of friendly and mutually beneficial Russian-Chinese relations in the form of a constructive partnership, aiming at strategic interaction in the 21st century.

At present, the volume of trade between Russia and China has begun to grow. It increased by 41.2% in the first half of 1996, reaching \$3.27 billion on July 28, 1996. *Business Weekly* (the Sunday supplement to *China Daily*) proclaimed the view of the Chinese side, that it would be fully realistic, to be able to raise the trade volume between the two countries to \$20 billion annually by the year 2000. This figure, which would mean a quadrupling of trade relative to present figures, was mentioned in President Yeltsin's speech in Shanghai on April 1996.

At the current stage, economic and trade cooperation between Russia and China consists of two components: interactions on the international level and cross-border trade. They are both subordinated to the general Russian strategy, which is aimed at strengthening relations with China, increasing the presence of Russian companies on the Chinese market, and activating Russia's participation in the process of integration in the Asia-Pacific region.

At present, China occupies third place among Russia's most important trade partners, after Germany and the U.S.A. China's share of Russia's total trade volume is 4.7%. In terms of trade volume, Russia is number seven among China's trade partners, after Japan, U.S.A., Hongkong, South Korea, Taiwan, and Germany. Trade with Russia accounts for 2.6% of China's total trade volume.

International trade relations

There was a drop in Russian-Chinese trade in the early 1990s, but this ended in 1995, and was replaced by rapid growth. The volume of trade reached \$5.46 billion in 1995,

an increase of 7.6% in comparison with 1994. Russia's exports were \$3.8 billion and China's \$1.66 billion. From January to October 1996, the volume of Russian-Chinese trade reached \$5.70 billion, which is a 36.2% increase relative to the corresponding period of the preceding year. Russian exports were \$4.34 billion, and Chinese exports were \$1.36 billion. The trade volume in 1996 exceeded \$6 billion (see **Table 1**).

The main components in Russia's raw-materials exports in 1996 were fertilizers and other chemical products, iron and non-ferrous metals, and fish and sea products. Their share of Russia's total exports during the first 10 months of 1996 was 71.5%.

There was a significant increase in the value of trade in machinery and equipment, which also took an increasing share in Russian exports. During the first 10 months of 1996, the corresponding trade figures reached \$866 million and 20%, respectively. There was even an increase in the category "aircraft" (from \$33 million to \$694 million).

Cooperation in the field of construction and reconstruction of industrial plants in China has seen a further development. Russia is actively participating in developing the energy complex of the P.R.C. In the view of Russian experts, it is a realistic goal to build an integrated energy system in Northeast Asia. Going into operation during 1995 and 1996 were: two power-producing units on the Inkao thermal power station, each with an output of 300 megawatts; two power units of 500 MW each on the Qixian thermal power station; two power units of 300 MW each on the Shantou thermal power station, as well as a number of other industrial projects.

The agreement on expansion of joint cooperation in the sphere of energy, signed by the two parties during President Yeltsin's visit to China in April 1996, gave an additional impulse to realization of the above-mentioned cooperation. The corresponding organizations in both countries have accomplished major work on an agreement to build a gas pipeline between the district of Irkutsk in Russia to the port of Rizhao in Shandong, China. They also had a preliminary exchange of views on construction of an oil pipeline and a high-voltage line for electricity transfer from eastern Siberia to

China, as well as the exploitation of gas and condensed gas deposits on the territory of the P.R.C.

In the first ten-day period of October 1996, some 300 days before the date of expiration of the contract, the first part of project 405-1A was put into operation in the town of Hanzhong in Shaanxi Province.

An agreement for Russian assistance in the construction of a Chinese experimental fast neutron reactor, reached between the Russian Ministry of Atomic Energy and the Chinese state nuclear industry corporation, is now being carried out. Various cooperation projects are also being developed in the field of processing spent fuel from nuclear reactors. Cooperation between Russian and Chinese organizations is also expanding in the fields of controlled nuclear fusion, in military conversion technologies, and other areas.

In October 1996, China decided to shift the planned construction site of a nuclear power station from the province of Liaoning, to Jiangsu Province. Russian experts have carried out preliminary studies on the new site. At present, the parties are carrying on negotiations on the technical aspects of the project, and on signing a framework contract. This will form the basis for the Chinese government to make a final decision about the construction of a Russian-designed nuclear power station in the city of Lianyungang in Jiangsu Province.

During 1995 and 1996, taking into account 35 projects confirmed by the 4th session of the Subcommittee on Scientific and Technological Cooperation held in Moscow in July 1996, Russian-Chinese cooperation has been launched on 199 specific items, in such areas as machinery construction, electronics, chemistry, new materials, agriculture, light industry and food processing industry, geology, biotechnology, instrument-building, ecology, and medicine. In the majority of these areas, either concrete work has already begun, or, at least, plans have been drafted.

A mechanism is beginning to be developed, for bilateral cooperation in the sphere of industrial implementation of new, high-technology innovations. Within the framework of the Russian-Chinese consortium, "Center for Science and High-Technology," concrete projects are being worked out on sublimation drying of food-stuffs and production of industrial diamonds.

Cooperation in the field of peaceful exploitation of space is developing successfully. After a successful visit to Russia by a Chinese governmental delegation on astronautics, the parties have made significant efforts in creating good conditions for cooperation and confirmation of various projects.

The parties drew particular attention to the strict observance, by corresponding foreign trade organizations in each country, of the agreement on hard currency payments for the thermal power stations Yimin and Suzhong. They also called for observance of the provisions of the bilateral protocols on economic and trade cooperation, according to which, contracts between organizations of the two sides must apply current world market prices for commodities purchased in China.

The Chinese side is concerned about China's continuously rising deficit in Russia-Chinese trade. According to Chinese statistics, China's trade deficit in trade with Russia for 1992-95 exceeded \$7.5 billion. From January to October 1996, it reached \$2.98 billion. According to Russian statistics, China's negative balance for 1992-95 was \$6.3 billion.

Only through active and effective measures to expand China's exports to Russia, can bilateral trade continue to successfully develop on a balanced basis, with the object of increasing the annual volume to \$20 billion.

In the view of the Russian side, consistent cooperation between the two countries in the field of civilian aircraft technology would help attract Russian companies as subcontractors for the realization of the Chinese project to build the 100-seat passenger aircraft AE-100.

The main areas of cooperation in the immediate future would be the construction of a gas pipeline from Irkutsk district to China and South Korea, and participation in construction and reconstruction of industrial plants on the territory of China.

The structure of Russian imports from China has, in recent years, remained practically unchanged. The basic component of imports is consumer goods and food-stuffs, amounting to 78.4% of Russia's imports from China. Imports of food-stuffs fell by 5.4% during the first ten months of 1996, to \$368 million, while imports of consumer goods rose by 12.6%, to \$697 million.

A new structure of trade relations

Russia and China share an objective interest in raising the level of cooperation to a new qualitative level. For our countries, the creation of a new structure for foreign economic relations is a matter of vital importance going into the 21st century.

The inter-governmental Russian-Chinese Agreement on Economic and Trade Relations of March 5, 1992, provided for a mutual policy of most-favored-nation status in trade and other forms of economic cooperation. China is also included under Russian trade privileges for developing countries, whereby lower duties are imposed on imported goods from China (25% at present), compared with the basic rates for countries enjoying most-favored-nation status.

A certain negative effect on Russian purchases in China has resulted from the new Russia import tariff, valid as of May 15, 1996. From that date, importers of goods from developing countries granted trade privileges by the Russian Federation, must pay duties amounting to 75% of current rates, rather than 50% as before. That means a de facto increase of 50% on duties for Chinese goods.

In turn, Russian goods imported into China are granted preferential duties in accordance with the policy of most-favored-nation status. According to the Chinese import tariff, the size of preferential duties is fixed individually for different types of goods; but, as a rule, it amounts to 50-60% of the

basic rate. China has not granted Russia the status of a developing country.

For the short term, the Russian side plans to give priority to trade in machinery and technical equipment. The technological level of Russian and Chinese industry permits a significant increase in the share of finished industrial production in the Russian-Chinese trade structure, and can help promote realization of the task of structural transformation of Russia's economy.

The situation in this sphere, however, is, so far, rather complicated. The share of machinery and equipment in Russia's exports to China dropped from 35.2% in 1993 to 10.8% in 1995. During the first ten months of 1996, this share rose to 20%. However, it is somewhat worrisome, that growth was achieved only due to big deliveries of military equipment. Exports of civilian production continued to fall during 1995.

In February 1996, the Russian government adopted a federal program to expand exports, which concretizes the basic policy for state support to Russian exporters. In 1997, concrete measures are envisaged to realize this program — within the limits of the state budget. Such measures could include reduction of the tax rate on profits, exemption from taxes on advertising, and so on. The subsequent increase in the competitiveness of Russian products on the Chinese market, would lead to growth of deliveries of machinery and equipment. In this context it is necessary for the Russian government to take a number of measures, giving tax supports to exporters of machinery and equipment, including, above all, for export of entire equipment systems. Activation of the Russian "Eximbank" and creation of a Russian foreign trade insurance company, are being contemplated.

Modern trade in complex technical equipment, is impossible without providing a corresponding level of after-sale service; in particular, creating centers for repair and maintenance, together with warehouses for spare parts, inside the importing country. However, even here, the Russian policy of currency regulation serves as an obstacle, because it, in fact, deprives organizations of the possibility to build up inventory supplies of components and spare parts.

At the same time, Russian producers and exporters must themselves take a more aggressive attitude, in order to penetrate the Chinese market and consolidate their achievements. They have to more boldly participate in tenders for contracts for project construction and equipment delivery.

In the joint declaration of 1996, the parties noted that it will only be possible to raise their economic and trade relations to a qualitatively new level, if there is government support for the activities of Russian financial and production structures in the Chinese market. Russia is striving for multilateral, mutually beneficial partnerships in the Chinese market, including cooperation with companies of third countries.

The perspective for expanding economic and trade contacts between the two countries, is connected with the entrance of Russian financial and industrial groups into the Asia-

Pacific region, including the Chinese market. In terms of their multiple functions and their powerful capabilities, these groups are comparable to well-known transnational corporations. As a rule, they were created on the basis of groups of enterprises from the former military-industrial complex. These enterprises possess unique, highly advanced technologies in a variety of areas, from space industry and microelectronics, to oil prospecting and the use of non-traditional energy sources. Such enterprises will be able to upgrade, by an order of magnitude, the level of economic relations between Russia and China — up to the "Japanese" or the "American" level.

Russia finds it highly important to realize long-term economic projects, to be carried out jointly with other states in the region. Such projects include: the creation of a free-trade zone in Northeast Asia (and its future unification with the North American Free Trade Agreement); the Tumen River project; the Sea of Japan economic zone; the Yakutsk gas project; the Sakhalin free-trade zone; the Nakhodka special economic zone; and the Blagoveshchensk-Heihe Russian-Chinese special economic zone.

To these projects, and perhaps even absorbing them all, the Eurasian Land-Bridge project should be added. The realization of this grandiose international project, aiming at the re-creation, on a new basis, of the economic bridge between Asia and Europe, could mean a new qualitative leap in the interrelations between Russia and China. Discussions about this project are taking place both in China and in European analytical centers. Russia, together with other CIS countries such as Kazakhstan, Kyrgyzstan, and Belarus, has a key position in this project. In this connection, the signing, on March 29, 1996 in Moscow, of the "Four Country Agreement" on intensified integration and removal of custom barriers between the above-mentioned countries, can be regarded as a collective contribution to the construction of the Eurasian Land-Bridge.

For China, this project makes it possible not only to start to reduce one-sided dependence on the American market, and reorient its economic relations toward Europe and the CIS states, but also, to search for its own "niche" in the Russian market. Ever more frequently, Chinese analysts remark, that it is both desirable and possible to invest Chinese capital in Russia, whereas it is more difficult for China to do so in the markets of other developed countries.

Border trade and economic cooperation

A decisive factor for the development of Russian-Chinese border trade and economic cooperation in 1996, was China's decision to change the status and policy for border trade in accordance with the requirements of the World Trade Organization (WTO), an organization China intends to join.

At the beginning of 1996, the State Council of China reached a decision defining a new border trade status. As of April 1, 1996, this term now applies to trade operations of

only two kinds: 1) trade operations on special markets in a 20-kilometer-wide border zone; and 2) operations carried out by special companies and firms, authorized to conduct small-scale border trade, in districts around border towns, through passages determined by the state. For operations of the first kind, a duty- and tax-free minimum has been established (currently 1,000 yuan per person per day). Operations of the second kind, during 1996-98, will pay duties and taxes at rates half the current ones.

As of April 1, 1996, all other kinds of trade operations, including barter trade conducted by Chinese companies in border provinces, lost all privileges, and are liable to full duties and taxes.

The removal of privileges for a majority of leading Chinese border trade companies, has had negative effects on their foreign trade operations. At the same time, the reduction of the Chinese import tariff by 30% from April 1, 1996, to a certain degree compensated the border trade companies for the loss of former privileges. It promoted Russian exports to China, and, in particular, to the provinces bordering on Russia. During the first five months of 1996, the volume of Russian-Chinese border trade, defined in accordance with the new Chinese rules, was estimated at \$200 million, including the \$138.4 million commodity circulation with the Heilongjiang Province, which has the most extensive border with Russia. This is an increase of 2.2%, as compared with the same period in 1995.

During this period, 86.7% of the border trade with Russia went to districts adjacent to the main customs stations on the state boundary with Heilongjiang: Suifenhe, \$60 million; Dongning, \$36 million; Heihe, \$24 million. At the same time, there has been a boom in border trade operations through other customs stations of Heilongjiang. Thus, the volume of border trade going through the passage of Ceshi increased by a factor of 19, reaching approximately \$7 million; trade through Mishan grew by 130%, to \$5.5 million; and via Songke by 270%, to \$2.1 million.

During 1996, factors which had caused stagnation in 1995, continued to have an unfavorable influence on the volume and dynamics of border trade. These were, especially, the increases in prices of Russian goods traditionally delivered to China through border trade channels, and saturation of the limited Russian markets for Chinese consumer goods in Siberia and the Far East. The Chinese market for investment goods has also been dulled as a result of the country's austere credit policy.

The changing macroeconomic situation in both countries has altered the structure of border trade. In 1995, there was a predominance of ferrous and nonferrous metal scrap and fertilizers in Russian exports; during the first five months of 1996, however, pulp wood and paper, timber, oil, and petroleum products have taken precedence over fertilizers and nonferrous metals.

The main imports from China in 1996 consisted, as before,

of food-stuffs and consumer goods. In a number of border districts of Heilongjiang Province, special organizations have been set up with the sole aim of delivering vegetables and other agricultural produce to Russia.

In Northeast China, there has been a restructuring of Chinese border traders. In particular, during 1995 there was a merger between smaller companies and larger, more competitive structures.

At the same time, some corrections were made in the system regulating the activities of border trade companies. To ensure a smooth transition to hard currency trade, an increasing number of firms have been granted the right to conduct hard currency trade with Russia, other CIS countries, and eastern European states. Through a decision by China's Ministry of Foreign Economic Relations in 1995, the right to conduct this kind of trade was also granted to 50 local companies. At the same time, the amount of direct foreign trade operations with companies in Northeast China has significantly diminished, and the flow of goods to Russia has been diversified to the benefit of the coast provinces of China.

Buying light industry products, domestic durables and electrical appliances, and food-stuffs (in particular, frozen pork) from other Chinese provinces, is cheaper than purchasing it from Northeast Chinese companies, which are trying to retain a monopoly by virtue of their geographic position. This encourages Russian businessmen, including those who also operate in border districts, to search for more advantageous business contacts.

Banking infrastructure needed

In 1995, the foundation was laid for solving the problem of payments, after a number of banks in the border districts of both countries established direct correspondent accounts. Such banking relations have, in particular, been established by an affiliate of the Agricultural Bank of China in the town of Heihe, and Amurskiy Bank of Commerce in Blagoveshchensk, the Harbin affiliate of China's Investment Bank and Regio-bank in Khabarovsk. However, their experience has shown that establishing relations between pairs of banks does not once and for all solve the payment problem. A broad, widely developed banking infrastructure along both sides of the international boundary would be necessary to achieve this.

Both the Russians and the Chinese are concerned about the fact, that some border trade companies do not fulfill their contract obligations. The number of non-realized contracts is large, and the number of trade disputes, too. One important task today is to create a functioning mechanism for settling trade disputes, and to develop a corresponding network of arbitrators in the border districts. Much will depend on the results of cooperation between Russia's Chamber of Industry and Commerce and the Chinese Committee for Development of International Trade (CCDIT) in arbitration. The first steps have already been taken; in August 1996, both parties signed an Agreement on Cooperation, which defines the main princi-

ples for settling commercial disputes between Russian and Chinese traders.

The Agreement on Cooperation includes a clause to make the arbitration procedure easier: The parties can decide to carry out arbitration, not only at the institutions' permanent location, but also in other towns in the border district of Russia and China.

The improved skills of Russian foreign trade participants have led to a diminishing profit rate for Chinese border trade companies. Nowadays, it rarely goes beyond 50%. Cases of excess profits enjoyed by Chinese companies—up to 600% and more was characteristic during the initial period of border trade—have now become impossible.

All this gives evidence of a transition of border trade to a new, more mature stage of development, characterized by relations of long-term partnership, and rejection of unqualified foreign trade partners.

Recently, economic and trade cooperation has begun to include a growing export of Chinese labor force to Russia. In particular, in the course of 1995, companies from Heilongjiang Province cooperated with Russian organizations in approximately 500 projects, mainly in the fields of agriculture and construction. The costs of contracts for labor provided by Heilongjiang firms in 1995 amounted to \$150 million, which is 50% less than in 1994; while, at the same time, the number of workers who went to Russia on contract reached 8,500 persons, which is 6% more than in 1994.

This indicates that there has been a certain stabilization in this field of cooperation, and that Chinese companies have adapted to the new, more permissive order for import of foreign labor force, introduced in Russia in 1994, as well as a stricter visa policy.

In the course of 1995 and 1996, China has continued to actively pursue, on a local level, the necessary realization of "free-trade zones" in the districts around the main border passages (Zabaykalsk-Manchuria, Blagoveshchensk-Heihe, Grudekovo-Suyfenghe).

In this respect, China has made great efforts to improve the infrastructure on the territory of the districts intended to become "free-trade zones" with Russia. However, this is presently being held up by the absence of Russian legislation concerning the status and conditions for this type of zone.

An important step in the development of Russian-Chinese economic and border trade cooperation, was the signing in December 1995, at UN Headquarters in New York, of three multilateral agreements on developing the Tumen River district (Tumenjiang). This UN project, with the participation of Russia, the Korean People's Democratic Republic, the People's Republic of China, as well as South Korea and Mongolia, would create good conditions for the fast development of economic and trade relations in this region. In connection with its intention to join the WTO, Russia needs to develop border trade procedures in agreement with the international standards in this field. On the one hand, a new, strict, and

narrow framework for this kind of trade will give the trade a more civilized character. On the other hand, without contradicting WTO requirements, it would grant certain privileges to border trade, stimulating development of such trade, and consequently also promoting development of the districts directly adjoining the border. According to experts at the Institute of Far Eastern Studies of the Russian Academy of Sciences, it would be worthwhile to accelerate the preparation of a Russian-Chinese inter-governmental agreement on economic and trade cooperation.

The Three Gorges project and the issue of Russian participation

In accordance with the Spring 1992 resolution of the Fifth Session of the Seventh Chinese National Peoples Congress, the Three Gorges hydroelectric plant is being built in Hubei Province in the middle reach of the Yangtze River. It will have a total maximum capacity of 18.2 million kilowatts (26 hydroelectric power units of 700,000 kW each, which makes it the biggest in the world).

The construction of the dam, 2,331 meters long and 185 meters high, on the Yangtze River between the towns of Yichang and Chunqing, will create a water reservoir of about 660 km length, with an area of more than 1,084 km² and a surface height of 175 meters above sea level. The dam complex will include a left-bank hydroelectric power station with 14 power units and a right-bank station with 12 units.

The construction of the hydroelectric plant will take place in three stages.

The first stage of work (excavation and construction of the dam foundation) started in October 1994. Up to the beginning of 1997, according to expert estimates, the construction work has cost more than \$2 billion. The work area is 15 km², involving 20,000 workers excavating 120 million cubic meters of earth and rock and pouring more than 2.6 million m³ of concrete. Construction of a bulkhead downstream from the future power station has been completed, and the lower part of the length-wise bulkhead at the dam itself, and 83% of the work on the conduit of the hydroelectric plant, have also been finished. Toward the end of the first stage (in 1997), a temporary ship lock will be built on the left bank of the project.

In the course of the second stage of work (1998-2003), the schedule foresees the following operations: completion of the ship lock (length 483 meters) and the left-bank hydroelectric station (length 644 meters); strengthening of the left bank of the hydroelectric plant and the upper part of the length-wise bulkhead at the station; and completion of the permanent shipping locks with their lifting system. In this period, up to 4 million tons of concrete will be used every year. According to the official schedule, operation of the first two turbines will begin in the year 2003.

In the third stage (2004-2009), the dam will cause the river's water surface to rise to a level of 135 meters, which will allow exploitation of the left-bank hydroelectric station

and the passage of ships. At the same time, the construction of the right-bank hydroelectric station will be completed.

In October 1996, China's State Bank for Development signed a contract with the Three Gorges Corporation in Yichang, granting a loan of 30 billion yuan (about \$3.6 billion) up to the year 2003, for the construction of the project. According to the terms and conditions of the contract, the corporation will receive more than \$360 million annually for construction. The loan is financed chiefly by the national payment fund for electric power. In addition, the entire profit from the sales of electricity from Gezhouba, China's biggest existing hydroelectric power station, goes to the development fund for the Three Gorges project.

Foreign financing of construction of the first 14 hydroelectric units of the power station is also being arranged through China's State Bank for Development.

Estimates by Chinese specialists show that the total cost for construction of the hydroelectric plant will reach \$24.5 billion, taking into account projections of the inflation rate, interest on foreign credits, and exchange rates of convertible currency at the time of completion of the project in 2009. The Chinese government intends to cover part of the expenses by issuing securities, especially abroad.

In the interest of participating in this project, a special Three Gorges consortium was created in Russia, including the following main organizations to coordinate deliveries of Russian equipment: Energomashexport, specialized in deliveries of turbines and other power equipment; Tekhnopromexport, for hydromechanical equipment, including locks and power lines for electricity transfer; and Traktoroexport, for machinery for construction and road work.

The Chinese took a positive attitude toward the Russian leadership's declarations of intention to give state support to the Russian consortium, which participated in international tenders for contracts on deliveries of hydroelectric units and hydromechanical equipment for the locks, in summer of 1997.

Provided that the Russian government would decide to grant state support to the consortium, the Chinese considered it a serious and realistic perspective, that Russian organizations would even participate in the construction of infrastructure in the new residential districts, which are to be built for the approximately 1.8 million people who must move out from the area to be flooded. The Chinese report that construction has already begun, in the framework of the migration program, of some 800 projects, with a total cost of 1.4 billion yuan.

It is revealing that, on Nov. 19, 1996, the authoritative central Chinese newspaper *Jingji Ribao* published an article about the pre-tender preparations of the Russian companies. Besides voicing a positive opinion on the technical quality of the Russian turbines, this article also drew a conclusion about the weak financial situation of the Russian consortium, which was "busily searching for capital" in order to compete with Western companies in the forthcoming tenders.

Unfortunately, the Russian consortium failed in its effort to win the tender for construction of the Sanxia hydroelectric plant. Formally, the decision, counter to our favor, was taken on the basis of an 8% difference in the cost of Russian and European equipment. However, the main factor of the failure seems to be located in the insufficient government support for the enterprises participating in the tender, as no funds for the initial period of manufacturing of equipment had been provided for in the budget. Now the question arises, how to reach the target of \$20 billion in Russian-Chinese trade and economic cooperation by the end of the 20th century?

Project for electrical energy transfer to China

Considering the deficit of electrical energy in China, the Chinese show some interest in a project for constructing a power line to transfer electricity from Russia to China.

In September 1996, a group of high-ranking Chinese experts visited the Irkutsk region and carefully studied existing capacities for electrical energy production, as well as technologies for long-distance transfer. Local specialists conclude that this project demands significant financial resources, which might necessitate international credit arrangements.

A certain amount of time will be required to solve the financing problem. Private discussion with Chinese representatives indicates, however, that in light of the unstable political and economic situation in Russia, China does not regard the project in question as a reliable channel for electrical energy transfer to China. In the opinion of the Chinese, efficient implementation of this project would require participation by authoritative foreign companies, able to guarantee its realization through a system of international financial engagements.

It is noteworthy, that foreign companies recently have begun to show a more active interest in this project. In November 1996, in the course of a visit to the Russian Embassy in China, managers of the Canadian companies Walsh Automation and ABB, represented by their vice presidents John Osborne and Wido Hoville, presented the idea of building the electricity transfer line to China through the territory of Mongolia.

The Canadian representatives proposed a 10% Russian participation in the project. ABB and Walsh Automation are prepared to take total responsibility for financing the project and supplying the main equipment. The Russians could, in their turn, deliver masts and auxiliary equipment. Purchases of electrical energy from Russian suppliers would take place in convertible currency.

The Canadians have announced that project plans already have been brought to notice of Irkutskenergo, the Ministry of Foreign Economic Relations of China, and the Chinese Ministry of Electrical Energy, and have been approved by the Mongolian government. Before they go further with the project, the Canadian entrepreneurs are waiting for official approval from the Chinese and the Russian sides.

Cooperation on constructing nuclear power stations in China

In October–November 1996, there were negotiations with the Chinese side on a number of key issues concerning the realization of the “Agreement between the governments of the Russian Federation and the People’s Republic of China, on cooperation in constructing a nuclear power station and granting a Russian state loan to China.”

The Chinese side confirmed its interest in constructing a nuclear plant, jointly with Russian organizations, in the province of Jiangsu, instead of Liaoning as had been previously planned. In this context, the Chinese expressed interest in the possibility of increasing the capacity of the proposed nuclear power station to four units of 1,000 MW.

During the negotiations, the Chinese side drew accentuated attention to the fact that leading reactor-construction companies from the West are presently very active in exactly this market in China. In 1986–94, a consortium of French-British companies constructed the nuclear plant at Daya Bay, with a capacity of 2×930 MW. In 1995–96, the same consortium signed a new contract to build the nuclear station Ding Gao, with a capacity of 2×985 MW. A contract to build, in the near future, a nuclear plant with a capacity of 2×700 MW, has practically been approved and signed with the Atomic Energy Commission of Canada.

Negotiations are taking place between American and western European companies about cooperation in the field of atomic energy. With the object of conquering the highly promising Chinese market, Western companies are willing to offer extensive transfer of technologies for production of equipment and nuclear fuel for a nuclear power station, and also to take total responsibility for financing not only their own services and equipment supplies, but also local expenses. Furthermore, available information indicates that the French-British consortium, toward the end of the negotiations, had to accept payments for its services and equipment at prices approximately 20–30% lower than those that were agreed upon in previous contracts. Specific capital costs for the Canadian companies, constructing nuclear plants with a capacity of 2×700 MW, have been fixed at the same level.

In these circumstances, the Chinese side considers it acceptable, if overall capital costs of the construction of a new nuclear power station would amount to approximately \$3–3.4 billion, including price escalation, interest charges during the construction period, and two-thirds of the costs of initial nuclear fueling for the reactors. Russian enterprises’ prices for services and equipment (without the costs of nuclear fuel) would be approximately \$1.5–1.6 billion—an amount which approximately corresponds to the minimum necessary to finance the expenses of Russian suppliers—provided that payments to the Russian organizations, carried out on the basis of a state credit, would be based on the full market exchange rate of the ruble to the U.S. dollar.

If these conditions are met, there is a real possibility to

find mutually acceptable solutions with the Chinese side, for the price of a contract for Russian enterprises to participate in constructing a nuclear power station in China, and to sign corresponding commercial contracts.

China’s new role in the cooperation of Independent Asian States zone

When the organization of Independent Asian States (IAS) was formed by Russia and its historical neighbors in Asia (China, Afghanistan, Iran, and Turkey) as an active entity in international relations, this coincided with the development of a new zone of instability on the flanks of Eurasia, including in the Balkans, the Caucasus, and Central Asia. Here, it is necessary for Russia and its traditional historical neighbors to form new, very specific sorts of ties, creating a new structure of international relations. The stability of Eurasia and of the whole world depends on developments in this region.

First, it should be said that the IAS—as an object of the policy of various states of Asia—has existed already for a rather long time; but the periods are different for China and Iran, compared to Japan and Turkey. For a long time, the “Russia factor” played a definitive role in the developments in this region. History speaks of local conflicts in this region, which in the past were resolved by Russia. Russia played the role of supporter and defender, providing to the ethnic peoples residing there since ancient times, the possibility to preserve themselves, and above all enriching them with her culture. By raising them to a new level of civilization, Russia created the conditions for them to develop modern statehood.

The fact that the national interests of Russia and the IAS are far from coinciding, must be understood in terms of new elements in the situation in the region. It appears that Russia will try to coordinate its policy with the policy of the Asian members of the CIS, which border China; nonetheless, however, these are sovereign nations which, in certain situations, will try to realize their own interests in an independent way. Although this creates quite a few problems for China, Chinese diplomacy has distinguished itself by the ability to conduct a differentiated policy, taking into account the specifics of its partners.

China is pursuing a policy course which excludes its taking part in any blocs or groups of powers, which have a political character. Nevertheless, China has a real potential to fill the vacuum of political dominance, which has been created by the collapse of the Soviet Union within the enormous arc from southern China to the Caspian Sea and from the Pamirs to the Korean peninsula. Under present conditions, China is also able to exert pressure on the Russian leadership, exploiting the contradictions between the former Soviet republics and Russia. From this standpoint, the security threshold for

Russia has been lowered on its southern borders. This, in turn, leads to a new quality in Russia's regional policy.

Together with the factors mentioned above, for the first time in many decades, we can see an overwhelming coincidence between the geopolitical interests of Russia and China. This, above all, is determined by the anxiety of both countries about the possible evolution of the situation in the "arc of instability" reaching from Central Asia to the Korean peninsula. This is a region of general contact between the various world religions, civilizations, and socio-political formations, in which, in addition, changes of epoch-making importance are taking place.

China recognized the IAS immediately after the dissolution of the Soviet Union. On Feb. 3, 1992, the P.R.C. established diplomatic relations with Kazakhstan. President N. Nazarbayev had visited China already in the summer of 1991 as a guest of the government of the Xinjiang-Uigur Autonomous Region of China, and was afterwards received in Beijing at a high level. On Jan. 4, the P.R.C. established diplomatic relations with Tajikistan, on Jan. 6 with Kyrgyzstan, and on Jan. 7 with Turkmenistan.

Chinese diplomacy bases itself very strongly on the principle, that economic relations are the foundation of contemporary international relations. It is not an accident, that Chinese recognition of the IAS, coincided with the visit to the CIS states, of a Chinese government delegation led by the Minister of Foreign Economic Relations and Trade Li Lanqing and Deputy Foreign Minister Qian Zengpei, from Dec. 25, 1991 to Jan. 7, 1992. Chinese diplomacy considered as one of its most important tasks to strengthen the position of China in the markets of the IAS, and to conclude bilateral government negotiations concerning trade and economic cooperation for this purpose. It is notable, that in each of the capital cities of the IAS, the Chinese trade mission was opened before the embassy itself.

CIS countries all faced the problem of newly demarcating their borders with China. The Central Asian portion of the Russian-Chinese border is only 54 km, while the border with Kazakhstan is 1,800 km, with Kyrgyzstan 900 km, and with Tajikistan 600 km. Negotiations concerning the western sector of the border with the U.S.S.R. began already in 1964. All parts of the border in Central and Middle Asia were settled by Russo-Chinese agreements and protocols. Russia, in fact, as the lawful successor to these settlements, agreed to continue the negotiations as part of a unified delegation with the states of the CIS. However, Kyrgyz diplomacy did not at first agree to working with the joint delegation established on Sept. 8, 1992. Nevertheless, understanding that the complex of issues is not a simple one¹, and that it was necessary to make

1. The recent decades' events concerning the borders of Russia and the CIS with China, are discussed in the articles by Professor Ginsburg. See: George Ginsburg, "Recent History of the Territorial Question in Central Asia," Part 1, *Central Asia Monitor*, 1992, No. 2, pp. 31-41; Part 2, *Central Asia Monitor*, 1992, No. 3, pp. 21-29; Part 3, *Central Asia Monitor*, 1992, No. 4, pp. 32-40. Also by the same author: "The End of Sino-Russian Territorial Disputes?"

use of the experience and materials accumulated by the Russian side, Kyrgyzstan finally agreed to join in the talks.

The year 1993 marked a period of intensive efforts to work out an agreement on the borders with Russia, Kazakhstan, Kyrgyzstan, and Tajikistan. Meetings of working groups were conducted in Beijing during April 5-15, and then during June 9-20, to work out an agreement on the borders. This was necessary, since the largest number of "contested areas" were located in the western sector.

According to exactly the same model, through the formation in September 1992 of a joint Russian-IAS delegation, negotiations were continued on the reduction of armed forces and confidence-building measures in the border areas. Regular rounds of these negotiations were held, in March 1993 in Moscow, and then on May 21-June 11 in Beijing. The negotiating sides made efforts to complete their work by the end of 1994, as had been determined in the inter-governmental memorandum of Dec. 18, 1992. In the course of the Russian President's visit to Beijing in May-June 1994, the delegations continued their work on those aspects of force reduction, which included land and air forces—with the exclusion of rocket forces, including strategic rocket forces, as well as border guards, which are not part of the military.

At the time of President Yeltsin's visit to China in April 1996, the decisive step was accomplished toward strengthening stability on the borders of the two countries: In Shanghai, a wide-ranging agreement on confidence-building measures in the border zones was signed, an agreement which was joined also by the other CIS nations bordering on China—Kazakhstan, Kyrgyzstan, and Tajikistan. This agreement thus became a multilateral act, of significance not only for the relationship of two countries, but also exerting a principal influence on analogous situations in other areas of the Asia-Pacific region. The meeting in Shanghai of five leaders of Asian nations—in Asia, Russia is regarded as an Asian nation—dedicated to border problems, was an event unprecedented in world diplomatic practice. A "Belt of Confidence" was created along the former Soviet-Chinese border. The borders of the new CIS nations with China were transformed into zones of peace and economic cooperation. Incidentally, the territory of this zone (comprising 100 km on each side of the border) corresponds to twice the combined land area of Great Britain and Spain.

It is also important, that the agreement on confidence-building measures in the border zones, is not static in character. Other nations bordering on Russia and China, can join the agreement. For Russia, this meant an improvement in the political climate: for example, on the Russo-Japanese, Russo-Mongolian, and Russo-Korean borders; for Russia and Tajikistan, it led to a normalization of the situation in the zone of the Tajik-Afghan boundary. By means of this and analogous agreements, China would be able to abolish the old theory of

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an alleged “Chinese threat” to the nations of the region. Finally, one of the consequences of the Shanghai meeting, was the reciprocal visit of the President of the People’s Republic of China, Jiang Zemin, to the capitals of the Asian CIS nations in 1996, and, following that, to Moscow in April 1997. There, the leaders of the “Five” met once again, and on April 24 signed the agreement on reduction of armed forces in the border zone, which will permit a further deepening of confidence in all domains.

All of this shows that leaders in both Moscow and Beijing recognize the responsibility of both countries for maintaining a favorable political climate, as well as the possibility of cooperating together as guarantors of stability in the neighboring region.

With respect to trade and economic relations, the first agreement China signed, was a five-year inter-governmental trade and economic accord with Kazakhstan, concluded in Beijing in December 1991. This agreement granted most-favored partnership status, and privileges in terms of trade tariffs and taxes on imports and exports. Among the many joint projects agreed upon, major importance was given to creation of joint ventures, to opening direct airline service between Almaty and Beijing, and—most important of all—the revival of the “Silk Road”: effective use of the transcontinental railroad, beginning in central China and reaching Europe through Russia².

This agreement was concretized in supplementary accords and protocols on comprehensive cooperation, reached in the course of the visit to the P.R.C. by Kazakh Prime Minister Tereshchenko in February 1992. At that same time, China granted Kazakhstan a commodity credit of 30 million yuan³. Trade and economic relations between the two states were placed on a footing of rapid development⁴.

The leadership of both countries actively promoted this process. When Chinese Foreign Minister Qian Qichen led a P.R.C. delegation to Almaty in November 1992, President Nazarbayev proposed making the entire border between Kazakhstan and China into a free economic zone, with possible participation of capital from third countries. The prerequisites for this, in the opinion of Kazakhstan’s President, are constituted by the already-existing transport links, six border crossings, and 50 joint ventures⁵.

During his visit to Beijing in October 1993, President Nazarbayev discussed, in addition to bilateral relations, the most important international problems concerning the global

situation and the situation in the Asia-Pacific region. Meeting Nazarbayev just after this visit to China, U.S. Secretary of State Warren Christopher encountered a rather firm and decisive position on the Kazakh side, in connection with the procedures for signing the agreement on liquidation of nuclear weapons on Kazakh territory.

The apogee in relations between the two countries was reached in April 1994, during the visit to Kazakhstan of Chinese Premier Li Peng, when the agreement concerning the common border was signed.

Chinese-Tajik relations present a complicated array of interconnected problems. Here, relations were launched according to the typical schema: Already on Jan. 5, 1992, the P.R.C. and Tajikistan concluded an agreement on trade and economic relations, and exchanged notes concerning the establishment of trade missions. But Tajikistan is the most difficult part of the CIS for Chinese diplomacy. Two points constitute delicate problems for both sides.

First, Tajikistan is the object of most serious attack by Islamic fundamentalists. On the one hand, this attack destabilizes the situation in the region; Tajikistan is de facto embroiled in a civil war, and for that reason cannot function as a normal trade and economic partner. On the other side, Tajikistan could serve as a detonator for Muslim agitation and separatist movements in neighboring Xinjiang. On one of his first foreign trips, I. Rakhmanov visited Beijing, to discuss the situation in Xinjiang, and especially the position of China concerning Afghanistan. It was clear, that this visit to China had the effect of consolidating his position inside his own country. In 1996, in the course of his regular visit to Beijing, Rakhmanov signed an important agreement on ensuring stability and combatting terrorism in the region. As subsequent events have demonstrated, it is precisely the separatist forces which are exploiting terrorism.

Second, China has long laid claim to a territory of 20,000 km² in the Pamirs. Because of the incursions from the territory of Afghanistan, both Tajikistan and even Russia itself have less and less possibility to control the situation on the “Roof of the World.”

It should be noted that the Presidents of the CIS states followed the Russian President on his visits to Beijing. Uzbekistan President I. Karimov visited the P.R.C. capital on March 12-14, 1992.⁶ He was received at a high level by all the Chinese leaders. As a result of these talks, a joint communiqué and 14 other documents were signed, including inter-governmental agreements on cooperation in the domains of transport, culture, education, health and medicine, science and technology, tourism, and sports. In addition, protocols were signed for consultations among the ministers of foreign affairs. Uzbekistan was granted a commodity credit of 50 million yuan for the purchase of corn, sugar, and baby foods. The textile and electronics industries were defined as priority

2. See: I.P. Azovskij, “The New Transcontinental Railroad Magistral Asia-Europe (Chinese and Russian Approaches),” in the volume *Russia in Foreign Trade Relations: Historical Lessons and the Present* (Moscow: Inion publishing house, 1993) pp. 132-147 (Russian).

3. *Delovoi Vestnik*, 1992. No. 4 (Russian).

4. Yu. S. Peskov, “Relations with China From the Side of the CIS in 1992,” in the volume *P.R.C.-92* (Moscow: Nauka publishing house, 1994) p. 1, 1994 (Russian).

5. *Rabochaya Tribuna*, Dec. 4, 1992 (Russian).

6. *Izvestia*, March 16, 1992 (Russian).

directives for cooperation. Only on one point did the visit leave a certain aftertaste with the hosts: The Uzbek leader suddenly cancelled his planned tour of Shanghai, and left Beijing directly for Tashkent.

Comprehensive cooperation was strengthened and expanded in the course of Premier Li Peng's visit in April 1994. In his speeches, the Chinese guest remarked that China is reviving the traditional relations in the IAS, which had been interrupted by the domination of Russia and the U.S.S.R.

Kyrgyzstan's President A. Akayev made an official visit to Beijing in May 1992. This laid the foundation for cooperation between the P.R.C. and Kyrgyzstan in the political, trade, economic, and scientific-technical domains. According to the plan for normalization of relations already set down, China granted Kyrgyzstan a commodity credit of 30 million yuan. Airline service was opened between the two countries on the lines Bishkek-Urumqi and Bishkek-Beijing.

During the visit of Premier Li Peng in Kyrgyzstan in April 1994, Premier Li and President Akayev discussed the "controversial" portions of the Sino-Kyrgyzstan border. There was a convergence of views on two out of five sections, while the remaining sections were set aside to be discussed by diplomats in the course of the work of a mixed commission.

"Presidential diplomacy" also characterized the beginning stage of relations of China with Turkmenistan. At the invitation of P.R.C. President Yang Shangkun, President S. Niyazov travelled to Beijing in November 1992. He was received by the top Chinese leaders. In the Sino-Turkmen communiqué signed at the conclusion of the visit, the principles were laid down for mutual relations and cooperation, mainly in the sphere of trade and economic relations. These principles were concretized in the protocols concerning mutual protection of investments, and cooperation in the fields of culture, health, and consular services.

In November 1993, Chinese Foreign Minister Qian Qichen paid an official visit to Uzbekistan and Kyrgyzstan. The paper *Renmin Ribao* noted in connection with this, that relations between China and the IAS were "the best at any time since the founding of the People's Republic of China."⁷ It is necessary to add, that such better relations may not be completely without self-interest: According to a report in the foreign press, some Chinese companies are using joint ventures with Uzbekistan and Kazakhstan in order to circumvent U.S. restrictions on imports into the United States.⁸

Japan: an advantageous partner

Central and Middle Asia were in the center of interest of Japanese policy during the early decades of the 20th century. Tibet and Mongolia, and the Central and Middle Asian areas of Russia, were viewed in Tokyo as a special sphere of Japanese interests. In scholarly circles, the theory of an alleged

Central Asian origin of the Japanese people received exaggerated attention. The events at Khalkan Gol in 1939, marked the failure of Japan's attempt to forcefully penetrate into this region.

The disintegration of the Soviet Union created favorable conditions for the entrance of Japan into the former Soviet republics. Japan very quickly recognized all the former Soviet republics as independent, and opened diplomatic relations with them—even, in some cases, much before Russia did so. But Japan gave special attention to the republics of Central Asia and Kazakhstan, striving to become the main donor of economic assistance to these countries. Not being interested in supporting the CIS, Japan proposed to give assistance to each country separately—and, above all, to the Central Asian republics, where Japan immediately sent exploratory delegations—rather than to the Community as a whole.

Kyrgyzstan represents the typical model of Japanese penetration into Central Asia. Kyrgyzstan's President Akayev went to Tokyo in April 1992, exploiting the chance to receive a certain amount of economic assistance. Japan wants to make Kyrgyzstan a model for aid to the former Soviet republics of Central Asia. The company Sumitomo Sedsu took on the responsibility for creating a modern infrastructure in Kyrgyzstan. Commitments have been made for the development of human resources, and so forth.

At the initiative of Japan, and through Japan's active cooperation, the five republics were admitted to the Organization for Economic Cooperation and Development (OECD), which opened for them a way to obtain credits on advantageous conditions.

Japanese delegations visited all the Central Asia republics, studying the exploitation of minerals—first of all, petroleum—on their territory. The Japanese firms Mitsubishi and Mirubeni signed agreements for participation in the construction of 5,200 km of gas pipelines, to take gas from Turkmenistan to Europe, through Turkey and Bulgaria. Studies are in progress concerning the possible construction of a petroleum refinery in Uzbekistan.

The goal of these actions also includes an indirect influence on Russia—to demonstrate that Japan is able to give real assistance to countries with which it has friendly relations. In a word, Japan is striving to strengthen its position in the IAS and to exploit the energy resources of that region in its own interests, calculating on the expectation, that the economic expediency of importing oil from the Near East will decrease in the future.

In May 1994, Uzbekistan's President Karimov paid his first official visit to Japan. This visit was well prepared from the Japanese side: On the eve of the visit, approximately 20 Japanese delegations had been visiting Tashkent to study the perspectives for bilateral economic cooperation. In meetings with Prime Minister C. Hata and Emperor Akahito, the topics of discussions included, in addition to questions of bilateral cooperation, also the problems of Uzbekistan-Russian relations, the situation in Tajikistan and Afghanistan, and a large

7. *Renmin Ribao* Nov. 9, 1992 (Chinese).

8. *Journal of Commerce*, Dec. 22, 1992.

circle of other issues connected with Central Asia as a whole.⁹

However, in spite of a certain strengthening of Japan's position in the countries of Central Asia, it is necessary to state, that those nations remain rather firm. When they act, the Central Asian republics always look back to see the reaction of the Russians. On the other hand, if Russia takes on the role of a passive observer, then we must expect, that Japan will succeed in drawing the Central Asian republics into her sphere of influence. This, in turn, would create the conditions for a corresponding degree of influence on the political attitude of those countries, with all the consequences which would follow, including in the military domain.

Some words concerning the Continental Bridge

The project of the Eurasian Transcontinental Bridge, must not be considered separately from the Asian-European dialogue which has begun on the inter-governmental level. On March 1, 1996, the first meeting of the leaders of the two continents took place in Bangkok. The second meeting of this forum is planned for the fall of 1998 in London. Preparations for this second meeting are already being made on the level of the foreign ministers of the interested states. In this context, China has shown a high level of activity.

This project is clearly connected also with the plan to create a "Great China," i.e., to integrate the Chinese economic space, which includes China and Taiwan, Hongkong, and Singapore, and the Chinese diaspora around the world, the *huaqiao*. That is China's answer to the numerous prognoses by Western political scientists concerning a supposedly inevitable disintegration of China in the "post-Deng era."

As for the subregion IAS: Reacting to the drastic weakening of political and economic potential within the Eurasian space, the Chinese leadership decided to put forward a plan for economic transformation of a significant part of the Eurasian landmass. In this context, the concept of Eurasia is interpreted in an extended sense: not on the ethnic-cultural plane, but in a geopolitical sense, to include within the Eurasian space China, Iran, Afghanistan, Pakistan, and India.

For the Russia side, it is important that the proposed projects do not exclude, but, on the contrary, include the future co-development of the Great Siberian Magistral (the Trans-Siberian Railroad), as well as the railroad network of South-east Asia and northern India. What we are talking about, is a system of corridors, whose territory includes 60 of the largest cities in the world, and a population of more than 1 billion people. In order to raise these zones to the necessary level of development, it is necessary to increase the energy supply by a factor of five, compared to the present level, including supply of electrical energy to industry and housing areas.

If we want to talk about post-Soviet Eurasia, then the first priority is to launch integrative processes through mutual agreements among Russia, Kazakhstan, Kyrgyzstan, and Be-

larus. Second, one must not omit from consideration the fact that the "corridors" of Russia and Kazakhstan pass through regions where the richest deposits of natural resources have been prospected, or are already being exploited: oil and gold, ferrous and non-ferrous metals, and much more. Third, in these same corridors we find the largest enterprises for extraction and processing of materials — world-famous metallurgical groups and machine-building giants. To the extent the present economic crisis has led to the collapse and shutting down of these enterprises, this is merely a temporary situation. What is important, is the fact that the necessary infrastructure has already been created in this region, and needs only to be rebuilt on a higher technological level. In addition, in our opinion, the conception of the Continental Bridge does not contradict the idea, promoted by a number of Russia scholars at the present time, to modernize and exploit the northern sea route. These are mutually complementary projects, whose importance is dictated by their advantageous economic effect.

Conclusion

Does all this imply that we now can relax, and that relations between our countries and peoples will develop automatically? Of course not!

For Russia, an important aspect of interaction with China, is the possibility to benefit from studying the Chinese experience.

Generally speaking, it is necessary for us today, in a period of temporary national weakness, to assimilate the lessons of China. After having to exist in the status of the weaker party in relation to other world powers, and starting from a very low position in nearly all the areas which together determine overall national strength, China has refused to follow the experience of the existing "great-power poles." It has decided not to pursue a policy of military expansion, nor of creating blocs and spheres of influence. Before one's eyes, thanks to its policy of self-maintenance and self-strengthening, its policy of opening-up to the outside world and its maneuvers on the international scene, the People's Republic of China is becoming a full-fledged world "pole." This Chinese world "pole" has the ability to attract and repel, and to carry out a completely independent policy, directed above all toward subordinating external circumstances to its national objectives — only deviating where compromises are acceptable to its interests, and then only as a matter of compromise.

Our countries not only have to interact in international affairs and strengthen our economic, scientific, and technical ties; we must also resume solid cultural contacts on the highest level. Leading representatives of literature and art should establish a constant exchange of the best achievements of our peoples' creative minds. This would definitively erase from the collective mentality, all remainders of negative, Cold War stereotypes, characteristic for the period of confrontations. It would constitute a common contribution to world culture.

9. *Pravda*, May 14, 1994 (Russian).

Helga Zepp LaRouche speaks at Nigerian economic summit

Mrs. Helga Zepp LaRouche, representing EIR, delivered a presentation on "The Success of the Chinese Economic Reform and Its Significance for Nigeria: Africa's Secret Weapon for Peace!" to the Fourth Nigerian Economic Summit on Nov. 19, in the capital, Abuja. Mrs. LaRouche was introduced immediately following the formal seating of Nigeria's Head of State, Gen. Sani Abacha. The speaker following her was Prof. Paul Collier, the director of Oxford University's Center for the Study of African Economics, who departed from his text, to warn the gathering that "they should be very careful about those who peddle prosperity." He went on to present his view of the world's "model" economies for the developing world: Indonesia, and Britain's puppet regime of Uganda.

Gen. Sani Abacha spoke next, emphasizing that Nigeria was making progress in her drive for stability.

What follows is the prepared text of Mrs. LaRouche's remarks. Subheads have been added.

Your Excellency, the Head of State and Commander in Chief, honorable members of the Government, honorable members of the diplomatic community, ladies and gentlemen:

After the earthquake which gripped all of the world's stock markets and currency exchanges, beginning with Southeast Asia, no competent person any longer doubts the collapse of the world financial system. The only illusions are that it might be only a 40-50% "adjustment" of the stock market prices, or that the crisis manifests parallels to the world economic crisis of 1929-31.

The reality is instead, that we find ourselves in the middle of a systemic crisis, whose potential civilizational consequences threaten to overshadow those of the collapse of the Soviet Union. While the International Monetary Fund was still praising Malaysia, for example, at the beginning of this year, as a success model for the developing countries, all of

Lyndon LaRouche's warnings have been confirmed in the meantime, who warned that the Malaysia model was not based on sound economic principles, and that a new Mexico crisis was imminent in all of Southeast Asia.

But the monetary and stock market collapses there, are only the regional expression of the global collapse. The banking crisis in Japan is intimately related to that crisis, which has the potential alone to unleash an international chain reaction. There are further dramatic crises in Brazil, Mexico, and Argentina, and also in eastern Europe, especially in the Czech Republic (another IMF showcase), Hungary, Poland, Lithuania, and especially Russia, of course.

The most dangerous situation is in the area of derivatives speculation, where the payments of some \$100 trillion due in the coming months surpasses the GNP of all nations on Earth several times. The same is true for the debt of nations. In other words, the international financial system is irretrievably bankrupt, and there is no national economy in the world which can survive this situation, without carrying out a formal bankruptcy proceeding for the entire international financial system.

China's reform

Fortunately, in contrast to the collapse of the financial system associated with the IMF and the World Bank, which is the result of 30 years of mistaken neo-liberal policies, there is a completely different dynamic in the world. The Chinese government has taken the initiative for the development of the so-called "Eurasian Land-Bridge," and major steps in that project have already successfully been carried out. In the process, the industrial centers of Europe are to be joined together with the population centers of East, Southeast, and South Asia by means of infrastructure corridors, and thus introduce, as the Chinese government says, "a new era of mankind."



Helga Zepp LaRouche addressed the Nigerian Economic Summit in Abuja on Nov. 19, on "The Success of China's Economic Reform Policy and Its Significance for Nigeria and Africa." She is shown here speaking in Virginia on Oct. 11.

For the first time in the history of mankind, the geographical situation of a country will no longer decide that country's economic conditions, but rather, infrastructure corridors will bring industrial and agricultural development into the landlocked regions. Around so-called transportation arteries, i.e., railways and high-speed magnetic levitation trains, highways, developed waterways, pipelines, electricity grids, and so forth, there will emerge corridors (which are approximately 100 kilometers wide), where new cities and industrial plants, and the rapid development of agriculture, will blossom.

Over the past 15 years already, China, under the leadership of Deng Xiaoping, focussed on the development of large industrial projects, as well as scientific and technological progress, and, today, it is the only country experiencing an unprecedented economic boom. Since 1990 alone, the average annual growth of GNP was approximately 12%, while the living standard of the urban population improved annually by 7.5% and that of the rural population by 5.7%.

China has placed the development of the Eurasian Land-Bridge in its strategic long-term planning up to the year 2010, and the country wants to bring the economic level of its internal regions, as quickly as possible, up to that of the developed coastal and southern regions, and, by the year 2050, all of China is to be brought up to world levels.

To indicate the orders of magnitude, somewhat: The railway network will be extended by the year 2000 by 11,000 km, and by the year 2010 it will have 90,000 km of track, almost double what exists today. The Chinese road

networks will be expanded by 12,000 km in the coming years; 14 large Chinese cities will obtain subway systems, and in the next 5 to 10 years, 100 airports will be expanded or built completely anew, and just as many maritime and internal ports will be built. For the next 20-30 years, 200 cities with a population of 1 million each are planned, since the estimate is that there will be a growth of population by 200 million in that time, which will have to be appropriately housed. In order to cover the requirements of the 1.2 billion Chinese population today for energy and food, China's water reserves will be mobilized, and that on a grand scale. On the one hand, a whole series of gigantic hydroelectric power plants will be built, and there will also be huge canalization and irrigation projects in order to redirect water from the water-rich south into the arid north.

Four new nuclear power plants will be connected to the Chinese electricity grid in the coming years, and, at present, the only future-oriented high-temperature reactor, an inherently safe reactor model, is being built in China, and it has a solid position in the planning for the energy supply for the 21st century. One of the most exciting projects is the just-begun Three Gorges Dam in the central section of the Yangtze, which is planned for completion by the year 2010. This dam will not only protect 15 million people, who were hit with flood catastrophes in the past, in which often several hundred thousand people died, but hydroelectric power plants of the project will provide 17,620 megawatts of electrical power, which corresponds to about 13 nuclear power plants of the types that are used in Europe. At the same time, the Yangtze will be made navigable over a stretch of 700 km, with a five-level lock system, and water will be brought from the source region of the Yangtze, via a system of canals, into the north, where, among other things, it will make the Gobi Desert flourish.

I can not mention all of the multiplicity of the other planned projects in China, for time reasons. As an example, I would like to mention that there will be 3,600 infrastructure projects in the Bohai Region alone, in the next 15 years, of which the construction of a 57 km-long bridge over the Bohai Bay is the most spectacular.

Now, since the great success of the historic summit meeting between President Clinton and President Jiang Zemin, the center of gravity of the political relationships in the world has shifted from the Atlantic to the Pacific. Both President Clinton, as well as the Chinese government, saw in the strategic relationship of the two countries — between the presently only remaining superpower and the country which will soon be the greatest economic power in the world — the indispensable precondition for a peaceful development of the world in the 21st century. With this partnership, the potential for the reorganization of the bankrupt old financial system and the creation of a new, just Bretton Woods II System has been created.

The development of Africa

The key for the development of Africa lies in this dynamic of the Eurasian Land-Bridge and the strategic partnership between the U.S.A. and China. It will be decisive to show the countries which participate in the development of the Eurasian Land-Bridge that the development of Africa is their own essential strategic security interest.

For, the greatest immediate economic potential of Africa lies in its role as the potential breadbasket of the world.

Ten years ago, the FAO [UN Food and Agriculture Organization] reported that only one-third of the world's population are well fed, one-third have sufficient food, but because of deficiencies still suffer from mental and physical disabilities, and one-third are continuously in hunger. This distribution has shifted in the meantime to the disadvantage of the second segment.

Practically the entire area of the former Soviet Union has degenerated from the first to the second segment, and countries such as Bulgaria, Romania, and the Asiatic part of Russia have plunged into the third segment.

Given the extraordinary fertility of the African soil, where two-thirds of the agriculturally usable land has the highest soil quality, Africa could very quickly become a major breadbasket for the world. Africa presently is using only one-fourth of the land which could be used for agriculture. China, on the other hand, has 22% of the world population, but only 7% of the agriculturally usable land worldwide. Africa could very easily produce half of the world's grain production

Only if Africa is developed infrastructurally, can this continent play a decisive role in overcoming hunger everywhere in the world; it can also guarantee the provision of all people on this planet with food at a level worthy of being called human. This requires, of course, that food is produced in the necessary quality and quantity, that it is processed and transported, and this is only possible if the remnants of colonialism are overcome in Africa and the scandalous lack of infrastructure, of ports, railways from the north to the south, from the east to the west, roads, waterways, irrigation facilities, energy production and distribution, is overcome.

Under the present conditions in the world, Africa has only one chance to overcome its underdevelopment: All of this can happen over the short term, only if the Eurasian Land-Bridge is extended over the Middle East and the Strait of Gibraltar to Africa, and this continent is opened up by means of infrastructure corridors in the same way as this is already occurring for Eurasia, moving outward from China.

A moment of opportunity

It is most advantageous that the political leadership of Nigeria wants to shape the future through a "Vision for the Year 2010." There is nothing more important in a world, in which all of the old institutions are collapsing, than to think big; than to have a grand vision for how Africa can overcome the underdevelopment—for which it bears no fault—within

a relatively short period of time. For, the moment of the great crisis of the old system is at once an enormous opportunity for a completely new beginning!

Now the moment has come to realize the many programs which have either been begun, or are still only on the drawing boards! The construction of a railway line from Dakar to Port Sudan is the necessary central-line of a development corridor, which can then be joined through Sudan and Egypt with the international network of the Eurasian Land-Bridge. At the same time, of course, many new maritime ports, roads, and railway lines must be built.

Of the many obvious infrastructure projects, I would only like to briefly mention the Transaqua Project, where the main idea is to bring approximately 100,000 million cubic meters per year of fresh water from the basin of the Zaire River, through a canal system and the Bamingui and Chari river management system, into the Sahel zone and to Lake Chad, a project which would draw off only 5% of the water flowing in the river, and would not even be felt in the water-rich south, but it would be of tremendous benefit in the Sahel region.

In this region of the Sahel, which is presently undergoing progressive desertification, some 12-17 million acres are estimated for agricultural usage by means of intensive and semi-intensive irrigation. For purposes of comparison, it is pointed out that 40 million Egyptians live in an irrigated area of under 7 million acres, although this area is cultivated very intensively.

This "water transportation" must, of course, be seen in the context of the larger international transportation system of Africa, i.e., the planned trans-African highway from Lagos to Mombasa, which connects the Indian Ocean with the Atlantic over 6,000 km, and the highway from Lagos to Algiers, which can practically already be used, once it is fully built, which makes a rapid connection between the Gulf of Guinea and the Mediterranean possible.

The realization of the Transaqua and similar large projects can turn the economic dynamic of Africa around in a relatively short period of time, and Africa will soon no longer be the target of wars of imperialist forces, which want to exploit its cheap raw materials, but Africa can become the largest food exporter of the world, and so develop the economic resources in order to be able to process its own raw materials and build up its own industries as quickly as possible.

It has often happened in the past, that entire cultures and civilizations collapsed in one part of the world, while other regions experienced flourishing periods of economic and cultural progress. For the first time in human history, we are now all sitting in the same boat. That means a great danger if we do not act, and sink into chaos, instead. But it also means a wonderful opportunity, to overcome the "childhood illnesses of mankind," oligarchism and colonialism, once and for all, and to establish a just, new world economic order!

England's 'Lizard Queen' is the mother of international terrorism

by Joseph Brewda

London's admitted role as the international safe-haven for terrorist organizations provoking war in the Mideast and elsewhere, has become increasingly exposed, with an Oct. 8, State Department release of a list of 30 terrorist organizations banned from the United States, and blocked from carrying out any form of fundraising or other activity here. According to conservative estimates by *EIR*, at least 22 of those 30 organizations are internationally headquartered in Britain, or are dependent on British logistics, propaganda, and fundraising.

This British hospitality toward terrorists is a centuries-old British Crown policy, dating back to even before Queen Victoria's Lord Palmerston, to make London the headquarters of revolutionary organizations fielded against the British Empire's rivals, and regions targetted for conquest.

As a Nov. 20, 1997 London *Daily Telegraph* article on the issue is forced to admit, "Britain is now an international centre for Islamic militancy on a huge scale . . . and the capital is home to a bewildering variety of radical Islamic fundamentalists movements, many of which make no secret of their commitment to violence and terrorism to achieve their goals." The report follows our coverage in *EIR* last week, documenting that the British monarchy provides this safe-haven, and warning that the monarchy intends to use this capability to help provoke a Cuban missile-style war crisis in the Middle East, for global strategic aims.

According to the *Telegraph's* version of the story, there are several reasons for Britain to furnish a home-base for these terrorists, notably "a history of tolerance towards dissident ideas," and "flexible asylum laws that are easily exploited." It adds that Home Minister Jack Straw's "promise of new laws to curb the activities of international terror organization based in Britain seems timely in the wake of the . . . atrocity in Luxor," Egypt, carried out by the Islamic Group—one of the 30 groups banned from the United States—which, the paper admits, is headquartered in London.

The *Telegraph* provides identification of several other major groups ensconded in Britain, and the nations they target, as earlier exposed in *EIR* (April 4, 1997), "Levy Sanctions on Britain for Harboring Terrorists!" Among the

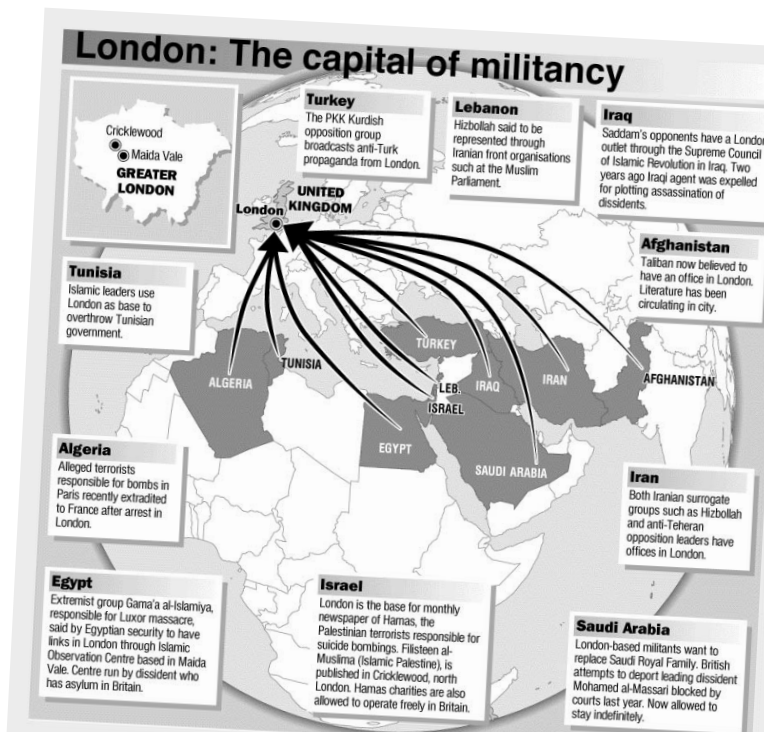
groups identified by the paper are Hamas and Hezbollah, and the broad range of former Afghan mujahideen killers ("Afghansi") roaming North Africa, the Mideast, and Western Asia, under the direction of Saudi moneybags Osama bin Laden, and his front man, Mohamad al-Masari—both residents of London.

It is unlikely, that the British government will effect a radical change in this safe-haven policy, however. For one thing, the *Telegraph* reports, Straw has already said that the new legislation will not give the government the right to exclude anyone from Britain based on ties to terrorism, as "the powers to exclude are draconian." As a spokesman for the Home Office, speaking of such "precautions" in the new legislation, explained to *EIR*, "one man's terrorist is another man's freedom fighter." Asked to comment on the State Department terror list, she said, most of the groups cited are "merely raising funds for humanitarian aid" in Britain, and are "not purchasing weapons for terrorist acts abroad." There is a "thin line between terrorist activity and political freedom fighting," she concluded.

Earlier efforts to change Crown policy toward terrorist residents, also proved unsuccessful. On Feb. 14, 1997, the British Parliament failed to vote out of committee a bill that would have, for the first time in history, made it a crime to plot acts of international terrorism from British soil. The bill was introduced by Conservative MP Nigel Waterson on Jan. 25, after bitter complaints from Saudi Arabia over Britain harboring Mohammed al-Masri, who boastfully claimed credit on BBC for bombing two U.S. military sites in Saudi Arabia, which left over 20 American soldiers dead.

The waning government of John Major had refused to give backing to the Waterson bill, and Labour MP George Galloway (whose party is now in power) led efforts to defeat it. Galloway's statements before Parliament confirm that the reason for the bill's defeat is that it is British Crown policy to foster and harbor international terrorism upon behalf of its geopolitical aims.

"By definition, a tyranny can be removed only by extraordinary measures," he explained. "It is sometimes possible, although very rare, that massive civil disobedience and huge demonstrations can topple a regime, as some in Eastern



You read it first in EIR! Our cover story of April 4, 1997 documented the role of Great Britain in harboring terrorists. Now, more than six months later, the Daily Telegraph publishes the map shown here, and writes that the British capital "is home to a bewildering variety of radical Islamic fundamentalists movements, many of which make no secret of their commitment to violence and terrorism to achieve their goals."

Europe were toppled; but much more often, at one stage or another during a dictatorship, people have to bear arms and take armed action against it. Inevitably, in conditions of extreme repression, the leadership of such movements will gravitate to countries such as ours where freedom and liberty prevail. The bill will criminalize such people, even though they have not broken any law in Britain.

"I repeat the cliché, which is a cliché only because it is so obviously true, that one man's terrorist is another man's freedom fighter. [Cypriot Archbishop] Makarios was a wanted terrorist, and took tea with the Queen in Buckingham Palace. [Zimbabwe President Robert] Mugabe was a wanted Marxist-Leninist terrorist and then took tea with the Queen at Buckingham Palace."

The London asylum

When the U.S. State Department released its list of barred terrorist outfits on Oct. 8, it might not have imagined that it was hitting one of the key "irregular warfare" capabilities used by the Crown throughout the world.

British policy of safehousing these groups has also been bitterly protested by at least 10 victimized governments. By contrast, within the United States, British allies among the Congressional Republicans have sought persistently to shift

the blame for this terrorism onto third parties — usually among London's enemies — such as Sudan. British safehousing and support of the groups on the State Department list, however, is straightforward, as we document below:

Islamic Group and Islamic Jihad: Since the early 1980s, the Islamic Group, with its subsidiary arm, Islamic Jihad, has been the leading terrorist group in Egypt. On Nov. 17, 1997, the Islamic Group took credit for killing 61 European and Japanese tourists in Luxor, in the biggest massacre in Egypt in recent years. The day before, the Egyptian government announced that 66 members of the group would be tried for plotting to kill government officials, and related crimes.

The Islamic Group is internationally headquartered in London. In February 1997, the British government formally granted permission to London residents Abel Abdel Majid and Adel Tawfiq al Sirri, to establish Islamic Group fundraising and media offices in London, under the names International Bureau for the Defense of the Egyptian People and the Islamic Observatory, which now serve as a global command center of the organization, according to statements of the Egyptian government.

Abdel Majid was implicated in the October 1981 assassination of Egyptian President Anwar Sadat, and planned the escape of two assassins imprisoned for that crime. In 1991,

he fled Egypt for Britain, where he received immediate political asylum. Since that time he has coordinated Islamic Group external operations. He was sentenced to death *in absentia* for the bombing of the Egyptian embassy in Islamabad, Pakistan in November 1995, which killed 15 diplomats.

Abdel Tawfiq al Sirri, the co-director of the movement, has also been granted political asylum in Britain. He was sentenced to death *in absentia* for his 1993 assassination attempt on Egyptian Prime Minister Atif Sidqi.

In September 1997, the group's spiritual leader, Sheikh Omar Abdel Rahman, now in a U.S. prison in connection with the February 1993 bombing of the New York World Trade Center, ordered the group to declare a unilateral cease-fire, and stop all violence on its side. All six members of the group's ruling council within Egypt declared in favor of the ruling, the organization's attorney, Muntasir Azzayat, told the London-based paper *Al Quds al Arabi*, but the six members of the ruling group, based in London, rejected it, and are continuing to direct their terror war from there.

Armed Islamic Group (GIA): Since 1992, the GIA has been leading a bloody terrorist war in Algeria which has massacred thousands of people, and which they spread into France. On June 29, 1992, the GIA assassinated Algerian President Mohamed Boudiaf; in a July-September 1995 terror wave, they bombed three Paris subway and train stations, and an open-air market.

The GIA has its international headquarters in London, where its marching orders are published by London residents Sheikh Abu Qatabda and Abu Musab, editors of the London-based party organ, *Al Ansar*.

Sheikh Abu Qatabda was granted political asylum in Britain in 1992, after years of work with the Afghan mujahideen in Peshawar, Pakistan, on the Afghan border. Abu Musab resides in London on a Swedish passport. Both regularly issue *fatwas* (religious rulings) authorizing slaughter. For example, Qatabda issued a *fatwa* out of London in 1992, authorizing the murder of wives and children of Algerian government employees.

Also in London is the GIA's Abou Farres, who oversees operations against France. He was given political asylum in Britain in 1992, after fleeing Algeria, where he had been condemned to death for his admitted bombing of Algiers airport the previous year, which killed nine people and wounded 125.

Liberation Tigers of Tamil Eelam (LTTE): Since 1972, the Tamil Tigers have been leading a guerrilla war in Sri Lanka, which has claimed 130,000 lives. On May 21, 1991, an LTTE suicide bomber murdered Indian Prime Minister Rajiv Gandhi. On May 1, 1993, an LTTE suicide bomber assassinated Sri Lankan President Ranasinghe Premadasa.

The Tamil Tigers have been, since 1984, internationally headquartered in London, where their International Secretar-

iat is located. From its inception, the group has been led de facto by its official spokesman, London resident Anton Balingham, an Oxford graduate and former British Foreign Office employee. The group's suicide bomber division, the Black Tigers, which killed Rajiv Gandhi, is run by Pampan Ajith, out of LTTE London headquarters. A separate suicide bomber division, the Sky Tigers, employing bomb-laden small aircraft, is coordinated by Dr. Maheswaran, also of Britain.

LTTE publications, used to issue marching orders and propaganda, are also written and published in Britain, including *Tamil Nation* and *Hot Spring*, published in London, and *Network* and *Kalathil*, published in nearby Surrey. Global fundraising and banking are directed by Lawrence Tilagar, of London and Paris.

Originally, military training for the group was conducted at Oxford Famine (Oxfam) relief camps in India. Training has also been provided by a British Special Air Services firm, Keenie Meenie Services (KMS), as well as the Israeli Mossad. British mercenaries have also been directly recruited to the group in Wales, according to the Cardiff newspaper *Western Mail*.

Hamas (Islamic Resistance Movement): Since 1987, Hamas, working closely with Islamic Jihad (of Palestine), has directed terrorist attacks on Israeli military and civilian targets to discredit the Palestine Liberation Organization, or provide pretexts for Israeli reprisals. On Feb. 25 and March 3, 1996, Hamas suicide bombers blew themselves up on two Jerusalem buses, and in another incident that same week, in a Tel Aviv market, altogether killing 55 Israeli civilians. On July 30, 1997, Hamas suicide bombers killed 17 civilians in a Jerusalem market.

Hamas marching orders for such incidents are issued from London, from the offices of its monthly organ, *Filisteen al-Muslima*. In 1996, the magazine issued a *fatwa* demanding attacks on Israeli civilians, immediately prior to the spring terror wave.

The Hamas military wing, the Izeddin al Kassam, responsible for implementing terrorist attacks, has one of its headquarters in London. Funding for the attacks is provided by Interpal, the Hamas fundraising division, which is also headquartered in London.

Kurdish Workers Party (PKK): Since 1983, the PKK has been running a guerrilla war in southeastern Turkey which has resulted in 19,000 deaths. Marching orders are given over the group's satellite TV station in London, MED TV, which has been broadcasting for four hours daily since May 1995. The British government licensed the station when the group was expelled from Germany in 1993, after it had briefly seized control of Turkish diplomatic sites in 18 European cities in June. In a March 1996 broadcast, PKK head Apo Ocalan called for the execution of German Chancellor Helmut Kohl and Foreign Minister Klaus Kinkel. When the group held its

founding Parliament in Exile in Belgium in 1995, Lord Hylton personally attended, while Lord Avebury and Baroness Gould sent messages of support.

Abu Nidal Organization: Since 1970, Abu Nidal has overseen assassinations and terrorist attacks, intended to inflame the Mideast on behalf of British geopolitical aims. On June 3, 1982, Abu Nidal's group attempted to kill Israeli diplomat Shlomo Argov in London, providing the pretext for the long-planned Israeli invasion of Lebanon the next day. On Jan. 14, 1991, the group killed PLO intelligence chief Abu Iyal, on the eve of the Gulf War against Iraq, conforming to a general pattern of murdering PLO officials, especially those advocating Mideast peace.

Financing of the group has come from the London offices of the (now defunct) Bank of Commerce and Credit International (BCCI), which the Thatcher and Reagan-Bush governments had used to funnel arms to Iran, and to arm the Afghan mujahideen.

According to BCCI London branch manager Ghassan Qassem, in an Aug. 2, 1991 statement to Associated Press, Abu Nidal opened an account at the bank in 1981, and regularly visited London to purchase arms for his group, and also purchase arms for both Iran and Iraq, using the services of the bank. According to Qassem, Abu Nidal's travels and arms purchases in London were done with the direct knowledge of Britain's intelligence agency, MI-5.

Closely aligned with the Abu Nidal Organization are several other terrorist groups on the State Department list, including the Democratic Front for the Liberation of Palestine, the Islamic Jihad-Shaqaqi, the Popular Front for the Liberation of Palestine, and the Popular Front for the Liberation of Palestine-General Command, all of which are Syrian-based, French-supported groups that routinely carry out bombings in Israel. The Lebanese-based Hezbollah is also part of this network.

Kach and Kahane Chai: Since the early 1970s, the Kach party of Rabbi Meir Kahane (and Kahane Chai, since his 1990 assassination) has been used to attack Palestinians, and Islamic holy sites, in Israel and the occupied territories, to incite counter-violence. On Feb. 24, 1994, Kach official Baruch Goldstein slew over 50 Muslim worshippers at a Hebron mosque, leading Israeli Prime Minister Yitzhak Rabin to ban the group. On Nov. 4, 1995, a Kach associate, Yigal Amir, assassinated Rabin.

Kach, Kahane Chai, and related Jewish fundamentalist groups are coordinated out of London by the Quatuor Coronati research lodge of British Freemasonry, which also sent lodge official Asher Kaufman to East Jerusalem immediately after its seizure in the 1967 Arab-Israeli war. There, Kaufman worked with Rabbi Zvi Kook, son of the former Chief Rabbi in Palestine under the British Mandate, to form Jewish sects dedicated to destroying the Islamic holy sites at al-Haram al Sharif, in order to rebuild Solomon's Temple

(legendarily built by the Masons) in its place. In 1971, Kahane transferred his group from its U.S. base to Jerusalem, at Kook's request.

Stanley Goldfoot, the former aide to Lord Charteris, the onetime head of the British Arab Bureau and Private Secretary to Queen Elizabeth, is the other handler of the sects. Lord Peter Carrington, the late Lord Harlech, and former MI-6 Mideast chief Sir Nicholas Elliot, have been in overall charge of the project.

Harat ul Ansar (HUA): Originally founded in 1980 to fight in Afghanistan, HUA is one of numerous Afghan mujahideen groups created and armed by Thatcher and Bush. Since the Soviet withdrawal from Afghanistan, the group, which is made up of Pakistanis, Algerians, Lebanese, Syrians, Egyptians, and other nationals, has concentrated on fomenting insurrection in Indian Kashmir. Major actions include a February 1995 car bomb in Jammu, India, which killed 17 people, and numerous kidnappings of Indian officials.

The group is closely allied with Sipah e Sahaba, another Afghan mujahideen sect, which has been responsible for massacres of Pakistani Shiites. In early 1995, Sipah e Sahaba leader Zia Rehman Farooqi travelled to Britain for money and recruits, claiming afterward to the *Telegraph*, that he had gained 40,000 recruits at British rallies.

The Afghan mujahideen terrorist labor pool, of which HUA is just one example, was created under the direction of Viscount Cranborne, Leader of the House of Lords, who oversaw the Afghan War project, aided by MI-6 Mideast hand Sir Nicholas Bethell; former Foreign Office head Lord Morrison of Lambeth; and Winston Churchill III.

Other British-aided terrorist organizations composed or led by Afghan Mujahideen veterans include the above-cited Islamic Group and Islamic Jihad of Egypt, the Armed Islamic Group of Algeria, and the Abu Sayyaf group of the Philippines, which has also been placed on the State Department terror list.

Sendero Luminoso: Since the early 1980s, Peru's Shining Path has been leading an "Indian liberation" war, which has killed over 25,000 Peruvians. The group's most important foreign headquarters are in London, headed by Adolfo Héctor Olaechea, who uses a July 1992 letter from Buckingham Palace as a letter of introduction, which reads: "The private secretary is commanded by Her Majesty Queen Elizabeth to acknowledge receipt of the letter from Mr. Olaechea, and to say that it has been passed on to the Home Office."

Funding for the group in part comes from the Peru Support Group of London, which is sponsored by Lord Avebury and England's Jesuit Provincial, Michael Campbell-Johnson. The Musical Guerrilla Army performs benefit concerts throughout Britain for the narco-terrorist gang, crooning such lyrics as, "The blood of the armed people nourishes the armed struggle." Other Ibero-American narco-terrorist groups on the State Department list, known to receive some form of British

support, include the Colombian FARC and ELN, and the Peruvian MRTA.

London's victims protest

This British harboring of international terrorist groups has led to diplomatic protests from at least ten victimized countries. These include:

Egypt: British asylum for the Islamic Group and Islamic Jihad, has persistently been a reason for Egyptian complaints to the British government. In April 1996, Egyptian Interior Minister Hasan al-Alfi told the British Arabic weekly *Al-Wasat*, "All terrorists come from London. They exist in other European countries, but they start from London." On Aug. 29, the government daily, *Al-Ahram*, reported that the British chargé d'affaires in Cairo was summoned by the deputy foreign minister, and given a letter for Foreign Minister Malcolm Rifkind, protesting Britain's "double standard policy" and "support for international terrorism." An official of the Egyptian Foreign Ministry was quoted in the paper saying, "The asylum law in Britain has provided a safe-haven for terrorists."

Egypt has been particularly incensed that the British have allowed the Islamic Group/Islamic Jihad to use London as their home-base. Continual demands that Britain extradite Islamic Group leaders Adel Abdul Majid and Adel Tawfiq al Sirri back to Cairo, where they have been sentenced to death *in absentia* for terrorist crimes, have been rejected.

On Feb. 13, 1997, Egyptian officials told the London-based Arabic paper *Al-Hayat*, that the Egyptian government remains "troubled" and "astonished" by the Britain's decision to allow Abdul Majid to establish officially recognized centers in London, especially after the Egyptian Supreme Court released admissions from several members of the group, at the beginning of 1997, that they had received money and marching orders from Abdul Majid, to carry out bombings and assassinations throughout 1996.

These same officials told the paper that "this only further supports Egypt's belief that London has become the most prominent center for anti-Egypt Islamic extremist groups," and that there will continue to be talks on the highest levels "to know the reasons that made the British government allow the establishment of that [Islamic Group] office."

Israel: On March 3, 1996, after a Hamas bomb exploded in a Jerusalem market, killing a dozen people, and a second exploded in Tel Aviv, Israel's ambassador to London met with Foreign Minister Malcolm Rifkind to demand that Britain stop protecting the group. In an account of that confrontation, the London *Express* reported the next day, "Israeli security sources say the fanatics behind the bombings are funded and controlled through secret cells operating here. Only days before the latest terror campaign began, military chiefs in Jerusalem detailed how Islamic groups raised £7 million in donations from British organizations. The ambassador,

Moshe Raviv, yesterday shared Israel's latest information about the Hamas operations. A source at the Israeli embassy said last night, 'It is not the first time we have pointed out that Islamic terrorists are in Britain.' "

The British Foreign Office officially responded to the Israeli ambassador: "We have seen no proof to support allegations that funds raised by the Hamas in the U.K. are used directly in support of terrorist acts elsewhere."

In early September 1997, Shin Bet chief Ami Ayalon travelled to Britain, according to the *Sunday Telegraph*, after investigations determined that the two Hamas suicide bombers who killed 15 people in a Jerusalem market on July 30, arrived in Israel on British passports: "Israeli officials are said to have become increasingly frustrated by what they see as British foot-dragging in curbing the activities of Palestinian hard-liners. The Israeli government has made repeated calls for action to be taken against militants, said to be operating freely in the British capital."

France: In late 1995, GIA's London headquarters ordered a terror war against France, leading France to loudly protest to the British government, according to the Nov. 6, 1995 London *Daily Telegraph*, in an article entitled "Britain Harbours Paris Bomber." On Nov. 3, 1995, the French daily *Le Figaro* wrote, under the headline "The Providential Fog of London," of the GIA's bombing spree: "The trail of Boualem Bensaïd, GIA leader in Paris, leads to Great Britain. The British capital has served as logistical and financial base for the terrorists."

The next day, *Le Parisien* reported that the author of the GIA terror attack inside France was former Afghan mujahideen leader Abou Farres, who was given a residence visa in London, despite the fact that he was already wanted in connection with the bombing of the Algiers Airport. Farres's London-based organization, according to *Le Parisien*, recruits Islamic youth from the poor suburbs of Paris, and sends them to Afghanistan, where they are trained as terrorists.

Peru: The Peruvian government has made repeated requests to the British government, since 1992, demanding the extradition of Adolfo Héctor Olaechea, the London-based head of overseas operations for Shining Path, as well as the shutdown of its fundraising and support operations there. Both requests have been refused to this day. Moreover, in 1992, during the worst of the Shining Path offensive in Peru, Channel 4, of the Independent Broadcasting Authority—a dependency of the British Home Office—coordinated with Olaechea to send two journalists to Peru, where they contacted Shining Path units, and filmed a highly favorable report. The film was broadcast throughout Britain by Channel 4 on July 10, 1992, despite an official protest from the Peruvian government.

Turkey: On Aug. 20, 1996, the Turkish government formally protested to the British government for allowing the

Kurdish Workers Party to continue its London-based MED TV broadcasts into Turkey, despite documentation that the broadcasts were used to convey marching orders to PKK terrorists there.

Germany: The Bonn government issued a diplomatic note to London, too, following a March 1996 MED TV broadcast in which PKK leader Apo Ocalan called for murdering German Chancellor Kohl and Foreign Minister Kinkel. According to the German press, the Interior Ministry stated concerning the London station: "We have requested our colleagues in neighboring countries in Europe to put measures into effect in order to not compromise internal security in our own country."

Proposed U.S. sanctions

But despite overwhelming evidence that London is an international safe-haven for international terrorism, which even the *Daily Telegraph* has been forced to admit, Anglophile Congressional Republicans have persisted in attempting to pin the blame on third parties, notably Sudan and the Palestine Liberation Organization, in order to provide the British Crown an alibi.

Target Sudan: On May 15, 1997, Sen. John Ashcroft (R-Mo.), chairman of the Africa Subcommittee of the Senate Foreign Relations Committee, convened a hearing to argue for new legislation, to close an alleged loophole in section 321 of the anti-terrorism bill, which has been interpreted by the administration to allow foreign companies to invest in Sudan, unless it can be shown that the monies will be used for terrorism against the United States. The bill has since been superseded by a Clinton administration order banning all such investment.

Ashcroft, who took testimony from Rep. Bill McCollum (R-Fla.), who had submitted a parallel bill in the House, based his charges on the claim that Sudan was responsible for the World Trade Center bombing, which, in fact, was carried out by the London-based Islamic Group. Ashcroft also accused Sudan of providing safe-haven for Hamas, whose international headquarters is London.

Target PLO: On July 30, 1997, Rep. Jim Saxton (R-N.J.) appended an amendment to the House Appropriations Foreign Operations bill, which passed the House by voice vote, suspending all aid to the Palestinian Authority for three months. Saxton's measure also contributed to Congress's failure to act on an extension of the Middle East Peace Facilitation Act, before the August recess, the failure of which has disallowed the PLO from having legal offices in the United States.

The stated reasons for both measures was alleged PLO responsibility for allowing Hamas bombings in Israel, including one on July 30. But these and other bombings were ordered and carried out by Hamas offices in London, and nowhere else—and on behalf of the British plan for a new Mideast war crisis that *EIR* has exposed.

Eurasian-Pacific axis could change history

by Jonathan Tennenbaum

Over the last four weeks, on the backdrop of earthquake-like shocks in the collapsing world financial system, an extraordinary series of jointly coordinated consultations and negotiations has taken place at the highest level between the United States, China, Russia, and Japan. The importance of this Eurasian-Pacific diplomacy lies not so much in the concrete, visible results achieved up to now, as in the fact, that it points to the potential emergence of a *strategic constellation of forces*, which could decisively shape events in this critical period of history.

A summary review of the last four weeks' diplomacy, speaks for itself. First in the latest series, was the historic breakthrough of Chinese President Jiang Zemin's Oct. 26-Nov. 3 visit to the United States and his summit meeting with President Bill Clinton, which notably included discussion of the world financial situation. According to press reports, President Clinton subsequently briefed Russian President Boris Yeltsin by telephone on the results of his discussions with Jiang Zemin.

Shortly thereafter, Yeltsin flew to the Siberian city of Krasnoyarsk for an extraordinary, two-day "informal summit meeting" with Japanese Prime Minister Ryutaro Hashimoto. This meeting, described on both sides as "a revolution in Japanese-Russian relations," was followed a week later by President Yeltsin's state visit to China, on Nov. 9-11.

During that visit, Yeltsin and Jiang Zemin signed the long-awaited border treaty, finally settling (with the exception of three islands in the Amur River) the 4,300-kilometer-long border between the two nations. Besides discussing major projects for economic and technological cooperation, Yeltsin and Jiang Zemin reviewed the results of Jiang Zemin's visit to the United States, hailing the "positive developments achieved in recent high-level meetings between China, Russia, the United States, Japan, and other countries." Both sides made it clear, that the strategic partnership between China and Russia is not opposed to the United States, but, on the contrary, is actually an integral component of the same process as the growing U.S.-China partnership. For its part, both before and during Jiang Zemin's visit to the United States, the Clinton administration took pains to make clear, that U.S.-Japanese defense agreements are intended exclusively to enhance stability in the region, and have nothing to do with an alleged alliance against a "China threat."

Following the Sino-Russia summit, Russian Foreign Minister Yevgeny Primakov, who had accompanied Yeltsin on

his visit to China, travelled to Tokyo for talks with his Japanese counterpart Keizo Obuchi. Following up on the Yeltsin-Hashimoto agreement of Krasnoyarsk, Primakov and Obuchi set up a new working framework to prepare a formal peace treaty, finally ending the official state of hostility between the two countries which has existed since World War II.

While in Tokyo, Primakov also met with U.S. First Deputy Secretary and Russia specialist Strobe Talbott, who had just conducted talks in Beijing with Chinese Foreign Minister Qian Qichen and other Chinese officials, as part of an Asian tour focussing on "national security issues." The Russian press agency ITAR-TASS reported, that Primakov is giving his support to "an idea proposed by Chinese Prime Minister Li, that Russia, Japan, China and the U.S. establish a system of political consultations." At the same time, Chinese Prime Minister Li Peng began a six-day official visit to Japan on Nov. 11-17, which included an audience with the Japanese Emperor and Empress, and intensive discussions on bilateral cooperation. Finally, we have the Asian-Pacific Economic Cooperation meeting in Vancouver, beginning on Nov. 24, where (among other things) Chinese President Jiang Zemin and U.S. President Clinton will meet again.

On one level, this intense process of U.S.-Russia-China-Japan diplomacy has the included aim of clearing away as many as possible of the historical areas of conflict, which have stood in the way of full-fledged cooperation between the major Asian-Pacific nations (including the United States), and allowed them to be played off against each other in British-style geopolitical "games" in the past. The "Yeltsin-Hashimoto Plan" to conclude a formal peace treaty by the year 2000, clearly possesses this character, as does the Sino-Russian border agreement and some important features of the U.S.-China consultations.

Prospects for a 'new Silk Road'

On the side of concrete projects, the "Eurasian Land-Bridge" is emerging ever more clearly as the driving conception, with energy cooperation playing the most conspicuous role. Commenting on the Russian-Japanese summit, an ITAR-TASS article spoke of "setting up a Far East energy and transport community which would resurrect the idea of the Great Silk Route in a new chapter of history. What is envisaged is not only cooperation between Russia and Japan in developing Sakhalin's oil and gas resources and modernizing the Trans-Siberian Railroad, but also the joint creation of a network of main pipelines which would link gas deposits in Irkutsk Oblast and Yakutia with gas consumers in China, Korea, and Japan."

During the Sino-Russian summit in Beijing, a memorandum of understanding was signed for a gigantic project, to build a 3,500-kilometer-long pipeline to deliver natural gas from the Irkutsk region of southern Siberia, through Mongolia to Shandong Province in eastern China, with a further 1,200-kilometer-long extension to supply the networks of Japan and

South Korea. This \$10-12 billion project is to be carried out by an international consortium including companies from Russia, China, South Korea, and Japan. Via the new pipeline system, the huge Kovyktinskoye gas condensate deposit near Irkutsk, with an estimated 1.5 trillion cubic meters of gas reserves, would provide China, Japan, and South Korea each with at least 10 billion cubic meters of gas per year. This is only one of countless projects in various stages of discussion and realization. For example, Japanese companies are already deeply involved in the development of major petroleum deposits of Russia's Sakhalin island, and have shown interest also in the mineral-rich Yakutsk region. In addition, there is an important joint project to build up the port at Vostochny. To the extent the "Yeltsin-Hashimoto Plan" succeeds in overcoming the neuralgic points of Japanese-Russia relations, Japan's role in helping to develop Russia's Siberia and Far East regions, could be multiplied many-fold. Also U.S. companies are increasingly interested in Russian's Far East, which will one day be connected to North America via a Bering Strait tunnel to Alaska. The Northeast Asian region — comprising a major part of China's industrial and agricultural potential, the two Koreas and Japan, and the vast mineral resources of Russia's Far East — seems destined in the future become the most powerful single region in the entire world economy.

Nuclear power is another key area of cooperation, addressed by recent diplomacy. On the one side, despite problems of financing and other difficulties, Russia-Chinese nuclear cooperation is expanding significantly, including Russian construction of a uranium enrichment plant in Lanzhou, now ongoing, and the plan — still awaiting the signing of contracts — to build two 1,000-megawatt VVER reactors at the "Eurasian Land-Bridge" port city of Lianyungang. On the other side, an important breakthrough seems to have been reached around Jiang Zemin's visit to the United States, with the Clinton administration's apparent commitment to expedite major exports of civilian U.S. nuclear technology to China. This would not only furnish an urgently needed boost to China's nuclear power development, but would represent a significant reversal of the policy of opposing the worldwide expansion of nuclear energy for peaceful purposes, which has de facto been followed by U.S. administrations since Jimmy Carter. For Washington to give the "green light" to nuclear energy in the context of U.S.-China-Russia-Japan cooperation on Eurasian development, would deal a devastating blow to a crucial flank of British geopolitical strategy.

Much more, however, is implied in the intensification of direct personal contacts at the Presidential level, and the establishment of "hot-line" telephones on all three sides of the Russia-U.S.A.-China "strategic triangle." The prospect, however tenuous at the moment, that the world's largest, the world's most powerful, and the world's most populous nation, might become capable of acting together at this moment of great world crisis, must strike terror into the heart of the common enemy — the British Empire.

Jiang Zemin speaks to Americans on China's history and culture

by Mary Burdman

Chinese President Jiang Zemin's Oct. 26-Nov. 3 trip to the United States, highlighted by his summit with President Clinton in Washington, D.C. on Oct. 28-29, fundamentally changed the world situation. As important as improved U.S.-Chinese bilateral ties are, Jiang Zemin's visit to the United States has had even greater importance for the international situation, because it has set the conditions for creating a "constructive strategic partnership" between the two nations. Throughout his trip, which took him to five U.S. cities—Honolulu, New York, Philadelphia, Boston, and Los Angeles—the Chinese President was persistent in his emphasis on the importance of this partnership for the rest of the world. In response to the greeting he received from the U.S. President on Oct. 28, Jiang said: "The Chinese and American people, as well as the international community, all attach great importance to this visit and to the immediate and historical significance of my meeting with you. I hope the visit will push Sino-U.S. relations to a new stage of development, which is in the fundamental interests of the Chinese and American people, and is extremely conducive to promoting world peace and development."

From the time of the 1972 Shanghai Communiqué signed by the United States and China, as they began to open mutual relations, policy from the Chinese side has been to make the Five Principles of Peaceful Coexistence—the principles which are fundamental to a new, just, and rational world order—the basis of relations with the United States. But many tensions and unresolved issues have plagued relations. It is clear, that those who matter in both governments, realize they must move beyond the bilateral problems. However, at the same time, unless the venomous attacks on China, and upon President Clinton's China policy, by an actually small, but virulent, faction of China-bashers in the United States, can be stopped, the effectiveness of the partnership will be limited.

Mankind's spiritual wealth

Therefore, the Chinese President took special care to educate as much of the American population as he could, about his nation. Most important, was his speech at Harvard University on Nov. 1. There, he told an audience of 1,000, most of them students, that the present course of broadening ties between the United States and China is "not enough." For



Chinese President Jiang Zemin with President Bill Clinton, in Washington, D.C., Oct. 29, 1997. "Many Chinese contributed to the nation-building of the United States," said Jiang at Harvard, "while a lot of American friends helped and supported the national liberation cause of the Chinese people. We will never forget their contribution which has touched us deeply."

Americans to understand China, they must know Chinese culture and history.

This was the first speech that President Jiang has made in which he has so clearly developed the idea of why China's culture is so important to its political policy.

Jiang himself came from an intellectual family in the city of Yangzhou on the Yangtze River, a city famous for its culture and history. It was from his family that he learned his love of literature, both Chinese and international, although his professional training was as an engineer. He knows classic Chinese literature well, often quoting philosophers or poets of the Tang, Song, and Yuan dynasties in his political speeches, but also reciting Shakespeare, Shelley, and Abraham Lincoln, as well as the Russian novelists Tolstoy and Pushkin. Music, both Chinese and Western—particularly Mozart and Beethoven—is also a fundamental reference for Jiang, who considers both Chinese and Western cultures, "the common spiritual wealth of mankind."

Using history to change history

Jiang's speech at Harvard demonstrates that China's leaders understand well that international, and especially American, ignorance of the importance of 5,000 years of Chinese culture and history, in shaping *current* Chinese policy, has imposed limits on China's own role in the world, and made the conflict-mongers' operations too easy. China urgently needs several decades of peace to be able to develop its economy for its enormous population; to gain these essential decades, China must also act to help resolve other nations' problems of backwardness, conflict, and ignorance. One thing that must

be done to realize this responsibility, is to clarify for the world, the principles on which China is acting.

The leaders of China are, in some way, acting on the basis of the principle defined by Lyndon LaRouche as “time reversal”—the future re-defining not only the present, but also the past.

China only has a future, in a world governed by a “new, just, and rational” political and economic world order. Few nations have undergone what the Chinese nation has in this century: colonial incursions, decades of civil strife, national division, and foreign invasion and war. Many millions of people, and many years of potential economic development, were lost. For a huge, terribly poor nation, this was too great a price to pay. China’s leaders well know, just how high is the cost of failure to act in times of national crisis. Indeed, the very term “crisis,” tossed out so readily in the West to label every passing conflict, is not used so in China. There, what is termed a “crisis,” is a crisis, indeed.

To bring China into the next century, its leaders must act upon the basis, not only of recent achievements, but also their nation’s long, remarkable history. All that which, in the past, impelled China toward a just and rational order, can now contribute to creating this order in the world. It is the biggest task in China’s history, and every resource is essential. China is using its history, to *change* history.

An open nation

“Mutual understanding is the basis of state-to-state relations,” Jiang stated at Harvard. “China is a country of 5,000 years of civilization. It is therefore important to approach China from a historical and cultural perspective.”

The Chinese President emphasized, that for the far greatest part of its history, China has been an open nation. Chinese culture has grown throughout history, enriching itself through the “contention and incorporation of various disciplines.” Chinese people have always known the importance of “drawing widely upon others’ strong points to improve oneself.” Jiang described the opening up of the Silk Road, including by the great “Journey to the West” of the monk Xuan Zang, who travelled to South Asia during the Tang dynasty (618-907)—a story that is one of the classics of Chinese literature—as well as the remarkable Ming dynasty sea voyages by navigator Cheng Ho. “Only later on, especially in the late Qing dynasty, did feudal rulers adopt a policy of seclusion, which hampered China’s progress and its exchanges with the outside world.” After the Opium War, generations of Chinese leaders have striven to learn from Western science and culture, and “combine these with China’s realities,” to advance the nation, Jiang said.

Jiang then described the essential features of Chinese culture: “The tradition of solidarity and unity” of the nation; “the tradition of maintaining independence,” and the “independent national spirit of the Chinese people.” Third is the “peace-loving tradition.” From over 2,000 years ago, Chinese doctrine was that “loving people and treating neighbors kindly

are extremely valuable for a country.” Fourth is “the tradition of constantly striving for self-perfection,” which dates from ancient times. In the current century, Dr. Sun Yat-sen, Jiang said, “was the first to put forward the slogan of ‘China’s rejuvenation.’” Mao Zedong led China to national independence, and now Deng Xiaoping’s policies have led China to “the fastest and healthiest development phase this century.”

On one level, Jiang’s speech was a refutation of the geopolitical bloviations of Prof. Samuel Huntington (who traces his ideological roots directly to the British Empire’s Arnold Toynbee, the historian of British intelligence), and Caspar Weinberger. Huntington’s rhetoric on “clashes of civilizations,” and Weinberger’s Hollywood-style “docu-drama” depiction of fundamental world conflicts (Bad: have dark eyes, are inscrutable, and drink tea; Good: have Anglo-Saxon names, blue eyes, and drink coffee), have been brusquely dismissed by any and all competent thinkers around the world.

President Jiang goes far beyond that, to describe the qualities of Chinese civilization that have made it the source of the only nation to have been a great civilization 5,000 years ago and today.

Documentation

Following are excerpts from Chinese President Jiang Zemin’s speech at Harvard University on Nov. 1, taken from the Xinhua release, “Enhance Mutual Understanding and Build Stronger Ties of Friendship and Cooperation.”

Mutual understanding is the basis for state-to-state relations. Without it, it would be impossible for countries to build trust and promote cooperation with each other. Since the establishment of diplomatic ties between China and the United States, the exchanges and mutual understanding between our two peoples have broadened and deepened steadily. However, this is not enough. To promote the development of China-U.S. relations, China needs to know the United States better and vice versa.

To know China better, one may approach it from different angles. China today has been evolved from its past. China is a country with 5,000 years of civilization. Therefore, it is important to approach China from a historical and cultural perspective.

I recall my first lesson on calculus in senior high school. My teacher quoted a line from Zhuang Zi, a Chinese philosopher over 2,000 years ago, which reads, “Cut away half of a rod and keep on halving what is left, and there will be no end to that process.” This gave me a vivid concept of limit. It shows that the ancient Chinese realized the endless process of changes of matters and had a fairly good understanding of the nature.

As early as in 2,500 B.C., Chinese began astronomical observation and geographical survey, and gradually formed

a world outlook of an “integration of the universe and humanity.” China produced in its history many outstanding philosophers, thinkers, statesmen, strategists, scientists, writers and artists and left us numerous volumes of literature. The scene of “contention of a hundred schools of thought” brought forth in the Spring and Autumn Period 2,500 years ago and the Warring States Period over 2,200 years ago, and the emergence of various schools of thought and their exponents, such as Lao Zi and Confucius about 2,400 years ago, all occupy a very important position in the world history of philosophy.

Ancient China made unique contributions to many areas of science including astronomy, calendric system, geography, mathematics, agriculture, medicine, and the humanities. Records of solar and lunar eclipses are found in the inscriptions on bones or tortoise shells of the Shang Dynasty over 3,000 years ago. In the 2,100 years from the Qin Dynasty to the late Qing Dynasty (221 B.C.-1911 A.D.), the 27 appearances of Halley’s Comet were all recorded in China. Zhang Heng of the Han Dynasty over 1,800 years ago invented a seismograph to determine the location of earthquakes and the celestial globe that showed the movement of the Sun, Moon, and other stars. Mathematicians in the pre-Qin days over 2,200 years ago put forward the proposition known as the Pythagorean Theorem in the West today. In the Northern and Southern Dynasties in the Fourth century A.D., China’s mathematician Zu Chongzhi calculated the ratio of the circumference of a circle to its diameter to be 3.1415926.

China’s silk weaving, porcelain making, metallurgy, and shipbuilding reached the world’s advanced level in ancient times. In the Ming Dynasty, Zhu Zaiyu initiated the 12-tone temperament which later became the universal standard tones. The Chinese medicine is a unique school of its own. Particularly, China’s four great inventions of paper making, gunpowder, printing, and compass had once changed the face of the world. China had been a world leader in science and technology for one thousand years until the 15th century. These inventions and creations of China have brought forward the rationalistic brilliance of coordination between humanity and the nature and the integration of scientific spirit with moral ideals.

China’s culture in history has never stopped developing. It has enriched itself through the contention and infiltration of various disciplines and schools of thought, and also through the mutual exchanges and learning between China and other countries in the world. Since old times, the Chinese people came to know full well the importance of “drawing widely upon others’ strong points to improve oneself.”

The Han and Tang Dynasty were both an age of economic prosperity and also one of flourishing international exchanges. Imperial envoy Zhang Qian’s trip to the “West” in the Han Dynasty (206 B.C.-220 A.D.) over 2,000 years ago opened up the world-famous Silk Road; Eminent Monk Xuan Zang of the Tang Dynasty (618-907) brought back ancient

culture after braving the long journey to South Asian countries. In the Ming Dynasty (1368-1644), Chinese navigator Cheng Ho led a fleet to what that people then called the “West Sea” seven times in the 15th century, spreading the Chinese culture to distant lands. Only later on, especially in the late Qing Dynasty, the feudal rulers adopted a policy of seclusion, which hampered China’s progress and its exchanges with the outside world.

After the Opium War (1840-1842), generation after generation of enlightened Chinese people have, for national rejuvenation, spared no efforts in learning from Western countries’ advanced science and cultural achievements, in combination with China’s realities and pushing for China’s social reforms and development.

Today, the Chinese people who are struggling to achieve modernization have made the opening-up a basic state policy and conducted extensive exchanges and cooperation with the rest of the world, thus creating a brand-new situation in its opening-up endeavor in Chinese history.

Sunlight is composed of seven colors; so is our world full of colors and splendor. Every country and every nation has its own historical and cultural traditions, strong points and advantages. We should respect and learn from each other and draw upon others’ strong points to offset one’s own deficiencies for achieving common progress.

In the prolonged course of development, China has formed its fine historical and cultural traditions, which have been either developed or discarded with the changes of the times and social progress. These traditions have exerted a profound impact on the values and way of life of the Chinese people, and on China’s road of development today. Here, I would like to make the following observations, which I hope will help you to know China better.

First, the tradition of solidarity and unity. The Chinese nation is a big family composed of 56 nationalities. Since time immemorial, people of all nationalities have established closely knit political, economic, and cultural links and joined hands in developing the vast land of our country. China became a vast unified country more than 2,000 years ago. The deep-rooted Chinese culture became a strong bond for ethnic harmony and national unity. Solidarity and unity have been inscribed in the hearts of the Chinese people as part of their national identity. Despite occasional division in Chinese history, ethnic harmony and national unity have remained the main stream in the history of the Chinese nation, and an important guarantee for China’s development and progress.

The founding of the People’s Republic of China marked an unprecedented great unity of the Chinese nation. A new type of relationship of equality, solidarity, and mutual assistance between different nationalities has been established. People of all nationalities enjoy full rights and freedoms provided for by the law. In places where there is a high concentration of minority nationality people, regional autonomy is in

practice. These regions have witnessed continued economic and social development. All these have laid a solid political foundation for consolidated national unity.

Second, the tradition of maintaining independence. Our ancestors always regarded the spirit of maintaining independence as the foundation of a nation. As one of the cradles of human civilization, China has all along maintained its cultural tradition without letup, in the history of several thousand years. In modern times, the frequent bullying and humiliation by imperialist powers once weakened China. However, after a hundred years' struggle of the entire Chinese nation, China has stood up again as a giant. This fully testifies to the indestructible strength of this independent national spirit of the Chinese people. Today, in finding a road to development suited to us, we will proceed from our own national conditions to address the issue of how to conduct economic construction and political and cultural advancement, without blindly copying other countries' models. In handling international affairs, we decide our positions and policies from an independent approach. The Chinese people cherish its friendship and cooperation with other peoples, as well as their right to independence they have won through protracted struggles.

Third, the peace-loving tradition. Chinese thinkers of the pre-Qin days (over 2,000 years ago) advanced the doctrine "loving people and treating neighbors kindly are most valuable to a country." This is a reflection of the aspiration of the Chinese people for a peaceful world where people of all countries live in harmony. Today, the Chinese people who are committed to modernization need more than ever a long-term international environment of peace and a favorable neighboring environment. China's foreign policy is peace-oriented. We will establish and develop friendly relations and cooperation with all countries in the world on the basis of the Five Principles of Peaceful Coexistence, especially the principles of mutual respect, equality and mutual benefit, and non-interference in each other's internal affairs. We will never impose upon others the kind of sufferings we once experienced. A developing and progressing China does not pose a threat to anyone. China will never seek hegemony even if it is developed in the future. China is always a staunch force for world peace and regional stability.

Fourth, the tradition of constantly striving for self-perfection. Through observing the changing nature of the universe and all earthly matters, ancient Chinese philosophers proposed the following doctrine: "As Heaven maintains vigor through movement, a gentleman should constantly strive for self-perfection." This idea has become an important moral strength, spurring the Chinese people to work hard for reform and renovation. The fruits of China's ancient civilization were brought about by the tireless efforts and hard work of the Chinese nation. In the past one hundred years or so, the Chinese people have waged arduous struggles to get rid of the sufferings under semi-colonial and semi-feudal rule. Dr. Sun

Yat-sen, China's forerunner of the democratic revolution, was the first to put forward the slogan of "rejuvenation of China." He led the Revolution of 1911 to remove the millennia-old autocratic monarchy in China.

Under the guidance of Mao Zedong Thought, the Chinese Communist Party led the Chinese people in achieving China's national independence and people's liberation and in building China into a socialist country with initial prosperity. Today, guided by Deng Xiaoping Theory, the Chinese people are firmly pressing ahead with reform and opening-up and have made remarkable achievements in the modernization drive. China has entered a period with the fastest and healthiest development in this century.

The reform and opening-up endeavor is an embodiment and a creative development of the Chinese spirit of constantly striving for self-perfection and renovation in modern times. We refer to our reform and opening-up as socialist reform and opening-up, because they constitute the process of self-improvement and development of the socialist system in China. The practice in recent 20 years has eloquently proved that we are right in direction, firm in conviction, steady in our steps, and gradual in our approach when carrying out the reform and opening up, and have achieved tremendous successes. We have successfully overcome various difficulties and risks in the course of our advance, without causing great social unrest. Rather, we have succeeded in greatly releasing and developing productive forces and maintained social stability and an all-round progress.

We are conducting a comprehensive reform with full confidence. Economically, we will speed up the establishment of a socialist market economy and realize industrialization. . . . Politically, we will endeavor to develop socialist democracy, govern the country according to law, build a socialist country under the rule of law, and ensure the full exercise of people's rights to govern the country and manage social affairs. Culturally, we will work hard to develop a scientific socialist culture for the people, a culture that is geared to the needs of modernization, of the nation, of the world and of the future, adopt a strategy of rejuvenating China through science and education, and strive to raise the political and moral standards as well as scientific and cultural level of the entire nation. In a word, it is to build our country into a prosperous, strong, democratic and culturally advanced modern country.

China, a country with vast territory, a big population, and a long history, should make a greater contribution to humanity. The Chinese people waged a dauntless struggle for 100 years. They have effected great reforms and changes one after another, to build China into a strong and prosperous country. They have worked to strengthen ethnic harmony and achieve national reunification and to promote the lofty cause of world peace and development. In the final analysis, they have done all these for one objective, that is, the great rejuvenation of the Chinese nation and China's greater contribution to humanity.

In short, the choice of the social system and development path that China has made, the domestic and foreign policies that it has pursued, and the goals it has identified for the next century are all based on both reality and history. Therefore, they are not only in conformity with the trend of the historical development of mankind and that of the times, but also reflect the characteristics of the Chinese nation. They serve not only the fundamental interests of the Chinese people, but also world peace, stability, prosperity, and progress. This is the key to an understanding of the present China and its future.

Ladies and Gentlemen: The friendly exchanges between the Chinese and American peoples date back to more than two hundred years ago. Back in 1784, the American merchant ship the *Empress of China* came a long way to China. In 1847, Chinese student Rong Hong and others came to the United States, as the first group of Chinese students to study here. Many Chinese contributed to the nation-building of the United States, while a lot of American friends helped and supported the national liberation cause of the Chinese people. We will never forget their contribution which has touched us deeply.

The Chinese people have always admired the American people for their pragmatic attitude and creative spirit. . . . In our course to further open up and achieve modernization, we have spared no efforts in learning from all the fine cultural

achievements of the American people.

Friendship and cooperation between our two peoples are of great importance to the world. . . . China and the United States share broad common interests and shoulder common responsibility on many important questions which are crucial to human survival and development, such as maintaining world peace and security, preventing the spread of weapons of mass destruction, protecting the environment for human survival, and combatting international crimes. All these provide an important basis for further developing China-U.S. friendly relations and cooperation. We should take a firm hold of the overall interests of China-U.S. relations and settle our differences properly so as to reach the goal of promoting mutual understanding, broadening common ground, developing cooperation and building a future together. . . .

I highly appreciate the motto on the gate of your University. It reads: "Enter to grow in wisdom" and "Depart to serve better thy country and thy kind." Young people in China have also a motto, that is, "Keep the motherland in heart and serve the people with heart and soul." I hope that in the cause of building our own countries and promoting world peace and development, younger generations of China and the United States will understand each other better, learn from each other, enhance the friendship and strive for a better future. Thank you very much for your attention.

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French cover-up of Princess Diana's murder unravels

by Jeffrey Steinberg

As copies of the Nov. 21 issue of *EIR*, featuring the first accurate, in-depth account of the murder of Princess Diana, circulate in Europe and the United States, new cracks are emerging in the French government's ruthless cover-up of the events surrounding the car crash in the Place de l'Alma tunnel in Paris, in which Diana and two others died on Aug. 30-31.

Two British publications, the 2 million circulation Sunday weekly *The People* and the *Sunday Times*, have printed articles, corroborating features of the *EIR* dossier.

The other new feature of the murders of Princess Diana, Dodi Fayed, and Henri Paul, is the unleashing of a barrage of slanders against the al-Fayed family, by some of the House of Windsor's favorite media outlets in the United States and Britain, aimed at furthering the cover-up.

This smear campaign had been kicked off, in arrogant style, by Rupert Murdoch's *New York Post*, on Oct. 27, in a Neal Travis column headlined, "It's Open Season on Dodi's Dad." The article began with the announcement: "The grieving is over and the gloves are off in the case of the British establishment vs. Mohamed al-Fayed, father of the playboy in command of the car in which Princess Diana died two months ago."

The *New York Post* article noted that Mohamed al-Fayed has been swamped with hate mail ever since the crash. "At first after the tragedy in Paris, he was left alone, because he lost his son, Dodi, in the crash. But now the claws are out and many letters are being sent to him along the lines of, 'You and your son killed our princess.'" The attack ended with the following admission by a leading figure associated with the British monarchy: "The establishment is now seizing on this terrible incident to drive Mohamed al-Fayed out of Britain. It's not about Diana at all. It's just a blood sport—the kind the Brits play very well."

The Tiny Rowland factor

The *New York Post* piece noted that, in its drive to destroy the al-Fayed family, the British establishment is throwing its support to Tiny Rowland, the former Double Cross Committee wartime operator-turned-Lonrho boss (now retired), who has been in a long-standing blood feud with Mohamed al-Fayed, over the Egyptian-born billionaire's successful takeover of the House of Frasier, owner of Harrods Ltd. While

the British establishment pretends to view Rowland as a vulgar thug, outside the inner circle, the fact is that Rowland has been a closely held asset of the British monarchy throughout his career, a reality well-documented by *EIR* (see the Nov. 21, 1997 issue, for example).

Rowland was quoted, following the death of Dodi Fayed, telling associates, "I send no words of condolence on the death of his son. That man is Al Capone."

The assault on the al-Fayeds began in earnest in late November, with the publication of a nasty feature in the December 1997 issue of *Vanity Fair*, by Sally Bedell Smith. *Vanity Fair* is already the target of a libel suit by Mohamed al-Fayed, over a September 1995 smear story.

New revelations

Even as the monarchy's controlled press was gearing up for its "blood-sport" assault against the al-Fayed family, new revelations were appearing in other British news outlets, telling a quite different story. The Nov. 16 *Sunday Times* reported that Trevor Rees-Jones, the Dodi Fayed bodyguard who was the sole survivor of the Place de l'Alma tunnel crash, returned to Paris in early November to retrace the events of the evening of Aug. 30-31. He was driven from the Ritz Hotel along the identical route that the Mercedes took, shortly after midnight on Aug. 31, in the hopes of rekindling his memory of the events.

According to the *Sunday Times*, "Friends say Rees-Jones now remembered some details of the journey. The former soldier has told his employers that when he left the Ritz he saw a group of four or five paparazzi by the rear entrance. He also says that the Mercedes was followed by paparazzi in a white car as it drove off towards the Alma tunnel."

These descriptions by Rees-Jones conform to details reported in the Nov. 21 *EIR*. As *EIR* noted, surveillance cameras outside the Ritz Hotel showed that, while a group of 35 paparazzi were gathered in front of the Ritz, there was a spotter at the rear of the hotel, who saw Diana and Dodi slip into the Mercedes 280-S driven by Henri Paul. *EIR* also published an interview with eyewitness Gary Hunter, who saw a white Mercedes tailing a dark-colored smaller car—probably the elusive Fiat Uno—speeding away from the crash site past his hotel near the Place de l'Alma.

The People published another story on Nov. 16, adding

to its earlier reports that agents of MI-6, the British secret service, were directly involved in the vehicular attack on the car of Princess Diana and Dodi Fayed. *The People* charged that a six-man MI-6 team, dispatched to Paris to stalk and gather dirt on Dodi Fayed, hired a number of “former” Special Forces and Foreign Office agents to conduct surveillance of the couple in Paris on Aug. 30-31. *The People* mooted that it was a team of former British commandos who were driving the Fiat Uno, that caused the fatal crash at the tunnel.

In August 1997, *EIR* published an exposé of the “invisible empire” of worldwide private security agencies, run top-down by the British monarchy, through Crown entities, including the Corps of Commissionaires and Crown Agents. Outfits such as Executive Outcomes, Sandline International, and Defence Systems Ltd. field armies of “ex”-Special Air

Services, military, and MI-6 personnel, who carry out a wide range of murderous tasks, at a “plausibly deniable” distance from the official structure of the monarchy.

The People quoted a source close to the French police probe: “The investigators know that British intelligence has close links with private security companies staffed by former Special Forces and Foreign Office agents. These firms are frequently used to support MI-6 operations abroad. The activities of these companies are being looked at by French intelligence on behalf of the accident investigators.”

But so far, only *EIR* has pinpointed the role of senior French government officials, including Paris Police Chief Philippe Massoni and Interior Minister Jean-Pierre Chevènement, in the death of Princess Diana, who survived the initial crash, but bled to death several hours later, after French officials failed to provide proper emergency medical care.

French emergency doctor: ‘Make a stink about this’

A prestigious French doctor, who for years has specialized in emergency medicine, was interviewed by Katharine Kanter of EIR’s Paris bureau, shortly after the Aug. 31, 1997 Place de L’Alma crash. The doctor spoke on condition of anonymity.

EIR: It took one hour and 40 minutes to get Diana to La Pitié. Is that normal?

A: I was in the emergency ambulance service for over a decade. The treatment Diana was given is typical of what is done with John Doe or Jack Smith, when they are picked up by the SAMU 75 and are, virtually, allowed to die by *benefitting from the incompetence and inefficiency* which is typical of the SAMU 75.

EIR: Were there alternatives?

A: Yes. As soon as the person has been stabilized, which could be, and probably was done, in the automobile, given the fact that they did not even have to cut the doors open, in other words, as soon as they have stopped the thorax from collapsing, time is of the essence. You have got to get the person onto an operating block to start suturing. They can be saved, but you must respect the statistical time curves.

I would have taken her within a quarter of an hour to Val de Grâce, which is much closer than La Pitié. That is a military hospital. Every political figure who is in a car crash or is injured is taken there. The firemen who were on

the scene of the crash, are part of the Army. They undoubtedly notified the Val de Grâce, which has a top team of trauma specialists on duty ’round the clock.

I might have helicoptered her in. She would have been on the operating block a few minutes after being stabilized.

This woman was one of the world’s most powerful and influential people. She would normally have been given top priority and top treatment. She was not. Instead, she was treated like Doe and Smith, when Doe and Smith are *unlucky*. And you can do me a favor: Make a stink out of this, because it shows you just how bad things are for John Doe and Jack Smith!

EIR: What do you think about the police claim that they “notified” the ambulances at 12:28, two full minutes after they were called? And, the ambulances arriving eight minutes after the TV teams, which were there at 12:32?

A: The police, or whoever made that claim for them, is lying. As soon as that lady witness called into police at 12:26, every ambulance system in Paris, both the SAMU 75 and the firemen—the former are appallingly bad, the latter are extremely competent—heard the call, because everybody in emergency is on the same radio frequency, and we all hear each other. And believe me, it didn’t take long before everyone knew who was in the crash.

For the SAMU ambulances to take between 12 and 14 minutes to arrive is unbelievable. In that area, and at that time of night, it should not have taken more than five minutes. And time is of the essence.

EIR: What are your police contacts saying about this?

A: The police do not want to hear the word “murder.” You say “murder,” and they say, “Rumors. It’s all a rumor campaign.”

France: between decadence and hope

by Lyndon H. LaRouche, Jr.

November 21, 1997

The doom of fallen empires and nations was always caused by what passed for the ruling, “mainstream” opinion among their ruling elites. Men and women in relevant positions of power, from head of state, to high-ranking and lowly bureaucrats, judges, and policemen, find their wills in the grip of a force of “our tradition,” even if the action taken under that influence is disgusting, even, as in the case of some former associates of President François Mitterrand, suicidal.

So, we must understand the monstrous folly of those officials of France’s Socialist government, who supervised the death of Princess Diana. In such a case, the source of the evil deed is not the actual, or non-existent enmity of the official for the victim; it is probable that there was “nothing personal” in the motives of those French officials whose willful, murderous negligence relieved the British monarchy of a former Princess whose continued existence had become a political inconvenience to the Windsors and their lackeys. The relevant French officials’ apparent motive in this case, was the most disgusting sophistry common to the bureaucrats of most na-

tions, including the U.S.A.: “Don’t you see? It was necessary; I was only doing my job.”

Will the Jospin government fall, in a chain-reaction triggered by the very crudeness of its cover-up in the case of Princess Diana’s murder? Possibly, perhaps probably. However, it was doomed in any case; it was doomed for the same reason that apparently isolated incidents have often doomed even the great fallen empires of the past. It is doomed by its lack of moral character, by that flaw in its moral character which is the legacy of the departed former President François Mitterrand.

Jacques Cheminade, a 1995 candidate for election as President of France, and an accomplished professional, and former official of France’s administrative corps, provides an insider’s view of the decadent, doomed tradition which Mitterrand’s Presidency set into place within France’s present administrative establishment today. Thus, the case of Princess Diana expresses the threatened self-doom of that Mitterrand legacy known as the Jospin government. Is there hope that France might survive the mortal defect in the character of its present “mainstream thinking”? Only if it rids itself of that decadence.

Mitterrand’s corrupt legacy against France’s Fifth Republic

by Jacques Cheminade

All governments in France, since at least 1980, have continuously and persistently betrayed the sovereignty of their nation-state and the mandate received from their electorate. It is uniquely in that context, that the Lady Diana case can be understood. The extent and reasons for that permanent betrayal are the subject-matter of the present article, written to convey a sense of contemporary French history to an American readership. That sense is not located in the reading of some history book or magazines in one’s comfortable armchair, but in the discovery of the dynamics of a social process.

Betrayal as a political habit

French ultra-liberal polemist Alain Minc, known as the pen of the Parisian nomenklatura, gives a good summary of the last 16 years of French politics: The late President François Mitterrand first betrayed the Fifth Republic from inside, and liquidated what French workers had gained over many years of social battles; current President Jacques Chirac betrayed the inheritance of Gaullism twice; and finally, Prime Minister Lionel Jospin, in less than two weeks, abandoned all pretense that he would turn the tide, and thus won, as a reward,

the approval of both the London *Financial Times* and the *Wall Street Journal*. Cynically, Minc comments that there can only be one way of thinking inside a “circle of reason,” better called a circle of treason.

The submission of all of them to the so-called “European rules of the game,” under British guidance, is the thread of such behavior. “Europe,” in that sense, is a complete fraud. What has been put under that name, is a conveyor belt to world financial deregulation, and has nothing to do with the interests of the European populations. Typical of this was, in 1988, Mitterrand’s promotion of complete capital deregulation within Europe. To his then-Prime Minister Pierre Bérégovoy, who insisted that such a thing could not be done, because either all French capital would flee to the City of London and Luxembourg, or France would have to adapt to rabidly anti-social policies (as in fact occurred), Mitterrand replied, “Of course, Bérégovoy, you are not against Europe; then, you have no other choice than to deregulate.”

Next, in September 1992, Mitterrand imposed, through a manipulated referendum, the “Europe of Maastricht,” a concoction based on monetarism, Thatcherism, and the debase-ment of the nation-state. Mitterrand was, in that enterprise—as he had been during the Malvinas War and the Gulf War—the best ally of the British. He and Margaret Thatcher wanted to tie German hands, to prevent a pro-development policy toward the East; remember that German Chancellor Helmut Kohl’s adviser, Alfred Herrhausen, who was conducting an audacious policy of capital investment in the East, was brutally murdered within days after the fall of the Berlin Wall. Pierre Bérégovoy committed suicide in 1993, and Mitterrand’s former closest friend, François de Grossouvre, shot himself to death in his Elysée Palace office, which was next to the President’s own. Indeed, a trail of blood follows the steps of betrayal.

Later, when Mitterrand’s Socialist Party lost the elections of 1993, and as Mitterrand’s Vichyite past—the story of his 1941-45 life as a part-time Pétain agent, collaborating with the Nazis in occupied France—began to be known, some Socialists began to take their distance from him, among them Lionel Jospin. Prime Minister Edouard Balladur, a neo-liberal traitor to the Gaullist ideal, took over, and continued the pro-Maastricht policy. Then Chirac, parading as a true-blue Gaullist, won the Presidential elections of April-June 1995, and betrayed his mandate in October of the same year, to arrange, with his pro-liberal Finance Minister Jean Arthuis, the acceptance of the Dublin agreement, a European stability (austerity) pact known as Super-Maastricht. Because of that, and because Jospin pledged to break the Super-Maastricht arrangement, he won the legislative elections of June 1997, to immediately accept, after his victory, the stability pact (with a social veneer), becoming a turncoat like all the others—but even sooner.

In sum, all French governments have followed in the foot-

steps of Mitterrand’s betrayal, which therefore provides a matrix for judging their behavior.

An agent of British influence

The ugly truth is that the French people elected as their President, for two seven-year terms (1981-95), an agent of British influence. This is the submerged part of the iceberg concerning Mitterrand’s adventurous life during World War II. In 1993-95, before dying, he let some of his secrets be known, except that major one, or, better said, to hide that major one. Nonetheless, if one reads his various “literary” works carefully, one can have a glimpse of his true identity. In a perverse way, this lover of Venice, who once called the City of the Doges the “Mother of Europe,” says in *Here and Now*: “I was born next to the Charente River, on its left bank, the bank of common law.” In terms of French history, this is a key message. The left bank of the Charente was the British-influenced or -occupied side, which had followed the proto-feudal common law, instead of natural or Roman law, as other parts of France did. During World War II, it was Mitterrand’s British protectors who whitewashed him, to get rid of his too pungent Vichyite smell.

He paid them back, by becoming the most talented and vicious enemy of Charles de Gaulle and the Fifth Republic, during the 1960s and ’70s, promoting a parliamentary model à la the United Kingdom, against the Gaullist Presidential system, opposing the French nuclear force, and becoming a “left-wing” pro-NATO spokesman. As soon as he won the Presidential election of 1981, he shifted his attitude. Understanding that he could not destroy the Gaullist heritage frontally, because nationalism in France was then too strong, he decided to do it from within. So, the “perfect parliamentary democrat” of the ’60s and ’70s became the autocratic President of the ’80s and ’90s. Not to build anything—he was not interested in building—but to stay in power and drown the French state in a malicious mixture of submission to the British side of NATO, and distortion or deviation of the nation-state from an idea, into what he himself once called a “smell,” the blood and soil chauvinistic smell. He thus eroded the institutions of the Fifth Republic until they became meaningless, spreading his poison in the administration, the military, and, above all, in the secret services and the police, where he was a master in spreading internecine warfare. De Gaulle had once called him an *arsouille* (a rascal), and, for sure, he was one.

Mitterrand teamed up with his old friend Roland Dumas, probably an even worse character than he, who had been, if possible, even closer to the British. Dumas, an architect of the British-run Serbian war of aggression against Bosnia, and, along with the British, a supporter of the Serbs against the “Germano-Vatican Europe,” was a manipulator of all networks, above and beyond all party rules. He intersected the networks of Communist and British agents, notably in the

Mideast, whereas he was the lover of the daughter of Syria's Defense Minister Gen. Mustafa Tlas, the protector of the Nazi Alois Bruner. Dumas's involvement in the Mideast casino business was notorious, in particular the networks in black Africa, managed by the Corsican mafia. This graduate of the London School of Economics had learned his lesson so well, that he is now ending his life as head of the French Constitutional Council, the equivalent of the U.S. Supreme Court.

Of course, the Dumas-Mitterrand dirty money businesses intersected those of George Bush, and, from the beginning of Mitterrand's Presidency, the three of them got along very well. At the end of Mitterrand's life, he made an effort to accept the invitation of Bush to come to visit at his Texas ranch, together with Dumas, to celebrate how, with Thatcher and Gorbachov, they had managed to control Europe after the fall of the Berlin Wall, to keep it in the hands of the British and their Anglo-American allies, and to avoid an implementation of the conceptions espoused by the likes of Lyndon LaRouche and Alfred Herrhausen.

The world we have today is the legacy of this vampires' ball.

Permanent bureaucracy and the generational conflict

We have now to explain how Mitterrand could take over a once-Gaullist France, and why none of his successors broke the grip of his ghost.

The first thing to understand, is that France is ruled, from above, by a permanent bureaucracy, built according to the Napoleonic model. It is often also called a mandarinat; it consists of people trained to play by the rules of the game, and rewarded by being allowed to serve as the managerial elite of the public sector. Under de Gaulle, this bureaucracy was maintained and even promoted, but "tamed"; Mitterrand understood that he could turn it to his will.

Before Mitterrand, a good career could be made inside France; but once he came to power, bringing with him capital deregulation, the best of all possible careers were made if you had served some years in New York, Washington, or London, around or inside the International Monetary Fund, as financial attaché, or in the UN or European Union-related institutions. Mitterrand thus corrupted the elite, using the Napoleonic model to promote financial liberalism. Hence, his legacy today: a corporatist administration in submission to one-worldist institutions and "naturally" tuned, because it serves one's career, to the British ideology and rules of the game.

At the same time, a relatively open system became a more and more closed shop: In 1951-55, the sons of the lower-income classes constituted about 29% of the total enrollment at the four French Grandes Ecoles, where the best and the brightest are trained, while today they make up less than 9%, under Socialist governments.

The next point is, in France as everywhere else, the gener-

ational conflict. But, this was aggravated in France for two reasons. First, the country had been stifled, from 1939 until 1962, by World War II, the Nazi occupation, and a series of colonial wars, culminating with the Algerian War. Under de Gaulle, after 1962, a sense of progress, freedom, and economic development, unprecedented since 1914, could be felt. The youth, the Baby-Boomers, surged through the country, calling for a purpose in life, a design, and a creative education. None of this was provided by the old bureaucracy, despite de Gaulle; therefore, the youth fell prey to the 1968 counterculture, the British model of American life. The clash between the old and the new created a big conflict, with more haste to consume and Baby-Boomerism than in other countries, because the "relief" had come later.

President Valéry Giscard d'Estaing first endorsed that ferment, allowing "a new way of life," based on free sex, unbridled selling of pornography, speculation in antiques and modern painting, *chiqueria*, and so on; it was the soft-porn age of *Emmanuelle*.

Old Mitterrand understood that he had to go further, if he wanted to be President and keep his position, and so he did. His promoters pushed his nickname, Tonton (uncle), that of a tolerant and slightly perverse uncle letting his "nephews" live a "free" life. In a famous TV program with commentator Moroussi, President Mitterrand arranged for his interviewer to sit on his table, and they spoke for a few minutes about the youth in *verlan*, a French slang.

This staged production of a decadent Roman emperor, dressed, of course, in bourgeois clothes, soon destroyed all respect for the state. The French admired Tonton's smartness, and he got them accustomed to a relationship based on lying and double-talk, as if in an advertisement. Virtual society started to rule over reality, promoted by an incredible expansion of television. The French, who were way behind in watching images, became addicts in just a few years: The average French TV today is turned on more than four and a half hours per day!

In the meantime, "Culture" Minister Jack Lang pushed a conception of culture based on pure impressions and images, reaching the instincts and not the mind. He once declared in a famous commentary in *Le Monde*, the semi-official daily of the nomenclatura: "My goal is to contaminate our country with a culture of freedom and disrespect." Hard-porn then followed soft-porn.

Deconstructionism

This leads us to the worst aspect of Mitterrand's legacy: deconstructionism, the loss of all illusions and the perverse pleasure of destroying. This was prepared by the promotion of the Frankfurt School in France, not directly by German authors translated into French, but by French authors who had plagiarized the German.

Jean-Paul Sartre played a key role in it. The aging, existen-

tialist philosopher had become a pro-Maoist, an *enragé*, against each and all.

Such authors, read by the young *soixantehuitards* (sixty-eighters, as the Baby Boomers are called in French), played on the old French Jacobin *sans culottes* profile, hatred of thy neighbor. Sartre's autobiography, *Les Mots*, proves the case. It is the story of a young kid who feels thrown into an hostile world, like a Heideggerian figure, and is only loved and defended by his mother, or, better said, his mother image. The books of such authors created, in turn, a new brand of socialists with a not-so-human face, ready to enjoy their newly acquired "positions" as a protection against a hostile environment.

The game has, of course, been ridiculous, so great is the contrast between the socialist "credo" and the financially and politically enjoyable social situation of the Socialist elite. Betrayal is more than obvious to anybody in France, but the French population is paralyzed against such a hoax, because it sees nothing else: The so-called Gaullists are only a right-wing version of the same thing, and the Communists are presently selling their souls to the new neo-liberal devil, to replace the red one. The rage is therefore impotent, and translates into electoral abstention, or is capitalized on by the national-Bonapartist, blood-and-soil National Front, promoted in the first place by Mitterrand, to divide and rule over his right-wing opponents.

France's future

Is that all there is to France today? Is this world of evil impms the substance of the country? Fortunately, not at all.

It is nothing but the Paris nomenclatura, the regime of the Court, adopted and adapted by the bourgeoisie, in the form of a bureaucracy that always bends to the side of the stronger. Such scum is in total opposition to the historical concept of the French nation-state, and the French population is a victim of it. The legacy of Mitterrand, in that sense, is a "culture" of dissimulation and double-talk, of submission hidden under "good" speeches and manners. It is the degenerated "culture" of Vichy France.

The irony is, that those attacking the historical Vichy France today, are often the same who are reliving it, with respect to the British oligarchy.

Contrary and opposed to it, there is the political life inside France, the France of the "small mayors," the local elected officials and all the victims of what Chirac once called the "social fracture"—without doing anything to cure it.

This is the France that has kept, through various mediations, a sense of the Republic, the nation-state created by Louis XI in the middle of the 15th century, revived by Henry IV at the end of the 16th and beginning of the 17th century. Around this, is a drive toward a truly republican party, beyond the boundaries of all established parties, which, like dead fish, rot first at the head. This republican impulse emerges in periods of extreme tension, as it did during the

Resistance against the Nazis inside France, and the Free French outside.

How, then, can Mitterrand's legacy be broken? Well, it could be quite soon. Because France has always been the country where the confrontation of oligarchism and republicanism has been the most frontal in Europe, for two reasons.

First, because the republican tradition is alive in the minds of a majority, not like in England or in most other European countries. With all his imperfections, General de Gaulle is a figure who, in the recent past, provided, in his words, a true sense of "a certain idea of France," the nation-state, not as a thing-in-itself, but as an idea, a point of improvement and transformation. This is the tradition of Louis XI, Henry IV, Colbert's Academy of Sciences, the Ecole Polytechnique, Gaspard Monge, Lazare Carnot, Louis Pasteur, and the national party in the working class movement—national, of course, in the sense I have just defined, not chauvinistic. And, at the same time, the oligarchical tradition is also very strong: Venice in Louis XIV's court; Napoleon; the British party, now, and in the Third and Fourth Republics. Therefore, the dynamics of the social processes tend, in periods of extreme tension like the present, to go toward a situation of civil strife.

The second reason for this frontal shock, is that France was not only the first nation-state in Western Europe, but also the key country with borders, on one side, with the Catholic and Muslim Mediterranean—Spain, Italy, Algeria—and on the other side, on the north, with Belgium, Germany, Switzerland, and the Protestant world. This unique position makes of it a target and a springboard at the same time.

The problem is that the republicans, for many centuries, and notably since Napoleon and the Holy Alliance of 1815, have grown too weak. They have tried to win by abiding by the rules of the game, and have lost miserably.

The advantage of Mitterrand's legacy and the degeneration of the permanent bureaucracy is that it makes things clear: We, republicans, can only win if we break from the rules of the game, Maastricht, the markets and one-worldism, the British Empire, and its metastasis in the United States.

But this, in turn, demands from us that we rise firmly, as all French humanists did, beyond France-in-itself, and through our nation-state, to a universal identity, bringing the impulse of the Pacific to the Atlantic, Europe out of its impotence, the ugly smile of François Mitterrand into the laughter of François Rabelais.

Jacques Cheminade is a frequent contributor to EIR. See, for example, "Time to Destroy the Mythology of Bonapartism," Oct. 18, 1996. For coverage of his 1995 Presidential campaign, see Christine Bierre, "Jacques Cheminade Campaigns for French Nationhood," April 21, 1995. Single issues are available for \$10, postpaid.

Book Reviews

The immorality of the House of Windsor

by Scott Thompson

The Royals

by Kitty Kelley

New York: Warner Books, 1997

547 pages, hardbound, \$27

Diana: Her True Story—In Her Own Words

by Andrew Morton

New York: Simon & Schuster, 1997 (second edition)

288 pages, hardbound, \$22.95

The “mainstream media” have treated these two books as soap opera vignettes, especially in the United States, where royalty are often mistaken for their Hollywood pagentry. The truth is that both books provide an accurate reading, in the small, of the ruthless immorality of the House of Windsor, which rules the new British Empire with a velvet glove covering its iron fist. Since these books can be expected to have a mass readership, *Executive Intelligence Review* is taking this opportunity to provide a “reader’s guide” to them, which will hopefully help to inoculate the reader from the “virtual reality” with which they have been portrayed.

A prominent feature of how the mainstream media have sought to blunt the books’ impact, is how they selected one paragraph from Kelley’s book in order to discredit it. That paragraph was based upon a high-level source report that King George VI was impotent, which necessitated that his daughters, the future Queen Elizabeth II, and her sister Margaret, be created through artificial insemination. Interestingly, of all the media which resorted to this “mousecrapping technique” (as it is known in journalism), no one had the audacious humor to ask: “If this report is true, then what species was used for the artificial insemination?”

Actually, Kelley’s book is a serious attempt to present a history of the centuries-old House of Hanover in its 20th-century incarnation as the House of Windsor. Kelley conducted more than five years of research, and, most importantly, she conducted hundreds of interviews with insiders, who provided

her with a “fly-on-the-wall” viewpoint on the internal workings of the principal members of the British royal family. Although Kelley is lacking the deeper knowledge of the history and geopolitical goals of the royals, such as found in *EIR*’s September 1997 *Special Report* “The True Story behind the Fall of the House of Windsor,” she has written a damning indictment of the British royal family in its modern guise.

This is especially true in terms of Kelley’s documentation that it was not just King Edward VIII (HRH The Duke of Windsor, upon his abdication), who was a party to the House of Windsor-directed project to impose Adolf Hitler on a prostrate Germany, as the marcher-lord for British geopolitical goals. Kelley provides some of the documentation to show that, among other royals, HRH The Prince Philip, Duke of Edinburgh, had ties to the “Hitler Project.” This is most important for current affairs, because Prince Philip today is the “chief enforcer” for the informal Club of the Isles, which is the House of Windsor-affiliated rentier-financier oligarchy created by King Edward VII’s drive to initiate World War I: a geopolitical project carried out by the House of Windsor to make itself *primus inter pares* among the surviving monarchies of Europe. Diana, Princess of Wales, referred to this Club of the Isles as “the Mafia.” The most extensive treatment of the Club of the Isles can be found in *EIR*’s *Special Report*.

Another measure of the fact that these books are not merely soap opera, is the vicious response to them by the House of Windsor and its Club of the Isles allies. Ever since the Aug. 31 assassination of Princess Diana, the House of Windsor has been in a murderous rage. The appearance of both these books after Diana’s death—Kelley’s had already been written before her demise, and Morton’s was rushed into a second edition—helped fuel that rage. As Kelley reports in her introduction, Prince Philip, as the enforcer of what he calls “The Firm,” took the unprecedented step of twice threatening to sue the author, even before she had finished her book. Although *The Royals* will probably sell 2 million copies worldwide, it has effectively been banned in the United Kingdom. And, Kelley has indicated that she fears for her safety should she return there. It is no accident, as this review will highlight, that author Kitty Kelley is shown on the back cover of her book prominently waving an American flag.

Likewise, when the first edition of Andrew Morton’s *Diana: Her True Story* appeared in 1992, and implied that Prin-

cess Diana's problems arose from the fact that her husband, HRH Charles, Prince of Wales, was having an adulterous relationship with a married woman, the book elicited wrathful condemnations from the lackeys at Buckingham Palace, the prime minister, the Archbishop of Canterbury, and other quarters from within the Club of the Isles. The edition that appeared shortly after Princess Diana's assassination, which publicly revealed Diana's direct role in all phases of the book's first edition, provoked Prince Charles to blurt out that Morton was being "callous," even though Prince Charles had already admitted on nationwide TV, in front of his children, that he had, in fact, been carrying on a protracted affair with Mrs. Camilla Parker-Bowles, while both were still married.

The House of Windsor has good reason to be worried about these two books, as well as many others on Princess Diana, that are now in the works. By the time that Princess Diana had finished her humiliation of the decadent House of Windsor, with the assistance of various factions within the Club of the Isles, the House of Windsor was on the ropes. As Kelley points out in her book, written before the assassination of Princess Diana, even at that time, between two-thirds and three-quarters of the British public thought that Prince Charles was unsuitable to become King. And, many of these subjects agreed with Princess Diana, that Charles should be skipped over in the line of succession, in favor of their eldest son, Prince William.

After Diana's assassination, polls suggested that the House of Windsor itself might fall. A new poll of a sample of 1,108 people within the United Kingdom, which was published in the *Daily Mail*, showed that most Britons believed that Her Majesty Queen Elizabeth II should step down and hand the crown to a successor, rather than reign until her death. Only 24% of the people sampled in the U.K. thought that Queen Elizabeth II should rule until her death. Meanwhile, the antipathy to Queen Elizabeth's heir apparent, Prince Charles, remained the same. The poll showed deep divides over who should succeed Queen Elizabeth II, ranging from the Queen's grandson, Prince William, to her daughter, Princess Anne; some responses to the poll indicated a marked growth in republicanism.

It is important to bear in mind that, although Britain has only briefly been ruled without a royal sovereign, there have been numerous changes in the dynasty that ruled. It is just such concerns that have caused the British royal family to lash out at the two books being reviewed here.

'The Fall of the Eagles'

The Royals begins with a description of the utter ruthlessness into which the House of Hanover had fallen during the reign of King George V (1910-36). It was during his reign that the British royal family perpetuated the policy of his predecessor, King Edward VII (1901-10), to induce Germany into fighting a two-front war, with its defeat to be followed by the even more ruinous Versailles Peace Treaty. This policy of luring the British royal cousin, Kaiser Wilhelm, into World War I, proved

disastrous for King George V's Hohenzollern relatives, who were overthrown at the conclusion of the conflict.

Kelley does not develop the reasons for World War I, which, among others, had as a major goal destroying Germany, because, despite the oligarchic policies of the Kaiser, the nation had become a global scientific, technological, and industrial power on the American System model, rivalling Britain's hegemony.

World War I also saw the collapse of the British royal family's relatives who ruled in Russia, not only because Russia had been prostrated by the war, but because of active support by the British Secret Intelligence Service for the Bolsheviks, through the agency of what some call "The Trust": a story that has been documented by *EIR*. As Kelley points out, although King George V could have saved his cousins in the family of Tsar Nicholas Romanov, through only a minor military exercise, he refused to lift a finger in answer to their pleas. This emboldened the Bolsheviks to execute the Tsar and his immediate family at Yekaterinburg.

Thus, through the British royal family's successful orchestration of World War I, there was accomplished the goal of toppling "the Eagles," or rival empires and their imperial families, leaving the British Empire *primus inter pares*.

However, because the royal family had so successfully nurtured British public hatred of Germany, King George V had to make some cosmetic changes to deter the very public animosity that he had helped engender, from his own German family. One public relations measure was to Anglicize the name of the ruling House of Hanover, which had become the House of Saxe-Coburg-Gotha under Queen Victoria, changing it to the House of Windsor, as we have it today. The same chameleon trick was applied on King George V's relative, Prince Battenberg, who as Admiral of the Fleet had mobilized Britain's Navy before the outbreak of war. But, because of his German oligarchical roots, Prince Battenberg was forced to resign his post upon the outbreak of hostilities, and take the Anglicized family name of Mountbatten, while assuming the British title of the First Marquess of Milford Haven.

One of the ironies that Kelley points to, is that, when George V, who had taken so many ruthless steps on behalf of the British Empire, was lingering near death, his doctor injected him with a lethal dose of cocaine and heroin, so that the announcement of the King's death would meet the midnight deadline for the next morning's London *Times*, rather than the less prestigious evening papers. The ironic quality of this act of murder, to meet a public relations opportunity, is a fact of royal life to which Kelley persistently returns throughout her book, especially the repertoire of royal pageantry that the House of Windsor brings to bear, even to the present day, including, as we shall see below, "the fairytale wedding" of Princess Diana and Prince Charles.

The Hitler Project

Kelley also identifies two crucial features of the House of Windsor's direct involvement in the British geopolitical

project to impose Adolf Hitler upon Germany, as a marcher lord to conduct the *Drang nach Osten* (“drive to the East”) into the Soviet heartland, thus seeking to accomplish the dual goal of destroying both Germany and the Soviet Union.

First, Kelley identifies the pro-Nazi sentiments of George V’s successor, King Edward VIII, who was forced to abdicate in 1936—the same year he assumed the throne. It is a soap opera myth that the reason for Edward VIII’s abdication was to marry his “true love,” the twice-divorced American, Wallis Simpson. Actually, King Edward VIII’s abdication represented a cold coup d’état by a faction of the Club of the Isles, which had come to see Hitler as an uncontrollable Frankenstein’s monster. Kelley notes that Edward, who assumed the title HRH The Duke of Windsor upon his abdication, entered into negotiations with Adolf Hitler, who was then considering an invasion of the United Kingdom and who offered to reinstate the Duke and Duchess of Windsor upon the British throne as puppet monarchs.

Kelley mistakenly reports that Hitler had planned to kidnap the Duke and Duchess of Windsor. Actually, newly released archive reports show that both were willing parties to the scheme during negotiations in Spain and Portugal, and that kidnapping was only to be a last resort. It was because of these negotiations, which were discovered by British SIS, that Prime Minister Sir Winston Churchill had the Duke and Duchess hastily dispatched to the Bahamas, where the Duke was assigned the token post of Governor General and was kept under close watch by both Churchill and President Franklin Delano Roosevelt.

Most importantly, Kelley states that relevant documents in this affair are kept by The Queen Mother Queen Elizabeth (i.e., Queen Elizabeth II’s mother), who has sole access to them in her vault at Clarence House. Kelley’s naming of The Queen Mother as the custodian of these secrets is long past due, since the “Queen Mum” is worshipped by Britain’s subjects. Until *The Royals*, there had been no hint of the hypocrisy displayed by The Queen Mother, who is revered for giving enough spine to her weak husband, King George VI (1936-52), to stay in London during the Nazi bombing blitz, in order to be close to the subjects he sought to mobilize against the very enemy his brother, the Duke of Windsor, had helped to create.

Moreover, Kelley notes that within the space of nine months in 1930, Prince Philip’s four older sisters each married members of the German aristocracy, all of whom were active supporters of Adolf Hitler. One of Philip’s uncles-in-law by these marriages became a colonel in Himmler’s SS, while brother-in-law Prince Christoph of Hesse became head of the secret electronic eavesdropping office in Goering’s research office (the *Forschungsamt*), which eventually became the Gestapo. Until his death in 1943, Prince Christoph of Hesse was responsible not only for important features of the SS destruction of the SA, but for the arrest, torture, and eventual extermination of innumerable opponents of the Third Reich.

As for Prince Philip’s namesake, Prince Philip of Hesse, he became Hitler’s personal messenger and was so effective



Princess Diana’s personal tenderness toward the poor and ill embarrassed her icy in-laws no end. Here, she is shown with a young girl who presented her with flowers during a visit to Chicago’s Cook County Hospital last year.

that he was made an honorary general in the Storm Troopers.

Kelley understates the importance of Prince Philip’s schooling in Nazi Germany at the Schloss Salem school of Kurt Hahn, as being merely a combination of cold showers and rigorous exercise. As *EIR* documents in its *Special Report*, in the chapter on “The Nazi Roots of the House of Windsor,” Hahn, though part-Jewish, was a “universal” or “Mussolini-style” fascist, similar to Zionist fanatic Vladimir Jabotinsky. By the time Prince Philip’s pro-Nazi sister Theodora had arranged for him to come from Britain to attend Schloss Salem, the SS had arrested Hahn, and the original rigors of the “strength through joy” curriculum of the school had been transformed by a hefty contribution of Nazi “race science.” Prince Philip returned to Britain after a year at Schloss Salem, and his only public reference to his education there was that he had “gotten tired of goose-stepping.”

Already, by this time, a faction of the Club of the Isles had not only rescued Kurt Hahn from a Nazi jail, but had given him the funds to establish Gordonstoun School in Britain. On his return to Britain, Prince Philip finished his schooling at

Gordonstoun, and he later insisted that his three sons—including the heir apparent, Prince Charles—be trained there under Hahn. While Philip was at Gordonstoun, Hahn was lobbying members of the Club of the Isles, that they could profitably form an alliance with the “moderate center” of the Nazi Party.

Kelley is wrong when she says that Lord Louis Mountbatten discouraged the House of Windsor and Prince Philip from corresponding with their pro-Nazi relatives in Germany. In fact, it was Lord Louis Mountbatten who became one of their most important back-channels, through his sister Louise, the crown princess of pro-Nazi Sweden. Moreover, Prince Philip developed secretive ties to the Duke of Windsor, who used this same back-channel from his post in exile.

After World War II, King George VI sent MI-5 agent Anthony Blunt on a mission to collect this secret correspondence, which was clearly more than just birthday cards and Christmas greetings. Presumably, much of this correspondence, too, is now locked away in the vault of The Queen Mother. However, American GIs beat the British to Prince Christoph of Hesse’s Kronberg Castle, where they discovered some of the correspondence hidden in the basement; King George VI subsequently pressured U.S. President Dwight Eisenhower into extending the top secret classification of these documents indefinitely. The cover-up has continued.

As *EIR* Founding Editor Lyndon H. LaRouche was the first to charge, Anthony Blunt was not a Soviet “double agent,” as alleged for public consumption, but, like H.A.R. “Kim” Philby and others, he was a British “triple agent.” This explains why Queen Elizabeth II, upon being informed by her Security Services that Blunt was suspected of being a Soviet agent, provided Blunt with protection by making him Keeper of the Queen’s Pictures, and even dubbed him a Knight of the British Empire, which is given for a lifetime of service to the British Empire. Only when the mistaken identification of Blunt as a Soviet “double agent” was leaked to the press, did Queen Elizabeth II cut him loose. However, she ordered that during his subsequent interrogation, there must be no questioning pertaining to Blunt’s trip to Germany to pick up the House of Windsor’s correspondence with their pro-Nazi relatives. This secret, kept by Queen Elizabeth II and her mother, was not to be known even to Her Majesty’s Secret Service.

It was not until well into the Cold War, in 1965, that Queen Elizabeth II became the first British sovereign to visit Germany since the 1913 trip by her grandfather, King George V, to see relatives. The purpose of the Queen’s visit was to consolidate Germany’s role as the anvil in the event of World War III. “The tragic period is over,” said Queen Elizabeth II. “If we wish to preserve the best of our great heritage, we must make common cause. . . . It is now our task to defend civilization in freedom and peace together.” German newspapers published the family tree of Queen Elizabeth and Prince Philip, which showed that they had 400 relatives living in Germany, including Hanovers, Hohenzollerns, Brunswicks, and Glucksburgs, all of whom dusted off their old decorations

to celebrate the visit. As *EIR* has documented, these German aristocratic relatives of the House of Windsor are a major oligarchical problem impeding Germany’s full return to the American System values of scientific progress and development embodied by Friedrich List.

How to breed a pit bull

Elizabeth’s true bloodline aside, Kelley gives an excellent inside view of why even many of the Queen’s staunchest supporters say she is “extremely stupid.” Raised with full knowledge of the immense power she would someday wield, Queen Elizabeth II had no formal schooling, except for daily tutorials in British history and heraldry. She mastered the hereditary peerage and all its complex titles and bloodlines, but she had no understanding of science, mathematics, or Classical culture. Kelley cites one embarrassing example:

“Outside the Palace, Elizabeth felt self-conscious about the gaps in her education. She once asked if Dante was a horse, because she had never heard of the medieval poet.

“‘No, no, he isn’t a horse,’ was the reply.

“‘Is he a jockey, then?’ she asked.

“She blushed when told that Dante Alighieri was the Italian classicist who wrote *The Divine Comedy*, a masterpiece of world literature. Horses were what she knew best.”

But, the young Elizabeth knew her prerogative rights and power. One of her favorite games was to walk back and forth in front of the Palace guards, so that they would snap to attention and salute her. As a young princess, she once terrorized an American who had been asked to visit the King, her father. The hapless American had made the mistake of saying, as he passed young Elizabeth, “Hello cutie.” Elizabeth snarled back like a pit bull, commanding: “Bow, boy, bow!”

Another significant contribution of *The Royals* is Kelley’s documentation of how Prince Philip, whom George VI had not wanted as his daughter’s future royal consort, was made the chief enforcer of the Club of the Isles, by his wife, Queen Elizabeth II. The marriage between Philip and Princess Elizabeth, heir presumptive, had been arranged by his uncle, Lord Louis Mountbatten, despite the opposition from King George VI, who only gave Philip Mountbatten the lowly title of Duke of Edinburgh prior to the marriage. However, the marriage went smoothly, until Elizabeth succeeded to throne in 1952, at which time she exerted her new powers even toward her husband, who, at one point exclaimed: “I’m just a bloody amoeba.” Again, it was Lord Mountbatten who intervened, suggesting that the Duke of Edinburgh “sow his wild oats” during an extended cruise on the royal yacht *Britannia*. Kelley wisely does not estimate how many illegitimate children the discreet Duke of Edinburgh sired from this point onward, although she was offered evidence of some, at a price.

On the Duke of Edinburgh’s return, a *modus vivendi* was worked out with Queen Elizabeth II, who raised him to the rank of a royal prince and gave him precedence over all the aristocracy, second only to herself. She also gave him the highest ranks within the Royal Navy, Air Force, and Marines,

thereby gratuitously satisfying his desire to pursue a military career. Thus, it was Queen Elizabeth II herself who made her royal consort the chief enforcer within the Club of the Isles.

The Royals is filled with quotes in which Prince Philip displays his murderousness, similar to his oft-repeated quote that appears in *EIR*'s *Special Report* "The True Story behind the Fall of the House of Windsor": "In the event that I am reincarnated, I would like to return as a deadly virus, in order to contribute something to solve overpopulation." Truly, the royal consort has dropped to a level of brutality beneath that of his jack-booted, pro-Nazi relatives.

It is interesting, however, that although Queen Elizabeth showered her husband with titles and positions of power within the informal Club of the Isles, she has jealously guarded him from access to "the boxes," that contain secret documents from every branch of Her Majesty's Government. She shares these secrets only with The Queen Mother.

In terms of her relationship with the United States, Kelley reports that Queen Elizabeth II found Harry Truman her favorite President. That the Queen would pick this gutter politician as the best, was perhaps best explained by Sir Henry Kissinger, in his May 10, 1982 speech at the Royal Institute of International Affairs (Chatham House), where Sir Henry approvingly pointed out that Truman—unlike his predecessor, President Franklin Delano Roosevelt—oversaw the beginnings of secret arrangements between the United States and Britain, as epitomized by the dealings of Secretary of State Jimmy Byrnes.

Again, it is not surprising to discover in *The Royals*, that Queen Elizabeth II hated President John F. Kennedy and his wife, Jackie. The particular vignette presented by Kelley is how the Queen snubbed Jackie, shortly after the First Lady's trip to France, where President Charles de Gaulle had used her to establish close relations with the United States, as opposed to the Franco-British Entente Cordiale, such as that fostered more recently by French Presidents Mitterrand and Chirac. As the editors of *EIR* documented at length in the bestselling book *Dope, Inc.*, it was the Club of the Isles, acting through its Permindex Corporation front, that initiated some 20 assassination attempts against President de Gaulle, and that succeeded in assassinating President John F. Kennedy. *Dope, Inc.* documents that one of the chief figures within the Permindex "Murder, Inc." capacity was a Canadian, the late Maj. Louis Mortimer Bloomfield of Toronto, who was a founding member of the 1001 Club established by Prince Philip and former Nazi SS officer, HRH Prince Bernhard of the Netherlands, which is used to fund the World Wide Fund for Nature and allied eco-terrorist operations.

Kelley writes that Queen Elizabeth II's favorite prime minister was Sir Winston Churchill, whom she made her first Garter Knight. Kelley correctly identifies the conflicts between the Queen and Prime Minister Margaret Thatcher. The latter tended to view the Commonwealth as "a bunch of beggars," while it was under Queen Elizabeth II's reign that there was the greatest number of former colonies brought into this

new British Empire. While she was prime minister, Thatcher also tended to place greater emphasis upon the "special relationship" with the United States. Thus, when President Ronald Reagan ordered the invasion of Commonwealth-member Grenada (whose sovereign is Queen Elizabeth) to protect Americans from terrorists, who were using the island as a base, Thatcher did nothing to dissuade the American action. Queen Elizabeth II was so angry at this U.S. action against a Commonwealth member that, at the next weekly audience with her prime minister, she had all the chairs removed from the room, so that Thatcher had to stand throughout the ensuing interrogation.

But, Kelley suggests that there was no difference between Queen Elizabeth II and her prime minister on asserting the rigors of Adam Smith-style "free trade" and austerity policies, to facilitate economic and financial looting operations. Queen Elizabeth II had been the most travelled sovereign in British history, visiting the farthest reaches of her Commonwealth empire. But, as Kelley points out, Queen Elizabeth II believes that the most important trip she ever took was to the Soviet Union, when Mikhail Gorbachov was President, where the Queen sought to install the very British liberal "economic reform" policies that had devastated the U.K.

It would be interesting to know whether, before this trip, the Queen consulted the frequent contributor to House of Windsor causes, namely, "Trust agent" Armand Hammer, who is known to have who promoted Gorbachov's future leadership with KGB chief turned Soviet General Secretary Yuri Andropov. Hammer, who was introduced to Prince Charles by Lord Louis Mountbatten, and has been sometimes described as the Prince's guru after Mountbatten's death, was certainly close enough to the House of Windsor to serve in this role.

The last Viceroy of India

Lord Louis Mountbatten is a significant figure in the Club of the Isles for two reasons. First, not only had he been the matchmaker for Philip Mountbatten's marriage to the future Queen Elizabeth II, but he served as a father-figure to both Prince Philip and his son, Charles—or, at least until Mountbatten began to promote the idea that Queen Elizabeth II might abdicate in favor of Prince Charles, before Charles became too old to reign under his, Mountbatten's, influence.

Second, Mountbatten, as the last Viceroy of India, designed the bloody "divide and conquer" partitioning of this "crown jewel" colony into the two, rival Commonwealth countries of Muslim Pakistan and Hindu India, which led almost immediately to the spilling of more blood in the 1947 war between the two states. Although the press attacked Queen Elizabeth II for her visit to Pakistan and India on the 50th anniversary of their independence, spokesmen for Buckingham Palace told *EIR* that Foreign Secretary Robin Cook's inflaming of the Kashmir issue is a continuation of Lord Louis Mountbatten's policy. It was Lord Mountbatten who deliberately left the question of Kashmir, which had a Hindu ruling family with a predominantly Muslim population, unresolved,

so that it would be a running sore between India and Pakistan.

Earl Louis Mountbatten was the younger brother of George, the 2nd Marquess of Milford Haven, whose father, Prince Louis Battenberg, had Anglicized the family name to rid it of the taint of "German-ness." Prince Philip, beginning at age ten, was raised by his Mountbatten relatives, who represent one of the kinkiest families within the Club of the Isles. As Kelley notes, the 2nd Marquess of Milford Haven had one of the largest selections of pornography ever collected, including Marquis de Sade-style sadism, incest, homosexuality, bestialism. Part of this collection ended up in the British Museum, when George died of cancer at the age of 46, and the task of raising Prince Philip was passed to Lord Louis Mountbatten, who was also a raving pervert. Author Charles Higham, in *Elizabeth and Philip*, describes Lord Louis Mountbatten being spotted, dressed in black leather and riding a horse beside his mistress, who was similarly dressed, while the two flagellated one another. Lord Louis Mountbatten's wife, Edwina (heiress of one of the leading *Hoffjuden* bankers to King Edward VII), was a practicing bisexual.

This scatological history of the Mountbatten's is important, because Lord Louis Mountbatten helped raise Prince Philip and became the closest friend and adviser to Prince Charles. It was at Mountbatten's urging that Prince Philip wrested a concession from Queen Elizabeth II, that all future members of the House of Windsor would be known as the House of Windsor-Mountbatten. And, at the time that Lord Louis Mountbatten was blown up on his yacht in 1979, Kelley also reports that he was scheming to wed his daughter, Patricia Edwina Victoria Knatchbull, Countess Mountbatten of Burma, to Prince Charles. It is most intriguing that Prince Philip verbally abused Prince Charles, for expressing his grief at Lord Mountbatten's explosive end. Certain well-informed sources have suggested that Prince Philip's indifference to the death of the uncle who had helped raise him bears examination, especially given Prince Philip's murderous role as chief enforcer of the Club of the Isles.

The Spencers: a different barony in the Club

It was a truthful statement, when Lady Diana was told by her father, the Eighth Earl Edward John "Johnny" Spencer, that she would be "marrying down," if she married the heir apparent, Prince Charles. It is unfortunate that Kelley's history of the Spencer family only covers the last two generations. Lady Diana was descended through five lines of ancestral Spencers to illegitimate children of King Charles II (reigned 1660-85), who converted to Catholicism at the last moment. And, she was descended through an illegitimate daughter of Charles II's successor, King James I (reigned 1685-88), who had begun to re-found a Catholic dynasty in England, when he was deposed in a war between his forces and those adherents of the Church of England, who brought in King William III of the House of Orange. Since King James I never abdicated, there was a line of the Stuart Dynasty, that proclaimed themselves to be Kings-in-exile. As a student,

Lady Diana was fascinated by the history of the Tudor and the Stuart dynasties.

Not only did Lady Diana descend from an older dynasty than Prince Charles, but the Spencer family had intimate knowledge over the centuries of House of Hanover in its various incarnations. Lady Diana's namesake had been promoted as a potential wife for the Prince of Wales at the beginning of the 18th century. This matchmaking was done by Sarah, Duchess of Marlborough, wife of the first Duke, who defeated Louis XIV's forces at Blenheim, Bavaria, and was a forebear of Sir Winston Churchill. The Duchess of Marlborough offered a huge dowry for her granddaughter, Lady Diana, to marry the destitute and willing Prince of Wales. However, Parliament blocked the marriage. The Spencer family remained intimately tied to the House of Hanover's heirs down to the present.

Lady Diana's father, the Earl Spencer, had served as equerry, first to King George VI, then to Queen Elizabeth II, becoming close to both. So, Lady Diana's father knew whereof he spoke, when he warned his daughter against marrying the Prince of Wales. One of the most important lessons that her father taught Lady Diana, was that, regardless of her title and privileged position, all human beings were her equal: a thought that was anathema to the House of Windsor. It was Lady Diana's father who first introduced her to Emam "Dodi" Fayed's father, Mohamed al-Fayed, to assist her in her charity work, at a time when, as Mohamed al-Fayed complained, the rest of the British establishment were treating him "like a nigger."

Apart from the fact that Prince Charles had employed the specious right of *droit du seigneur* to carry on an adulterous relationship with the wife of Andrew Parker-Bowles, the difference in religious and dynastic background between Charles and Diana, was a major cause of tension between them, even from the start of their honeymoon. As Kelley reports, the House of Windsor is rampant with "New Age" heresies. Through the influence of Lord Louis Mountbatten, Prince Charles had become absorbed in the work of the gnostic psychiatrist, Carl Jung, who had served as president of the German Medical Society for Psychotherapy when Hitler assumed power in 1933. While Jung was in this post, Hitler began the practice of euthanizing the retarded and mentally ill, as a precursor to the Holocaust. In particular, Prince Charles was taken by the work of one of Jung's protégés, Laurens van der Post, who became the Prince's "psychic" adviser. Van der Post, a South African, had applied Jung's gnostic method to the interpretation of the dreams and rituals of South African bushmen.

On their honeymoon, Prince Charles came aboard the royal yacht *Britannia*, carrying dozens of books by Jung and van der Post, and tried to brainwash Princess Diana with their gnostic doctrines. Later, when the combination of Charles's adultery and his family's brutality toward her began to create mental distress, Prince Charles went so far as to bring in Laurens van der Post to psychoanalyze her. Kelley points out that van der Post did not have the slightest idea what made

Princess Diana tick. However, it was through Prince Charles's gnostic influence that Princess Diana briefly succumbed to the Windsors' New Age bent toward psychics, spiritualists, and so forth.

In contrast with the Windsors, Lady Diana had sought a mission in caring for those less fortunate, from the time she was in high school. The way that Princess Diana saved herself from being overcome by the New Age quirks of the Windsors, was to seek an ally in the Catholic Church.

A spokesman for Bishops' House confirmed to *EIR*, that Princess Diana's quest for a mission, after separating from Prince Charles, included collaboration with Cardinal Basil Home, with whom she visited AIDS patients, hospices for the terminally ill, and other unfortunate people, bringing them love and warmth. However, after she first made contact with Mother Teresa of Calcutta, flying to the nun's bedside when she was sick in Rome, Prince Charles went into a tirade on her return. Nonetheless, Princess Diana was stubborn in maintaining contact with Mother Teresa, and the nun took her under her wing and encouraged her to search for a mission on behalf of mankind. The British press reported at this time that the Princess of Wales was considering converting to Catholicism. Whether or not this is true, Princess Diana's mother, Frances Shand Kydd, whom Diana loved, did convert to Catholicism within the year prior to her daughter's assassination.

It was this background that led Princess Diana to insist, over objections from the House of Windsor, that her children, Princes William and Harry, be raised to have concern for the plight of those who were victims of illness, poverty, and injustice. The fact that this aspect of rearing the royal children should represent a bold challenge to the House of Windsor, was one of the most striking features of the eulogy delivered by Diana's brother, the Earl Charles Spencer, at her funeral.

'Her True Story'

Andrew Morton's book, *Diana: Her True Story*, is significantly different from Kelley's. Its importance lies in the fact that Princess Diana chose this nondescript royal reporter to act as a vehicle for the "War of the Roses" that had erupted between herself and the House of Windsor. As we shall see, Morton has not even been a Diana loyalist, despite the fact that her choosing him to destroy the sham of the "fairy tale marriage" had made him millions of dollars. Princess Diana turned to Morton in 1992 at the suggestion of friends, as the means to explain why the House of Windsor was the primary cause of her mental distress. She feared that the royal family would declare her insane and have her children taken from her. And, Prince Charles was stoking her suspicions, by telling all his friends that Diana was "mad, mad, mad." It is now known that Princess Diana not only provided Morton with taped answers to his questions (which were brought to her by a mutual friend, who had agreed to act as a "cutout," to protect Diana), but that she actually edited the first edition of the book.

Most of Morton's book focusses on the effect upon Princess Diana, of her knowledge that her husband was carrying

on an adulterous affair, and did not really love her. Even during their courtship, Lady Diana discovered that Prince Charles was involved with the horsey-faced Camilla Parker-Bowles. It has been said that Prince Charles and Camilla selected Lady Diana, because they thought she was so naive, that they could continue their relationship unimpeded. What is definitely true, is that Lady Diana was the "sacrificial virgin," with no embarrassing past, who could provide an heir for the House of Windsor—something that Camilla Parker-Bowles could not do, because she would have had to divorce her compliant husband.

While, initially, Lady Diana may have been naive, once she was married to Prince Charles, his flagrant behavior with Parker-Bowles became thoroughly unacceptable to Princess Diana. After bearing an "heir and a spare" (Princes William and Harry, respectively), Princess Diana lost whatever love she had for her kookish, "New Age" husband. With the couple's separation, a "War of the Roses" broke out between the House of Windsor and Princess Diana, who stated that she would not live a lie by perpetuating the myth of a "fairy tale marriage." Significantly, it was Prince Philip, enforcer for what Diana called "the Mafia," who briefly postponed the official separation by firing off brutal, threatening letters to her. Prince Philip insisted that she maintain the charade on behalf of what he called "the Firm."

The official separation, which was announced to Parliament by Prime Minister John Major, was—even more than the fire at Windsor Castle—what lay behind Queen Elizabeth II's reference to 1992 as her *Annus Horribilis*. Apart from providing more insight into Princess Diana's search for a mission, there is little more to be found in Andrew Morton's book. Princess Diana was angry at both him and his publisher, John O'Mara, because they refused to state for a fact in the first edition that Prince Charles had been committing adultery, because of fear of retaliation from Buckingham Palace, although Princess Diana had gone to the length of pilfering love letters that proved it.

Morton must be said to have shown little loyalty to the Princess. When he learned that Princess Diana had apparently fallen in love with Dodi Fayed (whose father, Mohamed al-Fayed, had been denied British citizenship, because he was a "wog"), the racist Morton wrote of Princess Diana: "It is no wonder your husband talks to plants, because you are a fruit." Morton further admits to having sought to turn Princess Diana's friends, whom she had introduced him to, against her, for what he saw as her misalliance.

When, in the aftermath of her murder, Morton decided to print excerpts from his taped interviews in the second edition, *Diana: Her True Story—In Her Own Words*, this cowardly opportunist, writing his concluding chapter about her death, nonetheless refused to raise a single question about the French government cover-up of the assassination. His cowardice is compounded by the fact that overwhelming evidence on the cover-up of the murder has been supplied to his publisher, John O'Mara, in the hope that Morton and O'Mara would

have some interest in publishing the truth.

Instead, O'Mara's assistant told *EIR*, that not only will the firm not question the French cover-up, but that the firm will not be publishing anything more on Princess Diana for the foreseeable future. It is no wonder that Earl Charles Spencer is suing Morton and O'Mara for property rights to Princess Diana's taped answers that were used in the compilation of both books.

War of the Roses

Nonetheless, the suggestion that Prince Charles had caused his wife mental anguish by his unrepentant adultery, as described in the first edition of *Diana, Her True Story*, created a firestorm. Initially, Princess Diana, as Kelley reports, had been able to avoid suspicion that she had had a principal role in orchestrating Morton's book. However, as soon as the book appeared, Princess Diana was placed under surveillance by elements of Her Majesty's Secret Service. It did not take long for the Queen to be informed, as a result of this surveillance, of her daughter-in-law's hand in the book.

At this point, the House of Windsor declared a "War of the Roses" against Princess Diana. Kelley reports that it was the Queen Mother who first "unleashed her dogs" by having her lackeys plant stories to discredit Princess Diana in major media such as the London *Times*.

Prince Charles made a pathetic attempt to counter the effect of the Morton book, by hiring the public relations man, Jonathan Dimbleby. On a TV program broadcast throughout the United Kingdom, Charles confessed to committing adultery. And, when he was asked whether this would affect his ability as King and head of the Church of England to be Defender of the Faith, the gnostic Prince responded that he would be a defender of "all faiths." Next, with Dimbleby's help, he assisted in producing a biography, in which he sought sympathy on the grounds that his mother had abandoned him as a child and his father had brutalized him, especially by making him attend Gordonstoun. When Queen Elizabeth II and her royal consort became aware of these projects, Prince Philip berated Charles for setting a new low in stupidity.

A senior British intelligence officer informed *EIR* that some of the more damaging character assassination leaks to the press against Princess Diana were arranged through Cheltenham GCHQ, the British electronic eavesdropping counterpart of the U.S. National Security Agency. GCHQ has a unit whose ostensible purpose is to monitor all phone calls by the royals, to keep them from being ensnared by bad eggs or terrorists. On at least one occasion, purportedly verbatim transcripts of a telephone call between Diana and an alleged lover who called her "Squidgy," were leaked to the press.

In 1995, Princess Diana, by then separated from Charles, counterattacked by arranging a TV interview with BBC's "Panorama" program, which was kept a secret from Buckingham Palace. In the interview, she said of Charles: "Because I know the character, I would think that [being King] would

bring enormous limitations to him, and I don't know whether he could adapt to that." She implied that he should be skipped over in the line of succession, and the crown should pass to their son, Prince William.

Elizabeth was incensed by the broadcast. Not only did she proclaim that henceforth BBC would no longer have exclusive rights to broadcast her speeches to the British Empire, but Diana's challenge to the succession of the House of Windsor brought Queen Elizabeth II to insist upon a divorce between her son and Diana. According to Kelley, it was Prince Philip, "the enforcer," who insisted that Princess Diana be thrown out of the family "firm" by removing her royal family title, Her Royal Highness.

Without the protection her title afforded her as a member of the royal family, Kelley points out, the press and paparazzi became hyenas who hounded the Princess unrelentingly. Writes Kelley: "The loss showed itself within days. Her once respectful press corps turned snippy. Photographers still showed up in full force to cover her because she remained the most famous woman in the world. But they started acting like hooligans."

In fact, paparazzi once drove Princess Diana off the road, and she had to obtain an injunction against another, who had a criminal record, who kept ramming his motorcycle into her car.

It was around this time that Princess Diana told her friends, "One day I am going to go up in a helicopter and it will just blow up."

Apparently, the physical surveillance of Princess Diana, which had started after the publication of *Diana, Her True Story*, continued. Several sources insist that the press, including the paparazzi, were informed of Princess Diana's itinerary by Her Majesty's Secret Service, so that they would hound her.

At the same time, the House of Windsor made sure that no member of the Royal Protection Unit would become loyal to Diana. In fact, Kelley reports that Princess Diana believed that MI-5 had staged the "accidental" vehicular homicide of one bodyguard, Barry Mannakee, whom the Palace had fired because she had confided in him, after Prince Charles flew into a rage over their closeness.

The character assassination and security stripping against her created the perfect conditions in which to stage her assassination on the night of Aug. 31 in the Place de l'Alma tunnel in Paris.

The Way Ahead Group

Ever since Prime Minister Tony Blair proclaimed the assassinated Princess of Wales to be the "people's princess," when her body was returned from Paris, there has been a large-scale "damage control" effort by factions of the Club of the Isles to save the House of Windsor. Blair, who was groomed for his role as prime minister through Queen Elizabeth II's Privy Council, began this process by telling the Queen that unless she put on a reasonable show of mourning

for Princess Diana, there might be a revolution. Prince Philip, with his usual bluntness, was heard to say, of the people queuing up to deliver flowers, "I can hear the rumble of the approaching guillotine."

At the same time that Blair insisted on expanding the funeral ceremony for the slain Princess, he also came out to say that he was sure that Prince Charles was fit to succeed his mother: something that Princess Diana considered anathema.

It is within this crisis that the recommendations of "the Firm's" Way Ahead Group, reported on at the end of *The Royals*, come into play. The Way Ahead Group is composed of the immediate British royal family, together with advisers who are selected as needed, and it meets twice a year at Balmoral Castle. Among the "planks" of the Way Ahead Group that Kelley mentions, are:

- Ending the Civil List payments of approximately \$14 million in taxpayer money in exchange for a return of the Crown Estates, which had been surrendered to Parliament by King George III in 1760. The Crown Estates consist of 300,000 acres of prime London real estate, whose rents and revenues produce more than \$100 million a year. Thus, the House of Windsor could say that they no longer receive taxpayer monies to support their lifestyles, although there are numerous other "entitlements" for the dysfunctional Windsor family from other taxpayer sources than the Civil List living stipend.

- Ending the 11th-century rule of primogeniture, allowing women to have equal right to succeed to the throne.

- Limiting the distribution of the title His (Her) Royal Highness to the monarch, the consort, their children, and those grandchildren who are direct heirs to the throne, thereby eliminating the title for aunts, uncles, or cousins.

- Since Prince Charles had said in the Dimbleby interview that he did not wish to be Defender of the Faith, an opening had been created for Parliament to block his succession to the throne under the 1771 Act of Settlement, which said that only a Protestant could become heir and that the monarch's consort must also be Protestant. Under the Act of Settlement, the sovereign must swear to uphold the established Church of England and Church of Scotland, but Prince Charles was not in communion with either church. So, the Way Ahead Group proposed separating the monarchy from the strictures of religion and dissolving the theocratic bonds of church and state.

With Diana, Princess of Wales, conveniently removed, assassinated by perpetrators unknown, Prince Charles has felt more confident about soldiering on until he attains the throne. Kitty Kelley quotes him as saying: "I have dedicated myself to putting the great back into Britain, and that's what I intend to do." Prince Charles, like the heir of other British dynasties, may yet fully realize that his would-be subjects do not want him to be King.

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World's oldest and foremost boys' choir to perform in Washington, D.C.

The world's oldest and foremost boys' choir, the Thomanerchor of Leipzig, Germany, under the direction of Maestro Georg Christopher Biller, will perform Saturday, Feb. 7, 1998, at 4 p.m., at the Basilica of the National Shrine of the Immaculate Conception, in Washington, D.C.

The Thomanerchor has been in existence for over nine hundred years. It derives its supreme quality from the highest musical standards and religious zeal of its most famous mentor: Johann Sebastian Bach, who directed the choir from 1723 through 1750, composing many works especially for it.

The Thomanerchor is synonymous with the best tradition in choral and church music. For centuries, it has demonstrated the significance of excellence in education through great music. Today, its exclusive recordings by Philips and Gramophone receive the highest acclaim from experts and the general public alike.

The concert will feature works by Johann Sebastian Bach, Felix Mendelssohn, Siegfried Thiele, and Volker Brautigam.

The Washington performance is one of three exclusive concerts to be performed by the Thomanerchor during its first post-World War II visit to the United States. (Prior to Germany's unification, the Communist regime in East Germany prohibited the Thomanerchor from performing in the United States.) The other concerts will take place in Houston, Texas and in New York City.

In addition to the D.C. concert, Maestro Biller and the Thomanerchor will participate in a Washington symposium on "Excellence in Education through Music," to be held at Ward Hall at Catholic University, Saturday, Feb. 7, from 9 a.m. to 2 p.m. Reservations are required for the symposium due to limited seating. The concert and the symposium are being presented by Citizens for Excellence in Education through Music, in arrangement with Intermuse and Contours Performing Artists Agencies.

For more information, call Diane Sare in Washington at (202) 544-8704.



The Thomanerchor, from Leipzig, Germany, will tour the United States in February 1998. J.S. Bach once directed the choir, which has existed for over 900 years.

More sovereignty ceded to London's Indians

The Cardoso government is pursuing an indigenist agenda to please the British monarchy.

In the midst of the financial turbulence that is whipping Brazil, President Fernando Henrique Cardoso is carrying out the one-worldist ecological and indigenist agenda established by the British Crown, to signal his subservience to London's usurious financial elites. On the eve of his official visit to England in early December, where he will be dubbed "Sir Fernando" by Her Majesty, the Brazilian head of state has announced the demarcation of a vast new area of Indian lands. This is one of the gifts he will be bringing to London, to pay homage to the Queen and to her royal consort, Prince Philip.

On Nov. 3, during a ceremony in the Presidential Palace in Brasilia, Cardoso announced the demarcation of 23 areas of Indian reserves, all located in the rich Amazon region. Together, they represent 8.5 million hectares (equivalent to "half of France," as the President boasted), which will be inhabited by some 10,000 Indians. With this decree, and earlier ones like it, the government has in effect ceded 34% of the 83.5 million hectares which, by constitutional mandate, are to be allocated for the exclusive use of Brazilian Indian groups. Eventually, this will mean handing over 11% of national territory to 330,000 Indians. Sullivan Silvestre, the president of Brazil's National Indian Foundation, stated that the intention of the government is to meet that goal.

In a similar proceeding back in November 1991, the corrupt former President of Brazil, Fernando Collor de Mello, created a reserve for the no-

madic Yanomami Indians, in an expanse of territory along the border with Venezuela which is rich in mineral reserves such as uranium, niobium, and gold, among others. Collor did this to comply with the demands of the Bush-Thatcher-Mitterrand alliance, which sought to impose the concept of "limited sovereignty" over Brazil's natural resources. As *EIR* has documented, the Yanomami reserve had been a personal project of World Wide Fund for Nature president Prince Philip, since at least the 1960s.

The interest shown by the British Empire in indigenist causes in Brazil has nothing to do with humanitarian concerns. Rather, it responds to geopolitical interests in controlling resources. In Africa, British colonialism created ecological sanctuaries specifically designed to prevent the economic development of large areas of the continent. In Brazil, with the treasonous complicity of the government, London seeks the same.

Under the cover of supposedly respecting the "natural life" of the Indian, ecologist entities such as the Socio-Environmental Institute, a favorite haunt of the Theology of Liberation, and the Missionary Indigenist Council (CIMI), an official dependency of the Catholic Church and one of the official voices in Brazil of the World Council of Churches, have paralyzed construction of three key waterways: the Tapajos-Teles Pires in the Amazon region, the Paran-Paraguay in the La Plata Basin, and the Araguaia-Tocantins.

It is absurd to allocate 11% of na-

tional territory for the purpose of freezing a handful of Indian tribes in their miserable state of backwardness. But, it is even more absurd that the President of the Republic should be helping to destroy his own country by putting its destiny in the hands of British interests. During the demarcation ceremony, numerous "fifth-column" representatives of foreign enemies were present, among them, the president of CIMI, Bishop Aparecido Jos Dias, and the president of the Pastoral Land Commission, Bishop Tomas Balduino, one of the controllers of the pro-terrorist Landless Movement (MST).

Before his planned trip to England, President Cardoso sent three emissaries to talk to Britain's non-governmental organizations (NGOs), to convince them that he is on their side. The president of the Institute of Agrarian Reform and Colonization, Milton Seligman, met in London with NGO sympathizers of the MST, and lobbied for a campaign to get the European Union to give preference to importing Brazilian agricultural products produced by MST settlements.

Confirming its collaboration with one-worldist interests which sponsor both pro-terrorist and ecologist movements like the MST, the Cardoso government is considering action that would achieve the political fusion of the two. On Nov. 6, the daily *Gazeta Mercantil* reported that the president of the Brazilian Environmental Institute, Eduardo Martins, and Seligman (two men close to the President), hope to settle MST peasants in areas now under exploitation for timber.

Such a move would unite the pro-terrorist MST with the green NGOs, creating the potential for a supranational apparatus which could, in the not-too-distant future, assume dictatorial oversight of land exploitation throughout Brazil.

International Intelligence

N. Korea thanks Malaysia for humanitarian aid

While geopoliticians debate the advantage to be gained from making aid for starving North Korea conditional on such schemes as "human rights" reforms, officials from the Malaysian Red Crescent Society and the regional head of the International Federation of the Red Cross and Red Crescent Societies were on hand in Kuala Lumpur on Nov. 12 to turn over a check for 19.5 million ringgit (\$5.9 million) to North Korean Ambassador to Malaysia Kim Jin Ok. The money was raised since Aug. 3, when *The Star* newspaper launched the humanitarian campaign with a donation of 2,054 ringgit contributed by schoolchildren. The Malaysian contribution is reported to be the single biggest contribution in response to an appeal launched in August. *The Star* is Malaysia's second largest daily, and is owned by the Malaysian Chinese Association.

In receiving the check, Ambassador Kim Jin Ok said, "We will never forget your generous help." Datuk Sulaiman Osman, national chairman of the Blood Program Committee, reported that "every ringgit collected was well used." Osman was part of a four-person team that toured North Korea in October. IFRC regional head Dr. Johan Schaar reported that 4,854 tons of rice had already been shipped and another 13,150 tons were en route, thanks to the funds.

Mahathir rebuffs U.S. Congress' provocation

Malaysian Prime Minister Mahathir bin Mohamad refused to fall into a trap laid by three U.S. Congressmen, who circulated a highly provocative House resolution claiming that Mahathir's denunciation of mega-speculator George Soros was anti-American and anti-Semitic, and demanding that he resign or apologize. The ringleaders, partisans of the Anti-Defamation League of B'nai B'rith, are Gary Ackerman, Tom Lantos (like Soros, Hungarian-born), and freshman Robert Wexler, the resolution's formal sponsor.

According to *The Star* of Kuala Lumpur

on Nov. 11, the U.S. embassy was quick to distinguish the policy of the United States from the sentiments of the resolution's sponsors and signers.

Prime Minister Mahathir addressed the flap with characteristic good humor. Referring to the Congressmen, Mahathir commented, on Nov. 12, "It seems like their brand of democracy is to be able to dictate to others." The following day, he stressed that relations between the two countries remain friendly, adding, "We hope good sense will prevail in the U.S. Congress."

He did express frustration that what he had said, was distorted, and continued that he had only blamed George Soros, who lives in the U.S. and is Jewish, for speculative attacks on regional currencies. In the remarks attributed to him, he had been addressing a mistaken perception of an alleged conspiracy, for which Malaysia would *not* accuse Jewish people of being responsible. If anything, he said, "I have stuck my neck out in this country to try and show Jewish people are as normal as other people."

Regarding the Wexler resolution, he asked, "Is this how the world functions?" If world leaders have to apologize to the U.S. Congress for everything they say, "it is strange to me. I hope I am free to speak my mind."

World's oligarchs flock to London ceremonies

Two ceremonies, one a Nov. 13 "memorial service" for the late Sir James Goldsmith, and the other, the golden wedding anniversary of Queen Elizabeth and Prince Philip on Nov. 20, brought many of the world's royalty, oligarchs, and their top retainers to London. The memorial service for Goldsmith coincided with the visit of Israeli Prime Minister Benjamin Netanyahu, as London was gearing up its "nuclear Armageddon" threat in the Middle East. Goldsmith was a board member of Conrad Black's Hollinger Corp., publisher of the *Jerusalem Post*, and a main bulwark for Netanyahu.

The memorial for Goldsmith, whose strong opposition to the Maastricht Treaty was not because it was wrong, but because

he wanted to see Europe's nations broken up into "environmentally sustainable" fiefdoms run by his aristocratic friends, drew some 700 people, including Baroness Margaret Thatcher, Sir Henry Kissinger, and casino gambler Sir John Aspinall; royal family members Princess Michael of Kent and Angus Ogilvy, as well as media tycoons Conrad Black, Kerry Packer and Rupert Murdoch; Tory party moneybags Lord McAlpine, banker/speculator Lord Rothschild, and South African Zulu Chief Mangosuthu Buthezi.

As concerns the 50th wedding anniversary of Queen Elizabeth and Prince Philip, the *Times* of London waxed nostalgic on Nov. 19, writing that the service at Westminster Abbey would include "eight crowned heads and their heirs, which Buckingham Palace officials believe is an unprecedented gathering, at least since the days when Victoria's relations used to assemble at her feet at Balmoral." Others included "a large contingent of the Duke of Edinburgh's Greek and German relations, [and] members of the Mountbatten family."

Mystery surrounds death of Leonid Brezhnev

The Russian opposition weekly *Zavtra* and the NTV network have referred to some strange circumstances around the death of Soviet Communist Party General Secretary Leonid Brezhnev on Nov. 10, 1982.

NTV interviewed Brezhnev's son-in-law Yuri Churbanov, who said that on Nov. 7, Brezhnev was in relatively good health, and was preparing for the plenum of the Central Committee, scheduled for Nov. 15, which was to deal with issues of scientific and technological development. But, during the night between Nov. 9 and 10, Brezhnev was found dead in his bed. (During this period of 1982, just four months before President Reagan's announcement of the Strategic Defense Initiative, Lyndon LaRouche was conducting back-channel discussions on the prospects for ballistic missile defense, with Soviet representatives and the U.S. National Security Council.)

Zavtra's author suggests that the secret of Brezhnev's death is accessible to Acade-

MYANMAR'S State Law and Order Restoration Council went out of existence on Nov. 15, and has been replaced by a new State Peace and Development Council. The new council includes four members of SLORC, including chairman Than Shwe, Secretary One and intelligence chief Khin Nyunt, and Army Chief Maung Aye. The rest of the new 19-member council, according to the Hongkong daily *South China Morning Post*, are younger, regional army commanders, replacing some of the old guard of former head of state Ne Win.

AVIGDUR ESKIN, who gained notoriety in Israel for publicly chanting against Yitzhak Rabin the Pula D'neura prayer, which beseeches the Angel of Death to visit the person mentioned, has founded a new party, the Machane Tisrael, which plans to run Rabin's assassin, Yigal Amir, for parliament.

AUSTRALIA'S richest woman, Janet Holmes a Court, told a Perth meeting of drug experts that her model of an Australian republic would legalize drugs, including heroin. "I think that takes the profit motive out of it; what's the point of being a heroin pusher if you can't make any dough? I think we should try everything." Apparently she has.

WEI JINGSHEN, the well-known Chinese dissident, was released from prison on Nov. 16 and sent to the United States for treatment for a heart condition. The release was made less than two weeks after President Jiang Zemin returned from his tour of the United States.

POLAND'S Schiller Institute held a Nov. 13 seminar in Warsaw, to report on the Bonn conference "For a New Bretton Woods System," that had been keynoted by Lyndon and Helga LaRouche. Some 50 guests attended, including scientists, intellectuals, engineers, representatives of the President's office, the Foreign Ministry, the Solidarnosc leadership, and several embassies; a Senator, and a Member of Parliament.

mician Yevgeni Chazov, chief cardiologist of the U.S.S.R. and Leonid Brezhnev's personal physician. The article says that "not everything is clear with the role of Yuri Andropov in this death." The author emphasizes that Brezhnev was going to convey his post, not to Andropov, but to Vladimir Shcherbitsky, Politburo member and First Secretary of the Communist Party of Ukraine (whose death in 1991 was even more obviously violent).

For the Russian opposition press, questioning Andropov's figure is a really great achievement. While the liberals in power used to denounce the KGB (even though many began their careers as the KGB's "throwaway agents"), the national-patriotic opposition has had a directly opposite tendency of vindicating the KGB; this contorted historical thinking has swept under the rug the fact that Mikhail Gorbachov was a direct successor of Andropov, and that all Gorbachov's *shestidesyatniki* ("men of the Sixties") originated from Andropov's "pocket dissidents" Mikhail Gefter and Roy Medvedev.

Ireland installs first Northern-born President

Ireland's first Northern-born President, Mary McAleese, took the oath of office on Nov. 11, committing herself to reconciliation. Northern leaders attending included nationalists Gerry Adams of Sinn Fein and John Hume of the Social Democratic and Labor Party, as well as a Unionist Party member from McAleese's county. McAleese, who won the October election by a landslide, was born in Ulster. Her election is hailed, in the Irish press, as a harbinger of an era in which the "Troubles" of the last 25 years will finally be at an end.

The opening benediction at the swearing-in ceremony was delivered by clergy from Ireland's five main churches and its Chief Rabbi.

In her speech, she acknowledged that "to speak of reconciliation is to raise a nervous query in the hearts of some North of the border, in the place of my birth." Then, referring to the 800 schoolchildren invited to the ceremony—20 from each of all Ireland's counties—she urged, "I know the distrusts go

deep and the challenge is awesome. Across this island, North, South, East, and West, there are people of such greatness of heart that I know with their help it can be done. I invite them to work in partnership with me to dedicate ourselves to the task of creating a wonderful millennium gift to the Child of Bethlehem whose 2,000th birthday we will soon celebrate."

Former backer says U.S. should isolate Kabila

David Aronson of the Carnegie Endowment for Peace was an early booster of Laurent Kabila, the self-appointed stand-in President of Congo-Zaire, but, in a *Washington Post* article reprinted in the *International Herald Tribune* on Nov. 14, he has recanted on that score. Indicating that he initially had had high hopes for Kabila, Aronson writes, "What a difference a few months can make. The rumors of widespread massacres that trailed messily in Mr. Kabila's wake have long since proven terribly accurate. Ethnic fratricide has broken out in the east. In Kinshasa, Presidential corruption has again become the order of the day, even as more and more journalists and opposition leaders are jailed and beaten."

Especially important, Aronson notes: "Congolese increasingly view Mr. Kabila as a quisling from neighboring Rwanda and ask how Americans would feel if the United States were to be conquered by Cuba—an analogy that is not wholly inexact."

He indicates that the U.S. policy should be to give to Congo's non-governmental organizations up to \$100 million, but otherwise, "the United States should seek to isolate this new regime, and apply to it all the sanctions and international opprobrium that crimes against humanity should automatically elicit. We Americans have the keys to the IMF and World Bank, as well as to the Olympics and the UN Security Council. Private companies, such as Bechtel, that seek to do business with Mr. Kabila, should be made aware that collaborating with mass killers is not good for the corporate image. . . . A Kabila dictatorship cannot be allowed to take root, and elections are the only way to secure a peaceful transition."

National News

GOP launches national anti-labor initiative

Republican partisans of the Conservative Revolution are spearheading an anti-labor measure, via a ballot referendum in California, which would require workers to give written, annual authorization for use of their union dues in election campaigns. The initiative has the prominent backing of Gov. Pete Wilson (R). In the Nov. 13 issue of the *Washington Post*, columnist David Broder notes that the GOP nationally is aiming to use such measures to reverse such labor gains as the passage of last year's minimum wage bill and this month's defeat of "fast track."

Senate Majority Leader Trent Lott (R-Miss.) attempted to introduce a similar measure in Congress in October, but failed to get sufficient votes to cut off debate and bring it to a vote. House Speaker Newt Gingrich (R-Ga.) has vowed to make such a provision part of any campaign finance legislation when the House takes up the issue next year. So far, such a statute has been approved in Washington State and in Michigan, where it applies only to teachers unions.

The anti-labor referendum's chief backers also include Orange County businessman Mark Bucher, Grover Norquist of Americans for Tax Reform, and J. Patrick Rooney, an Indianapolis insurance executive who is a major financial backer of Gingrich nationally.

Phony 'greenhouse' cuts hit defense readiness

While skirting the environmentalist fiction about man-made "greenhouse gas emissions" causing a non-existent global warming, the U.S. military has expressed deep concern over the fact that energy reductions, which are being proposed at the Dec. 5, Kyoto global warming summit, will destroy U.S. defense readiness. Speaking at an American Bar Association conference in Washington, D.C. earlier this month, Capt. Michael F. Lohr, the legal counsel to the Chairman of the Joint Chiefs of Staff, said

that the efforts to reduce greenhouse emissions could have a significant operational effect on U.S. military forces.

Deputy Undersecretary of Defense for Environmental Security Sherri Goodman wrote that the cuts would mean "unacceptable impacts to national security," in a Sept. 5 memorandum:

"For the Army, a 10% reduction in operations and training fuel use would cut 328,000 miles per year from tank training, impacting its ability to execute the National Military Strategy. . . . [It] would downgrade unit readiness and require up to six additional weeks to prepare to deploy. Strategic deployment schedules would be missed, placing operations at risk. . . .

"For the Navy, a 10% reduction in fuel use would cut 2,000 steaming days per year from training and operations for deployed ships. This would . . . result in some ships being deployed at a less acceptable readiness rate. Naval aviation (Navy and Marines) would also be adversely impacted. . . .

"For the Air Force, a 10% cut in fuel usage would result in the loss of over 210,000 flying hours per year. . . . Fighter and bomber crews would be unable to maintain full combat readiness. . . . In addition, airlift capacity would be reduced 10%, impacting all supported agencies. . . .

Terrorists linked to Afghans convicted in U.S.

Two terrorists, both linked to the drug- and gun-running "resistance fighters" in Afghanistan set up as a training ground for "Islamic terrorists" by London in the 1980s, were convicted of terrorist acts in the United States in two different trials. Ahmed Ramzi Yousef and a second man were found guilty by a jury in Federal court in Manhattan on Nov. 12 of plotting and carrying out the February 1993 bombing of the World Trade Center in New York, in which six people were killed and more than 1,000 injured.

Yousef received his training in the use of explosives in Afghanistan. For three years, Yousef lived in a house in Peshawar, Pakistan, paid for by Osama bin Laden, the expatriate Saudi financier of Afghansi terrorist networks, whose base of operations

is London. On May 11, 1997, Bin Laden threatened President Clinton with assassination, during an interview broadcast on CNN. The U.S. State Department issued an alert for U.S. citizens and facilities abroad, following the announcement of Yousef's conviction.

On Nov. 11, Mir Aimal Kasi was convicted by a Fairfax, Virginia court in the Jan. 25, 1993 shooting spree outside CIA headquarters in Langley, killing two during the morning rush hour. Following his conviction, unidentified gunmen killed four U.S. businessmen and their Pakistani driver in a Nov. 12 ambush in Karachi, Pakistan. Kasi, a Pakistani national who claimed to be operating alone, was captured in Pakistan and deported to the U.S., earlier this year. Kasi had earlier lived in Quetta, a center of Afghansi gun-running.

Los Angeles Times points to Moon-GOP connection

While some of the more rabid neo-conservatives in the Republican Party continue to bark about Chinese and Indonesian conspiracies to influence U.S. elections, former Associated Press correspondent Robert Parry pointed to "The GOP's Own Asian Connection: Rev. Moon," in the editorial section of the Nov. 16 Sunday *Los Angeles Times*. Parry, now the editor of *I.F. Magazine*, warned that "Republicans are also vulnerable. . . . [T]hey are especially lucky that one of their most questionable relationships has gone virtually unmentioned . . . that is, the GOP's long and lucrative relationship with the Rev. Sun Myung Moon."

Parry lists some of the contributions by Moon to Conservative Revolution operations, which he says are "estimated in hundreds of millions to billions of dollars." Parry points out that most of Moon's contributions are made quietly, such as the \$3.5 million to Jerry Falwell's Liberty University. Parry also mentions that Moon has contributed to "Texas Gov. George Bush and Iran-Contra figure Oliver North." Moreover, writes Parry, "In the 1980s, the American Freedom Council defended North against Iran-Contra charges and distributed 30 million pieces of literature to help elect George

Bush in 1988. It was later revealed that the AFC was backed by \$5 million to \$6 million from business interests associated with Moon."

But what does Moon think about America? In one sermon, according to Parry, Moon thundered, "You must realize that America has become the kingdom of Satan." In another, "Moon told his followers that '... the country that represents Satan's harvest is America.'"

Pritchard boasts role in Jones suit vs. Clinton

Former Washington correspondent for the London *Sunday Telegraph*, Ambrose Evans-Pritchard, expanded on his boast that he encouraged Paula Jones in her 1994 sexual harassment suit against President Clinton. In his book-length diatribe *The Secret Life of Bill Clinton*, the Hollinger Corp. scribbler discloses new details about his involvement prior to the lawsuit being filed. On May 8, 1994, two days after Jones's suit was filed, Pritchard admitted in the *Sunday Telegraph* that he had had "a dozen conversations with Mrs. Jones over the past two months," saying, "I happened to be present at a strategy meeting last month on a boat on the Arkansas River" at which Jones's attorney "was weighing the pros and cons of legal action."

In his new book, Pritchard elaborates that he was already in discussions with Jones's lawyer, Danny Traylor, before talking to her. Traylor told Pritchard that he was hopelessly out of his depth in filing a suit against the President of the United States, and he didn't know where to turn for a co-counsel of national stature. Pritchard suggested a lawyer. "For a few minutes, I suppose, it could be said I had become a consultant to the embryonic legal team of Paula Jones," Pritchard writes, but he then quickly denies the charge that he was "instigating" the case.

Shortly after her suit was filed, Lyndon LaRouche proposed that Jones should be required to show that her collaboration with Evans-Pritchard "did not produce a lawsuit which is clearly politically motivated to destabilize the Presidency."

Meantime, two groups financed by

wealthy spook Richard Mellon Scaife, are running radio and TV ads urging women to call a toll-free number "if you believe you have been a victim of sexual harassment by the President." The campaign, estimated to cost \$260,000, is being carried out by the Free Congress Foundation and the National Center for Public Policy Research. One can only imagine the salacious state of mind of the operators answering what the Free Congress Foundation acknowledged were "thousands" of calls.

Los Angeles County medical crisis grows

The closure of the Los Angeles County-University of Southern California Medical Center, the core facility of the largest municipal health care system in the country, has thrown the county health system into a crisis. The shutdown of the facility, allegedly because it suffered irreparable earthquake damage, is seen by the County Board of Supervisors as an opportunity to begin integrating so-called "managed care" (i.e., rationing) with county medical services. Well over a million uninsured poor depend on the county system for medical care.

The supervisors propose replacing the old facility, which has a licensed capacity for almost 2,000 beds (currently funded for 900 beds), with a facility that would be licensed for 600 beds. Supervisor Zev Yaroslavsky argued that construction of a smaller facility was a more "humane approach," because it would free funds for outpatient services. Neo-con Supervisor Mike Antonovich has even proposed cutting the new facility to 390 beds.

Seventy percent of the county facility's beds are currently used for emergency treatment. According to the County Health Department's Dr. Don Thomas, a smaller facility "would lead to ambulances being diverted to carry critically ill patients on dangerous 25-minute rides to other hospitals." The medical center is the keystone in a network of hospitals and trauma centers, caring for half of the region's hospitalized AIDS and sickle cell anemia patients and 25% of the county's trauma cases. Some 55,000 patients pass through USC-County each year.

LAROCHE political prisoners' petition for habeas corpus was denied by Virginia's Supreme Court. The prisoners, Paul and Anita Gallagher, and Laurence Hecht, are serving 33, 39, and 34 years respectively, solely because they are associated with Lyndon LaRouche. Their congressman, Frank Wolf, who styles himself a human rights crusader for Chinese political prisoners, maintains a stony silence on this travesty in his backyard.

TIM WIRTH, the State Department's chief negotiator on global climate issues, and a solid defender of hoaxes ecological, is leaving his post in December to head a \$1 billion fund for the UN contributions being set up by media magnate, and Jane Fonda spouse, Ted Turner. Wirth will be replaced as lead negotiator at the Kyoto "global warming" summit by Commerce Undersecretary Stuart Eizenstat.

NEIL ADKINS, whose mother Janet was Dr. Jack Kevorkian's first known victim, is speaking out loudly against Oregon's assisted suicide euthanasia law. At a press conference before the election, Adkins said, "I will probably die with this with me: Could I have prevented my mother from dying?" Adkins urged that people should never "play God" by deciding to take their lives.

ORTHODOX Patriarch Bartholomew of Istanbul has deployed for a month-long tour of the United States to drum up backing for the Kyoto "global warming" summit next month. Bartholomew pronounced that "for humans to contaminate the Earth's waters, its land, its air, and its life with poisonous substances, . . . these are sins."

MARK RICHARD, the number-two fixture in the Justice Department's Criminal Division permanent bureaucracy, was "feted last week for 30 years of bureaucratic service," *New York Times* columnist William Safire noted on Nov. 19.

Editorial

Put global warming on ice!

In Kyoto, Japan at the beginning of December, representatives of 150 of the world's nations will meet to try to agree on international restrictions in industrial production, to deal with the so-called global warming crisis. But, like the characters in Jonathan Swift's *Gulliver's Travels* who labored to extract sunbeams out of cucumbers, they are tackling a problem that has no scientific foundation whatsoever. *Global warming does not exist.*

21st Century Science & Technology magazine, in a special report released in San Diego, California on Nov. 21, proves that, in fact, the world is leaving a 10,000-year interglacial period of milder climate, and entering a *new ice age.*

As *EIR* has documented, it is the British oligarchy that is behind the "global warming" hoax. Prime Minister Tony Blair, the hatchetman for the House of Windsor, is mobilizing to force the United States to accept cutbacks in emissions of so-called greenhouse gasses. In a speech at the United Nations on June 23, he charged: "At Kyoto, industrialized nations must agree to legally binding targets for significant reductions in greenhouse gas emissions during the first decade of the next century. The biggest responsibility falls on those countries with the biggest emissions. We in Europe have now put our cards on the table. It is time for the special pleading to stop, and for others to follow suit."

In reality, says Marjorie Mazel Hecht, managing editor of *21st Century*, "the only catastrophe associated with global warming, will be the lethal consequences of the remedies being proposed by the fraud's Malthusian promoters. We are publishing this collection of scientific articles to provide citizens and policymakers with what they need to know to break out of the 'virtual reality,' computer-modelled world of the global warmers. You can't understand climate today, and in the future, without situating it in the past few million years of climate history and the astronomical cycles responsible for climate shifts."

Lyndon H. LaRouche, Jr., who is a member of the Scientific Advisory Board of *21st Century*, contributed a foreword to the new report, in which he identifies three

leading issues, among those which should impel us to rid our planet of such anti-scientific hoaxes as global warming, put forward in the name of "ecology."

First, is the issue of national sovereignty. Under the current conditions of rapidly accelerating financial and economic breakdown, it is essential that we bring to an end the trends toward supranational rule over the internal affairs of national economies. We require a return to significant degrees of economic protectionism, as nations struggle to defend themselves from the assaults of financial speculators, and to protect their people, farms, and factories from the effects of the collapse of mountains of financial paper.

Second, is the issue of national economy. Since the breakdown of the old Bretton Woods agreements in 1970-72, there has been no net physical-economic growth in the U.S. economy, and precious little elsewhere in the world. We require a massive upgrade of infrastructure and productive capital. "Without purging the system of groundless, irrational restrictions imposed in the abused name of 'ecology,'" LaRouche writes, "it is human beings who become the world's endangered species."

Third, is the issue of technology. The breakdown of the world economy cannot be reversed, without applying credit and other investment incentives to scientific and technological progress in peacetime production of power, mass transit, and goods, which we have pushed previously only as part of a national defense mobilization. We must remove unnecessary bureaucratic and related obstacles to such greatly increased emphasis upon investment in scientific and technological progress.

Let us then return to proven methods for "cleaning up the environment," deploying the advanced technologies needed to do the job. Let us build nuclear power plants worldwide, to reduce our reliance on the burning of coal and other carbon-based fuels. And, let us repudiate British Malthusian ideology, which has run rampant in the last 30 years, and has allowed even many well-intentioned people to fall into the trap of unscientific belief in "global warming."

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4:30 p.m.; 7:30 p.m.; 10:30 p.m.
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Jones Communications—Ch. 3
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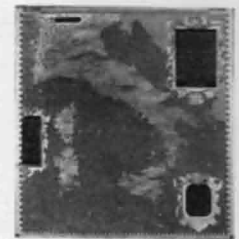
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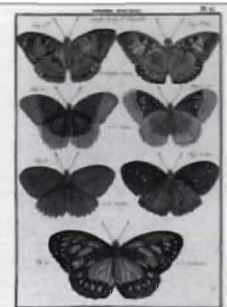
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