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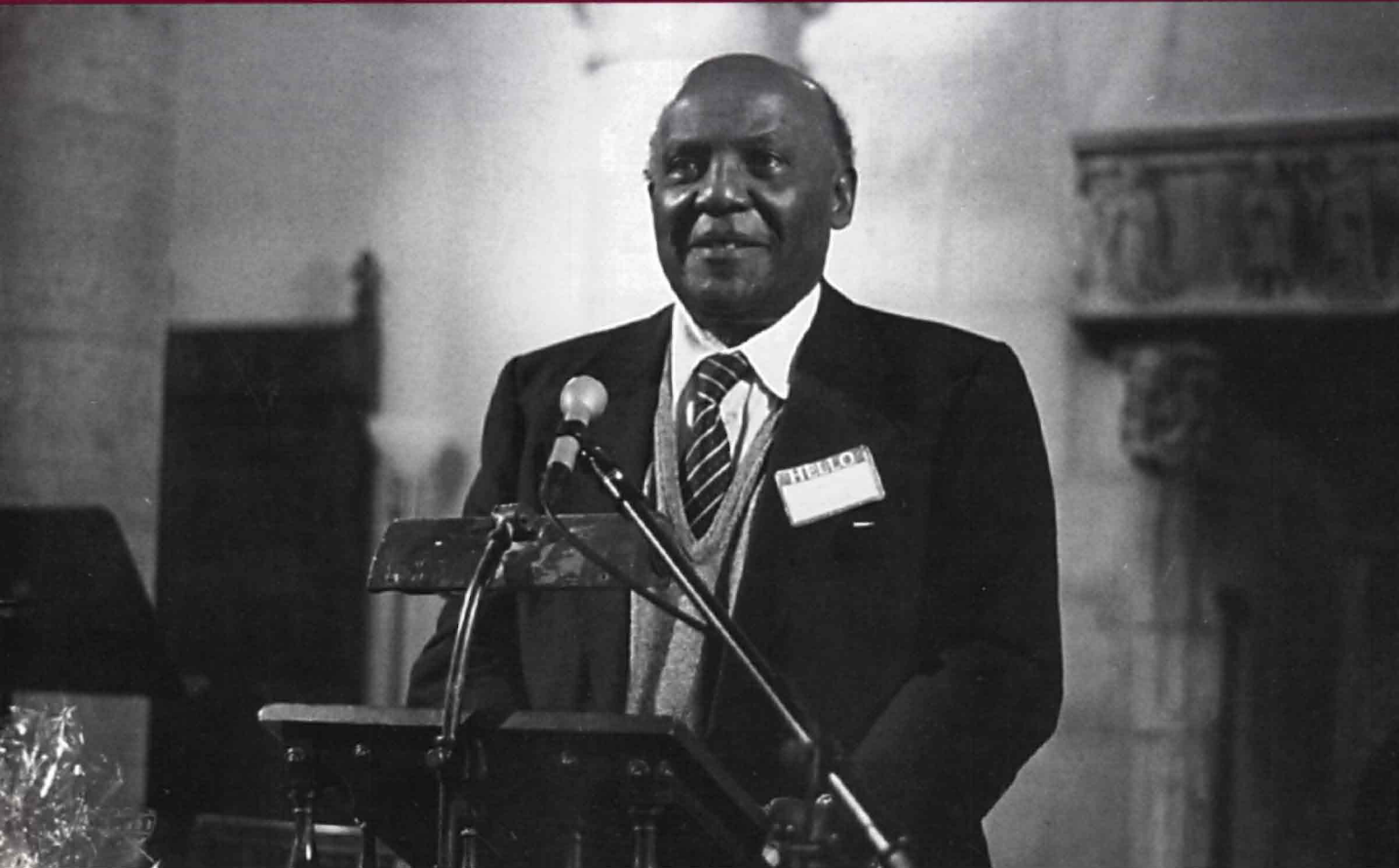
Executive Intelligence Review

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The IMF is the disease, not the cure
Algerian massacres cover for London land grab
British propaganda outlets slander LaRouche

**African leaders inaugurate
a new Civil Rights Movement**



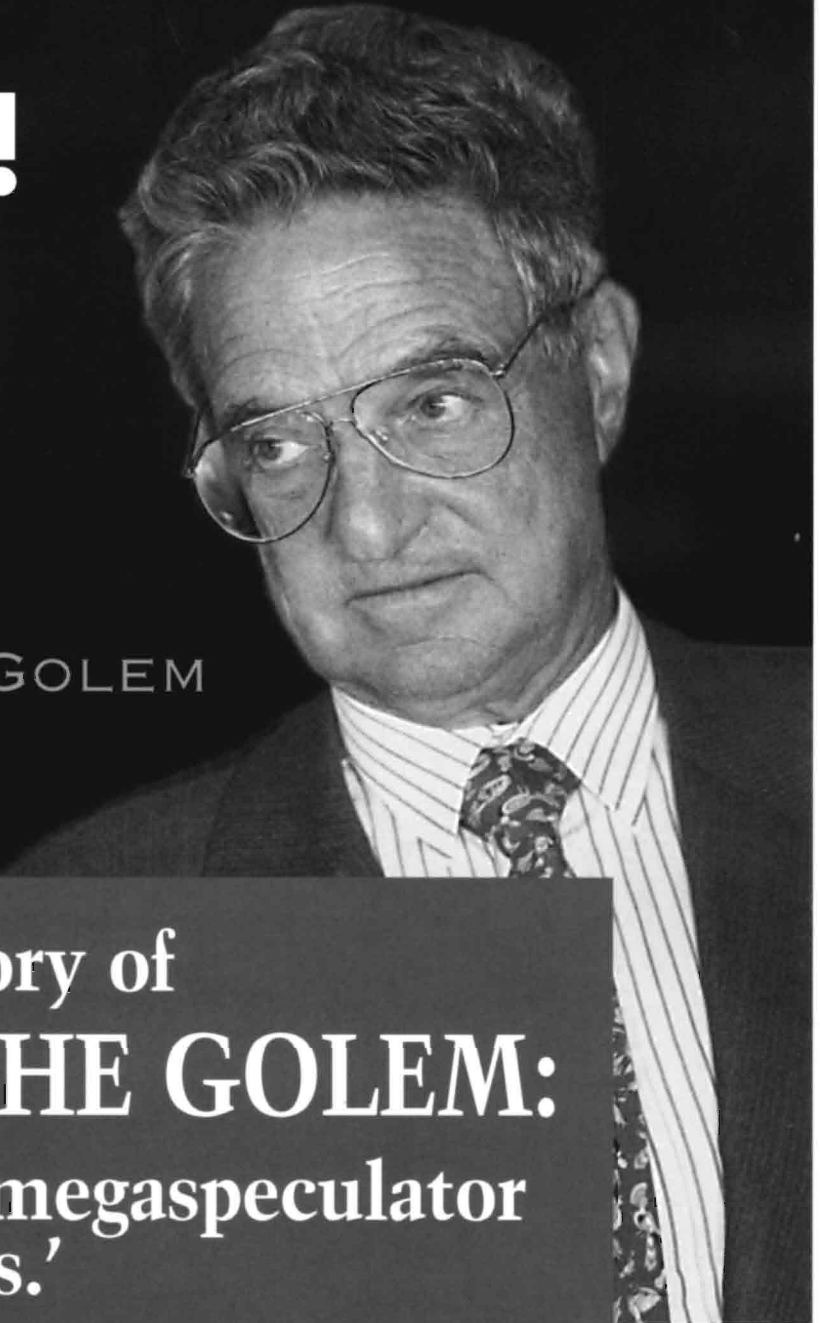
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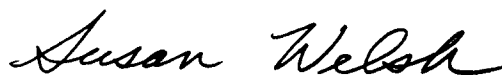
From the Associate Editor

In celebrating Martin Luther King Day, it is most fitting that we feature in this issue the inauguration of the new African Civil Rights Movement, and the initiating role in that of Dr. Godfrey Binaisa, the former President of Uganda, who today is a friend and collaborator of Lyndon and Helga LaRouche. Our cover photo shows Dr. Binaisa speaking at a Schiller Institute forum at New York City's Riverside Church on April 5, 1997. It was on April 4, 1967, in that same church, that Dr. King delivered his "passionate plea to my beloved country," to bring the Vietnam War to an end.

"Somehow this madness must cease," said Dr. King. "We must stop now. I speak as a child of God and brother to the suffering poor of Vietnam. I speak for those whose land is being laid waste, whose homes are being destroyed, whose culture is being subverted. I speak for the poor of America who are paying the double price of smashed hopes at home and death and corruption in Vietnam. I speak as a citizen of the world, for the world as it stands aghast at the path we have taken. I speak as an American to the leaders of my own nation. The great initiative in this war is ours. The initiative to stop must be ours."

Thirty years later, these words resonate in our own, different crisis. As Dr. Binaisa underlines, in his speech published in this issue, the world's leaders today have lost "the moral high ground." The devastation and cruelty that Dr. King described in Vietnam, have now become commonplace: from Bosnia to Rwanda to Zaire-Congo. At the same time, the onset of a world financial breakdown crisis is creating poverty and suffering to an extent that nobody could even conceive of thirty years ago. Once again, it is America that must take the initiative, to bring about a change.

On Jan. 17-18, the Schiller Institute and International Caucus of Labor Committees will hold their semi-annual conference in the United States, "In the Spirit of Martin Luther King: Building a New, Just Economic Order." The purpose of that meeting is to recruit the 1-2% of the U.S. population that is willing to *think*, to join the fight for such a new economic order, under the leadership of Lyndon LaRouche. In future issues, *EIR* will bring you a full report.



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Correction: In last week's issue, p. 53, the statue of Schiller and Goethe was incorrectly captioned. Schiller is the figure on the right. Our apologies to the two gentlemen.

Financial crisis: The IMF is the disease, not the cure

by Marcia Merry Baker

In the opening days of 1998, the headline crisis events in South Korea, Indonesia, and elsewhere in Asia and around the globe, showed clearly that the epic task before citizens and statesmen right now is to come up with the right ways to *save nations*. The events of the hour prove conclusively what has been true for decades: The International Monetary Fund approach is deadly to nations. Lyndon LaRouche, who a year ago initiated a campaign “to annihilate the IMF,” stressed that the Asian events show: “The IMF is the disease, not the cure.”

Criticisms of the IMF, and alternative scenarios of what should be done, are now coming forward from all sides—including from anti-nation speculator George Soros, shock therapist Jeffrey Sachs, and others. Even Joe Stiglitz (formerly chairman of President Clinton’s Council of Economic Advisers) of the World Bank, criticized the IMF—the World Bank’s sister organization—for causing a “crisis in confidence.” Stiglitz, speaking of IMF measures in Asia, said, “You don’t want to push these countries into severe recession. One ought to focus on things that caused the crisis, not on things that make it more difficult to deal with.”

The German financial daily *Handelsblatt* charged on Jan. 2, that the discrediting of the IMF also discredits all the textbooks economics that goes with the IMF era. Similarly, a Jan. 8 article in the German daily *Süddeutsche Zeitung* emphasizes that the IMF approach is “threatening to destroy the very economic basis of national economies” (see *Documentation*).

The question is, what is right? The answer lies in the direction of taking measures to preserve the functioning of nations, for the economic good of the population. No effort to preserve the rights of speculators and banks to loot nations will succeed, nor should it. Lyndon LaRouche explains this in detail for South Korea, in a Jan. 7 radio interview with “EIR Talks” (p. 11).

As this issue of *EIR* goes to press, events on two fronts

were breaking in East Asia: the crisis in Indonesia, and the counter-moves by several nations of the region to curb speculation and globalization. Meantime, in the financial centers of New York City, Europe, and elsewhere, frantic bankers continued their meetings on how major creditor/speculator banks would deal with their \$20-plus billions of South Korean private short-term debt, after U.S. Treasury Secretary Robert Rubin, had declared on Dec. 24, that “not one nickel” of any government aid should find its way to the private creditors of a nation in trouble.

Indonesia, part of IMF disaster record

On Jan. 8, President Bill Clinton was in overnight telephone talks with Indonesian President Suharto and Singapore Prime Minister Goh Chok Tung, on the financial meltdown there. As of Jan. 8, the Indonesian currency had closed at 9,700 to the U.S. dollar (in January 1997, the exchange ratio was 2,400 to the dollar); values on the Jakarta stock exchange plunged 12% in one day. Also Jan. 8, the Singapore dollar fell to 1.88 to the U.S. dollar, the lowest ratio since 1990. In Indonesia—home to 200 million people, and fourth most populous country in the world—some panic-buying of food staples took place.

White House spokesman Mike McCurry said that President Clinton stressed, in his discussion with the two Asian leaders, the interest of the United States in the “key role of Indonesia” in a “stable and prosperous Asia Pacific” region. Then, in contradiction, McCurry reported that “the President made it quite clear that the IMF program needs to be followed.” Within hours, President Suharto announced he would make efforts to comply with IMF demands.

The standard IMF prescription includes import cuts (including food), and government expenditure cuts (including provision for power, water, and social services). If Indonesia

takes the IMF medicine, it's a poison pill.

In fact, this play-up of the IMF amounts to backing a *new* IMF "rescue" effort to bail out the *old* Indonesian IMF "rescue" effort, which is only three months old, and which led to the most recent crisis in the first place. On Halloween, Oct. 31, 1997, the IMF announced a \$43 billion (figures vary) bail-out package for Indonesia, on standard austerity and stringency terms. Earlier, in July 1997, the IMF announced a bail-out, on similar terms, for Thailand, of \$17 billion. Then on Dec. 3, the IMF announced a bail-out of \$53 billion for South Korea; this was later upped to some \$60 billions. All three "rescues" had crashed before 1997-98 New Year's Eve. As of January, Thai leaders were caucusing on how to renegotiate the five-month-old IMF bail-out terms, which had become unattainable.

LaRouche: IMF policies are insane

Lyndon LaRouche, in his Jan. 7 radio interview, stressed understanding the reasons why the IMF can't work. He said: "The IMF doesn't function, for two reasons. First of all, its policies are insane. That is, the medicine it gives actually *is* the disease, not the cure. . . .

"For example. The basic problem of why the IMF is a disease, rather than the cure of the disease, is the fact that the IMF is operating on the assumption of radical monetarist theory. It goes into a country which is operating ostensibly below the breakeven point—maybe it's only below the financial breakeven point. That is, maybe on trade account, what the country is importing, is more than covered by what it's exporting, which means the country *is in balance*. And it may be financially out of balance, because of an *artificial collapse* of the value of its currency, which means that the things themselves are suddenly dropped in price, at least temporarily, and the country *appears to be* on the deficit side.

"What does the IMF come in and do? The IMF comes in and increases the financial obligations, which is the cause of the crisis, and tells the country *to cut* that production on which its ability to produce and export depend, as was done in Korea, for example.

"So, for that reason, the IMF recommendations are clinically insane. They actually work to enhance the problem, or the sickness, and to prevent the cure, or prevent the body from recovering on its own.

"Secondly, the IMF does not have the capability, even if it were sane, of managing the kinds of crises which are going on now. So therefore, there is much talk, with much division in opinion on what the alternative is; but, there's much talk of alternatives to the IMF. And some wild-eyed fanatics still insist the IMF has to manage things. But the number of people who insist upon that, is rapidly diminishing."

Furthermore, the financial crisis is not Asian, but rather, the Asian events are part of the breakdown of the *entire financial system*. (As reference for that, see the summary charts on pages 7-10, showing the de facto bankruptcy of the U.S. financial system.)

Serve nations, not speculators

A number of announcements, and actions in-the-works as of mid-January, show moves in the direction of protecting national interests over "the markets."

1. On Jan. 9 Thai Finance Minister Tarrin Nimmanaheminda said that new measures would be detailed soon on curbing speculation in the baht (which fell against the dollar by 50% since last July).

2. Japan recently announced measures against short-selling, or selling on margin, in the stock market, including confiscation of ill-gained profits.

3. The Singapore Monetary Authority announced that it "stands ready to act decisively against speculative attack on the Singapore dollar."

4. The G-10 central banks have put their private banks under an unprecedented monitoring regime, to take control of banks' credit policies toward South Korea, according to the *Neue Zürcher Zeitung* reports.

5. There is discussion of re-pegging some Asian currencies to benefit trade in commodity essentials, such as food. On Jan. 8, Malaysian Finance Minister Anwar Ibrahim said, "For example, if we were to buy things from Thailand, we will buy it in Thai baht and when they buy anything from us, it would be pegged to the ringgit. . . . The ASEAN heads of governments have given their consent to this." There are also reports of discussions of increased coordination among the United States, Germany, and Japan to support the Japanese yen.

6. Other discussions concern a "special solution" for Asia, which could involve central banks freezing the profits that banks and hedge funds make on short-term speculative currency trading, particularly on short-selling conducted to drive a currency down. This is described as a compromise between what is being advocated by U.S. Treasury Secretary Rubin, and the position of the major private banks. Thailand could be a test case for limiting convertibility and free trading of currencies.

The nation-serving direction of these kinds of measures is summed up by Malaysian Finance Minister Anwar, saying that it is wrong for there to exist a situation "where exchange rates determine the [economic] fundamentals." National economic interests come first.

Other scenarios

Other alternatives to the IMF, from the vantage point of the speculators and banks, are coming forward.

Mega-speculator George Soros, writing in the "personal view" column of the London *Financial Times*, on Dec. 31, 1997, called for a new "sister institution" to the IMF, to bail out private banks and financial institutions. Soros opined, "The international financial system is suffering a systemic breakdown," and all the "large bail-out programs implemented by the International Monetary Fund have not worked," so the time has now come for something new. He continued, "I propose setting up an International Credit Insur-

ance Corporation as a sister institution to the IMF. This new authority would guarantee international loans for a modest fee.”

Then there are the competing plans aimed at protecting world bank syndicates, not nations, such as the “J.P. Morgan” plan for South Korea. The gist of it is that private debt owed to major world banks, should be backed as a sovereign responsibility of the debtor government. As described by the *Wall Street Journal* in its Jan. 8 editorial: “The Korean government would issue some \$20 billion in long-term bonds; half of that would be swapped for short-term Korean bank debt, while the other \$10 billion would be used to replenish the foreign-exchange reserves. The Morgan plan, it would appear, would mean that the Korean government [read: taxpayer] would take on some bank obligations.”

Documentation

The end of virtual reality

From German press coverage of the crisis in Southeast Asia:

Handelsblatt, Jan. 2, commentary by Hans Mundorf:

After the Asian crisis, textbook liberals are looking quite stupid, writes Mundorf. The article quotes a pamphlet, “Globalization—Threat or Chance?” published by the Institute of the German Economy, which praises the Southeast Asian “tiger economies,” in particular Hong Kong, Taiwan, South Korea, and Singapore, as shining examples, which Germany should follow. However, as the commentary sarcastically notes, when the pamphlet was sent out to the media shortly before Christmas, some of the mentioned economies were already on artificial life support by foreign intervention. This is just another example, “revealing the simplicity of textbook liberals in dealing with the global reality,” says Mundorf.

What has to be noted, is the “overall decoupling of financial markets from the fundamental markets.” While in 1975, cross-border transactions of German stocks and bonds amounted to only 5.1% of the German GDP, by 1995, this figure had risen to 168.3%. Between 1990 and 1995, the worldwide derivatives trade increased by a factor of five. And in 1995, some \$1.6 trillion was traded on global foreign exchange markets per day, which is more than the \$1.4 trillion of all foreign exchange reserves in the world.

“Above the real economy, there exists now the virtuality of speculative markets, with products that can almost no longer be defined, but which nonetheless, due to their incalculable dynamic, determine the real foreign exchange ratios, and thereby investments, foreign trade, wages, and income distribution.” Until the eruption of the Southeast Asian finan-

cial crisis, textbook liberalism had strictly denied “that financial markets are posing a risk for the world economy.” If financial data are becoming a measure for the economy, it has to be kept in mind, “that these data, like interest rates or foreign exchange ratios, are very often just artificial and can change over the weekend.”

Therefore, investors and politicians should not become victims of the “erroneous appearances of financial markets.” We are living in a world where the price of the 1 million pork bellies that are produced per year, is determined by the 1 billion pork bellies that are being *traded* per year, even though they only exist inside computers. The commentary concludes: “Whoever goes out onto the ice of financial markets, should also be allowed to go under there. It cannot be tolerated, that national taxes are being increased and other measures taken, to put together the international packages, with which the international financial markets are being rescued.”

Süddeutsche Zeitung, Jan. 8, Nikolaus Piper, “Delicate Questions to the IMF—New Stock Market Crashes in Asia: Who Pays for the Globalization?”

“The IMF and the other big masters of globalization” have lost control of their own forces, writes Piper. All the experts have completely underestimated the Asian financial crisis, which is now turning into “a collapse of the Asian monetary order” and could even cause a world recession. “More and more, fundamental questions concerning the order of the world economy under the regime of globalized financial markets are now coming into the foreground: Who takes responsibility, if something goes wrong on these financial markets? What role should the international community play, that is, the community of taxpayers in the industrialized countries? Has this community any idea, of how to deal with such crises?”

Piper emphasizes that financial markets have become “incalculable.” They “are falling into panic and are thereby causing irreparable damage to the real economy. Therefore, they need a framework of order. The urgent question is, whether the IMF, as some form of a fire brigade, should be part of this framework of order. The problem is delicate, and criticism against the IMF has increased in the recent weeks.” The case of South Korea has shown that even record bailouts by the IMF are not preventing the collapse of currencies. And, “if rumors are right, then over Christmas we were alarmingly close to a financial catastrophe.”

Following the stock market crashes of the week of Jan. 5, Piper continues, more is certainly to come. Perhaps we need the IMF as a factor of stability and confidence, but the IMF medicine is now “threatening to destroy the very economic basis of the national economies.” The IMF measures are even spreading nervousness on the global financial markets. He concludes, “The IMF and the other big masters of globalization are already far away from controlling [globalization’s] forces.”

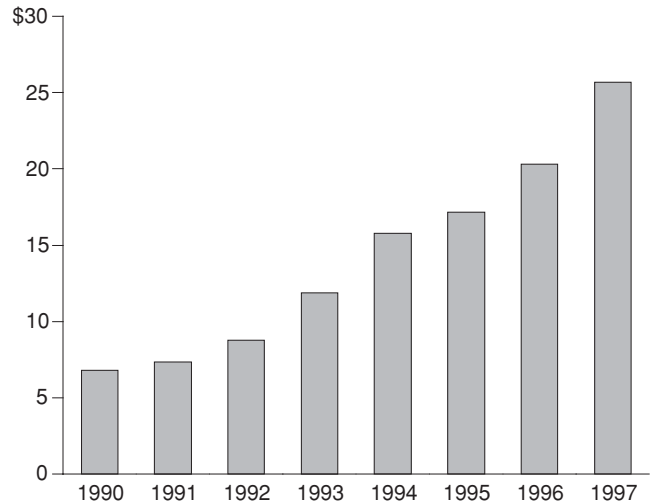
The financial bubble in 1997: a very bad year

by John Hoefle

During the first nine months of 1997, the notional principal value of the off-balance-sheet derivatives holdings of U.S. commercial banks rose 26.5%, to a record \$25.7 trillion, a figure more than five times the assets of all banks combined, 62 times their equity capital, and 468 times the amount the banks have set aside as reserves for bad loans. These derivatives holdings are concentrated in a handful of banks: Seven bank holding companies had derivatives holdings in excess of \$1 trillion, and together accounted for 94% of the total; Chase Manhattan alone had \$7.9 trillion in derivatives, or 31% of all U.S. bank derivatives, and a figure just a hair short of the U.S. Gross Domestic Product of \$8.1 trillion, while J.P. Morgan had \$6.2 trillion, or 24% of bank derivatives. The top seven banks had derivatives holdings equal to 14 times their assets, 220 times their equity, and 1,264 times their loan loss reserves.

As of Sept. 30, 1997, there were more than \$71 trillion in financial claims in the United States—debt, derivatives, and stock market capitalization—or \$8.82 in financial claims for

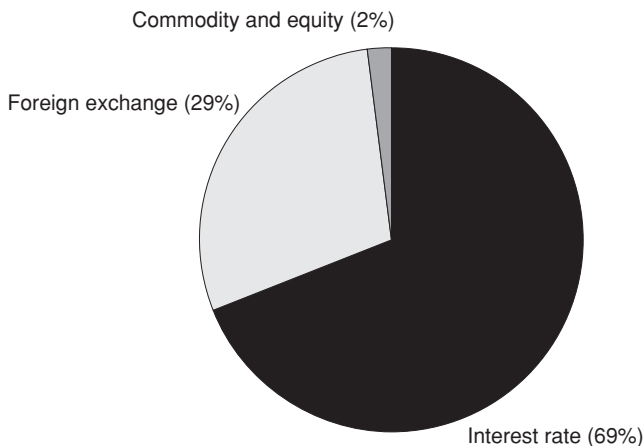
FIGURE 1
U.S. bank derivatives exposure
(notional principal value in trillions \$)



Source: Federal Deposit Insurance Corp.

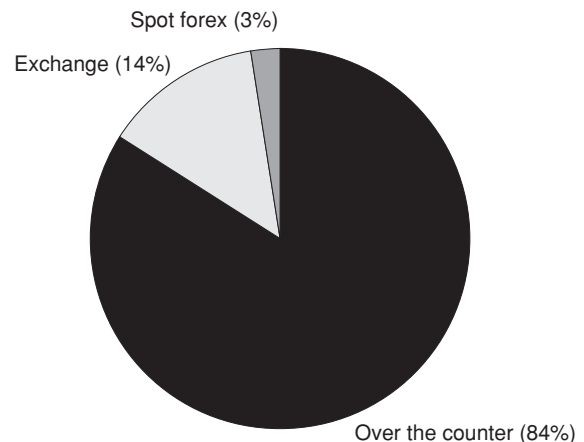
every dollar of U.S. GDP, compared to \$2.50 in claims per dollar of GDP in 1980, during which period the productive sector of the economy has steadily declined. Since 1980, the U.S. economy has generated some \$12 in financial claims, for every \$1 increase in GDP. (GDP, it should be noted, is mostly a measure of the amount of overhead in the economy—only about one-third of GDP represents productive

FIGURE 2
U.S. bank derivatives, by type of contract
(percent of total)



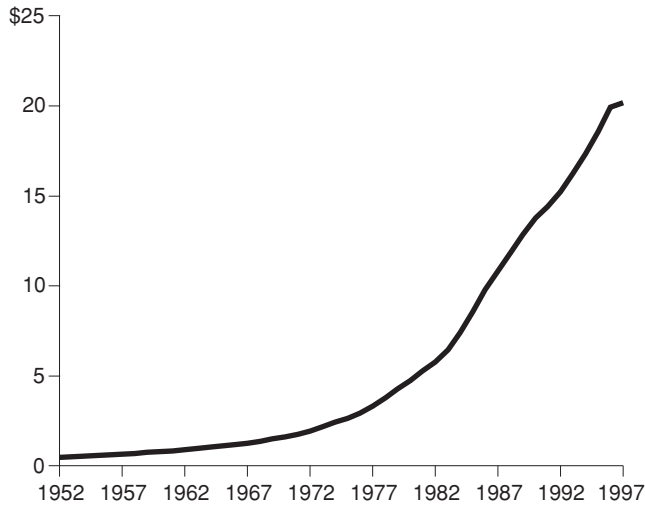
Source: Office of the Comptroller of the Currency.

FIGURE 3
U.S. bank derivatives, by source of contract
(percent of total)



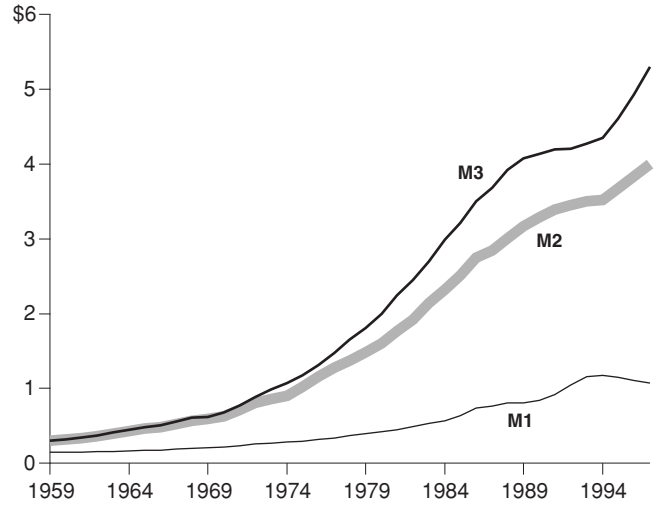
Source: Office of the Comptroller of the Currency.

FIGURE 4
Total credit market debt
 (trillions \$)



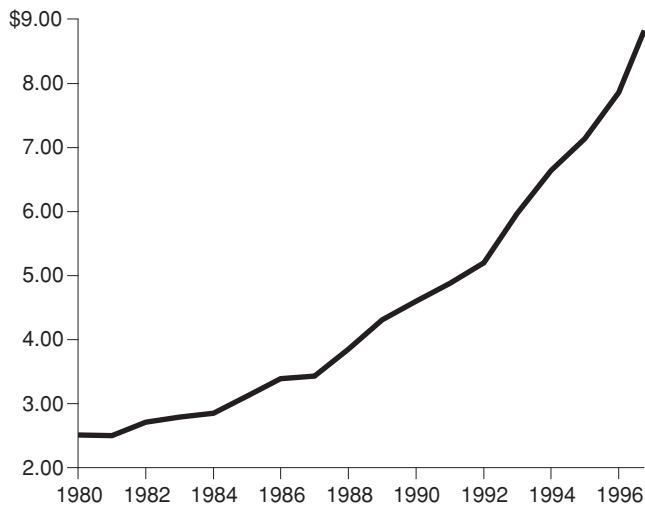
Source: Federal Reserve.

FIGURE 5
U.S. money supply
 (trillions \$, through November 1997)



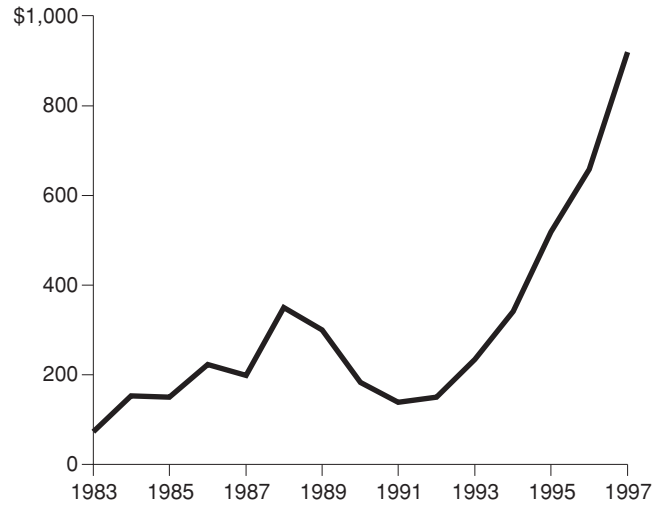
Source: Federal Reserve.

FIGURE 6
Financial claims per dollar of Gross Domestic Product
 (dollars)



Source: EIR.

FIGURE 7
Mergers and acquisitions in the United States
 (billions \$)



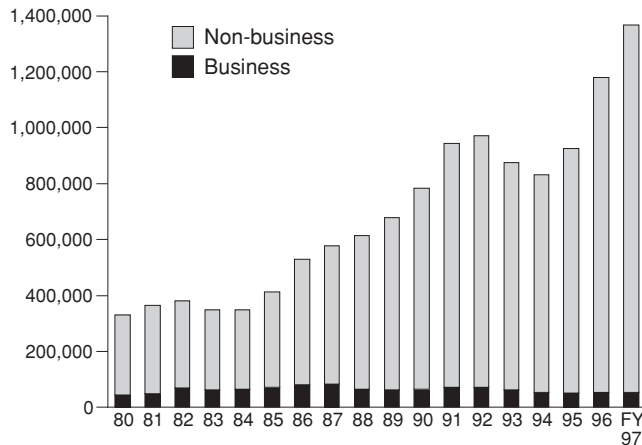
Source: Securities Data.

activity—so the comparison to GDP greatly understates the rise of financial claims compared to the shrinking ability to pay those claims.)

To keep this financial bubble going, the international

financial oligarchy and their bankers have engaged in a savage looting of national economies all around the world, the effects of which can be seen most clearly in the collapse of Asian stocks and currencies, particularly since October. These devastating drops were not caused by problems within

FIGURE 8
U.S. bankruptcies
 (number of bankruptcies)



Source: Administrative Office of the U.S. Courts.

the economies of these nations, but were rather triggered by raids upon those countries, led by speculator George Soros and other agents of the British-centered financial oligarchy.

TABLE 1
Derivatives at U.S. commercial banks, by year
 (\$ trillions)

Year	Derivatives	Increase	
		Amount	Percent
1990	\$ 6.81	na	na
1991	7.34	\$0.53	7.8%
1992	8.76	1.43	19.4%
1993	11.87	3.11	35.5%
1994	15.77	3.90	32.9%
1995	17.17	1.39	8.8%
1996	20.30	3.13	18.3%
1997*	25.68	5.38	26.5%

* As of end of third quarter.

Source: FDIC.

The mergers and acquisition boom in the United States is also a reflection of this process. The cartelization of America is in full swing, as companies favored by the financial interests buy out their competitors. Some one-third of the mergers in 1997 involved banks and other financial services firms. One effect of this consolidation, is a sharp rise in bankruptcies, as the shrinking economy pushes ever-increasing numbers of people over the edge.

TABLE 2
Loan loss reserves, equity, capital assets, and derivatives for the top 15 derivatives-holding bank holding companies

(billions \$, as of Sept. 30, 1997)

Rank	Holding company	Loan loss reserves	Equity	Assets	Derivatives
1	Chase Manhattan	\$ 3.5	\$ 22	\$ 367	\$ 7,897
2	J.P. Morgan	1.1	12	270	6,243
3	Citicorp	5.8	22	300	3,042
4	Bankers Trust	1.0	6	140	2,177
5	NationsBank	2.8	20	242	1,788
6	BankAmerica	3.5	20	258	1,638
7	First Chicago NBD	1.4	8	113	1,266
8	Republic New York	0.3	4	58	325
9	Bank of New York	0.8	5	61	218
10	BankBoston	0.7	4	68	160
11	First Union	1.4	11	144	135
12	State Street	0.1	2	36	114
13	Norwest	1.2	7	85	94
14	Fleet Financial	1.4	7	84	59
15	Wells Fargo	1.8	13	98	56
Top 7 bank companies		\$19.0	\$109	\$1,690	\$24,051
Top 25 bank companies		32.2	197	2,851	25,496
All U.S. banks		54.9	415	4,869	25,679

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

TABLE 3

Derivatives per \$1 of loan loss reserves, equity, and capital assets of the top 15 derivatives-holding bank holding companies

(\$ of derivatives)

Rank	Holding company	Loan loss reserves		
		Equity	Assets	
1	Chase Manhattan	\$2,281	\$364	\$21.54
2	J.P. Morgan	5,696	537	23.16
3	Citicorp	525	141	10.13
4	Bankers Trust	2,240	355	15.54
5	NationsBank	642	88	7.38
6	BankAmerica	467	82	6.36
7	First Chicago NBD	899	157	11.18
8	Republic New York	998	91	5.63
9	Bank of New York	283	44	3.56
10	BankBoston	220	37	2.35
11	First Union	98	13	0.94
12	State Street	1,442	59	3.16
13	Norwest	79	14	1.10
14	Fleet Financial	41	8	0.71
15	Wells Fargo	31	4	0.57
Top 7 bank companies		\$1,264	\$220	\$14.23
Top 25 bank companies		792	130	8.94
All U.S. banks		468	62	5.27

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

TABLE 4

Concentration of derivatives exposure

Rank	Bank	Derivatives (trillions \$)	% of all derivatives
1	Chase Manhattan	\$7.90	30.8%
2	J.P. Morgan	6.24	24.3%
3	Citicorp	3.04	11.8%
4	Bankers Trust	2.18	8.5%
5	NationsBank	1.79	7.0%
6	BankAmerica	1.64	6.4%
7	First Chicago	1.27	4.9%
8	Republic New York	0.33	1.3%
9	Bank of New York	0.22	0.8%
10	BankBoston	0.16	0.6%

Sources: Office of the Comptroller of the Currency, EIR.

TABLE 5

Maturities of U.S. bank derivatives exposures (trillions \$)

	< 1 year		1-5 years		> 5 years	
	Amount	%	Amount	%	Amount	%
Interest rate	\$ 5.211	43%	\$5.133	43%	\$1.735	14%
Forex	5.483	89%	0.516	8%	0.143	2%
Gold	0.0441	73%	0.0136	22%	0.0031	5%
Precious metals	0.0047	89%	0.0006	11%	0.0000	0%
Other commodities	0.0298	71%	0.0106	25%	0.0016	4%
Equity	0.0771	65%	0.0391	33%	0.0026	2%
Totals	\$10.850	59%	\$5.713	31%	\$1.885	10%

Source: Office of the Comptroller of the Currency.

TABLE 6

Asian and Pacific stock markets, 1997

(percent change over year)

	U.S. dollars	Local currency
Thailand	-76%	-56%
Malaysia	-70%	-54%
Philippines	-62%	-43%
South Korea	-69%	-37%
Indonesia	-63%	-35%
Singapore	-38%	-25%
Hong Kong	-25%	-25%
Japan	-26%	-17%
New Zealand	-18%	- 1%
Australia	-10%	+ 9%
Taiwan	- 5%	+13%

Source: Dow Jones & Co., *Wall Street Journal*.

TABLE 7

Ibero-American stock markets, 1997

Country	Index	Yearly change	Drop from peak
Argentina	Buenos Aires Merval	+ 6%	-21%
Brazil	São Paulo Bovespa	+45%	-25%
Chile	Santiago IPSA	+13%	-14%
Mexico	Mexico City IPC	+56%	- 3%

Sources: Dow Jones & Co., *Wall Street Journal*; EIR.

What's really behind the S. Korean crisis

The following are excerpts from an interview with Lyndon H. LaRouche, Jr. on the international radio broadcast "EIR Talks" on Jan. 7. "EIR Talks" airs each Saturday on satellite at 5 p.m. Eastern, on G-7, Transponder 14, 91 Degrees West, and each Sunday on shortwave station WWCR, at 5 p.m. Eastern, 2200 UTC, at frequency 5.070 megahertz.

EIR: George Soros just visited Korea, and met with its President-elect and other people there. What is going on now with the Korea crisis? . . .

LaRouche: Well, this Soros, of course, is a pestilence, is very dangerous. He's a British-controlled entity, who is used by them, largely against the United States. He's on the "non-wanted" list, because of his association with promoting drug trafficking, by our drug czar's office, among others. He's closely tied to all kinds of filthy things around the world, and he is a marker of the kind of hedge fund insanity, which has triggered the Asia crisis. *That is, Prime Minister Mahathir of Malaysia in no way exaggerated, in no way misfired, in pinpointing George Soros as the key figure, or the typical key figure in what was done to Malaysia and other Southeast Asian countries.* And those in the United States who defended Soros were being either ignorant, stupid, or just plain misguided, in some other sense.

Now, let's look at the problem here. The problem, essentially, the problems we're dealing with now, began, really, in changes of policy which started about 30-odd years ago, about 30, 32 years ago, in the U.S. and Britain. The markers were the British sterling crisis of the fall of 1967, and the following dollar crisis of the first months of 1968, which began a shift in policies, along with changes in budgetary policy for fiscal year 1967 in the U.S. under Johnson, which turned us away from a high-tech economy, toward a low-tech economy, sometimes called a "technetronic" or "information society," or "post-industrial society," or neo-Malthusian wilderness, or whatever you want to call it.

But, in 1970-71, Nixon, under the influence of Kissinger and [George] Shultz and others, took the wrong turn in response to the monetary crisis of August 1971, and took the world off the Bretton Woods agreements. As a result, we've had, since then, what's called a floating exchange rate system.

Now, if you look at some figures, you see, very quickly, already during the 1970s, clear warning signs of what happened in places such as Korea. For example, in the United States' case, until 1971, about '56 to '71, when we were keeping these figures in this form, if you compared the turnover of U.S. dollar foreign exchange, against the combination of exports and imports of real goods, you'll find that the export and import of real goods, that is, hard commodity trade, essentially, accounted for about 70% — each year, during all those years, '56 to '71 — accounted for about 70% of the total turnover of foreign exchange. During the middle of the 1970s, this rate of U.S. foreign exchange turnover, that is, trade goods to foreign exchange, had dropped to about 25%. By 1982, we had a drop from 70% at 1972, to about 5% in 1982. Then, by 1992, it had dropped to 2%. A few years later, it had dropped to 0.5%. These are U.S. figures, but they're pretty much indicative of what's been going on around the world. Britain among the worst: Britain's almost off the charts on this sort of thing. As a result of that, it means that financial transactions no longer have any real relationship to an economy, except a parasitical one.

So, now you look at Korea. Korea had an essentially sound economy, physical economy. The main problems were some structural changes which occurred over the course of the 1980s, where it went to a high-rise, packing-crate-house society. And then, on top of this, on top of these cultural shifts, you had radical attacks on Korea, under Bush and, also, continued by Mickey Kantor, as trade negotiator. These latter set loose potential for disaster inside Korea. The economy was still essentially functional. That is, it was a producing country. It didn't have enough food production, partly because of deregulation. It was in trouble. Its young people began to gamble, in the form of derivatives and futures trading, and short-term credit obligations. So, on financial account, the country began to go insane. And the strength of its basic economy, began to become diluted much by this financial insanity.

All right. So, what happens? It comes something which is only possible under the floating exchange rate system, that is, in which you have irregular markets, in which pirates who have no relationship or responsibility for the currency, sit in gambling dens, and bet on the value of a currency, as in a pit, in a financial pit. And the following morning, the financial officials say, "The currency has fallen in value!" "What do you mean, it fell in value?" "Well, the gamblers over in this Las Vegas of offshore —"

We'll have to come back to this. [commercial break]

EIR: Lyndon LaRouche was describing how the Korea economic crisis developed, due to policies introduced in the U.S. and worldwide, beginning about 30 years ago.

LaRouche: What happened, essentially, is, then, the currency collapses, and the government says, "Ah! The markets have decided that our currency is worth less today than it

was yesterday.” Now, this becomes a problem, because then people begin to act and say, “Well, your currency’s worth less, we want more money from you to pay your old debts, because your currency’s just been downgraded.” This gets to the point of a crisis, as it did in the case of Korea, where the collection of short-term obligations denominated in non-Korean currencies suddenly going up in price, meant an amount that Korea could not pay.

Now, nothing had happened. The won, the Korean currency, on the day when such a crisis occurred, still had as much purchasing power, in terms of Korea-produced goods, as it had had before this crisis started. *The problem was, that the foreigners perceived, agreed to perceive, that the won was worth less in international exchange than it had been.* And, the basis for this, was, simply, the presumption of the bets across the table in a gambling house, a Las Vegas-type gambling house called international financial markets.

Now, in these international financial markets, hedge funds, such as George Soros’s, his own operations, were dominant. And, Europeans, and others, particularly those who were against the United States, or U.S. traders who joined with Europeans in this kind of thing, had joined against the countries of Southeast Asia, which had been dollar-pegged currency bloc countries, against Taiwan, attempts against Hong Kong, against Japan, and against Korea, with China, and Russia, and Brazil, and Argentina targets for the near future down the way.

In comes the IMF, and says, “What you must do, is, you must wreck your economy, in order to influence these financial markets.” Now, what are the financial markets? They’re nothing but bloodsuckers, parasites, gamblers, what the Nobel Prize-winner Maurice Allais referred to as a “casino economy,” the *casino mondiale*. So, as long as we continue to say that these irregular financial markets by gamblers, will determine the value of a national currency, not what the currency’s value is, in terms of the goods you can purchase from it, that is, the goods it produces—as long as we allow that to go on, you’re going to have this insanity going on.

Now, what’s happened, is—under pressure of the IMF, and Japan, and others, the Hashimoto government—the government in Korea has gone for short-term conditions, and has welcomed George Soros, *who is the very disease that killed the Korean economy*. This problem is going to continue, until governments recognize that the Roosevelt administration was right, the Franklin Roosevelt administration, in the Bretton Woods agreement.

In the postwar period, we had a reconstruction based on limited convertibility of currencies, on foreign exchange regulation, on pegged values of relative values of currency in international markets, and, if anybody tried to come in and speculate the way George Soros does against currencies,

we’d bankrupt the creature, eh? And, we have to go back to that. *Until we do that, we’re not going to bring this problem under control.*

So, this is the reason why the IMF is considered a disease, because the IMF comes in and says, “A disease has attacked your economy. You must now pray, and pay off the disease! You must embrace the disease, and destroy your economy to please the disease. And we will measure your performance by this.” The worst thing you can do, if you’re a country and you’re in trouble: If you accept IMF conditionalities, you’re either on the floor with a knife at your throat, or you’re clinically insane.

And, that’s what the situation of Korea is now. They will not recover from this, until we introduce regulated currency values, introduce foreign exchange controls and capital movement controls, for the purpose of bankrupting what George Soros typifies. And, until we do that, this world is, in the short-term, is doomed to the greatest financial collapse in about 600 years, in terms of 600 years of European civilization’s experience. And, it’s coming on fast. We won’t get to the year 2000 without the worst financial collapse in history, unless we stop this lunacy, unless we stop these crazy monetarists, like those lined up behind Newt Gingrich, from continuing to dictate our policies, until we go back to recognizing that government is a good idea.

The choices facing Japan’s Hashimoto

by William Engdahl

On Jan. 12, Japan’s Prime Minister Ryutaro Hashimoto is scheduled to finally unveil the details of his government’s nervously awaited “bank rescue plan.” The announced intention of this plan to stop the threatened collapse of the Japan financial system, a system still buckling under the weight of the 1980s “bubble economy.”

To date, few details have been made public about the specific working of the new supposed plan. However, from what has been said publicly by official sources so far, the actual result will be the worst disaster Japan has experienced since the May 1997 free fall of Thailand’s baht.

According to a Jan. 5 report in the Japanese daily *Yomiuri Shimbun*, the final proposal of the special committee of the ruling Liberal Democratic Party, to be submitted to the Diet (parliament) for debate and approval, would include a new provision allowing the government to buy up to 13 trillion yen

of new “preferential shares” in designated Japanese banks, in order to inject capital and hopefully to stimulate Japan’s depressed economy.

By their account, the government will propose a total of 30 trillion yen (\$225 billion) to be made available to the Deposit Insurance Corporation (DIC). Of this, 17 trillion yen reportedly would be available to guarantee deposits at failed or troubled banks, this to allay depositor panic which, in the past several years, has seen deposits leave commercial banks for the relative security of the government’s Postal Savings Bank, KAMPO, making it the largest bank in the world, with over \$1 trillion in assets. The rest of the banks are choking on what is estimated at anywhere between \$800 billion and \$1.2 trillion in bad loans to construction and other projects, which collapsed in late 1990, along with the crash of the Nikkei stock market.

If the final plan is at all similar to the first version, announced Dec. 10, at 10 trillion yen, the government would give a special guarantee to the DIC, allowing it to draw on up to 30 trillion yen in existing state bonds held by the government. These bonds could then be sold on the market to raise cash to help troubled banks. None of it would be available to insurance firms or stock brokerages, like the recently failed Yamaichi Securities, according to a senior Ministry of Finance official. Only banks will be eligible.

Reportedly some 13 trillion yen (\$98 billion) of the total could be used for the DIC to buy new “preferred shares” of designated banks. The idea would be to allow new capital to come to the banks, so they need not sell their permanent stock holdings in other companies, the source of bank “hidden assets” in the postwar period. One reason for the severe fall in the Nikkei Dow stock index since last September, has been the forced selling by various banks of such stocks, to raise cash. The rules of the Bank for International Settlements (BIS) mandate that banks must hold an 8% minimum reserve “core capital,” in relation to total loans outstanding, in order to do business internationally.

The banks now are in a “Devil’s Circle,” in which their individual stock sales have helped drive the Nikkei down, which in turn wipes out their hidden reserves, which in turn forces them to sell more shares. With the Japanese bank exposure to potentially devastating losses across Asia, combined with the earlier bad debt from the collapse of Japan’s bubble seven years ago, the likelihood is that there will be a domino collapse of the entire Japanese banking system, in a matter of weeks at most.

Hoover, or FDR?

Reports circulating in Tokyo are that the latest version of the bank emergency plan is modelled on the successful 1930s American bank rescue plan, under which the government set up the Reconstruction Finance Corporation (RFC), after President Roosevelt’s March 1933 national “bank holiday,” to

sort out healthy or nearly healthy banks, and abate a full-scale depositor panic. This attempted comparison to the Franklin Roosevelt-era RFC has no basis in reality; there is no rational comparison possible, between the merely cyclical financial-monetary crisis of 1929-31 and the present, global, systemic crisis.

The RFC operation, in which the government won new legal powers to audit all the nation’s 14,000 banks, force management changes when deemed necessary, close dead banks, and revive salvageable ones, was a remarkable success. Rather than being a net taxpayer drain, the RFC ended up 15 years later with a net profit of \$206 million, a huge sum in that day. As well, the economic recovery generated enormous tax revenue to the government. Of 6,000 banks which received government help, only 206 later were forced to close. Most were salvaged. The government injected capital into banks largely by asking the banks to issue new preferential shares, which only the RFC could buy. The RFC held the shares and earned dividend income until well after the crisis had passed, when it sold them back to the banks.

Yukiko Ohara, a Tokyo bank analyst for UBS, the large Swiss bank, asserts, falsely, that “in the 1930s, U.S. banks were confronted by much more difficult conditions than those that face Japan banks.” Exactly the reverse is true.

Clearly the Hashimoto government, despite months of internal factional wrangling over whether or how to deal with the bank crisis, has finally become alarmed. On Jan. 7, Deputy Finance Minister Eisuke Sakakibara, Economic Planning Minister Koji Omi, and Deputy Cabinet Secretary Fukushima Nukaga arrived in Washington for talks with the U.S. Treasury and Federal Reserve. As of this writing, no details are evident of any joint intervention to stabilize the falling yen—a major danger to Japan in recent weeks, as funds leave the country in growing sums.

“The issue for Japan at this point is whether they have the political will to act decisively,” said K.A. Olsen, a European banker familiar with the situation. Nonetheless, Olsen committed the same fatal blunder of misjudgment which misleads UBS’s Ohara, when he stated, “Only if they really decide to come to grips with the problem will this be able to work like the U.S. bank rescue of the RFC. If not, I am extremely pessimistic.” “The question,” Olsen continued, “is whether Hashimoto wants to be Japan’s Herbert Hoover, with always just too little needed to stop the crisis, or to be a new FDR.” Olsen should study history more carefully. If Hashimoto continues his present plan, he will not have to choose between being a Hoover or FDR; he will assuredly become Japan’s 1998 echo of the doomed 1921 Chancellor of Weimar Germany, Karl Joseph Wirth, the author of that infamous 1921-23 hyperinflation which began Adolf Hitler’s rise to power with the November 1923 “Beer Hall Putsch.”

Asia must slap on exchange controls

by Gail G. Billington

If ever there were good occasion for the governments of Southeast Asia to act on *EIR* Founding Editor Lyndon LaRouche's recommendation to slap on foreign exchange controls and re-regulate currency convertibility, the first three days of trading in 1998 should be motivation enough. The grim New Year's greeting delivered by nearly every head of state, including Thailand's King Bhumiphol, that the worst is yet to come in this new year, landed with a resonating thud.

It were better to admit now, rather than waste any more resources, that every International Monetary Fund (IMF) bailout agreement negotiated since the free float of the Thai baht on July 2 isn't worth the paper on which it is printed. The heavy toll that these economies have paid in the last six months to "restore market confidence," is revealed for what it was to start with, a "con game," based on assumptions about the globalized economy that were dead wrong from the start. Clinging to those assumptions now is clearly killing these economies and, soon enough, their people.

In the first days of trading, on Jan. 5-8, the five currencies of the founding members of the Association of Southeast Asian Nations (ASEAN) have broken through previous floors on three successive days. The hardest hit has been Indonesia's rupiah, which had already fallen some 56% in value since early July, and fell as much as 14-15% just in the morning of Jan. 7. Over the three days, the rupiah collapsed at least 17%; on Jan. 8, it collapsed more than 18% in one day. Only the example previously set by South Korea's won, when it broke through the then 10% trading ban on each of four successive days, dropping 10% in four minutes on the fourth day, compares with the hyperbolic rate of collapse suggested by the early January fall in the ASEAN currencies.

By the close of trading on Jan. 8, these principal currencies have fallen, compared to their July 1, 1997 standing as follows: Indonesian rupiah, 74.9%; Malaysian ringgit, 45.8%; Filipino peso, 41.4%; Thai baht, 52.1%; Singapore dollar, 16.25%.

Thailand, Indonesia: sovereignty vs. the IMF

As the first full week of January began, gaping fault lines have opened in the IMF bailout packages worked out with Thailand last July, and with Indonesia in late October

and early November. Thai Prime Minister Chuan Leekpai announced that Finance Minister Tarrin Nimmanahaeminda will travel to Washington before the end of the month to re-open discussion of certain terms of Thailand's package with the IMF, specifically, the IMF demand that Thailand achieve a 1% budget surplus in the current fiscal year. Prime Minister Chuan told a meeting of lawyers and judges on Jan. 5, "The premise on which the terms were based have changed, and we will ask if the IMF has a plan to review it." Beyond the more than 50% depreciation of the baht and continuing collapse in the stock market, the government expects as much as a 100 billion baht (\$2 billion) shortfall in revenue. No one in Bangkok was particularly surprised by the announcement, and no one will seriously question the sincerity with which the Thai government has sought to fulfill its obligations under the IMF arrangement, because nearly \$4 billion, roughly 25%, has already been cut from the budget by the previous Chavalit, and now Chuan governments. An analyst with Standard and Poor's warned that "the IMF is being far too strict and risks causing a lingering and severe recession in Thailand."

Little more than 48 hours after the Thai announcement, Indonesia's President Suharto delivered a 55-minute budget address to the parliament, outlining the proposed 1998-99 budget. The most telling feature of the budget is that all calculations are premised on an exchange rate of 4,000 rupiah to the dollar, a rate that would have seemed appropriate at the time Indonesia worked out its program with the IMF in late October, when the rupiah was hovering around 3,600. But, as President Suharto delivered his speech, following a press briefing on the details of the budget by Finance Minister Mar'ie Muhammad, the rupiah was headed pell-mell toward 7,400, closing at 9,700 on Jan. 8, after brushing 10,000. The depreciation of the currency is one factor fueling the 32% increase in spending in the budget, but a more telling figure is the penalty Indonesia will pay in debt service as a consequence of the fall of its currency. The Jan. 7 *International Herald Tribune* reported that foreign debt service costs will rise 57%, to 30.2 trillion rupiah, up from last year's 19.23 trillion rupiah, due to the currency's depreciation.

Western press and economic pundits, in reporting on the budget presentation, have shown a necrophiliac obsession with President Suharto's health, trying to foist blame for the further collapse of the rupiah on the lack of "sincerity" they think they detect in the budget, specifically, the failure to commit to achieving a 1% budget surplus, the decision not to end a fuel subsidy to a population whose financial holdings are worth more than 70% less than six months ago, and, as reported by an anonymous "senior IMF official" in the Jan. 7 *Washington Post*, "major reform measures that affect the [Presidential] family." When asked about the 1% budget surplus, Finance Minister Mar'ie Muhammad said it was

only a “target.” Such suspicions are fuelling concerns that future release of IMF funds to Indonesia may be stalled, in spite of the verbal commitments in Suharto’s speech to meet all obligations, including payment of the “heavy burden” of foreign debt, “fully and on time.” The next scheduled release of \$3 billion is in mid-March, in the same time frame as Presidential elections, which are the subject of equally obsessive speculation about Indonesia’s survival.

Philippines’ ‘graduation’ delayed again

In the Philippines, the record decline of the peso to 45 to the dollar has led to yet another postponement of Manila’s “graduation” from IMF supervision, after nearly 30 years of tutelage. Originally scheduled with no lack of verbal fanfare back in July, “graduation day” was shoved aside by the ricochet effect of the free float of the Thai baht on July 2, which, within one week, led to a one-day fall of the peso of 10%, and an emergency offer of \$1 billion from the IMF to tide Manila over. The IMF is still “tiding” Manila over, according to Bangko Sentral ng Pilipinas (the central bank) Governor Gabriel Singson, who said on Jan. 6 that the IMF continues to insist that the government ram through deregulation of oil prices—a measure the Supreme Court has declared unconstitutional once already this year, and which has repeatedly provoked popular demonstrations that have brought traffic to a standstill across the country. Singson also said that the IMF still seeks “a small budget surplus or a small budget deficit,” and even if and when Manila does graduate, Singson says Manila still has to run the gauntlet of “bloody negotiations” with the IMF on a \$2 billion “precautionary arrangement,” or standby credit, in case of another financial crisis.

Malaysia stands firm

Malaysia continues to stand its ground against turning to the IMF, for reasons articulated by Prime Minister Dr. Mahathir bin Mohamad once again in his New Year’s message. To accept IMF conditionalities, he said, is to accept that those already impoverished by currency and stock market depreciation will be further punished; the IMF will demand the closure of banks, finance companies, and businesses, followed by foreign takeovers. “If this happens, we will lose our freedom to manage the country’s economy and political freedom. . . . We must be willing to face challenges and be willing to sacrifice in defending our independence and dignity.” Malaysia has attempted to address the current crisis by self-imposed austerity, including major cuts in large-scale infrastructure projects, substantial pay and benefit sacrifices by government functionaries, and, as in Thailand and Indonesia, mandatory consolidation of the financial sector.

In the wake of the latest collapse of currencies and stock markets in Southeast Asia, talk of the need for government

intervention has picked up steam, including by some officials who have repeatedly rejected the idea of imposing foreign exchange or currency controls. In his budget speech, President Suharto said many things the IMF would wish to hear, including that Indonesia will maintain the free float of the rupiah, but the level of debate on controls has been intense in the closing weeks of 1997, and the rather sanguine response of Finance Minister Mar’ie Muhammad to the IMF demand for a budget surplus and the fuel subsidy are notable. In Malaysia, Deputy Prime Minister and Finance Minister Anwar Ibrahim has stated that the central bank, Bank Negara, reserves its option to intervene in the currency markets. In Thailand, the Cabinet meeting on Jan. 6 authorized new measures to curb currency speculation, by narrowing the time frame for repatriation of foreign funds by exporters and those holding foreign currency. The Singapore Monetary Authority has likewise stated it will act decisively against speculative attacks.

Save the people, not the markets

The most persuasive reason for governments to move now in concerted and collaborative fashion to re-regulate markets, is the horrific crisis looming in employment, in countries that had little margin for error to start with. The most vulnerable are the migrant laborers, both legal and illegal, whose cheaper, less-skilled labor subsidized these economies in the boom years. With the boom turned to bust, the announced repatriation of perhaps 3 million workers to their homelands signals an even more rapid rate of recession contagion spreading out of Southeast Asia into former Indochina and South Asia, in particular. Malaysia has announced plans to repatriate half of its 2 million legal migrant workers, the majority of whom are from Indonesia, but also Bangladesh, Thailand, and the Philippines. Thailand’s labor minister announced on Jan. 6, his country’s intent to repatriate 300-500,000 foreign laborers every year over the next three years, to free up workplaces for the 2 million Thais who will lose their jobs. This move will hit hardest those countries with the least economic resilience: Myanmar, Cambodia, Bangladesh, and India. South Korea is expected to repatriate nearly 270,000 guest workers, many of them Filipinos.

Presidential elections are scheduled in Indonesia and the Philippines in the early spring. Thailand was to hold elections, but has apparently delayed them indefinitely. Malaysia has local elections in March. Cambodia has a key UN-supervised election in May. The countries of Southeast Asia and their neighbors need no chiding from Western press or the IMF about the explosive mix such mass migrations of the unemployed, and unemployable under current economic conditions, mean. Dr. Mahathir, in his New Year’s message, warned his countrymen, “The world will not show any sympathy and offer their hand to us because we are facing economic pressure. The laws of the jungle are rampant.”

China assesses international financial breakdown crisis

by Mary Burdman

The relentless, ever-worsening global financial collapse is causing extreme concern in China. Over the recent weeks and days, as Asian nations' currencies and stock markets melt down, Beijing's government leaders have been stating, more and more clearly, that the situation poses grave dangers for China. In his Dec. 31 New Year's message, President Jiang Zemin "pointed out that the Chinese government is extremely concerned about the financial turmoil that recently hit a number of countries and regions," the official Xinhua news agency wrote. Highest-level members of the government, now repeatedly are referring to the "global," rather than just "Asian" crisis.

Since the National Financial Work Conference on Nov. 17-19 (see *EIR*, Jan. 9, 1998), one high-level conference after another has been held in Beijing and other Chinese cities, to assess the real economic and financial situation. These included the National Economic Work Conference in Beijing Dec. 9-11, a National Economic Planning conference Dec. 13-16, and the first national conference on foreign investment in 14 years. Such conferences are generally held annually, to discuss the coming year's economic development, but the attendance—at the highest levels of government—and the serious tone of the discussion, are, as the Chinese press comments—"rare indeed." At most, not only have President and Communist Party chief Jiang Zemin, Prime Minister Li Peng, and Executive Vice-Premier Zhu Rongji, been speakers, but also members of the State Council, China's cabinet, and of the standing committee of the Party political bureau.

The themes of these conferences are the urgent lessons to be drawn from the debacles in other Asian nations, to be applied to China's own underdeveloped economy and debt-plagued internal financial system, and the potential threat to China's rapid economic development, posed by the imminent danger of the collapse of trade and of foreign investment. Despite its real, productive economic growth in recent years, China remains a developing-sector country, with the long-term economic problems of a huge, underdeveloped labor force and inadequate capital investment. These are not problems to be easily solved, but, due to the urgency of the

current situation, in the end of 1997 discussions, China's policymakers set a target date of three years, during which the reform and transformation of key state-run financial institutions and industry must be achieved. Massive as that task is, as the crisis deepens daily, Beijing's leaders are perceiving that they may not have a grace period of three years.

A commentary in *People's Daily* Dec. 15 stated: "The financial crisis in Southeast Asia has sent shock waves around the globe and the issue of economic security has become increasingly prominent; . . . The financial crisis in East Asia has been a major event in the economic field this year. This crisis has shocked the whole world and has made a profound and far-reaching impact. It shows that the sweeping economic globalization has posed new challenges to developing countries. . . .

"In the international financial field, institutional investment has been playing a major part, there has been a huge amount of international idle capital, information technology has been extensively applied, and the flow of capital has been rapidly concentrated, giving rise to strong impact of international speculation, drastic market fluctuations, and greater financial risks. Some newly emerging countries and regions in Asia have relied too heavily on inward investment and foreign trade, whereas their export products and export markets have tended to converge, their economic structures have not been rational enough, and the content of technology in their products has not been high. . . . This, together with underdeveloped financial systems and slack financial regulation, has eventually led to a crisis. In this crisis, the social stability of some countries has been affected and signs of political instability have emerged in some of the countries."

This is a matter of strategic interest for China. In June 1990, senior statesman Deng Xiaoping had told a group of foreign visitors to Beijing, that "stability, order, and productivity" were the three key issues for China. This statement was released internationally through the official Hong Kong paper *Wen Wei Bao*. Without a stable China, he said, the whole world will not be stable. China urgently needs several decades of peace to develop its economy for its huge population, Deng said; this is a fundamental policy of Chinese

domestic and foreign policy. The potential for chaos in East and Southeast Asia, brought on by the current financial meltdown, now poses a threat to that necessary peace.

China is the one nation which is actually building a productive real economy, and, this sound economic growth, based on the construction of infrastructure and industry, and its ability to feed its huge population, is China's real strategic security. As President Jiang Zemin said at the Dec. 15-16 informal Asian summit in Kuala Lumpur, "Economic security should cover financial security." China has allowed only very limited convertibility of its currency, and refuses to comply with the free-market demands of the World Trade Organization, and will not waver from these policies.

For these reasons, as Lyndon LaRouche has emphasized, if any nation can survive the coming world financial collapse, it is China.

The problems of China's internal financial sector, make the reform of the state industry all the more urgent. The critical problem is re-employment of the huge numbers of excess workers. According to official statistics at the end of September 1997, some 10 million workers had already been laid off from the state-run sector of the economy. Beijing's current plans are far too dependent, on foreign investment and export industries, to create employment for many of these workers. This is a serious vulnerability. As Minister of Foreign Trade and Economic Cooperation Wu Yi pointed out in a year-end interview with *People's Daily*, "Each year, 80% of China's import and export is realized in the Asia-Pacific region, and 90% of foreign capital utilized by China comes from this region. . . . The sustained turbulence in the worldwide financial markets triggered by the financial turmoil in Southeast Asia will have a certain negative impact on the development of the world economy next year and the growth of demand on the international market will also be restricted," she acknowledged.

While the introduction of technology from abroad is obviously crucial to China's development, there is also an exaggerated perception of *dependence* on imports of capital from abroad, which tends to overlook the enormous potential of the productive capabilities of China's own huge economy. The problem is a tendency, also created under pressure from the radical free-market economic policies rampant in the West, to confound the national policy of "opening up," which is essential for China's international development, with *dependence on* importing funds and technology, to enable the economy to grow.

The global crisis

In his New Year's message, "President Jiang Zemin said that people of all countries across the world should make joint efforts to usher in a new century of enduring peace and common development," Xinhua reported. "Generally speaking, we have continued to maintain stability in the

overall situation of China's reforms and development,' he asserted. However, he pointed out that the Chinese government is extremely concerned about the financial turmoil that recently hit a number of countries and regions."

"We are paying close attention to the financial turmoil which has taken place in some countries and regions recently," Xinhua quoted Jiang Zemin, "and we believe that, because of the efforts of these countries and regions as well as international support, the situation will gradually improve. On the whole, the overall performance of China's reform and development will continue to be stable."

However, Jiang Zemin warned, "The world is still not peaceful. The gap between the rich and the poor countries in the north and the south is still widening; regional conflicts still occur from time to time; the old unjust and unreasonable international political and economic orders remain basically unchanged; developing countries are still at a disadvantageous position in the fierce international economic competition; and mankind's subsistence and development are still facing all kinds of threats and challenges. The prospects for peace and development are bright. The 21st century will be a century full of hope. The road ahead will not be smooth sailing, however. The key requirement is that people throughout the world continue to unite and work together to establish a just and rational international political and economic new order at an early date."

Prime Minister Li Peng also spoke of the global financial turmoil in a New Year's interview. In *Zhonghua Yingcai (Chinese Elite)*, Li Peng said that, while "China has not been affected by the spreading financial turmoil, he added that, since the financial turmoil is global, and the Chinese economy is closely associated with the world economy, there might be some belated impacts; but that further observations have to be made in this area." The New Year's editorial in the *Renmin Ribao* Dec. 31 stated: "While many countries were stricken by the international financial crisis, our country managed to maintain stable development in the financial situation and in the economic situation as a whole. . . .

On Dec. 29, Xinhua published a most interesting assessment of the "180-degree turn" in the U.S. attitude on the financial crisis in Asia, in a commentary written from Washington. While the first U.S. response, during the summer, was that "all the aid should proceed through the IMF," by the autumn, when the Indonesian and South Korean crises hit, the United States showed it was "to form a 'second line of defense' with Japan, China, and Australia, . . . the Group of Seven and other nations." This turn "suggests that the top U.S. authorities are taking a new view of the Asian financial crisis and are aware that the IMF aid alone will not be adequate to rescue the R.O.K. [Republic of Korea] from its crisis. This was absolutely out of 'consideration for the U.S. economy and national security,' said [Treasury Secretary Robert] Rubin."

Foreign investment

China's trade and foreign investment will suffer directly from the crisis. One indication of how concerned China is about the potential loss of foreign investment, was the announcement in the *China Daily Business Weekly* Jan. 4, that Zhu Rongji, responsible for the economy, had "made it clear" that preferential tax breaks for equipment imported by foreign investors, which had been ended in April 1996, would be restored from Jan. 1, 1998.

Overseas investment makes up more than 20% of China's total expenditures in fixed assets. State Statistics Bureau spokesman Ye Zhen said Dec. 30 that China's GDP had grown by 8.8% in 1997, a significant fall from the 9.7% of 1996, and some officials and economists view this assessment of GDP as too high. Ye Zhen acknowledged that foreign investment would fall, and noted China's overall economic problems, which, he said, "have aroused the government's keen attention." These include serious problems in agriculture, where 80% of the population works, irrational economic structure, heavily indebted, loss-making industry, and a large number of laid-off workers.

The volume of contracted foreign investment "sagged" in 1997, and an official from the State Planning Commission told the *China Daily* that, due to the turmoil in Hong Kong, Southeast Asia, and Taiwan, its traditional sources for 65% of total overseas investment, China would "explore fund sources" in Europe and America, especially the European Union. Build-operate-transfer and fund-raising projects, as well as projects that issue stock overseas, will be encouraged.

In her interview Dec. 30 with *People's Daily*, Minister of Foreign Trade and Economic Cooperation Wu Yi said China's tariffs will be lowered to reverse the "consistently weak" import growth "especially of advanced technology and equipment." China's "trade surplus has been expanding yearly, and import and export have been unbalanced in recent years," she said. "China's export commodity mix and export market structure are similar to those of Southeast Asian nations, so the financial turmoil in Southeast Asia will weaken the export competitiveness of our products. . . .

"The State Council has decided to exempt equipment imported for state-encouraged and state-supported projects funded by foreign and domestic investors from tariffs and import value-added tax [VAT]. The purpose and significance of this decision is to increase the use of foreign capital, encourage the import of advanced technology and equipment from abroad, promote industrial restructuring and technological advancement." The areas concerned include high-technology industries, agriculture, infrastructure, new technologies, machinery, and projects in China's central and western interior. There will also be a revised regulation on areas where foreign investment is to be encouraged. Other measures, to encourage foreign investment and expansion of commerce, tourism, trade, construction, and accounting, will

be announced.

The Asian meltdown is already taking a bite: The late-December issue of the State Council-sponsored newspaper *China Economic Times* reported that China's steel production is already being hit by lowered demand from Southeast Asia. "The Asia-Pacific region will see its need for rolled steel decrease by 20%. In areas severely affected by the crisis, such as Thailand, most construction sites have been halted and some car manufacturers will cease production for a few months," the report stated. In addition, China's domestic market could be flooded by steel produced in other Asian nations, priced low after the collapse of their currencies.

Tao Liming, director of the International Finance Research Institute of the Bank of China, said Dec. 15 that the sharp Asian currency devaluations will also affect China's export of labor intensive products such as shoes and garments, and that foreign capital inflow into China will slow down in 1998 due to investor caution about the Asia-Pacific countries.

Anniversary of the reform

This year is the 20th anniversary of the Third Plenary Session of the 11th CPC Central Committee, where Deng Xiaoping announced his plans to reform and transform the Chinese economy. China has made enormous strides during the past two decades, but enormous problems remain—something taken very soberly by the national leaders. An article published Dec. 14 in the well-known Beijing magazine *Outlook*, was an effective reminder that China remains a poor developing country. "Courageously facing that reality should be the starting point of everything we do," the article stated. Despite its ever-growing size, the Chinese economy's efficiency remains low. "For every 100 yuan of added industrial value in 1994, China used 32 times more energy or 15 times more electric power than Japan did, *Outlook* reported. China remains basically an agricultural society, with 80% rural population. While literacy is higher than the world average, higher education is severely limited. In 1993, only 3.3% of the population had the opportunity for higher education, compared to 4.9% in India and 48.2% in the Republic of Korea. Science and technology currently contribute more than 60% to the national economy in industrial countries, but in China the figure is about 30%. In addition, without a sound pension and social welfare system, China is an aging society, with almost 10% of the population, 120 million people, above 60.

The Central Economic Work Conference

The Dec. 9-11 Central Economic Work Conference in Beijing focussed on "the principle of seeking progress amid stability." But while China had achieved "high growth and low inflation" in 1997, profound problems remain. The

Beijing authorities will have to walk a fine line to see the situation through. The greatest problem is the massive over-employment in agriculture, of 800 million peasants. It is understood among China's policymakers that the stagnation of the vast agricultural sector, the very low living standards of the peasants, and the lack of industrialization and urbanization of the countryside, have hindered the development of the whole economy.

Then, there is the barely begun reform of the state-owned enterprises, including the growing social problem of laid-off workers and staff, and the multiply-entangled problems of China's domestic financial sector. It is clearly recognized that the government must get out of the direct, daily management of enterprises—a task no government can do well. As a Xinhua commentary Dec. 11 stated: "It is necessary to properly reform the government structure to realize the separation of government administration and enterprise management, and to establish an efficient supervision and operational mechanisms for state assets."

At the economic conference, Jiang Zemin emphasized that stability demands ordered, controlled, and new measures for expanding the economy and improving living standards, but, at the same time, stagnation is not acceptable. All aspects of the domestic and the international economic situation must be "scientifically" assessed to avoid serious mistakes and prevent any externally triggered financial crisis. China's senior leaders must not make impetuous or blind decisions, Jiang Zemin said; "localism and departmentalism" must not determine policy; the central authorities' policies must be followed, and the interests of the broad population must be met.

The situation of the state industry and financial institutions is indeed difficult. Many of China's state enterprises are burdened with debts as high as 70% to 80% of assets. Many also carry excessive numbers of employees. In recent years, another 4 million new staff members have been added to the state enterprises, when only 1 million were needed, a situation characterized as: "One man is sharing the food of three." Those enterprises still caught in this situation, cannot operate efficiently or invest in the new technologies they urgently need, and cannot be effectively managed. In addition, there is a general tendency to duplicate production of "profitable" products, with enterprises all over China rushing out to make whatever is selling well at the moment—with predictable wasteful results.

The state banks are carrying bad debts of up to 30%, due to the inability of the enterprises to repay loans. In A commentary on the Central Economic Conference in *Wen Wei Bao* Dec. 13 stated: "When state enterprises borrow from state banks, they still think that 'the wallet is the undergarment covering the chest and abdomen,'" and assume there will be no problem if the loans become bad debts. But, China's leaders fear that the practice of treating the state-

owned commercial banks as cash windows, might have created a situation inside China, too much like that of the Southeast Asian economies. While, of course, the Chinese debt is internal, and therefore not vulnerable to the dangerous insanity of the current international markets, the lesson on sound economic policy is well taken.

Policy set at the conference, included that, in 1998, all new industrial projects, outside the critical area of "technical transformation," must be suspended; special policies applied to enterprises and the heavily indebted state grain department to relieve the debt burden; while the growth of bad loans must be stopped. Regional bank managers must be answerable to the central bank, not the demands of local authorities, and responsible for the financial health of their institutions—at the risk of their positions.

The reform of the enterprises will focus on 500 large and medium experimental enterprises, with the main target in 1998 the textile industry. Government, the enterprises, and society in general, meanwhile, have been declared responsible for sharing the funding to sustain the 10 million laid-off workers. This responsibility will grow, as projected layoffs in each of China's main industries will range from several hundred thousand to over 1 million.

According to press reports, Zhu Rongji stated, at the close of the conference, that the Asian financial crisis was more serious than expected, and that China had not foreseen any such developments in these countries. Dissension within China about the urgent implementation of policies of industrial and financial reform, to ensure stable economic strength, and powerful financial monitoring, must end, he said.

Financial reform

On Dec. 27, Dai Xianglong, governor of the People's Bank of China, was commissioned by the State Council to tell the National People's Congress Standing Committee about the risks in the country's financial sector. China's overall economic development and its broad financial statistics are sound, he said. Foreign exchange reserves are over \$140 billion, the currency stable, and its foreign debt payment rate and debt ratio, at 11.81% and 13.97%, respectively, are lower than the international standard risk lines. "Nevertheless, we should not overlook the problems existing in our financial sector," Dai announced, especially the bad loans of the state commercial banks. More problematic are the non-banking financial institutions, many of which are unsound and some verging on bankruptcy. Dai warned that China must avoid a "bubble economy. . . . It is also very important to open financial sectors in a very prudent and step-by-step way." In addition, strict control over the flow of capital is being implemented in China, he said.

Financial reform in China will put responsibility for management of immediate lending volume and targets on the banking sector itself, rather than government departments in

Beijing. State-owned commercial banks will concentrate on the large and medium-sized enterprises that are the core of the national enterprise reform project, and local banks will be developed to deal with local affairs. The People's Bank of China has also decided that, in 1998, it will lift controls on the loan ceiling imposed on the state-owned commercial banks and policy banks since the introduction of its tight credit policy in mid-1993. The aim is to get away from the laborious "up from the bottom and back down from the top" process of deciding specific loan priorities, and allow decisions to be made on the basis of genuine regional needs. However, general central policy is to be strictly enforced. National inspection programs—an institution in China—are to be focussed on the financial sector, Dai Xianglong said.

It was reported that Zhu Rongji's Dec. 28-29 "inspection tour" of the Beijing-Kowloon railroad, was also used as a reason for an unannounced visit to southern China, especially Guangdong province, to look into reactions to the Asian financial turmoil, and to call for enforcement of the policies enacted at the November Financial conference. Zhu Rongji announced there a "major readjustment of the investment structure," emphasizing that useless or duplicate industrial investment should be stopped, and that the state will pay still greater attention to the development of infrastructure facilities, farmland water facilities, and housing reform.

The investment conference

The urgency of the question of foreign investment, was demonstrated when the State Council held a national conference on foreign capital in Beijing Dec. 22-24, only the second such conference in modern China, and the first since 1983. The conference was addressed by Jiang Zemin, Li Peng, Zhu Rongji and Li Lanqing, and Wu Yi.

While the importance of utilizing foreign capital in the "national opening-up" policy, and China's success in using over \$360 billion in foreign capital over the past 20 years were emphasized, Jiang Zemin also noted that China must correctly maintain the relationship between its open policies, and "maintaining independence, initiative, and self-reliance," and "pay attention to maintaining the country's economic security."

This is a serious question. Foreign funding has already accounted for 14% of China's total investment in fixed assets, and currently, 10% of the non-rural labor force—over 17.5 million people—are working for the 145,000 foreign-financed enterprises in China, Minister Wu Yi told the conference. Tax revenues from foreign companies in 1996 accounted for almost 12% of the year's total taxes on industrial and commercial companies, compared to 4.25% in 1992. Equally important has been the contribution of foreign advanced technology and equipment to improving China's technology in machine-building, electricity, telecommunications, and other fields. Foreign investment has also expanded China's foreign trade greatly. In 1996, the foreign trade

volume of China's foreign-funded businesses was \$137 billion, more than triple that in 1992. This amounted to 47.3% of China's total foreign trade in 1996, compared with 26.43% in 1992.

China's international debt situation is relatively sound, with 80% of foreign investment directly invested in long-term projects, making it less vulnerable to investment flight. Overall foreign debt growth in 1996 was less than 10%, a rate lower than in the 1980s and early 1990s. Overall debt is \$118.64 billion, 88.5% of that medium- and long-term. Beginning from last year, China put all medium- and long-term foreign debt of domestic institutions under planned management.

Science and education

During these high-tension consultations, the Chinese leadership's commitment to transforming their nation remained evident. A commentary by Wang Bingqian, Vice Chairman of National People's Congress Standing Committee, in *People's Daily* Dec. 5, asserted that China's strategy must be to "invigorate" its national economy through science and education. Drawing on the deliberations of the Chinese Communist Party's 15th National Congress in September, Wang Bingqian wrote that China's state finances must be improved to guarantee economic and social development. It must be understood, that financial and scientific development are both essential. "Invigorating the state finances and invigorating the nation through science and education are unified, complementing each other. With the invigoration of science and technology, both the nation and state finances thrive," he wrote. "The basic improvement in the state financial condition must be built on the foundation of the sustained, rapid, and healthy growth of the national economy, based on the conversion from the extensive to the intensive type of economic growth, while progress in science and technology is the decisive factor in economic growth." China's imports of foreign advanced technology has both increased the rate of economic development, and of "sustained growth in financial revenue."

At the same time, state financial support is essential for the realization of scientific and educational achievements, Wang Bingqian wrote. "Research in basic science and sophisticated science involves long periods, great risks, and calls for the government to take up the organizational responsibility, with support in terms of state in funds and policy, and without which it would be very difficult to realize any major breakthrough." Even the development of applied technology is long and expensive, and "throughout the whole process, the support of state finance and taxation policy is called for. . . . True, the development in science and educational undertakings calls for the state to put in considerable financial resources, but when science and technology have developed, with the elevation of the qualities of qualified people, financial resources will grow with them."

Chinese vs. U.S. steel production: two methods, and two results

by Richard Freeman

In 1996, China became the world's largest producer of raw steel, producing 100.4 million metric tons. America fell to third among world steel producers, producing 94.6 million metric tons. (Japan was second.) In 1990, only six years earlier, China had produced 66.3 million metric tons of raw steel. Thus, its output grew by more than 50% in those six years.

Table 1 compares raw steel output of the United States and China, from 1950 through 1996. The difference between the United States and China in steel output, is due entirely to method: In the 1960s, the United States abandoned the method of Alexander Hamilton—that of a dirigistically fostered, capital-intensive, power-intensive mode of development of the economy, with concomitant development of the cognitive powers of the labor force. The United States abandoned what economist Lyndon LaRouche calls “the horizon principle,” the highest scientific development of the future economy determining policy in the present (see *EIR*, May 16, 1997, “Toward China’s 21st-Century Economy”). Instead, the United States submitted to British-sponsored post-industrial policy, which created a huge speculative bubble.

China, in contrast—after the wild fluctuations in eco-

nomic policy of the Maoist period were replaced, in 1978, by the reforms of Deng Xiaoping—pursued some of the more important features of the horizon principle, initiating the building of 200 cities, rail-spined development corridors, ports, and so on, all of which require the input of steel.

The current outcome is all the more remarkable in that, in 1950, when the United States was producing 87.9 million tons of raw steel, China produced less than a million tons.

The economy’s directionality

Absolute output, by itself, is an insufficient measure of the success of an economy. As LaRouche has emphasized, a more accurate metric is to express output on a per-capita, per-household, or per-square-kilometer basis.

Table 2 depicts steel output per capita for the United States and China, for 1950-96. However, this introduces a distortion, because the United States started out as an immensely more industrialized economy. Still, Table 2 reveals some of the quality of change that has occurred during the past 45 years: Whereas, in 1950, the per-capita level of steel

TABLE 1
Raw steel production, 1950–96
(millions of metric tons)

	U.S.A.	China
1950	87.9	0.5
1955	106.2	3.0
1960	90.1	18.0
1965	119.3	13.5
1966	121.7	15.0
1970	119.3	18.0
1973	136.8	24.0
1975	105.8	22.0
1980	101.5	36.0
1985	80.1	49.0
1990	89.7	66.3
1992	84.3	80.9
1994	91.3	92.6
1996	94.6	100.4

Source: International Iron and Steel Institute (IISI); *EIR*

TABLE 2
Raw steel production per capita, 1950–96
(millions of metric tons per person)

	U.S.A.	China
1950	0.577	0.0009
1955	0.640	0.0049
1960	0.498	0.0277
1965	0.614	0.0189
1966	0.619	0.0204
1970	0.587	0.0232
1973	0.659	0.0272
1975	0.502	0.0240
1980	0.555	0.0366
1985	0.336	0.0465
1990	0.359	0.0582
1992	0.330	0.0693
1994	0.350	0.0777
1996	0.355	0.0826

Source: IISI; Department of Commerce, Bureau of the Census, Population Surveys, U.S.A. and China.

output produced in the United States was 640 times that of China, or nearly three orders of magnitude greater, today, U.S. per-capita steel output is only 4.3 times that of China, less than one order of magnitude greater, and the gap is rapidly closing.

But, what is important in this case, is not a simple absolute steel output per-capita figure, *but the rate of change in steel output per-capita*, which indicates the directionality of the economy — i.e., whether or not the economy is growing not-entropically.

Table 3 begins by taking the 1966 steel output per capita for the United States and China—which were 0.619 and 0.0204 tons per person, respectively, and setting those equal to an index level of 1 (1966 is approximately the last year in which the U.S. economy functioned “normally”). All other years are expressed as an index number which is a multiple of the 1966 steel-output-per-capita benchmark for each respective country.

This is highly revealing. Compared to 1966 levels of steel output per capita, the United States today is producing at 43% below its 1966 level. China, meanwhile, is producing at a level four times greater, per capita, than in 1966.

U.S. steel-making today has some greater efficiencies; it requires somewhat less raw steel to produce the same amount of finished steel.

But the fundamental difference between the United States and China is methodological: The United States, for example, has not built a new greenfield nuclear plant in 20 years, and has abandoned its infrastructure; it is going backwards. China, to the extent that it follows the “horizon principle,” which in broad outline is modeled on the Hamiltonian-Lincoln tradition, is moving forward.

TABLE 3
Steel production per capita
(1966=1)

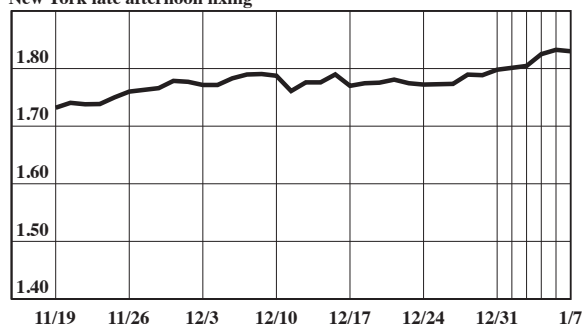
	U.S.A.	China
1950	0.93	0.04
1955	1.03	0.24
1960	0.81	1.36
1966	1.00	1.00
1970	0.95	1.08
1973	1.06	1.33
1975	0.81	1.17
1980	0.73	1.79
1985	0.54	2.28
1990	0.58	2.85
1992	0.53	3.40
1994	0.57	3.81
1996	0.57	4.05

Source: EIR

Currency Rates

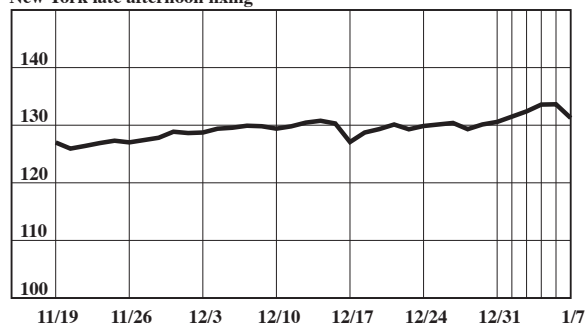
The dollar in deutschemarks

New York late afternoon fixing



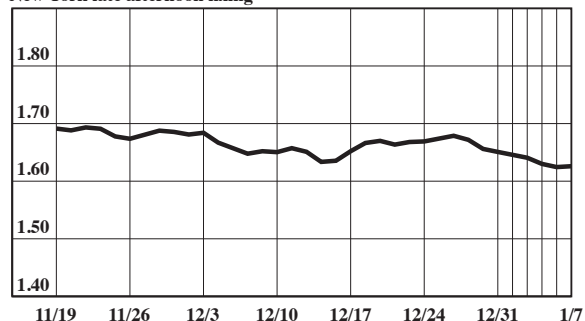
The dollar in yen

New York late afternoon fixing



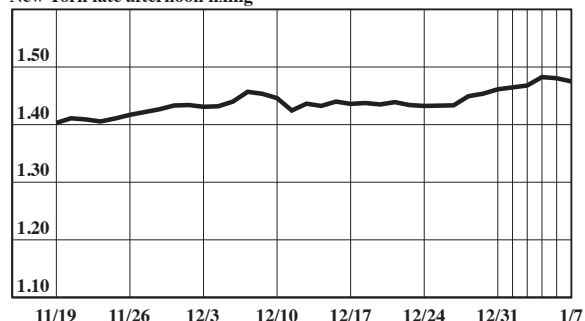
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



Poland's free market 'Lent' must come to an end

by Anna Kaczor Wei

. . . And suddenly a swarm of petty lords
Descended on us like the Tartar hordes,
And God and our forefathers' faith abused,
Our laws and customs, e'en the clothes we used.
'Twas sad to hear the pale-faced puppies drawl
Through noses—if they had a nose at all,
Stuffed with all kinds of pamphlets and gazettes,
Proclaiming new religions, laws, toilettes.
A mighty influence on our minds they had,
For God, they say, first makes a nation mad,
When he sends punishment upon a land.
The wiser sort dared not the fops withstand,
The people feared them like a pestilence,
The germs of which they could already sense.
They cried against the dandies, none the less
They changed their faith and laws, their speech and
dress.
It was a Carnival of knavery,
Soon followed by a Lent of slavery. . . .¹

During the last eight years, the madness of the free market, globalization, and the New Age has taken its toll in Poland. After the collapse of the communist government in 1989, the 20th-century "Tartar hordes," in the form of British-deployed speculator George Soros, International Monetary Fund (IMF) delegations, and Michael Novak's cronies, descended on the country, preaching moral relativism. So-called shock therapy, applied in 1990 by then (and current) Finance Minister Leszek Balcerowicz, started the collapse of Polish science, industry, and agriculture (see *EIR*, Aug. 4, 1995, pp. 9-12; Jan. 19, 1996, pp. 33-36; and Aug. 8, 1997, pp. 6-7). Now, in the wake of the disintegration of the global financial system, the anti-free-market resistance movement in Poland is expanding its ranks, and studying closely Lyndon LaRouche's international campaign for a New Bretton Woods System.

1. Adam Mickiewicz, excerpts from "Pan Tadeusz," translated by Kenneth R. Mackenzie, The Polish Cultural Foundation, London, 1990. Mickiewicz was born in Lithuania, which for centuries had been a part of the Polish-Lithuanian Union.

The events of the last three months look like a triumphant comeback of the old Soros team, which started free-market reforms in Poland in 1990. After the victory of the Solidarity Electoral Action (AWS) in parliamentary elections in September 1997, the trade union-dominated coalition made a rather astonishing move: It formed a government with the Freedom Union (UW, now the third-largest party in the parliament), which has always promoted neo-liberal economics and mass privatizations, which policies have given rise to a lot of criticism and discontent from labor. The decision was explained as necessary to counter the influence of the Social Democratic Alliance (SLD), the so-called post-communist party, which ended up as the second-largest party in the parliament.

In a new government led by the AWS's Jerzy Buzek (a chemist by profession, and a Solidarity activist who is little known to the public but close to Marian Krzaklewski, the chairman of the Solidarity union), not only has Balcerowicz become finance minister again, but also, two more of Soros's associates and UW members got ministerial positions: Bronislaw Geremek, Ministry of Foreign Affairs; and Hanna Suchocka, Justice Ministry. Both are on the board of Soros's Batory Foundation in Poland.

Sacrifice for the IMF

Just after his nomination in November, Balcerowicz announced that the Polish economy is overheated, which, according to him, is reflected in the huge trade deficit, which has been more than \$12 billion annually during the last two years. As a solution, he proposed to decrease the purchasing power of the average salary; increase taxes on telephone services, tobacco, and alcohol; free up the price of central heating for the population; and limit access to credit, which is commonly used to purchase consumer goods. To further please the IMF, he declared that the budget deficit will be lowered to 1.5% in 1998, to be accomplished in part by speeding up privatizations of the remaining state-owned companies, such as Polish Telecommunication and Polish Copper. This, of course, may be compared to "increasing" one's income by selling one's furniture.

However, Balcerowicz's offensive is meeting very strong

resistance on the part of those who take seriously the idea of social justice, as reflected in the words of Deputy Witold Nieduszynski of the AWS (see interview). Similar sentiments were expressed by the participants in numerous seminars and meetings organized in Poland by the LaRouche-founded Schiller Institute last November. Their openness to the idea of a new, just economic order has made it clear that the financial-monetary crises in many Asian countries, leading to an ever-stronger voice against the policies of the IMF around the world, has sparked in Poland new hopes for a true freedom, resembling those described by the Polish poet Adam Mickiewicz, who in 1832 recalled the battle for the independence of the Polish Republic at the beginning of the 19th century:

. . . O year of years! and to have seen thee there!
The people call thee still the harvest year,
The soldiers year of war; the old men long
To tell of thee, and poets dream in song.
By heavenly signs thou wast long heralded,
And rumor vague among the people spread;
The hearts of Lithuanians in that Lent
Were filled with strange presentiment,
As though the ending of the world were nigh,
With joy and yearning and expectancy. . . .²

Interview: Witold Nieduszynski

Poland needs a sound economic program

Mr. Nieduszynski is a deputy of the Sejm (Polish Parliament) from Solidarity Electoral Action, AWS. He was interviewed in Warsaw, on Nov. 22, 1997, by Anna Kaczor Wei and Frank Hahn.

EIR: The whole world is now watching the financial collapse in many Asian countries, which is a symptom of a global crisis, that Lyndon LaRouche forecast already many years ago. How is this crisis perceived in Poland, and what kind of dangers does it present to the Polish economy?

Nieduszynski: Of course, here in Poland we are following very closely the events in Asia, and similar difficult situations in the world. It is very important for us, due to the fact that, after 1989, our economy has become integrated into the world system. At that time, only one solution was proposed, based

2. Ibid.

on liberal economics and free trade; this is why now the Polish economic system is intertwined with economic processes, mainly in Europe, but also in the United States and other countries. Because of that, every shift in the world conjuncture, every crisis in the world, has an impact on the Polish economy, which is still, for obvious reasons, very weak, and cannot defend itself against such crises.

EIR: Since last autumn, there has been a new government and parliament in Poland. In the parliamentary elections in September, a new generation of politicians, who refer to the idea of solidarity, social justice, and state responsibility for economic development, won a number of seats. But at the same time, Finance Minister Leszek Balcerowicz [who, as finance minister in 1990, started free market reforms based on International Monetary Fund conditionalities] has a strong position again, and he is threatening to go with the second phase of shock therapy. He uses the image of an overheated economy, and proposes lowering wages, and the standard of living of the population. Would you agree that this kind of dualism may lead to a conflict, and very soon, in the government, and in the society?

Nieduszynski: Such a possibility exists; it is a very real danger. Living in Poland, I am aware what kind of direction Balcerowicz may take in his policies. He is a monetarist, and his attitude, one could describe in the following way: For him, numbers on paper are important, rather than economic reality, or the circumstances of Polish citizens and families. Myself, I am not fascinated by the money itself, it is only a tool, which is used to fulfill certain social goals, and meet the needs of the society.

Going back to the present coalition: It is indeed a source of a certain dualism; an attempt to match two programs of the development of Poland, which are in reality very different. One of them, represented by Balcerowicz, wants to preserve the status quo, that is, the policy commenced in 1989, and then continued by the coalition of the SLD [Social Democracy Alliance] and the PSL [Polish Peasant Party].

EIR: Could you remind our readers what kind of policy that was?

Nieduszynski: So-called shock therapy. It meant, for example, cutting the flow of money to the market in order to suffocate inflation, which indeed was raging in Poland at that time. But this is not very imaginative; a first-year student of economics might use such a trick to fight inflation. A really great strategist has to make a decision on which branches of economy must be stimulated in order to induce a general economic growth.

Our situation at that time was not typical, given the fact that the state owned and ran the whole economy. Balcerowicz tried to steer certain processes, but certain things were beyond his control. For example, privatization, especially of big enterprises, was not exactly a success. Many privatized compa-

nies have gotten into trouble. Only trade has developed rather quickly.

Now, the question is whether the second phase of the Balcerowicz shock therapy should be introduced in our country. In my opinion: No. Poland should go in the direction of economic growth through the creation of new jobs, rebuilding its state infrastructure, economic infrastructure. Every aspect of economic life in Poland is well behind the developed countries: roads, railroads, communication, banking system. There is a lot of work to be done, but, of course, the monetarists use their flagship argument that there is no money for anything, no capital. However, there are plenty of examples which show that the capital does not have to come from the outside. Those examples of credit creation for investment needs, and I stress, *productive investment*, one can find in Japanese history, in French and Polish history, between the two world wars, as well as in Germany, even under Hitler. Those countries created capital in order to invest; this kind of capital does not lead to inflation. France restructured its economy through credit creation, which was later serviced by production, and the wealth which was generated.

This is not what is happening in Poland today. Instead, we see an enormous transfer of property: that is, Polish state property is purchased by foreign capital. That in itself would not be something bad; however, certain reasonable proportions should have been maintained [by the state], since this process touches on the question of state sovereignty, which means being a host in one's own home.

EIR: In the process of rebuilding infrastructure, Poland will need collaboration with other countries. I think that the West has failed as a partner so far, but there is a new strategic reality shaping up, namely, the so-called Eurasian Land-Bridge, an economic program of infrastructure development from the Atlantic to the Pacific, which China and other countries are committed to building. How do you see this development, and how do you think Poland could participate in it?

Nieduszynski: I think that Poland's participation in such a project would be very appropriate. Our own infrastructure would be reconstructed. We say very clearly, in our AWS program, that the whole infrastructure in Poland has to be rebuilt and modernized. Not only roads and railroads, but also waterways. We talk, among other things, about regulating the Oder River to create conditions for transport of goods. There is also a program to build highways, which may be still modified, according to the direction of the Eurasian Land-Bridge, to make those two concepts consistent with each other. However, to join such a program we would also have to change our decision-making structures and state administration. Right now, it takes too much time to make a decision.

There is also another question. I am aware that such

global projects will encounter many obstacles among influential people, because developing infrastructure would mean the creation of many jobs, and the possibility to develop for many nations. Those forces in the world which want to reduce the world population, intervene not only in the developing sector, but also in developed countries, to slow down development. Their principle is the same as the thinking of one communist government representative who said in the 1980s: The government can always feed itself.

Of course, collaboration around a big project such as the Eurasian Land-Bridge has to be beneficial to all participating nations. If it would present a danger to the sovereignty of any nation, then it would meet many difficulties. But, if it is based on such principles as the European Union used to be, then it will fulfill all the conditions to bring benefits to all participating countries.

EIR: How could an industrial and scientific potential of Poland be used in this project?

Nieduszynski: I think that Polish scientific and engineering potential is enormous, but not sufficient yet. One would have to increase spending on science and education to improve this, since the most efficient investment in economy is the investment in so-called human capital. The best proof that Polish science is on a high level is the fact that many Poles do well abroad. I am not postulating now that all of them should come back, but we had such occurrences in the past. After Poland regained its independence in 1918, the Association of Polish Engineers in the United States moved back to Poland, and its members established a number of factories here. Those were engineers who had worked mainly in Cincinnati. They constructed, among other enterprises, a machine-building factory in Pruszkow near Warsaw, which then started to compete in the American market. It has been producing machine tools since then, and today also sends them to the United States.

Now, we have to increase spending on education, because this is where the shaping of human possibilities starts, which then leads to the development of science and new technologies. However, since 1989, expenditures on education and science have been decreasing.

EIR: The problem of the lack of funds for social needs came up again recently, when the chairman of the Solidarity trade union, Marian Krzaklewski, called for the restructuring of the Polish foreign debt. Is this the signal that it is high time to move away from monetarism? What was behind this call?

Nieduszynski: One would have to ask Mr. Krzaklewski about this. But I can say the following, as a coordinator of the program committees of the AWS: Our program stresses that we have to find money somewhere to meet all the social needs, like health care, education, the social net for the poorest, etc., although everybody knows that money is

scarce. Right now, the brakes have been put on the Polish economy, so to speak, while social needs are increasing. Our program stresses that we have to convince society that the sacrifices are necessary, but only if we have a functional program of economic development. We propose, for example, to create better conditions for small and middle-size businesses in Poland, by lowering taxes, to increase their production, and in this way, increase budget revenue.

Another problem is the exchange rate between the Polish currency [the zloty] and the dollar, which is one of the reasons for the huge trade deficit that Poland has. During the last four years, this deficit reached the level of the foreign indebtedness incurred under [Edward] Gierek [first secretary of the Workers Party in the 1970s], and now constitutes \$40 billion. This is a very heavy burden for the economy. Additionally, we have a high foreign debt, and an internal debt. This year [1997], we have to pay \$1 billion to service our foreign debt. I am aware of all the needs, and what Krzaklewski was talking about—that we need money for social spending, but if we do it without mobilizing the economy, the money will be consumed very quickly and the problem will stay with us.

I'd like to point to something else. The horrible misfortune which Poland experienced last summer, that is, the flood, has, on the other hand, created the possibility for the state to rebuild one-third of the country. After the flood, the AWS proposed to issue state "flood bonds" to raise money for reconstruction. They were supposed to have certain incentives to encourage private people and enterprises to buy them. The capital raised in this way would have allowed investments in infrastructure, mainly in the regions destroyed by the flood; also other parts of Poland would have been involved in this process. Polish companies would greatly benefit from this, because we do not have to import bricks, cement, or other construction materials. We also have enough labor force: The flooded areas suffer from unemployment.

The reconstruction effort would also slow down inflation, because buildings, bridges, and roads are tangible investments, nobody can eat them.

Unfortunately, our proposition was rejected by the previous government. Former Finance Minister Marek Belka said that such bonds would interfere with other state bonds he was trying to sell.

EIR: During our earlier conversation, you mentioned that we were confronted not only with a financial crisis, but with a crisis of civilization. This is what Lyndon LaRouche has been stressing for many years. He has devoted much of his work to developing the idea of the science of Christian economy, which stresses that man should be in the center of economy. It seems to me that your thinking is very close to this idea.

Nieduszynski: This kind of understanding of economy, and the role of man in it, is very close to mine. According to the neo-liberal concepts, the only criteria of development is the

growth of GNP, everything else is secondary, insignificant. I do not agree with such an approach. There is another concept which says that economy should aim at fulfilling human needs. I also stress the needs of the family, which is the basic cell of society.

During my election campaign, I was explaining the present economic system by saying that it gave highest priority to the growth of GNP, then the budget, and finally the conditions people lived in. I think that this order should be reversed. Because the family plays the fundamental role in the society, we underline the importance of improving conditions of life of Polish families. Our program proposes pro-family taxes, that is, all the income in a given household should be divided by the number of people in it, and this should be the basis to estimate taxes.

Of course, the Freedom Union [UW, a pro-free market party, which is now in the government coalition] and Balcerowicz [chairman of UW] do not accept this proposition, which is consistent with liberal economics, because from the point of view of the budget, only those citizens count who can bring in money, while in the case of a pro-family tax, one has to consider all the members of the family. Those two, different approaches bring to the fore the essence of liberalism, and Balcerowicz's policy. This is the reason why we have two completely different economic concepts.

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United States, Germany draw a line

Bailouts to help the banks and speculators are meeting fierce opposition, even among monetarists.

When U.S. Treasury Secretary Robert Rubin met with German Finance Minister Theo Waigel in Washington before Christmas, they sent an unmistakable message that their governments and central banks do not support pumping money into the International Monetary Fund and other financial institutions, to bail out the private banks in the Asia crisis. "Not a nickel for the private banks," Rubin declared, and Waigel said that Germany had the same view. Both rejected doubling the IMF quota, as pushed by banking circles.

Their initiative is important, because it is a common U.S.-German policy against "market exuberance," and represents a clear line against the speculators, that whatever they do in the private banking sectors of Asia and other parts of the world, they operate at their own risk. They will not be bailed out.

The statement forced the private banks, the biggest creditor banks for Asia, to convene during Christmas and New Year's, to discuss emergency measures of their own, to roll over the short-term debt of the private banking sector in South Korea. Given that most of the economic media in the West are dominated by free-market fans, it came as no surprise that they did not report on the Rubin-Waigel initiative.

All the more surprising then, that the German and Swiss press did report on the issue. For example, on Dec. 29, the *Süddeutsche Zeitung* wrote on the U.S. decision for a \$10 billion emergency loan to the government and central bank of South Korea, that "with his lonely decision, Rubin has definitely taken the initiative out of the hands of

the IMF." The daily noted that this loan was granted "de facto without conditionalities," in sharp contrast to IMF practice, and that the Clinton administration was pressuring international private banks to reschedule or write off about \$100 billion of South Korean debt over the next 12 months. All of this, author Peter de Thier wrote in another article in the daily *Berliner Zeitung* on the same day, was the result of a "dramatic policy shift by U.S. Treasury Secretary Rubin."

The Bundesbank, the German central bank, also publicly supported the new U.S. policy. Edgar Meister, a member of the Bundesbank board of directors, in a speech in Frankfurt, criticized the IMF's ever-new aid packages as "a dubious bailout for the private banks," which would not help the national economies of the respective countries solve their acute financial problems.

Meister's remarks signaled a deep split inside the hard-core monetarist institutions. The question was, however, whether his view was shared by the rest of the Bundesbank.

Bundesbank Chairman Hans Tietmeyer, in an interview with the year-end issue of *Börsenzeitung*, the semi-official daily of the Frankfurt stock exchange, echoed Meister. "I think we have to fundamentally review IMF policy," Tietmeyer said. He characterized the situation in Asia as a "dangerous mix of politics and the private sector," which requires more than just bailout programs and IMF conditionalities. It is most important now, he said, in the emergency crisis meetings on the South Korean situation, to make sure that there is no room for "the im-

pression, that whenever there is a problem, the international organizations or other countries are available for a bailout with huge credits. . . . The private creditors have to be included in the rescue programs. Why do we reserve all the problems for the public sector and the international organizations? This leads to the problem of moral hazard and, sooner or later, to the overloading of the public sector. A solution, only intended to rely on IMF money, is just producing the next case. Is it right, to negotiate only with the country, or do we have to take also the [private] creditors into the business? I think, we have to seriously discuss this matter."

Helmut Schieber, another member of the Bundesbank board, in an interview with the German business daily *Handelsblatt* on Jan. 5, said that there are "lessons to be learned." The IMF is trying to set up rescue packages intended "to make good for the entire capital outflow by IMF programs and international programs." This IMF policy, he warned, "is not sustainable."

A Bundesbank spokesman explained to this author, that these comments were designed to "make clear that the private creditor banks have to find their own solutions to their problems, there cannot be an institutional bailout for everybody. . . . The IMF must not become a fire brigade for the entire world." The IMF emergency loans to South Korea in late 1997 were justified, as an "exception," to prevent an instant default on a massive short-term debt, he said. And, if Waigel shares the views of Rubin, he also reflects the policy of the Bundesbank, he added.

Thus, new policy principles are emerging from the ruins of the old IMF system, and it is good that they are also emerging in Germany, a longtime bastion of monetarism.

Business Briefs

Petroleum

Iran announces new oil and gas reserves

According to National Iranian Oil Co. exploration director Mahmoud Mohaddes, since 1993-94, 1.49 billion barrels of oil, 31.85 trillion cubic feet of natural gas, and 596 million barrels of liquid gas have been discovered in the course of exploration operations in oil and gas fields in Iran, the Iranian News Agency reported on Jan. 1.

Mohaddes said that exploration operations have so far resulted in discovery of several gas fields in the Persian Gulf, as well as in Khuzestan, Fars, and Bushehr provinces. It is expected that, with the drilling of about 300 wells, some 180 to 200 trillion cubic feet of gas and over 15 billion barrels of oil will be discovered in other fields. Mohaddes stated that exploitation operations in subterranean surfaces of the Bibi Hakimeh field indicate the potential for 1.984 trillion cubic feet of gas reserves, and that the Zagros area has the largest gas potentials in the country, especially the region between the Aghar and Dalan gas fields, stretching toward Bandar Abbas and the Strait of Hormuz.

Mohaddes said that that portion of the Oil Ministry's budget allocated to exploration for the next fiscal year, is double the present year's 265 billion rials. He said that a seismographic vessel, purchased from a foreign geophysics company for exploration operations in the Persian Gulf, will be delivered to Iran within four months.

Indonesia

Layoffs mount, in wake of financial crisis

Indonesia is expecting unemployment to hit 5.8 million in 1998, as the global financial crisis deepens, according to the Ministry of Manpower, the Antara News Wire reported on Jan. 6. The estimate includes only 1.3 million of 2.7 million joining the labor force in 1998 who will not be able to find work. Unemployment at the end of 1997 was said to be

4.4 million, out of a workforce of 91 million. The number who have lost their jobs because of cancelled projects is 1.5 million, while jobs lost since July include 800,000 in real estate and construction, 300,000 in textiles and the garment industry, and 100,000 others.

A meeting of the Indonesian Chamber of Commerce (Kadin) in Jakarta on Dec. 29, heard reports on the mounting layoffs. The chairman of the Federation of All Indonesia Workers Association told the meeting that "open unemployment" (i.e., less than one hour of work per week) will rise in the coming year from 7.7%, to 9%. The Construction Executives Association estimates that 3-4 million workers are already jobless, although the Ministry of Manpower reports 950,000.

The meeting renewed discussion of how to generate liquidity for the economy. The Kadin noted that "only giving attention to the IMF [International Monetary Fund] and World Bank will not solve the problem." Technical solutions are not enough, nor is focussing on short-term debt as the main cause of the crisis. "If this crisis is left too long, it will make development a slave and lessen the achievements made all this time."

Economic Policy

'Purely capitalist order will kill us'

"We cannot tolerate the chaos and speculation on international financial markets," former German Labor Minister Heiner Geissler said, in an interview with the German engineering weekly *VDI-Nachrichten* in its Dec. 19 issue. "Man is a creature of God," and "this image of man is the foundation of our economic system," he said. The "Anglo-Saxon model . . . [is] obsolete," and, if we don't act with solidarity, "the world is going to crash."

Geissler drew a parallel to the social eruptions and revolutions 150 years ago, and said that, by focussing on shareholder values, we are now heading into similar problems. "The market needs order, also on the international level," he said.

The rises in the stock markets, Geissler said, "are nothing but purely virtual increases. Here, artificial financial assets are being created, which have nothing to do with the output of the companies. If people are fired, the stock prices go up, but once the next stock market crash arrives, tens of thousands will also lose their jobs."

In Germany, he said, despite the dangers of globalization, "our big companies have to be active on a global scale. Therefore, there has to be an international control over financial markets, as the president of the World Bank has also recently called for." He emphasized that, in contrast to the "Anglo-Saxon two-thirds society" (i.e., in which one-third lack an adequate standard of living), the German economy has had the advantages of more investment into infrastructure and skill levels. Therefore, productivity is much higher than in the Anglo-Saxon countries. Many of those companies, which outsourced production to eastern Europe for cost-cutting reasons, are now coming back. Geissler concluded that, without solidarity, "a purely capitalist economic order will put us all into the abyss."

Trade

Ukraine studies Chinese model, boosts trade

Ukraine's Prime Minister Valeri Pustovoytenko is sending experts to study China's economic reforms, because he was so impressed on his recent trip to China, Xinhua reported from Kiev on Dec. 29. He said "that political harmony is essential for Ukraine's ailing economy to recover. 'The Chinese people's spectacular economic achievements reflect the need for attaining political accord within the nation and rallying all political forces around certain goals,' he said," Xinhua reported.

Pustovoytenko stressed the importance of steady, clear-cut, and meaningful political and economic policies. "China's sober and predictable economic strategy makes the nation attractive for foreign investors," he said. "To make China's valuable experience of economic reforms applicable and more adapted to Ukraine's realities, a Ukrainian

experts group will be sent to Shanghai shortly after the New Year holidays." The group's mission will be to find out what should be done to set up free economic zones in Ukraine.

Pustovoytenko was in Beijing on an official visit on Dec. 23-26. He was received by Premier Li Peng, who welcomed the "practical results in many spheres of cooperation" between China and Ukraine, and noted the "immense potential" for deepening ties. Pustovoytenko said that "China is Ukraine's strategic partner," and called for bilateral trade to be increased from this year's approximately \$1 billion, to \$2-3 billion by the year 2000. He stressed expanded cooperation in the areas of military hardware, the chemical and aviation industries, and shipbuilding. Bilateral trade and scientific-technical, economic, and financial agreements were signed.

Biological Holocaust

Kenya, Somalia hit by unidentified fever

Hundreds of people have died as of early January in Kenya and Somalia from a yet-unidentified hemorrhagic fever. The outbreaks are taking place along the Ewaso Nyiro River in the districts of Wajir and Garissa, in the Northeastern Province in Kenya, and along the Shabelle River in the town of Torotorow, Somalia, 70 miles south of Mogadishu. The reports, collected through the international infectious disease alert network known as ProMed, indicate that at least 45 have died in Kenya, with as many as 217 deaths reported overall.

The outbreak is exacerbated by International Monetary Fund austerity policies. Dr. Abdi Hassan, the medical officer in charge of Northeastern Province, said that the outbreak could have been easily managed if health centers in the affected area were operational. Most medical institutions in Kenya have been shut down, following a nationwide nurses strike that started on Nov. 29 against pay cuts. The government, to comply with savage IMF-dictated budget cuts, has been gutting its health infrastructure. The nurses have vowed to stay off the

job until the government accedes to their demands for a 500% pay hike.

Most of the victims are dying within three to four days, and some die within 12 hours of presenting symptoms. It is not known how many people are surviving infection, given the dismal conditions in the area. A veterinarian with the team, Dr. Louise Martin, reports that a similar illness has killed thousands of livestock, including cattle, but particularly sheep and goats. She reports that the livestock mortality rate is 50-75% in the area.

Kazakhstan

Electric power needs demand nuclear option

Participants in a scientific conference on the need for nuclear power in Kazakhstan, in Ust-Kamenogorsk, central Kazakhstan, concluded that the nuclear option is essential for the nation to survive, *Almaty Ekspress* reported on Dec. 18, in an article entitled "Is Hell in Store for Us Without the Atom?"

The meeting was addressed by Academician Vitali Kononov from the Russian Academy of Sciences, who projected a threefold increase in electric power requirements over the next 50 years. While this estimate is a vast understatement of needs, conference participants concluded that, with even such modest expanded requirements, "without nuclear power stations, it will be difficult for south Kazakhstan to survive; and, the industrial life of such industrial centers as Almaty, Ust-Kamenogorsk, and Semipalatinsk, may become a hell unless nuclear energy is harnessed. That is, the environmental consequences of utilizing fossil fuels would be disastrous."

One plan presented at the conference suggested setting up nuclear power generators using the reactors from scrapped submarines. There are also plans in Russia for a new plant to produce uranium fuel "pills" for nuclear power stations, including for use at facilities in Kazakhstan. Academician Kononov stressed the jobs-creation benefit of these schemes.

CHINA'S state media announced on Dec. 30 that the cabinet has approved construction of a 16.8-mile bridge to link Zhuhai to Hong Kong. It will take six years to build, and cost about \$2 billion. The Ministry of Communications and the Guangdong provincial and Zhuhai city governments will cover 55% of the cost; 45% will be raised overseas.

DEMOGRAPHIC trends in Ukraine are drastically down, as death rates rise and birth rates fall. The population declined by approximately 400,000 people in 1997, the State Statistics Committee announced on Dec. 26. The country's population now stands at 50.48 million.

RUSSIA and China signed a \$3 billion deal for two 1,000-megawatt, Russian-designed nuclear power reactors for the port city of Lianyungang, in Jiangsu province, Xinhua reported on Dec. 29. The reactors are scheduled to come on line in 2004 and 2005.

IRAN AND RUSSIA began a "Row-Row" (roll-on, roll-off) shipping line on Dec. 26, between the Russian port of Astarakhan, and Nowshahr on the Iranian side of the Caspian Sea. Because of the closure of the Russian-Azeri border, Iranian trucks have had to travel to Russia via Turkey and the Black Sea.

ASEAN, the Association of Southeast Asian Nations, accepted a proposal to set aside claims to the Spratly Islands in the South China Sea, in favor of joint development, at its heads of state meeting in December, the Malaysian *Star* reported on Dec. 17.

THAILAND'S 10-megawatt research reactor, approved by the Chavalit Yongchaiyudh government on June 1, 1997, could be the latest casualty of the financial crisis. The 3.8-billion-baht (\$146.8 million, at the time) deal with General Atomics, will now cost 57% more, and Prime Minister Chuan Leekpai has ordered it reviewed, the *Bangkok Post* reported on Dec. 29.

Mobilize to build an African Civil Rights Movement

by Dennis Speed

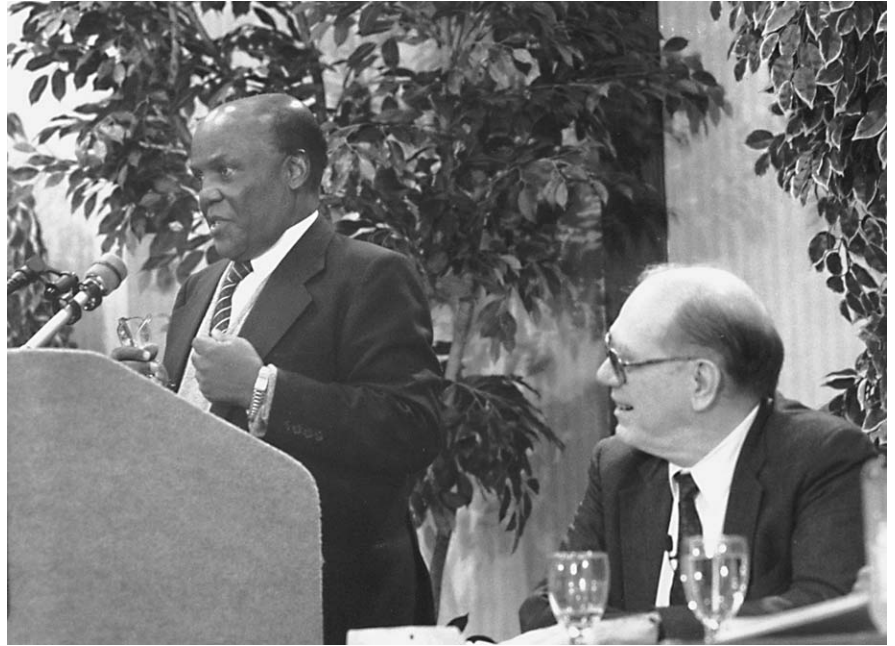
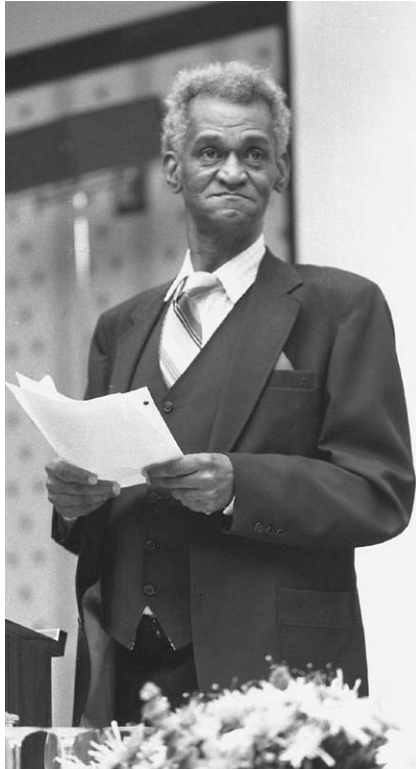
On Dec. 20, 1997, in New York City, Dr. Godfrey Lukongwa Binaisa, former President of Uganda, founded the African Civil Rights Movement (ACRM). Binaisa had issued a call for the Movement's formation in April 1995 (p. 32). The product of a three-year organizing drive, involving many international symposia, the New York meeting was attended by 75 people from Nigeria, Rwanda, Burundi, Sudan, South Africa, China, Uganda, Haiti, Spain, Lado, Congo, Tanzania, Canada, Cameroon, Botswana, the United States, and other nations.

Binaisa's initiative reminded some of the participants of the "spirit of Bandung." They were referring to the initiative, concretized in a conference hosted by Indonesia's President Sukharno, of 29 nations of Africa and Asia, that were emerging from the dark night of British, Dutch, French, and Belgian colonialism, in April 1955. It was this initiative that created what was termed the "Third World."

Binaisa, like South Africa's President Nelson Mandela, and the late Frederick Wills, former Foreign Minister of Guyana and a founding member of the Schiller Institute, were part of the "Nkrumah generation," that group of Africans who were the fathers of the independence movements of the 1950s and 1960s. Wills chaired a conference, at the request of Lyndon LaRouche, on Jan. 30-31, 1988, in Andover Massachusetts, entitled, "The New Name for Peace is Development." (See "44 Years After Bretton Woods: Building a New Monetary Order," *EIR*, Feb. 12, 1988.)

As Guyana's Foreign Minister, Wills had, in September 1976, presented LaRouche's proposal for an International Development Bank (IDB) to the United Nations General Assembly. At the time of his death in February 1992, Wills was attempting to create a second generation of African leadership that would renew its commitment to the still-unachieved objective of independence.

It was Dr. Binaisa, another "Nkrumah generation" veteran, who responded to the challenge to continue Wills's work. In 1993-94, he served, both in his capacity as a lawyer, and as the former Attorney General of Uganda, with other distinguished American and international figures, as a member of a blue-ribbon panel that re-



Leaders of the “Nkrumah generation”: the late Frederick Wills (left), former Foreign Minister of Guyana, speaks at a conference of the Schiller Institute in Andover, Massachusetts, Jan. 30, 1988; Dr. Godfrey Binaiisa (above) joins Lyndon H. LaRouche, Jr. at a Washington, D.C. forum on Africa policy, Jan. 11, 1996.

viewed the evidence proving the innocence of Lyndon LaRouche, who was then still in prison on trumped-up charges. Then, in April of the following year, Binaiisa released his call, which had been in discussion for almost a year before.

On Dec. 13-14, 1997 Binaiisa spoke at a conference of the Schiller Institute, in Bad Schwalbach, Germany, which was keynoted by Lyndon and Helga LaRouche. (The text of Binaiisa’s speech is published in this *Feature* package.)

Since his release from prison in 1994, LaRouche has collaborated with Binaiisa in forging an African policy-leadership group. This group begins from the premise that, first, there is no solution to the problems of African development possible, that does not abolish the International Monetary Fund and World Bank, in favor of a new monetary system, modelled on the American “Hamiltonian” system of national banks, and international development banks; second, that no African leadership can succeed that does not identify the real enemy: the British oligarchy and its intelligence agencies, such as the Queen’s Corps of Commissionaires, the Crown Agents for Overseas Governments, and Administration Limited; and Anglo-Dutch corporations such as Unilever, Royal Dutch Shell, and George Bush’s Barrick Gold Corp.

British vs. Americans

At the Bandung Conference in 1955, President Sukharno made clear the anti-British colonial orientation of that movement: “The battle against colonialism has been a long one. And, do you know that today is a famous anniversary in that

battle? On the 18th day of April, 1775, just 180 years ago, Paul Revere rode at midnight through the New England countryside, warning of the approach of the British troops and of the opening of the American War of Independence, the *first, successful anti-colonial war in history.*”

Addressing the New York conference, Dennis Speed contended that the United States, under the Kennedy administration, had supported the Bandung anti-colonial outlook, but, like the Clinton administration today, there was an internal “war and a half” between treasonous, pro-British interests, and the interests of America. That war eventually took President Kennedy’s life. As an example of this, Speed quoted from *Battling Wall Street*, by Donald Gibson: “The Joint Chiefs of Staff, and elements of the CIA and State Department, supported military intervention in Laos, with the Joint Chiefs taking the position, during much of the time, that the United States had to be willing to use nuclear weapons, if necessary. . . . Secretary of Defense Robert McNamara, and Walt Rostow, favored a more aggressive military policy. Kennedy rejected the recommendations to commit forces to Laos to preserve the existing right-wing government, and instead opted to support the formation of a neutral coalition government.”

When in 1959, Kennedy, a senator, was queried as to whether he was opposed to the idea of “Third World neutrality,” in the age of the Cold War, he responded: “I think that the neutrality of these nations is inevitable. That’s the great trend. During the immediate years ahead, this is likely to be an interesting trend in Africa, and probably also in Latin

America. The desire to be independent and free, carries with it the desire not to become engaged as a satellite of the Soviet Union, or too closely allied with the United States. We have to live with that. And, if neutrality is the result of a concentration on internal problems, raising of the standard of living of the people and so on, particularly in the underdeveloped countries, I would accept that. It's part of our own history for over a hundred years.

"I should look with friendship upon those people who want to beat the problems that almost overwhelm them, and wish to concentrate their energies on doing that, and do not want to become associated as the tail of our kite."

The antidote to colonialism

At the New York conference, the global dimensions of the international monetary and financial "meltdown" were

delineated by *EIR's* African intelligence director, Linda de Hoyos. She also sought to go to the central question underlying the nightmare of colonial policy, and its antidote. She asked, "What gift has God given to man that enables man to survive?" To answer that question, she used a series of portraits, including Rembrandt's "Portrait of St. Paul," Vermeer's "The Geographer" and "The Astronomer," and the photographic portrait of the great Frederick Douglass, saying of the latter, "If you ever need proof that a man needs nothing but his mind, you should read the autobiography of Frederick Douglass."

Of the set of pictures as a whole, De Hoyos said, "Each of these people is involved, if you look into their eyes, . . . and you try to think of what it is that they are seeing, which is clearly not what is in front of them. That is to say, they are not empiricists, they are not radical British empiricists, who

An appeal to all Africans of good will

The following are excerpts from a statement issued by Godfrey Binaisa, the former President of Uganda, in April 1995:

Thirty years after most of the former colonies in Africa gained their formal independence, the visions and dreams of those days for a better future for Africa's people are still far from being realized. Especially during the last 15 years of the International Monetary Fund's Structural Adjustment Programs (SAPs), many of the countries in Africa have experienced intolerable economic hardship and social dislocation. Such economic breakdown laid the basis for numerous military conflicts, which by now have destroyed Somalia, Liberia, Angola, Rwanda, and Sierra Leone, and threaten to destroy Burundi next. Other countries like Mozambique or Ethiopia have barely survived military fighting.

We, as leaders of the African fight for independence, must realize that, when the flags of our former colonial masters were taken down, the policy of colonial exploitation did not end, but continued unabated under the injustices of the international monetary and economic arrangements made at Bretton Woods in 1944, which never left us in Africa the chance for real development and peace. . . .

Starting with events in today's Zaire and the first military coup in Nigeria in 1966, we became victims of flagrant interventions of the colonial powers into our sovereignty.

They killed or otherwise removed from power those leaders who dared to challenge the new colonial arrangements, just as they killed John F. Kennedy and Dr. Martin Luther King in America.

Now, this attack on Africa has reached a new dimension. After the public in Western Europe and North America has been inundated with the racist propaganda of the putative need for population control, the colonial powers have moved to actively promote inner-African wars, that will kill millions of our people. First, IMF policies destroy the social fabric of a country, and second, so-called rebel groups are encouraged and supplied with weapons to ignite ethnic or clan warfare. Meanwhile, to cover up for the real culprits, the public in the West is induced to cynically believe that it is the backward Africans again who never will be able to manage their own affairs, and of whom there are too many anyway. The two most gruesome examples of this are Somalia and Rwanda, with Angola not far behind. . . .

[W]e are not so naive as to overlook the fact that those who are aiding and abetting these crimes in Africa are to be found outside the continent. We have no illusions, that family traditions which are firmly rooted in the early days of European colonialism and the slave trade are very much alive among the oligarchical elites of the West today. "Eighteenth-century methods" have guided, in particular, London's strategic approach toward Africa throughout the last 35 years. . . .

Those aims have not changed much since the times of Cecil Rhodes, Lord Kitchener, or Gordon Pasha. They are to relegate Africa to forever be a source of raw materials, and keep only a few Africans alive to shine the shoes of western tourists and drive their jeeps through game parks, which are under the control of Her Majesty's World Wild-

believe that the only truth is what you gain by the intake of your senses. . . . It becomes clear when we look closely, that they are engaged in a process of thought, that these are portraits of people engaged in thinking about ideas of profound importance to the nature of man. They are attempting to pierce the veil of man's relationship to God, of man's relationship to the universe, and of man's relationship to man. . . . They all represent portraits of the act of creative thought. . . . And in that, they are an *image of the image* of man, made in the image of God. And that is God's gift to us. And that is how we survive.

"What does this really mean? It means *scientific discovery*, which is the intellectual process of thought of a single individual, but a single individual that represents a certain capability, and input and education, of generations of a culture. Of a culture that produces such a scientist, such a geogra-

life Fund (WWF). Africa should not be allowed development for her own people, and any political constellation that would strive for that, must be destroyed. . . .

Recognizing the right for development as the inalienable right of man, we call for a policy of rapid development of the physical economy of our continent. This means the large-scale development of continent-wide infrastructure (railways, roads, waterways, energy, education, and health), it means a perspective of rapid buildup of modern agriculture and industry, so that we will feed ourselves and manufacture from our raw materials. We demand that the existing foreign debt structure be frozen and any payments postponed until such a time as we have economically recovered and have separated out the legitimate from the illegitimate debt. We reject any of the IMF's SAPs and privatization policies, and instead join forces with those in Ibero-America, in Russia and Ukraine, who demand a general bankruptcy reorganization of the collapsing world economy, and a "New, Just World Economic Order."

We, the people of Africa, must finally throw off the yoke of the new colonialism and exercise our sovereignty by choosing "twentieth-century methods" for the most rapid economic development, which will enable "all the men in all the lands of Africa to live out their lives in freedom from fear and want." Thus, we lay the basis for lasting peace on our continent. Because, as Pope Paul VI said, "Development is the new name for peace." . . .

The African Civil Rights Movement calls on all Africans of good will, regardless of color or creed, to join hands in building those political alliances across the continent which can forestall the further destruction of our nations and people. In what we do for Africa, we must regain the moral high ground of the Pan-African ideal, and give back to the people and nations of Africa self-respect and dignity.

pher, such an astronomer, such a physicist, artist, or writer. That the principles of scientific discovery, in the creation of new scientific revolutions, which overturn old ideas of how the universe works, are translated into machine tools, which create brand new arrays of technology, which we have never heard of, or thought of, before. And, that through this technology, the productivity of labor is raised, is increased. By raising the productivity of labor, we are able to sustain far more people with the same amount of work, or even less. And that we are able to sustain far more people, at even greater and higher levels of material well-being and cultural life."

Africa in the world strategic context

Binaisa's movement is far from being an "Africa only" initiative. The evening session of the conference was devoted to an extensive report on the "Eurasian Land-Bridge," under construction by China and other nations, as the basis for a "continental land-bridge" that would connect the entire world, including Africa, into a single network of "development corridors" that would span the globe, and end the era of "technological apartheid." In her speech, and the discussion period that followed it, Leni Rubinstein of the Schiller Institute described to the excited audience how China, where tens of millions are so impoverished that they live in caves, is building the world's largest dam (Three Gorges Dam), has built the world's highest railroad bridge (between Nanning and Kunming), and the world's longest tunnel, built through solid rock (between Xi'an and Ankang). This proves that there is no reason for Africa, any more than China, to be impoverished, and that its IMF-enforced penury is *induced*, not "natural."

Rubinstein reported, "A wise man at a recent conference in Germany, Lyndon LaRouche, said that the United States cannot handle the economic and financial crisis on its own. He thought that probably some African nations would probably help, together with China and India. And he said the key thing is, if the so-called Third World, the developing nations, if they at this point get the right political and economic grip on what needs to be done, then new rules will be created. And as LaRouche says, "I like those new rules."

An imposed "technological apartheid," exemplified by the unjust sanctions imposed on the Democratic Republic of Sudan, was another focus of discussion at the conference. Shahir Wahtabi of the Permanent Mission of Sudan to the United Nations challenged the audience to confront the true reason why her country, previously widely praised by the UN for its humane treatment of refugees, was, by the mid-1990s, placed on the "most unwanted list" by the United Nations. This was done largely through the efforts of Baroness Caroline Cox of Christian Solidarity International, and her American followers, Reps. Frank Wolf (R-Va.) and Chris Smith (R-N.J.).

Jaques Bacamurwanko, former ambassador of Burundi to the United States, an associate of the assassinated Burundian President Melchior Ndadaye (1993), and the spokesman for

the National Council for the Defense of Democracy (CNDD), admonished the audience; “We should not really think that the issue is to cut off the head of an oppressor, whom you have not even identified, whom some call President Clinton, for his not deciding what to do in Rwanda or Burundi. . . . But maybe the problem is reversed. Maybe the problem is that some of us still do not understand what is at stake—Africa’s resources. We do not know the key people, in the history of the U.S., who were keen on organizing the citizenry, and the world, to benefit from what God has put before mankind, and who were instead assassinated, removed from the scene of history. . . . The forces that committed these crimes, *these* are the forces that we have to go after. These constitute the very enemy, as we have identified them, out of this conference here, as the British oligarchy, and British intelligence.”

This identification of the British Foreign Office, as the center of Africa’s problem, was the most controversial assertion of the conference, and led to a lively debate in the evening.

Representatives from Rwanda challenged the assertion that the British, not the Clinton administration, were primarily responsible for the ongoing destruction in Africa. Dr. Binaisa made it clear, that the only way that Africa would move beyond its “paper independence,” was to seek economic independence, never granted to it because of the continuous, and now increasing, domination of Africa, by the British-based raw materials cartel coordinated in large part out of what has come to be known as the Club of the Isles, and other British assets, thoroughly exposed in the EIR September 1997 Special Report, *The True Story Behind the Fall of the House of Windsor*.

Organizing initiatives

The African Civil Rights Movement has been active among state legislators in the United States. State Rep. Harold James (D), head of the Pennsylvania Legislative Black Caucus, attended the conference and reported, during the discussion period, on his fact-finding trip to Sudan. James had also co-sponsored a Community Forum on U.S. Policy toward Africa, on Aug. 9, 1997 in Philadelphia, with the National Caucus of Black State Legislators. This allowed these lawmakers, as well as interested citizens, to question Dr. Binaisa, as well as Ambassador Mahdi Ibrahim Mohammed, Sudanese ambassador to the United States, and Adogah Onah, the spokesman for the Nigerian ambassador to the United States, on everything from alleged human rights violations, to proposals for economic development.

As a result of James’s revelations concerning the British-orchestrated slander campaign against Sudan, and other discussions, participants at the founding conference agreed to launch a campaign in January which would attempt to lift the immoral sanctions against Sudan, as well as other countries, in part by supporting and disseminating the news of Egyptian President Hosni Mubarak’s indictment of Great Britain for harboring terrorists known to be a threat to Egypt.

Stop peddling Harvard racism

At the founding conference of the African Civil Rights Movement in New York City on Dec. 20, several questions and statements took the form of proposals for everything from reparations to African-Americans for slavery, to denunciations of the Clinton administration. Dennis Speed, Northeast co-ordinator of the Schiller Institute, replied to one question, as a means of replying summarily to all these ideas’ proponents.

Q: In addition to all of these things, we must be willing to lay our lives on the line, and to face the fact that if we have to deal with Executive Outcomes [a British private “security” consortium], perhaps we need a group of mercenaries. . . . We need to put a stop to the atrocities that are perpetrated against us by the Ku Klux Klan, and the like. And, until we are willing to do this, no one is going to respect us, and we may have to die. . . .

Dennis Speed: I think I’ll have to get into this, and do some oral surgery. Let’s first of all “speak German,” as they say: You’re not going to organize any mercenary army, because you didn’t do it, when, in the 1960s, you had the Black Panther Party, or the Republic of New Africa; because those organizations—or units of them—were, either in whole or in part, police agents. Nobody wants to face the fact that the problem is, that many, many, many black people in America live in a fantasy state. . . .

Harvard designs these kinds of ideas. This is where racism comes from. It’s the Harvard racist that I’m hearing. “Cognitive” versus “affective” intelligence—that’s what they call it. Black people *feel*, and white people *think*. That’s what they write about at Harvard. It’s what they call eugenics. That’s what *The Bell Curve* is all about. And, if you buy into that, you *are* your oppressor. You are worse than the British, because you are their agents of influence, without even knowing that you work for them. You are so bad, that you don’t even know how to collect a paycheck from them.

We just sat up here, and tried to tell you all about the Eurasian Land-Bridge. . . . You want to know the solution? We *gave* you the solution. We put it in front of you. And, you didn’t have the guts to look at it.

“What are you gonna do for me?” you ask. I’ve got news for you. We’re not going to do *anything* for you, because nothing *should* be done for you. Because if you don’t understand that you are in the same boat with everybody else in this world, and that the only thing that matters in the situation

right now, is whether all of us are going to go down, then you are not morally fit to survive, and you *will* not. Your culture will go the same way that European civilization is about to go.

You are correct about racism. That is ruining things. That's true. But you are *not* correct about your victimization. You are *false* about your victimization. Your victimization is coming from *your* mind, your sitting here and saying, "What are you going to do for me?" It is the *slave* who is the enemy in slavery. To attack slavery, you must attack the slave mentality. . . . We're not going to have that in the African Civil Rights Movement, because we are fighting a war.

Let me tell you something about a war. Yeah, it's bad what happened in Rwanda. It's awful. It's terrible. It's terrifying. . . . But we also know, that if you don't have a way to change the American policy on Africa, you've got *nothing!*

You want to know what to do right away? Well, do you have the guts to talk with several African-American legislators about the Sudan question? . . . Do you have the guts to organize it, so that they will oppose the sanctions on Sudan? Do you know what that could do to them? Do you know what you are telling them to do? You're telling them to lose their seat. Are you ready to make sure that they *don't* lose it? You have your forces ready? No! And, to propose such a risk, without preparation, is irresponsible. It is either the work of an *agent*, or a *fool*. If you are going to fight a war against *this*, and you intend to survive it, then you'd better make sure that you know what you are talking about, and who you're talking to.

In the United States, this country of some 250 to 300 million people, is comprised of a citizenry which doesn't vote, doesn't care to vote, can't read a map, and has very, very little interest in anything, except what swings, or doesn't swing, between their legs. That's where you are. Don't give me a big fantasy about black people and Africa, and the great things they're going to do. They're going to do *nothing* about Africa. They, like most Americans, don't even know where it is. They don't even know that it's not a country. . . .

No, I'll tell you what you can do. You can decide to take on the whole thing, or take on *nothing!* You can decide to take on the fact that we need a new monetary system, or nothing. And, if you say that you are doing anything else, I'll tell you what you are doing. You spit in the eye, and spit on the corpse of every African that is dying, right now, as we speak. *You* do. *You* spit on them. . . . What we are here to tell you, is this: If you have the *guts* to win, you *can* win. But you have to have the guts to put the army together around the *ideas* that will win.

Forget blackness. It's not going to win, and it shouldn't win. Forget the idea of yellow people, and white people, and all this other stuff. You pollute the floor with that. Don't you dare come in here and try to give us a lecture about that kind of thing. You speak for British intelligence when you say those things.

Don't tell us about America. America doesn't have any intelligence services. Their intelligence services were set up

by the British—and that whole organization is still in place today. That's why we talk about it. That's who put LaRouche in jail. That's who runs this country. . . . You talk about who's exploiting Africa, but look up the corporations. They are all British. . . . We intend to destroy that faction, in our country, of American citizens, that is holding whole sections of the world hostage to stupidity, and hunger, and poverty, and disease. But, if you make the mistake of saying, that they [in the form of the government] are the dominant cause of the problem, then let me explain to you what you are doing. You



"Cognitive" versus "affective" intelligence—that's what they call it. Black people feel, and white people

think. That's what they write about at Harvard. It's what they call eugenics. And, if you buy into that, you are your oppressor.

—Dennis Speed

are going to re-create the problem. Because you don't get the fact, that the way that this country is run, is culturally. And the culture is not from here. The culture is country and western music; it is rock music; it is free sex, and all of this stuff is run by the British, by Bertrand Russell and H.G. Wells, and their friends like George Bush. That's how intelligence is organized—*Sir* George Bush. He's a British knight.

We're trying to tell you who the enemy is.

If you say to me, "I don't care who killed John F. Kennedy, because he's a white man," you don't know what kind of fool you are. Because those are the same people that put crack cocaine in the ghetto every day. Those are the same people that are killing *you*. And if you come to us in the hope that, on some kind of "black solidarity" basis, we're going to put something together, you're in the wrong place. Don't even *think* about it. Don't even "go there."

Yes, we need immediate action. What we can do is this: You have to get representatives of the population together, and you have to get the state legislators, many of whom are better than the Congress—you put these people together, and the way that you start the war is simple. You go in—to the UN or Congress—and, you're real nice. You say, "We can't

figure something out. You're telling us, that we are supposed to have sanctions against Sudan, because they're terrorists, but you can't name the terrorists. But when the President of Egypt tells you, that the British have the terrorists, and he names them, you can't put sanctions on London!? We can't understand that. What's the deal?" And that's how you do it. "We think maybe you're doing this to Sudan because it's a black country."

That's not really why — the real reason is, that they want to stop the Nile projects, the development projects. They don't want Sudan to be sovereign. But they also hate them because they're black. So, take advantage of the fact that the man is a racist. Back up the President of Egypt on his charges against the British, and you can *win* on Sudan.

That's how you have to fight. You don't have to have a gun; you don't need mercenaries going anywhere to kill anybody. What you need is some brains! Use your brain power, and you can succeed.

Discussion

What's really behind the attacks on Sudan?

Shahira Wahbi, the First Secretary of the Permanent Mission of the Republic of Sudan to the United Nations, made the following remarks to the conference:

Thank you very much for giving me this opportunity to address this august assembly.

I came to the United States two and a half years ago. And, here, I started to know things about my country that I didn't know before!

First of all, I learned that my country is a terrorist country. However, I have never seen a terrorist; I am not a terrorist. I have never heard of a terrorist act committed in Sudan by a Sudanese, actually. I think we learned in the university that there were eight terrorist acts in Sudan, which were committed by foreigners in Sudan. So, this is one of the first things that I learned.

The second thing I learned was, that my country is also a violator of human rights, which included that we are enslaving people, that we are killing Christians, that we are harassing women and flogging them. I also learned that we are discriminating against women, and recently I learned that we are starting to sexually abuse children.

The third thing I learned is, that my country is destabilizing its neighbors. And just looking at the map, I see that Sudan

has ten neighbors: Egypt in the north, Libya in the northwest, Chad in the west, Central African Republic on the southwest; we have the Democratic Republic of the Congo, Uganda, and Kenya, in the south, including all the old kingdoms of Africa. We have on the eastern side, Saudi Arabia across the Red Sea, Ethiopia, and newly, Eritrea. So, we were told that we were destabilizing our neighbors — all these ten countries.

However, I had conflicting signals. While I was told this, I find that my government is, with the government of Central African Republic and Chad, signing a trilateral agreement of cooperation and economic integration. So, I said, "Well, we are not destabilizing these. Maybe we are destabilizing others." Then, after a time, I find that these



I had the opportunity, along with several other state legislators, to go to Sudan in February of this year. And I was really surprised to have heard all these things they said were going on in Sudan, and to not see it there.

—State Rep. Harold James

joint ministerial committees, which take place between governments, are taking place between the government of Sudan and Ethiopia, and then, after some time in Saudi Arabia, then we find ministers coming and going to Egypt; then our President goes to Libya.

Then, it seems, that we are not destabilizing these people.

The factual thing, before my eyes, is that there is an ongoing relation, with the normal ups and downs, as between states everywhere in the world. So, I really started to look into U.S. documents (because I have access to them), to see what was the origin of these new-found facts about my country. I went back to resolutions passed on Sudan. I found that the outstanding resolutions on Sudan were about refugees. And the resolutions were perfect. You know, the UN language commending the government of Sudan for its hospitality, then requesting the international community to provide tangible assistance, and all these nice resolutions you have, when you are happy with a country.

And, up to 1989, the resolutions stop, and then we start

having what they call “omnibus resolutions,” where you group a lot of countries into one resolution. And, then, you drop some of them on the way. And then, suddenly, I find a resolution from 1994, on human rights violations in Sudan, which included all these things. So, I started to connect, that it seems that the political change in Sudan, which took place in 1989 through a coup d’état (as happens in many African countries—we should be really courageous enough to say that; it does happen, in Africa, all the time), came to power.

So, what happened next, was that this government finally said, “Well listen, we have had enough. We have a debt of \$13 billion. We do not want any assistance [from the International Monetary Fund]; we want to rely on ourselves. We do not want to have people giving us anything. We believe we have the resources. And, if we do not take, then we will be forced to work. We might succeed in some area, we might fail in others, but we will take this responsibility. So, then these things started to be implemented. When the government would enter into negotiations, they would not demand anything, they would just say, “Give us education, give us training for our people.”

And this was not really liked, because it might set an example for others.

So, this attitude had to be stopped. What was called for by many officials from many countries, was that the attitude of the government of Sudan has to change. This is the policy. So, actually, I was convinced that this attitude was not terrorism, because it is anti-Sudanese nature. I am a Sudanese. I think I know Sudanese. I cannot generalize (I know generalizations are bad, of course—there are exceptions in any society), but, we cannot generalize by saying that “Sudan is a terrorist country.” That means that *all* the Sudanese, including myself, are terrorists. So, I think this attitude, I came to believe was not due to terrorism, or human rights violations. Any of the accusations that I have learned of here, could not be, really, the real reason why my country is being attacked *every day*.

You know, I can’t imagine how, in five years, a country, with a magic wand, can suddenly be focussed upon. I am sure that ten years ago, nobody heard of Sudan. Everybody would say, “Oh, Sudan! South of Egypt where the pyramids are.” Full stop. But today, everybody knows Sudan as “where slavery is.”

This is the only question I have today: Why, in these last years, is my country under focus? Why is Sudan being attacked? And, certainly the international community must have realized all the so-called horrible things that were committed in Sudan before.

So, this is the question that I want each one of you to answer. You have a lot of intelligent people here, and I am sure that they would know the answer. Thank you.

Rep. Harold James replies

Pennsylvania State Rep. Harold James, on behalf the African Civil Rights Movement, took the opportunity to respond

to the question asked by the previous speaker. Mr. James is chairman of the Black Legislative Caucus for the state of Pennsylvania. In 1997, he had participated in a Schiller Institute-sponsored fact-finding mission to Sudan. The following are excerpts from his remarks:

I had the opportunity, along with several other state legislators, to go to Sudan in February of this year. And I was really surprised to have heard all these things they said were going on in Sudan, and to not see it there. In fact, I found that, when we were there, we had the opportunity to go where we wanted. When we wanted to be escorted by government officials, we were; and when we chose not to, we went walking



The forces that committed these crimes, these are the forces that we have to go after. These constitute the very enemy, as we have identified them, out of this conference here, as the British oligarchy, and British intelligence.

—Jacques Bacamurwanko

in town. We went to a mosque. On Sunday, we went to several Catholic churches. They were filled with people. Then, we went to a Coptic church. So, we saw freedom of religion there. . . .

We went into the south, into the Blue Nile state. We saw their agriculture, which was great. It just seemed to me, that this was a country that wanted to be independent . . . and what’s happening there, is what’s happening to a lot of us in the United States, and other countries.

It was appalling to be there, and to happen to look at a CNN program one night, and to see Baroness [Caroline] Cox [whose Christian Solidarity International is leading the wolf-pack against Sudan], and the CNN interviewer, talking about Khartoum getting ready to be overthrown. I was there in Khartoum, and I didn’t hear any noise, any shooting, anything. . . . And, they were talking about how bad it was—slavery and all that kind of thing. So, I called up the other people in the delegation and told them to look at CNN, and then I filmed it on my video camera, because I wanted to be able to show it at some point.

And, what was interesting is, they didn't have anybody from the Sudanese government to—and I always thought CNN was real fair, that if you were going to talk about a country, that you would have somebody from the current leadership, whether they agree or don't agree with you. But they didn't. They had somebody who was expelled from Sudan, and they had the Baroness Cox.

We met with the [Sudanese] Supreme Court. We met with five leaders from the south who had been fighting the government, who had now come together. They made a peace treaty this year, which I thought was excellent, where they got everybody except John Garang to sign. . . .

When Baroness Cox took two people from the *Baltimore Sun* over there, to try to prove that there was slavery, the guy who got them to buy a slave said, "Look, there's the slave's father right there. We've got to give him back." That was right after they had paid the money. And then, they tried to get him to give his name, and he said he wouldn't, because he said that if he would give his name, the government would lock him up.

So, that showed that the government was against it.

Only noble minds can transform the world

One of the highlights of the discussion at the conference, was the presentation given by Leni Rubinstein on the Eurasian Land-Bridge, and the ensuing discussion. Mr. Fang Neng Da, a poet, intellectual, and activist, spoke in response to a proposal from several Africans that, perhaps, the Eurasian Land-Bridge would offer a solution for Africa.

I have sat here very patiently from the beginning of this meeting, and listened very carefully. My name is Fang Neng Da—Fang is my family name—and I come from mainland China, and I have visited Hong Kong, Singapore, and Taiwan. I find that there is one common reason for us Chinese to stand together: that is, that we never disdain or discriminate against ourselves. We always respect ourselves. Even after the Opium War—at that time China was very weak, very poor, but we never thought, "We are of no value." Even very poor Chinese people still think they are valuable—not inferior to the rich white man, or to the colonialist.

Certainly, we differentiated those friendly Europeans, and Americans, from those not friendly. As for the British people, Sun Yat-sen had many British friends, even his teacher, who saved his life. *This* Britisher is not a bad one. But, those who launched the Opium War, it is obvious that they are bad people: no matter if they look like gentlemen, or how they dress or behave. So that, we recognize that we should unite with

the true friend, and keep a distance, and a vigilance, towards the enemy.

But also, we have an educational tradition, towards those enemies. We do not isolate ourselves. We make friends with them, but keep our principles to educate them, to turn them to become good men, to *transform* them. Even now, you see the Chinese government saying in the newspapers that "we should transform our ideology". . . . So, we should believe our *own* force, our *own* capability of using the mind to transform the world. First, we need to transform ourselves.

So, in Africa: Chinese have been in contact with Africa for a long time—since the Ming Dynasty. China sent big ships to Africa, much earlier than the European went to Africa. But China did not have the slightest intention to occupy and make aggression. . . . So, there must be a big difference.

You know why Sun Yat-sen is successful? He has a very noble mind. He never thought anything selfish. He donated all his energy, his life, he ventured all his assets to save China. That set a very good model. When the revolution breaks out, Sun Yat-sen is not in the country, he is abroad. But why did the people choose him to be President? Because, people knew, "He has a *noble mind*." Then, he *will* choose the best solution. If he does not have the best mind, even if he is very able, he may choose the wrong solution, and distort the original goal.

So, every one of us here should have a self-education, to devote ourselves unselfishly to mankind, including African people.

Binaisa: Africa is still enslaved by debt

One questioner from Nigeria asserted that the African Civil Rights Movement should prepare a "balance sheet" on the African debt, to which Dr. Godfrey Binaisa responded.

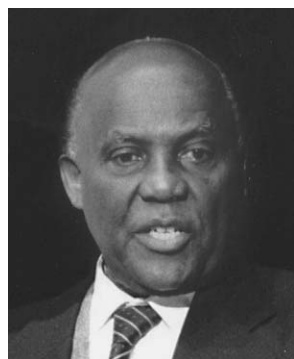
Q: A debtor does not look a creditor in the face, and say, "Hey, I can do what I want to do." Because right now, it is the creditor that has the upper hand, and the debtor has the lower hand. . . . I want the Schiller Institute to come up with a balance sheet for Africa, and actually itemize the debts of Africa to the IMF, to the World Bank, to the Group of Seven . . . and so on. Come up with a balance sheet, as to what, really, is the debt of Africa, and what are the assets of Africa. . . . I'm privy to the fact, that some Nigerians, coming together, can pay off a reasonable section of the African debts. . . .

Dr. Binaisa: I want to reply to my brother here, who asks about the debt. He wants the Schiller Institute to produce a balance sheet. I mean, that's all uncalled for, because we are

not auditors of anyone here. And secondly, we're here in the African Civil Rights Movement, to have new roots, to have new ways of thinking. These are the old, old colonial mentality.

When you ask me about the debt, how much is it, I answer you: First of all, tell me, what is the *legitimate* debt, and what is the *illegitimate* debt? And so, we shall go on, and on, and on, throughout the night, without having any kind of answer. You see the colonial mentality, which I think those of you, who read my invitation—I say that I think that these are like medieval ghosts of the past, dangling their chains. Because, when they talk about global privatization, they only mean global *serfdom*. They want to keep you permanently as serfs.

But now, when you don't have any new ideas, you start



Since they gave us independence on paper only, we have now to go back and rethink about new tactics, about

obtaining, or achieving, economic independence. That's what the whole civil rights movement is all about.—Dr. Godfrey Binaisa

asking questions, which the imperialists *want* you to ask. Because, this is the way you have been brought up; these are the books you have been reading.

Very few of you have ever read of the Chinese Opium Wars, because these were not in your curriculum. Nobody wanted us in Uganda to know about the Chinese Opium Wars, because we were only taught British Empire history. You see, we've got to get away from all of that rubbish.

We've got to think about new ways of facing our problems. This is why I keep coming back to my earlier question: Why did we ask for independence? Why did we agitate? Did the Americans advise us to do that? Did the Europeans advise us to do that?

Now the second challenge is this: Since they gave us independence on paper only, we have now to go back and rethink about new tactics about obtaining, or achieving, *economic* independence.

That's what the whole civil rights movement is all about.

Time for Africa to take the moral high ground

by Dr. Godfrey Binaisa

Dr. Binaisa is the former President of Uganda (1980-81) and the provisional chairman of the African Civil Rights Movement. He gave this speech on Dec. 13, 1997 to a conference of the Schiller Institute in Bad Schwalbach, Germany. Subheads have been added.

Let me begin by greeting you, first: "Good afternoon, Africans." Because you are all Africans! It has been proved that you emigrated from us in Africa and inhabited the rest of the world. It is a great pleasure indeed to be invited to address you briefly, not only on Africa, but on what I think about the present crisis. As Helga¹ has said (I fully agree with her), unless something is done pretty soon, the world is going to disintegrate. Your Western civilization, a little bit of which you have bestowed on us in Africa, although not the whole of it, will also disappear; and, we shall all enter a new Dark Ages.

Remember, at the Berlin Conference in 1884, when Africa was divided amongst you European countries, it was only the United States—which attended with a delegation to watch that the Europeans didn't end up scrambling for Liberia, which the Americans had played a role in founding in 1847—they didn't claim any African territory. But Kaiser Wilhelm, who was a grandson of Queen Victoria, said, rather cynically, that he, too, wanted a place in the sun, and was given Tanganyika, Togo, Cameroon, Southwest Africa. He added that he was not quite satisfied: He wanted also snow at the equator. So, Grandmother Victoria obliged, because she had Mount Kenya, which is snow-capped around the year, and she had Mount Kilimanjaro, which was also snow-capped around the year, and she gave the Kaiser, Kilimanjaro, so that the Kaiser could have snow at the equator.

Today, Kilimanjaro is part of Tanzania, which was formerly German Tanganyika. Then—we move quickly—Germany occupied, besides Tanganyika, they occupied Rwanda and Burundi, as part of their East African empire. The story is, they used to scan both countries for these very tall Tutsi people, who are seven-foot tall, to come and be trained in Berlin, to be the drum majors in the Kaiser's military bands. And, that's what they did.

1. See Helga Zepp LaRouche's keynote address to the conference, "The Lessons of Classical Tragedy for Today's Crisis," *EIR*, Jan. 9, 1998, p. 42.

Then, after the First World War, both Rwanda and Burundi went to Belgium, which governed them as part of Congo.

I'm telling you all this, so that you know—you should know, that Germany has had relations with Africa for some time. They're still there, a bit of them: The Lutheran Church is still flourishing in Tanganyika—in Tanzania—and Namibia, which used to be known as Southwest Africa.

Now, what is happening today? You, in Germany, have become part of our problem, too! Because you are doing nothing about it. You are very highly educated, very highly civilized, you have produced some of the biggest thinkers in this world. . . . But you do nothing. You don't even send a letter, or make a telephone call to your members of parliament, to your ministers, to your state legislators, to complain, to suggest, to move them, so that they do something about the tragedies of Africa.

Recently, the *New York Times* published an article, saying that our President, Museveni, of Uganda, is the "New Bismarck" of the modern world. Fancy that: Bismarck didn't do what Museveni is doing. I mean, he united Prussia to the rest of Germany, and so on and so forth, but he did not indulge in what is happening today in Africa: Ethnic groupings killing people, basing the killing on ethnicity, where you have, in Rwanda and Burundi, people speaking the same language, having the same native customs, having the same religion, and, yet, slaughtering one another. Why? Because they are being instigated. Mainly from outside. Have no doubt, don't doubt at all: All these killings have, to a great extent, been instigated from outside.

The new colonial empires

The British Empire is still healthy and sound in Africa. The British Commonwealth is still being expanded. Mozambique, which used to be a Portuguese colony, is now a part of the British Commonwealth. They applied and were accepted. They now speak English. Rwanda, I understand, is in the process of being accepted. They will soon be speaking English. Make no mistake at all. Congo, under Kabila, I think, too, is in the process, very soon, of applying for membership.

So, what have we today in Africa? We have a new expression of empires. The British Commonwealth is a new label for the British Empire, because "empire" became a dirty word about 35 years ago. "The Commonwealth" is more elegant. But, the system behind it all, the purpose, is to *exploit*; it is to profit from the natural resources that are found in this area of Eastern and Central Africa, which is sometimes termed the region of the Great Lakes of Africa. The cobalt, the gold, the diamonds, manganese, uranium, copper—you mention it, and Africa, in that area, has it. Lumber. (Besides mentioning the crops, like coffee, cotton.) And a lot more that hasn't been discovered yet. That's what everybody is scrambling for.

I come from an area which everybody hates to develop economically, but everyone loves to loot. That's what we are faced with today. Everyone loves to loot us, before we wake up, before we know where we are. My brothers and sisters in Cameroon, before they know where they are, all the rain forest is gone. All the timber has been shipped to France, to be warehoused there: African ebony and mahogany. The same is going to happen to us all. So, by the time we wake up, by the time we obtain the skills, the engineering skills, the technology, there'll be nothing there for us. It will all be gone. That's what is happening to us. And, you do nothing. That's why I say, you are part of our problem. Please, stop being the problem! We have too many other problems, we don't need a German problem. You are too sophisticated, you are too Christian, for that. You shouldn't have anything to do with it. Examine your history, and see your contributions, and you'll be ashamed of yourselves to see that you are doing nothing at all. You are in cahoots with the exploiters.

There are some 19 corporations, big ones. About 2 of them are American corporations; 17 of them are British and Canadian. (I don't know yet about any of them being German—I would have mentioned it. Maybe some of you know. But, if you know, you'd better watch out!) And, this is what is happening: These companies want us to remain hewers of wood and drawers of water. They don't want us to develop mentally, physically, and otherwise. Missionaries, some missionaries, have written about us in Africa. They say, "The African is poor because he's backward. He's backward because he's poor." Now, if I'm backward because I'm poor, and I'm poor because I'm backward, what do I do? Do I kill myself? What do I do? Advise me.

You are doing nothing, apart from saying that. But, I say that "I am entitled," like you are entitled. I'm entitled to development. I regard economic development as my birthright, as you regard it as being your birthright. Because I regard myself as having been created in the image of God, as you were. I don't regard myself as a different species, some kind of different species besides being a human being. I don't agree with Darwin, who says that I came from a monkey. I agree, a monkey existed, but so did I. If that is so, if I am entitled to development, let me get it. Let other people know they should not develop at my expense, as is happening now. The World Bank and the IMF should not prosper at my expense.

Let's look at these two bodies. They were founded in 1944 in Bretton Woods in New Hampshire, in the United States, where I happen to be living now. When they were formed, Uganda was not independent. Neither were many other African countries. It was only Ethiopia and Liberia which were independent. So, none of us were consulted. But those who formed them *knew* they were creating new pillars of power, new pillars of exploitation, to replace the so-called colonies.

And, that's what they've done. And, they were created in 1944: The World Bank — to be president of the World Bank, you must be an American citizen. That's what they said! And, that's what they do. To be president of the IMF, you must be a Frenchman. No change at all, because these were absorbed by what I call the Club of the Victors. The Club of the Victors: These are the victors in the Second World War; these are the Permanent Members of the UN Security Council; these are the people who have got a veto.

What surprises me, is that even the other members who have got a veto, like China and Britain, are not raising anything about removing some of these anomalies. Why should they allow only Americans to be president of the World Bank? Why should they allow only Frenchmen to be president of the IMF? I don't know. I don't think it's a question of color. I don't think it comes into it. Because below, below the skin, they are all Africans. I don't know why it is.

Anyway, that's what is happening. We became independent, 35 years ago. And we are at your mercy. We are at the mercy, the tender mercies of the World Bank and the IMF. They can tease us, they can do anything they like with us. They can give you conditionalities, which you've got to obey, if you want to get a penny from them. They say, "Take it or leave it!" That's the name of the game: "Take it or leave it. If you want our money, Do X, A, B, C."

What did we get? We saw, in 1941, President Roosevelt of America meeting Churchill, I think, 1941-42, to sign the Atlantic Charter, to say what they are going to do, if they win the war against Germany and Japan. Among other things, President Roosevelt told the British, "You've got to give up your colonies. Everybody should enjoy full liberty, to develop and to pursue happiness." Churchill responded, "We, the British, we *keep* what we have. No independence! Independence lies in the bosom of Her Majesty, but not in the bosom of those people in the jungles of Africa or Asia." (He didn't say actually those words; I'm making it up, to see what was going on in his mind.)

'The independence of the flags'

The independence we got was a paper independence: the independence of the flags. We were permitted to compose our national anthems; to fly our little flags; our ministers rode the German-made Mercedes Benzes, with their little flags. And their chauffeurs. We were called, "Your Excellency." The red carpets were drawn out in all the airports, international airports, where we went to visit, on business.

And, we knew that everyone was just laughing at us. Because they knew, first of all, that we had not changed the formula of being "backward because we are poor, and of being poor because we are backward." We were still the same. Except, we had changed the flags.

I attended that party in Kampala on Oct. 9, 1962. We played the British national anthem for the last time, and, you

know what happened? To my amazement, our own police bands, the police bands of Uganda, Tanzania, and Kenya, were there to entertain us, and the next thing they did to entertain us, after we had pulled down the British flag, was to play that song some of you know: "Rule, Britannia!" They played it! Because they didn't know anything. Those bandmasters of ours, they were all black bandmasters. They didn't know anything, they didn't know, I don't think they knew the words. The next song they played was "Marching through Georgia." "Marching through Georgia"! Fancy that! They didn't know the words. Next to me was sitting a very high-ranking British official, who had opted to remain in Uganda. I could see him singing with such gusto, because he was very pleased to see that we were still backward because we are poor, and we were poor because we were backward, and we didn't know anything better.

We have lost the sense of justice

Today, we are being made to fight one another. We are told we have produced "new leaders." "These are the great new leaders of Africa," leaders like my President, Museveni (who read Frantz Fanon's books — *The Wretched of the Earth*, that's what he read for his degree, at the University of Dar es Salaam). These are the new leaders: They believe in violence. They believe in conquest. Whoever stands in the way, has to be eliminated. That's what has been happening from East to West Africa, from North to South. *They have lost all idea of morality.*

At this meeting we are supposed to remember the leadership of Socrates, that wonderful Greek philosopher, who, when he laid dying, said, "I to die, and you to live, which is better? Only God knows." And then, suddenly, the room was full of the sobs of strong men as he lay dying. He left the men of his days, the wisest, the most just, and best.

We have lost that in Africa today. We have lost the sense of justice — and *you have lost* the sense of justice, in Europe, too. Not only us. You are quick to point out African corruption, but you are just as corrupt as we are, if not worse. Because you are the ones who started it, and then, when something happens, you say, "Oh, no, we didn't mean it. We didn't mean to go too far." "They've gone too far in Nigeria," "They are going too far in Kenya," "They are going too far in Uganda," and so on. That's what you say, that's what your papers, anyway, your media say that — not *you* here in this room. I don't know, maybe some of you in this room here say that too.

But, that's what is happening. We have lost the *high moral ground*. The high moral ground upon which people like Nelson Mandela stood, in court, in Pretoria, more than 30 years ago, when they were being sentenced to life imprisonment for fighting for freedom. He, too, has lost it. Because when he came out, do you know what happened? Do you know what has happened? They've hounded out that great African woman, whom I always respect, because she stood by princi-

ple. She's now being hounded out: that is, [Winnie] Madikizela Mandela. Mrs. Madikizela Mandela. You've read the papers? Read what the Western press has made out of her? She's now the villain! "She's a terrible, terrible woman."

But, she's *not*.

You remember, those of you who read your Bibles? You remember what happened to that woman who was taken before Jesus. And, they asked, "Jesus, Jesus, what do we do with this woman? She has been found prostituting. She is a prostitute." Jesus bent, bent his head, and told them and asked them, "He, among you, who has never sinned, let him first cast a stone on her." And, everybody disappeared, slowly. And, truly, Jesus stood up, and said to the woman, "Woman, go home. Never sin again." These people have been writing about Madikizela Mandela: Did they remember those lines of the Bible? Did they remember, that in South Africa today, Mrs. Madikizela Mandela has been more sinned against, than sinning? When she held the fort of the African National Congress for 27 years? Why didn't she behave as a prostitute, when she was much younger? When she was more attractive than she is today? She was a woman, and she is a woman of principle.

What has happened today? Botha, who was President of South Africa, has defied the Truth Commission. He has defied it! He said, "I'm not going to appear before you idiots. You can go to hell. I'm not appearing." That was His Excellency, the President. And, no, no, the press hasn't shouted, the Western media have not said a word, they just report one line: "Former President Botha has refused to appear before the Truth Commission." But, this lady has to be *roasted*, before the commission, for nearly two weeks. We shall hear more. She may even be debarred, debarred for life, to end any public life. 'Twould be a sad thing. 'Twould be a sad thing for Africa, because these are the kind of moral grounds we are losing.

This is why the world is in a bad shape today, as Helga was saying. The plays she's cited, say that. You learn the big moral issue of today: The world has lost its morals. Nobody wants to stand on high moral ground. Everybody's waiting for somebody. We are, us.

The children of Israel were waiting for a Moses, to arise amongst them. Who is the Moses? Who is going to deliver them from slavery? That's what the world today is waiting for. And, you people here, you are not doing anything. We are not doing much, in Africa. But we need *peace*. What I've got to impress upon you, is that we need peace so badly, because we can't do anything. Pope Paul VI said one day, Pope Paul VI said, "Peace means development," and vice versa. Without peace, you can't develop.

It was, I think, France's Louis XIV, who said, "Without religion you can't also get civilization." You can't be civilized without religion, but, now, the religion you have in the West today and the rest of the world is a literally different kind. It's just pornography and the rest of it. I don't have any sentiment

myself to go to some of the movies, any more. Because I have nothing to learn. For them, I am supposed to be still backward. But still, I think I am more advanced than some of these pictures.

I think we have got a lot to learn from the Chinese. And, now I am addressing my fellow Africans and some of you who still have some sympathy with us, as the Schiller Institute has, and has always had. For African progress. We've got to go back, like the Chinese have done. They've gone back to the morals established by Confucius. That's what I charge them to do. We don't have Confucius, but we have a lot to learn from the Chinese model. We have a lot to learn. Because, before the British came, we were still a very highly moral people. Very highly moral.

In fact, our King, in Uganda, I remember in 1879, he received a delegation including the head of the Roman Catholic Church in Kampala, Father Lourdel, a Frenchman from Algiers; and Alexander MacKay, he was British, born in Scotland, and was representing the Anglican Church, the Episcopal Church of England; and, an Arab sheikh who was representing the Muslims. The three of them went to the King, to try to convince the King to be converted to one of their religions. The King listened to them for a big part of the day, and at the end of it all, asked them: "If your religions are as nice as you paint them to be, why don't you agree with one another? Why are you so different? Now, I would like you, first of all, to go back home and get together and agree; and, then, come back to me and then I'll be prepared to join your religion."

He died before ever being converted. He never accepted any of them.

Keeping the moral high ground

So, what can China do? I've been following the progress in China, particularly with the Land-Bridge, which Helga mentioned. I think the Land-Bridge, the Eurasian Land-Bridge, is very important to *us*. Although it will come through Asia, going into Asia Minor, going into Egypt, coming down to East Africa, and then South Africa, and so on, West Africa. But, it will come. It is only by development that we can *ever* expect to get on in life. And, then, in addition to that, the Chinese are the ones who are the latest to emerge from a kind of state of dormancy, if you may put it that way. They've been dormant for some time since the Cultural Revolution; now, they're up and up and up every day. They've got a lot to teach us, if they can come with us, or, if we can go with them. I will be working on this for some time, together with the Schiller Institute. I think we've got a lot to learn there.

And, also, they've not lost, and I hope they will *not* lose, their moral high ground. Because I think that most of the progress will be done through maintaining, maintaining at all costs, the moral high ground—which we are losing, in southern Africa, in eastern Africa, in central Africa.

You've heard of the terrible killings of the Hutu refugees? This is something *unheard of* in the history of mankind. Because, if you remember, in the days of the Bible, in the old days, I think it was in the City of Ephesus, in Asia Minor, where, if anyone managed to reach Ephesus—somebody's chasing you for a debt, or something—and you managed to reach the gates of that city, you would be safe. There used to be that kind of freedom. People used to hurry for that city. It has been one of the tenets of public international law that, if a person manages to *flee* his own country, where he is being persecuted, where his life is in danger, and he manages to reach the borders of another country, or to enter through into another country, his life is *safe*. This has been, now, disproved in the so-called Democratic Republic of the Congo, under Kabila. Nobody is safe any more in that area of Africa. You are not safe anywhere. Unless you have managed to enter the bedroom of the President, Kabila. Maybe. He may put you up, underneath his bed, or something. Otherwise, they will get you, anywhere. As he got quite a number: thousands upon thousand of refugees. Some of them have perished in the dense forest, where, even when you are there during the day, you do not even realize that it's daytime, because it's dark. Some of them have perished in that. And, yet, the world has just been watching, because these are "just the savage Afri-

cans at one another's throats again." That's the attitude in the Western media.

And, they forget the terrible times they themselves passed through in Europe. They forget the Hundred Years' War. They forget the Thirty Years' War; the Seven Years' War; the War of Austrian Succession; the War of Spanish Succession; the Great War, First Great War; Second Great War; the Franco-Prussian War. *There are so many wars!* Those of us who've had some little interest in your history, will remember those wars, you see? Don't think we have forgotten; we remember those wars.

So, it's no use going back into the past. It's better that we go forward. And, to go forward, together, will mean that we get on together in all respects. And, this is why I come to conclude, by suggesting to you, to join us in the Civil Rights Movement for Africa, of which I'm the provisional president. We're holding an inauguration on Dec. 20, in New York City, and we invite you to join. Because we are non-racial. The matter of race has been used so much against us, as black people, that we don't like to repeat it against others. We have decided to *never repeat* it again. And, in fact, that's one of our biggest contributions: If we make any contribution at all, we want all races of mankind to start living together. We have enough room in Africa, for everyone. Thank you.

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Algerian massacres cover for London land grab

by Our Special Correspondent

Alas, poor Country,
Almost afraid to know it self. It cannot
Be called our Mother, but our Grave; where nothing,
But who knows nothing, is once seen to smile:
Where sighs and groans, and shrieks that rend the air,
Are made, not mark'd; where violent sorrow seems
A modern ecstasie: the dead-man's Knell
Is there scarce ask'd, for whom: and good mens lives
Expire before the flowers in their caps;
Dying, or ere they sicken.

—*Macbeth*, Act IV, Scene iii

Unless action is taken on the international level to halt the bloodshed in Algeria, 1998 may well prove to be the year in which that nation died. As the New Year opened, and just before it, the Muslim fasting month of Ramadan, the violence which has been wracking the country since the coup d'état of Jan. 11, 1992, entered into a qualitatively new phase, with not dozens, but hundreds of innocent civilians being butchered in one-night raids. The reports of the atrocities, which have even appeared in selected Algerian newspapers, have finally provoked an alarmed reaction abroad, and, following the pained cry of outrage uttered by Pope John Paul II, leading political figures, from Iranian Foreign Minister Kamal Kharrazi, to German Foreign Minister Klaus Kinkel and U.S. President Clinton, have called for action.

If, even at this eleventh hour, action is taken, it will lead to success, only on condition that the root causes of the bloodshed, within Algeria as well as abroad, be addressed, and those responsible be brought to justice. This means, the responsibility of the British, and their complicit French colleagues, in protecting the terrorist infrastructure in London,

on the one hand, and providing massive lethal weaponry, as well as political support from Paris, to the “exterminator” faction of the Algerian military, on the other, must be acknowledged publicly. It means as well, that following such public denunciation, punitive actions, for example, international sanctions, must be imposed on Britain for its crucial role. If the United Kingdom and France, as permanent members of the United Nations Security Council, move to block such sanctions, then the bankruptcy of the UN should be acknowledged, and the institution dissolved.

A new phase in genocide

During the night of Tuesday, Dec. 30, the first day of Ramadan, a massacre was perpetrated in the province of Relizane, 300 kilometers west of Algiers. According to press accounts, 412 civilians were murdered by well-organized terrorists, who fought throughout the night, until they had overcome the last resistance. On the following Saturday, another village in the same province, named Remka, 150 kilometers west of the capital, was hit, and 117 people died. The next night, the village of Had Chekala in Relizane province, and all its inhabitants, were eliminated. Men, women, and children had been indiscriminately killed in all cases. Babies were killed by being hurled against the wall. Women and men were killed with knives, swords, and axes, their throats cut, and their bodies mutilated. By Monday, Jan. 5, German radio reported that tens of thousands of civilians from the area, mostly farmers, were travelling by truck, tractor, or any other means, with their families, to flee the province, which has been targetted by a scorched-earth policy. And, on Thursday, Jan. 8, reports came in of another massacre carried out during the night, during which over 100 were killed.

Press accounts and the Algerian authorities ritually ascribe such atrocities as the work of “Islamists,” usually identified as the Armed Islamic Group (GIA). Yet, as the violence has escalated in dimensions and brutality over the past four years in particular, and military factions in the regime of Gen. Liamine Zeroual have boasted that they have “eradicated” the terrorists, it has become obvious, that the conflict is of a different nature.

Increasingly, accusations have been raised, of complicity of the military regime in the terrorist organizations. In the wake of the most recent atrocities, an account was published in the German daily *Die Welt* on Dec. 31, of explicit charges to this effect, made by a former member of the Sécurité Militaire (SM), Algeria’s military security apparatus. The same man was interviewed, with scrambled voice, on German television news, on Jan. 7.

The SM ex-officer, who is identified under a code name, Adlane Chaabane, was a collaborator for years, of Gen. Mohamed Betchine, who is seen as the closest adviser to the President. He also worked for the man who headed the SM, Gen. Mediane Mohamed, a.k.a. “Tewfik.” Chaabane managed to flee Algeria for Europe six months ago. He spoke of “the disintegration of the Army’s reputation among the Algerian population, corruption among the leading military cliques, arbitrariness, and ‘permanent torture’ in the barracks and police stations,” reported *Die Welt*. Chaabane swore to the authenticity of his report, saying, “I am ready to testify in front of an international commission of inquiry.”

The *Die Welt* account, whose veracity has been confirmed by Algerian sources, laid out the following: “The first massacres against civilians were, according to Chaabane, the work of the SDO (Sous direction de l’opérationnel), a special unit of the central direction of the Military Security Service (DCSA, Direction centrale de la sécurité de l’armée). The SDO, led by Lt. Tartag Othmane, alias Bachir, was supposed to terrorize the families of suspected Islamist terrorists and isolate them from the rest of the population.”

Chaabane stated: “In units of 6 to 10 men, they would appear around midnight in residential areas, hidden in trucks and disguised as religious fighters (Islamists), as if they were sympathizers with the two big Islamist terror organizations—the radical Armed Islamic Group (GIA) and the Islamic Salvation Army (AIS) (the armed wing of the banned Islamic Salvation Front, FIS).”

Chaabane described how these units never took prisoners, but murdered all inhabitants. He added that later, police and militia members joined in the slaughter, also because of the rich booty that was to be had. Thus, he said, the regime had introduced a “cutthroat syndrome.”

Chaabane said he thought the Army was completely controlled and surveilled by the SM, and that officers had lost all sense of belonging to what was once a liberation force. Inside the Army and among the soldiers, he said, the situation was

explosive. Between 1992 and 1994, some 2,000 officers were expelled because of suspected Islamist sympathies, which has not been accepted by all. Among the expelled were the chief of the political commission, Gen. Larbi Si Lahcen, and the head of the Near East Terror Department, Lt. Mohamad Tahar Abdesallam. When mutinies occurred, Chaabane said, quick trials were set up, the accused were hanged, and collaborators were thrown into Gulags. Some deserters joined up with the GIA and AIS, but, he said, since both of these are fully infiltrated by the SM, any such deserters would be immediately killed.

Chaabane completed his report, with several examples of corruption at the highest levels of the military and ministers.

This testimony, which is the most detailed to appear in any German daily thus far, coheres with the evidence left by the terrorists, for example, in the massacres in Relizane. But it does not explain the entire dynamic or rationale behind the phenomenon.

Civil war or genocide?

The situation which exists in Algeria today, is the result of six years of bloodshed, triggered by the decision, on the part of the Algerian government, in January 1992, to abolish the second round of elections, which the Islamist political party, Islamist Salvation Front (FIS), was slated to win. The GIA was created artificially to counter any legitimate resistance to the coup d’état, and was led by terror specialists known as the Afghansi (see *EIR*, Oct. 1995, “London’s Afghansi Spawned a Global Narco-terrorist Force,” p. 9; and, in the same issue, “The Case of the GIA, Afghansi Out of Theater,” p. 34). From the beginning, the group was infiltrated, and therefore controlled by sectors of the SM. According to the account given by Chaabane to German television, the government released convicted criminals, killers, from prison, and deployed them into the GIA. At the same time, the SM launched an all-out military campaign, ostensibly against the GIA, but more precisely against the FIS; thousands of political activists of the FIS were imprisoned, others, forced to flee the country. As the violence escalated, nominally on the part of the GIA, against civilians, the military government intervened, to arm the population, thus creating militias, which number well above 300,000.

Increasingly over the past two years, the armed conflict has been between the GIA and the civilian militias, both, ultimately controlled by the military security forces, which, in turn, have split up into a myriad of separate “armies.” The old mafia tactic has been used, to force reluctant citizens to take up arms; a raid by a GIA unit against a village sufficed to convince the neighboring villagers of the need to accept arms distributed by the government. Often, even militias would accuse unarmed civilians of harboring sympathies for the Islamists, and threatened them if they did not join the militias. Algerian General Abderrahmane has been quoted in

the wake of the recent murders, saying, “The state cannot put a soldier in front of every house” to protect people, so villagers only have one choice: “take up arms individually, form groups and arm a group of youth, or leave, and go to the cities.”

While this artificially created civil war scenario has been implemented in the populous northern part of the country, the south has been literally cordoned off and placed under total military control, to protect the hydrocarbon deposits and installations which are located there. Even Algerian citizens are not allowed to move freely in the south, but are forced to display identity cards at check-points, and so forth. Indeed, the fact that none of the hydrocarbon installations has ever been touched by terrorists, proves that where the regime wants to guarantee security, it can and will. The bloodshed in the north, is therefore deliberate policy.

The land grab as the “final solution”

There is a further aspect of the geography of the warfare which must be understood. Over the past two years, the killings between GIA and militias, have been concentrated in the Mitidja plain, south of the capital. More recently, the atrocities have taken place in the western part of the country, for example, in the Relizane province.

The reasons are economic and political. At the end of 1996, when Blida was at the center of the massacres, the FIS

organization in exile, issued a statement, pointing out, that such violence must be the work of the military regime, given that the “primary garrison of the country and the first military region including the capital,” were located there—but did nothing to prevent massacres. Furthermore, the larger area of the Mitidja plain is the most fertile region of the entire country’s arable lands. Now, the area has been slated for privatization, and therefore, said the FIS, “the blind violence of the . . . GIA has provided the pretext for the junta to ‘organize’ the evacuation of the villages. . . .”

In short, this is a second edition of the notorious land grab on Israel’s West Bank, organized by the circles of Sir Henry Kissinger, through which massive areas were stolen from Arab residents, and sold, through middlemen, to international speculators. The military junta in Algeria, which has bled the country’s raw materials resources and imposed vicious austerity on the people, to maintain payments to the International Monetary Fund and others, on an ever-increasing foreign debt, is now turning to loot the last of its resources: the land. The same mentality is at work, as that behind the Nazi looting policy in Germany, which led, in the infamous “final solution,” to looting the gold from dentures, and the skin from human victims.

A report on this bloody land grab, appeared on Jan. 2 of this year, in the French daily *Libération*, which laid out the parameters of the “war of the land.” Author José Garçon, reviewed the process by which Algeria, after independence, nationalized the land. Since 1986, peasants have been guaranteed “the permanent and transferable use of land” as long as they cultivated it. But, with the presentation in September 1995, of a bill for privatizing this land, this right was placed in jeopardy. Although the amount of land, 2.8 million hectares, is not very large, the “privatizable” areas are exclusively in the Mitidja, which is the richest agricultural area, the granary of the country. To sell off the best land for real estate speculation, in a country which already imports food, is scandalous, Garçon correctly concluded.

Finally, as the government itself has made clear, those who are to be offered the land, are the country’s military leaders and their families. Although the law is supposed to guarantee farming, the facts speak differently. Already, Garçon reports, the “executive delegates,” i.e. the officials put into office locally by the central government, to replace mayors of the FIS who were expelled for political reasons, have been illegally selling, or granting licenses to build villas and other personal real estate.

If, in the course of the last two years, the massacres have centered on this region, the concentration now in the western part of the country, is due to political considerations, in addition. As the FIS explained in a press release issued from its German headquarters on Jan. 7, “the systematic campaign of collective assassination of Algerian citizens” is focussing on Tlemcen, Tiaret, Chlef, Ain Defla, Blida, Medea, M’sila, Djelfa, Bouira, and the capital itself. These are areas of politi-

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- that the Founding Fathers promoted partnership between private industry and central government?



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cal support for the FIS, historically. The FIS points out that “after the cleansing of Mitidja, the forces of evil are attacking the bastions in the west of the FIS. Relizane is one of these.”

To be specific: “In the local elections of 1990, the citizens of this region elected 38 FIS city councilors out of 38, and in the legislative elections of December 1991, this district won 8 FIS deputies, out of 9 seats. . . .” The massacres perpetrated in the new year in Relizane, were the work of “the El Ahoual faction (which means “horrors” in Arabic), 400 men strong, which split from the GIA of Zitouni 18 months due to strife over the distribution of booty.” The group has been targeting in particular the AIS, which is the armed wing of the FIS. The reason lies in the ceasefire which the AIS negotiated with one part of the Algerian military, under Gen. Smail Lamari in October 1997. The civilians targetted by this GIA splinter group, have been unarmed persons, who have refused to join the militias.

Uprooting the evil

Since the atrocities of this Ramadan have far exceeded even the bloody events of last year’s fasting month, external political forces have given some sign of motion. The first to demand action, were the Iranians. Foreign Minister, Dr. Kamal Kharrazi sent a letter to UN Secretary General Kofi Annan, denouncing the brutal massacres, and the indifference and silence of the “international community.” Kharrazi called on the UN to take constructive measures, through consultations with all concerned, in search of a solution. Days later, *Iran News* editorialized, that Iran, as rotating chairman of the Organization of Islamic Conference (OIC), should mobilize that institution, to intervene to find a political solution, “so that there will be no need for another Nuremberg trial.” On Jan. 4, German Foreign Minister Klaus Kinkel issued a statement, condemning the terrorist violence, and proposing that the European Union send a delegation to the country to consult with the Algerian government. The United States’s position, as presented by the State Department’s Jamie Rubin Jan. 6, has been to offer to send an international commission of inquiry.

Until very recently, the response of the Algerian government was categorical. The U.S. Ambassador in Algiers, Cameron Humon, was summoned by the Algerian authorities, who demanded an explanation. According to an official Algerian government communiqué of Jan. 6, he was served the “categorical rejection of any idea of an international commission of inquiry, regardless of its origin, shape or form.” The communiqué added, that the idea that such a commission could be linked to any “doubt as to the identity of the authors of terrorism, would objectively serve the endeavor to exculpate the terrorists, while they are perpetrating their odious crimes and claiming responsibility for them.”

Following its weekly cabinet meeting, the government issued another statement Jan. 7, deploring “all attempts at interference in its internal affairs,” and heaped praise on “the

security forces of the republic, National Popular Army, National Police, National Security and Communal Guard” for their efforts. The communiqué also appealed “again to the population to redouble its mobilization and vigilance . . . to the citizens around the national struggle against barbarous terrorism.” In short: Algiers will neither cooperate with outside forces, nor desist in arming its civilians into militias. It will collaborate only in “fighting terrorism.”

On Jan. 8, the Algerian government finally yielded somewhat to international pressure, and agreed to host a European Union troika delegation in Algiers, but only on condition that the talks center on fighting terrorism.

At the recent meeting in Tunis, of the Arab interior ministers, it was Algerian Interior Minister Mustafa Benmansour, who pointed vaguely to unnamed countries which were behind the violence. Algerian television reported that the government, rejecting outside interference, focussed attention on terrorist organizations in London, Paris, Brussels and Bonn, which it said should be shut down, if the Europeans wanted to stop the violence.

Of the four locations mentioned by the Algerian authorities, the only one which harbors the GIA, is London. In Brussels and Bonn, there may be representatives of the FIS, which is the opposition group that has been in the forefront of international efforts to end the war.

The Armed Islam Group: a model satanic cult

The publication of the GIA, *Al Ansar*, is full of the satanic ideology, which is behind the mass murders of entire villages in Algeria. It carries statements by so-called sheiks who support the GIA, and offer justification for the ritual satanic murder of women and children, using Islamic rhetoric and the holy Qur’an as an ideological base. For example, *Al Ansar* wrote about the “Death Brigades” and the “Signers-with-Blood Brigades,” and promoted slogans like, “Hang the last infidel ruler from the intestines of the last (Christian) priest!” It ranted that “this spirit is enriched with the love of death,” and glorified the kinds of decapitations and bodily mutilations which have become the group’s gruesome trademark: “my dear brothers . . . mutilated corpses . . . skulls . . . terrorism, how beautiful these words are!” “no doubt that the crack of bullets and the glistening of knives are the best cure for the ill chests;” “the greatest nations in history has been the nations that mastered the *death industry*,” “blood and corpses create glory . . . and death creates life” (emphasis in original).

London is a different case. As *EIR* has documented, it is in London, that the GIA enjoys refuge and protection. The GIA's satanic publication, known as *Al Ansar*, is printed in London, and distributed weekly in front of mosques, without any interference from the British authorities. *Le Figaro*, on Jan. 27 and 28, 1997, reported on how GIA supporters, like Qamareddine Kherbane, roamed freely in London, distributing leaflets, or video cassettes, issued by the GIA, showing scenes of murders. Members of the GIA have been interrogated by them in the past, but have not been arrested, or prevented from continuing their activities. Therefore, any commission of inquiry into the phenomenon, must start by investigating this fact. Foreign Secretary Robin Cook, who has expressed his "deep concern" at the "appalling violence," and offered to head up a delegation of the EU troika, would like nothing better, than to control such an inquiry, lest the role of British Intelligence be identified. All the more reason, why London should be put under the magnifying glass.

Furthermore, if there is to be peace in Algeria, it must proceed from a political solution, in which all forces of the democratic, non-violent opposition can participate in talks aimed at ending the violence, and charting a path toward normalization of political life. In 1995, an ambitious and realistic initiative was launched by the Community of Saint Egidius, a lay organization in Rome, which succeeded in bringing together all the opposition parties, who forged a common platform for the restoration of peace, and democracy in Algeria. At the time, the Algerian government rejected the initiative, as "interference into its internal affairs."

In summer 1997, some contacts were developed, between FIS circles and those of President Zeroual, which led to the release of jailed FIS leader Madani, and to a ceasefire between one part of the army, under Gen. Smail Lamari, and the FIS's military organization. The ceasefire, which became operational in October, has functioned, albeit on a limited scale; several other groups joined it, two of them officially, others, de facto. Some sectors of the army therefore know that a ceasefire could work, and, if it were to be declared the official basis for talks between the President and the FIS, a political solution could be found. It is to prevent this development, that other sectors of the military, belonging to the "eradicator" tendency, have mobilized their assets, to escalate the conflict.

What is unfolding in Algeria is a tragedy comparable only to Shakespeare's *Macbeth*. Driven by the ambition for power, military leaders, once valiant in battle, have corrupted themselves and embraced sheer terror to enhance their aims. The more crimes they have committed, directly or through proxies, the more obsessively they are driven to commit more, to "eradicate" all perceived enemies and threats, including women and children, until there is no one left. In Shakespeare's great work, the solution *had* to come from the outside.

Islamic states fight British terrorism

by Joseph Brewda

The Egyptian government of President Hosni Mubarak scored a major victory in its ongoing campaign against British sponsorship of "Islamic" terrorism, when the Arab League's Interior Ministers Council, meeting in Tunis on Jan. 5-6, unanimously adopted an Egyptian resolution "to press foreign countries to hand over terrorists under their protection." The meeting also endorsed an anti-terrorism draft treaty, binding the 20 member-states to common action. An emergency summit of the Arab League member heads of state, now set for April 22 in Cairo, will put the treaty into effect.

The gathering follows that of the Islamic Organization Conference, which brought together 56 Islamic nations, in an unprecedentedly high-level summit in Teheran, Iran, on Dec. 9-11, and a Gulf Coordination Council meeting in Kuwait, on Dec. 22, both of which issued statements condemning foreign safehousing of "Islamic" terrorists, in direct reference to Britain.

Egypt's current war against British terrorism began after the Nov. 17, Luxor massacre of 62 people, by the London-headquartered Islamic Group, which President Mubarak has repeatedly specified could not have occurred without British protection. President Mubarak is not acting alone, however, but as a leader of a large group of "moderate" Islamic states, which have also joined forces with Iran, and which operate with the implicit backing of China. The basis for their new alliance is that all are under British attack, whether through terrorism, as with Egypt; threatened military action, as in the case of Iran; or devastating financial warfare, as shown by ongoing developments in Southeast and East Asia. One figure who has publicly made this connection, is Malaysian Prime Minister Mahathir bin Mohamad, who, in motivating Egypt's resolution against British-run terrorism at the Teheran summit, also denounced the use of "economic fire" to destroy Islamic states' economies.

Egypt's actions come in the context of its realization that reports it had received blaming Sudan for terrorist attacks against Egypt, including the 1995 attempted murder of President Mubarak, are false, as are similar accusations against Iran. Moreover, Egypt is concerned that the continuing British and Israeli-run rebellion in southern Sudan, could put Israel in control of the headwaters of the Nile, precisely at a time when the Israeli regime of Prime Minister Benjamin Netanyahu is gunning for a new Arab-Israeli war.

British and Israeli efforts to divert Egypt from its recent attacks on Britain, and to instead attack Sudan or Iran, have not been successful. Pointedly asked if the terrorists responsible for the Luxor massacre were based in Sudan, President Mubarak told a Nov. 23 Aswan press conference, "No, no, no, they exist in Europe and Afghanistan." And on Dec. 25, Foreign Minister Amr Musa ridiculed as "not credible," a report that appeared in the Dec. 24 edition of the British-owned *Jerusalem Post*, which said that Iran was behind it.

Arab League mobilizes

In opening the Arab Interior Ministers Council summit, Saudi Interior Minister Prince Naif Bin Abdul Aziz, who is also the chairman of the group, said that one of its main purposes was to "discuss the concerns expressed by President Hosni Mubarak, regarding the necessity of eliminating the activities of the terrorist groups abroad, especially after the massacre in Luxor last November." Prince Naif added that "President Mubarak's appeal to the European states, to stop supporting terrorist groups, has echoed throughout the world."

In his own address to the gathering, Egyptian Interior Minister Maj. Gen. Habib Adli, emphasized that "Arab efforts to fight terrorism will be useless, if terrorism finds a hole through which it can go into some countries," and in a further reference to Britain, added, "the heads of terrorism are abroad, where they enjoy clear protection from the states who harbor them, and give them refuge, and freedom of movement to plan, to finance" their actions.

The text of the draft anti-terrorism treaty agreed to at the summit, has not been released, but a statement by the ministers said that it "aims at reinforcing controls to prevent infiltration of terrorist elements through borders and entry points to the Arab states, and facilitate procedures for the handing over of those accused or tried for the crimes of terrorism," such as, for example, the London-based leadership of the Islamic Group, who have been convicted of crimes in Egypt.

Egypt has also been breaking new ground in the non-Muslim world. On Dec. 23, Egyptian Foreign Ministry official Mustafa El Diwan, met with Peru's Foreign Minister, Interior Minister, and other officials in Lima, Peru, to propose that both nations work together against terrorism, including by organizing an international treaty-convention against countries that provide terrorists with safe haven. In an interview with the Peruvian daily *El Comercio*, published Dec. 24, El Diwan specified that "those who give refuge to terrorism" are "England, France, Austria, Italy, and even Switzerland." The paper adds that many leaders of Peru's terrorist Shining Path and MRTA live "unhindered in England, France, and Sweden."

The Sudan front

Meanwhile, President Mubarak has opened up a new flank in his anti-British campaign, by challenging British sponsor-

ship of rebels in neighboring Sudan, a country with which it has had tense relations. Speaking on state television on Dec. 30, after a flurry of Egyptian diplomatic meetings with all sides of the war, President Mubarak emphasized that Egypt is adamant that the decades-long foreign efforts to break up Sudan must fail. "Our main concern is that Sudan remains intact," he told his audience, "because, if Sudan is ever partitioned, endless battles would ensue between the north and the south" of the country.

On Nov. 24, a week after the Luxor massacre, Egypt called in southern Sudanese rebel leader John Garang, for surprise meetings with Egyptian officials in Cairo. There, Foreign Minister Amr Musa lectured him on the need to preserve Sudanese unity, whatever his differences with the current government, a message also delivered to other northern Sudanese rebel leaders, in other meetings.

Garang's trip to Cairo, was immediately preceded by that of Sudanese Vice President Zubair Saleh, whose highly publicized talks with President Mubarak signalled dramatically improved relations between the two states, which had reached a nadir with the accusations that Sudan organized a hit attempt on Mubarak at the June 1995 at the Organization of African Unity summit in Ethiopia. Ambassadors between Egypt and Sudan have again been exchanged, and talks are under way to revive their shared Nile River transportation system.

Indicative of these improved relations, a Dec. 16 column in the Egyptian government newspaper *Al Ahram*, written by Salameh Ahmed Salameh, emphasized the necessity for peace, while also condemning recent remarks made by U.S. Secretary of State Madeleine Albright visiting in Uganda, who, putting out the British line, publicly endorsed Garang's rebellion. "Realizing the dangers that might result from the partitioning of Sudan on ethnic and religious grounds," Salameh explained, "Egypt intervened as a direct party in the efforts to achieve peace in Sudan. The U.S. interests in Sudan, which Albright claims to be threatened, could not possibly be greater or more important than Egyptian interests."

And, in a related move to stop another British manipulated war in the region, Cairo sponsored a November conference of the leaders of the warring militias in Somalia (like Sudan, a member of the Arab League). As a result, the militia leaders signed a Dec. 22 commitment to establish a new coalition government, and end a catastrophic civil war, begun in 1990.

The pact was promptly denounced by the British puppet state of Ethiopian Prime Minister Meles Zenawi, as a "threat to peace," as it undermined Ethiopia's efforts to justify its publicly planned occupation of Somalia by "peace-keepers," set for this spring. Training for the occupation has been provided by Israeli military officers, who are also militarily supplying Ethiopian and Eritrean strikes into Sudan, in support of the rebellion.

Will war in Africa's Great Lakes be Clinton's Vietnam quagmire?

by Linda de Hoyos

On Feb. 7, 1997, American statesman Lyndon LaRouche warned that President Bill Clinton's "second term could be virtually sunk in an Africa quagmire that is shaping up fast to become even worse than the Johnson administration's Vietnam debacle." LaRouche underlined that Washington did not initiate the genocide that was then ongoing in eastern Zaire—the British Privy Council and British Commonwealth did. Nevertheless, "unless President Clinton intervenes against 'our ever-loving British imperialist ally,' soon, to force a halt in the British Privy Council's invasions of Zaire and Sudan, the Clinton administration, not the British Commonwealth, will be set up to take the blame for what will become within months, or even weeks, the worst genocide of the Twentieth Century, raging throughout sub-Saharan Africa."

Now, almost a year later, LaRouche's warning has been borne out. Not only that, the drive, now in the final stages of preparation, for a military option to "bring down the Khartoum government" of Sudan—as demanded by Baroness Caroline Cox, deputy speaker of the British House of Lords—threatens to bring about a quagmire of unending death in the Horn of Africa region. And, the United States has already been nicely set up to take the blame.

Just before LaRouche's warning in the *EIR*, the *Times* of London's correspondent Sam Kiley on Jan. 17, 1997 unveiled the existence of London's "new leadership" for East Africa, as a coherent "anglophone conspiracy": "President Museveni of Uganda . . . is at the center of the initiative [wars], which is based on friendships between African guerrillas-turning-politicians, forged in conflict." The gang members included Museveni, Paul Kagame of Rwanda, John Garang of the secessionist Sudanese Peoples Liberation Army, Laurent Désiré Kabila of Congo-Zaire, Isaias Afwerki of Eritrea, and Meles Zenawi of Ethiopia.

This "new leadership" has since been hailed by Clare Short, the Labour Party Minister of International Development, along with such minions of British imperial policy in the United States as Roger Winter of the U.S. Committee on Refugees.

One year later, and what has this "new leadership"

wrought, with its wars of aggression carried out in 1996-97 against the populations of Burundi, Zaire, and Sudan? The answer: more war, thousands of senseless killings each month throughout the Great Lakes region; hundreds of thousands of civilians herded into concentration camps in Uganda and Burundi; thousands of others displaced in refugee camps; emergence of new insurgencies in Congo-Zaire, Uganda, and Rwanda; disrupted agricultural production and resulting famine in Uganda and Rwanda; billions of dollars drained from national economies for the purposes of waging useless and un-ending wars; and now, cholera epidemics in three countries along with the re-emergence of such deadly hemorrhagic diseases such as Rift Valley Fever.

Not a splendid record.

Expanding war zones

Seven months after Laurent Kabila completed his drive for power in Kinshasa on the backs of an invasion force of Ugandan, Rwandan, Eritrean, and Burundian troops paid for by British Commonwealth mining interests, instead of peace, the war zones have widened.

As of this writing, it can be conservatively estimated that in the five countries of Sudan, Uganda, Rwanda, Burundi, and Congo-Zaire, there are 225,000 square miles of land in which wars are currently being fought—nearly a quarter of a million square miles.

These areas include:

- the regions of southern and southeastern Sudan in which Garang's SPLA continues to wage its 14-year-long losing battle against the government of Khartoum and the territorial integrity of Sudan;
- nearly one-third of Uganda, where insurgencies in the north, and now west and east, have been mounted, which dictator Museveni's Ugandan Popular Defense Forces are singularly unable to cope with, especially in the north where the war between the government and the Lord's Resistance Army has lasted more than 11 years;
- about one-third of Rwanda, particularly the central and northwest;
- 60% of Burundi, where the National Council for the

Defense of Democracy has begun to establish parallel administration throughout the countryside; and,

- the provinces of North and South Kivu in Congo-Zaire along the border with Rwanda and Uganda, where the Mai-Mai and other indigenous groups are determined to force the expulsion of the Rwandan-Tutsi occupation of eastern Zaire.

Sudan: 'Fools rush in'

Now on the agenda, is the expansion of this widening war zone, with the launching of London's full-scale invasion of Sudan, and expected insurgencies in Kenya, sponsored by London through its chief warlord in the region Yoweri Museveni.

The Sudan front poses the threat of a Vietnam debacle to the Clinton administration in the starkest possible terms. As Ugandan and Eritrean forces are known to be preparing for an offensive into southern and eastern Sudan, with the aid of Israeli military mentors and assistance, the Sudanese Peoples Liberation Army, the Jan. 1 London *Guardian* reported, suffered a rout Dec. 30-31, in its defeated bid to take the southern city of Torit. More than 1,787 SPLA soldiers surrendered to Sudan government forces between Dec. 31 and Jan. 1. According to the Sudan News Agency, 687 SPLA soldiers, including seven officers, turned themselves in on Dec. 31, and 1,100, of whom 13 were officers, on the following day. According to Sudanese officials, the SPLA forces left behind masses of military equipment, including artillery and anti-aircraft missiles. There were many casualties on the SPLA side, in addition to those who surrendered.

The blow dealt Garang was given not by Sudan government forces, but by southern forces led by Maj.-Gen. Kerubino Kwanyin Bol, formerly a rebel leader in the South, who signed the April 21, 1997 peace accord with the government of Sudan.

On Jan. 6, leaders of the six southern factions who have made their peace with the Khartoum government announced that they had formed a unified command under the South Sudan Defense Force (SSDF). According to a press statement released by Riah Machar, chairman of the South Sudan Coordination Council, the decision for the unified command came as a result of a seven-hour meeting with military and political chiefs from the South, and representatives of the government and Armed Forces.

Now, hard on the heels of the Torit defeat, there are reports of defections, as people from those areas controlled by the SPLA go over to the government. According to Agence France Presse, another 150 SPLA troops surrendered to the government in west Kordofan province. Meanwhile in Bahr el Ghazal, 7,000 civilians have made their exodus from areas under Garang's control, and sought aid from the government. An air bridge is now being organized by the Sudan government to ensure delivery of food, medicine, and clothing to

those who have emerged from Garang territory. According to reliable sources, many more such defections are to be expected, since the increasing view of the Dinka population under Garang is that the war cannot be won, and that there is little, if anything, to be lost by joining the government for peace.

Nevertheless, Uganda and Eritrea are preparing an offensive against Sudan, according to *Al-Quds Al-Arabi* of Jan. 7, a report corroborated by numerous Ugandan sources. The Eritrean army and the forces of the British-created opposition Sudanese National Democratic Alliance are continuing their buildup in the northwest of Eritrea. NDA military leader Abdul Aziz Khalid announced that the NDA had carried out two major armed attacks from its bases in Eritrea on Sudanese army camps in Jabal Alshaeikh, 45 kilometers to the southeast of Kassala, and another attack on Abu Shendi, 40 kilometers southeast of the strategic Roseires town, where the largest power generation station in Sudan is located. These attacks followed a meeting of the NDA's military leaders in Asmara in late December.

Brigadier Mohammad Abdullah Awaidhe, chairman of the Defence and Security Committee in the Sudanese parliament, has reported that Sudan authorities had arrested a number of Sudanese Communist Party activists who were planning violent riots in Khartoum and Um Durman to coincide with the military invasion.

If the local forces of Garang's SPLA cannot win the war—as the South Vietnamese army had proven its incapability by 1962—then how can it be expected that regular troops of the Ugandan and Eritrean armed forces, with Israeli backing, will be able to achieve victory, as they enter southern Sudan as foreign invaders? What's more to the point, even Egypt—one of the alleged foremost victims of Sudan's alleged terrorism—has openly repudiated its past attacks on Sudan for terrorism—instead blaming the true culprit, London—and is loudly proclaiming its commitment to Sudan's national territorial integrity.

If the Ugandan-Eritrean invasion were to succeed, it would only lead to civil wars in the north and south of Sudan, or more likely into a regionwide conflagration, which threatens to split the United States from its primary and strategic Arab allies.

If the Ugandan-Eritrean force fails, it will suffer humiliation and numerous casualties. Then the blame will turn not only to Museveni, but to the United States, given U.S. Secretary of State Madeleine Albright's early December visit to Uganda, where she encouraged military operations against Sudan.

Who will remember to blame the instigators, Caroline Cox and the British Privy Council? Not too many.

Rwanda's endless killing fields

In the case of Rwanda and Zaire, the United States has

already largely taken the blame worldwide for the atrocities that have occurred there—despite the fact that the Clinton administration is the only Western power to have attempted to constrain Kabila during and after the war. Now, the International Monetary Fund has put its seal of approval on Rwanda, with a \$12 million credit to the regime of Defense Minister Paul Kagame, citing the government's successful repatriation of Rwandan refugees and its cooperation with the Fund and the World Bank, and its commitment to pay all the back debt of the former Habyarimana government.

The idea that Rwanda is now peaceful, has the same relation to reality, as the notion that Museveni's Uganda is an economic success story.

Take the following incidents recorded over the course of Jan. 6-7, according to Western news broadcasts: Fourteen people were killed in rebel attacks in Gitarama prefecture, and at least another 40 were slain the following day. At least 32 government soldiers were killed in an ambush in Shyarangi, Kigali prefecture, also on Jan. 7.

The rebellion in Rwanda is largely "home-grown," with rebels making up in numbers what they lack in equipment, using machetes and whatever else is at hand. The uprising now extends over the entirety of Ruhengeri, Gisenye, and Kibuye prefectures, and over parts of Gitarama and Kigali rural prefectures in the north and central areas of the country.

Although Rwandan commanders and officers remain in eastern Zaire, most of the Rwandan troops have been pulled out of Zaire over the course of the last month to deal with the insurgency at home, according to reliable sources. Rwandan troops have also reportedly been pulled out of Uganda, where they were originally projected to participate in the invasion of Sudan.

The Hutu insurgency against the Tutsi Rwandan Patriotic Front follows upon merciless killing of civilians in the afflicted areas by the army throughout the period of October and November. Among incidents listed by a Dec. 19 Amnesty International report are: "On Nov. 21, RPA soldiers killed at least 539 civilians and possibly many more in Jendu, Nkuli, and Ruhengeri. On Nov. 16 and 23, military helicopters reportedly fired on several areas in Gisenyi. Many houses were burned. Civilian casualties are unknown. On Nov. 9, RPA soldiers indiscriminately fired in Gashyusha, in Kabilira, and Gisenyi. At least 150 people were killed. Many bodies were buried in mass graves, and others thrown into the river."

In the face of insurgencies and serious divisions within its own ranks, the Rwandan government has put out a call to "fellow countrymen" and Rwanda's "friends" in the international community, to come to its aid. The RPF statement of Dec. 21 called upon "all Rwandans wherever they are found to continue lending no ear or support to these hard criminals [Hutu rebels] now behaving like deadly beasts . . .

Show all their hideouts, leave them no quarters, spare them no food or room, because whoever is found in league with those killers is to be treated likewise. . . . The Rwandan government calls on all people in the country to remain calm and be assured that it is with them while furthering its correct policy of reconciling the Rwandan people. . . . Please maintain your cooperation with the Armed Forces."

On New Year's Day, Kagame, visiting the Ruhengeri prefecture, threatened the Hutu population that they would bear the consequences if they persisted in aiding the rebels: "The first consequence is the lack of subsistence for life. You no longer cultivate food. You will have nothing to eat. Decide for yourselves. Otherwise, the consequences will come upon you. The government has decided to finish off the militants during this year that begins now." Since there is famine in the region, this is a pledge to stop all food flows into the northern and northwest regions.

There are no international aid agencies operating in any of the afflicted areas of Rwanda.

Debate in Uganda

Even on the eve of the London-directed invasion of Sudan, the policy debate in Uganda on whether the country should continue to play the role of London's marcher-lord is heightening. It is widely suspected that the reshuffles announced by Museveni of his military high command and defense ministry are reflective of such debate. Not only is there trepidation about the move into Sudan—where many Ugandan soldiers already paid with their lives in October 1995 and January-March 1997—but there opposition is mounting within the political-civilian layers and also within the military itself to Museveni's insistence on years of no-win wars with insurgency. Demands for Museveni to come to the negotiating table are mounting.

The invasion of Sudan is no more in Ugandan national interests, than it is in the interests of the United States. In a New Year's press conference, Paul Ssemogerere, leader of the Democratic Party of Uganda, took issue with the warlord role that Uganda has been forced to play under current dictator Yoweri Museveni. Ssemogerere said that there are more men and women under arms at the war front than before Museveni took power in 1986. He said that the Ugandan Popular Defense Forces is bigger than its predecessor, and more resources have been diverted to acquiring more sophisticated and expensive arms under Museveni's rule than under the past regimes. "This is not a success story. Uganda is at war with Sudan and Ugandans have died. We had difficulties with Sudan in the past but not to the scale of the current hostilities." (See last week's *EIR* for Ssemogerere's speech to a Schiller Institute conference in December.)

Uganda's involvement in the fighting in Rwanda, Burundi, and the Congo, he also pointedly noted, "has cost us friendship of millions of people, the victims of the war in Rwanda, Burundi, and Congo."

Yeltsin seeks to buy time, with bid for ‘national unity’ government

by Konstantin George

In Russia, a tendency toward some form of national unity government, or ruling arrangement, with the Communist-centered opposition in the State Duma (parliament), emerged in the closing week of 1997. This new political direction can be viewed as the regime’s groping attempt to fend off a financial-economic breakdown. The impetus was provided by the early-December crisis of Russian state finances, where state bankruptcy was only barely avoided. Massive purchases of Russian Treasury bills (GKO) by the Russian Central Bank, utilizing in part, foreign loans, and a Central Bank policy of drastically raising interest rates to draw in more money to buy up GKOs, prevented the blowout of the state Treasury — for the time being.

That operation did not resolve the crisis of state finances, but only postponed it, setting the stage for a new peak, later this year. First of all, interest rates upwards of 30% — GKO yields rose to as high as 45% in early December — mean much higher 1998 budget spending for debt service. The Duma’s budget committee has already approved a government-sought increase of 7 billion new rubles (currently valued at \$1.1 billion) in 1998 funding for such interest payments, but the daily *Nezavisimaya Gazeta* of Dec. 30 cited Ministry of Finance sources, that the interest payments will really increase by at least 25 billion rubles, or over \$4 billion. Second, should another flight out of GKOs by foreign and/or Russian holders occur, as it did during November and early December 1997, the Russian Central Bank now lacks the capacity to intervene and purchase GKOs on the scale it did then. The interventions in November cost somewhere between \$2.8 billion and \$4 billion of the Central Bank’s reserves, which are now stated as \$18 billion — less than \$14 billion in currency, the rest in gold.

The effort toward national unity was evident in the Dec. 26 “round-table” meeting of President Boris Yeltsin, Prime Minister Viktor Chernomyrdin, and the opposition led by the Communists (CPRF), and in Yeltsin’s radio address to the nation later that day. The meeting, on the explosive question of land reform, was agreed to by Yeltsin and the government last fall, to avert a no-confidence vote by the Duma, but had been postponed due to the President’s illness. He prioritized convening it, upon his return to work.

The Dec. 26 radio address was a clear national unity offer to the CPRF. Without naming him, Yeltsin attacked First

Deputy Prime Minister Anatoli Chubais, the cabinet’s top advocate of International Monetary Fund (IMF) shock therapy. The ouster of Chubais has been the prime political condition put forward by the CPRF, in return for aligning itself with the government. Yeltsin attacked the “ideological dogmas” of those who “make the market our new idol,” and who “replaced party slogans with macroeconomic ones,” such as “Privatization at any cost!”

To maintain some modicum of political and social stability, through a deal with the opposition, Yeltsin is prepared to throw Chubais and other radical reformers to the wolves. In the days before this speech, Yeltsin’s aides signalled likewise, by joining in an uproar over IMF Managing Director Michel Camdessus’s imperious treatment of the Russian government.

On Dec. 18, *Nezavisimaya Gazeta* leaked Camdessus’s latest letter to Chernomyrdin, in which demands for specific performance by Russia were set down in great detail. Camdessus insisted that the decision of the tax-collecting Temporary Emergency Commission (VChK) to bankrupt the Omsk Refinery and Angarsk Petrochemical Plant, taken on Dec. 8 at a meeting chaired by Chubais, be implemented without delay. On Dec. 17, Chernomyrdin reversed that ruling, giving the two firms a week’s extension to pay their tax arrears. The next day, Aleksandr Livshits, a top economics aide to Yeltsin as deputy head of the Presidential Administration, publicly denounced such pressures from international financial institutions. Media linked with Chubais’s allies at Onexsimbank furiously tried to blame this affair on machinations by Boris Berezovsky, owner of both *Nezavisimaya Gazeta* and the Omsk Refinery, to enter an alliance with Chernomyrdin against the “young reformers,” but when Livshits weighed in, the case was marked as something more than a scuffle among business clans.

Attack on the ‘New Russians’

For the first time, Yeltsin denounced the “New Russians,” meaning the super-wealthy business caste. He warned them that their “ultimate goal . . . is not only their personal success, but the common benefit. . . . Our successful businessmen continue to bathe egotistically in their personal good luck, mocking the majority of their countrymen.” Yeltsin then praised the opposition by name, for their change from a policy of



Russian President Boris Yeltsin lashes out at the “ideological dogmas” of the free-market crowd, in hopes of making a deal with the opposition. But it will take more than back-room Kremlin politics, to solve the crisis.

confrontation, to a willingness to cooperate with the government.

The speech and the round-table meeting had their intended effect. CPRF Chairman Gennadi Zyuganov praised Yeltsin and the government, for having come closer to the CPRF's position.

Earlier in December, Yeltsin had appeared before the Duma, for the first time, and after praising the Duma for a “constructive” approach, urged its members to vote up the 1998 budget in its first reading, which they did. Then, on Dec. 23, the Duma voted up the 1998 budget, on its second reading.

A solid indication that Yeltsin's Dec. 26 address marked a shift, was provided from an unexpected quarter during Russian Orthodox Christmas (Jan. 6-7). Russian Orthodox Patriarch Aleksii II went on TV with his annual Christmas message to the people of Russia: Echoing Yeltsin, he denounced the “cult of money,” ruling among the wealthy in the “New Russia.” He called on people to show more “brotherly love,” to “respect moral values,” and to live their lives based on the Ten Commandments. Aleksii II then, speaking on the subject of degenerate Western “educational” imports into Russia, such as “sex education,” declared that above all, Russia's younger generation must be “protected from immoral experiments” conducted in “the name of programs from abroad.” The terms “immoral experiments” and “programs from abroad” connote in many Russian minds the image of the IMF and its conditionalities.

Fire brigade in action

Yeltsin's December “budget successes” unlocked the door to over \$2 billion in combined IMF and World Bank credits, which are supposed to enter Russia by the end of January. It was on the basis of this incoming money, plus a vast increase in fourth-quarter state tax collections, through draconian enforcement of the tax laws, and through large Russian corporations issuing foreign bonds, the proceeds of which went in part into state tax coffers, that the next political condition for the prospective national unity configuration was met: the announcement by Prime Minister Chernomyrdin that all outstanding wages owed by the federal government to workers, bureaucrats, and members of the Armed Forces had been paid off at year's end.

This did not solve the perennial crisis of unpaid wages. Still outstanding were the wages of those on regional administration payrolls, though in this case, Chernomyrdin announced that a supplemental 3.3 trillion rubles had been earmarked for this purpose. In effect, a regional “fire brigade” fund had been set up, to provide wage payments to deal with the most serious social flashpoints of worker unrest in the regions.

However, as in any monetarist “solutions,” these always beget new and even worse problems. The very ruthless tax collection means by which the Russian Federal government temporarily “solved” its outstanding wage crisis, has aggravated the financial situation in Russia's privatized corporations and firms to such a degree, that in the past few months, a serious backlog of unpaid wages has appeared in the privatized sector.

In short, the next breaking point on the outstanding wages is only a matter of time, and it will be the biggest yet, covering federal employees, regional employees, and those working for private firms. This will tend to push forward even faster the national unity dynamic.

This prospect was confirmed to *EIR* by Pavel Felgenhauer, military-strategic correspondent for the daily *Segodnya*. Felgenhauer said, “The government is trying to distance itself from the IMF. . . . This is coming from Chernomyrdin and Livshits.” Felgenhauer added that the round-table process will move toward “a semi-coalition with the opposition.”

The Russian leadership views the coming period with alarm—all public disclaimers to the contrary. The explosions could start very early in the new year. The biggest threat is the reappearance of a renewed crisis of state finances, which could be triggered at any point by global financial turmoil. The grace of the extended holiday hiatus on the Russian state bond market ended on Jan. 14, once the Russian New Year festivities were over. After that, the regime, with or without “national unity,” will have to make critical decisions. The potential is there for real policy changes, for the first time since the disastrous IMF “reform” policies were launched in 1992. However, the potential also exists, under the “national unity” framework, for complete discrediting of all political forces, opening the way for dictatorship, or chaos.

Nigeria's transition to civilian rule

Africa's most populous nation is heading for elections, and is determined to achieve economic progress for its people. Lawrence K. Freeman reports.

Nigeria is now in the final phase of a three-year transition process to civilian rule. On Oct. 1, 1998, a newly elected President of Nigeria is to take office. The return to civilian rule of the most populated nation in Africa, of 104 million people, is the substance of the two interviews here, with Chief S.K. Dagogo-Jack, chairman of the National Electoral Commission of Nigeria (NECON), and Justice Mamman Nasir, chairman of the Transition Implementation Committee (TIC). These two individuals have leading responsibility for carrying out the plans of the transition, first announced by Head of State Gen. Sani Abacha on Oct. 1, 1995.

The initiation of the move toward civilian rule followed the recommendations of the delegated Constitutional Conference, which met in Abuja during 1994-95 to write a new constitution for Nigeria (see *EIR*, Dec. 16, 1994). Justice Nasir and the TIC have overall responsibility to implement the decisions of the Constitutional Conference in supervising the entire transition process.

NECON's responsibility is to oversee all matters pertain-

ing to the parties and the elections. After the inauguration of NECON in December 1995, it immediately established very demanding and detailed guidelines for the creation of new parties. In order to ensure that these new parties were broad-based and representative of the entire population, they had to acquire 40,000 signatures in each of the states, and 15,000 in the capital, Abuja. Ultimately, five parties met the requirements by the prescribed timetable, and they are in the process of fielding candidates for local, state, and federal offices. The parties engaged in the elections are: the United Nigerian Congress Party (UNCP), the Congress for National Consensus (CNC), the National Center Party of Nigeria (NCPN), the Democratic Party of Nigeria (DPN), and the Grassroot Democratic Movement (GDM).

Chief Dagogo-Jack reports that the process is already a success, and is optimistic about the transition to civilian rule later on this year. "You see, we Nigerians, are not skeptical about the transition program," he said. "We are steaming up, full steam ahead." NECON also has responsibility for regis-



Lawrence Freeman interviews S.K. Chief Dagogo-Jack, chairman of the National Election Commission of Nigeria, in Abuja. "I can assure you," said Chief Dagogo-Jack, "that come Oct. 1, 1998, Nigeria will definitely have a democratically elected civilian President. And, we will not fail. We are determined and proud people."

tering Nigerians for the elections, and so far has registered 57 million, almost 55% of the total population. Participation in the March 1997 local government elections varied from 52% to 60% of registered voters. (Both figures are higher than voter turnout in U.S. elections.) Reports received by *EIR* indicate that the Dec. 6, 1997 elections for State Assembly were successful.

The final year of elections

What remains is the final year of elections. The revised 1998 timetable for the last phase of the transition process includes: February, party primaries for nomination of candidates for the National Assembly; March, filing of nominating papers for the National Assembly elections; April 25, National Assembly elections; June, party primaries, and filing of nominating papers for state governors and Presidential elections; Aug. 1, state governors and Presidential elections; Sept. 21, swearing-in of elected state governors, and inauguration of State House of Assembly; Oct. 1, swearing-in of President, and inauguration of the National Assembly.

Democracy by itself does not solve the main problems facing Nigeria, which Justice Nasir correctly says are economic development and education—issues addressed below (p. 62), in a speech by Sam Aluko, professor of economics and chairman of the National Economic Intelligence Committee. However, Justice Nasir ridicules the negativity by the West toward Nigeria: “I always tell the Nigerian press, like I’m telling these people of weaker minds: Don’t think negative. . . . We are doing this in the interest of our nation.”

Interview: Justice Mamman Nasir

‘We hope the United States will be fair’

Justice Mamman Nasir is chairman of Nigeria’s Transition Implementation Committee. He was interviewed by Lawrence Freeman, on Oct. 28, 1997.

EIR: Justice Nasir, you now are chairman of the Transition Implementation Committee, which is overseeing the transition to a democracy and elections in Nigeria. Could you tell us what your responsibilities are?

Nasir: The whole idea of the Transition Implementation Committee is to see that the government is implementing the decisions of the Constitutional Conference. Because the Constitutional Conference recommended so many things to

do in respect to economy, social services, and politics. And as far as we have been able to follow, a lot has been achieved.

EIR: Specifically, what has been achieved in the first two years of the transition process? What has been accomplished in Nigeria?

Nasir: On the political scene, we have held two elections, and we have prepared the ground for the next set of elections: Houses of Assembly, National Assembly, and, ultimately, the Presidential and the governorship election.

In the economic field, we have succeeded in arresting the downflow of our economy. For example, we have started stabilizing the naira [Nigeria’s currency]. And, we have started getting some of our businesses back. We have tried to arrest the downfall and substandard aspects of the economy. For example, in showing the nation that whoever decides to be dishonest, government will pursue that dishonesty and recoup the property lost or stolen; it does not matter whose property it is, it will go back to the correct owner. Like the banking sector: The money being recovered is not government money; it is Nigeria’s money; it is Nigeria’s economy. So, we are doing that, absolutely successfully. We have succeeded! You must have been told this by Finance, that our budgeting system has improved; the business community is now a bit happier, in fact much happier, with what has so far been achieved.

In the social sector, I was telling you about the railways, the hospitals, and so on.

EIR: There is 11 months left until the transition to a civilian President taking over in Nigeria. What do you think is going to happen, to guarantee the success of this transition?

Nasir: The first thing one should look at, is, from a state where the nation would have gone to pieces, we are now at a state where the nation is going up, with stability. And, as far as we have been able to trace, this stability will continue, and there is *no reason whatsoever* to believe otherwise. So, the next—in fact, under 11 months—because after August everything is known. By the first week of August, we hope everybody will know every governor, and the President. So, within that period, the economy, the other aspects of transition, would continue. The political one would come to fruition by the end of August.

EIR: When are the Presidential elections?

Nasir: Aug. 1, 1998.

EIR: Then when does the Presidency take over?

Nasir: Oct. 1.

EIR: Now, many people in the West are dismissing these elections, saying that they are a subterfuge; they are not real; this is Nigerians buying time. As head of the Transition Committee, what can you tell the naysayers? What can you tell

them that assures them that this process is going to be completed?

Nasir: I always tell the Nigerian press, like I'm telling these people with weaker minds: Don't think negative. We are doing this in the interest of our nation. We believe it's right, in the interest of this nation. We believe we are doing the correct thing. We see no reason whatever why we should deviate, and think of something else. The head of state himself, Gen. Sani Abacha, has said many times, that government will hand over on Oct. 1, 1998. I and my colleagues here of the committee have not seen any iota of truth in any allegation that the government has no intention of concluding the transition program, as arranged.

EIR: Now, there are five parties that have registered, through this process in Nigeria. Do you expect that each of the parties will have its own candidate, that there will be five Presidential candidates for the election?

Nasir: Well, it is difficult for me to say, but they are entitled, as a right, to field a candidate in each party. There is nothing that says that they should not. So far, they have fielded candidates in most of the local government [races]. But some of the parties did not field anybody. And in politics, take for example in Britain, you find the Liberal Democrats—I think that is what they are called—are not contesting all the seats, like the Conservatives or Labour. So here in Nigeria, if they decide to field candidates for the Presidency, it is their absolute right. Equally, they could field candidates for each governorship office. But, if they decide not to do so, it is, again, within their right.

But personally, I'll encourage them to do this; it is part of democracy. Nobody should inhibit anybody, and, so far, government is encouraging all the parties to have the sense that they are national, because that is the basis upon which they were registered as political parties.

EIR: Do you expect there will be many candidates for the Presidential election?

Nasir: At the moment, I can only work on the known. They are entitled to field a candidate. So, you start by presuming that they can exercise their right. Whether they do it or not, honestly, it would be too speculative to say.

EIR: I guess this is a loaded question, but it's a question that is asked all the time in the West; it's asked all over Washington: Is General Abacha using this process so that he can become civilian President of Nigeria, after leaving his post, on Oct. 1, 1998, as Commander-in-Chief?

Nasir: Many people have asked me this question. I said: When the time comes for the parties to nominate Presidential candidates, that is the only time that anyone can be sure who is, and who is not, a Presidential candidate. And, I have not myself discussed with General Abacha whether he'll contest the election. To me, it was irrelevant.



Justice Mamman Nasir, chairman of the Transition Implementation Committee: The United States cherishes democracy, which means building a government by the people and of the people. "They should give other people encouragement to do it themselves; they should not impose what has been achieved in the United States over the last 200 years."

EIR: You brought up earlier, that democracy is not just a matter of elections. What ideas do you think are embodied in a true democracy for Nigeria?

Nasir: Our main problem is our development. You see, in a developing nation, certain things must happen, not in the same way as would happen in developed countries. Take the United Kingdom, for example, or the United States. If somebody is out of work, government would feed him. No developing country, as far as I know, in the world, is doing that. Not even the largest democracy, India.

So, as far as we are concerned, our main worry is to build our people to a stable standard, so that they can go to the market and buy; they are free to go to court; they are free to exercise their rights; they are free to participate in anything national; they are free to live anywhere they like in Nigeria; and they have equal opportunity to hold any public office. The result would depend on whoever the people wish should hold any particular post.

EIR: What kind of measures do you see the government taking—again, outside the elections—in terms of economic policy, that will raise the standard of living of Nigerians over the years ahead, as the democratic process moves forward?

Nasir: One is that government hinges a lot of weight on build-

ing the rural community. Because over 75% of the population lives in the rural areas, as farmers. And because of that, we cannot succeed in Nigeria until we build the rural community.

You build the basic education. We are making it a fundamental right that at least everybody should go to school. And, we are making it part of the directed principles of state policy that Nigerians should have the opportunity to reach even the universities, and all tertiary institutions.

These are some of the factors which, we believe, if you built them, you would have a stronger and more stable democracy. While also encouraging education of the people, of the electorate, political awareness. And we are encouraging the people, also, with good publicity, that they should elect hard-working, responsible, honest people as their leaders. If they have confidence in the leadership, it would be more difficult for anybody to remove that particular leader. So, these are the things which, the sum total of them — there are many — which will help build a stable future for this nation.

EIR: Do the Nigerian people think they are part of this process; that it's not just a formal process of parties, but that the average Nigerian, who is struggling to survive, make a living, take care of his family — does he feel that he is part of this democratic process? Are you satisfied with the voter turnouts? Maybe you could tell us what some of them are, that show the Nigerians are joining in this effort to move into a democratically elected Presidency.

Nasir: I'm satisfied, but I'm not satisfied with the education of the voters. That can be improved a lot —

EIR: Education about the candidates or the issues?

Nasir: By government and candidates, to tell the voter his responsibility, so that we get the best of the people into politics, into contesting elections. I am satisfied that the turnout during the last two elections was reasonable, but I think that with good education that can be improved.

EIR: What was the turnout?

Nasir: It was over 60%. Which, compared with what happened in some of these developed countries, I think this was a reasonable figure. I'm not criticizing them, but one would have to have some comparison.

EIR: There was very little coverage in the Western press of the Constitutional Conference, which took place in 1994, and there is almost no coverage of this democratic process. And, I might add, even though Sudan had a democratically elected Presidency, there has been no recognition of their democratic process either —

Nasir: Yes.

EIR: So, what would you tell the West, and what would you tell Washington, in terms of how serious you and other elder statesmen in Nigeria are about this democratic election process?

Nasir: The United States, in particular: I still want them to remember that they were a colony which fought for freedom, mostly because of taxation. They got away from the mother imperial kingdom of Great Britain. And since then, they have been cherishing freedom of other people; they have been cherishing democracy. But we thought the basis of cherishing all this democracy, is to assist the people to build the government, by the people and of the people. That was one of the cardinal principles of the United States democracy. They should give other people encouragement to do it *themselves*; they should not impose what has been achieved in the United States over the last 200 years.

You see, even with that — take the time of the Second World War. The Japanese-American citizens were *rounded up*, as suspect. So, you cannot build democracy, even in your own country, on the same basis as we can do it in another country, with a different environment.

In Britain, nobody was rounded up, as an ethnic group, as was done in the United States. And that was a condition of the United States, which was not a condition in Britain. So, even today, the conditions available in the United States are not the same conditions as you find in Nigeria, or in Niger, or in Burundi, or in Egypt, or, indeed, in Canada. So, we want them, as a democratic nation and as the number-one world leader today, to remember that part of the Founding Fathers of the United States, were built on religion. Religion is fear of God, and one hopes that with that fear of God, they will be able to be fair and equitable in whatever they do. That is our opinion.

Interview: Chief S.K. Dagogo-Jack

Nigeria prepares for Presidential elections

Chief Dagogo-Jack is chairman of the National Election Commission of Nigeria (NECON). He was interviewed by Lawrence Freeman in Nigeria in October 1997.

EIR: The election in Nigeria is of great concern to the West. Could you tell us how the Nigerian Election Commission was set up, and what its functions are?

Dagogo-Jack: The National Election Commission of Nigeria was inaugurated on Dec. 11, 1995, and was also established under Decree Number Three of 1996. The functions of the commission, are as stated in the decree. The main functions, are to organize, conduct, and supervise all elections and matters pertaining to elections for all elected offices; to register political parties; to determine the eligibility of the

political parties to sponsor candidates for any of the elections prescribed; to monitor the organization and conduct of political parties; to determine the number of registration centers, for each ward of the Federation; to provide guidelines to the political parties, stipulating the rules and procedures of the electoral campaign—the main functions.

EIR: How many Nigerians have you registered to vote?

Dagogo-Jack: During the first registration, in February of this year, the National Electoral Commission of Nigeria registered 55.5 million voters—that is, people 18 and above, who are Nigerians. In September, we conducted an update, and registered 2 million more. That is, a total registered voters figure of 57 million, out of a total population of 104 million.

EIR: In March of this year, you had local government elections. Could you tell us how many of those registered to vote, voted in that election? Approximately?

Dagogo-Jack: That's approximately: For the local government elections on a party basis, we were able to get about 52%.

EIR: And, those elections are now going to be followed, in December of this year, by elections for Federal Assembly, is that correct?

Dagogo-Jack: The next election that is coming on is for the State Houses of Assembly. The election is on Dec. 6. That will purely be also on a party basis. The political parties are right on the ground. And right now, the political parties are conducting their primaries, to select their candidates, their aspirants for these state elections coming up on Dec. 6.

EIR: Could you tell us the process that you went through, and the criteria you used, for creation of political parties in Nigeria?

Dagogo-Jack: The creation of political parties was one of the main functions of the National Election Commission of Nigeria. We were charged with the responsibility of registering political parties for the electoral process, so we prepared the guidelines for the registration of political parties. That, in that sense, involved a lot of activities: We provided the guidelines which, in effect, clearly stated the various conditions to be fulfilled by the political associations, the process which led to the registration of political parties, commencing in the second quarter of 1996, with the release of guidelines on registration of political parties on June 17, 1996.

A total of 23 political associations collected application forms, on payment of prescribed, non-refundable fees; however, at the closing date for submission of completed registration forms, which was July 25, 1996, eighteen political associations returned their forms with the other relevant documents. Now, with the 18 political associations doing that exercise, the political parties asked for mergers; so, the commission considered the applications, and asked them to merge, out of which, 15—that is, including the merger—15 political parties were said to be verified.

The parameters which we used contained size of sample, verified; administrative organization; executives spread at local government, state, and national levels; then, the constitution, manifesto, and articulation of issues. Each of the political associations were advised by NECON—were required to drop off their constitution, their manifesto; to articulate the issues, such as on the economy, foreign affairs, and all that; and the membership spread, nationally, including how each association measured up in regard to meeting the requirements of the 40,000 members in each state of the Federation, and 15,000 in the FCT, which is the Federal Capital Territory-Abuja.

EIR: Forty thousand for each of the 30 states, and 15,000 for Abuja?

Dagogo-Jack: Yes. You have to get a membership of that number. The cutoff point, after verification, of not less than 50%, was regarded as a basic qualification for registration, if all of the other conditions were met. But, however, it needs to be noted that, apart from the level of performance, each political party, or, each political association, has to have its presence at the national headquarters; and, also, in two-thirds of each of the wards in the local government area of a state.

EIR: So, this is an attempt to make sure that each party is a national, broad-based party?

Dagogo-Jack: Right. And, as I mentioned earlier, this 40,000, and 15,000, stresses the national interest.

EIR: And, this would also help to ensure there's no so-called ethnic or tribal or geographical domination. So each party has to be a national party?

Dagogo-Jack: Right. Now, pursuant to Section 41(b) of our enabling decree—which is Decree Three of 1996—we went on to verification, and registered five political parties, which are the United Nigerian Congress Party, that is, the UNCP; the Congress for National Consensus, CNC; the National Center Party of Nigeria, NCPN; Democratic Party of Nigeria, DPN; and, Grassroots Democratic Movement, GDM. These are the political parties which are registered, and right now are standing up for the elections.

EIR: And, then, your transition program: You are going to have, in December 1997, state assembly elections; and then, in 1998, elections to the Federal Assembly, governors, and Presidential elections. And then, the process will lead to an inauguration of a President of Nigeria on Oct. 1, 1998.

Dagogo-Jack: That's right.

EIR: Some people in the West have not looked favorably on Nigeria's democratic process. Could you tell us what it is that guarantees that this process will lead to a transition to a democratically elected Presidential candidate in 1998?

Dagogo-Jack: That's the Western countries you're talking about?

EIR: Yes. And particularly, the Western press.

Dagogo-Jack: Okay, the Western press you're talking about. You see, we, Nigerians, are not skeptical about the transition program. We have studied it. In 1996, we've gone through the non-party elections. We've gone through the registration of political parties. We've gone through the process of attempting [to get] voters registered; we've also gone through the elections. We're now steaming up, full-steam ahead, the boat is now moving toward Dec. 6, 1997, for the House of Representatives elections.

You see, one should not be skeptical. Nigerians have plenty of lessons, and with the present National Electoral Commission, the chairman, and the members, have a reputation to maintain, have credibility to maintain. And, with the support of the government, we can clearly say, that the transition program must be pursued religiously, and it will show that on Oct. 1, 1998, which is the terminal date, a civilian President, democratically installed, is restored, and the National Assembly is inaugurated. So, one should not be skeptical about it.

EIR: What is your conception of the importance of bringing democracy to the Nigerian population, after so many years of military rule?

Dagogo-Jack: Well, you see, Nigeria—although we've been under military rule, I say, generally, Nigerians are democratic. They have that essence, that hot-blood of democracy in them. If, for one reason or the other, democracy has eluded us in government, it has not eluded us in the general issue of the people. And that is why the present transition program is welcomed by all facets of Nigerians. If you had watched the non-party elections; if you have watched the local government elections, and seen the turnout, seen the orderly manner in which it's performed, you will realize that Nigeria is already on the path of democracy. And, all that has happened, previously, has been addressed. And Nigerians are now geared toward democratic rule—not only democratic rule: We are making gains even in the economic field, and social field.

EIR: So, you feel that the Nigerian population is very much involved—let's say, in body and soul—in this transition process to democracy?

Dagogo-Jack: Definitely. There's no doubt about that. And we, as the National Election Commission, which is charged with the responsibility of conducting the elections, we have provided guidelines; we have delineated consequences; and, we have the support of the generality of Nigerians, with the five political parties. If you go to the grassroots, if you go to the wards, if you go to the local government areas, all are happy that the present administration is hell-bent, is committed, to ensure that Nigeria democratizes.

EIR: When you say the present administration, you mean, the administration of Gen. Sani Abacha?

Dagogo-Jack: Yes, Abacha.

EIR: Is he completely committed to this democratic process?

Dagogo-Jack: Completely committed, to enthroning a lasting democracy in Nigeria.

EIR: One question, which may be out of your area, is, are you happy with the political debate and discussion of policy by the five parties? I mean, how the parties have articulated their programs, or policies toward economic alternatives? Because, in my short stay here, I have not seen much discussion by the parties of what they stand for. Is this process proceeding?

Dagogo-Jack: After the registration of the political parties, we have what we call a decree on the campaign procedures: Decree 28. Through the radio, through the television, and also through the electronic means, they have started their campaigns; they have set up offices; stayed in Abuja (Abuja is the Federal capital), but you know every political activity, right now, starts at the grassroots. That is, in the wards and the local government areas, because most of the polling stations are right in the wards and local governments, with their primaries.

So, coming into Nigeria for three days, you will not feel the pulse of this. But, we hope you will come back, and see how aggressive they are in trying to get people to their side.

EIR: Now, one question I have to ask you, because it's asked all the time by people in the West, is: Are the elections and the parties being used just as a cover for General Abacha to turn in his uniform and become a civilian Presidential candidate, and win the election?

Dagogo-Jack: Well, this question has been coming up and down. You see, if you read our guidelines, if you read the Constitution, for anybody to stand in an election, you must be a member of a political party. There are no independent candidates. You have to be a member of the political parties, and you will register from the grassroots, which is the ward level. So, this question of saying, "The present head of state will take off his uniform," and all the rest of that, it's a factor that the Nigerian National Electoral Commission is not aware of yet. Because, *we have* our guidelines: For anybody to stand for an elective post, you must start by being a member of a registered political party.

EIR: When is the cut-off date for registering for a political party?

Dagogo-Jack: Well, the cut-off dates for public offices, you have before you. There's a cutoff date by which you *must* resign your appointments. And, it's indicated in the guidelines. You see, the public officers and civil servants, mainly, according to the Constitution, are apolitical. They are not expected to be involved in politics! And, they have the cutoff date, as in the Constitution and in our guidelines, when they

should resign their appointments, or withdraw their services from the public office, or, civil servants in the civil service, to stand for election. *It's all laid down.*

EIR: One question that I neglected earlier, is, who appointed you to your post as chairman of the National Electoral Commission of Nigeria?

Dagogo-Jack: Well, by Decree Number 8, all the implementive agencies are appointed by the head of state, on the recommendation of the Provisional Ruling Council. Of course, that's the government in power. You really wouldn't expect someone outside the government to appoint the chairman of the National Electoral Commission? But, we were appointed, and we were sworn in by—if you look at the Transition Program, it's at the consensus of, the programs were all prepared under the Constitution of the Provisional Ruling Council, which is the head of the constitutional body ruling the country.

EIR: And this whole procedure—not the details, but the orientation—came from the Constitutional Congress that met in Nigeria, with these recommendations?

Dagogo-Jack: Yes. The recommendation for setting up the implementation agencies was purely from the Constituent Assembly, the Constitutional Conference, which drew up the draft 1995 Constitution of the Federal Republic of Nigeria.

ria. So, it's not a making-up of government, but the appointments *must* be made by the apex authority, which is the Provisional Ruling Council.

EIR: So, you're satisfied that everything's proceeding in an orderly, positive direction for 1998?

Dagogo-Jack: Yes, we are satisfied—*more* than satisfied. What we require is the understanding of the Western press, as you called them; they should make it a point of duty to get the *facts*. And, they should not just get information from outside the government or outside NECON, and start vilifying Nigeria. What we want: peace, cooperation, dialogue, and not antagonism. Because, you see, Nigeria has been in the forefront of all the United Nations institutions—like the IMF [International Monetary Fund], Nigeria is a founding member; Nigeria is a member of the United Nations; Nigeria has played an important part in peacekeeping operations, among that. It's so tied to the United States: You have investments of over \$32 billion from our oil fields from there. Of course, Britain was our colonial master. So, what we want is understanding, is cooperation, is advice—and not antagonism. But, I can assure you, as chairman of the National Electoral Commission, which has a job to do, come Oct. 1, 1998, Nigeria will *definitely have* a democratically elected *civilian* President. And, we will not fail. We are determined and proud people.

Videotapes Available from FDR-PAC

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



EIRNS/Stuart Lewis
FRONTMAN: New Jersey Congressman Chris Smith



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



EIRNS/Stuart Lewis
FRONTMAN: Virginia Congressman Frank Wolf



EIRNS/Stuart Lewis
FRONTMAN: New Jersey Congressman Donald Payne, former head of the Congressional Black Caucus



EIRNS/Stuart Lewis
BLOODSUCKER: Televangelist 'Diamond' Pat Robertson



EIRNS/Stuart Lewis
KABILA'S BUDDY: U.S. Refugee Committee chief Roger Winter

Africa: Looting Ground for 'Bush, Inc.' or Breadbasket for the World? Part 1, Jan. 11, 1997: 1 hour, \$20 [FDP 97-002]; or, 2 hours, \$55. [FDP 97-005]; (dubbed for Spanish: 1/2 hour, \$20 [FDP 97-007]).

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

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

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Nigeria's financial system and the world economy today

by Sam Aluko

Mr. Aluko is a professor of economics and chairman of Nigeria's National Economic Intelligence Committee. This presentation was read on his behalf to the Schiller Institute's conference in Bad Schwalbach, Germany, on Dec. 13-14, 1997. See EIR, Dec. 5, 1997, for a guest commentary by Professor Aluko, and EIR, Dec. 12, 1997, for an interview with him.

1. As the chairman of the National Economic Intelligence Committee (NEIC) of the Federal Government of Nigeria, I send you the fraternal greetings of all the 14 members of the Committee. I apologize for my inability to be present at this conference to present, personally, my short address. This period is the culmination of the 1998 Nigerian government budget determination, at which NEIC is expected to play a role.

2. The National Economic Intelligence Committee was set up by law in 1994. It has the statutory duty to ensure the proper implementation and enforcement of the annual budget of the federal government and, in addition, ensure that the 36 states' and the 774 local governments' budgets are reasonably implemented.

3. Since September 1986, Nigeria has been embroiled in the execution of the World Bank-IMF Structural Adjustment Program (SAP), which, as usual, has relied heavily on the successive devaluation of Nigeria's currency (the naira), as a means of stimulating the growth of the Nigerian economy. One of the consequences of the Program has been a fall in the value of the naira (N) from N1=\$1 in August 1986; N1=\$0.30 in September 1986; N1=\$0.10 in September 1990; N1=\$0.04 in December 1994; to N1=\$0.012 today. In short, before the IMF-World Bank intervention in the Nigerian economy in 1986, N1=\$1, while today, N85=\$1. Similar depreciation against all other foreign currencies—guilder, deutschmark, franc, pound, yen, and others—has correspondingly occurred.

However, due to the continued pressure from the NEIC and the support of the Head of State of Nigeria, there still exists an official rate of exchange of N22=\$1, mainly for official transactions, about 20% of the total foreign exchange transactions of Nigeria. But the IMF-World Bank, and their Nigerian private entrepreneurs, mainly West Europeans and Americans, are waging a titanic battle to abolish the official rate of exchange and let the naira float in “response to the

forces of demand and supply.” That response may ultimately make about N500=\$1 in the next few years, a level which the IMF-World Bank assume is the real market value of the naira! Ghana's cedi, which was of the same value as the naira and which in 1986 was equal to \$1, is today 1,400 cedis=\$1.

4. With the massive devaluation of the Nigerian currency has been a significant rise in the rate of borrowing. In 1986, the maximum rate of interest on loans was 11% and on deposits was 7%, a margin of 4% between borrowing and lending. By 1993, the maximum rate of borrowing rose to over 100% and of lending to about 60%, in spite of the fact that the number of commercial and merchant banks in Nigeria increased from 56 in 1986 to 120 in 1993, in addition to over 2,000 discount and finance houses, *bureaux de change*, community banks, and other financial intermediaries that came into existence after the introduction of the Structural Adjustment Program of 1986. Consequent upon the mismatch between the supply of financial institutions, the supply of money, the rate of interest, investment, and production, the federal government of Nigeria intervened through the 1994 budget by fixing the rate of exchange and the rate of interest, reducing the gap between the lending and the borrowing rates to 4%. In 1995, 1996, and 1997, owing to increased pressures from the IMF-World Bank and their Nigerian sympathizers, the federal government began to adopt a policy of guided deregulation of the financial intermediaries and the rates of exchange and interest. Today, while the rate of interest on deposits may be as low as 2%, the rate of borrowing is as high as 40% in some banks, with deleterious effects on investment.

5. While the naira continued to depreciate so disastrously since 1986, wages and other allowances for labor continued to move sluggishly upwards. In the public sector, for instance, which is the largest single employer of labor in Nigeria, wages and salaries had increased by less than three times since 1986, even though the purchasing power of the naira had fallen to about 1/85th. Thus, the average earning of the head of a Federal Government Ministry (Permanent Secretary), or a professor in a university, fell from about \$12,000 per annum in August 1986 to about \$700 per annum in August 1997. The level of public sector employment fell from about 15% of the economically active population in 1986 to less than 8% in 1997. In the private sector, many

factories, small businesses, and trading activities had collapsed and closed down since 1986. Those that are still surviving are operating at a productive capacity of below 30% today, compared with about 70% in early 1985. The per-capita national income of Nigeria was about \$550 in early 1986, compared with about \$330 in early 1997. Nigeria has thus moved from being a middle-income country in 1986 to being about the 33rd-lowest-income country in the world today. Unemployment continues to soar, as more and more workers are retrenched in the public and private sectors of the economy. Misery becomes more evident as the standard of living falls, health facilities decay, and illiteracy rate increases.

6. I have dealt a bit at length on the financial and monetary situation in Nigeria, mainly because that has been the main focus of the Structural Adjustment Program of the World Bank and of those who, in Nigeria, seek to find remedies for the economic maladies of the country. Not much such premium has been paid on the effects of financial derivatives on production, investment, and the standard of living of the majority of Nigerians. Bankers, stock-brokers, economic speculators, and financial intermediaries continue to imitate their counterparts in Europe, America, and the Far East. They forget that only an insignificant percentage of the citizens of any country do and can benefit from financial manipulations and that, eventually, the greed of the few would eat up the needs of the many, and the economy is bound to collapse, as we are beginning to witness in Europe, America, and Asia.

7. It is heart-warming that this conference is being held in Germany, where unemployment is at its highest since before the early 1930s, mainly because of the factors which I have described above and the substitution of money markets for factory jobs, farms, and business ventures. This is because the developed countries have transformed the Bretton Woods institutions from being agencies for production and development in the less-developed economies, into making them depend almost entirely on the stock markets, exchange rates, interest rates, and other financial intermediaries, which make easy money and fortunes for the few at the expense of the many, thus causing worldwide social, economic, financial, and political instabilities and unrest.

8. The world seems not to have learned enough from the 1929 stock market crash, the financial market rumblings in the 1950s and 1960s, and the 1971 financial fiasco, when the Bretton Woods system finally broke down. The stock market crash of October 1987, and the most recent stock market crash of October 1997, including the ongoing financial and monetary crisis in the so-called Asian Tiger countries, which are similitudes of the American-European financial apex, might possibly begin to teach us that the therapy for combatting chronic depression does not lie in the current world monetary and financial system, nor in further currency depreciation, financial manipulation, and maladjustments. The therapy lies

in fashioning out policies and programs that promote and develop the real resources of the respective countries and that help them to acquire and modernize their technical know-how and equip their citizens to increase their level of production and living standards for the achievement of peace, plenty, and freedom.

9. Such policies and programs, particularly in the developing countries, include:

a) increasing the level of mass literacy and formal education;

b) increasing domestic technical production through scientific research and investment;

c) improving the domestic and international exchange mechanism of goods and services;

d) the further reduction in the mis-use of the currency, the financial situation, and foreign exchange earnings, including foreign loans and aid;

e) increasing the level of domestic and foreign investment and foreign aid in the real and growth-promoting sectors of the economy;

f) promoting exports and paying economic prices for exports from the less-developed economies, without the "export or perish" syndrome that denies the domestic population their basic needs;

g) paying appropriate wages, salaries, and allowances to domestic workers, so as to stimulate domestic demand and the growth of the economy;

h) discouraging the flight of capital from the poorer to the richer countries, into secret accounts in Europe and America, by putting heavy taxes and penalties on such accounts;

i) protecting infant industries and the emerging economies from the dominant effects of those in developed economies; and

j) reducing the existing and rising debt burden, which further reduces the economy's capacity to earn foreign exchange and increase the standard of living of the debtor countries.

10. It is not enough for Europe, America, and their minions to preach democracy and fundamental human rights as preconditions for economic growth of nations. They must also remember that empty stomachs can seal the doom of even the most vibrant democracy. Germany had a taste of what I mean, during the depression of the 1930s. Many of the developing countries are, today, in worse economic hardship than has ever faced any European nation in history.

11. The National Economic Intelligence Committee acknowledges the collaboration between it and its colleagues of the Editorial Board of the *Executive Intelligence Review (EIR)* in the U.S.A. and in Germany in the past few years, during which time they had visited Nigeria, held discussions with the NEIC, and shared ideas, knowledge, and stimulation on the vital and thorny question of reshaping not only the economy of Nigeria, but also of the world financial and monetary system as a whole. May their shadows never grow less!

International Intelligence

Menem rejects pardon for war hero Seineldín

Argentine President Carlos Menem officially rejected any pardon for Col. Mohamed Alí Seineldín and the other officers associated with him, who were imprisoned for their part in a December 1990 uprising. Menem told the press on Dec. 26 to “forget about pardons,” in response to questions about the 24-hour Christmas furlough that Seineldín and three other officers were granted. He was thereby closing the door on speculation about a possible pardon, which his government had encouraged. Menem called the granting of a furlough a “humanitarian gesture,” which he said was “not harmful, quite the opposite.”

The case continued in the limelight, on Dec. 27, as his wife Marta Labiau de Seineldín gave several interviews, and various Presidential candidates “took stands,” on whether there should be a pardon for Seineldín, known as the hero of the 1982 Malvinas War against Britain. Would-be President Sen. Graciela Fernández M. of the London-favored Alianza party, called the furlough “scandalous,” because other prisoners were not also granted furloughs, a complaint echoed by jailed members of the “All for the Fatherland” (MTP) terrorists and the *Página 12* daily.

The decision to, once again, refuse a pardon was no “internal” decision, however. When Argentina’s Defense Minister Jorge Domínguez was in London to confer with the British Defense Secretary and other officials in early December, *Clarín’s* London correspondent pointedly asked him if a pardon for Seineldín and his associates had been raised in the meetings. Domínguez simply sidestepped the question.

Kharrazi: Dialogue, not clash of civilizations

In the course of his late-December visit to Athens, Iranian Foreign Minister Dr. Kamal Kharrazi proposed the holding of a dialogue among the ancient civilizations of Iran, Egypt, Rome, and Greece, according to a report from IRNA, the Iranian news agency.

He said that both Italy and Greece had responded favorably, and that Iran had to discuss it with Egypt.

Kharrazi told the Greek newspaper *Kiriakatiki* on Dec. 28, that the dialogue with the United States would not unfold unless the latter ceased its hostile attitude, and stressed, “We respect all the peoples of the world, and we differentiate between the American people and its government. The American people are a great people, with a great civilization. . . .” He said, the hostile attitude to Iran continued, and cited a report, that the U.S. Congress had endorsed budget allocations of \$20 million to topple the Iranian government.

JDL thugs busted in plan to desecrate mosque

Two leaders of the Jewish Defense League/Kach party were arrested by Israeli authorities in mid-December, for planning to throw a pig’s head—an abomination to Muslims and Jews alike—into the Al Aqsa Mosque on the “Temple Mount,” at the beginning of the Muslim holy month of Ramadan, which started on Dec. 30. One of the two, Avigdor Eskin, had founded the JDL chapter in Moscow in the early 1970s. Earlier in 1997, he had been sentenced to four months in prison, for having publicly placed a cabalistic death curse on Prime Minister Yitzhak Rabin, one month before Rabin was murdered on Nov. 4, 1995, by Eskin’s crony, Yigal Amir.

“If this plan would have been put into action, I think a lot of blood, both Jewish and Arab, would have been spilled on the Temple Mount,” Jerusalem police chief Yair Yitzhaki said.

According to the Dec. 30 London *Times*, Israel’s senior police officer, Inspector General Assaf Hefetz, said on Dec. 29 that hundreds of Jewish extremists are preparing to incite a bloody conflict with Arabs. He appealed to rabbis and “right-wing” politicians to restrain extremists such as Eskin and Haim Pakovitch, who was arrested with him in the plot. A former deputy chief of Shin Bet, Gideon Ezra, told the *Times* that “all the rabbis and all the people associated with the extreme right wing should denounce this alleged plot by Eskin and his associates. If anyone has reason to believe that somebody

intends to commit a serious act, they should inform the authorities and stop whatever is planned before it happens.”

Eliahu Bakshi-Doron, Israel’s chief Sephardic rabbi, responded to the call, writing in a letter to Palestinian Authority President Yasser Arafat: “We were sad to hear of the criminal plot by extremists, who wished to harm the faith and the faithful, and inflame relations between the religions. We denounce any attempt and evil thought which could put off peace and friendship.”

Sonia Gandhi to campaign for Congress Party (I)

Sonia Gandhi, the widow of assassinated former Prime Minister Rajiv Gandhi, and Indira Gandhi’s daughter-in-law, has agreed to campaign for the Congress Party (I) in the upcoming national elections, *The Hindu* reported Dec. 30. Mrs. Gandhi said she would campaign “for the party at this difficult moment,” Congress (I) President Sitaram Kesri announced. He expressed his gratitude to Mrs. Gandhi for acceding to “our request” to help campaign. This will be Mrs. Gandhi’s first public emergence into politics since her husband was assassinated in 1991.

Indira Gandhi’s father, Jawaharlal Nehru, was a pre-Independence Congress Party leader, and became India’s first Prime Minister. In the late 1970s, after suffering severe electoral defeats, the party rallied around her, calling itself the Congress (I), for Indira.

On Jan. 1, the Indian Election Commission announced that nationwide parliamentary elections would be held on Feb. 16, Feb. 22, Feb. 28, and March 7.

Britain had MI6 spy on European Union allies

The *Times* of London previewed a Jan. 4 BBC2 television broadcast, quoting successive foreign secretaries that Britain had used its foreign intelligence agency MI6 to spy on its European allies over the years. In its Jan. 2 issue, the *Times* wrote of the broadcast, titled “How To Be a Foreign Secretary”:

“Confirmation of the widely held suspi-

HELMUT KOHL, Germany's Chancellor, was made an honorary citizen of London on Jan. 5, being given the "freedom of the city of London," the first continental European to be so "honored." The award was a result of his slavish implementation of Thatcherite economics in the name of upholding the Maastricht criteria for monetary union.

SOUTHEAST ASIA'S illegal drug trade has boomed recently, especially in marijuana and the deadly amphetamine "ice." The cut-off of U.S. and European anti-drug aid to Cambodia has encouraged pushers to shift their routes through there. Thailand's Narcotics Control Board chief Payont Panthasri said that the "rising unemployment and bankruptcy has resulted in a sharp increase in the number of drug pushers," and a sharp drop in the price of amphetamines.

THE WORLD LIKUD convention in Jerusalem on Dec. 22 was adjourned just hours after its opening, when a group of French delegates, supported by Prime Minister Benjamin Netanyahu, started fist-fights over an effort by World Likud chairman, Tel Aviv Mayor Roni Milo, to sponsor an anti-Netanyahu candidate to succeed him as chairman. The *Jerusalem Post* called it "the culmination of the deepening rift between Netanyahu and his party's veteran leadership."

SOUTHERN THAILAND was hit on Dec. 30 by its worst terrorist incident in months, by the small Muslim separatist Pattani United Liberation Organization, which operates in the area of the Thai-Malaysian border. PULO planted a bomb at a school fair, killing three teenagers and injuring 12 others. PULO has recently assassinated seven security officials, and made an attempt on Maj. Gen. Sanan Kachornprasart, who was just named Interior Minister.

SOUTH AFRICA cut its ties with Taiwan, which closed its Pretoria embassy on Dec. 31; China opened its embassy in the South Africa capital on Jan. 1.

cion that Britain's intelligence network has been eavesdropping on Brussels, Paris, and Bonn, comes only days after Tony Blair took over the presidency of the EU [European Union]. Lord Owen, the last Labour Foreign Secretary, has admitted MI6 had provided intelligence material before key negotiations in Europe. He is not alone. Lord Hurd of Westwell, Foreign Secretary under Margaret Thatcher and John Major, also admitted as much. . . .

"Mr. Cook, the first Labour Foreign Secretary for almost 20 years, was also asked whether he had sanctioned spying on his EU counterparts. He said: 'I am sorry, I cannot talk about that. . . . It is secret information. We never discuss that.'"

The *Times* added that MI6 is not London's sole spy agency deployed against the EU: "GCHQ, the worldwide eavesdropping network in Cheltenham which listens in on Britain's enemies, has a role closer to home." U.S. intelligence sources have stated with certainty that Cheltenham GCHQ does target EU member countries, including covert action.

Italian architect plans 'Ancient Rome' theme park

According to an article in the Jan. 2 *Washington Post*, the return of Ancient Rome—this time as theme park, rather than blood-drenched imperium—is being planned by Italian architect Luigi Pellegrin, prompting one scholar to characterize the project as "Pilgrim's Regress." In the poverty-stricken little town of Castel Giorgio, 45 miles north of the real Rome, Pellegrin and his partners intend to build a three-quarter scale model of Imperial Rome—a "\$250 million project . . . to include a historical theme park, where visitors can don togas, listen to orations and watch chariot races at the Circus Maximus or gladiator contests at the Colosseum." Pellegrin et al. also plan to use the theme park as a set for movie and television productions; tourists, having donned their togas, can act as extras in crowd scenes.

If this new theme park goes through (there are stiff objections from many strata of Italian society), its owners hope to open it in the year 2000, to capitalize on the pres-

ence of the millions of real pilgrims who will stream into the real Rome to celebrate the millennium Jubilee.

A most revolting aspect of the project does not appear to have attracted any notice: the notion of a "sentimental journey" through what was, after all, the murderer of millions, the enslaver of the known world, the model for subsequent empires, including the British, and the city represented in the Biblical Book of Revelation as the Whore of Babylon.

New appeal launched for food for North Korea

At a press conference in London on Jan. 6, World Food Program executive director Catherine Bertini appealed for \$378.2 million to expand its emergency feeding operation in North Korea to "avert a heightened threat of famine," this year. After two successive years of extensive flooding, North Korea was hit in 1996 by both severe drought and typhoon-driven storm surges that drastically reduced the harvest. Assuming normal consumption levels, food stocks could run out as early as April or May.

North Korea has been equally rationing its dwindling food supplies, leaving much of its workforce too feeble to operate factories, power plants, and farm equipment, weakening the economy, and leaving the country further prey to disease, as well as starvation.

"The international community must act now to prevent the present food shortage from developing into a famine situation," Bertini urged. The WFP and Food and Agriculture Organization, both UN agencies, estimate that the country will need just over 1 million tons of additional food aid for the 12 months beginning April 1. WFP seeks to provide 658,000 tons of assistance to 7.5 million North Koreans, one-third of the population. "In dollar terms, this is the biggest emergency operation in WFP's history," Bertini said. "The size of this new operation reflects the seriousness of the crisis in North Korea. We recognize that we are providing a short-term solution, but it is one that is absolutely vital to avert a humanitarian catastrophe." The WFP has also been supporting agricultural reconstruction.

LaRouche becomes target of new British slanders

by Nancy Spannaus

Coincident with the explosion of the global financial crisis in December, came a noticeable new wave of slanders against the U.S. economist and statesman who uniquely forecast that explosion, Lyndon H. LaRouche, Jr. From the *Wall St. Journal* in New York, to the national newspaper *El Universal* in Mexico City, propagandists for British enemies of LaRouche have published prominent smears.

Asked about these attacks during a radio interview with “EIR Talks” on Jan. 7, LaRouche put the phenomenon in the context of the key part which he and the publications associated with him have played in damaging certain British operations, like those which led to the genocide in Central Africa, those which carried out the murder of Princess Diana, and the subsequent coverup, and those carried out by de facto British operative George Soros. He said:

“So, the British government, or the British Crown, has taken a very strong adversarial interest in me, once again, as it did back in the 1980s, when it was running major operations against me. And they are using their facilities in the United States, including their influence on a section of the Democratic Party, which has been recently activated, in connection with this spate of libel slanders. . . .”

It should be noted that this wave of slander comes only a couple of months after an unprecedented array of positive coverage, internationally, of LaRouche’s forecasts on the global financial crisis. During that period, the Mexican, Peruvian, Nigerian, and Russian press—among others—gave prominence to LaRouche’s warnings about the inevitable collapse of the speculative bubble, and the dangerous incompetence of the International Monetary Fund. In that context, it is all the more clear that the purpose of the current slanders is to prevent LaRouche’s taking public leadership, based on his skyrocketing credibility in the midst of systemic collapse.

The Mexican case

The most virulent item in this British-sponsored offensive came in the Mexican national news daily *El Universal* on Jan. 6. The newspaper featured an article on the top of page 8, which claimed that LaRouche “might be” involved in financing anti-Zapatista groups who “might” have carried out the recent massacre in Chiapas. The unsigned article claimed as its sources, well-known agents of the British pirate and drug-legalizer George Soros, and the real *Comandante* of the narco-terrorist Zapatista National Liberation Army, Bishop Samuel Ruiz.

The charges in the article are not only unsubstantiated, but they are ludicrous. LaRouche and his supporters in Mexico don’t issue death threats, or tell others to do so, and the only protectors and promoters of paramilitary groups in Chiapas are Ruiz and his followers. But *El Universal*—a newspaper with a record of defending the narco-terrorists and synarchist Fidel Castro’s São Paulo Forum—clearly doesn’t care about “proving” its case. Rather, the article just keeps rattling off LaRouche’s name—seven times!—and, in both opening and closing, screeches that LaRouche is organizing to stop “a Satanic and pagan movement out to destroy Western culture.”

LaRouche’s credibility in Mexico on economic questions reached enormous heights in October, after a public scandal around the sabotaging of his potential visit to address a conference in Guadalajara, and the vindication of his forecast of an imminent financial explosion. The financial columnist for *Excelsior*, the nation’s equivalent of the *New York Times*, frequently cites LaRouche’s economic analysis, and there was much other newspaper coverage in that period.

But the purpose of the *El Universal* slander is by no means confined to Mexico.

British mouthpieces

In the United States, where there has been a general establishment media policy of pretending that LaRouche and his movement do not exist, there have been three significant eruptions in the last months, which indicate that the establishment is trying to insure against a “breakout” of the leading economist’s influence.

The most widely read was undoubtedly the Dec. 23 lead article in the *Wall Street Journal*, which included LaRouche’s name in the first sentence of an article profiling Richard Leebove, currently the press spokesman of Teamster presidential candidate James Hoffa, Jr. Leebove was once a member of LaRouche’s philosophical association, more than 15 years ago, and, while the *Journal* article does state that Leebove is no longer associated with LaRouche, its content effectively continues the line first put out by neocon former UN ambassador Jeane Kirkpatrick, that Leebove is a “LaRouche operative” in the labor movement.

Author Mark Maremont retails the lie that LaRouche is a “far-right politician,” who “was obsessed with the Teamsters, believing that foreign interests, Jews, and Kennedy left-wingers were conspiring to take over the right-leaning union. . . .” LaRouche has demanded a retraction from the *Wall Street Journal*, which certainly knows better. The *Journal*, run by the Dow Jones corporation and closely linked to British-dominated financial circles, has a record of attacking LaRouche that goes back to 1973—and its Asian and European editions took prominent note of LaRouche’s role in exposing British privateer George Soros, in September 1997.

The most direct British mouthpiece attacking LaRouche in this same period, was the Rupert Murdoch-owned *New York Post*, which, on Dec. 31, published a long editorial attack on LaRouche’s appeal attorney, former U.S. Attorney General Ramsey Clark, and LaRouche himself. Once again, the attack was a gratuitous lie, claiming that there are “well-documented charges of anti-Semitism and neo-Nazism” against LaRouche, whom it described as a “conspiracist extraordinaire.”

In the Jan. 7 interview with “EIR Talks,” LaRouche identified the *Post* as owned by “an international syndicate, which owns the London *Times*, which is a product of the Beaverbrook apparatus, and Rupert Murdoch, a man of Australian provenance, who controls a good deal of the press in the United States, along with the Hollinger Corporation. Now, these are press which are anti-Clinton press, incidentally. And people who support them and who work for them, are not exactly patriots.”

The only thing surprising about the *Post* attack is its prominence.

Also of British pedigree is a smear which appears in a recently published book by Yale University Press, called *political paranoia, the psychopolitics of hatred* (no capitalization in the original). A several-page section on LaRouche,

by authors Robert S. Robins and Jerrold M. Post, relies heavily on the book written by former Maoist Dennis King, once a publicist for mobster Roy Cohn. King’s book, which slanders LaRouche as a fascist, was financed heavily by the Smith-Richardson Foundation and the circles around Richard Mellon Scaife, the very same British-linked grouping that is targetting Clinton today.

To top it off, author Robins did his “research” for the book while working at the British Tavistock Institute, a psychological warfare outfit. His co-author, Jerrold Post, is a psychiatrist employed by the U.S. government’s profilers. That he would rely on quoting King, LaRouche notes, shows definitively that he’s just a “quack.”

Beyond the usual roster of enemies

In discussing the new slanders with “EIR Talks,” LaRouche also noted that “the section of the Democratic Party, which—shall we say, the Dick Morris fans in the Democratic Party—has been deployed, in addition to my usual roster of enemies, in trying to do all kinds of dirties to me and my friends inside the Democratic Party, throughout institutions of government, and so forth and so on. This is just a kind of a dirty nag operation. So, that’s what this all represents.

“But these New Age types in the Democratic Party, as opposed to the traditional Democrats, that is, the traditional Democratic activists, are pretty much British-dominated. And they’re a real problem.”

LaRouche was referring primarily to the “Fowler” wing of the Democratic Party, which is still defending itself in Federal court against LaRouche’s charges that the party violated the 1965 Voting Rights Act, in denying him delegates to the 1996 Democratic National Convention (LaRouche won nearly 600,000 votes in his bid for the Democratic Presidential nomination). Although Democratic Party chairman Don Fowler, who ordered LaRouche’s exclusion, is now gone—and ill-remembered by Democrats who are being hit by the legacy of his fundraising practices—there are party members who still follow his line. These have shown up particularly in the Commonwealth of Virginia, in British-dominated Loudoun County, where LaRouche resides, and where local Democratic honchos have moved to exclude LaRouche associates from the party.

In truth, the very continued existence of the Democratic Party, and of the United States itself, depends upon LaRouche being able to play a hands-on leadership role on economic and strategic policy. Under current conditions, the bulk of the traditional Democrats are still deserting the polls in droves, and even the disintegration of the Republican Party can’t help them get back into a commanding position. The British hope that they can prevent that happy development, based on proven capabilities of brainwashing the American population. It’s about time that Americans proved them wrong.

Authors make compelling argument to abolish the death penalty

by Marianna Wertz

Frontiers of Justice, Vol. 1: The Death Penalty

Edited by Claudia Whitman and Julie Zimmerman

Brunswick, Maine: Biddle Publishing Co., 1997
268 pages, paperbound, \$15.95

“The eye-for-an-eye philosophy leaves everyone blind.”

—attributed both to Martin Luther King, Jr. and Mahatma Gandhi

When five of my friends went to prison because of their political views, over four years ago, I swore that we in the LaRouche political movement would do everything we could to end the death penalty — against which they had all fought — before they got out. At that time, I expected that they would be out relatively soon, as I thought there was still some fundamental justice in this nation, if not in Virginia, where they were imprisoned. Today, they are still in prison, and the death penalty is still very much in force.

It is now time—indeed, it was time long ago—for America to end this barbaric relic of the past, and to join the rest of what purports to be the civilized world in renouncing the use of murder to avenge ourselves on murderers. It is now time for America to blot out this last vestige of “frontier justice.” Perhaps then, we might have the morality to address the much tougher problem in our criminal justice system: the corruption in the Department of Justice itself, which is most clearly seen in the LaRouche case.

Frontiers of Justice makes available, in personal and highly readable accounts, every argument that has been made for the abolition of the death penalty. In addition to the stories told by those whose lives have been deeply touched by the death penalty, *Frontiers of Justice* also marshalls accounts by some of the nation’s leading experts in this field, to document the racist and fundamentally unfair nature of the application

of capital punishment in America today.

Included are contributions from former New York Governor Mario Cuomo, U.S. Rep. Henry B. Gonzalez (D-Tex.), former U.S. Rep. Harley O. Staggers (D-W.V.), several legal experts in the death penalty, two former state Commissioners of Corrections, and Jewish, Muslim, and Christian religious leaders. Woven together with these papers opposing the death penalty, are very intimate accounts of the suffering which capital punishment causes among the *three* groups of victims — as Sister Helen Prejean, author of *Dead Man Walking*, has put it: the death-row inmate, his relatives, and the relatives of his victim. Indeed, *Frontiers of Justice* carries an endorsement by Sister Helen, who told *EIR* in an interview (see Nov. 14, 1997 issue, p. 61) that *story-telling* is the best form of argument. This is a book of very compelling stories.

Fundamentally unfair

On the most elementary level of basic justice, the death penalty is blatantly unfair. Of the approximately 24,000 murders committed each year in America, 1% of murderers are selected to be prosecuted for the death penalty. The U.S. government’s General Accounting Office has found the correlation of race to be a factor present at all stages of the criminal justice process, in the prosecution of capital crimes. This includes the prosecutor’s decision to charge the defendant with a capital offense or to go to trial rather than plea-bargain. In the end, although half of all murder victims are black, 85% of those executed or awaiting execution, since the death penalty was reinstated in 1976, were charged with killing whites. A black who murders a white is more likely to get the death penalty than a white murdering a black or a black murdering a black.

In addition, since 1976, at least 40% of the death penalty convictions have been reversed. It is fairly estimated that at least 5% of the inmates on death row are innocent of the crime for which they were charged. A recent *Stanford Law Review* study revealed that during this century in the United States, at least 417 people were wrongly convicted of capital offenses, and of these, 23 were executed. Since the 1970s, at least 46 people have been released after many years on Death Row because they were discovered to be innocent.

Finally, the overwhelming majority of the more than

3,000 men and women on Death Row in America are poor. Thus, the definition of capital punishment: "Those who lack the capital get the punishment."

Because the argument most often used to justify capital punishment, particularly in the "Bible Belt," where it is most in force, is the Old Testament idea of "an eye for an eye," the contribution of Rabbi Gershon Winkler is among the most valuable in this collection. An expert on Jewish mysticism, philosophy, and folklore who serves as rabbi in the Four Corners region of New Mexico and Colorado, Rabbi Winkler begins by quoting from the Talmud: "A court that has executed someone as infrequently as once in seven years is a murderous court; others say, even once in 70 years."

After detailing the great lengths to which Jewish courts in the ancient period went to *avoid* executions, Rabbi Winkler writes that, while Jewish law does not rule out capital punishment, it "certainly made it close to impossible to sentence someone to death, did everything possible to delay execution, and leaned toward every possibility of acquittal rather than seeking conviction. In our own time, these rules would appear politically incorrect, albeit reasonably compassionate; 2,000 years ago, however, they were extraordinarily compassionate, and reflect an attempt at wrestling a balance between respect

for the sanctity of life and respect for the needs of society."

Today, we are going in the opposite direction. Where Jewish law in the time of Christ was trying to get *away* from executions, an America that calls itself Christian (after Christ, who preached mercy, forgiveness, and love) is turning increasingly *toward* capital punishment.

Martin Luther King, Jr. and Mahatma Gandhi warned that "the eye-for-an-eye philosophy leaves everyone blind." That is not what is meant by "blind justice"! Let us hope that *Frontiers of Justice* and other similar attempts to bring the real horrors of the death penalty into public debate will lead this nation to a real blind justice—one that is both fair and based on law, rather than politics.

Then, America can return to its real, anti-British roots, as American patriot and Declaration of Independence signer Dr. Benjamin Rush helped form them, when he launched the movement to abolish the death penalty in our country in 1787. As quoted in *Frontiers of Justice*, Rush and his fellow Leibnizians based their movement on the belief that, since harsh and bloody laws marked the British monarchy, against which the Revolution had just succeeded, mild and benevolent ones should characterize republics. If we are to salvage this republic, the death penalty must go.

Letters to the Editor

The truth about Aaron Burr

... I am concerned about your reference to Aaron Burr [*EIR*, Nov. 14, 1997, "British Israelites and Empire," by Scott Thompson and Michael Minnicino]. ... [Your] misconception ... seems to follow written history concerning the man which is definitely incorrect. ...

Aaron Burr and Mr. LaRouche are similar in one respect. They both while American Patriots are victims of political slander and vendetta.

Thomas Jefferson wanted to continue the Virginia succession of presidents and was afraid of Aaron Burr's charismatic personality. He and Alexander Hamilton were of the mind that only land owners and the wealthy should be allowed to vote. Aaron Burr was for the common man. They both exerted all kinds of slander toward Burr. This Burr tolerated until Hamilton attacked his family. Thus Burr challenged Hamilton to a duel which was socially accepted ... in those days. Andrew Jackson killed 25 men in duels but

was not socially chastized by the public or the media of the time. ... I suggest you ... look up the work of Dr. Samuel Engle Burr, ... [who] organized the Aaron Burr Association of which I am a member.

Your reference to Aaron Burr is completely incorrect. ... The Rev. Jonathan Edwards was the grandfather of Aaron Burr, Jr. Edwards' daughter married Aaron's father, Aaron Burr, Sr. ...

Howard E. Burr
Tehachapi, Calif.

Reply by History Editor Anton Chaitkin:

Lyndon LaRouche commissioned my book *Treason in America: From Aaron Burr to Averell Harriman*, in which the story of Burr's treason is definitively told (New York: New Benjamin Franklin Publishing House, 1985; now out of print, but available from PGM, 60 Sycolin Rd., Leesburg, Va. 20175, as a photocopy, \$35).

Burr is no slander victim. The founder of the Bank of Manhattan (later Chase Manhattan), Burr has always been a darling of the British and Anglophile establishment and their pet historians. To counter their constant glorification of Burr as a "romantic rebel," we had to dig out

Burr's dirty work with the British secret service, from Benedict Arnold to the Mallet-Prevost banker-spy-masters. Burr was perhaps the most cynical mob leader who ever worked for the aristocrats and bankers in U.S. politics.

Yes, Hamilton and Jefferson agreed that Burr was a traitor. Hamilton did not "attack his family"; he blocked Burr from being elected New York governor in 1804, in Burr's scheme with the British underground to have the northeastern states secede from the Union.

In the Nov. 14 article, *EIR* erred in the paragraph that called Aaron Burr the son-in-law of Jonathan Edwards. Aaron Burr, Jr., the British asset and traitor, was indeed Edwards' grandson. And it was Aaron Burr, Sr., who preceded his father-in-law, Edwards, as president of Princeton. But the article's characterization of this Satanic faction is otherwise right on the mark.

We have observed the misguided efforts of Samuel Engle Burr to promote his ancestor as a hero. Every person has millions of ancestors; many good, and some evil persons are to be found among all those with any family name. It is better to fight for the truth, than to "reign in hell" with *that* Burr and the British oligarchy.

National News

Earth First! conjures new corporate hit list

Private investigator Barry Clausen, who infiltrated the eco-terrorist Earth First! gang in the early 1990s, has just obtained a draft letter in which the terrorists outline an escalated campaign against corporate leaders, similar to the 17-year rampage of the Unabomber. The letter was drafted after an Oct. 15 meeting of the ecologist underground in Portland, Oregon.

Reportedly, the eco-fascists proposed attacks against executives in their homes, as the only way to "save the Earth." The letter is accompanied by a new hit list, modelled after that which the Unabomber used to target his last victims. (In 1990, the Unabomber's list, under the title "Eco-Fucker Hit List," was published in the underground version of the Earth First! journal, *Live Wild or Die*.) The companies listed in the new draft letter include Microsoft, McDonald's, John Hancock, Nike, Boeing, and timber, mining, and oil companies.

The goal stated in the letter, is to "[f]ind an office . . . [or] a corporate executive's home and **ACT**," with the last word in bold-face capitals, and the A diagonally slashed, which is the symbol of the anarchists.

Clinton's defense fund closes after harassment

The trustees of the President's Legal Expense Fund, which was created to help defray legal costs for President and Mrs. Clinton, announced on Dec. 30 that they were being forced to shut down. The fund's executive director, Michael Cardozo, told reporters that the fund has been operating under the restriction of the position taken by the U.S. Office of Government Ethics, that the fund could receive contributions, but could not solicit funds. Cardozo said that since its creation, the fund has received over \$1.3 million in contributions, and has disbursed over \$766,000 to pay legal expenses. "However," Cardozo said, "the trustees have noted

with concern and regret the steady decline in contributions to the trust. They believe this is due in large measure to the political climate which prevails today, with numerous highly publicized campaign finance-related investigations."

A statement was also read at Cardozo's press conference from Nicholas Katzenbach, a former U.S. Attorney General and co-chair of the President's Legal Expense Trust, which said, in part, that "contributions to the trust have, we believe, suffered from the myriad of highly publicized campaign finance-related investigations, and have dwindled to the point that it is futile to continue the trust as presently constituted."

Among other things, the officers of the fund were called as witnesses before the Federal grand jury operating under the Justice Department's task force investigating campaign financing; they were also called upon to provide records and testimony to Congressional committees. A legal action to shut down the fund was brought by the anti-Clinton "Judicial Watch" organization.

It is estimated that President Clinton currently owes almost \$3 million in legal bills.

Lunar Prospector, first Moon mission in 25 years

The last NASA lunar mission took place 25 years ago, when the crew of Apollo 17 became the last humans to walk on the Moon. On Jan. 6, the Lunar Prospector spacecraft lifted off from the new commercial Florida Spaceport facility at Cape Canaveral, on its way to the Moon. The small and inexpensive spacecraft (about \$20 million, weighing 660 pounds, fully fueled) will orbit the Moon for one year at an altitude of about 63 miles, measuring various of its aspects, using five scientific instruments. After that primary mission, the engineers plan to lower its orbit for six months, to perhaps as little as six miles above the surface.

The instruments will map concentrations of elements and minerals on the lunar surface, map the distributions of regions of magnetic field strength (the Moon does not have a global magnetic field), determine the variable gravity field of the Moon, which

scientists believe may be the result of mass concentrations below the surface, and look for unusual concentrations of hydrogen.

Results from the last task will be watched anxiously: While Lunar Prospector cannot search for water directly, it can determine if there are concentrations of hydrogen in the soil, which would be bound with oxygen in the form of water ice. Two years ago, the Defense Department's Clementine spacecraft found indirect indications, from radar soundings, of water ice, in permanently shadowed regions of the huge Aitken crater basin at the south pole of the Moon.

Virginia demands U.S. deny Don Phau habeas

The Commonwealth of Virginia is asking a Federal court to deny the *habeas corpus* petition of Don Phau, who is serving a 25-year sentence as part of Virginia's phony "securities" prosecution of associates of Lyndon LaRouche. The Virginia Attorney General, responding to Phau's *habeas* petition, came up with nothing more substantive than demanding retroactive application of some provisions of the Conservative Revolution's Anti-Terrorism and Effective Death Penalty Act, enacted on April 24, 1996. Under the law, state prisoners have only one year from the end of their state appeals, to file a Federal *habeas* petition. (In death penalty cases, this is reduced to six months!)

In Virginia's response to Phau, the Attorney General cites recent rulings from some judges in Virginia and New York, who have ruled that this new statute of limitations applies retroactively, effectively denying access to the Federal courts of all state prisoners whose appeals ran out more than a year before the law was enacted on April 24, 1996.

Other Federal judges and the Department of Justice have said that this one-year time period should begin to run from the date the bill was passed. To do otherwise would violate due process and be inherently unfair. In a recent case in Virginia, U.S. District Judge Robert Doumar of Norfolk, threw out a Federal *habeas* petition, saying it was too late, even though the U.S. Attorney General and the defense attorneys agreed the judge

was wrong. This case is now pending before the Fourth Circuit appellate court, and the U.S. Attorney has refused to file a brief defending Doumar's decision.

Virginia did not respond to Phau's voluminous substantive claims, among them that his lawyers were incompetent, Commonwealth officials broke the law to convict him, and the securities law under which he was convicted could not Constitutionally be applied to political loans.

Earth Day guru Einhorn a free man in France

Ira Einhorn, the New Age guru who founded Earth Day in 1970, who was convicted *in absentia* for the grisly 1977 murder of his girlfriend Holly Maddux, is now a free man in the wine region of western France, reported the *Washington Times* on Jan. 2. In 1979, two years after Maddux's disappearance, police raided Einhorn's Philadelphia apartment, and found her partially mummified body in a trunk in his closet.

On the eve of his trial, in 1981, Einhorn fled the country, and was found in France this past summer. His case against extradition became an anti-U.S. human rights *cause célèbre* among the French left. On Dec. 4, a French court found that his 1993 conviction *in absentia* in Philadelphia violated French law: The fact that Pennsylvania law does not provide for a second trial means that Einhorn cannot be extradited, Judge Michel Arrighi ruled.

Eco-terrorist Einhorn didn't beat the odds alone. He had help, as the *Times* described, from "the intelligentsia of the Northeast." Arlen Specter, now a Republican U.S. senator, was his defense attorney; when he fled in 1981, he had been free on a ludicrously low bail of \$40,000. In his network were, according to *The Unicorn's Secret: Murder in the Age of Aquarius*, by Steven Levy: "Seagram heir Charles Bronfman; futurist Alvin Toffler; science adviser to the British Commonwealth Christian de Lait; . . . *Whole Earth Catalog* publisher Stewart Brand; physicists Freeman Dyson, David Bohm, Frijtof Capra and Heinz Pagels; Esalen co-founder Mike Murphy."

Charles Bronfman's wife sent Einhorn money until he fled the country and, many believe, continued to send him money in his fugitive years as well.

Century-old water main break floods Manhattan

New Yorkers have more immediate worries than whether their city will be drowned by ice-melt from global warming: On Jan. 3, at 3 a.m., a water main break flooded several blocks around 18th Street, bounded by Fifth Avenue and Broadway. The flood caused gas lines to break and burst into flame, and shut down subways. The flooded area is an historic district that includes the Flatiron Building, one of the world's first skyscrapers. Soon after the 48-inch, 100-year-old pipe breached, a giant crater formed in the street, about 30 feet long and 20 feet deep, swallowing up a Buick sedan.

Although some breakages can be expected in latitudes with sharp temperature changes, this spectacular one dramatizes how long overdue the urban infrastructure in many U.S. cities is for replacement. In the boroughs of New York City, on average, 1.5 pipes break every day, or about 550 breaks in a year. Many are minor, but occasionally a rupture occurs in a major line. Of the estimated 6,000 miles of water pipe under New York City, half was laid before the 1930s, some of the lines long before.

In February 1997, a water main break under Atlantic Avenue in Brooklyn disrupted traffic for days. This ruptured pipe was also 48 inches, made of cast-iron and first laid in 1858. In May 1996, a break in a 48-inch water main, this one "only" 94 years old, caused a flood in Manhattan's Times Square.

While the technology exists to restore and replace the infrastructure grids of decaying cities, since the 1970s—the decades of the "post-industrial" policy and the deregulation privateers like Newt Gingrich and the Conservative Revolution—this has not been done. Instead, infrastructure has been taken down, with even existing mass transit systems being removed, and replaced with costly, dangerous, and space-hogging highways.

SOCIAL SPENDING will be expanded somewhat in President Clinton's 1999 budget, says the *Washington Post* of Jan. 3. This includes restoring food stamps to some of the 800,000 legal immigrants whose aid was cut off by the welfare reform act. Another plan would permit retirees ages 62–64 to pay monthly fees and receive the same Medicare services as those over 65.

MICHAEL SHAHEEN, who resigned in November after 22 years as head of the Justice Department's ill-named Office of Professional Responsibility, had been under investigation by the DOJ Inspector General. He and his office were being investigated for excessive travel expenses, and for "abuse of authority." One allegation was that Shaheen, after a minor traffic accident, flashed his DOJ credentials to the other driver and demanded, "Do you know who I am?"

PRESIDENT CLINTON has put off his visit to India and Pakistan scheduled for February, because of political turmoil in both countries, White House officials said, according to the Jan. 2 issue of India's *The Hindu*. The officials said Clinton still planned a South Asia tour, including stops in India and Pakistan, and possibly Bangladesh, later this year.

VIRGINIA GOVERNOR Jim Gilmore, the heir to Conservative Revolution darling George Allen, is hoping to pick off elected Democrats in the state by offering them jobs in his administration. On Jan. 5, he appointed Loudoun Democrat, State Sen. Charles Waddell, to the post of assistant transportation secretary. It is virtually impossible that the Democrats could elect someone to replace Waddell, which would thereby leave the Republicans an absolute majority in the State Senate, which is now split 50-50.

BILLIONAIRE John Paul Getty II has become a British citizen, and, according to 10 Downing Street, can now approach the Queen to be knighted.

The rule of law?

As we celebrate Martin Luther King's birthday, in the 30th year after his death, it is appropriate that we look again at the question of justice, and how "justice" has been perverted in this interval. In King and his movement, we had a force for establishing principle in law, which was crucial to fulfilling the commitments of our Declaration of Independence and Constitution. Those commitments are now being totally overturned, and not just in the area of "civil rights" law.

What we have seen take off in these last 30 years, is the practice of throwing overwhelming judicial, and extra-legal, power against declared political enemies. While this has been carried out through an allegedly professional staff at the Department of Justice, this permanent bureaucracy has in fact acted like a political hit squad, and used the "law" the way the Nazis did.

The preeminent example of such fascist "legal" practice is the prosecution of the LaRouche movement, which former Attorney General Ramsey Clark has identified as representing "a broader range of deliberate cunning and systemic misconduct, over a longer period of time, utilizing the power of the Federal government, than any other prosecution by the U.S. government, in my time, or to my knowledge." The goal was to "get LaRouche," and no resources were spared in order to accomplish that goal.

This same practice has been institutionalized, in effect, through the "independent counsel" (special prosecutor) system. For all the complaints about the independent counsel on Iran-Contra—Lawrence Walsh spent \$40 million over seven years—Walsh at least kept to the subject he was asked to investigate.

Just the contrary has been the case with the raft of anti-Clinton independent counsels—five in all. These independent counsels have already spent at least \$50 million, in pursuit of such trivial "crimes" as the receipt of football tickets, and misreporting of payments to a former mistress, and they are expanding their purview from one month to the next. One com-

mentator has aptly characterized the relative balance of these investigations, and the indictments resulting from them, as "swatting a fly with a sledgehammer."

All of these independent counsels are united by only one thing—the desire to *get* people who will testify against President Clinton. And they are willing to, and, so far, able to—spend as much money as they need to, for as long as they need to, to get it.

Kenneth Starr, for example, has already spent \$30 million on his free-wheeling Whitewater witchhunt. He has FBI agents swarming all over Arkansas, to try to get what he wants. The most flagrant symbol of his ruthlessness is the ongoing imprisonment of Susan MacDougal, for her refusal to give Starr the testimony he wants before his grand jury. MacDougal has been jailed on "contempt" for over a year now, often under conditions generally relegated to the most violent criminals, in an attempt to break her will.

Donald Smaltz, the independent counsel against former Agriculture Secretary Mike Espy, has spent over \$10 million, on a case centering around \$35,000 of allegedly illegal gratuities. This disproportionality is reminiscent of that used in another purely political case, that of the Commonwealth of Virginia against Mike Billington, an associate of LaRouche who was given a 77-year sentence for alleged "securities violations" amounting to much less than \$100,000.

This is nothing less than Nazi judicial abuse: unlimited funds, used to carry out a targetting operation against a political foe. Constrained at this point from simply sending out the police to round up their enemies, or topple them from office, the pro-British establishment which is determined to destroy Clinton and the United States, just keeps up the legal attack. The weak ones will plead, and say, "You can't fight the government." Only the stalwart ones who believe the truth will finally prevail, will hold out.

Our existence as a nation, committed to our founding principles, depends upon our overturning this system of Nazi justice.

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