

EIR

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European Headquarters: Executive Intelligence Review Nachrichtenagentur GmbH, Postfach 2308, D-65013 Wiesbaden, Otto von Guericke Ring 3, D-65205 Wiesbaden, Federal Republic of Germany
Tel: (6122) 9160. Homepage: <http://www.eirma.com>
E-mail: eirma@eirma.com Executive Directors: Anno Hellenbroich, Michael Liebig

In Denmark: EIR, Post Box 2613, 2100 Copenhagen ØE, Tel. 35-43 60 40

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From the Associate Editor

On March 18, *EIR* will hold a seminar in Washington, D.C., titled “Will the April 22-Nation Effort Succeed?” We urge all of our readers to join in a no-holds-barred mobilization to make that seminar an event that will change the course of history.

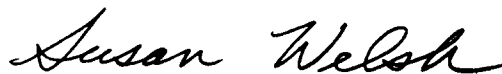
Preparations are now under way for the April meeting of 22 nations, hosted by the United States, to discuss how to change the “architecture” of the world financial system, in view of the crisis developments of the last few months. The question is, will that new architecture be defined by Lyndon LaRouche’s call for a New Bretton Woods System? Or are we heading for a Dark Age?

EIR’s seminar will define exactly what the problems are, what must be done, and what must *not* be done at the April conference: not necessarily what the detailed solutions are, but the conceptual parameters for policymaking. There are no cookbook-style solutions for a crisis of this magnitude; the success of LaRouche’s method requires his personal, hands-on role, making decisions on a day-to-day basis. That means, he must be exonerated, now.

In this issue, see *Economics* for news reports that bear on this mobilization.

We feature two other breaking stories this week. First, is the report by Ed Spannaus on the “Starr-Olson salon” which is running the assault against President Clinton. The conspiracy is now out in the open for all to see; furthermore, it turns out that the “Get Clinton” apparatus is *the very same* as the “Get LaRouche” crowd that jailed LaRouche in 1989.

Second, is an eyewitness report from Sudan by Muriel Mirak-Weissbach, Lawrence Freeman, and Uwe Friesecke. We publish the first in a series of interviews with top Sudanese opposition figures who have now joined with the Khartoum government, to bring peace and democracy to their embattled land. Dr. Riek Machar, for example, is the most authoritative spokesman for the South that you can find; he tells the story, from the inside, of how the British manipulated Sudan into a fratricidal war. His report confirms everything that *EIR*, uniquely, has been saying, about what is really going on in Sudan. Most importantly, he and many of his associates have now broken, decisively, with Baroness Cox’s geopolitical game.



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Support grows for a New Bretton Woods system

by Marcia Merry Baker

The Ides of March marks both a break-out period of unprecedented financial and economic crises, and also a break-out of policy debate, away from foredoomed “crisis-management,” and toward the idea of creating a new world financial system, which serves the interests of sovereign nations.

A year ago January, Lyndon LaRouche called for just such a policy initiative, forewarning specifically that 1997 would be the start of an epic financial blow-out, that the International Monetary Fund system was dead, and that only a “New Bretton Woods” approach to saving nations and peoples, could prevent catastrophe. The method by which LaRouche was right on these contingencies, when others were wrong, characterizes the power of his thinking and commitment over his entire 50 years as an economist-statesman, during which time he has fought unceasingly for a “new, just world economic order” among nations.

Now, more voices are joining in, calling for a New Bretton Woods.

(The original Bretton Woods system, founded in 1944, was a set of agreements among nations to stabilize trade and currency flows, using fixed exchange rates pegged to the dollar, and a gold reserve system. That system was dismantled in 1971 by President Richard Nixon, when he decoupled the dollar from gold.)

Recently, the idea was floated by Japan’s leading financial diplomat, Deputy Finance Minister Eisuke Sakakibara, who said in an interview on March 2 with the daily *Mainichi Shimbun*, “I believe that many world leaders may well be starting to contemplate the idea of a financial agreement along the lines of the Bretton Woods agreement.”

On March 1, Indonesia’s President Suharto told the People’s Consultative Assembly, “The financial crisis . . . [is] more serious, more widespread and more lasting than anyone could have imagined. . . . Our economic lifeline [has] begun to be compromised. . . . This is the reason why I have asked the IMF and other heads of government to assist us to find a more appropriate alternative. I refer to the more appropriate concept as IMF-Plus.”

The question is, can we force the right agenda for nations to take the called-for emergency measures in a New Bretton Woods approach? The opportunity is at hand, in a meeting already scheduled for Washington, D.C. in April, to be attended by 22 nations and other agencies, hosted by the United States, on the subject of the world financial crisis. U.S. Treasury Secretary Robert Rubin, speaking at the Feb. 17 pre-meeting, said that there should be “wide-ranging discussion over the coming months,” on how to change the “architecture” of the world financial system.

The Feb. 17 pre-meeting, in Washington, D.C., was attended by deputy-level financial leaders; and the roster of participating nations adds up to the strategic clout to forge a new monetary system. From Asia: China and Hong Kong, Japan, South Korea, Indonesia, Thailand, Singapore; also India and Australia. From the Western Hemisphere: Canada, Brazil, Argentina, Mexico, as well as the United States. From Europe: France, Germany, Italy, Britain, and Russia and Poland. And South Africa. Task forces are operating in France, Italy, and other nations, to come up with specifics for the April financial summit conference, for which no date has been set as of this writing.

IMF's checks 'insufficient'

In his interview, Deputy Finance Minister Sakakibara pointed to how unstable and dangerous current world market money movements are, so that a situation such as the Asian crisis, can break out anywhere. "This just showed how unstable current world capitalism is," he said. "Many people may now be realizing that both the International Monetary Fund's checks and its solutions are insufficient." Sakakibara gave no specifics for a new monetary accord, but stated that Japan wants to be a part of such an effort.

Two days later, U.S. Treasury Secretary Rubin also referred to the debate over controlling international money flows. Testifying to the U.S. Senate Appropriations Committee, Subcommittee on Foreign Operations, Rubin said, "This is, I think, an issue that needs to be very carefully discussed and analyzed, and I'm not sure what we think about it, frankly. But [French Finance Minister Dominique Strauss-Kahn's] view was that there are these vast flows in the global financial markets, which is true, and that they're going into developing countries that have immature financial sectors; . . . that it may be that we need to have some kind of restraints on these flows of private-sector capital until these systems become strong enough to absorb them. We happen to be great believers in freedom of flows of capital, and so we have some, I'd say, rebuttal presumption against that; but nevertheless, we're not opposed to it dispositively. We have to analyze it."

Heated discussion

Only one month earlier, this kind of discussion took place only behind closed doors. For example, at the Davos World Economic Forum, a heated private session took place on Jan. 30, over national capital controls, and other aspects of what some are calling the "Rubin Manifesto," referring to the frequent mention by Rubin (who was not at Davos), of a list of guidelines for world financial reform. Now, debate is coming out into the open.

In the Philippines in early February, Senate President Neptali Gonzalez told delegates of the National Economic Summit, that the damage from the IMF's inability to control capital movements means the Fund and World Bank should be replaced or reorganized. Gonzalez said that financial globalization "will always become a threat, and not, as it should be, a challenge and an opportunity," if the IMF and World Bank cannot deal with "massive and sudden" capital flight. To bolster his point, he cited the World Bank's own senior economic adviser, Pieter Boltelier, who said "the rapid and uncontrolled movement of capital around the world can cause economic damage as severe as war."

In France, on Feb. 22, the president of the RPR neo-Gaullist party, Philippe Séguin, called for a "new international monetary system," in an interview given to the TV network TF1. Regarding the damage caused by unbridled

capital flight, Séguin proposed "to raise a tax on capital flows to bring some rationality" to these flows. The reason given by Séguin, is "to give the democratically elected power the ability to express itself before the markets do." Concerning this last proposal, the Paris daily *Le Monde*, on Feb. 24, reminded readers that this proposal is now part of the RPR's new program, although *Le Monde* noted that right-wing politicians had heretofore viewed it as "unrealistic." During his Presidential campaign in 1995, Socialist leader Lionel Jospin mentioned it, but dropped the subject during last year's parliamentary election, which handed him the Prime Minister's post.

Life-and-death matter for nations

The highest stakes are associated in the battle for a new financial system, namely, the life and death of nations. The act of merely mooted a new policy direction becomes red-hot, when it inevitably clashes with the perceived interests of international financial circles centered politically in London. British finance has demanded free trade, foreign control over national resources, "open markets," limitless speculation, and an end to national sovereignty in the name of "transparency" and other ruses, *or else*.

Sakakibara's case is exemplary: A few months ago, he raised a contentious policy option, proposing an Asian Monetary Fund, as a defense mechanism for Asian economies. This was soon shot down. Then, this month, a scant 24 hours after Sakakibara's tentative mention of a new world financial system, a seven-year-old scandal charging misuse of funds was dredged up against him. Also, the next day, the London *Financial Times* went after Sakakibara, citing a "common flaw" in his arguments about how to achieve calm markets. The *Financial Times* glowered: "It is doubtful whether a Bretton Woods-style arrangement is feasible, especially in the modern era of huge cross-border capital flows that dwarf the world's foreign exchange reserves. It may be that convergence of economic policy among leading nations will anyway calm the markets. Either way, if Asia's leaders want a quiet life, there is no alternative to cleaning up their own back yards."

As LaRouche has warned, and we have documented in the pages of this journal, the most intense strategic threats right now are aimed against the institution of the Presidency of the United States, from London-coordinated terrorism, diplomatic crises, and pre-planned international conflicts. The purpose is to destabilize the United States' potential response to the world economic crisis.

In a Feb. 26 statement on this, LaRouche said, "London's motive, then, and now, has been to weaken U.S. authority and influence around the world, to the degree that nations would shun cooperation with the Clinton administration in that projected 22-nation April meeting on the subjects of financial and monetary reform."

Financial meltdown, economic breakdown

Meantime, the facts and pace of the financial and economic breakdown are indisputable. Roger C. Altman, an investment banker who served in the both the Clinton and Carter Treasury Departments, wrote in the March 1 *New York Times Magazine* about “high anxiety” among central bankers and finance ministers who see the “chain reaction, global market meltdown.” The financial “markets have emerged as the ruling international authority, more potent than any military or political power.” He said they are “capable of overthrowing governments and their policies overnight.”

As a follow-on to the financial blow-out process in East Asia and elsewhere, physical production and trade in goods are shrinking drastically. In our *Economics* section this week, we provide reports on the situations in Korea and Mexico, and on the global pattern of commodities collapse.

In Indonesia and Thailand, the IMF’s Southeast Asia bailout victims, the second phase of the economic crisis that already collapsed currencies 30-80% since July 1997 has begun. The Indonesian rupiah has plunged from the rate of 2,600 to the U.S. dollar in early July, to its current level of around 9,000. On an annualized basis, Indonesia is experiencing nearly 32% inflation, hitting every household: food, up 16.07%; housing, 10.03%; clothing, 15.62%; essential services, 9.31%. In Thailand, the official rate of “growth” is □6.5%, that is, *negative* so far in 1998. Imports in Thailand were down 50% in January 1998, from a year earlier. The situation is summed up in the fact that in Indonesia, the world’s fourth most populous country, there is now a food crisis. The rice shortfall is close to 3-4 million tons for this year.

Documentation

Mexico must adopt LaRouche call for New Bretton Woods

The following article by José Neme Salum, which was headlined “Washington Is Watching Mexico: ‘The Third Alternative,’ ” appeared in the Mexican daily Excelsior on Feb. 23. Subheads have been added.

It is understandable that for purely cosmetic political reasons and future personal concerns, [Mexico’s President Ernesto] Zedillo and his ministers talk about an economic scenario far from reality. But it is inconceivable, unjustifiable, and intolerable that Federal deputies should show themselves to

be so incompetent, so inept, and so lacking in courage in the face of the criminal madness of keeping national policy tied to neo-liberal dogma, despite the evident damage to the economy and to the social order of the country.

What are these gentlemen waiting for? For people to rise up in rebellion, as is occurring, for example, in Indonesia?

Fifteen days ago, it became clear here that the people’s representatives, the politicians, and the citizenry in general would have to demand information, and to influence in whatever legal, possible, and necessary way, Mexico’s participation in the 22-nation meeting that William Clinton has convened for next April, in Washington. This is for the purpose of agreeing to a general reform of the world monetary system, currently in a meltdown phase, as has been recognized even by the authorities of the U.S. Treasury Department.

Mexico will be one of those 22 nations that will define, for better or worse, the immediate future of the world. And clearly, in view of such an important matter, there is a great dispute over what the real agenda should be, in terms of proposals, in every major country on the planet.

However, in Mexico, despite the fact that numerous deputies are informed of this crucial meeting, they are doing nothing. Last Wednesday, they invited Finance Minister José Angel Gurria to Congress, merely to waste time with foolish matters, already dwarfed by the critical nature of the ongoing disintegration of the current international financial system.

Are they still unaware of the situation? How can it be so simple for them? First they announce a cutback of 15 billion pesos, and then present a “definitive” cutback of 18 billion pesos . . . as if 3 billion pesos were nothing. . . .

The financial system is going under

The financial system is going under, no matter what words are used to cover up the truth. . . . The only reality within the Zedillo government apparatus was publicly recognized last Friday in Guadalajara, Jalisco, by the deputy governor of the Bank of Mexico, Everardo Elizondo, who said, “Not even the Bank of Mexico has any idea of the impact of the current Asia crisis on our economy.”

. . . This is the case with Zedillo and his underlings: They don’t know what to do. These characters who, based on their servile willingness to use state power to impose the fascist conditionalities of the IMF model . . . and who are now the offspring of that perversity: They began bad, continue bad, and are heading for worse.

But what about the deputies and senators, like José Angel Conchello, who “already know,” as opposed to the pathetic cabinet members who keep committing one policy blunder after another?

Why didn’t they demand that Gurria . . . discuss with them what Mexico intends to present and defend at this important international financial summit?

How is the Mexican position going to be presented to society, and with the latter’s intelligent support—not the re-

sult of some badly done survey or sleight of hand—if no one even knows if they have, or intend to have, a position at all? . . .

A defense of sovereignty

Gentlemen of the Congress: Mexico must be in Washington next April, at this crucial international conference, with the only position that dignifies those who fought, and are fighting, to make this an independent, sovereign nation, whose mission is to procure happiness for its inhabitants: a new Bretton Woods.

Not a “reformed” one, or where the perversities of globalization are shaped to fit their own regulatory structures. Because, from what we now know, thanks to last week’s report, and to *EIR*’s ever-more valuable service, the discussion at these meetings tends to be dominated by current global interests, with the idea of only controlling the fiend, rather than letting it come up with its own plan. This is the way things have been over the last 25 years, after the gold standard was abandoned.

And so they seek to “clean up” the IMF’s image and to trick the public. . . . And so that “structure of sin,” as Pope John Paul II defined the International Monetary Fund, is going around flirting with Russia, hoping to arrive at the April meeting with all the cards. . . .

But we are also seeing decent positions from people who value their humanity. . . .

The situation at this point was clearly explained last week in other statements from various Japanese and South Korean officials, who agreed that “it is becoming more and more obvious that the international financial system is not working, just as [U.S. economist Lyndon] LaRouche says,” and that the majority of nations “would surely support a New Bretton Woods Conference. But meanwhile, the IMF is pressuring us, and we should have some kind of short-term line of defense.”

More officials, those from Malaysia and Indonesia, have already said that it would be good if Washington were to propose a third option to the IMF and to the currency board.

In this respect, recent public memory is good: Late last year, the “third alternative” was presented in Mexico City, Guadalajara, and Monterrey, which views science and technology as the driver of the national economy, as was defined in the past century by the great German economist Friedrich List, in opposition to what was then known as the cosmopolitan system offered by the British Empire through its lackeys, such as Adam Smith and David Ricardo, and which 25 years ago was endorsed as globalization, the Aquarian “New Age,” or neo-liberalism—that is, “perfidious Albion’s” old game, in a whitewashed version. . . .

DO YOU KNOW

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

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'Asian crisis' collapses exports, threatens U.S. physical economy

by Richard Freeman

Two processes have been created by the Asia phase of the world financial disintegration, that will further destroy economies around the globe: First, since July 1997, the Asia crisis has caused world prices of several essential commodities to fall 15-25%, severely damaging many Third World economies, including those in Asia. Second, the economies of many Southeast and East Asian nations, such as Thailand, Indonesia, and South Korea, have been forced to cut back on the purchase of goods exported by the Group of Seven industrial nations. In the case of the United States, where one in five goods-producing jobs depends on exports, several Asian nations are cancelling, or are unable to pay for orders of everything from apples and alfalfa, to cotton and Boeing aircraft.

Since January, the media have continually fantasized that the "worst of the Asian crisis is now behind us," and focussed readers' attention instead on artificially inflated stock prices. But the emergence of these two processes punctures that fantasy, and indicates that the crisis is widening globally, further destroying the physical economic base, upon which the cancerous financial bubble depends. The result will be an acceleration of the onrushing disintegration.

TABLE 1
U.S. exports to East and Southeast Asian nations

(billions of dollars)

	1994	1996	1997	1997 rank as recipient of U.S. exports
Japan	53.5	67.5	65.8	3
South Korea	18.0	26.6	25.1	5
Taiwan	17.1	18.4	20.4	7
Singapore	13.0	16.7	17.7	9
Hong Kong	11.4	14.0	15.1	12
China	9.3	12.0	12.8	14
Malaysia	7.0	8.5	10.8	16
Philippines	3.9	6.1	7.4	20
Thailand	4.9	7.2	7.4	21
Indonesia	2.8	4.0	4.5	28
Total	140.9	181.0	186.9	

Source: U.S. Department of Commerce, Bureau of the Census

Reasons for trade contraction

There are three reasons that the Asia crisis is contracting orders for U.S. goods: 1) the shrinkage of many Asian nations' economies because of the financial crisis — a nation in depression buys less goods; 2) the devaluation of many Asian currencies, which has appreciated the dollar, making U.S. goods priced in dollars in the range of 30-250% more expensive, pricing them out of several markets; and 3) the International Monetary Fund's (IMF) conditionalities, which demand that Asian nations cut back on infrastructure spending. The full effect of the currency realignment will not unfold until eight to nine months after the dollar's appreciation began, meaning sometime this summer.

More than one-quarter of U.S. exports are accounted for by just ten East and Southeast Asia nations. For the last decade, this region was the fastest-growing region in the world for U.S. exports. **Table 1** shows the level of U.S. exports of physical goods (services are excluded) to these nations. **Table 2** shows U.S. exports to these nations as a percentage of all U.S. exports.

The United States exports to 225 nations and territories. But among these ten nations of East and Southeast Asia, are 9 of the top 21 export markets of the United States.

These ten nations import from the United States a large amount of "transport and machinery" goods. Of America's \$186.9 billion of total exports in 1997 to these 10 nations, \$96.9 billion worth, or 52%, was of the "transport and machinery" category. Some of these goods are planes and cars, but a large percentage is power-generating machinery, machine tools, specialized machines, tractors, and so on. Many of these machines constitute infrastructure and construction-related capital goods.

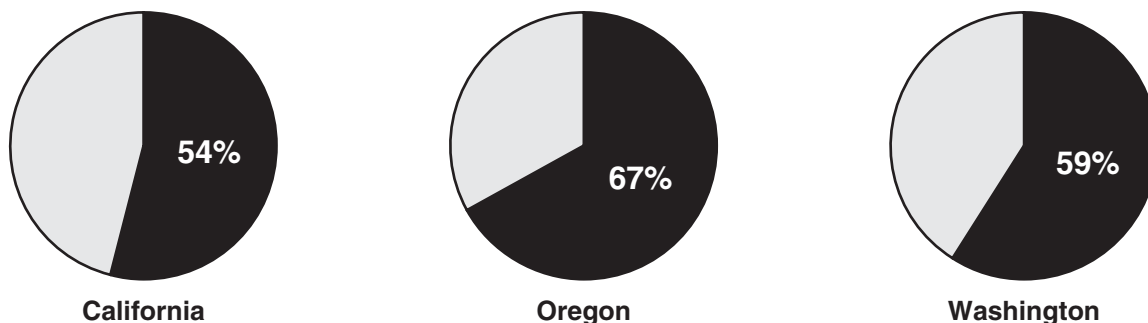
TABLE 2
U.S. exports to 10 Asian nations as percentage of all U.S. exports
(billions of dollars)

	1994	1996	1997
Exports to 10 Asian nations	140.9	181.0	186.9
Total U.S. exports	502.5	624.8	688.9
Percentage	28.0%	29.0%	27.1%

Source: U.S. Department of Commerce, Bureau of the Census

FIGURE 1

Percent of 1996 exports of U.S. West Coast states going to Southeast and East Asia



In addition, these ten nations import a considerable amount of agricultural goods from the United States. In fiscal year 1996, Asian nations purchased \$23.8 billion, or 42%, of the \$57.3 billion in agricultural products exported by the United States.

The Asia export market offered something in addition for both U.S. agriculture and the U.S. capital goods industry. In agriculture, the essential parity/price support system was eliminated. Farmers were told, "You don't need parity, just the free market; gear up and export to the expanding markets of Asia." So farmers did just that. In many instances, this provided the farmer with the necessary margin of income to survive. Now, that margin is being knocked out.

For some industries, such as aerospace and the machine-tool sector, for which the domestic market was not sufficient to keep them in business, export orders allowed them to keep employed their dwindling, but still existing pool of very skilled workers, who represent a valuable capability for the United States. The loss of exports will contribute to shutting down that capability.

The cancellation of orders may soon become a flood tide. Already in 1997, as Table 1 shows, U.S. exports to Japan and South Korea fell below 1996 levels, with much of the fall-off occurring during the fourth quarter of 1997.

Job losses

The heavy dependence of the U.S. economy on exports, especially the goods-production side, shows up in job creation. According to "U.S. Jobs Supported by Goods & Services Exports, 1983-94," a study by the U.S. Department of Commerce, 1 in 10 non-governmental jobs in the U.S. economy depends directly or indirectly on exports. But the real, productive side of the economy is even more dependent on exports than the economy as a whole: 1 in 5 manufacturing jobs, 1 in 3 agricultural jobs, 1 in 7 mining jobs, and overall, 1 in 5 goods-producing jobs depends on exports. The Commerce Department defines goods production narrowly as those employed in manufacturing, mining, and construction. Today, there are 24.7 million goods-producing jobs; thus,

4.94 million jobs depend on exports.

There will be serious job losses from the "Asia crisis" if it continues to worsen.

Even though the latest available monthly trade figures supplied by the Commerce Department are only for December, and the full fall-off of exports won't be seen until summer, there are already sufficient signs of economic contraction to indicate what is in store.

As case studies, we here look at the states of the U.S. West Coast, and Virginia.

Start with California, Oregon, and Washington state. Each has an export dependency of more than 50% with Asia. In 1996, California exported \$104.5 billion worth of goods, accounting for 16.7%, or one-sixth, of America's total exports of \$628.8 billion for that year. **Figure 1** shows that 54% of California's \$104.5 billion in exports in 1996 were to Asia. For the same year, of Washington state's \$29.4 billion in exports, 59% were to Asia, and of Oregon's \$10.6 billion in exports, 67% were to Asia.

Indicative of trends for Washington state, is the collapse of the market for apples in Asia. In Bangkok, one year ago, Washington state apples cost 40¢ apiece. Then, George Soros and company speculated against the Thai currency, the baht, forcing its depreciation by more than 60%. Today in Bangkok, an apple costs \$1 — outside the range of most citizens. Today, compared to a year ago, Washington state apple sales in Thailand have fallen 73%, and its shipments of apples to Indonesia are down 60%.

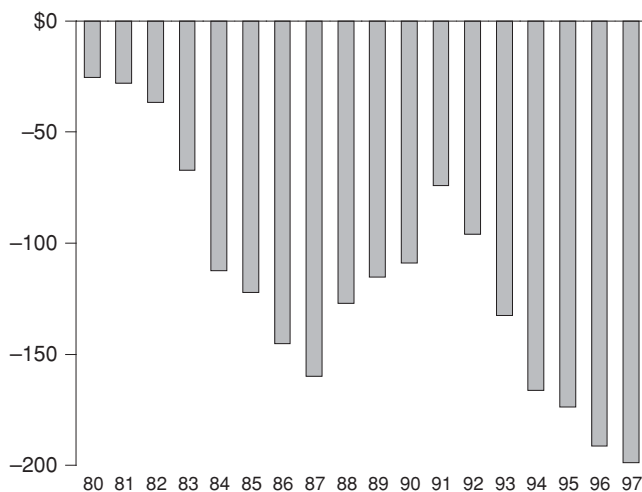
The situation is similar for the Seattle-based Boeing Aircraft, America's largest exporting company. The Malaysian airline has announced that it is seeking to delay delivery of 19 new aircraft, and Philippines Airlines is negotiating to delay delivery of seven jetliners. In 1996, more than \$1.2 billion worth of airplanes and parts were exported to South Korea alone from Washington state. Boeing's president has said that every \$1 billion in exports supports 11,000 jobs. In Washington, 1 in 4 jobs depends on exports, and, with 59% of exports going to Asia, the job loss could be considerable.

According to a study by the Federal Reserve Bank of San

FIGURE 2

U.S. physical goods trade deficit, 1980-97

(billions \$)



Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Francisco, for the fiscal year that ended June 1997 (even before the Asian financial crisis was in full swing), California's export of electrical machinery and components had fallen 4.1%, and industrial machinery and computing equipment 1.1%, compared to the year earlier. Though firm figures are not yet available, the high-tech industry in California, including computer-related electronics in the Silicon Valley, as well as the aircraft industry, are suffering. It is also reported that producers of cotton and alfalfa are experiencing a fall-off in orders.

Further, a sharp drop-off is in progress, or expected, for the West Coast states' export of wheat, hops, strawberries, and oranges to Asia.

In Virginia, chickens and broilers are the state's number-one agricultural product; turkeys rank fourth. In 1996, Virginia exported 220 million pounds of chicken and turkey, of which 95 million pounds, or 40%, went to Asia. Now, according to the March 1998 *Virginia Farm Bureau News*, that market is in jeopardy.

The U.S. trade deficit

This process will feed into an already-worsening U.S. trade deficit. In 1997, the United States ran a trade deficit on the account of goods and services of \$113.8 billion, the highest annual level in eight years. In December, the monthly trade deficit jumped to \$10.8 billion. One of the processes that fuelled the December rise, is that America's trade deficit with South Korea leapt from \$43 million in November 1997, to \$341 million in December, the result of Korea cutting orders for American goods.

Of great concern is the U.S. balance of trade deficit on goods account (excluding services). In 1997, the United

TABLE 3

Price fall in primary commodities, July-December 1997

Commodity	Price, units	July price	December price	Percent change
Natural rubber	cents/kg	93.9	72.6	□22.7%
Rice (Thai 5%)	\$/metric ton	320.0	269.7	□15.7%
Timber	\$/cubic meter	254.3	211.1	□17.0%
Copper	\$/metric ton	2,450.5	1,762.3	□28.1%
Lead	cents/kg	63.4	52.7	□16.9%
Nickel	\$/metric ton	6,835.5	6,139.5	□10.2%
Zinc	cents/kg	151.8	110.2	□27.4%

Source: World Bank

States ran a physical goods trade deficit of \$198.9 billion, the highest level ever recorded. **Figure 2** shows that this level has been steadily increasing since 1991. The "Asian crisis" will make this deficit worse.

Commodity prices are falling

There is a second, related development emanating from the Asia crisis: the plunge in the price of many essential commodities. **Table 3** shows the change in the prices of many fundamental commodities for July to December 1997.

In the case of natural rubber, Thailand, Indonesia, and Malaysia produce 70% of world supply; the devaluation of the currencies of these three nations forced the worldwide price for rubber lower. Now, Thailand, Indonesia, and Malaysia must each sell considerably more natural rubber just to get the same export earnings they received last July, when the price was higher. If they can't sell more, then it becomes harder for them to service their escalating debt.

As for copper, CRU, a London-based metals trading firm, said that "the cuts in copper production have been drastic," because of the fall in the price. A spokesman for the U.S. Geological Survey told *EIR* on Feb. 27 that "the price of copper may stay depressed for three to four years." In recent years, copper output capacity increased, in anticipation that the economies of Asia would be growing—building infrastructure and electricity transmission systems, both of which use large amounts of copper. But the contraction of the Asian economies, as well as IMF-demanded shutdown of infrastructure projects, shrank demand.

Many Ibero-American and African nations which mine basic metals—lead, copper, zinc, and nickel—will also experience a loss in export earnings. Add into this mix, the sharp fall in the price of oil over the past 12 months.

It is to be explored whether the commodity price fall, triggered by the worldwide financial crisis and global depression, is being fuelled by British oligarchical financier forces, which are using the lower prices as a way to break apart nations, while also buying up more of world production capacity cheaply.

Has Korea learned nothing from the IMF's destruction of Russia?

by Kathy Wolfe

As 40,000 South Koreans crowded in front of the Seoul National Assembly on Feb. 25 to greet the inauguration of their new President, Kim Dae-jung, with hope for a new era, rational foreign observers were more sober. Has Korea learned nothing from the cruel experiences of so many nations under the "shock therapy" programs of the International Monetary Fund (IMF), to which Dr. Kim has had to agree, they ask? Has Korea learned nothing from Russia, where the IMF has collapsed industrial output to less than 42% of that in 1990, where machinery output is less than 29% of what it was, and the currency has fallen 600%? Has Dr. Kim, a religious Christian, learned nothing from the destruction of families, the 12% drop in life expectancy, or the rise by 2 million people in the number of drug users?

Yet, Dr. Kim's inaugural address stressed the same premises adopted so blindly by Russian, Polish, and other eastern European leaders before him: that "freedom" equals the IMF's "free market" shock therapy. "A government is, at last, being born that embraces both democracy and the economy as the nation's goals," Dr. Kim said. "Democracy and the market economy are two sides of a coin."

"All of us are being asked to shed sweat and tears," Kim said. "Consumer prices and unemployment will rise this year. Incomes will drop, and an increasing number of companies will go bankrupt." Indeed, the Seoul Ministry of Finance and the IMF issued a joint statement on Feb. 23 which announced, as intended policy, that over 1 million Koreans will lose their jobs this year, and over 50,000 industrial companies will close their doors.

This will not only decimate South Korea, but will make it a good candidate to become the fuse that will blow up the global financial system in the few next months. The emergency rollover of \$24 billion in short-term Korean debt due last Dec. 31, was only finally signed on March 1-6, during an international road show of Korean officials and global bankers, who presented the December papers to banks in New York, London, Paris, Tokyo, and so on. Now, a new round of this quarter's \$25 billion in short-term debt will fall due by March 31. While J.P. Morgan, Citibank, and London's Hongkong and Shanghai Bank officials waxed eloquent about South Korea's "recovery" during the tour, the Korean won could collapse again any instant—and South

Korea's \$153 billion foreign debt will blow sky high.

EIR Contributing Editor Lyndon LaRouche, who has been calling for a New Bretton Woods Conference to replace the bankrupt IMF global system, warned Russian leaders against adopting IMF shock therapy policies in 1990. Given the pungency of his forecasts, LaRouche was invited to Russia on several occasions, to address economists, academicians, and intellectuals.

LaRouche, not Soros

There is a certain lesson here for South Korea. LaRouche, as the leading international opponent of the IMF system, would be the best choice to become an international adviser to the new South Korean government right now.

Instead, Kim Dae-jung has been advised by circles close to George Bush and the U.S. National Endowment for Democracy, to bring in the pro-IMF crowd, such as George Soros, the London-run speculator who sparked runs against Asian currencies last year. Soros's dumping of the Korean won was pivotal in the collapse of that currency from 700 per dollar last year to 1,600 per dollar now—a 95% drop. Yet, Soros arrived in Seoul on Jan. 5, met with Kim and his economists, and announced that he would be advising Kim Dae-jung to "open Korea" up to all IMF reforms. Soros returned to Seoul for the inauguration, and announced plans on Feb. 26 to set up his Soros Consulting and his Quantum Fund currency speculation unit in Seoul.

Also involved in inviting Soros to Korea was Dr. You Jong-keun, governor of North Cholla province and President Kim's longtime economic adviser. Like Soros, Dr. You is urging Kim to tighten the IMF's hold. "Our aim is to front-load our toughest economic policies early on, while the President enjoys his highest popularity," Dr. You told the *International Herald Tribune* on Feb. 24. "By the time the pain of reform starts to bite, we hope the [IMF] reform process will have progressed to the extent it cannot be reversed."

"Sometimes it's nice to have big brother watching over your shoulder," You said, praising the IMF for "mandating the reform from the outside. . . . We are using the market, which is far more potent" than the government. "Korean people are not feeling the pain of reform yet," he said. "The real pain has yet to begin."

Physical economy being shut down

The 30% interest rates mandated by the IMF since late last year, supposedly to entice foreigners to refrain from dumping the won, have already begun to shut down South Korea's physical economic production. The National Statistical Office announced on Feb. 27 that industrial output in January fell 10.3%, to the lowest level since records began to be kept in 1954. Output of vehicles was down by 19.1%, and the output of machinery by 29.1%. The central bank announced a record 3,323 corporate bankruptcies in South Korea during January, a rate of 151 per day.

The IMF's 30% rates are also shutting down the banking system, Dr. Choi Gong-pil of the Korea Institute of Finance said on Jan. 26. Korean banks, already struggling under portfolios of bad debts, could not lend to normal industrial customers because of "ultra-tight money supply conditions demanded" by the IMF. The Basel, Switzerland-based Bank for International Settlements is also demanding that South Korean banks slash lending until the ratio of their capital to their loans meets the European standard of 8%. The Seoul central bank announced on Feb. 26 that 14 of Korea's top 26 banks do not meet the minimum standard.

This is forcing banks to call in existing loans—which bankrupts industrial borrowers, which need the loans to function normally—which is worse even than making no new ones, Dr. Choi said. This then creates more bad debt on the books of the banks. "It leads to a huge amount of bankruptcies and worsens the overall situation. This is a very vicious cycle and could lead to the total collapse of the economy," he said.

One hopeful sign that South Korea's elders will fight to keep Korean industry open, was the surprise appointment on March 3 of former Finance Minister Lee Kyu-sung to the Finance Minister post. "Dr. Lee has the potential to go against the IMF if nationalist sentiment should come on the rise again in Korea," one Korean official told *EIR*.

Lee, 59, who was in the Finance Ministry from 1963 to 1991, served as Finance Minister under former military President Roh Tae-woo from 1988 to 1990, and is now professor of economics at the Korea Advanced Institute of Science and Technology. Lee was recommended by advisers to former KCIA strongman Kim Jong-pil. President Kim Dae-jung last year allied with Kim Jong-pil to produce a narrow, 1% margin of victory at the polls, despite the fact that the KCIA chief tried to have opposition leader Kim Dae-jung assassinated several times during the 1970s.

Evidently, however, Kim Jong-pil, who will now become Prime Minister, represents nationalist circles as well as KCIA hit-men. The 1961-79 military regime of President Park Chung-hee, in which Kim Jong-pil served, was also avidly dirigist, and turned South Korea from a patch of rice paddies into an industrial power. Park created from scratch the nuclear industry; nuclear power now produces 40% of the nation's electricity, and power is exported.

British commentators immediately protested Lee's ap-

pointment. "It is very disappointing that President Kim picked an old bureaucrat as a top economic planner," said a brokerage official of Hongkong and Shanghai Bank in Seoul.

Time runs out for North Korea

It is the famine hitting North Korea, however, which South Korea may fear is its own future—and the true extent of the human disaster which will result if Seoul continues on the IMF track. Pyongyang announced on March 2 that its grain stocks would run out in the next two weeks, a striking admission. Rations were cut severely in January and February, the official North Korean Flood Damage Rehabilitation Committee told a government radio broadcast, "but the grain stocks will run out in mid-March, giving rise to grave after-effects."

The United Nations World Food Program (WFP) later that day confirmed the urgent need. "The fact that the government issued a warning confirms our assessment that the food situation in the country is critical," WFP coordinator Rolf Huss said at the WFP's Rome headquarters. "We have to act now—before the widespread hunger worsens and the country faces a humanitarian catastrophe."

The North Korean famine has disappeared from world headlines, in part because the October harvest provided some 3 million tons of food. The official statement said that at the start of the year, North Korea's total stock of grain was 167,000 metric tons, for its 22 million people. "With this stock, 300 grams (10.5 ounces) of grain were distributed to each person on a daily average in January and 200 grams (7 ounces) in February. But even if only 100 grams (3.5 ounces) are distributed in March, the stock will run out in mid-March," the government statement said.

In January, the WFP launched a new appeal for 658,000 tons of food, targeted for the poorest 7.5 million North Koreans, and the United States responded quickly. The United States will donate 200,000 tons of food aid, the State Department announced on Feb. 5, with delivery slated for April, "when the shortage is expected to become acute."

No other nation has made a major response since then, however, and after the Pyongyang broadcast on March 2, the State Department said the United States can do no more. "North Korea regrettably remains an opaque society and precise figures are difficult to confirm," State Department spokesman James Rubin told reporters. "We have no plans for further assistance."

Kim Dae-jung, at his inauguration, held out some hope, calling for a summit with North Korean leader Kim Jong-il and an exchange of special envoys. In fact, however, the current IMF diktats in South Korea are destroying its industrial base and any possibility to relaunch the devastated North Korean economy. Worse, the IMF program could bring famine again to South Korea, as occurred in the 1950s. The rest of the world is threatened by a New Dark Age by today's financial system, and it's already there as reality, right on South Korea's doorstep.

Oil, trade deficit, and devaluation in Mexico

by Carlos Cota Meza

When the Mexican government starts feverishly announcing that everything is fine on the economic front, Mexicans rightly prepare for another round of economic crisis.

The dramatic collapse in the world price of oil, a leading Mexican export, has vaporized the government's already precarious financial plans. The investment bank Goldman Sachs set the government trembling, when it recently reported that Mexico will need \$51.2 billion to service its foreign debt in 1998, quite a jump over the \$36 billion which the Mexican government had trumpeted, just a month before at the World Economic Forum in Davos, Switzerland, as "all" that it would have to come up with. Then, along came the Prime Minister of Singapore, Gho Chok Tong, who lectured Mexico's President Ernesto Zedillo: "If Mexico wishes to keep itself in the global economy, it will have to forget about a devaluation of the peso as a solution, and it had better seek ways to increase the productivity of its labor force."

Whatever the Prime Minister had in mind, his blunt statement intersected an intense battle within Mexico over the future exchange rate of the peso.

In late February, Trade Secretary Herminio Blanco, at the national congress of the Mexican Importers and Exporters Association, again advocated a peso devaluation, arguing that Mexico's "exchange rate policy is to avoid further deterioration of our trade." Guillermo Ortiz, governor of the Bank of Mexico (the central bank), immediately contradicted Blanco, telling a meeting of the American Chamber of Commerce of Mexico (AmCham), that "the response to the Asian crisis is not based on further devaluation." James F. McCabe, president of AmCham and president of Bank of America-Mexico, didn't take sides, but did note that the AmCham represents 85% of U.S. investment in Mexico, including major multinational corporations that, in light of the "reduction of costs" in Asia as a result of the crisis there, might well favor investments in that part of the world.

President Zedillo told the Mexican Council of Businessmen that the national economy "has had a highly satisfactory performance" since the Asian crisis exploded, but that in the near future, those economies will be strengthened, and therefore Mexico's "competitive position" could become "relatively weaker." Zedillo called for "increasing the rate of economic growth," in order to avoid "the recurring financial dislocations which have plagued the end of every Presidential term for the past quarter-century." As one local wag noted,

Zedillo is talking about closing out his Presidential term, with three years still left to his administration.

Nothing balances out

The government statements, as effusive as they are contradictory, are in response to a simple problem: nothing balances out any more in the Mexican economy.

The Treasury Secretariat issued a report noting that, in January 1998, Mexico had a trade deficit of \$565 million, the seventh consecutive month of such deficits. Although the government can, with some justification, blame the fall in the international price of oil for the crisis this year, the fact is that the entire IMF model imposed on the Mexican economy since 1981, is once again threatening to disintegrate, as a result of the same structural problems it has displayed since 1981-82.

According to information supplied by the Treasury Secretariat (which, as usual, does not jibe with that of the Bank of Mexico), the 1995 devaluation of the peso by more than 40% led to the reduction of imports by 8.68%, while exports grew 23%, leading to a trade surplus for the year of \$7.1 billion. In 1996, imports grew 19%, while exports increased 17%, again producing a surplus, but only of \$6.5 billion. In 1997, imports rose 18.5% and exports 13%, and as a result the trade surplus dropped to \$624 million—a 90% reduction in one year. And in 1998, the trade deficit for January alone has wiped out 90% of the surplus from all of 1997. Not a very promising trend.

Furthermore, the composition of the balance of trade in January 1998, compared with the same month of 1997, shows clearly the lunacy of the government's operant "export at all costs to pay the debt" strategy.

Exports from the *maquiladoras* (the in-bond, cheap-labor assembly plants that line the U.S.-Mexican border) grew 18.9%, but non-*maquiladora* exports rose only 6.8%. Meanwhile, the price of Mexico's non-oil exports plummeted 23.5%, although the volume increased slightly.

To maintain this rate of growth of *maquiladora* and non-*maquiladora* exports alike, imports of intermediate goods grew 16.7%, imports of inputs for exporting companies rose 14.7%, and imports of inputs for non-exporting manufacturing companies grew 21.1%. Throughout 1997, one can see the same trend as in January 1998, where imports are outpacing exports, to the point that it is becoming more expensive to import inputs needed to maintain the *maquiladora* exports. The reality is that Mexico's trade surplus has always come from oil exports, ongoing devaluations of the currency, and starvation wages paid to Mexican workers.

If oil prices don't rebound, and soon, Zedillo will be facing another devaluation of the peso by close to 50%, as occurred in December 1994, which is what the Singapore Prime Minister was opposed to. The only other option is to finance the trade deficit the way his predecessor, Carlos Salinas de Gortari, went about it: by attracting highly speculative foreign capital, which was offered a rate of return which Mexico was never able to meet.

Machine-tool industry faces crisis

Failure to build the Eurasian Land-Bridge will leave the industry vulnerable to economic shocks.

The pavilions of the Indian machine-tool exposition, IMTEX 98, held in New Delhi recently, were thronged with visitors, but few likely buyers. Although the expo is not where big deals are clinched, nonetheless it is during these ten days that manufacturers do their networking for future business. Enthusiasm, or the lack of it, shown by big buyers at these expositions often becomes the basis on which manufacturers decide whether to expand their capacities or hold back further investments.

IMTEX 98 took place at a time when Indians were going to the polls to elect yet another coalition government, and the country's industries were in the midst of a recession. In addition, the economic contraction that the Southeast Asian nations are undergoing has posed fresh threats of a flood of imported cheap machine tools into India. Machine-tool manufacturers were making this threat known to many who visited the expo.

On the other hand, the expo was a success. For the first time, Indian machine-tool manufacturers made it clear that they are gearing up to meet the challenges posed by the high-quality computerized numerically controlled (CNC) machines from abroad. "We are not seeking protection from the government, but asking it to provide a level playing field, which could be done by, among other things, giving parity to import duty on CNC machines and components," said Gautam Doshi, president of the Indian Machine Tool Manufacturers Association (IMTMA).

A similar attitude was evident among major manufacturers on the is-

sue of quality. Hindustan Machine Tool, the leading public-sector manufacturer of machine tools, will be "exploring possibilities for manufacturing machine tools at par with world class products in terms of quality, price, and technology, with the help of Indian manufacturers," according to chairman and managing director N. Ramanuja.

Delivering the keynote address at IMTEX 98, Dr. M.R. Srinivasan, member of the Planning Commission and former head of India's Atomic Energy Commission, touched on the same theme. He said that the machine-tool industry must do much more networking between the R&D institutions and industry. He said certain technological strengths have been generated within the industry, but it needs to benefit from working with outside parties.

Some of India's internal technological strengths in this sector were visible at the expo. Ace Designers from Bangalore, which exhibited its CNC Turning Center, is already an international name. There are now five companies in the Ace group, including a U.S. subsidiary based in Michigan, selling and servicing Ace products in the North American market. Experts have little doubt that the CNC Turning Center exhibited this year is on par with contemporary machines of international brands.

However, such success stories are few. Many Indian machine-tool producers still believe that the jobbing shops and small component manufacturers, because of their weak financial base, will continue to patronize non-CNC machines. During a conversation

with one manufacturer at the expo, it became evident that the precision, flexibility, and productivity demands on jobbing shops and component manufacturers are rising so fast, that even the small component manufacturers are swiftly resorting to CNC machines.

The machine-tool manufacturers are not totally unaware of this trend. According to an IMTMA study, the number of CNC machines in India was just 2,843 in 1988; it increased by 5,000 during the next five years, and is slated to go up 7,800 more by 2000. Added to this demand, is the importation in significant numbers in recent years of the simpler, stand-alone, cheaper CNC machines from abroad.

Unfortunately, while the manufacturers are keen to improve quality and enhance their production base, domestic consumption of machine tools has been slowed due to industrial recession. The inability of an unstable government, led by a coalition of 14 parties, each with its own priorities, to provide clear direction, has fuelled overall uncertainty. Traders who imported a large number of used machine tools from Europe last year are now stuck with the inventory.

The big question industry has at this point is: Where will the demand growth come from? Defense and railways, which used to account for 40% of domestic consumption, now have virtually withdrawn from the market. While the automobile, general engineering, and consumer sectors remain the main buyers, the overall slowing down of the economy has affected the automobile industry as well. Some multinational auto manufacturers, particularly those from East Asia, are now planning to stop further expansion, resort to importation of auto components, and are even whispering about relocating their production bases to another country.

Lights out in Auckland, Brisbane

God said, "Let there be light," but then along came Satan's Mont Pelerin Society.

In mid-February, the two major Southern Hemisphere cities of Brisbane, Australia and Auckland, New Zealand were plunged into power blackouts caused by equipment and infrastructure failures. In Auckland, all four major cables supplying power to the central business district failed, necessitating an evacuation of most businesses from its five-square-kilometer area. Extra police equipped with flashlights, as well as hundreds of private security guards, patrolled the evacuated area to prevent looting. Some businesses were forced to relocate to Australia, while seven large generators were flown to Auckland from Sydney on a huge Russian Antonov jet, to help provide emergency power.

The Auckland blackout made headlines around the world, as residents were forced to climb the stairs of 30-story buildings, and scavenge for food in Third World-like conditions, as elevators and refrigerators were knocked out. The government told the 6,000 residents of the central business district to evacuate. As of March 3, power had still not been fully restored.

While perhaps not quite as dramatic as Auckland, the power failure in Brisbane, a city of 1 million and the capital of Queensland, was also extremely disruptive. There, generators at four major power stations broke down over a ten-day period. To handle the crisis, Queensland's power authority began "load-shedding," such that most homes and businesses only had power for one hour in every four.

In both cities, the real cause of the crisis is ruthless cost cutting, as the leader of New Zealand's Alliance political party, Jim Anderton, charged on

Feb. 22. "Profiteering [was] more important than reliability of service," he said. Mercury Energy, the power utility, "has cut jobs to 596 last year from 1,141 in 1992-93, while directors gave themselves a 36% pay raise last year." The state opposition in Queensland has accused the Borbidge government of looting the state-owned electricity sector of \$850 million last year to balance its budget. And, 640 workers in Queensland's power industry have lost their jobs since 1995, of whom 140 were maintenance workers in power stations across the state, who were dumped in just the last three months.

These, and related cost-cutting measures, are part of the "reform" program imposed on Australia and New Zealand by the British Crown's Mont Pelerin Society. Both the Brisbane and Auckland blackouts were caused by one man: Wayne Gilbert, the CEO of Mercury Energy and a hero of the Mont Pelerin Society-founded, savagely anti-labor H.R. Nicholls Society.

New Zealand has been trumpeted as the Mont Pelerin Society's international model of "reform" since 1984 (see *EIR*, June 13, 1997), when the Labor government of Prime Minister David Lange and Finance Minister Roger Douglas began a ruthless transformation of the economy known as "Rogernomics." Rogernomics was run from start to finish by members of the Mont Pelerin Society (of whom there were only four in New Zealand), who were infiltrated into key positions in the government and into key think-tanks, such as the Business Roundtable and the Center for Independent Studies. Meanwhile, in Australia, the Hawke/Keating Labor government oversaw a

similar process, albeit more slowly, which was also directed by similar Mont Pelerin think-tanks, including the Institute of Public Affairs, the CIS, and the H.R. Nicholls Society.

The H.R. Nicholls Society was founded in 1986 with a single purpose: to smash unions. Gilbert, at the time the managing director of the South East Queensland Electricity Board (SEQEB), was a keynote speaker at its inaugural meeting. In 1985, Gilbert conducted one of the most spectacular union-busting operations ever seen in Australia, when he sacked the entire unionized workforce of SEQEB, and replaced them with a workforce of half the size, of non-union contractors—an action which led to the Brisbane blackout 13 years later. Later, Gilbert headed the State Electricity Commission in Victoria, where he more than halved its workforce, in preparation for what became the largest single privatization program in Australia's history, worth more than \$20 billion.

In 1992, Gilbert was made the CEO of Auckland's newly corporatized power company, Mercury Energy. He also became a member of the New Zealand Business Roundtable, Mont Pelerin's main think-tank in New Zealand, which helped write the script for Rogernomics, and whose members were the major beneficiaries of New Zealand's privatization program. Gilbert slashed Mercury's 1,200-person workforce in half, shed "non-core" activities, and sublet non-union contracts, while making headlines because of his own huge salary. Here it only took six years until the lights also went out. Gilbert savaged Mercury's workforce so badly, that the cable jointers used to repair the four cables, had to be flown in from Australia, because New Zealand's own cable jointers, who used to work for the old Auckland Electricity Board, had all been fired.

Business Briefs

Middle East

EU fails to end Israeli blockade of Palestinians

European Commission President Jacques Santer failed to convince Israel to lift the blockade of the Palestinian Authority, the Feb. 16 *International Herald Tribune* reported. Although the EU has given financial aid to the Palestinians, much of which has been allotted for infrastructure and other economic projects aimed at generating income for the Palestinian economy, he said, the money is being used to pay administrative costs and the projects have not been able to go forward.

The most outrageous case is the Gaza Airport, which has been completed but sits idle. "Everything is in place, everything," Santer said, but the Israelis keep coming up with reasons for keeping the airport closed. The Israelis have even forced the Palestinians to pay storage fees for German-supplied electronic equipment for the airport.

Santer said that the Europeans are ready to start construction of the Gaza port, but are still waiting for Israeli approval. "They [the Israelis] demand more security, but they do not allow the Palestinians to increase the number of their security forces," he said. The EU is "totally powerless" to change Israeli policy, he said, given that the EU has a substantial trade surplus with Israel.

Mining

Big projects shut down across Ibero-America

In the wake of collapsing commodity prices and Asian markets, mining operations are being shut down throughout the South American continent. In the week of Feb. 23, the following were announced:

Cambior, a Canadian company, froze development of the La Granja copper mine in Peru (\$2.2 billion projected investment), and the El Pachon site in Argentina (\$900 million to \$1 billion). Anglo American Minorco Corp.'s suspended a planned feasibility study for a \$750 million copper project in Quellaveco, Peru. And, Hyundai cancelled a

copper refining and smelting project in Chile, as did the Finnish company Outokumpu, which had a project for Mejillones. Chile will now be short 1 million tons of refining capacity, officials say.

In Peru, the sixth-largest copper producer in the world, which accounts for 20% of its export earnings, the cancellations spell the death of the government's economic strategy. The government had planned to bring in \$3.5 billion in mining investment from 1997 to 2002, primarily from three projects: Quellaveco, Cambior, and Anatamina, a project of two Canadian companies, Rio Algom and Inmet Mining. Peruvian media forecast that the latter will also be suspended soon. In January, the fourth- and fifth-largest copper companies in the country had suspended operations.

China

Bank recapitalization plan announced

China will float a \$32.5 billion domestic bond issue to recapitalize its four major state-owned commercial banks, which are key to maintaining China's development thrust, the National People's Congress said in a statement on Feb. 28. "The bond issue is very necessary to raise the credibility of state-owned commercial banks and their ability to compete in international financial markets," it read. The banks are: the Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, and Construction Bank of China.

However, according to the March 1 *Washington Post*, so-called foreign "analysts" are not content with the move, and are screaming for a change in China's lending practices, away from what are dubbed "political considerations" (i.e., development needs), to "financial risk" considerations.

The World Bank, in its fall 1997 "China 2020" report, said that the four banks, which together account for more than 90% of China's bank assets, are bankrupt. Most of these assets, however, were credit allocations under China's centralized banking system and were never meant to be repaid on commercial terms.

Meanwhile, Chen Jinhua, chairman of

the State Planning Commission, said in Beijing on Feb. 23, that China's investment in the next three years will total almost \$1 trillion. (During the past two years of the Ninth Five-Year Plan, investment has been nearly \$625 billion.) China will rely mainly on its huge savings deposits and internal accumulation for these investments, he said, but will also seek foreign investment. Infrastructure, urban housing, and high-tech industries will be the key areas for investment.

Labor

Financial crisis will end 5 million jobs

The International Labor Organization (ILO) warned that the world financial crisis will kill at least 5 million jobs in Asia by the end of 1998, in a report released on Feb. 21-22 in the context of the Group of Seven finance ministers' meeting in London. The losses include 3 million jobs in Indonesia, up to 1.8 million jobs in Thailand, and 400,000 jobs in South Korea.

But these estimates are part of the "optimistic" scenario, based on the assumption that the worst of the crisis is over, and that the Asian economies will stabilize at a zero-growth level.

The scenarios that are far less optimistic, are based on drops in growth of 3-5%. Such drops would almost double the loss of jobs, the ILO report warns: Indonesia alone could lose 5 million jobs by the end of this year. For Asia, this could mean the loss of up to 10 million jobs overall.

Science

Australian coral study shows Earth is cooling

A team from the Australian National University in Canberra and James Cook University at Townsville has discovered, by studying core samples from ancient corals on the Great Barrier Reef, that ocean temperatures have fallen 1°C in the last 6,000 years, suggesting a trend toward another ice age. By

measuring the ratios of different isotopes of oxygen, and the ratios of strontium and calcium from coral core samples, they derived ocean temperatures, evaporation, and rainfall during different periods to within 0.3%, close to the accuracy of conventional thermometers.

The results, published in the Feb. 13 issue of the U.S. journal *Science*, showed that after the last ice age, which peaked about 18,000 years ago, the planet gradually warmed, with an accompanying rise in sea level, reaching its current level around 6,000 years ago. According to a report on the findings in the Feb. 14 *Canberra Times*, the Earth has since been locked into a long-term natural cooling trend which could culminate in an ice age. At the temperature peak, when global-warming theorists would assume there should have been more evaporation and, thus, more rainfall, the research showed that northeastern Australia received less rainfall. Team leader Michael Gagan explained: "The beginning of this interglacial period was warmer than now. There's [since] been a long-term cooling trend. Most . . . models show that we're getting higher [tropical] rainfall because of the increased evaporation from the ocean. Yet 6,000 years ago—when the ocean was warmer—it looks like it was drier. The water vapor was going somewhere else—possibly to higher latitudes. It was not coming down in northern Australia."

Poland

Coal mining is on the chopping block

Polish mines sold only 4.9 million tons of coal in January, compared with more than 10 million tons in January 1997, the daily *Wyborcza Gazeta* reported on Feb. 17. The drop in production comes as free traders are drastically downsizing the industry.

Polish coal miners are competing with cheap coal imports from Ukraine and Russia. According to Krzysztof Młodzik, chairman of the Mining and Energy Branch of Solidarity Trade Union, the price of Russian imported coal may be as low as just a few dollars per ton. There is also an increase in imports of Russian gas used for heating.

According to the plan presented by Andrzej Karbownik, head of the State Agency for the Restructuring of Coal Mining, the goal of the coal mining reforms is to reduce employment by more than 80,000 people and output by over 10 million tons between 1998 and 2002, as demanded by the European Commission. The plan envisions that every year, more than 10,000 people will stop working in mining, and not all of them through retirement. In 2002, only 150,000 people would still be working in mines (today there are 232,000), and several mines will be closed down.

Banking

British make killing off Asian forex speculation

Results for financial year 1997 released by British banks in London on Feb. 27, showed that profits from foreign exchange speculation well outweighed losses these banks are reporting in stocks and other investments in Asia. Hongkong and Shanghai Bank and Standard Chartered Bank, the old Opium War pirates, made the most money; they have the largest British operations in the region.

Hongshang announced that its foreign exchange profits leapt 72% in 1997, to \$1 billion. Standard Chartered's forex profits rose 84%, to \$600 million. National Westminster Bank's forex profits rose 41%, to \$700 million, although the rest of NatWest's reported profits collapsed.

How? Asian businessmen very simply were in a corner and could be fleeced for as much as one dared, Standard Chartered chief executive Malcolm Williamson said on Feb. 25. Businessmen needed to hedge their exposure to currencies, such as the Thai baht and the Indonesian rupiah, which had no bottom, and foreign exchange spreads and margins widened.

"You had many people burnt and going out of the market and very few people prepared to offer a bid in times of high volatility," Williamson said. "By very straightforward spot dealing, you can make a lot of money when that sort of situation appertains, purely because you have the local knowledge and you have been there so long."

BRITAIN'S trade deficit of £4.2 billion for the final quarter of 1997, was an eight-year record high, the Feb. 27 London *Guardian* reported. Industry leaders warned that "exporters are set for a bumpy ride this year as the Asian crisis hinders the British economy."

THE RAIL LINK from Vientiane, Laos to Nong Khai, Thailand, crossing the Friendship Bridge over the Mekong River, has been scrapped because of the financial crisis, the Malaysian *Straits Times* reported on Feb. 10. It was to be part of a 1,000 km rail network through Laos, and a branch of the Eurasian Land-Bridge.

OPEC President Ida Bagus Sudjana said on Feb. 27 that he may seek an emergency meeting of OPEC ministers to discuss the fall of the crude oil price, a lowering of OPEC's 27.5 million barrel per day quota to stabilize the price, and the impact such a move will have on Iraq's quota, increased under the recent agreement with the UN.

VIETNAM was attacked by the free traders at the *Far Eastern Economic Review* on Feb. 12, for refusing to follow the disastrous "Asian Tiger" model. A recent Communist Party document "shows no sign of relinquishing its commitment to state-led development," they complained.

GEORGIA and China are expected to broaden cooperation in transportation. The latter projects would presumably take place within the framework of the Traceca project to develop rail, road, and ferry links from China via Central Asia and the Caucasus to Europe.

SHORTAGES of medicine and improper use of antibiotics are facilitating the spread of tuberculosis in Russia, especially its drug-resistant form, officials of international medical organizations warned on Feb. 18, Radio Free Europe reported. Some 22,000 Russian citizens died of TB last year, and 2.2 million are believed infected, *Rossiiskaya Gazeta* reported Feb. 13.

Sudan takes giant step toward democracy, peace

by Muriel Mirak-Weissbach

Six thousand five hundred delegates, from every geographical region, ethnic group, and religious belief, filled the enormous outdoor hall, covered by brightly colored tents, behind Friendship Hall, a huge building for conferences, which was, however, too small to accommodate the gathering. For four days, the participants engaged in an intense direct debate with the highest authority of the country, the President, coming up to the microphone one by one, to pose questions and make recommendations relative to the urgent economic, social, and political problems facing the country.

The extraordinary event took place Feb. 16-19, in Khartoum, capital of Sudan, which is Africa's largest country. It was the second session of the National Congress, representing constituency groups from all over the country, such as trade unions, farmers, women, youth, students, businessmen, herdsman, and workers. It elects 125 people from within its ranks, to send to the National Assembly, or Parliament. Organized on the grassroots level, in local congresses, it is articulated at all levels, through town, state, and Federal congresses. The National Congress meets every two years, to thrash out economic, social, and other policy issues.

This session marked a watershed in the history of the country, because it consolidated major progress along two fronts: the peace process, overcoming the decades-long war which has raged between the government and southern-based rebels; and, the process of establishing democratic institutions. In the course of the deliberations, a new leadership to the National Congress was elected, which integrated former rebel and opposition figures into the governing body. Thus, directly under President Gen. Omar al-Bashir, who was re-elected chairman of the body, two deputy chairmen were elected: Dr. Riek Machar, the former Sudan People's Liberation Army (SPLA) rebel leader, who has joined with the government in a peace agreement, and Al-Sharif Zeinal-Abdin al-Hindi, the secretary general of the Sudanese Democratic Unionist Party (DUP), one of the



Dr. Hassan al-Turabi (right), the newly elected secretary general of the Sudanese National Congress, receives Uwe Friesecke and Muriel Mirak-Weissbach of EIR and the Schiller Institute, in Khartoum, February 1998.

opposition parties, which, together with the Umma, makes up the National Democratic Alliance (NDA).

To appreciate the significance of these elections, it is important to recall that the British strategy of destabilizing Sudan has been based on using the combined forces of the NDA and the remaining SPLA rebel forces under John Garang, as a political-military alliance against the government. Deputy Speaker of the House of Lords Baroness Caroline Cox, who is British intelligence case officer for Sudan, personally brought about the alliance between the two political parties, and the SPLA military wing, in Asmara, Eritrea in 1995. In November 1995, Cox organized a conference at the House of Lords, which endorsed the NDA and its explicit program of overthrowing the Khartoum government by any means, including violence.

By electing Dr. Machar and Sharif al-Hindi to the National Congress leadership, the Sudanese delegates have signalled their commitment to peace and reconciliation, dealing a mortal blow to British plans. Nor is their election to a leadership position to be misunderstood as a token gesture. Dr. Machar accepted the post, as he accepted the position as chairman of the Coordinating Council for the ten southern states, as an expression of his endorsement of the peace treaty with the government. And Sharif Al-Hindi, as he explains in an interview to *EIR*, published in this package, posed specific conditions for returning to Khartoum, which were accepted by the government. In addition, he presented to the National Congress a comprehensive position paper, the National Politi-

cal Charter, which was discussed and incorporated into the final statement of the conference. As he said during a press conference, the Bashir government “has not asked us to change our skins,” but has welcomed the former opposition groups back to take part in the political process.

Another major development during the conference, was the presentation by Dr. Hassan al-Turabi, who was elected to be secretary general of the organization, of the outlines of the new Constitution. This Constitution must be accepted by the President and Parliament, and put to a referendum nationally. The process is expected to begin when the National Assembly convenes from March 9 to April 1, and to be completed by June 30, 1998.

One crucial feature of the Constitution draft, is its incorporation of the April 1997 peace treaty, as a whole. Thus, peace with the south becomes a part of constitutional law. The Constitution also allows for the freedom of political association and organization. This, it was explained by Dr. Turabi following the conference, means that political parties will be allowed in Sudan, on condition that they, like the National Congress, be representative of all ethnic, religious, social, and geographical groups in the country. Sectarian, religious, or regionally based parties will not be allowed, according to a statute which is to be published soon.

With this step, the Sudanese political leadership has effectively eliminated the last pretext used by both rebel forces under Garang and the political opposition parties, Umma and DUP, to continue their state of belligerency.

In interviews with *EIR* reporters, who were among the 27 journalists and 65 invited guests at the conference, both Dr. Machar and Sharif al-Hindi expressed their confidence, that other opposition figures would be encouraged by their example, to return to Sudan and seek reconciliation and peace. They included the president of the DUP, Mohammad Othman Mirghani; Umma party leader Sadiq al-Mahdi; and even the recalcitrant John Garang. Al-Hindi said that he would convey the National Charter to “brothers abroad, in Europe and the U.S.A. and the whole world.” He added, “I will sign, and will say that the secretary general [Mirghani] should sign.”

Freedom of political association

The question of political party organization was hotly debated during the National Congress, as numerous delegates recalled the tragic failure of the multi-party system in Sudan’s earlier history: sectarian parties with no semblance of internal democratic ordering, and no representation of the country’s vast ethnic, religious, and geographical variety, had repeatedly failed, and been replaced by military coups. As one delegate from the north stressed in his intervention the first day, “What we need is a political system which is capable of leading the country, whether it has political parties or not.”

Sudan prepares its Constitution

In his address to the National Congress, Secretary General-elect Dr. Hassan al-Turabi presented the outlines of Sudan’s new Constitution. According to a summary in English issued by the Sudanese News Agency, SUNA, “The principles indicate that the constitution is not an imported experience from certain sources that have their own experiences, and reflects [the role of] religion in organizing public life that emanates from the believers and not from a monopolizing authority, in which all are equal in assuming leadership without discrimination and in which all enjoy absolute freedom to choose their beliefs and to express them through rites.

“The constitution contains guiding principles to guide those who assume the affairs of the people to religious objectives to boost development and justice in all aspects of life and where freedom is the hope that shall not be undermined by dictatorship and unjust order, with affirmation of the citizens’ right of expression and political association, taking into consideration general directives including unity in public life, for evading disunity, fanaticism, partisanship and sectarianism.

“The system of government shall be a presidential one and the president shall be elected by the people.”

“The legislation and supervisory role shall be assumed by one council on the federal level and one council on the level of states and locality, whose majority of members are elected directly by the people and the rest elected indirectly in accordance with the law, to represent the various sectors and forces moving the society’s functions.

“The judiciary shall be independent. . . .”

In the final statement issued by the National Congress, it mentioned in addition that Dr. Turabi had noted that the



Dr. Hassan al-Turabi

Constitution guarantees “equitable distribution of power . . . without any domination by any federal or states’ bodies,” and “peace in the south shall be incorporated with its inherent systems and rules in the constitution. Rules and legal and administrative arrangements incorporated in the Khartoum and Fashoda peace agreement shall be valid till they get implemented. . . .”



A scene at the National Congress. On the front row, left, is President Gen. Omar al-Bashir; two seats to the right is Dr. Hassan al-Turabi.

While receiving the *EIR* delegation, the new Minister for Foreign Affairs, Dr. Mustafa Osman Ismail, explained the process Sudan has gone through since 1989, as “evolution,” rather than “revolution.” The first parliament following General al-Bashir’s coming to power, he recalled, was appointed; the second parliament was elected, but not on a party basis. Similarly, with state governors: First they were appointed; after three years, candidates were nominated by the President, and then approved; now, they are elected officials. Now, “we are going to take the final step,” he said, which can be open to a multi-party system.” But, he specified, “these cannot be parties based on religious sects or tribal lines; they must be open to all religions and groups.” Dr. Mustafa said that the National Congress session had developed the model of a party, on which others could be shaped.

The economic dimension of independence

The other leading issue in the general debate and in the workshops, was economic policy. Particularly strong were the interventions from farmers and herdsman, who demanded more government action to strengthen agriculture and husbandry. In the economics workshop, the focus of discussion was on the need to harmonize economic policy with the moral orientation embedded in Islam, and to guarantee equitable wealth-sharing and taxation. The cooperatives, which represent a particularly strong sector, argued for tax breaks. Privatization was also discussed, and the consensus was to maintain state control over strategic sectors of the economy, and proceed with privatization cautiously, particularly in light of the recent disastrous experience of the “Asian tigers.”

Sudan has been fighting to defend its political independence and sovereignty, particularly since 1989, when the current government under Gen. Omar al-Bashir took power. The British-directed assault on the country has come in the form of military attacks, from Uganda, Eritrea and Ethiopia, and political subversion, through Baroness Cox and her puppets in the NDA. Cox’s primary activity has been to spread lies about Sudan, alleging the practice of slavery, religious persecution and terrorism, in order to motivate political bodies, like the U.S. Congress and the United Nations, to pass legislation imposing economic sanctions on Sudan. The leading edge of Cox’s campaign for sanctions has been to impose an oil boycott and an arms embargo. Due to efforts such as hers, Sudan has been isolated from the “international community,” and has received no financial aid, for example from the International Monetary Fund, since 1989. It has been subjected to embargoes and a general credit cutoff. Thus, the fight for political independence has comprehended also a struggle for economic sovereignty.

Just on the heels of the National Congress proceedings, another event occurred which signalled progress towards achieving economic independence. On Feb. 22, a ceremony was held in the Friendship Hall in Khartoum, for the signing of contracts related to a new pipeline, which will transport oil from fields in the southwest, to Port Sudan. The ceremony was attended by General al-Bashir as well as Dr. Machar, representing the south. Several nested contracts were signed by representatives of the Chinese CPECC, the Argentine Technint, the British WEIR, and Allen Diesel. In attendance as well were representatives of the Greater Nile Petroleum

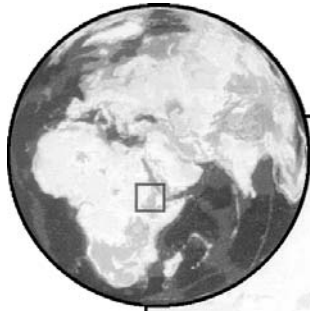
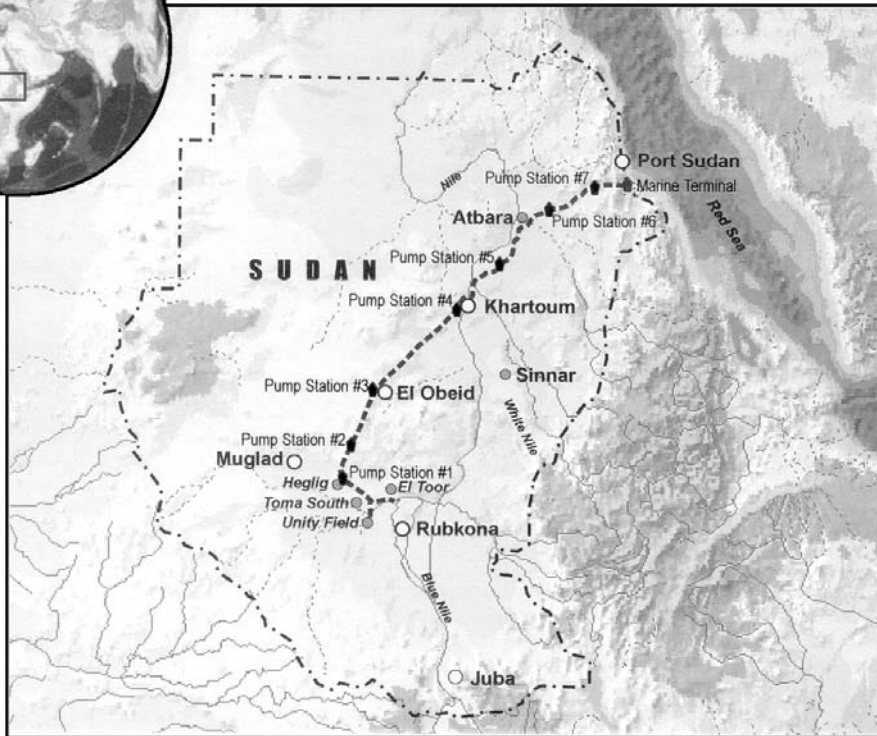


FIGURE 1
Sudan's new pipeline project



leum industry and the national economy of Sudan.” A spokesman of the CNPC of China, the country’s state oil company, lauded the government of Sudan’s commitment to the pipeline project, saying it would take Sudan “into a new era.” The CNPC, he said, as the largest shareholder in the consortium, was fully aware of the “great challenge” it represents, and added, “We will never give up” in implementing the “momentous project,” which “will make the dream of the Sudanese nation come true.”

Indeed, the pipeline project will make Sudan’s dream come true. Not only will it make the country self-sufficient in oil, thus eliminating the \$350 million annual oil bill it now pays to import oil on

Operating Company, the consortium behind the effort. These included CNPC of China, Petronas of Malaysia, SPC of Canada, and Sudapet of Sudan.

The pipeline is to be 1,610 kilometers long and 28 inches in diameter. Once the \$600 million project is completed, it will carry 150,000 barrels per day of crude oil. The Sudanese plan to increase production to 200,000 bpd by the year 2000, in order to be able to cover domestic needs (50,000 bpd) and export the rest.

An official of the Energy and Mining Ministry explained that the project includes building a factory for pipeline production, in Khartoum. The crude oil will go to El Obeid and to Khartoum, where part of it will be refined to cover domestic needs, and the rest will be exported. The second refinery, near Khartoum, is to be built by the Chinese and Sudanese together. The \$1.2 billion investment made through the consortium, involves a product-sharing scheme, whereby once expenses have been covered, investors will hold 20%. The pipeline will be transferred to the government of Sudan after 15 years. As the rate of production increases, the share to the consortium will decrease.

This pipeline represents an enormous boost to Sudan’s development perspectives. As the Chinese representative of the CPECC said, in his remarks at the ceremony, “The project carries great significance for the development of the petro-

the international markets. When Sudan begins to export, this will double the country’s GDP.

The Chinese have been the most important partners in the effort. In their exploration, they have had 100% success; every time they have dug a well, they have found oil. Some 120-140 wells have been dug, and 10,000 are planned, to be able to identify the actual amount of reserves, which is believed to be very vast.

The oil pipeline and related projects, such as the refinery, will break through Sudan’s production bottlenecks, and provide the import earnings required to finance many development projects planned, among them, the Jonglei Canal. As the representative of Sudapet, the Sudanese consortium member, said, “The project will provide the missing link” in the oil chain. Up to now, there has been no means of carrying the oil to markets, whether for domestic consumption, or for export.

The timetable set for the project is very tight and ambitious, but the Energy and Mining Minister Dr. Awad Al-Jaz promised that it would be met, by June 1999. Dr. Al-Jaz also made a point of stressing that Sudan was open to economic cooperation with all companies from all countries, and he included those which have appeared to be hostile to it, like the United States. In fact, he specifically invited the United States to invest in the country’s oil sector.

National political charter

The following are excerpts from the National Political Charter of the Sudanese National Congress, prepared by the Committee of National Thought.

In the Name of God the Compassionate, the Merciful.

Charters and principles are usually designed in accordance with the size and building of men, and Sudan's political and social building is unique and seated on the peak of glory. It is a product of an Arab-Islamic marriage in an African melting-pot framed in a unique size. The political charter, which binds the different parts of people of Sudan together and does not deviate from this structure which God has bestowed upon this country and its inhabitants, is written in conformity with this fact.

The unanimity reached by the Sudanese thought in the National Thought Committee which emerged from the initiative of Al-Sharif Zein-el-Abdin Al-Hindi, is open to the right of any Sudanese citizen to express his views. The National Thought Committee presents the Sudanese people the Political Charter emerging from the Political Declaration and the directions formed by the National Thought Committee in view of the cultural, social, political, and economic foundations and the best choices for achieving the harmonic national unity.

1. Social development

The people of Sudan realize through their cultures and educational methods, that ethnic and cultural diversity is a plus for the interaction of the nation and not a source of division. Thus, the treatment of the social and political charter will concentrate on making this diversity in all its manifestations a source of unity and solidarity. Citizenship, which has become the basis of the social, political, and economic structure, conditions all the different practices between rights and duties. It is also required that there should be a serious effort to melt the elements of this diversity together into a real unity, such that the elements of the state become united and become the holder of the equal, collective, and joint right to the ownership of the country and taking advantage of the investments in it for the common interest without monopoly, and according to the first principle rights to housing, health care and education, which is the first step to the world of social solidarity for the public. This should be linked to the obligatory duty of defending the security of the country and the unity of its population and protecting

its interests against any aggressor.

The family is the kernel of society, and the institution which produces the generations. The family should be protected against homelessness and disintegration, and kindergartens, child care centers and family development centers [should] proliferate.

Woman must be liberated from the declining traditions and the practices that have disabled her from taking her role in society. The doors must be opened for her truthful participation in the [development] of the homeland within the values of religion and society.

Societies are protected through the implementation of values, protection of resources, education and the control of the elements of society. However, the traditional popular system should also be protected and utilized to take its role in administration and production, and to raise the level of the tribe as an active and productive unit supporting stability not opposing it. All this requires a cultural system underlying this diversity and admitting that the state of knowledge and technology is the protector of the social system from disintegration.

The people of Sudan realize their role in the mission of the divine assignment [the divine assignment is God's appointment to man to build the world as a vicegerent of God] in the past, present and the future, and understand its dimensions for the coming generations. The crown of all that, is the freedom of all the creatures of God which they acquired through their submission to God alone. God has endowed man with this freedom and carried him around the world and on the surface of the sea and endowed him with the blessed goods, Reason through which man can contemplate the creation of the heavens and earth. Man made a covenant to embrace that Reason, then stood to reconstruct the universe, in order to realize the wisdom behind his creation.

Any practice undermining man's freedom and reason deprives him of the honor of the assignment and plunges him into injustice and ignorance. On the foundations of Reason and thought, we are inspired that all [human] creatures are all children under God's caring; the most beloved by God are those who are most beneficial to His children. All religion is from God (praise be to Him), and it is all emerging from the Abrahamic truth that God is one.

2. Economic and social revival

Man is made vicegerent on earth through the building and the protection of the blessings of God. God's endowment of wealth implies a commitment to justice in distributing the wealth among the people and securing the needs of human beings. The state is obliged to limit the differences between sectors of society without violating public rights and private property.

a) Man is the goal and the means of economic revival, and therefore, should be developed, educated and cultivated



Guests and delegates at the Second National Congress in Khartoum, Sudan. Inset: Sudan's President Gen. Omar al-Bashir, with ceremonial cane, at an impromptu rally during the meeting of the National Congress.



to enable him/her to carry out his/her responsibilities.

b) Emphasizing the method of self-reliance and exploring the human and material potentials, while opening for the world and coordinating with it in giving and taking for the independence of the nation's decision and preserving its national sovereignty.

c) Emphasizing the freedom of economic, commercial and service activity and all forms of investments without administrative limitations, and on the basis of justice and equality . . . through liberating the economy from limitations and moving it through releasing the potentials of those who are capable of participating in its activities.

d) Equality among the people in economic activity on the basis of economic potential and technical and administrative qualifications, and abiding by the state's laws and general directions.

e) Work is a value as well as a right, and service is an expression of human existence. Every Sudanese citizen is to be given the opportunity to work and to be protected from homelessness and terror. Meanwhile, civilian service must become the conditioner of the production process, and its notion should be developed to a "labor force" which is

employed in production according to development projects.

f) Building the infrastructure for the population's living, and establishing the basic services for the economic activity in production, commerce and services, and developing its technologies.

g) Concentrating on the promising and renewable resources on and below the earth's surface, and concentration on housing, security and the foundations of prosperity.

h) Concentrating on increasing the productivity in the sectors of agriculture, livestock, energy, industry, mining and social services.

i) Since industry and industrial technology are the basis of development and prosperity, the wide-ranging industrial sector (energy, mining, transformational industry and information industry) must have the greatest contribution in the national product, and be the leader for the other economic sectors.

j) In view of globalization and the openness of trade among nations, our goals should be to reach a status in the world corresponding to our resources and potentials which enable us to assume an advanced position in the world market, especially in providing food to the peoples of the Arab,

Islamic and African nations. The entry to globalization should start from a rational regional basis.

k) Regarding the criteria of technical and economic efficiency and the demographic structure as the main indices of distributing the economic and social development among the States and regions [of Sudan].

l) The ultimate goal of founding the economic and social revival is to remove the economic suffering which has characterized Sudanese society to this very day. This suffering has had no justification to be accepted by the Sudanese people. Since this economic crisis has aggravated now, the current economic development projects should have a major effect in reducing the hardships of living. The state, according to this Charter, should resort to the policy of studied support of the most suffering sectors of the society.

3. Political development

Political consciousness in Sudan is old as well as deep. The Sudanese, through their culture, education and love of knowledge, have enjoyed a rich political consciousness. This was increased due to Sudan's location among different cultures and political caravans. Therefore, this country witnessed a political movement with diverse attitudes of which different political parties were born. These parties contributed a great deal to developing the political and social life, but were not void of shortcomings. The result was a disturbed political practice and unstable governments. Therefore, we have to learn the lessons from that past and take advantage of the nationalist experience, and continue the search for a political practice which provides an opportunity for meeting with open hearts, for the sake of solving all the problems.

a) **The political system:**

Since freedom and unity necessarily lead to the freedom of political practice and political organizing, the political system will be based on a method of peaceful and willful exchange of power enabling all the people to organize, elect and run as candidates, and taking national responsibility according to the foundations inspired by the fundamental directions enlisted in the political declaration of the National Thought Committee which ensure the economic freedom, social justice, independence of the justice system, and freedom of political organizing. The freedom of political organizing is the cornerstone of democratic practice, on condition that this is carried out according to principles preserving the country's unity and identity, and should be in conformity with a regulatory law. Here, it should be clarified that the old political practice with its mistakes and sins is rejected. Moreover, any attempt to close the doors and gates for a wider participation or limiting organizing to a certain group under whatever pretext, is a fruitless attempt without any justification, because it is against the logic of reality and the necessities of the present. For that reason, wider participation is a recommended virtue.

b) **Foreign relations:**

Foreign relations are an embodiment of the internal (domestic) for the better or the worse. The elements of the official diplomacy and popular work in our country is called on to move effectively and actively into the various axes through which Sudan is historically, geographically or culturally connected; these are: the Arab axis, the African axis, the Islamic axis, the non-alignment axis and the international axis.

In this period, when unipolarity is repeated under the new world order led by the United States, we must strengthen the bonds of brotherhood and friendship with all the states that are committed to preserving their relations with us. We need to rely on our foreign relations to improve our relations with neighboring states, and move from mere diplomatic exchange to cooperation in the economic, political, cultural and social fields in the form which best serves our national unity and development.

The Egyptian-Sudanese unique relationship occupies a special place and extreme significance in this Charter. It should free itself from the traditional form to crystalize beyond mere integration to unity within the framework of economy, security and society, and we must turn the Nile valley, the cradle of civilization, into a pot carrying the aspirations of the two peoples towards a productive relationship and a major economic power with strategic, economic, security and political depth.

We should endeavor with our brothers and friends to strengthen the regional organizations such as the Arab League, Organization of African Unity, Organization of Islamic Conference and the Non-Aligned Organization, and act through these to oppose all forms of injustice and oppression suffered by some states due to the double standards of the major powers dealing with the other . . . and to give a hand to our brothers who are suffering from the injustice and embargo in Palestine, Iraq, Libya and others.

We must appreciate the hand stretched towards us from Asian states such as Malaysia, Korea and China and others, and from European states such as Russia, France and Germany and others, in order to strengthen our stances and positions in international fora, and benefit from their potentials and experience in reconstruction and modernization.

c) **Peace:**

Peace is a precondition for stability, and peace must always remain the aim. We should bring it to a stable state leading to the stability of this nation and putting an end to the fighting. We should turn to political, social and economic reconstruction to make it the preoccupation of the people of Sudan, where they can create growth and development so that injustice vanish and just distribution of wealth and power prevail, and people will be employed in production. People in both the north and the south should put all their efforts for the choice of a unified Sudan.

Sudan has reached a turning point

Al-Sharif Al-Hindi, the new vice president of Sudan's National Congress, was interviewed in Khartoum on Feb. 22 by Lawrence Freeman, Uwe Friesecke, and Muriel Mirak-Weissbach.

EIR: Could you introduce yourself to our readers, Mr. Al-Hindi?

Al-Hindi: I am the secretary general of the Union Party, known as the Democratic Unionist Party (DUP). This party does not represent a club or a group of people; it represents a social structure of the whole society, mainly the middle class. Its foundation goes back to 1919, from the literary associations that were working in the Sudan before independence. And in elections, this party represents actually all the aspirations of the Sudanese people, because, as I said, this party does not represent a special class.

And this is the party which fought the battle for the independence of the Sudan in 1956. The leadership and the founders of this party in Sudan managed to get its independence from Britain and Egypt. Also this party started drafting the first constitution of the Sudan.

The work of the party was interrupted twice: in 1958, when the first dictatorship took place and the party fought it and expelled it with other political powers in 1965, and continued its program until 1969, when the second dictatorship came along and interrupted its activity. So, the party fought two dictatorships and managed to harbor political forces to repudiate them. Without denying the role of the other political parties, we are really the founders of this modern Sudan.

EIR: Can you bring us up to date from those beginnings, to your presence in the leadership of the National Congress today?

Al-Hindi: This party, with these characteristics, was against usurping power by force, and against the military regimes, because it is democratic by nature and opposed to monopolizing power in any form. It is for religious and intellectual freedom and the freedom of political organizing. Therefore, it has been at war with these kinds of ruling regimes that are opposed to its nature, because they also conflict with the nature of the Sudanese society itself. Thus, the party has al-

ways had to shoulder the burdens of opposing such regimes at any cost, and for that reason, it had to stand in opposition to the regime which overthrew the previous democracy of the government of [Sadiq] Al-Mahdi, despite its [the DUP's] conviction that that was not the kind of democracy which could protect man and his rights in Sudan. And when the current regime overturned the previous democracy, which was suffering from many weaknesses, incoherence, and perplexity, the DUP rejected this new regime, but did not resort to violent, armed, or destructive opposition, due to the state of affairs surrounding Sudan.

Our opposition had been one of prudence, quietude, and clarity, and did not rely on any foreign force, but was concerned with the problems facing the country and the tragedies inflicted upon our people. This kind of peaceful and clear opposition attracted the attention of the existing government, which compared us with the armed opposition factions in the east and the south. So, it invited us to practice all this objective and clear opposition from within the country. And we agreed with the government on dialogue, before entering the country. The government responded positively and pledged to evaluate the result of the dialogue. Our conditions were that we would carry out a dialogue with the people of Sudan in general, in order to know their will. I came [to Khartoum], and we met with the government officials and with the people. Our objective slogan was to reach a reconciliation among the members of the nation under what became known as "the equal word."

Then, the government gave us the possibility of complete freedom of movement. We met with people from all sectors as much as we could, to learn from them and talk with the government. And we proposed five issues before entering the dialogue, issues which we considered crucial to the honor of our stand: 1) releasing all political detainees; 2) declaring general amnesty for the southerners and the northerners; 3) clearing the country of any charges referring to the existence of any terrorist havens, as alleged abroad; 4) improving foreign relations, especially our neighborly relations with Egypt; 5) returning all confiscated properties.

This was achieved. These measures were a proof of the good intentions of the government, and we considered them a means of removing the many barriers blocking the way toward dialogue. Then, we started looking for the foundations which could function as a comprehensive bond for the whole nation and a goal for all the political movements. We extracted these foundations through the Thought Committee, which was then called "Sudanese Thought, How Do We Rule?" The government agreed on all of them. Then they developed into a comprehensive national charter, representing the peaceful exchange of power, and is considered an important and historic turning point, which the government accepted and then was presented to the National Congress, which is a collective organ, not somebody's organization; it is not an organization for a party; and is not an invention for a faction. It includes

the different colors of civil society in Sudan. It was ratified unanimously [by the National Congress Committees]. Its concepts are embedded in the new Constitution, and we considered this as a radical and fundamental solution for the crisis of government in Sudan.

The next stage for us includes the presentation of this political charter to all the opposition members abroad. We are confident that it includes all the goals which every patriot looks forward to achieve. We are also absolutely confident that [the opposition] will come forward to add, delete, and amend it. But all this reveals that this is a real turning point in government and the beginning of the peaceful exchange of power.

The transitional period will coincide with peace in the south to repair the damage which has been brought to the basic infrastructure of Sudan, to coordinate foreign relations and take the path of a comprehensive development policy, then to prepare the country for general elections, in which political parties are founded, parties with objective contents and established according to the rule of law, devoid of any religious politicizing, tribal politicizing, and tribal dependencies and prejudices.

EIR: What can you tell us about forces from abroad which have been trying to destabilize the country, often working through opposition groups? I'm thinking of the British in particular, and Baroness Caroline Cox.

Al-Hindi: The British people know the Sudanese nation pretty well, and they know that we are a very peaceful nation, we love freedom and are very friendly. The British lived here for 60 years, during which they did not find any problems. I think what Baroness Cox is doing, is not clear even to the British people.

She is working in a very narrow pocket, which is that of the rebels in the south. She cannot speak about the intentions and goals of the Sudanese people at all, simply because she does not know the Sudanese people. She does not even know the people of the south; she knows only those in the south who are against the government. I hope that Baroness Cox will be able to visit the Sudan.

EIR: Legally, you mean?

Al-Hindi: (Laughing) Yes, legally.

EIR: Do you think Mohammad Othman al-Mirghani, the secretary general of the DUP, will follow you?

Al-Hindi: I am very positive that al-Mirghani, Sadiq al-Mahdi, and all the other political opposition leaders will come to the Sudan, very soon.

Please convey our best wishes and greetings to all people of Europe, and especially, to the American people. The prophets of freedom in America are known to us; we know John Adams, we know George Washington. So, best wishes to the American people.

Interview: Dr. Riek Machar

Why southern leaders want to end the war

Dr. Machar is chairman of the Southern Coordinating Council and vice chairman of the National Congress. He was interviewed in Khartoum on Feb. 22.

EIR: Dr. Machar, can you just give us some background on the peace agreement, and how you came to make the historic decision to join in the peace treaty?

Machar: Peace, to us, in our organization, is a strategic aim. In the south we have been fighting for a long time, since 1955, and we have seen wars, we have seen insurrections, we have seen conflict through that period. The last war is the current one, which I have participated in, mentally, physically; but then, having fought from 1983 to April 10, 1996, one felt that the option of war, the military option, is not going to solve the conflict in Sudan.

There are historical reasons for the war, there are political reasons, cultural reasons, there are military reasons, there are religious reasons, and they date back to the foreign interference of 1821 when Mohamed Ali from Egypt moved southwards to Sudan, and after that, the British conquest of Sudan. When the British left, the problem had already started. Now, these differences were not corrected by the previous governments that ruled Sudan since 1953 or since 1956, after Sudan was ruled by the Sudanese themselves. So, the war continued.

But then, what are the demands by the South? They varied. The South represented solutions, in political slogans, like demanding that if the British left the country, the country should be run on a federal basis, it shouldn't be run as unitary state, because the Sudan is so diverse, culturally, ethnically. So, the South requested the implementation of a federal system of government; that was not acceded to, at that time; federalism was considered a taboo, was considered separation. Then, the thinking of the rulers in Sudan was to create a homogeneous Sudan, in which two twin policies were advocated: one, Arabization, and second, Islamization. Those did not succeed.

At a second stage, the South requested self-rule, which was implemented from 1972 to 1983, at a time when there was relative peace in the country, but then that was destroyed by the very ruler who brought it about.

The other demand made by the South in 1947 was the exercise of the right of self-determination of people of the South, which should determine peacefully and freely whether they are part of Sudan, or would opt for a different course of action. In this, we tried our best in negotiating with the previ-

ous government, before this government. Unfortunately, by then, our articulation of the problem was not coming forth.

It was the SPLA, under John Garang. In 1983-84, what was presented by the SPLA was that they wanted a socialist transformation of the whole country, in order to correct the grievances which the South and the rest of the country had been complaining about. So that socialist trend went on for a time; it actually made us have governments, regimes, military dictatorships, one after another, and we found that we were going in a vicious circle, because during the time of Nimieri — you could say it was a military dictatorship, a military government. Then, when it fell, obviously because of the war, we tried to negotiate with the next government, but it didn't go through. Sadiq [Al Mahdi] came in, composed five governments, and we tried to negotiate, but it did not go through. Bashir came in, we had a series of negotiations which started from Addis 1989, through to Nairobi 1989-90, then Abuja 1, Abuja 2, Nairobi 1, Nairobi 2, then the IGAD [Intergovernmental Authority on Development] process, which we know.

In 1990, after this government came in, and began to project its policies on the South, on how to resolve the problem, we began to ask ourselves, in the SPLA organization, whether we were really articulating the problem. Are we being understood, or are we just going in a vicious circle? And we found out we were going in a vicious circle. So, we split from the SPLA on Aug. 20, 1991, and gave a solid presentation that the issue of the South needs to be resolved peacefully and through the exercise of the right of self-determination for the people of the South. With this presentation, we engaged the government in peace talks, starting in Frankfurt, Germany, on Jan. 25, 1992, and we arrived to a certain understanding in that meeting. We took that understanding to the Abuja peace talks.

Now there were two movements, one led by John Garang, one led by me. We had two delegations in Abuja, and gave a presentation of our view of peace. We failed to get any agreement, but then the SPLA under Garang was still maintaining the same attitude of being slippery, in what really their demands were, the reasons for war. So in 1992, we failed in Abuja. Then came 1993: That also failed. In June, the SPLA under Garang continued in Abuja, we had a parallel meeting in Nairobi, where there was progress in our peace talks with the government in Nairobi, but it was not conclusive; there were still points of disagreement. Then came the Washington conference, at the U.S. Institute for Peace. Garang and I went to Washington and in the Congress, under the chairmanship of Harry Johnston (D-Fla.), who was then the chairman of the subcommittee for African affairs. In our discussion, for the first time, the SPLA came to our projection, in adopting the right of self-determination. That was on Oct. 22, 1993.

From there, the IGAD process was restarted. The first meeting we had with the IGAD heads of the government was in Kampala on Nov. 6, 1993; using the same paper, the Washington declaration, the IGAD process was launched. On Jan. 6, 1994, we drafted a common agenda for the IGAD

meetings. And from there, March-July, then September 1994, until the IGAD process flopped.

Now we saw that the SPLA under Garang had decided to forget about the whole process, and, through the help of Eritrea, they decided to have a different forum; we also followed that forum, which was the Asmara forum. Our conclusion was, that the Asmara forum was a war forum, not a peace forum. After that, we had discussions with the President Isaias [Afwerki] in Asmara — this was in October 1995 — and with high-ranking officials in Addis Abeba, and with the northern opposition in London. In early 1996, we decided that the Asmara forum, since it was a war forum, did not serve our purpose, so we said we should go for direct talks with the government.

For the first time, I met the late First Vice-President, face to face, and from there, our organization decided that I myself, as a leader of this organization, should also lead these talks. So by March 11, I met the First Vice President, Al-Zubair, outside Nasir, in a village called Katbet. So, the political charter came up. Our decision to take a peaceful course of action was influenced by the fact that we found the regional powers, and some members in the international community, were not genuinely seeking ways of resolving the conflict in the Sudan; it was being used as a stick to perpetuate the conflict, whether with this government or another government which would come along. And that is not the reason for which we took up arms; therefore, we decided to take the peaceful course of action.

EIR: You referenced members of the international community. Of course, the first person and group who comes to mind is Baroness Cox of Britain, because after all, she was in Asmara. She was instrumental in organizing the NDA and mediating contacts between the SPLA of John Garang and the northern political opposition. She organized the conference in London after that, at the House of Lords, and another one which was more discreet, but in which the House of Lords endorsed the Asmara declaration, which was a declaration to overthrow the government by violent means of continued war. I am wondering if you can say something about this role of the British, particularly this group around Baroness Cox, because without that kind of political, logistical, and military support, maybe the war would have taken a different turn, or maybe the situation militarily would be different, so that others still in the John Garang camp would be encouraged to seek peace through negotiations.

Machar: I attended the conference at the House of Lords, Nov. 3, 1995. What struck me was that the forum was not even seeking peace; it was more a forum to perpetrate war. And it's actually after this forum that I met the northern opposition, who were strongly represented. We had extensive discussions for two days with them. After that, I left for Addis Abeba. That forum contributed to reshaping my thinking about what others could or could not help in resolving the conflict in the country.



Dr. Riek Machar: "Our decision to take a peaceful course of action was influenced by the fact that we found the regional powers, and some members in the international community, were not genuinely seeking ways of resolving the conflict in the Sudan."

As for Baroness Cox: She is using two issues for her campaign. One, is slavery; two, is religious persecution. On the slavery front, I think that is a fiasco, because they made a setup in one of the areas controlled by the SPLA, which is even incriminating to the SPLA itself, because if slavery was being practiced in the areas controlled by the SPLA, then there is the SPLA sanctioning slavery. Unless there were evidence from the areas controlled by the government, and she proved that this was being done in broad daylight and the government was seeing it and not taking action, then she would have a strong reason to think that she had evidence of slavery. But let us ask: Why should slavery be practiced in one spot, one dot? What she was talking about were the areas on northern Bahr al Ghazal. The North and the South have very long borders. There are no incidents of this kind. Why should such incidents be localized in a small area, if slavery is being practiced? So, I think Baroness Cox was deceived; something was set up for her. Even in the video itself, one of the people who was supposed to have slaves, and wanted money in return for their freedom, could not mention his name, because, he said, he was going to be persecuted by the government. Why would the government persecute such persons, if the government sanctions slavery? She is using slavery, which is very sensitive in the West and in the whole world, because this is an outdated trade which people see as inhumane, but the truth of the matter—I know Baroness Cox; I wish she could visit the

Sudan, legally, come to Khartoum and go to the areas she had visited and visit the areas controlled by the government, at least cross-check her information, because there is a question of credibility. She is a member of the House of Lords; if she moves around with incredible information, and this is exposed, what would be her own credibility as a politician?

The other issue she is using is religious persecution. It would still be good for her to come, particularly after this agreement of April 1997. She cannot lock herself into a situation of 1995. I believe her information is outdated. Now, whether her actions are sanctioned by the British, that I do not know; but I know that the British and the Americans are today the ones imposing sanctions on the Sudan. The British support that. But I yet see British clergymen coming to the country; I met the Bishop of Liverpool, I met the Bishop of Bradford, they had come to see their fellow Christians. I have met some of the British MPs in the House of Lords.

But the British are not living up to their historical responsibility. The problem started when they were the masters of the country. They are not living up to that, but they should live up to it. Instead of perpetrating the conflict, they should work to see that the conflict is resolved peacefully, this is what one should expect from their side. Baroness Cox's information is outdated, and I really wished that she would come and visit the country. She would move freely.

People change. Let me take [Ugandan President Yoweri] Museveni: He was a communist, now he is a darling of the Americans (and the British). Take a man like Nelson Mandela, who was jailed because the apartheid [regime] thought he was a communist, the same with [Zimbabwe's Robert] Mugabe, the same with Afwerki, the same with the one in Ethiopia, [Meles] Zenawi. The communists who were the "bad boys" have become the "good boys" now. And, a system can change. The good things the system in the Sudan is doing, should be seen.

EIR: You referred to the problem when the British were ruling the country, or even before. Could you point to what the problem historically was?

Machar: You know, when the British took over in 1898, and they destroyed the Mahdist system, in the early 1920s, they decided that they should run the Sudan using two systems, the North to be run on the Middle Eastern model, of Arabs, and the South, of Africans. So, there were two systems operating. By 1943, they established an advisory council for the North, which the South was not involved in. In 1946, they wanted to establish an advisory council for the South, but then they changed their minds in the Khartoum administrative conference, and they failed to unite the two countries. These are two different places. So by 1947 they convened a conference in Juba, the Juba conference, where the South presented two demands: one, federalism; two, right of self-determination, their advisory council. But that did not go through. They decided to unite the country, and instead, in 1948, they made a legislative body for the whole Sudan, in which the South

was represented by 13 members. That created resentment politically in the South, and the South was more underdeveloped. So they [the British] had different ideas; they thought that if the North became independent, they would move southward; they kept it as a reserve. So, with their sudden change of mind, without preparing the South, things went bad. In 1953, there was the Cairo conference on self-rule, the whole Sudan. They did not even make sure that the South participated in that conference! So, independence was given without the South participating. All that began to be resented by the South. By 1955, the South rebelled, under the British, you see, and started a war. In 1956, they [the British] left, and left the people fighting.

EIR: Would you say that problems between the South and the North go even back earlier, into the nineteenth century, which the British failed to address?

Machar: They failed to address some, and they created some. Actually the majority of problems, they created. They divided, they made barriers. The people couldn't know themselves.

EIR: Coming to the current situation, could you explain what really is the significance of what went on here during the week, not only in terms of the elections to the Vice Presidency, but also the process as a whole?

Machar: This is an historic event. I think it is a landmark, in the sense that the Sudanese are starting to chart out a new era, in the sense that the political organization, the National Congress, has the basis for forming an organization that transcends racial, cultural, religious, ethnic divides, as you realized, and I hope that with this start, there should be definite, serious formations at the level of the 26 states, all over the South. Now it seems with the historical background of the political organizations in this country, there have been three dominant political organizations before this government. Until 1989, it was the Umma party, then the Democratic Unionist Party, then the National Islamic Front. Let us take the first two, the Umma and the Democratic Unionist Party: These are sectarian, and their leadership, the inner core of these organizations, is based on families who had religious leadership: the Mahdi family, or the Mirghani family. The hard core is composed of the religious sects, the Umma, supported by the Ansar; the Democratic Unionist Party by Khadaimiyya. These are the inner core and the outer core. After that, the bigger outer ring are the northern Sudanese, being members, or coopted into it. So the priority goes to the families, then the sects, then the northern Sudanese. This is for these two parties; they were not representative of the Sudanese [as a whole]. As for the National Islamic Front, by its name, it only accepted Muslims.

Now, with what happened last week, I think we are making an effort to create a political organization that will transcend all this, that will unite the people, that each will be comfortable and stand on his platform and say, "Yes, I do see

myself there." That is one point. And it is good that it is happening while people are discussing pluralism, freedom of speech, freedom of political organization. And we have no choice: Sudan is not an island. So, since our expected Constitution is going to come about, is going to guarantee freedom of speech, freedom of political organization, pluralism, then people should get organized, to face the challenges coming up. It was an important thing.

The other thing that attracted my attention, is that, even in all the committees of the conference, they came out with recommendations on peace. And therefore, they gave peace priority. It means that peace in actual fact is the prime problem in the country, the main problem. Once peace comes, pluralism shall be acceptable, freedom of speech will be a norm. And therefore it means the Sudanese people really give priority to peace. In seven of the committees — even in committees which I didn't think would talk about peace — they came up with peace.

The other point which attracted my attention was the election of the vice chairman. We know him; he was the secretary general of the Democratic Unionist Party. It means that there are new alliances taking place. Because a man like Sharif Zein Al-Hindi would not accept to be vice chairman of the National Congress, unless he had decided, that this is it.

So there are new alliances taking place in the country. The final result would be that the attempt for reconciliation with the northern political parties will be accelerated, whatever their stand will be. Pluralism, freedom of speech, freedom of political organization are coming. The moves toward peace have been consolidated. Definitely, they will have to come to terms with the government. In it, the loser will be John Garang, because the talk of the overthrow of the government, will not be there with the northern political parties, if they get the guarantees; politically, they will operate. They will have no reason to continue holding arms and fighting the government. Garang will be faced with the choice, to come to peace. After all, he has no reason to continue the war, because if he is fighting for the federal system, this is under implementation; if he is fighting for self-rule in the South, there is a special status for the South during the interim period. If he is fighting for the right to self-determination, it shall be exercised through a referendum. He has no political agenda. His only political agenda would have been democracy, a multi-party system, pluralism, in the country, which that conference addressed.

EIR: Coming back to this problem of religious persecution. Are you satisfied with the arrangements of the new Constitution, and the way the Coordinating Council for the Southern States functions with respect to the significance of *Sharia* [Islamic law] in the legal system of the country?

Machar: In the agreement, the first thing we agreed upon was to accept the multiplicity in the Sudan: that Sudan is multi-racial, multi-religious, multi-cultural, multi-ethnic, and that the majority of the Sudanese are Muslims, but there is a considerable number of Christians and others who profess

different religions. Citizenship is the basis on which rights and duties will be based. We also agreed that *Sharia* and custom shall be the sources of legislation. Now in the Constitution, it is the same thing that is mentioned. And therefore, the South will be using custom—not only the South; there are people in western Sudan still using custom now, because this is the only way they can operate, even if they are Muslims. So, with that I am satisfied.

But the implementation process is not over. The Coordinating Council is not yet established. The papers will be in front of the President, we hope, before the end of this month; the process shall be over, and therefore, the process of implementing what we have agreed upon will start. But I know there is so much improvement, on the question of religion. There are still problems here and there, which priests or pastors are complaining about. But where were we before the agreement? We were at a different stage altogether. So, I didn't expect all problems to be resolved in one day.

EIR: What do you think the United States and European countries should do, to help this process? What would you like to see come out of the U.S. administration and Congress?

Machar: First, I was disappointed in what the United States did while we were in the peace talks in Nairobi, when they imposed trade sanctions on the Sudan. That was not an incentive for peace talks. It was just telling the SPLA, "don't deal with that government." Therefore the sanctions were imposed while we were talking. Whatever explanation was given, was not satisfactory, because by actions, people will blame the United States. But yet, the United States says it is supportive of peace. It is one of the member countries of IGAD. Now if the United States would take peace as a priority—Sudan is a big country. If there is no peace in Sudan, there will be instability in the region, in Eritrea, Ethiopia, Kenya, Uganda, and the rest. We border nine countries. We are the heart of Africa; if we are unstable, the rest will be unstable.

I think the best that the United States can do, is to support the peace process. People change. There is nothing unique or strange in this country: There is a Presidency, there is a National Assembly—elected; the press—you know, when I compare the press from 1986 and today, there is so much freedom. There has been a big change. The country is moving towards constitutionality. The country is moving towards pluralism. What does America want? So, America should support the peace process. Let America support the move towards constitutionality, towards democracy, democratization, pluralism. This is not a communist country. There is a free market economy, which I think would be in the interests of America.

EIR: What do you see as priorities for economic development in the southern states? How do look at projects such as the Jonglei Canal?

Machar: After the ten state governments of the South and the Coordinating Council are constituted, hopefully, before

the end of this month, we are looking forward first to repatriation, resettlement, and rehabilitation, then opening up roads so that those who can produce can get to the markets and the markets can sell to the population. On the economic development in the South, there is extensive oil exploration now. Chevron is the one that started it, but what has been discovered in the last year in the South, is greater than what Chevron had discovered before. So we expect, with these new riches of oil, that we will emphasize agricultural development. What people themselves can do is more important, as our society has an agricultural base. We also want to improve animal husbandry, and the trade interaction with the North and the neighboring countries, place more emphasis on commerce.

Now on the Jonglei Canal, three-quarters of the canal has been dug. Only one-quarter remains to be dug. We need to reclaim land, to develop that area. The Jonglei Canal would bring about development there, so it's one of the projects that we want to revive. The swamp is expanding in the Nile basin, every year, and even taking more land, displacing it. We need water northwards; and also the agreement was with Egypt, they also need it. And on our side, we need development in that area, we do not want a human zoo. We need a highway. There was supposed to be a highway built along the canal, that highway would open the South to economic development and commerce. We have ambitious projects.

But the British are not living up to their historical responsibility. Instead of perpetrating the conflict, they should work to see that the conflict is resolved peacefully, this is what one should expect from their side. Baroness Cox's information is outdated, and I really wished that she would come and visit the country. She would move freely.

Interview: Dr. Ghazi Salahuddin Attabani

An optimistic look at Sudan's future

Dr. Ghazi is the outgoing secretary general of Sudan's National Congress. He was interviewed in Khartoum.

EIR: Dr. Ghazi, could you give us your view of the significance of the second National Congress?

Ghazi: This second meeting has, first of all, come after many significant developments in the political arena, especially the signing of the peace agreement in April last year, so we had to be more inclusive in the conference, in the sense that six factions have joined the peace process and are therefore represented in the Congress. So in terms of membership, it's much



Dr. Ghazi Salahuddin Attabani: "I think in the first decade of the next century, we'll see a much better Sudan."

more inclusive this time, not only for the southerners, but even for the northern opposition forces who came back from the Arab countries where they were, especially from Cairo, and also from London.

Second of all, the papers which were presented before the Congress, included structural changes in the Congress, and they also included a vision of what the Constitution should look like and a vision of how the future should look for the coming three years, in the three-year plan. This is the first time that the Congress has discussed such papers.

EIR: What will be the next steps in the evolution of the political process of the country?

Ghazi: Right now, this evening actually, we have convened a second most important body in the structure of the National Congress, that is the consultative body [*Shura*], which is composed of 650 people. These people are supposed to elect today about 24 members in order to complete the leadership council. The first thing is to complete all the structures of the National Congress, the next is to embark on a national campaign to explain what our view of the Constitution is, and to rally support behind the Constitution, which will be submitted to a referendum later this year. So we will be very busy in the next period to work on the Constitution and to prepare the next phase, leading into the twenty-first century.

EIR: The other big event is the implementation of the 1997

peace agreement with the different forces in the South. What is the status of this right now, and are you confident that this will be fully implemented, despite the fact that John Garang still does not want to be part of it?

Ghazi: I am fairly optimistic, because the agreement addresses all the concerns and ambitions and interests of the southern political forces. The fact that John Garang has not yet joined the agreement relates to some tribal differences between himself and other major tribes in the South. Now he sees the agreement as one between the government and rival tribes in the South, but the content of the agreement itself is quite sound and appealing to southern political forces, so that is the main point of strength.

The agreement is in the process of being implemented, the chairman of the Coordinating Council has been appointed and half of the members of the Council have been appointed—actually not appointed, but have been made known; they were *Walis* [governors] in the southern states. Unfortunately, we had this setback when Kerobino, one of the signators of the agreement, mutinied against the armed forces in the South, but the other political forces and other factions are still committed to the agreement and we expect complete implementation of the agreement very soon.

EIR: Could you give us a sense of the evolution of the economy in the last period? You see an improvement; do you see certain targets that you want to reach?

Ghazi: Over the past eight years, we have lifted the country from a growth rate of 1% to a growth rate of 11.4%, and now it has come down to 7.5%. That gives you an idea of the goals of development in this country. We have been doing it all on our own, without outside help, but now, with the oil production being developed—we have just seen the signing of one of the major agreements on projects with international companies—we expect Sudan's economic future to change dramatically and quantitatively in the coming period, and that will put us in a different perspective. Coupled with the fact that Sudan has embarked also on an ambitious social development program, development banking on the human being, which is evident from the fact that we have 30 universities—compared to any other African country, that is quite a big number—I think in the first decade of the next century, we'll see a much better Sudan.

EIR: Will you revive the Jonglei Canal project?

Ghazi: That is in our thinking, and the whole idea has to be rekindled, the whole idea has to be rethought, together with the Egyptian government, provided that full peace is reached in the South.

EIR: There obviously is an improvement in Egyptian-Sudanese relations; what do you expect from this?

Ghazi: There have been a number of positive signs in the past few months, we still maintain the will and we believe that

in Egypt they maintain the same will, and I think that it's just a matter of putting things in place and discussing details on how to normalize relations; not only to normalize relations, but also to embark on a new stage of integration and cooperation, economically, politically, and in other aspects.

Interview: Mohammad Sa'eed Nua'mani

An Iranian view of Sudan's achievement

For the past four years, Mr. Nua'mani has been the representative of Iran's Imam Khamenei in Sudan and East Africa. He is now the deputy chairman of the Culture and Islamic Relations Organization, which oversees all cultural and Islamic affairs outside Iran. He was interviewed on Feb. 21 in Khartoum.

EIR: What is your evaluation of National Congress here in Sudan over the past week?

Nua'mani: Of course, our view is that each country has its own conditions and situations that are specific to that country. Generally, it is not necessarily the case, that whatever might be undertaken in one country, should be applied in every other country, because there are technical and general issues involved here, such as participation in political matters, and the participation of the people in decision-making, in making its own future, according, of course, to rules and foundations. These issues differ from one country to another. The principal basis here is participation. The principal basis is democratic consultation. But, democracy in the form existing in the West does not necessarily fit for the East, or for the Islamic countries, for example.

While we reject dictatorship and reject despotism and oppression, we say that the practice in each country depends on its conditions and situation. What we saw here, for example, was a beautiful thing, in conformity, of course, with the conditions of Sudan. The ruler and the people sit together and consult and talk with each other. We found representatives of women, men, and youth, and from different regions, talking about their issues, their conditions and opinions, in full freedom. We regard this as a unique value.

EIR: Iranian President Khatami called for a dialogue of civilizations and a dialogue with America, during a televised interview. What kind of response do you think is necessary from the United States and from the West? What would be an appropriate response?

Nua'mani: As a matter of fact, Mr. Khatami's idea is an Islamic idea, emerging from an Islamic viewpoint. We see the world as one family, created, as God said, of "peoples and tribes, so that you may interrelate." And within the one family, there should be a dialogue. Thus, the American people are a member of this human family. The existing problems are not between us and the American people; these are problems between us and the *ruling authority*. For that reason, there have been actually certain problems that prevented the existence of contact between us and the American people. Among these problems, for example, take the propaganda [against Iran]. There are certain Zionist circles that are forming public opinion and influencing public opinion in the United States. It is they who created the barriers between us and the American people. And Mr. Khatami wanted to remove these barriers, and reach the thought and opinion of the American people directly.

EIR: What do you think the consequences in the Islamic world would be, if there were a military strike against Iraq?

Nua'mani: We bear in mind that Iran is currently the chairman of the Organization of the Islamic Conference. A call came from the secretary general of the OIC, Mr. Izziddin Al-Iraqi, who came and met with Mr. Khatami and the officials there [in Iran], and he was assigned the mission of finding the coordination necessary for establishing a unified Islamic stance, because in general we are, first, against aggression against any country, especially as Iraq is a member of the OIC. Moreover, we have other neighbors in a very sensitive region of the world, and if, God forbid, a catastrophe takes place in this region, it will have effects on the whole world. Most of the oil is located in this region, most of the oil the world needs is in this region.

We also want to add that if something takes place, it will not be against the regime only, but also, the lives of innocent women, elderly people, and children will be lost. From an Islamic and human standpoint, we are against any kind of tension. Therefore, we are against any kind of aggression, and we do not see that the U.S. alone has the right to implement what it wants on the world, despite the fact that we have our own thoughts about the right to veto and the permanent members of the United Nations [Security Council]. That is, we have our own thoughts about the fact that there should be any permanent members at all, and that they should have the right to veto. But despite that, even among these five members, there is disagreement. The world is in no need of a custodian, especially if this custodian's weapon is force only. The world cannot be run and administered through the logic of power.

For that reason, we said from the beginning and repeat now: As in one family, the world, the greater family, should have dialogue and consultation. God, praise be to Him, gave man reason and logic, and this should be the tool of removing problems, not force.

British threaten to unleash a new Balkan war in Kosova

by Konstantin George

Hardly had the Iraq crisis been somewhat defused for the moment, than the United States was hit with another strategic distraction, this one in the Balkans. The new crisis, carrying the potential to unleash a new Balkans war, was launched with a political explosion in Kosova, the ethnic Albanian region in the territory of Serbia, whose 90% ethnic Albanian majority has been brutally oppressed for the last nine years by the Serbian regime in Belgrade.

On Feb. 28, Serb paramilitary forces massacred at least 30 Kosova Albanian villagers. The pretext was an ambush the day before, in which four Serb policemen were killed by an ethnic Albanian terrorist outfit known as the Kosova Liberation Army. The Serbian response, ordered out of Belgrade by dictator Slobodan Milosevic, the President of rump Yugoslavia, was reminiscent of actions by Nazi forces in occupied Europe during World War II, where, if German occupation troops were killed, the Nazis would take reprisal by selecting at random and executing 50-100 civilians residing in the area where the attack on the occupation forces had occurred.

The Serbian massacre in the village of Likosane has in turn triggered what could be described as a Kosova *Intifada*, with demonstrations of about 50,000 each on March 1 in the central Kosova Drenica region, at the funeral for the massacre victims, and on March 2, in the Kosova capital of Prishtina.

The hand of London

Belgrade is the regional executor of this operation, but the strategic responsibility for the Kosova explosion can be traced to London, via two British assets which are nominally opponents of each other:

1. The "Yugoslav," i.e., Serbian, Milosevic regime in Belgrade, which, under British direction, launched the Balkan

War of the early 1990s, and whose ideology has always been to promote a more or less ethnically pure "Greater Serbia."

2. A hard-core terrorist operation on the ethnic Albanian side known as the Kosova Liberation Army (UCK), whose ideology, which demands the creation of a "Greater Albania," belies its British pedigree. In the 19th- and 20th-century history of the Balkans, there has never been a group operating under the banner of "Greater" whatever, that was not a British creation. As the UCK says in its communiqués, this "Greater Albania" would be carved out of not only Kosova, but also other regions where ethnic Albanians predominate: the western third of the Republic of Macedonia, plus a chunk of the Republic of Montenegro, which, along with Serbia, forms rump Yugoslavia.

The UCK, which announced its existence in April 1996, draws financial and other support from the Popular Movement for a Republic of Kosova (LPRK), the leading pro-"Greater Albania" and anti-peaceful resistance underground group in Kosova. The LPRK (formerly LPK, or Popular Movement of Kosova) has functioned as the pro-violence opposition to the dominant movement among Kosova's Albanians, the LDK of Dr. Ibrahim Rugova. Rugova, often called the "Kosova Gandhi" because of his principled commitment to securing Kosova independence through non-violent forms of struggle, until about a year ago had commanded the support of the overwhelming majority of Kosova Albanians.

The LPRK has been funded and supported by "Albanian" intelligence, first under the Communist Enver Hoxha regime, and then under the post-Communist President of Albania, Sali Berisha, a notorious British asset. The Berisha support, including the ferrying of arms into Kosova, has continued since his ouster as President last year, through his clan base of support in northern Albania, bordering on Kosova.

What makes the situation so explosive is the Kosova population's understandable desperation. While Rugova still commands the support of a majority, his support has been waning, especially among the youth. Given the high Albanian birth rates, those 25 and under comprise the majority of the population, and given the Serbians' apartheid policy against Albanians, their situation is the most desperate of all: no hope for a future in Kosova, unless something changes drastically, fast. This situation has produced among the youth—the majority of whose conscious memories has been under the post-1989 Serbian apartheid system—a growing sympathy for acts of violence, and a general impatience with peaceful protest, which youth see as having gone nowhere. This phase-change among the youth, and the decline of Rugova's authority, have provided the context for London to move in with hard-core terrorist operations.

Strategic stakes for Washington

The Clinton administration is aware of the strategic stakes, should the situation go out of control, and judging from its extremely tough and commendable statements, is providing, thus far, the one ray of hope in this nightmarish situation.

On March 3, U.S. Special Envoy for the Balkans Robert Gelbard issued an unmistakable warning to Belgrade: "President Milosevic is well aware that the United States will not tolerate violence, and violence will be met by the most dire consequences imaginable. That will be the end of his [Milosevic's] government without any question."

The end of U.S. patience with Milosevic is not hard to understand. It was clear that the massacre was a cold-blooded, planned operation, merely awaiting a suitable pretext. Weeks earlier, Serbian paramilitary forces of Bosnian war infamy, under criminals such as Zeljko "Arkan" Raznotovic and arch-chauvinist Seselje, had entered Kosova.

The Milosevic escalation in Kosova came only weeks after he had, by feigning "good behavior," secured U.S. agreement to relax the international sanctions against Serbia, followed by a similar move by Germany. Milosevic believed, or was led by London to believe, that Washington was "weakening" in its stance. This perception was buttressed by the U.S. military buildup and commitment to the Persian Gulf, which stripped down U.S. air and sea assets elsewhere, including from the carrier task force in the Mediterranean. Milosevic calculated that he could move now to impose his solution on Kosova: i.e., through raw terror, force a mass exodus of Kosova Albanians into Albania, Macedonia, and western Europe, without fear of American retaliation.

Milosevic knows, and the experience of the first war in the early 1990s has proven, that if America does not act, no one else will. It didn't take long for this point to be reconfirmed. While Washington was issuing warnings to try and stop a Balkan war, London and its tools in the European Union, behind protests about as tough as a cream puff, were

engaged in business as usual with Milosevic.

The contrast with Gelbard's statement was stark. On March 3, the EU, under its British presidency, condemned the Serbian security forces involved in the massacre, while markedly failing to issue even a *pro forma* warning. What the EU did, namely, approving a visit on behalf of the EU by British Foreign Secretary Robin Cook to Belgrade (arrival set for March 5) to meet with Milosevic, was worse than nothing. Then, the EU insisted that EU policy be coordinated with the UN, the Organization for Security and Cooperation in Europe, Russia, and the United States. Since EU policy is, effectively, under the British EU presidency, British policy, this amounted to call for a consensus between Britain and Washington on the Balkans.

Cook's mischief in the region started on March 4, when he arrived in the Bosnian capital of Sarajevo, for talks with the Bosnian leadership. He went on to Banja Luka, in the Serbian-held part of Bosnia, the Republika Srpska, for talks with its leadership, and with the commander of the British NATO forces in former Yugoslavia, on the military situation there.

Potential tinderbox for war

This clash between "Greater Serbia" and "Greater Albania" forces, both of which London controls, has the potential to spill over onto the territory of Albania and Macedonia, leading to a broader Balkans war. The victims of such a war would be all the peoples of the southern Balkans: Kosova's Albanians, the Albanians of Albania and Macedonia, Macedonia's Slav majority, Bulgarians, Greeks, Turks, and Serbs, too.

However, the main victim would be the United States. A full-scale war would cripple American influence in the region. It would likely mean war between America's two most important allies in the region, Greece and Turkey, a project that London is working on from at least two angles: via the Balkans crisis, or a renewed Cyprus crisis. War would also smash whatever limited success the United States has achieved in former Yugoslavia through the heavily flawed Dayton Accords.

A new Balkan war, or near-war situation, would also sabotage a U.S.-led effort to create a new international monetary system. As London well knows, a Balkan war could easily be used to manipulate new adversarial relationships among the larger powers, pitting the United States, Russia, Germany, and France against one another in various permutations, thus wrecking even the possibility for Washington and leading Eurasian powers to work together to replace the bankrupt International Monetary Fund-dominated world financial system.

The United States, through the Gelbard warning, has taken a first step to prevent this panoply of horrors from unfolding. This stance must be backed by U.S. military strength, including, if necessary, the dispatch of U.S. ground forces to supervise a solution to the Kosova crisis. The cost would be nothing, compared to the price of allowing a Balkan war to be unleashed.

British ‘mujahideen’ caught in Bosnia

by Umberto Pascali

One of the most trusted subordinates of Gen. Sir Michael Rose, the British NATO commander in Bosnia, will stand trial in Britain at the Guildford court, Surrey, beginning on March 11. British Maj. Milos Stankovic, a.k.a. Michael Stanley, will stand trial under Section 1 of the Official Secrets Act for espionage and passing information to the enemy. Stankovic, while stationed in Bosnia during 1992-95 (mostly while serving as the right-hand man to Rose), had revealed every classified or confidential NATO plan to war criminal Ratko Mladic, the head of the “Greater Serbia” gangs.

How many people died because of Stankovic’s actions? How long was the genocidal war prolonged? Nobody knows for the moment. What is known is that:

- The arrest of Stankovic was not a British initiative, but rather the result of U.S. pressure, particularly from U.S. intelligence organizations. U.S. intelligence elements have participated in every interrogation of him. The “secret war” between the United States and Britain in Bosnia dates back to the beginning of the military intervention there, formally under the UN. In the fall of 1994, U.S. intelligence stopped sharing information with its British counterpart in the area.

- Stankovic did nothing that was not *approved by his commanders*, according to British Independent Member of Parliament Martin Bell, a Stankovic supporter and former BBC correspondent in Bosnia. Bell believes that the only reason Stankovic was arrested was because of “a witch-hunt by American and Bosnian Muslim officials,” as he was paraphrased by the *New York Times*.

- The trial is only the tip of the iceberg. The “iceberg,” is what *EIR* has denounced since the beginning of the Bosnian genocide: that the British, and in particular, Sir Michael Rose, did everything to help the war criminals in their genocidal drive, including the synthetic creation of groups of “Islamic fighters” and “Croat extremists” used to fuel a general spiral of war in the Balkans.

- Putting the spotlight on the British role in Bosnia, is of crucial importance at a moment when London is determined to explode the Kosova region, using the so-called Kosova Liberation Army, and giving the green light to Slobodan Milosevic’s “anti-terror” gangsters.

“There is no doubt that British intelligence knew what Stankovic was up to,” a Balkan diplomatic source told *EIR*. Another source called attention to the continuing “secret war” between the U.S. and British in Bosnia.

Stankovic—whose father was a fanatical “Greater Serbia” Chetnik during World War II, for whom he had created a sort of shrine in his house—was one of only three British officers fluent in the language. Trained for special operations, Stankovic was first assigned in central Bosnia to British Army headquarters of the Cheshire Battalion (the same used in “anti-terror” provocations in Northern Ireland) under Robert Stewart in Nova Bila, and then to the Commander of Unprofor (UN Protection Forces), Sir Michael Rose. He served four tours, and became the chief liaison officer between the British commanders of Unprofor and the Serb warlords, including war criminals Radovan Karadzic and Mladic.

The story of Stankovic leads directly to the SAS operations in 1992-93 in central Bosnia. In August 1993, *EIR* exposed how the British were creating nominally Muslim and Croat groupings, and how this “gang-countergang” operation was used to ignite a “war between the victims.” Elements of British special forces were sent into the area to train the gangs and to push them to commit atrocities.

As the Croatian magazine *Danas* reported on July 16, 1993, “the massacre in the Muslim village of Ahmici, was carried out by one of those groups commanded by a British citizen, the desecration of the Croatian monastery of Guca Gora . . . was executed by a group of mujahideens, commanded by a British mercenary known as Rose.” *Danas* detailed the story of some of these British “mercenaries,” such as Norry Phillips, “a former member of the Royal Navy, who came to Croatia [in 1991] to train Croatian soldiers. Upon the arrival of Unprofor to Croatia, Phillips joined the Croat Council of Defense (HVO), and when the clashes between Croats and Muslims started in Mostar, the marine Norry shifted to the Muslim side. There would be nothing strange in that if he himself was not the one who tried to persuade the HVO commanders to actions against the Muslims. ‘Mostar cannot be a town with two armies,’ he used to say, ‘let us deal with the Bosnia army in two days and the world will accept it.’ People from the HVO found it strange that he was suggesting this, while at the same time he was selling weapons to the Muslims.”

Are the details of the British intelligence operation in central Bosnia going to come out in the Stankovic trial? Will this be a deterrent against the similar use of the Kosova Liberation Army by the British?

It was Sir Michael Rose who, in November 1994, sabotaged the air strikes against the Mladic genocidal gangs that were about to overrun the UN safe area of Bihac, which they had kept under siege, using napalm and cluster bombs, for 30 months. At the last moment, Washington broke through the opposition from Rose, and U.S. planes from the NATO base in Aviano, Italy reached Bihac. But they could not stop the Serb gangs. The SAS teams that were supposed to relay the positions of the targets, did not do so. Why? U.S. intelligence intercepted a message from Rose’s headquarters to the SAS spotters: “Hold off. . . . Do not indentify targets!”

Britain, Israel push new Mideast showdown

by Joseph Brewda

The British and Israeli governments are continuing their push for a Mideast war, despite President Bill Clinton's support for the diplomatic solution of the Iraq crisis negotiated by UN Secretary General Kofi Annan on Feb. 22. Among their plans are to provoke a new "Iraq incident," to justify a military strike against Baghdad, and a new "Islamic" terrorist outrage, preferably in Israel, to provide a pretext for an Israeli strike against Lebanon, Iraq, Syria, or Iran.

Immediately following President Clinton's public acceptance of Annan's negotiated settlement of the Iraq crisis, British Prime Minister Tony Blair attempted to lay the grounds for the next one. "A piece of paper signed by the Iraqi regime is not enough," Blair told the British Parliament on Feb. 24. He announced plans for a new UN resolution mandating automatic military reprisals if Iraq were deemed to have violated the new agreement. Blair's effort flopped. A Security Council resolution to that effect, introduced by Britain and Japan—but notably not by the United States—was strongly contested by France, China, and Russia. After days of wrangling, a completely revamped resolution was voted up on March 2, with the authorization to carry out such an automatic attack deleted. In response, the British and Israelis are trying to revive a Mideast crisis through other means.

The reason for this continuing effort to provoke a crisis has nothing to do with the Mideast per se. Rather, it is designed to create a "global effect," intended to disorient President Clinton in the midst of the ongoing global financial crisis, now heading toward a new explosion in Russia, Brazil, or one of several other possible places in March. The British monarchy knows that the powers of the U.S. Presidency could challenge their objectives in the crisis, and remain worried that the President could use such avenues as the upcoming Group of 22 meeting set for Washington in April, to that end.

It was precisely to create such a global effect, that the British monarchy began to move to provoke a new Mideast war last fall, as U.S. statesman Lyndon LaRouche has repeatedly warned. The ongoing British-steered Kenneth Starr witch-hunt against the President, is part of the same overall psychological-warfare assault.

Options prepared

Among the several options that Britain and Israel are pushing, the two most currently attractive are a new buildup

against Iran, and a revived outbreak of terrorism.

- The Iran nukes crisis: Appearing on the British-owned U.S. network, Fox TV News, on Feb. 22, Israeli Prime Minister Benjamin Netanyahu announced a new Iran crisis. Iran, Netanyahu charged, is developing, "undisturbed and unfettered," a stockpile of ballistic missiles with nuclear warheads. "If Iraq and Iran develop ballistic missiles with nuclear warheads," he said, "they will be a threat to the entire world." Netanyahu first made this silly charge back in November, in an address to the British Parliament, amidst Israeli warnings that they were considering eliminating this "threat," preemptively.

On March 4, Netanyahu's top foreign policy adviser, Uzi Arad, arrived in the United States for meetings in Washington and New York, in an attempt to push the Clinton administration to address this "threat," including through confronting Russia, the alleged mastermind of Iran's alleged nuclear bomb program. Immediately following his address to the U.S. National Security Council, Arad flew to Madrid to hook up with Netanyahu, at the start of a three-day trip to Europe that week which took them to Bonn, Oslo, and London, where they mobilized against Iran.

This effort to push the United States into targeting Russia, also reflects the British desire to sabotage the potential alliance among the United States, Russia, and China, and other key nations, necessary to build a New Bretton Woods System. Netanyahu's cronies are also worried that President Clinton, with the Iraq crisis behind him, will deliver Israel an ultimatum to quit sabotaging the Oslo Peace Accords, and wants to preempt that possibility through a new crisis, fast.

- Terrorist outrages: Meanwhile, there is always terrorism. That Israel was planning a new "Islamic terrorist" outrage to justify assaults on Iraq, Syria, Lebanon, or Iran, became clear when it emerged that the Mossad had tried to kill two top Lebanese Hezbollah officials in Bern, Switzerland on Feb. 19, to provoke a terrorist reprisal (see accompanying article). Bloody actions by the British- and Israeli-run Hamas, Hezbollah, and Islamic Jihad remain an ongoing threat. Two *fatwas* (religious rulings) issued out of London in February, ordering Muslims to kill Americans anywhere in the world, indicate another intended flank.

- Iraq, again: At the same time, neither Britain nor Israel has given up on reviving the Iraq crisis. Among those taking the lead in this endeavor are U.S. Senate Majority Leader Trent Lott (R-Miss.), who condemned UN Secretary General Annan for "appeasement" on Feb. 25. On March 2, Ahmed Chalabi, leader of the London-based Iraqi National Congress, in testimony to the Senate Foreign Relations Committee, also characterized the agreement in similar terms, and called for the United States to recognize his outfit as Iraq's provisional government. The recognition of such a "government," also recently proposed in a House of Lords debate on Feb. 17, is part of a complex of provocations intended to spark a new crisis.

British-Israeli assassins of Rabin threaten President Clinton

by Our Special Correspondent

President Bill Clinton has been targetted as an “enemy of G-d” by the very same British-Israeli terrorist circles that assassinated Israeli Prime Minister Gen. Yitzhak Rabin, to wreck the Oslo peace process in 1995. The network of Jewish terrorist fanatics in Israel who have issued a Kabbalistic curse against the President, are already on the U.S. State Department’s list of terrorist organizations banned from activity on American soil. Nevertheless, these fanatics enjoy the closest of relations, including extensive financial backing, with Rev. Jerry Falwell, Pat Robertson, and a large segment of the nominally Christian evangelical movement inside the United States who have been the backbone of the London-steered “Get Clinton” apparatus since the first days of the Clinton Presidency.

The fact that this apparatus is now openly threatening the life of the President, must be considered as a deadly serious matter.

Rabin assassination revisited

One month before President Clinton’s good friend in the Oslo peace process, Prime Minister Rabin, was assassinated on Nov. 4, 1995, Rabbi Avraham Hecht, then the chief rabbi of the Shaare Zion Synagogue in Flatbush, Brooklyn, called for Rabin’s murder, in an interview with Rabbi Meir Kahane’s biographer, Robert I. Friedman. As Friedman points out, Hecht, who remains in hiding, was at the time a Lubavitch rabbi of the world’s wealthiest Syrian Jewish synagogue. Edmond Safra, who is known by sources in the U.S. Drug Enforcement Administration to be a major dope banker, often cited Hecht as his “spiritual adviser.”

Shortly before his death, Rabin had identified Rabbi Hecht as one of the “ayatollahs” of Brooklyn behind the Kahane-linked terrorist Baruch Goldstein, who slaughtered 50 Muslims while they were at prayer in a mosque in Hebron, Israel.

In July 1997, Avigdor Eskin, the former head of the Moscow branch of Kahane’s Jewish Defense League, and the son of a high-ranking Soviet military intelligence officer, was convicted by the Jerusalem Municipal Court for holding a *pulsa denura* against Prime Minister Rabin, shortly before Rabin’s assassination. This, the court ruled, was criminal incitement. More recently, Eskin set up his own political party, Machane Yisrael, which plans to run Yigal Amir, the patsy hit-man who killed Rabin, for a seat in the Israeli Knesset (parliament).

Amir has claimed that he was acting under rabbinical

orders to assassinate Prime Minister Rabin. There were two kinds of such orders (or, Kabbalistic curses) directed against Rabin. Eskin’s *pulsa denura* both invokes God’s vengeance against the victim who has ostensibly broken God’s law, and permits someone such as Amir to be the engine of that vengeance. Another rabbinical curse, known as a *din rodef*, grants permission to kill a persecutor.

Evidence gathered by *EIR* in collaboration with a Washington, D.C.-based journalist suggests that, at the least, the same British-spawned terrorist network that assassinated Rabin, acting through “Israeli” terrorist groups identified in the latest U.S. State Department report on terrorism, may now have issued a *pulsa denura* targetting President Clinton, because of his insistence that Prime Minister Benjamin Netanyahu should implement the Oslo Accords.

‘Clinton will not heed God’s warning’

The following are excerpts from a March 3 interview by a Washington, D.C.-based reporter with Gershon Salomon, the Jerusalem-based leader of the Temple Mount and Eretz Yisroel Faithful Movement, that has been provided to selected news agencies. The interview centered on Salomon’s open letter, entitled “President Clinton and His Secretary of State Join the Enemies of G-d and Israel”:

Q: I just read your open letter to President Clinton. Please tell me more. . . .

Salomon: Biblical scripture validates that the principal purpose of the U.S. is support for Israel in this coming battle. Yet, I just read that President Clinton plans to force Israel to accept giving away the main part of the land of Israel to Palestinians under the evil Oslo plan. God shall test and judge those according to how they stand with regard to Israel. . . .

Q: Do you think that the assassination of General Rabin was God’s punishment for his attempt to disrupt God’s plan for Israel?

Salomon: General Rabin did a terrible thing against God’s law. He built the seed of an enemy state within Judea and Samaria [the West Bank]. This was blasphemy against God’s law for which General Rabin was punished.

Q: Could we return to the question of President Clinton, whom you name to be enemy of God, and his plan for Israel? In your open letter, you say that anyone who, like General Rabin, tries to thwart God’s plan for Israel, shall be cursed?

Salomon: What God did in the last few weeks with the Lewinsky affair has humiliated President Clinton. God wrote the graffiti on the wall—

Q: You mean Belshazzar's Feast?

Salomon: Yes, that is what I meant by the graffiti on the wall. I do not believe that President Clinton will heed this warning. He has joined with the enemies of Israel. God will judge and punish him. . . .

Q: Would his punishment be the same as for General Rabin?

Salomon: I am not allowed to say which way he will be punished. The prophets only gave the direction, but not the details. All I can say is to watch in 1998. It will not be easy or simple events. Clinton's precise punishment is up to God. But, I can tell you that the American people whom I know want to see him punished.

The open letter

The following are excerpts from the open letter by Gershon Salomon condemning President Clinton, as it appears on the Internet site for the Temple Mount Faithful. The site can be found through the Kahane Web Site link page that lists all the "Israeli" terrorists groups identified by the U.S. State Department report on terrorism—i.e., "Kahane Chai" (Kahane Lives) and Kach (originally, the political arm of Kahane's movement in Israel)—together with the Jewish Defense League and the JDL's Russian branch, which is still associated with Eskin, who now resides in Israel:

"The President of the United States, Bill Clinton, and his Secretary of State, Madeleine Albright, have joined the enemies of Israel by putting pressure on the government and the people of Israel to give away the main Biblical parts of the land of Israel. . . .

"The Arab enemies of Israel and G-d who are today conducting the battle together with their allies all over the world to stop G-d's plans . . . did not learn that all the major powers, some of them very big, which tried to destroy Israel and to take their land which G-d gave them away from them, were terribly punished by G-d. They all disappeared from the world and remain only as dry pages in the history books. The G-d of Abraham, Isaac, and Israel promised Abraham that He would bless those who blessed him and that he would curse those who cursed him.

"This word of G-d . . . from Jerusalem says to you that you will be punished exactly as G-d did to all the past enemies of Israel. No one will succeed in taking the land, or even one inch of it, that G-d promised to Abraham and his seed. . . .

"President Clinton and Madeleine Albright . . . only G-d's plans will be fulfilled in this land; the accomplishment of all His prophetic plans together with Israel. G-d is going to accomplish the regathering of the Jewish people from all over the world to this land. No longer will His enemies dwell in the Land, whether 'Palestinians' or others. He is soon going to establish Israel in all parts of the Land which He promised

them in His covenant. Together with His people He is going to rebuild His House, the Third Temple, on the Mount in Jerusalem. No longer will His Holy Hill be a place of foreign, pagan worship as it has been over the last 1,900 years. Together with His people, G-d is going to bring Mashiach ben David [the Anointed of David, i.e., the Messiah] in our lifetime and establish His Kingdom over Israel and over all the world. His House is going to be a House of prayer for all nations. (IS 56:7) Israel is a condition for the fulfillment of all of this."

The British hand behind the Temple Mount plot

At the time of Prime Minister Rabin's assassination, an *EIR* investigation showed that the climate of vilification leading up to Rabin's murder was run out of London by the Hollinger Corp., the owner of, among other major papers, the *Jerusalem Post*, which routinely propagandizes on behalf of Israeli Infrastructure Minister Gen. Ariel Sharon, a British puppet, and of his "Israeli" terrorist supporters embedded in the so-called "settlers movement," including the Brooklyn-born Baruch Goldstein. And, as *EIR* has documented, it is the Hollinger Corp.'s Telegraph PLC—identified by author Kitty Kelley as the favorite leak sheet of the British royal family—that has been central to "the media feeding chain" through which articles have been laundered vilifying President Clinton for everything from the murder of his close friends (e.g., White House Deputy Counsel Vincent Foster and Commerce Secretary Ron Brown), to the Paula Jones case, and innumerable other defamatory claims. Not accidentally, the Hollinger Corp., formerly the Argus Corp., was known during World War II as War Supplies, Ltd., when its head, E.P. Taylor, procured arms for Britain from the United States, and provided an outpost in Britain's Canadian colony for British Security Coordinator Sir William Stephenson and the British Special Operations Executive.

The Temple Mount Faithful, whose Kahane terrorist affiliates have sought to blow up the Dome of the Rock and al-Aqsa Mosque on Haram al-Sharif in Jerusalem (the third most holy site in Islam, whence the Prophet Mohammed is said to have ascended into Heaven), so that they can rebuild the Third Temple of Solomon, also bears a "Made in Britain" label. The operation to rebuild the Third Temple is the outgrowth of more than a century-long project that began when the Empress Queen Victoria and the Prince of Wales (later King Edward VII) launched the Palestine Expeditionary Fund (PEF) in 1871, for archeological exploration of Palestine and military mapping of the region. The British seized control of the region after World War I, a war which Edward VII had propagated. One of the leaders of the PEF was Gen. Sir Charles Warren, who, upon his return from Palestine, founded the Quatuor Coronati ("Four Crowns") research lodge within the United Grand Lodge of England ("the Mother Lodge"). This "research lodge" not only drafted plans for rebuilding Solomon's

Temple, but, as *EIR* has documented, deployed members of its “circle of correspondents” to help found the Temple Mount Faithful.

Through such individuals as the elusive American Christian evangelical Terry Risenhoover and others, there is significant financial support from the 60 million British-spawned Christian Evangelicals in the United States for rebuilding Solomon’s Temple.

Gershon Salomon revealed in the interview that when he makes his fifth trip to the United States starting on June 2, his number-one goal will be to meet with Christian evangelical leader Dr. Rev. Jerry Falwell. It had been Falwell to whom Prime Minister Netanyahu turned on his recent trip to the United States, to mobilize 200,000 churches to deliver sermons, that President Clinton must not pressure Israel to “give up one inch” of land to the Palestinians, and to condemn President Clinton’s alleged immorality in the Monica Lewinsky affair. Salomon’s second goal is to re-appear on Pat Robertson’s “700 Club” TV show, to update Robertson’s Christian evangelical followers on how the “endtimes” (that Salomon claims center on the fate of Jerusalem) are progressing.

(For further information on Netanyahu’s conspiring with the “Elmer Gantry” crowd, see *EIR*, Feb. 27, 1998, “Will British Assaults on the Presidency Succeed?”)

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Opposition to Israel's Netanyahu is growing

by Dean Andromidas

In early March, more information became public supporting *EIR*'s report that Israeli Prime Minister Benjamin Netanyahu had deployed a Mossad team to Bern, Switzerland, to stage a major provocation aimed at creating an uncontrollable escalation of the Middle East crisis. At the same time, the appointment of Ephraim Halevy, former Mossad Deputy Director and Israel's Ambassador to the European Union, as the new Mossad chief, indicates that an effort is under way by forces within the Israeli security establishment to rein in the reckless ambitions of the Israeli Prime Minister.

Various Israeli sources have leaked stories aimed at masking the real mission of the Mossad team uncovered by Swiss authorities on Feb. 19, the same day that United Nations Secretary General Kofi Annan departed for his eleventh-hour mission to Baghdad. These stories, all datelined in Israel, claim that the Mossad was targetting Hezbollah- and Iranian-linked persons for wiretapping and surveillance. One story, in the Swiss mass circulation tabloid *Sonntag Blick*, went so far as to claim that those targetted were planning to bomb the Israeli Embassy in Bern. Another line was that the team was caught because of leaks by individuals in the Mossad itself who wished to get rid of chief Danny Yatom, whom they held in low esteem.

EIR's own investigation demonstrates that most of the information released publicly is false, and aimed at masking the Mossad team's true purpose: that being, a major Israeli provocation aimed at blowing up a new regional crisis. Furthermore, there was clearly an international effort, most likely involving anti-Netanyahu elements within Israel, to sabotage the provocation.

Prior knowledge

EIR has learned from highly reliable Swiss sources that the Swiss have not released the full details of what happened in the early hours of Feb. 19. Contrary to the official story, that police had been called to the scene by a little old woman who noticed several people below her apartment window at 2 a.m., Swiss authorities had prior knowledge of the Mossad operation and were prepared to preempt it. According to these sources, the two arresting police officers were backed up by a special intervention team. These teams, which are used in

counter-terrorist and hostage situations, require at least three hours to mobilize, indicating that the Swiss authorities had been prepositioned and prepared for what could have been a very violent confrontation.

Furthermore, prior to executing such operations, the Mossad, as would any other national intelligence agency, would inform other services such as the CIA, the French services, as well as the Swiss, in some way, to help ensure the success of the operation. Thus, knowledge of Israeli plans could not, and would not, have been kept secret within the Mossad itself.

These sources flatly reject the suggestion that a wiretapping or surveillance operation was being conducted, underscoring that the profile of the five-person Mossad team conforms to standard Mossad procedures in assassination and kidnapping operations. In such operations, normal procedure is to send in a reconnaissance team one week prior to the execution of the assassination or kidnapping. The second team, comprised of five to seven individuals, is sent in only hours prior to the plan's execution. In the Bern incident, the five-person team, three men and two women, arrived in Bern on Feb. 18, hours before the operation.

Meanwhile, an Arab source based in Switzerland and who enjoys very high-level contacts throughout the Middle East, told *EIR* that the Mossad team was part of a much broader kidnapping and assassination operation targeting businessmen with links to Iran, "the kind of people who would attend a celebration at the Iranian Embassy on a national holiday." While certain individuals were to be targeted for assassination, others were to be kidnapped and brought to Israel for interrogation to force "confessions" detailing Iranian backing of terrorist operations. These "confessions" would be used by Netanyahu to influence public opinion to support military strikes against Iran.

This assessment corroborates an article in the March 3 London *Times*, based on an interview with a Mossad officer stationed at the Mossad's European directorate, in Brussels. Under the headline "Objective of Bungled Mission Was Murder, Says Mossad Agent," the *Times* quoted the agent: "The target had been two businessmen suspected of helping the Iranian-backed Hezbollah guerrillas to acquire biological and chemical weapons from eastern Europe and ship them to the Middle East via the Balkans." This officer said that one of the targets was Abdullah El Zein, who had been identified in the press as having lived in the house at one time. He was a Shia Muslim from southern Lebanon. The team was going to use the same deadly aerosol sprays that were used in the failed attempted murder of an Hamas leader in Jordan last year. The source claimed that the operation was approved by Danny Yatom, who just resigned as Mossad head and who had been opposed "root and branch" within the service.

Unlike all the other stories, this Mossad agent spoke of



Israeli Prime Minister Benjamin Netanyahu, who faces growing opposition because of his reckless ambitions, and incompetent economic policy.

an assassination operation, a charge, by definition, that would involve Netanyahu, who, as Prime Minister, must approve all assassination operations carried out by the Mossad.

Netanyahu's growing isolation

The miserable failure of the Bern operation represents the best evidence of widespread opposition within Israel to Netanyahu. The reasons for the opposition go well beyond his sabotage of the peace process, and extend to his political and economic policies as well.

The naming of Ephraim Halevy as new chief of the Mossad points to Netanyahu's failure to gain the control over Israel's official security establishment, and therefore Israel's nuclear trigger, which Netanyahu has set his sights on since coming to office.

Halevy has resided in Brussels since his appointment as ambassador in 1995. A professional Mossad officer, Halevy specialized in political liaison with other services. In this role, he spent a number of years in Switzerland. In the 1970s, Yitzhak Rabin, during his first term as Prime Minister, asked Halevy to serve as secret liaison to King Hussein of Jordan.

Rabin later tapped him to lead negotiations for the peace treaty with Jordan.

Netanyahu had hoped to appoint his adviser on terrorism, Gen. Meier Dagan, an assassination specialist and 30-year crony of right-wing hard-liner Ariel Sharon. That Netanyahu felt compelled to consult with Labor Party leader Ehud Barak prior to Halevy's appointment, points to the fact that Netanyahu is bowing to the necessity to achieve a national consensus on such appointments.

Netanyahu also named Maj. Gen. Amiram Levine, operational commander of the Northern Command, as Halevy's deputy. Halevy will be in charge of managing the entire organization, while Levine will serve as head of operations and special assignments. Levine is said to be closer to Netanyahu's extreme views.

A second major defeat for Netanyahu was the reelection of President Ezer Weizman by the Israeli Knesset (parliament). It is political tradition for a standing Israeli President to be reelected for a second term, and Netanyahu had promised Weizman that he would not oppose his reelection, even though Weizman is a member of the Labor Party. But, at the end of last year, Netanyahu called on Shaul Amor, of his own Likud party, to run against Weizman. Israeli press commentators referred to Amor as Netanyahu's "potential marionette." Weizman, who enjoys an 80% approval rating among Israeli citizens, won the election on the first round with a majority of 63 votes, to 49, indicating that members of Netanyahu's coalition deserted to Weizman.

Economic incompetence

Netanyahu's troubles go well beyond internal Israeli politics and the Arab world. Israeli observers point to the collapse of support for Netanyahu even among many of his leading foreign backers. One Swiss security specialist said that several of his most important Swiss backers have broken all ties with him, particularly over his economic policies. This source said, "More dangerous than the political hard-liners are the economic hard-liners," meaning the radical free marketeers. The breaking point among these circles, came when Netanyahu stopped every key infrastructure project, including rail and water projects and other industrial projects, which had been initiated under the Rabin government and involved Palestinian and Jordanian cooperation. This particular Swiss group and its international collaborators had lined up more than \$2 billion for these projects, and now that they have been cancelled, they have lost hundreds of millions of dollars. Although these circles prefer a right-wing government in Israel, they nonetheless see the creation of a Palestinian state as inevitable and necessary for these projects to go forward.

One member of the Likud with long experience in Israel's military-industrial complex was even more explicit on the economic incompetence of the Netanyahu government. "This government doesn't have any serious people capable of an

analysis of economic possibilities. It's a government dominated by private, selfish interests who understand nothing about economic policy. It is not a question of ideology or even policy; the people in this government understand nothing of economics," he said. He criticized Sharon, who, as Infrastructure Minister, is responsible for an important aspect of economic policy. "He has no idea what his subordinates are doing or not doing," he said, indicating that Sharon is using his position merely as a political platform.

The collapse in state-backed infrastructure projects in a country like Israel, which receives very high numbers of poor immigrants from all over the world, is disastrous. The financial crisis in Asia, a leading market for Israel, has led to a collapse of cut-diamond exports, Israel's number-one export. Furthermore, foreign investment has collapsed from several hundreds of millions of dollars, to less than \$10 million in the last six months.

Netanyahu's counter-deployment

This growing isolation is only making Netanyahu more desperate. His latest ploy is to withdraw Israeli troops from southern Lebanon, where the Israeli Defense Force has been battling Hezbollah guerrillas for two decades. The fact that the proposal does not include peace talks with Syria is seen throughout the region, including within Israel, as merely an attempt by Netanyahu to buy time until he can organize another major provocation. The proposal nonetheless serves as a cover for various international deployments aimed at blocking any new initiative to restart the stalled peace talks.

Recently, no less than three of Netanyahu's top aides have been sent to the United States. Netanyahu's diplomatic aide, Uzi Arad, was in Washington, where he met with Bruce Riedel, the National Security Council Middle East expert, and Leon Fuerth, the National Security Adviser of Vice President Al Gore. According to the *Jerusalem Post*, Arad is expected to push for Gore to put pressure on Russian Prime Minister Viktor Chernomyrdin over Russia's alleged "export of ballistic missile and nuclear technology" to Iran. Arad is also scheduled to go to New York, to discuss the same issue with Frank Wisner, President Bill Clinton's special envoy.

In addition, David Bar-Illan, Netanyahu's American spokesman, went to Washington in a bid to convince the United States not to present any new initiatives on the peace process or proposals for an Israeli withdrawal from the West Bank, Israeli radio reported. Also, Israeli Finance Minister Yaakov Neeman, one of the "economic hard-liners," was in Washington to discuss with U.S. Secretary of State Madeleine Albright ways Israel could cut down on the amount of massive aid it receives from the United States.

Netanyahu himself will be on a tour in Europe, which will include Britain, Germany, Norway, and Spain, while his Defense Minister, Yitzhak Mordechai, will go to France and the Netherlands.

Trevor Rees-Jones speaks out

The sole survivor of the crash that killed Princess Diana is recovering his memory of what happened on that fateful day. Jeffrey Steinberg reports.

Trevor Rees-Jones, the bodyguard who survived the Aug. 31, 1997 crash that killed Princess Diana, Dodi Fayed, and driver Henri Paul, has spoken out in an exclusive interview with *The Mirror*, a 2 million circulation British newspaper. Six months after the crash in the Place de l'Alma tunnel, Rees-Jones has recovered some of his memory about the events leading up to, and immediately following the high-speed collision with the missing Fiat Uno, and other vehicles.

In the March 2 interview, which took place in the London offices of Mohamed Al Fayed, the father of the late Dodi Fayed and the owner of Harrods department store in London and the Ritz Hotel in Paris, Rees-Jones provided several crucial details which buttress *EIR*'s assessment that the fatal crash was the result of a premeditated vehicular homicide attack.

Rees-Jones told *The Mirror*'s Piers Morgan that the Mercedes 280-S, carrying Princess Diana and Dodi Fayed, was followed by two cars and at least one motorcycle, from the moment they drove away from the rear exit of the Ritz Hotel, shortly after midnight on Aug. 31, 1997. He described one of the cars as a white, three-door hatch-back, possibly a reference to the Fiat Uno that collided with the Mercedes at the entrance of the Place de l'Alma tunnel, causing the fatal head-on crash into the 13th pillar inside the tunnel. The Fiat Uno fled the crash scene and has yet to be found, along with the driver and any passengers.

Rees-Jones's description of a multi-vehicle chase along the Seine River roadway coheres with the testimony of a dozen witnesses, all of whom told the French police that the Mercedes was under attack from several cars and motorcycles as it entered the tunnel.

Rees-Jones also told *The Mirror* that Princess Diana was alive and semi-conscious following the crash. "I have had flashes of a female voice calling out in the back of the car. First it's a groan. Then Dodi's name is called. It could only have been Princess Diana. I was conscious, and so was she," he reported.

This, too, is crucial corroboration from the sole eyewitness, that the Princess was conscious, following the crash. The French emergency medical team delayed nearly two hours, in delivering the Princess to a nearby hospital. *EIR* and *Time* magazine have both charged that it was this delay which proved fatal. The internal injuries sustained by Diana could have been repaired by surgery; however, the French rescue

workers chose not to get her into emergency surgery. At one point, the ambulance carrying Princess Diana stopped 500 yards from the emergency entrance to La Pitié Salpêtrière Hospital for ten minutes. The Princess died of internal bleeding before she got into the operating room.

Al Fayed's courageous stand

The Rees-Jones interview was the second major blow to the British-French cover-up in the past few weeks. In mid-February, Mohamed Al Fayed gave an interview to the same paper, in which he declared that he was "99.9% certain" that Diana and Dodi were the victims of an assassination plot. He vowed to leave no stone unturned, until the full truth was forced out into the open.

This bold declaration of war against the Windsors and the French authorities running the cover-up of the murder evidence, provoked an immediate response. Prime Minister Tony Blair and former Prime Minister John Major, who now is the attorney for Princes William and Harry, denounced the "conspiracy theories" about murder.

On March 2, the day the Rees-Jones interview was grabbing headlines around the world, Mohamed Al Fayed and John MacNamara, the security director of Harrods, were arrested by British police, on the basis of a patently fraudulent writ, filed by Tiny Rowland. Rowland, the former head of the British Africa raw material cartel Lonrho, is a longtime enemy of Al Fayed, who was mobilized by the British monarchy, days after the fatal Paris crash, to go after the Al Fayed family, in an effort to silence them and secure the cover-up of the Diana and Dodi murders.

Rupert Murdoch's *New York Post* spilled the beans on the real motive behind the Al Fayed and MacNamara arrests (they were interrogated and released), in a column by Neal Travis on March 4. Travis advertised that the Al Fayed arrest signalled an "open season on Dodi's dad." Travis reported, "It's no coincidence that British authorities waited until the six-month anniversary of Princess Diana's death to arrest Mohamed Al Fayed, father of her boyfriend, Dodi Fayed. . . . They wanted a suitable period of time to pass before beginning what will be an intense campaign to harass the Egyptian-born owner of the storied Harrods department store out of Britain. The Establishment loathes Al Fayed. . . . The Establishment has decided to shut Al Fayed up and drive him out of the country."

Book Reviews

The murder of a princess

by Jeffrey Steinberg

Death of a Princess—The Investigation

by Thomas Sancton and Scott MacLeod
New York: St. Martins Press, 1998
300 pages, hardbound, \$23.95

It should come as no surprise that the first comprehensive reviews of the circumstances surrounding the deaths of Diana, Princess of Wales, and her friend Dodi Fayed, come from American journalists. Both the British and French ruling establishments have distinct, but equally powerful vested interests in covering up the growing evidence that Diana, Dodi, their chauffeur Henri Paul, and Dodi's bodyguard Trevor Rees-Jones, were the victims of a premeditated murder plot—not a simple traffic accident.

The Arabic media, particularly the Egyptian press, which had a particularly strong interest in the tragedy, given the Egyptian roots of the Al-Fayed family, were so quick to judge the deaths a murder plot, ordered by the House of Windsor and executed by the British Secret Intelligence Service, MI6, or the Israeli Mossad, that they collectively failed to seriously investigate or report the details that emerged, gradually, over the weeks and months after the crash.

The French, for their part, have a great deal of explaining to do: for starters, regarding the two-hour delay in getting Princess Diana to a hospital, where life-saving emergency surgery could have been performed. The entire conduct of the police forensic probe can only be described as shameless bungling or outright sabotage. However, the police forensic and investigative work must be carefully distinguished from the judicious handling of the case to date, by the lead investigating magistrate, Hervé Stephan, who first received the full report from the Paris Police Criminal Brigade only at the end of 1997. Judge Stephan is now in the process of reviewing the “raw” police reports, meeting with the civil parties to the case, including Mohamed Al Fayed, and assessing where the probe should now proceed. It is premature to judge his handling of the highly controversial case, whereas the police bungling or

worse, has been evident from day one.

For the House of Windsor, the suppression of all evidence that would point to a murder conspiracy, remains, to this day, a matter of its existential survival. The majority of the 10 million Britons who turned out for Princess Diana's funeral have their suspicions that the royal family may have played a role in the death of the “People's Princess.” Were investigating magistrate Stephan to announce that he was formally opening a murder investigation, the closest thing to a revolution against the House of Windsor since 1776, would likely erupt on English soil.

The majority of British and French media have toed the establishment line, conduiting every bit of disinformation foisted off by the French police and the British monarchy, and slandering Mohamed Al Fayed, the father of Dodi Fayed and the most outspoken critic of the official investigation into the Aug. 31, 1997 Paris crash. In February 1998, in an exclusive three-part interview with the London *Mirror*, Al Fayed stated that he was “99.9% certain” that Diana and Dodi were the victims of a murder conspiracy. He vowed not to rest until the truth is made public.

Diana's American cousins

Another little-mentioned, but significant factor needs to be noted at the outset of this review. Although Princess Diana was from one of the oldest and most established English families, the Spencers, descended from three English kings, and although she and Dodi Fayed were reportedly planning to reside in Paris (if the accounts of their planned marriage are accurate), Princess Diana had her own “special relationship” to the United States—especially since Bill and Hillary Rodham Clinton moved into the White House. The Princess enjoyed more freedom from the otherwise constant paparazzi harassment while visiting with friends in America, than anywhere else. She vacationed with President Clinton and the First Lady on Martha's Vineyard. She frequently visited her close friend, the wife of the Brazilian ambassador in Washington. By some accounts, Princess Diana was even considering moving to the United States, just prior to the start of her love affair with Dodi Fayed.

Sources in Washington have told *EIR* that there is still very serious, albeit low-key interest in the probe by investigating magistrate Stephan, from the U.S. government. Reportedly, U.S. agencies have “informally” interviewed all of the American eyewitnesses to the crash, and this has helped shape a widespread view that the French are running a cover-up—probably in league with British intelligence and the Crown. At one point in the days immediately after the Aug. 31, 1997 crash in the Place de l'Alma tunnel, two U.S. Congressional committees were seeking some justification for holding public hearings into the circumstances surrounding the deaths of Princess Diana and Dodi Fayed, sources in Washington have reported.

Even in the United States, only two media organizations



Princess Diana arrives at the Ritz Hotel in Paris on Aug. 30, 1997, the day before her death. Sancton and MacLeod's book is a taboo-buster: It doesn't tell the whole truth, but it raises important questions that certain people do not want raised.

stand out for having mounted a sustained probe into the Aug. 31 crash: *EIR* and *Time* magazine. (Among the television news teams, only Geraldo Rivera's Investigative Report and Larry King Live have provided sustained coverage.) Even though *EIR*'s ongoing coverage of the crash and its aftermath distinguished itself from the *Time* magazine team's book-length account, by asserting that the preponderance of evidence points to premediated vehicular homicide by a professional team of assassins, the *Time* authors, Paris bureau chief Thomas Sancton and Middle East correspondent Scott MacLeod, single out *EIR* for providing the most well-documented case for the murder conspiracy.

In the final chapter of their book, titled "Was it Murder?" Sancton and MacLeod write: "There have been some attempts to document the conspiracy case more thoroughly. A publication called the *Executive Intelligence Review*, for example, has published a long investigation by Jeffrey Steinberg. He has also discussed his theories on a U.S. television program hosted by Geraldo Rivera, pointing to the inconsistencies of what, he argues, should have been conducted from the beginning as a murder investigation by French authorities."

At this point, in a typical case of after-the-fact editing by some publishing house attorney or editor, a sentence was added, aimed at undermining the previous, brief, accurate summary of *EIR*'s view of the case by Sancton and MacLeod. The fact that the outlandish sentence makes the authors of the book appear foolish, lends further credence to this reviewer's suspicion that the sentence was added after the final manuscript was submitted for editing. "Steinberg's reasonable-sounding arguments are somewhat undermined," the sen-

tence read, "by the fact that they appeared in a review associated with Lyndon LaRouche, a marginal ex-Presidential candidate and convicted felon who also reportedly believed that the Grateful Dead were a British intelligence plant to corrupt American youth."

Ironically, just a few paragraphs after this gratuitous, all-too-familiar "mainstream" news media attack upon LaRouche, the author noted that Mohamed Al Fayed, from the outset, shared virtually all of the concerns highlighted in the *EIR* investigation, about the contradictions and unanswered questions in the French police probe. "Persons close to Mohammed Al Fayed with knowledge of the official investigation have warned him that a variety of problems make it as yet impossible to conclude that Diana and Dodi died in an ordinary traffic accident," the authors write. "They claim that the crime scene was not properly preserved, that the Mercedes was removed from the tunnel with 'indecent haste,' and that initially the French police either were ignorant or lied about a collision with a second car, the mysterious Fiat Uno. They continue to insist, though without concrete evidence, that the post-mortem on Henri Paul was botched and thus led too easily to the drunk-driver conclusion."

The authors continued: "Serious unanswered questions, they say, include why it took medical rescuers nearly two hours to get the Princess to a hospital; why French authorities have not made available tapes from surveillance cameras outside the Ministry of Justice (just next to the Ritz) and along the Mercedes' itinerary; and why MI6, which would have been alerted to Diana's presence in Paris that evening, has failed to come forth with what they know about the crash.

Investigators, they add, are closely examining enlarged stills taken from the Ritz security videotapes to identify suspicious men in the crowd outside the hotel, apparently neither photographers nor tourists, shortly before Dodi and Diana fled from the rear.”

Anyone familiar with the *EIR* coverage of the probe since the Aug. 31, 1997 events, will recognize immediately that the Al Fayed concerns about contradictory evidence, unanswered questions, and other anomalies, are very much in line with the *EIR* findings.

One obvious point of departure of the *EIR* probe from the *Time* correspondents’ book is over the nature and role of the British monarchy in the circumstances surrounding the deaths of Diana and Dodi. Yet, even here, while dismissing the idea that the royals could have ordered the murders of Diana and Dodi, Sancton and MacLeod provide tantalizing hints about the power of the monarchy and its possible role in the deaths. In the same, concluding chapter, “Was it Murder?” they report having received a letter from a retired British barrister, who accurately noted:

“It doesn’t need Queen Elizabeth to order a murder, it merely needs an agent or officer from one of the 16 [Commonwealth] countries to *think* she ordered it. If, for example, someone disaffected about landmines should arrange for a sworn servant of QE II to believe that she ordered Di’s demise, the said sworn servant would believe that it was a lawful order carrying total immunity from prosecution or guilt.”¹

In a fallacy of composition that recurs throughout the book, Sancton and MacLeod argue that the idea of MI6 involvement in an assassination of Diana and Dodi, was discredited by the fact that Diana and Dodi first became romantically involved in July 1997, and the crash occurred on Aug. 31. “A murder,” they say, “would probably be less hastily arranged. The news that Diana and Dodi were dating did not break until Aug. 7. There is no evidence that they informed anyone else of their marriage plans before the morning of Aug. 30, and they died less than 24 hours later. Certainly a well-trained and experienced special forces squad could, with little advance notification, carry out an assassination against a target that had only light bodyguard protection, but the decision process preceding such a mission would, one surmises, have taken far longer.”

The problem with Sancton and MacLeod’s formulation is that it presumes that the only motive that the British royals might have for murdering Princess Diana was their fear that she might marry a Muslim, and, perhaps, even convert to

Islam. What about Princess Diana’s seven-year running war with the Windsors, a battle for the hearts and minds of the British people that she was winning hands down?

As *EIR* had reported, long before the crash, Princess Diana had first thrown down the gauntlet against the British royal family in 1991, when she began working, albeit secretly, with author Andrew Morton, on a book-length account of life inside the world’s most wealthy and powerful dysfunctional family. In November 1995, when Princess Diana gave her famous TV interview to BBC Panorama, in which she declared her then-estranged, later divorced husband, Prince Charles, unfit to be king, she made her war with the Windsors a matter of public record. British sources have reported that her BBC appearance triggered a far-reaching public debate over the future of the House of Windsor.

Her public campaign against the Windsors continued right up to the moment of her death. On Aug. 27, 1997, the French daily *Le Monde* had published an interview with the Princess, in which she reiterated even more forcefully, that Prince Charles was incapable of ruling. At the time of her 1995 BBC interview, there had been open calls in such monarchy-linked news organs as Rupert Murdoch’s *London Times* and the Hollinger Corp.’s *Telegraph*, for the Princess to be eliminated. Ironically, on the day of the fatal crash, the *Mirror* carried a story that Prince Philip had ordered MI6 to launch a campaign to break up Diana’s relationship with the Al Fayed family. A special MI6 briefing for the inner circle of royal advisers, the Way Ahead Group, had been scheduled for Sept. 2, 1997.

So, there was no lack of time to prepare and dispatch multiple teams of highly trained killers to wait for the appropriate “target of opportunity” moment to strike.

The useful contributions

It is also appropriate to identify some of the *Death of a Princess*’s important contributions to the probe of the deaths of Princess Diana and Dodi Fayed, and to recommend that anyone interested in seriously following the twists and turns in the case, read this book.

If anything, Sancton and MacLeod were as thorough as time would permit, in meticulously tracing the events leading up to the fatal crash, and in detailing the French investigation. Their work drew upon a large, and diverse range of official and unofficial sources, from French investigators, to the paparazzi and their attorneys, to people associated with Mohamed Al Fayed. One gets the distinct impression that the authors themselves have serious reservations about the rush to declare the Aug. 31 crash an open and shut case of drunk driving. Rather than openly state their views, the authors chose instead to present a vast array of well-documented facts, then present every contradictory possible interpretation of the most important facts, and leave the cognitive process to their readers. Presuming that they relish the idea of continuing their employment with *Time*, this is not surprising. Given the stakes,

1. For accuracy, it should be noted that the barrister’s reference to “the 16 countries” does not refer to the members of the British Commonwealth of Nations, which currently has 54 members, but to the states where Queen Elizabeth II is still the sovereign. In addition to the United Kingdom, this group includes some large countries, like Canada and Australia, in addition to many of the Caribbean offshore money-laundering havens. See, for example, *EIR*’s *Special Report*, “The True Story Behind the Fall of the House of Windsor,” September 1997.

any open assertion of murder would have brought on a torrent of attacks. (*EIR* has been informed by well-placed U.S. government sources that the British royals and MI6 have filed formal and informal protests over the continuing *EIR* coverage of the deaths of Diana and Dodi, including charges that the couple were assassinated.)

Clearly, the *Time* authors were in a rush to go to press, given the flood of books on the death of Diana that will appear in bookstores in the immediate months ahead. The haste was most evident in the fact that the first edition did not include an index, an aggravation for researchers who will use this book as an early encyclopedic reference file on the case.

A few of the findings of Sancton and MacLeod stand out. In the book's second chapter, titled "Fighting for Life," the authors thoroughly document the abject failure of the French emergency rescue team to provide competent medical attention to Princess Diana, who probably could have survived the crash, had she been gotten into surgery in time to stop the internal bleeding. The authors interviewed Dr. John Ochsner, the chairman emeritus of the Ochsner Clinic in New Orleans, and one of the world's leading cardiovascular surgeons (due to France's strict privacy laws, no French doctor would comment specifically on the Diana case). Asked whether someone in Diana's state had a chance of surviving, Dr. Ochsner stated, "Sure, depending on the size of the rent, or tear. If it wasn't too big, they could put the patient on a heart-lung machine and just go in and do [the repair to the pulmonary vein] electively. It's pretty obvious: with that lesion, if you can get them in the hospital and on a heart-lung machine early enough you can save them. But time is of the essence."

But, as the authors point out, it took an hour and 45 minutes from the time the first emergency vehicles arrived on the scene to get Diana to the hospital! Dr. Ochsner told Sancton and MacLeod: "Given that she was still alive after nearly two hours, if they'd have gotten her there in an hour, they might have saved her."

Sancton and MacLeod also corroborate another important piece of what happened in the tunnel. Paris Police Chief Philippe Massoni was notified of the crash moments after the first call came in to the emergency number. Within 45 minutes, he was at the tunnel, taking charge of the rescue effort and the preliminary investigation. He dissuaded Interior Minister Jean-Pierre Chevènement from coming to the Place de l'Alma tunnel. Instead, Chevènement went directly to La Pitié Salpêtrière Hospital, where Diana was to be brought. Chevènement was at the hospital for nearly an hour before Diana arrived. It took one hour before the ambulance left the tunnel, and another 43 minutes to drive 3.8 miles to La Pitié Salpêtrière.

As *EIR* emphasized in our Nov. 21, 1997 issue, Massoni and Chevènement bear personal responsibility for the death of Princess Diana. They were on the scene, in charge of the rescue effort. As we noted, in the United States, the two top government officials would have likely been indicted for manslaughter, for their role in depriving Princess Diana of

the life-saving emergency room care.

Another useful contribution to the Diana-Dodi probe by Sancton and MacLeod involves a forensic analysis of the crash site. The two authors hired a military engineer with years of professional experience in the automobile industry, to carefully analyze the crash site, interview key witnesses, and prepare a report on what the evidence showed about the events in the Place de l'Alma tunnel on Aug. 31. The expert, Jean Pietri, developed a detailed analysis of the collision between the Mercedes carrying Diana and Dodi, and the mysterious Fiat Uno. His findings buttressed *EIR*'s assessments in several significant ways. He concluded, in stark contrast to the disinformation put out by the French police, that the Mercedes was travelling at approximately 60 miles per hour at the time of the crash—not 120 mph. He also marvelled at the control that Henri Paul appeared to have over the car, at the point of the initial collision with the Fiat Uno, especially given that the Mercedes was being chased by several other vehicles. Hardly the sharp reflexes of someone high on alcohol and prescription drugs.

Ultimately, Pietri was working in the realm of hypothesis, since the only people who know, precisely, what happened are the sole survivor of the Mercedes crash, Trevor Rees-Jones, who still suffers partial amnesia, and the driver and any passengers of the Fiat Uno—who disappeared from the face of the earth, along with the car.

Some of the most tantalizing details in the Sancton and MacLeod book appear in footnotes, or passing references in the text. For example, in a footnote on page 51, the authors report, "Another troubling fact that emerged from Henri Paul's post-mortem: his blood was found to contain an abnormally high level of carbon monoxide. One possible explanation, though purely speculative in the absence of supporting evidence: exhaust fumes may have been leaking into the interior of the Mercedes."

Sources close to the probe have told *EIR* that the levels of carbon monoxide in Paul's bloodstream were high enough to seriously disrupt his performance behind the wheel. How might such a carbon monoxide concentration have gotten into the passenger compartment of the car? Might it have been sabotage? Sancton and MacLeod raise the question, but never pursue it, a mistake that one would hope is not being repeated by magistrate Stephan.

In the weeks since *Death of a Princess* was released simultaneously in France, Britain, and the United States, the book has been the subject of a drumbeat of criticism—not because the authors held back from the conclusion that a preponderance of evidence suggests murder. On the contrary, the book and the authors have been assailed for daring to raise as many questions as they have. In that sense, the book is a taboobuster, which deserves to be read—not because it tells the full, unexpurgated truth, but because it gives the reader a well-documented foundation for drawing the appropriate conclusions.

China, Russia confirm strategic cooperation

by Mary Burdman

China's and Russia's "strategic partnership of coordination" has been strengthened by the two nations' recent cooperation, along with France, in opposing a military strike against Iraq. At the same time, during a series of meetings between Russian and Chinese officials, culminating in the visit of China's Prime Minister Li Peng to Moscow on Feb. 17-18, the two giant Eurasian nations discussed the financial crisis sweeping Asia, and their mutual economic relations.

Russia and China have established regular, twice-yearly summit meetings as part of their strategic partnership. Li Peng's visit, during which a visit by China's President Jiang Zemin to Russia later this year was also discussed, was preceded by the visit of Russian Deputy Foreign Minister Grigory Karasin to Beijing during the first week of February, and the arrival of Vice Premier Li Lanqing there on Feb. 16. It was Li Lanqing, who had announced at the Davos World Economic Forum in Switzerland in January, that China would continue its enormous domestic infrastructure development program, the policy which has given China relatively greater protection from the financial and economic disasters sweeping the rest of Asia. Li Lanqing confirmed that China would invest at least the equivalent of \$750 billion over the next three years, primarily in infrastructure, including for water management, railways and other transport, and in housing construction and development of high-tech industries. This policy is also intended to productively employ the millions now being laid off, in the necessary reform of China's state-sector industries. Funding is to come primarily from China's huge domestic savings, of about 7 trillion yuan (\$875 billion) and government revenues, while reliance on foreign investment will be reduced.

Li Lanqing was invited to Moscow by Russian First Deputy Prime Minister Boris Nemtsov, who is responsible for economic relations with China, to attend the two nations' Subcommittee for Trade and Economic Cooperation. Li Lanqing later joined Li Peng's delegation. As Li Peng's term as Prime Minister ends this month, Li Lanqing's participation will ensure full continuity in the two nations' discussions.

During Karasin's earlier visit to Beijing, discussion focused on the financial crisis in Asia. Karasin informed the press

on Feb. 6 that China believes that the situation is really serious, but it is taking all necessary measures to prevent the negative consequences for its economy. Karasin said that China's current economic situation is having a positive impact on the common fight of Asian countries to overcome the crisis, Itar-Tass reported. The two sides considered all possible consequences of the financial crisis for Russia, China, and the entire region, he said.

Two days earlier, Karasin had met his Chinese counterpart, Ji Peiding, responsible for Middle East affairs, to discuss Iraq. Karasin had brought with him a message on the Iraqi crisis from Russian Foreign Minister Yevgeni Primakov, for Chinese Foreign Minister Qian Qichen.

It is of note, that the Secretary of the Russian Federation Defense Council, Andrei Kokoshin, also had visited Beijing on Jan. 23-27, for discussions on the development of the Russian-Chinese "strategic partnership," and the cooperation of their armed forces. On Jan. 24, French Foreign Minister Hubert Vedrine was also there.

Karasin announced on Feb. 16 that there will be an "informal" Chinese-Russian summit this autumn, which he said would be "the key event of the year in Russian-Chinese relations." On the current state of bilateral relations, Karasin said that "relations with a great neighbor are of special, priority nature for Russia as well as for China."

'More developments'

After his first meetings in Moscow, Li Lanqing said, "We believe that Sino-Russian relations will achieve more developments in the new year." Li discussed China's economic development, its ongoing reform, and China's views of the Asian financial crisis with Nemtsov. The two discussed expanding cooperation in the areas of banking, energy, air freight, tourism, new and high-technology, and expanding trade.

Nemtsov said that the current level of bilateral trade was too low, and proposed increasing it through cooperation in the energy sector. In addition to the development of the Koytinskoye gas field, and Russia's participation in the construction of a nuclear power station in China, Nemtsov said that supplying electricity from the Irkutsk region in Siberia to China, is "a very serious project that may play an important part in the development of trade and economic relations between the two countries." Moscow would also like to discuss supplying Beijing with civil aircraft.

In addition, at Li Lanqing's suggestion, the two sides signed an agreement on the development of broad economic links among ten Russian and Chinese regions.

These visits prepared the ground for Li Peng's arrival. During the first day of his visit, he and Russian President Boris Yeltsin issued a joint statement rejecting use of force against Iraq, and calling the imminent visit to Iraq by UN General Secretary Kofi Annan, vital.

During a press conference the next day, Li Peng described the greater development of Russian-Chinese relations in comparison to U.S.-Chinese ties. Asked about the difference between Sino-Russian and Sino-U.S. strategic partnerships, Li Peng said that "China and Russia have established an equal and trustworthy strategic cooperative partnership toward the 21st century, whereas China and the United States will devote their efforts to establishing a constructive strategic partnership." The purpose of the relations among all three nations, he said, is "to play a constructive role in safeguarding world peace and promoting the development of mankind, and to give expression to the principle of non-alignment, non-confrontation, and not targetting any third country. In this sense, there is common ground for Sino-Russian and Sino-U.S. strategic partnerships."

However, he said, "the Sino-Russian strategic cooperative partnership has become more substantive in content since its establishment. Practice has proved that strengthening the Sino-Russian strategic cooperative partnership conforms to the long-term basic interests of the two countries, is beneficial to promoting the formation of a multipolar world pattern, and is thus good for maintaining world peace and stability. So I will reiterate that it is not just an expedient measure for China to maintain a strategic cooperative partnership with Russia."

As yet, U.S. President Bill Clinton has not set a date for his visit to China this year. Actually, the Chinese side had wished him to return Jiang Zemin's October 1997 state visit to the United States at the earliest possible date, perhaps even this spring, but it does not appear likely the visit will occur before autumn.

Russia and China signed five bilateral agreements during Li Peng's talks with his counterpart Viktor Chernomyrdin. These included an intergovernmental agreement on the settlement of Russia's debts to China in the payment of state credits, an agreement on ship-building cooperation, an agreement to simplify Russian citizens' access to trade centers on the Chinese border, an agreement on a new railroad passage over the Russian-Chinese border, and a protocol on bilateral trade and cooperation in 1998. Li Peng called for bilateral trade to be "significantly expanded," saying that the annual \$6 billion trade turnover is too low. He said that direct links must be established between the most industrialized Chinese provinces and Russian regions.

The joint communiqué issued on Feb. 18 emphasized the importance for world events of the Sino-Russian joint declaration on world multipolarization and the establishment of a new international order, which the two Presidents had signed during Chinese President Jiang Zemin's visit to Moscow on April 22-26, 1997. The central theme of that summit, was the creation of a "new, just and rational, political and economic world order."

In this context, the communiqué expressed both sides'

"grave concern for the Iraq situation," and called for its political settlement. China "appreciates the active diplomatic mediation Russia has made for settling the conflict through peaceful means, and Russia positively assesses the relevant constructive efforts China has made," the communiqué read.

The communiqué also emphasized the two nations' growing cooperation in the Asia-Pacific region, and said that "the Sino-Russian strategic cooperative partnership is not targetted at any third country. . . . China and Russia, two major countries in the Asia-Pacific region, are deepening their cooperation for consolidating Asia-Pacific peace and stability. The two sides hope the Korean peninsula will maintain its lasting peace and are continuing to work hard to this end. . . . China and Russia attach great importance to creating favorable conditions for economic development in the Asia-Pacific region. Both sides are willing to maintain close bilateral and multilateral contacts."

Among concrete developments on the economic front during this period, was that Russia's Rosstankoinstrument company announced on Feb. 21 it was signing a \$10 million deal to supply China with pressing machinery. Rosstankoinstrument represents over 200 Russian machine-tool and instrument manufacturers. The firm's president, Nikolay Panichev, said that he expected the contract to be signed with Great Wall Industrial Corporation, which coordinates more than 40 military and civilian plants. He said that Rosstankoinstrument would help the Chinese corporation to modernize its industrial enterprises, and the latter would market Russian machinery in China. Annual sales of Russian equipment in China could amount to \$300-400 million in 1999-2000. The contract would increase capacity utilization from 30-35% to 80-90% at 15 or 16 major Russian equipment makers and enable them to break even.

Panichev noted, however, that "times were still hard in the sector. Nearly all factories closed last year with losses, despite sustaining the same sort of output as in 1996. Output in commodity value was \$270 million, still half the 1993-94 levels."

China Daily Business Weekly reported on Feb. 22 that, although general trade between China and Russia fell in 1997, border trade rose rapidly. While bilateral trade in 1997, at \$6.12 billion, was down 10.5% from 1996, border trade soared by over 50%, to over \$1.25 billion. In addition, Yevgeni Nazdratenko, governor of Russia's Maritime province, has proposed to Nemtsov, that a Russian-Chinese industrial estate be developed in the Nakhodka free economic zone. The Nakhodka seaport is an important transport junction, close to the Russian-Chinese border, from which the coal exports of China's northern provinces are shipped to the Asia-Pacific region. A transport route to link Nakhodka to Harbin, in China's Heilongjiang province, is also being proposed.

The bell tolls for Helmut Kohl

Election results in Lower Saxony make it look as though Social Democrat Gerhard Schroeder will become the next Chancellor.

After 16 years of Christian Democrats in the Chancellor's office, Germany may again be governed by a Social Democrat, after the September elections for national parliament. Opinion polls give Gerhard Schroeder, the Social Democratic Party (SPD) candidate for Chancellor, a lead of 15-20% over Helmut Kohl of the Christian Democratic Union (CDU). Indeed, more than 60% of all Germans of voting age say they dislike Kohl or oppose another term for him. A broad majority of voters think it is time for a change; that after more than 15 years of CDU-Free Democratic Party governments, the nation should have a "Grand Coalition" of CDU and SPD, like the one that governed during 1966-70, at the peak of the 1960s recession.

Most Germans believe that only a coalition of this type could bring the nation out of the economic depression. And, most believe that a leading role in such a coalition would be played by Schroeder, Governor of Lower Saxony, one of the 16 German states. He won the March 1 state elections there, improving the 44.3% of the vote the SPD got in 1994, to 47.9%. The CDU received its worst result there in four decades, with 35.8% of the vote.

The paradox in the Lower Saxony election, is that Schroeder gained votes more because he is seen as the one who has the best chance of replacing Kohl. This tells more about the shrinking popularity of Kohl and his policy, than about Schroeder.

Schroeder is aptly described as the "German Tony Blair": His draft economic policy, presented in September

1997 and approved by the SPD national party convention in December, borrows from the "New Labour" platform which paved the way for Blair's victory in the May 1997 elections for Parliament in Britain.

Schroeder's paper calls for a massive expansion of service-sector and low-income jobs, to compensate for the unabated loss of industrial jobs, which has sent Germany's 1997 jobless figure to almost 5 million. Schroeder proposed that the state subsidize firms that create lower-skilled, lower-paying jobs, and that the state force welfare recipients to accept such jobs. The scheme is copied from Blair's "welfare to work" project—which is under broad public attack in Britain, because it has reduced living standards.

The "welfare to work" scheme is acceptable to most Christian Democrats. The Schroeder paper can be seen, therefore, as programmatic preparation for a post-Kohl Grand Coalition, in which Schroeder would play the leading role, as Chancellor. And, Schroeder has received backing from bankers and industrial leaders, at a time when support for Kohl from these circles has visibly collapsed.

However, the SPD has strong ecologist currents, and Schroeder is making concessions not only to the CDU and industry, but also to the "green" aspects of SPD programs. This turns essential aspects of his economic platform into a mixed bag, with contradictory elements. For example, he is for the promotion of some modern technologies, such as biogenetic engineering, aircraft manufacturing, and pipeline construction, but he is not for other

vital modern technologies, such as Transrapid maglev rail systems, space technology, and nuclear power. In principle, he is for a special new "ecology tax" on energy and raw materials consumption, but he opposes a radical introduction of it under present circumstances, in which industry has to create more jobs.

This has angered the Green party, and green currents inside the SPD. But, Schroeder's program is still green enough to get the support of many ecologists. In Lower Saxony, several tens of thousands of voters switched from the Greens to the SPD, to vote for Schroeder.

Schroeder has yet to make any statement on the international financial crisis, and he has portrayed globalization as a "fact that we have to live with." He has said that he wants to make the effects of globalization "more social," and to create more jobs, especially for the youth. But he has proposed no grand design for big projects that would create several hundred thousand jobs at once. Instead, he has proposed a set of tiny adjustments in the tax system and in the unemployment administration, which he says will create additional jobs for 100,000 youth every year. The idea behind his proposal for lower-income jobs, is to make it attractive for industry to reverse its policy of outsourcing and shift investments back to Germany, to create jobs here.

However, these ideas are not shared by many SPD members and the labor unions. They may desert him on election day, and the worse the economic situation becomes, because of the Asian crisis, for example, the less certain it is that a majority will vote for Schroeder in September. Certainly, the wind is blowing against Kohl, but the SPD first has to have more seats than the CDU in Parliament, to nominate the next Chancellor.

London's MST slanders EIR

EIR exposés of the Landless Movement as a tool of British colonialism have begun to draw its fire.

On Feb. 10, the Brazilian daily *Folha de São Paulo* published a statement issued by the national leadership of the so-called Landless Movement (MST), which accused *EIR*'s Brazil correspondent Lorenzo Carrasco of being involved in the death of an MST'er in the state of Parana, a death which apparently occurred during an MST land invasion. The accusation, in effect a threat, was issued by João Pedro Stedile, MST national coordinator. Stedile claimed, among other things, that Carrasco "has links to the ultra-right and to the U.S.'s intelligence services."

Similar slanders are circulating in Mexico, spread by individuals tied to Zapatista National Liberation Army (EZLN) commander Bishop Samuel Ruiz. In Mexico, *EIR* founder Lyndon LaRouche and the Ibero-American Solidarity Movement have been targets of repeated attacks by Jesuit David Fernández, whose human rights center is a front for international support for the Zapatistas. The most recent attack occurred in January, at precisely the moment the EZLN launched its latest offensive.

The MST's attack is in response to the exposés in *EIR* and its Spanish-language edition, *Resúmen Ejecutivo*, which have documented that the MST (like its EZLN fellow terrorists) is an instrument of the British oligarchy in using chaos and terror to create a separatist or "limited sovereignty" experiment in the region of Pontal del Paranapanema, and elsewhere.

One of the major concerns of Stedile and his controllers is the *EIR* revelations of the operational ties between the two offspring of British geo-

politics: the MST and the EZLN. This is clear even from the MST's own statement: "One can see the coincidence of repressive methods that we witnessed today in Parana, with the methods used against the peasants in Chiapas, Mexico."

No matter how hard they may try to deny MST-EZLN coordination, it is an open secret. For example, Goiás Bishop Tomás Balduino, president of the Pastoral Land Commission, said to the Ninth National Conference of the MST in January: "Both [MST and EZLN], with all their differences, have a plan of enormous importance for occupying the land."

There exists other high-level EZLN-MST coordination, thanks to former French First Lady Danielle Mitterrand, heiress of Anglo-French colonialism and one of the most zealous promoters of one-worldism and the creation of "indigenous enclaves." Late last year, just before arriving in Mexico to propose the creation of a Kurdish-style enclave for the Chiapas region of Acteal, an oil-rich zone controlled by the EZLN, she travelled to Brazil for a series of private meetings with the MST leadership and its ideologue, Fray Betto.

The "enclave" has been her obsession in every initiative toward Brazil. Danielle and her husband, the late François Mitterrand, for example, furiously defended the creation of the Yanomami Indian reserve, which was conceived to impose "limited sovereignty" upon Brazil in the resource-rich Amazon.

If there remains any doubt that the British control the MST, the following should clear that away. During the

MST's national conference, where its current offensive was planned, the MST changed its leadership in the critical Pontal del Paranapanema, replacing the Maoist Jose Rainha, considered the military chieftain of the organization, for Delwek Matheus, who meets regularly with officials of the Tony Blair government in London. Last Oct. 16, *Gazeta Mercantil* reported that Matheus met with Britain's Deputy Minister of Development and Foreign Relations, George Folks.

This former ministry for administration of Britain's colonies is still the brains for colonial control, especially of Africa. It is from there that former Development Minister Lynda Chalker controlled Yoweri Museveni of Uganda, and other African leaders responsible for genocide in Central Africa. That policy remains the same under current minister Clare Short.

Everything indicates that backing for the MST is part of the agreements that Brazilian President Fernando Henrique Cardoso has struck with the British Empire. Matheus's trip coincided with one to Britain by the president of Brazil's National Institute of Colonization and Agrarian Reform, Milton Seligman, who urged the British non-governmental organizations, which back the MST, not to harass the official visit to Britain that President Cardoso was then planning for early December 1997, in which he received the title "Sir" from Queen Elizabeth.

Seligman brought with him a proposal that the European Union give preference to agricultural products exported from settlements controlled by the MST. Meanwhile, inside Brazil, the MST, and the government's economic policy, known as the "Real Plan," have wrecked agriculture in such productive areas as Rio Grande do Sul, while driving down the value of productive land in several other regions by as much as 60%.

International Intelligence

Concern over pedophilia mounts in South Pacific

Concern is mounting that an increasing number of Australian pedophiles, who would usually travel to Southeast Asian countries for child sex, are now heading to the South Pacific, especially Fiji. This was the main problem raised at an Interpol conference involving more than 30 Asian countries and 100 delegates, hosted by the Australian Federal Police in Canberra in late February.

In a bid to strengthen legal ties between Australia and Fiji, following a meeting between the countries' foreign ministers, Australia's Alexander Downer and Fiji's Bernardo Vunibobo, the Fijian government enacted a law, entitled Mutual Assistance in Criminal Matters, to combat such cross-border crimes as pedophilia.

Fiji Police Commissioner Isikia Savua called for closer coordination: "In the past, we thought that it wouldn't come to our shores. . . . Law enforcement agencies in Southeast Asia and Australia have closed doors and cleaned up there so they [pedophiles] are looking for softer targets and that's why I believe they are coming here."

U.S. turncoats helped Kabila cover up genocide

According an article by David Aronson in the Winter issue of *World Policy Journal*, officials at the U.S. Embassy in Rwanda advised Congo dictator Laurent Kabila, to stonewall the UN investigation into the 1997 massacres of Hutu refugees from Rwanda and Burundi. Aronson's article was titled, "The Dead Help No One Living." A former Kabila booster, Aronson reported on his June 1997 trip to Kinshasa, which changed his mind on Kabila and his analysis of events in the Great Lakes region.

At the end of his article, Aronson, who is with Carnegie Endowment, notes: "But in Kigali other American officials brag that the United States provided counterinsurgency training to the Rwandan Patriotic Army [of

Rwandan strongman, Defense Minister Paul Kagame] and instructed Kabila not to cooperate with the UN investigation of the massacres." The stated policy of the Clinton administration was that Kabila should cooperate with the UN probe, and it was a key point of pressure by U.S. Ambassador to the UN Bill Richardson in his discussions with Kabila.

The source of the information on the U.S. traitors in Kigali, is testimony by Kathy Austin of Human Rights Watch before the House International Relations Committee. The nest of Kagame boosters in the U.S. Embassy in Kigali prominently features Ambassador Robert Gribben and military attaché Richard Orth. Both are closely associated with Roger Winter of the U.S. Committee on Refugees. Gribben et al. have denied Austin's report. However, they earlier denied that the Rwandan army was ever in eastern Zaire—a denial they have now retracted; and in November in Washington, they denied that there are any Rwandan troops remaining in Congo—in contrast to the stark reality.

Iran and Saudi Arabia healing longtime rift

A new step was taken in healing estranged relations between Iran and Saudi Arabia, with the ten-day visit of former Iranian President Hashemi Rafsanjani, beginning on Feb. 26, to Saudi Arabia. Iran has been working for over a year to repair relations, and reached a breakthrough in December 1997, when a high-ranking delegation led by Saudi Crown Prince Abdallah attended the Organization of the Islamic Conference (OIC) summit in Teheran.

Rafsanjani, who now heads the Expediency Council, set meetings with political, cultural, religious, and commercial representatives, after making pilgrimages to the holy cities of Mecca and Medina.

Rafsanjani was received by King Fahd, as well as Crown Prince Abdallah and Foreign Minister Saud al-Feisal. Two themes of their talks were: how to coordinate oil production policy, to keep prices from plunging;

and, more sensitive, setting up cooperation to establish a regional security arrangement. This is the centerpiece of Iran's foreign policy in the region, and is based on the idea, as expressed by Foreign Minister Kamal Kharrazi, that "security cannot be imported; joint action is required." Rafsanjani reportedly proposed that a regional mechanism for conflict resolution be established, within the context of the OIC. They also discussed economic cooperation (including giving Saudi Arabia access to Iran's free trade zones and transit), the Iraq crisis, and Zionism. Rafsanjani reiterated in press conferences, that Iran had nothing to do with the terrorist attacks against the U.S. military installation in Al Khobar, Saudi Arabia in 1996.

Turkey's Erbakan barred from political activity

On Jan. 16, the Refah (Welfare) Party, headed by former Turkish Prime Minister Necmettin Erbakan, was banned and Erbakan and others barred from holding public or political office for five years, on the charges that the party was explicitly religious. The ban, which took effect on Feb. 22, threatens to create a split among the country's Islamists, between those, like Erbakan, who favor such development policies as the Eurasian Land-Bridge (Turkey's role in that is crucial), and radical Islamists, such as the young Istanbul Mayor, Recep Tayyip Erdogan.

Refah held 147 seats out of 550 in the Parliament. Under the ruling, they are free to hold their seats as independents, pending the formation of a new party.

A polarization in the leadership of such a popular party (Refah held the largest parliamentary bloc) would fuel British geopolitical moves to blow up both the Middle East and the Balkans, by increasing instability in this nation, which is a cross-roads for Europe, the Mideast, and Asia.

In anticipation of the ban months ago, the nucleus of the Fazilet Partisi (Virtue Party) was formed, and Fazilet is now about to become the official successor to Refah. Erbakan's choice to succeed him as party leader is his old friend Recai Kutan, who

AUSTRALIA will host the Commonwealth Heads of Government Meeting (CHOGM) in 2001 in Canberra, Prime Minister John Howard has announced. CHOGM would possibly be the first international event in the new Australian republic, if the referendum on the republic is passed next year.

THAILAND'S Prime Minister Chuan Leekpai planned to visit Washington on March 12-13, for meetings with President Clinton and senior administration officials, the White House announced on Feb. 23. The President and the Prime Minister will discuss regional and bilateral security and economic issues, including the current financial crisis in Asia.

UGANDAN CHILDREN are being held on treason charges, according to the Feb. 9 issue of Kampala's *New Vision*. A total of 28 child rebels were arrested in 1997, reports the Uganda Human Rights Commission. Commissioner Constantine Karusoke said, "The children need serious rehabilitation, not incarceration. . . . The view of the Commission is that the children are victims of circumstances [many of them were abducted by the rebels] and should be shown mercy and compassion."

ZHU RONGJI, China's Vice Prime Minister who will replace Li Peng as Prime Minister, will visit Bonn and Paris in early April, before returning home from the Asia-Europe Meeting in London. German Chancellor Helmut Kohl plans to visit China in June, and French Premier Lionel Jospin may come in July.

THE CEILING of the ballroom at Buckingham Palace collapsed on March 3, while the Royal Marines band kept on playing "God Save the Queen" for Queen Elizabeth and 400 guests. One person was injured. According to the Italian daily *La Repubblica*, the Queen will have to pay for repairing the roof, which could cost tens of millions of dollars, "something that the Queen, known for her stinginess, is not going to like."

would continue Erbakan's policies. The front-runner, however, is Erbakan's opponent, demagogue Recep Tayyip Erdogan.

Myanmar dissident blasts Aung San Suu Kyi

A former collaborator of Britain's pet dissident in Myanmar, Aung San Suu Kyi, scored the Nobel Peace Prize laureate's policies, in a commentary in the Feb. 19 issue of *Far Eastern Economic Review*. Ma Thanegi, who worked with Suu Kyi in 1989, and who served three years in a Yangon prison as a leading member of the National League for Democracy (NLD), wrote: "Ma Suu could have changed our lives dramatically. With her influence and prestige, she could have asked major aid donors such as the U.S. and Japan for help. She could have encouraged responsible companies to invest here, creating jobs and helping build a stable economy. . . . Instead, she chose the opposite. . . . Many of us cautioned her that this was counterproductive."

She tells of prominent Western academics and diplomats who argue for sanctions and boycotts to undermine the economy and force a revolution, and American human rights groups claiming to be "striking a blow for democracy." But, Ma Thanegi countered, "it is we Burmese who pay the price for these empty heroics. . . . We need jobs, we need to modernize. We need to be a part of the world. Don't close the door on us in the name of democracy. Surely fairy tales in the West don't end so badly."

Vatican wants Jerusalem as international capital

Cardinal Angelo Sodano, the Vatican Secretary of State, stated in Rome, that Jerusalem was unfortunately claimed only from one side, i.e., Israel, which declared the city its capital in 1980. Speaking on the 50th anniversary of the apostolic representation in Jerusalem, Sodano recalled that in 1947, an international status for Jerusalem had been planned.

According to the Feb. 21 issue of Germany's *Berliner Zeitung*, Israel had refused to establish diplomatic relations with the Holy See, because the Vatican refused to recognize Jerusalem as its capital. In 1994, relations were established, but the Jerusalem question has remained an open sore. The Arabs have repeatedly raised the question of the status of the city, which Israel refuses to discuss. The Vatican's view is that it cannot only be a matter of a conflict between Muslims and Israelis, but that Christians have a claim to Jerusalem as well.

"The Pope," said Cardinal Sodano, "invites the whole human family to create the conditions whereby Jerusalem can fulfill its destiny: to become a city of peace and worship of God." According to the daily, the Vatican let it be known that it would be willing to provide financial support for the project. The *Zeitung* mentions that the Vatican has been negotiating with the Palestinians for some time, to try to gain more influence in cities on the West Bank, such as Bethlehem and Jericho. The Pope's dream, it says, is to pray for peace together with Jews and Muslims on Mount Sinai in the year 2000, after peace in the region has been achieved.

Jordan wants direct U.S.-Iraq dialogue

King Hussein of Jordan announced on March 1, that he will pursue his proposal for a direct dialogue between Baghdad and Washington, when he meets President Clinton in Washington, around March 15. King Hussein said he thought that this was the right way to proceed, but added, "I don't know how and when it will happen." He said, "I believe that there is certainly a requirement for direct contacts. Commitments that are made directly between concerned parties are the ones that are much more meaningful than following any other method. To those who wonder about this suggestion . . . it is not strange, for even adversaries do meet."

Although King Hussein did not mention it, if a direct contact were to be established, it would eliminate the UN and/or British mediation.

Space research on the medical frontier

In a Feb. 25 interview, astronaut David Wolf provides a first-hand report of life science and medical research on the Mir space station. Marsha Freeman reports.

Dr. David Wolf, 41, who recently spent 119 days in space as a member of a Russian Mir space station crew, is a medical doctor, inventor, research scientist, and career astronaut. He is a member of the Institute of Electrical and Electronics Engineers and the Aerospace Medical Association. Dr. Wolf has received 11 U.S. patents, and published over 40 technical papers.

In 1983, Dr. Wolf joined the Medical Sciences Division at the NASA Johnson Space Center, in Houston, and, three years later, was assigned to direct development of the bioreactor and associated tissue-engineering technology. He was selected as an astronaut in 1990, and served as a mission specialist aboard a Space Shuttle life sciences mission in 1993.

Dr. Wolf is described by NASA as an "active public speaker." He has also been willing to speak out. In December 1991, the FBI began an undercover operation called "Lightning Strike," to try to entrap NASA employees and industry contractors working in space life sciences projects into committing crimes. Operation Lightning Strike ended in December 1993, when Wolf, who had also been a target in the FBI sting, appeared on the NBC Nightly News and revealed the operation.

Dr. Wolf returned to Earth from his stay on Mir on Jan. 31, is undergoing rehabilitation to recover from the effects of microgravity, and is looking forward to working on the International Space Station (ISS).

EIR: During your four and a half months on Mir, one of your primary responsibilities was the operation of a device called the Biotechnology Specimen Temperature Controller, or BSTC. It is my understanding that this is a cell incubator, and is part of the technology that is going to be needed to use a bioreactor in space to grow human tissue.

Wolf: The bioreactor is up there, right now.

EIR: Since you are one of the developers of the bioreactor concept, I thought you could explain the importance of being able to grow tissue in three dimensions in space, and how the bioreactor does this.

Wolf: I'd like to do that. First of all, everybody is interested in health and medicine. There is no question that there is a whole group of breakthroughs which will require research in space. One of those areas is tissue culture. We have already achieved a great number of breakthroughs in this area, and we're just getting started. I'm talking specifically about tissue culture in space, and whether you call it a specimen temperature controller or a bioreactor, really they all work on the same principle.

On the ground, tissue culture is very limited, to essentially two dimensions, because the cells fall to the bottom of whatever culture vessel we're working with, and they cannot grow in a three-dimensional arrangement, the way they grow in our bodies. All the tissues of our body are made up of three-dimensional arrangements of cells, and the function of our organs and tissues is totally dependent on this three-dimensional structure. It's become critical for cancer research, or developing the basis for tissue engineering in the future, to be able to culture cells and grow them into tissues in a way that they behave the way they do in the body. This requires three-dimensional tissue growth, where we control the spatial relationship between the different types of cells.

EIR: How does the bioreactor grow three-dimensional tissue?

Wolf: I worked for seven years before I was an astronaut, on a team that developed this technology, not just the specific



Shuttle-Mir astronaut Dr. David Wolf.

bioreactor machine. It actually happened when the Shuttle was grounded after the *Challenger* explosion. We were restricted to doing our research on the ground and we were attempting to simulate zero gravity. We took many wrong approaches, but finally, three of us came up with the approach to spin the culture, on the ground, in a cylinder of culture media, like blood, and build a machine that acted as a heart-lung machine, a kidney, a digestive system—essentially building a rudimentary artificial body to support the cells that were growing in this rotating, or spinning, cylinder.

By doing this, the cells would go around in the cylinder, mimicking the way they would grow in space. They would be suspended in the fluid without introducing mixing devices inside the vessel which, by nature, disrupts the culture. We achieved a three-dimensional suspension of cells with a very quiescent fluid dynamic environment. Most of our work is done on the ground. After something is well developed, we take it into space, when we think space can offer an advantage.

We got amazing results. We were able to grow human tissues, to limited size, in three dimensions. This became a breakthrough in tissue culture for ground-based use. In fact, a company has been formed by some of the people who left our laboratory, which sells this instrumentation to researchers all over the country, including the major cancer research centers. We found that cancer tumors could be grown in three dimensions, where they behave very accurately—as they would in

the body. Therefore, we could do more valid studies of cancer genetics and the response of cancers to treatment. So, the issue of controlling gravity became important for cancer research. It generated a great deal of interest among the leading cancer researchers in the country, who now use the bioreactor.

We determined that there were limitations that were imposed by gravity, operating these systems on the ground, and we worked with the hypothesis that by going to zero gravity, we could grow larger and more complex tissues, which would then function even more like they do in the body. There's no question that one day humans will grow real organs for reimplantation, and we have shown that many of the secrets, or keys, to doing this can be learned by doing tissue culture in space. We've made very critical observations, as our bioreactors have flown in space now for a year or so. They have verified that space is the absolutely ideal environment to unlock the secrets of the emerging field of tissue engineering.

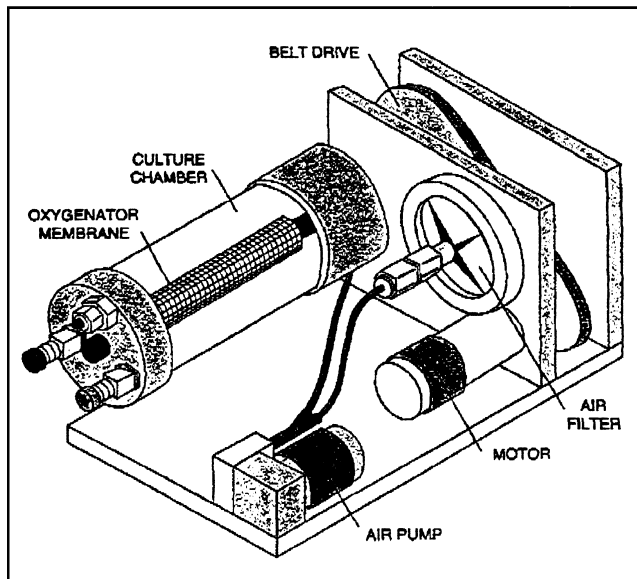
EIR: The experiment you were conducting on Mir was to see if there are changes in the cells as they replicate in zero-gravity conditions, and whether or not they develop all of the complex differentiation and other characteristics that they do on Earth. What were the results of the experiments that you were doing on the Mir?

Wolf: The biochemical results of differentiation are not analyzed yet; the samples were just brought back. But, we did definitely observe that the three-dimensional morphology of the growing tissues was much larger, and that much more delicate structures were allowed to form in a much more organized fashion than the best we can do on Earth. To me, this issue was of fundamental importance, and we clearly showed that our hypothesis was true, that we could do that. The biochemical—histology, and immuno-histology—and detailed analysis, are currently under way to verify that the cells are differentiated. I am very confident that we will see that they, in fact, did differentiate. You could not maintain that morphological structure without differentiation. The biochemistry at the cellular level is yet to be teased out and analyzed.

EIR: It seems that this would be important, because you would not want to introduce anomalies into the cell reproduction from either the device, or microgravity, itself. You would like to grow the cells without anything imposed from the outside environment.

Wolf: That's right. We'd like the advantage of microgravity for the organization of the tissue, while not interfering at the cellular level, of cell processes. There is no theoretical reason to think we would interfere with the cell processes, but we need to be absolutely sure that is the case, to make sure that our research is valid. That was an important goal of the work we did on my increment on Mir.

EIR: Astronaut Andy Thomas, who is on the Mir now, is continuing these studies in tissue growth with the Biotechnol-



This schematic of the rotating wall vessel bioreactor shows the electric motor that rotates the culture vessel, the pump that draws air from the chamber through a filter and discharges it, the culture chamber where the tissue is grown, and the membrane covering the shaft of the cylinder, which feeds and removes waste from the tissue.

ogy Co-Culture experiment. He is growing two different types of cells in the reactor. What is he studying on his mission?

Wolf: We've been looking forward to this experiment for quite a while. Co-Cult simply means growing more than one cell type at the same time, together. We've taken this to a reasonably advanced level on the ground in a simulated microgravity system. The two types of cells he is growing are breast cancer cells and a fibroblast layer, made up of angiogenic cells, that is, a blood-vessel-forming type of cell. These are two types of cells whose relationship is very critical. A tumor attracts blood vessels just to feed its cells, and this is a key area of cancer research—why these tumors attract their own food supply.

One goal is to reproduce breast cancer tumors in a fashion that even more accurately represents how these tumors grow in the body, including the blood-vessel-forming cells. It is not necessary for actual vessels to form; it is the interaction between the two cell types that is of great importance. We chose this pair of cells, because it takes us a good way down the path of studying breast cancer tumors, as well as helping us take the next step toward organ or tissue engineering. It's very clear that, in the end, there is no question that we will one day grow replacement organs for people, and space will unlock many of the secrets of how to do that. This is our first step in space, to move toward vascularizing tissue.

EIR: Would you have to be able to grow blood vessels in



Astronauts Carl Walz and Jay Apt analyze a bovine cartilage sample during Space Shuttle mission STS-79. The astronauts activated the bioreactor experiment on the Shuttle and tested the sample tissue, before it was transferred, along with astronaut John Blaha, to Mir. See Figure 1.

replacement organs created from tissue engineering?

Wolf: Absolutely. We picked a model system that will give us information in both directions. It happens to be a cancerous tumor whose vascularization we are looking at, but we are also interested in that as we move into normal tissue.

EIR: Do the cancer cells have some kind of mechanism for stimulating the growth of blood vessels?

Wolf: They clearly do. Tumors are in some way regulating blood vessel formation, and we want to understand that, so we can use it as a tool. In many respects, the tumor mimics the way normal tissue grows blood vessels, although it's a little out of control. It gives us a good way of studying the process.

EIR: If you understand what the relationship is, would this also work in reverse, to give you a way to stop tumors from growing, by preventing them from developing blood vessel systems to nourish themselves?

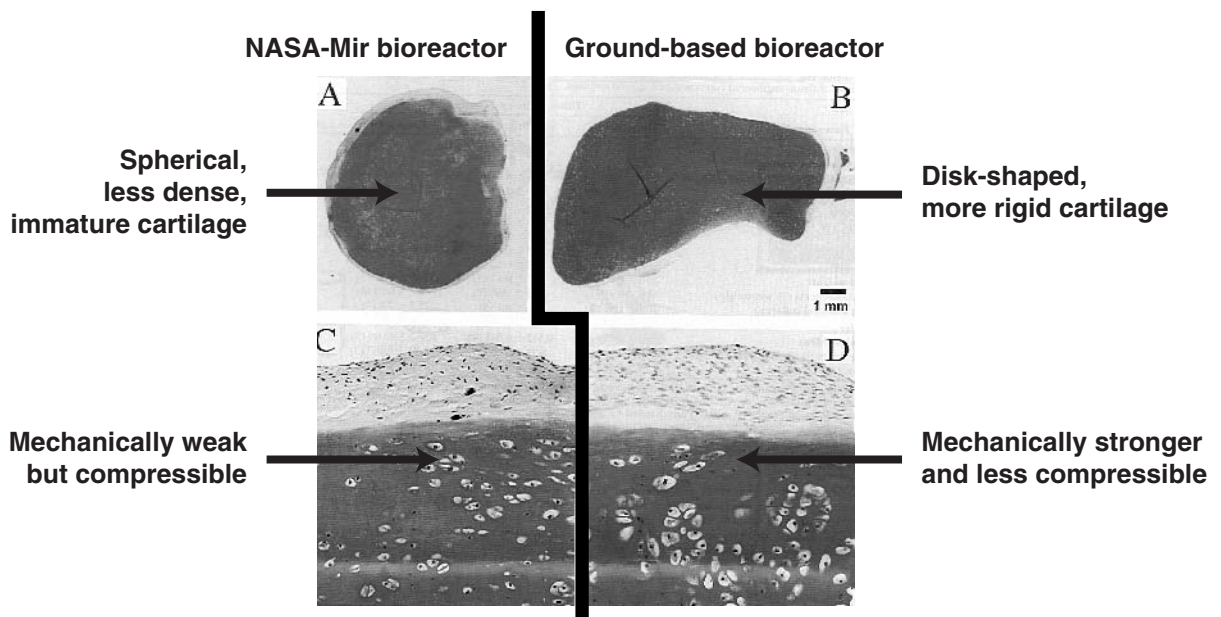
Wolf: Right. This would be wonderful. Once we understand the mechanism, the process, that gives us a directed target to be able to interfere with the process. This is one important strategy in fighting tumor growth.

EIR: Why did you choose breast cancer cells to grow? Does that type of tumor grow more easily?

Wolf: We have studied upwards of 15 different types, on the ground. We felt that breast cancer was a good model, from our observations on the ground. It grows in a glandular form, and we felt we were very well able to reproduce the gland formation on the ground. We just had to pick one, at some

FIGURE 1

Cartilage grown in space and on Earth



Space cartilage is substantially different than mature native cartilage. The space and the ground-based bioreactor cartilage formation is superior to that from standard culture techniques. STS-79 Mir Increment 3.

Source: NASA.

point. We found a researcher who put in a particularly good proposal for the [breast cancer] study. We had matured to that point, to put the breast cancer in space. Colon cancer is another one we are ready to study in space. We just haven't had a chance yet. In the end, we will study all of them. We've already put cartilage in space.

You have to realize that we've had extremely limited time in the laboratory in space, and we're trying to gather a database to help us direct and focus our research on the International Space Station, which we will begin launching later this year. At that point, we'll have more extensive facilities and continuous time for many years in the laboratory. This type of work takes a whole team of researchers many years in the laboratory, and what we have [now on Mir] is a small area of a small space station, with one astronaut, part time. We're really in our infancy.

We have to pick cells that are matched by our knowledge, during what I call the Shuttle-Mir pilot study phase. But, we do plan to up the level of effort on the International Space Station. And much of our work occurs on the ground in our laboratories, which is very complementary to our work in space. We work with major universities and medical centers throughout the country, with their laboratories also. So this is *not* just the work going on in space.

Space gives us certain key pieces of information, which, ideally, we'll be able to transfer to the ground, once we know how to do it in space. Three-dimensionality, vascularization—ideally, some day we can do it on the ground. Space is like cheating: We can take steps ahead in the three-dimensional organization before we know how to do it on the ground and get the information. We know it can be done on the ground, because a mother's womb does it every day. But we don't know all the secrets yet, and by doing it in space, we can leapfrog many of those details in space, and then backfill those details.

EIR: I noticed in the Feb. 20 update on the Mir mission, filed from Russian Mission Control, that the current resident astronaut on Mir, Andy Thomas, has had to troubleshoot the Co-Culture experiment, because bubbles had formed in the bioreactor and were interfering with the experiment. I understand that that had happened before, on a previous Mir mission.

Wolf: That happened with John Blaha's experiment [on Mir] also.

EIR: Has Thomas been able to solve the problem?

Wolf: It's not been a devastating problem to the culture,

[although] we'd rather not have the bubbles. It appears that it is a completely different reason this time, from when John Blaha did it. It has been a problem, and Andy's been troubleshooting it and working with it, and we do need to solve that. Again, this is a key reason why we've taken these instruments up on the Shuttle-Mir, so we can get an early look at how these systems behave in space, so we can resolve those problems before ISS.

Really, it may seem like a problem up front, but it is a very new research tool in space, and you might say that this is our going through the initial testing. Luckily, the culture seems to be doing quite well, even though there are bubbles in it. It appears to be a problem of controlling some valves. I have a feeling it may be a more complex problem than that. We're trying to understand it.

EIR: You were not only a science investigator on Mir, but also a subject, in the study of the human body's adaptation to weightlessness. In your press conference last week, you described the process of readaptation that you are now going through. Could you summarize what the different stages are?

Wolf: There are clearly defined stages that I've noticed. Some of this has individual variability—or, all of it is highly dependent on the individual, but I think the stages are typical. I had about four days of serious balance problems, inner ear vestibular problems. It was classic. If I tilted my head to the right, I'd feel that my body was accelerating to the left. This is very explainable. It is the adaptation that the vestibular mechanism goes through in space. It makes it hard to turn corners, and when you go through a doorway, you get this overwhelming feeling that you're moving inwards due to the centrifugal force on your inner ear, and you tend to walk outwards. It makes you want to hit the wall and makes you tend to hit the doorway. You have to be very careful, and use your eyes very carefully, instead of your feeling.

Your eyes aren't stable at what you're looking at, because you're getting lied to by your inner ears on your motion. The position of your head with respect to gravity, gives you bad data. A lot of that data is used to stabilize your gaze with your eyes. This all tends to make you sick. You have nausea in the first day or two.

This is like what happens after a short Shuttle mission, somewhat more intense, but very similar. It resolves over about four or five days. I had a two-week Shuttle mission, and this was quite similar to what I felt after that mission. It resolves in the same amount of time, about four days, but was a little more intense, which tells us about the inner ear's adaptation time scale.

There was also a profound weakness, due to muscle atrophy and not being used to using many of the muscles, such as the muscles that control posture and balance, that are just not used in space. The whole neurological circuitry and the muscles themselves are atrophied. You have this profound weakness and poor control of your posture and balance. This starts right in the beginning, of course, when you get back to Earth.

After about three or four days I got into a phase, for another week or two, of muscle soreness: profound muscle soreness, as though you'd worked out very heavily. But the heavy workout in my case was rolling over in bed, was the strain on my back, bending over to pick up a coin, getting down and back up. Just walking and doing normal activity, taking a shower, led to rather severe muscle soreness over my whole body. These muscles had been accustomed to working without gravity, and now, this was a high load on the muscles. They responded as they would to any heavy exercise, and in this case, just normal activity was heavy exercise. Lying in bed in gravity, and rolling over or raising your legs up, is more exercise than we got working in space.

And all through this, we were doing physical rehabilitation. We still are, half a day, every day. We started off with stretching and just walking around in the water and working with extremely light weights, just to get these muscles accustomed again to working with gravity. That lasted for the first two weeks. The muscle soreness didn't come up for three or four days, but in the first two weeks, it was there, along with the weakness, which was slowly getting better. And now, after three weeks on the ground, I'm in a phase where my muscles don't hurt any more very much, and we're working with physical rehabilitation with a professional trainer, who is working with weights. We're running now, and swimming, and weight lifting of different kinds, special exercises that rehabilitation people know about, to bring back strength. Our hypothesis also is that along with the muscle strength should come bone mineral density. I lost 10% or so of the bone mineral density of a number of bones.

EIR: It is my impression that it is the bone mineralization that takes the longest to recover after a space flight. Is that so?

Wolf: I think that's true. I expect that it will take six months or so, if I work hard at it.

EIR: Knowing that, I was surprised when you said in your press conference last week that you thought that in the future it would be important for astronauts to be able to make multiple long-duration flights in space. You mentioned that one of your crewmates on Mir, Anatoly Solovyev, had made five such long flights. For the sake of safety, wouldn't you want a certain amount of recovery time between flights of that length?

Wolf: Exactly right, and Anatoly has had that. I don't think he repeated a mission in shorter than maybe a year and a half, two years, I'd estimate.

EIR: He would certainly be a very fascinating person to study, in terms of bone density recovery. Do you think the bone density does come all the way back up to normal levels? Or is that not necessary?

Wolf: Perhaps it's not necessary. We will see where it goes. I think one of our [Mir] astronauts has gotten back to very close to normal. I can't give out private medical data; it will all be reported in the research documents. But indications are

that if you work hard at it, you can get back. When we collect the data on all seven [Mir long-term astronauts], as we get some time behind us, hopefully we will get an indication of what it takes to get it back.

And we're interested in what it takes to not lose it, in space; to minimize this loss. Our approach is exercise and strength training in space. This is a key area of our research, so we can conduct exploration of other planets, and so we can work on a space station and prevent these rather serious degrading effects.

EIR: If there were a way of mitigating the effects during the mission, you would be in a position to decide that people could stay for six months, or even a year or longer, on the International Space Station?

Wolf: Even after three months, we could have them come back and not suffer these great losses. I have a feeling that we'll be able to do better, but you can't reproduce the details of a gravity load [in space]. It's a very complex interaction with the human body. We probably won't get to a complete countermeasure, but we certainly can do much, much better. It's important that we do not spend all the time exercising up there. We need to pick the right exercises and the right equipment. After all, our job is not to go up there and exercise.

EIR: The flight by John Glenn coming up in October is very exciting, because adaptation to space flight has been described as similar to an acceleration of the aging process. Beside the one or two specific experiments that he will be a subject for on that mission, all of his other health parameters will be monitored, the way they are for any other astronaut. Do you

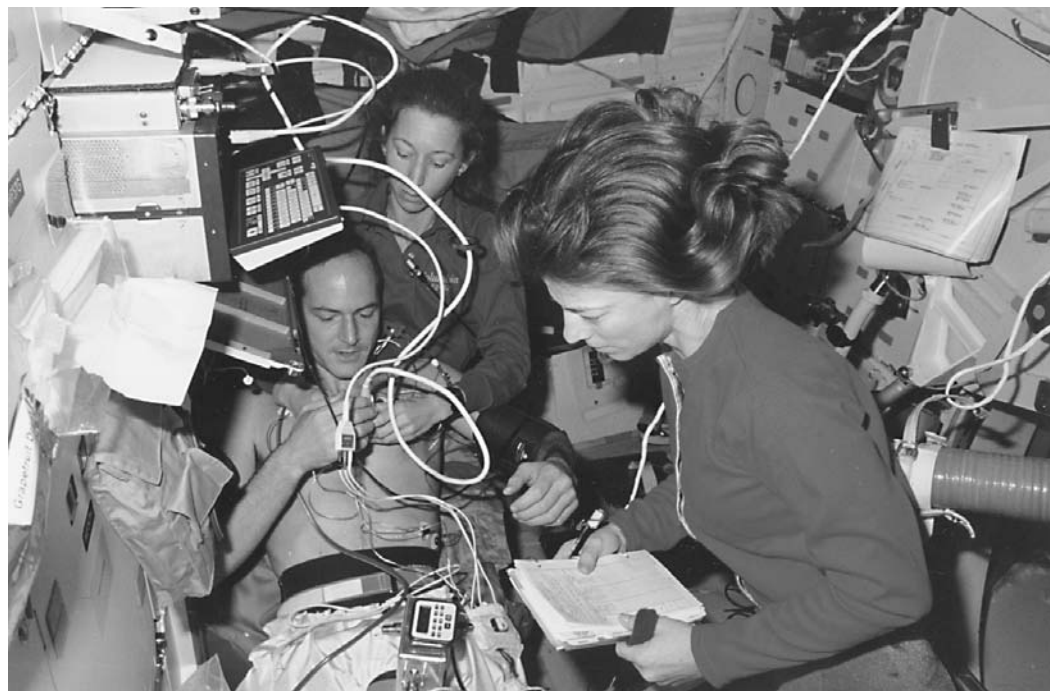
have thoughts on what might be the most interesting aspects of the relationship between space adaptation and aging?

Wolf: Of course, we will get information on the effects of zero gravity on older people. But you're talking about the reverse: How can that give us information on aging itself, by flying an older person? The way I look at it, is that aging is something that happens at different rates, at different points in our lives. He's going to be at a different stage in life, and going to be responding differently to the zero gravity and to readaptation [than younger astronauts]. If we can understand the difference in his response and how it's related to his age, I think this may open secrets to us—it's another parameter, another variable we can introduce, that hopefully will elucidate some of these mechanisms of how space is affecting humans.

He's older, and may come back without any strength loss, or with more strength loss. This will shed a great deal of light on how we can develop countermeasures. We can look at his physiology and the differences and use those as key aids to research.

EIR: I know Senator Glenn's flight is only a ten-day Shuttle mission, so it's not as if his experiences and responses would be comparable to yours after four and a half months. But even on such a short flight, do you think there are specific areas where his adaptation will produce new data? He won't be there long enough to see long-term effects of bone demineralization, but are there some areas where we will see some change?

Wolf: We don't know that. He may show the demineralization. We don't know yet. That's assuming the answer before we go. We have a great database on people who have been up



While Dr. Wolf was in the Medical Sciences Division at JSC, he was responsible for the development of the American Flight Echocardiograph to help ensure the health of the crew. It is seen here in use by STS-32 astronauts David Low, Marsha Ivins, and Bonnie Dunbar (taking notes), in January 1990.

in space approximately ten days, and they do show many of the effects that we're talking about, in terms of strength loss, muscle atrophy. Many of these things are visible. It's a first step with him, and I think we need to be cautious in our first step. Just as in the bioreactor, we're not doing every experiment we would like to up there right now, but we had to get started somewhere.

EIR: To finish our interview discussing the bioreactor, where we started: You were asked last week at the press conference, about astronauts who have left the space program after long-term flights on Mir, and you said you were in the program to stay. I assume from your answer that you are looking forward to spending time on the ISS, to continue these experiments with the bioreactor. What do you see as the next steps in the tissue culture area?

Wolf: I am very excited about where we're going in space and having very capable laboratory facilities in space to do research. We're going to achieve that on the space station. I am in it for the long run and, before you called, I was discussing what we are going to do up in space *this afternoon*, with Andy. I basically consult [with him] every day on what he's doing up there [on Mir]. You realize, this was originally the mission I was supposed to do. [Wolf took the place of astronaut Wendy Lawrence, doing his mission on Mir one increment earlier than originally planned.]

EIR: I know. It must have been very disappointing.

Wolf: We had pretty good [tissue] culture facilities up there anyway, and a lot going on, during my mission. In some ways it was easier to do photography on the tissue with the equipment that I had. Even easier than with what Andy has. There were some advantages, but I consider the full-up rotat-ing reactor the real machine here.

When you talk about the next step on the station, I'm still talking about the next step this afternoon. On the International Space Station, we will be able to do the research more like we do it on the ground—consult with our colleagues, and adapt day by day. A lot depends on what we learn on this mission with Andy, and what we learn in the ensuing time on the ground, and the analyses from the samples I brought back. We will formulate a plan based on all that information and choose our experiments on ISS.

Ideally, I think we should go toward continuing cancer research using other cancer models and types. We need to also move toward tissue engineering in terms of shaping tissue and functionally vascularizing it. I'd like to see us move into neural regeneration.

I have a friend who had a broken neck, one of the best pilots I've ever known, and there are a lot of people like him we need to help. I consider that a high priority. We had nerve cells on my mission, and they showed an excellent ability to reproduce in zero gravity. You'll be awed by some of the pictures when they're published.

EIR: These are pictures you took on your Mir mission?

Wolf: Yes, of neural cells growing—not just cells, but large groups of neurons.

EIR: Is this a hard effect to produce?

Wolf: We thought that we could preserve them and bring them back, but even when I fixed them and brought them back, I'm told that they didn't withstand the reentry. We need to have the type of research facilities to do the analyses on orbit. We also weren't able to use all the fixatives we might, and I didn't have an electron microscope up there. I didn't even have a very good microscope, but it's still obvious [from the photographs].

EIR: When Shannon Lucid came back from her mission to Mir, she said that she really enjoyed the opportunity to work again in a scientific laboratory.

Wolf: I felt the same thing.

EIR: As long as Mir is running without needing a lot of intervention, in terms of repair, you have some peace and quiet to work in a laboratory, which I'm sure astronauts do not have time for otherwise.

Wolf: That's right. Most of us came from working in laboratories, and once you're an astronaut, it's a different environment. I did feel exactly what Shannon felt, that is was a real pleasure to get back in the lab and do my work. But it was hard to do this at the same time as working with the Mir systems. I had a lot of responsibility for helping with the repair work, and this knowledge of how to conduct the research, concurrent with the mission operations, is critical, and that's being fed into our operations. How do we schedule people and let them work?

An example: There was a time a month and a half into the mission, when I knew that, to ideally image what I was seeing in the culture, I needed to set up another whole instrument from another experiment—a video microscope—but that would have taken a few days, just to get it out and set it up, and there wasn't room, at the time. I would have liked to call down and say, "Look, we need to change course here, completely change course, and take a few days out to document what we've got here." But we couldn't do that, because we had other experiments coming on line, and we had a schedule to keep.

A key part of my debriefing [was to say] that if we're going to work as we do on Earth, we need to have the flexibility. Very few discoveries come on schedule. We need to let discoveries happen. We need to have a flexible schedule, and optimal use of the human that is up there making judgments and observations.

EIR: There aren't too many Earth-based laboratories that work on a time line.

Wolf: That's right. This was taken to heart by our schedulers,

by our people who are operators and controllers. We're working towards allowing that type of research to occur on the International Space Station.

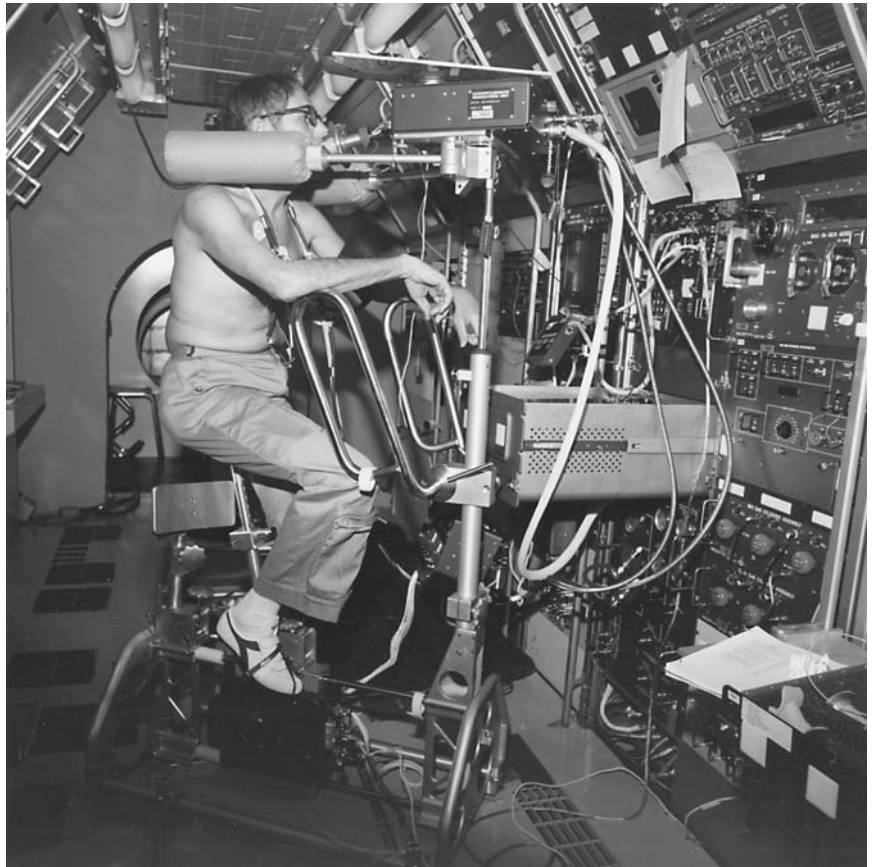
You realize that [now], if we make a plan of what we want to conduct and it's somewhat ambitious, if we don't do it all, and we just don't go through the motions of doing it all, we get criticized as a failure, or for not completing the mission. On the other hand, if I make the judgment that we need to proceed with *this* work at the expense of others, you can imagine the uproar there would be from the others! This is a challenge for us, how to get this kind of flexibility into the program and also — people have done many years of preparation and we need to do their experiments also. But we don't want to plan non-ambitiously.

EIR: This must also require a lot of coordination with the ground. ISS will be more automated than Mir, but it will still require coordination with Mission Control and also scientists on the ground. Will that requirement impinge upon flexibility?

Wolf: You raise a critical issue. I raised it also in my debrief. We do need access to talk to the most knowledgeable scientists involved in the work on the ground, ideally, directly, one-to-one, and our communications systems need to be designed to accommodate that. I agree, it's not just the astronaut up there working, it's him working in conjunction with the scientists on the ground.

This happened on my mission. There were many decisions that had to be made on the tissue culture, based on what was happening in the systems on the ground. I sent down photographs and images in a very limited fashion, to help them understand what was happening in space. I would describe what was happening, but due to limitations of the infrastructure up there right now, it might be days until I got a response, so I had to work more independently. But ISS should be much better at including the ground-based scientists in the day-to-day, or even hour-by-hour, decisions. This will be a great advantage for us.

I hope the public realizes that we take it step by step in space, and it's rare to have that "Eureka!" discovery, but it's really made up of step-by-step, small observations that eventually lead to a discovery that's important. That's the difference between stepping on the Moon and operating a laboratory in space. I hope that we capture the interest of America



It is important to find new countermeasures to space adaptation, because astronauts are not sent into space to do exercise, as Dr. Wolf stresses. Here, STS-40 astronaut Dr. Robert Ward Phillips participates in a cardiovascular deconditioning experiment, atop the exercise bicycle.

with our step-by-step scientific research as much as we did by stepping on the Moon.

EIR: When do you think the results and material from the tissue culture experiment on your flight will be available?

Wolf: That's unfortunately not my business. That data goes to the investigators.

To me, it is important to stress that NASA has a unique ability to put together teams that are hard to find anywhere else. And that was the kind of team I got to work with on this, and it currently exists at NASA. It extends out to academia, and it was really fulfilling for me to have equipment up there, and work with the team that developed it. I guess it's rare that an astronaut gets to do that. I'm really proud of that team. It's an amazing multi-disciplinary team of scientists, engineers, technicians, and biologists. It takes that multi-disciplinary approach in these days, to come up with important discoveries, in many cases. I know we can contribute immensely to this emerging field of tissue engineering.

It's a great team, and we get to do it in space, too. It's fantastic!

Secret operation vs. Clinton is run by Olson-Starr salon

by Edward Spannaus

Dramatic new information developed by *EIR* on the role of Washington lawyer Theodore B. Olson as the power behind independent counsel Kenneth Starr, suggests that President Clinton is the target of an illegal, rogue intelligence operation being carried out under the putative authority of the 1981 Presidential Executive Order 12333.

There are close parallels between the operation being run against Clinton, and that carried out against Lyndon LaRouche by some of the same circles, in the 1980s. The railroad against LaRouche was conducted as a covert foreign intelligence operation under the provisions of E.O. 12333—which permitted the “privatization” of intelligence operations. Key to the ensuing prosecution and judicial frame-up of LaRouche was a “softening up” process of defamation conducted through news media assets of George Bush’s “secret government.”

This propaganda campaign was coordinated through a series of secret “Get LaRouche” meetings at the New York apartment of Wall Street spook/financier John Train—in what has become known as the “Train salon”—which included representatives of government intelligence and law enforcement agencies, plus news media representatives, including the *Wall Street Journal*. The “Train salon” was a project of the “Public Diplomacy” effort run out of the National Security Council, under the direction of George Bush’s national security adviser Donald Gregg, and Gregg’s associate, longtime CIA propaganda specialist Walter Raymond. According to evidence obtained by the Congressional committees investigating Iran-Contra, the initial financing for the Public Diplomacy program came from two intelligence-linked sources: Richard Mellon Scaife’s foundations, and the Smith-Richardson Foundation.

As we shall see, the same sort of “public-private” opera-

tion is now being conducted against President Clinton, by circles around Theodore Olson.

In the LaRouche case, the “foreign counterintelligence” hook for the investigation was the allegation—circulated by Henry Kissinger and circles in the FBI—that LaRouche was a Soviet agent of influence, or a Soviet disinformation agent. It is likely that, in the case of Clinton, the pretext is the charge, circulating widely among circles within the FBI and private right-wing networks, that Clinton is guilty of treason for allowing secret intelligence to flow to China, in exchange for campaign contributions.

The Olson salon

The “Get Clinton” salon meets regularly at the home of former Justice Department official Olson, a longtime close friend and associate of Kenneth Starr, and of Olson’s wife Barbara, chief counsel for Rep. Dan Burton’s House Government Reform and Oversight Committee. Burton’s committee has been noisily conducting investigations of the “Chinagate” allegations around Democratic Party campaign fundraising, and of other alleged Clinton administration transgressions.

The gatherings include: Whitewater prosecutor Kenneth Starr, Federal appeals court judge Laurence Silberman, former judge Robert Bork, Supreme Court associate justice Clarence Thomas, *Wall Street Journal* editor Robert Bartley, *American Spectator* editor Emmett Tyrrell, and many others.

A glimpse into the Olson salon can be found in the July 1997 *Esquire* magazine, in an article by David Brock, titled “Confessions of a Right-Wing Hit Man.” Brock was the author of the Scaife-financed “Troopergate” article in the January 1994 *American Spectator*—on whose board Ted Olson sits. Brock described how he had been a guest at the wedding of Ted and Barbara Olson in the summer of 1996, where “the

entire anti-Clinton establishment” was on hand, including Starr, former Bush White House Counsel C. Boyden Gray, and the *Wall Street Journal’s* Bartley. Brock says that Barbara Olson then dis-invited him from another party at her home a few weeks later — after word had leaked out that Brock’s new book, *The Seduction of Hillary Clinton*, was too sympathetic to the First Lady.

The collaboration between Olson and Starr goes back over 20 years, when they were both partners in the Los Angeles-based law firm Gibson Dunn and Crutcher; both men came to the Justice Department in 1981, when Gibson senior partner William French Smith was named U.S. Attorney General at the beginning of the Reagan administration. Olson is now back at the Washington office of the Gibson firm; Starr has gone on to the Chicago-based law firm Kirkland and Ellis.

Olson — to put it bluntly — runs Kenneth Starr. He is the one with the “overview,” and is said to be the direct link between Starr and the Justice Department permanent bureaucracy around Jack Keeney and Mark Richard. Olson played the central role in putting together Starr’s staff, and is responsible for the collection of career Justice Department prosecutors who have been recruited to Starr’s operation. Since Starr himself is not a prosecutor, and has never tried a criminal case in his life, he is totally dependent on the thugs whom Olson is responsible for bringing on board.

In our last issue, we described some of Starr’s prosecutors. Some of them are especially notorious for targetting black and Hispanic elected officials. For example, Hickman Ewing, from Memphis, Tennessee, conducted a long — but ultimately unsuccessful — vendetta against Rep. Harold Ford, and was also involved in the cover-up of the assassination of Martin Luther King, Jr. Sol Wisenberg and Ray Jahn, from San Antonio, Texas (Starr’s hometown), targetted mayor and later Clinton cabinet official Henry Cisneros, plus Rep. Albert Bustamante, and Rep. Craig Washington. Starr’s deputy Jackie Bennett, from Justice Department headquarters, also went out to San Antonio to help in the Bustamante case. Starr’s office includes longtime Federal prosecutors from Mississippi, Florida, Virginia, and Los Angeles.

Olson is also the link between Starr and Paula Jones’s attorneys. Olson and Robert Bork played judges in a “moot court” practice session with Jones’s lawyers before they argued the *Jones v. Clinton* case at the U.S. Supreme Court. The practice session was held at the Army-Navy Club in Washington.

There is also a tie-in to Linda Tripp, who, as we detailed in the Feb. 27 *EIR*, met with Paula Jones’s lawyers on the evening of Jan. 16, right before they took President Clinton’s deposition. Tripp briefed Jones’s lawyers on her conversations with Monica Lewinsky, which were electronically monitored by the FBI under the direction of Starr’s office. Tripp’s lawyer James Moody, who says that he was hired to put Tripp in contact with Starr, is in the orbit of the right-wing “public interest law firms” tied to Olson and Starr, and which are funded by

Scaife. Moody has done legal work for both the Landmark Legal Foundation and for the Washington Legal Foundation — previously known as the Capital Legal Foundation.

The legal network

Olson and Starr are both part of a tight network of lawyers who work in “conservative” legal foundations and other organizations. They both sit on the Legal Advisory Councils of two such groups: the National Legal Center for the Public Interest and the Washington Legal Foundation — both of which are bankrolled by Mellon Scaife.

The **National Legal Center for the Public Interest** (NLCPI) is the umbrella group for a nationwide network of “public interest” law firms. In addition to Starr and Olson, its Legal Advisory Council includes George Bush’s former Attorney Generals Willim Barr and Richard Thornburgh, plus Robert Bork, former Federal prosecutor Joseph diGenova (who has been prominent recently in publicly defending Starr), and Eugene Meyer, the executive director of the Federalist Society. NLCPI’s Board of Directors includes former FBI Director William Webster and Dr. David Davenport (president of Starr’s next planned stop, Pepperdine University).

Up until recently, Ted and Barbara Olson and Starr were members of the Legal Policy Advisory Board of the **Washington Legal Foundation** (WLF). This board also counts among its members: Prof. John Norton Moore (a fervent hater of LaRouche and one of the authors of E.O. 12333); former Virginia Governor George Allen; former DOJ official and later Massachusetts Governor William Weld, who orchestrated the frame-up of LaRouche in 1984-88, first from Boston, and then as head of the Justice Department’s Criminal Division; and Joseph diGenova. WLF’s National Board of Advisors includes Senators Jesse Helms, Fred Thompson, and Orrin Hatch, and Reps. Dan Burton, Bob Barr, Robert Livingston, Chris Cox, Henry Hyde — and indeed, much of the Congressional Republican leadership.

Olson is also on the legal advisory committee of an offshoot of the WLF called the **Center for Individual Rights**, whose major funders are the intelligence agency-linked “four sisters”: the Smith-Richardson, Carthage (Scaife), Lynde and Harry Bradley, and John M. Olin Foundations.

Additionally, Starr and Olson are activists in the **Federalist Society**, an organization of “conservative” lawyers and businessmen which especially targets law students for recruitment; Starr’s and Olson’s law firms are significant financial supporters of the society, along with the John M. Olin Foundation and others. The Federalist Society was founded in 1982 under the guidance of now-Supreme Court associate justice Antonin Scalia. Olson chairs the Washington, D.C. chapter; Starr has been a regular speaker at Federalist Society events, and is closely associated with appeals court judge David Sentelle in that organization. It was Sentelle who headed the three-judge panel which fired the first Whitewater independent counsel and replaced him with Starr in August 1994.

The national co-chairmen of the Federalist Society are Bork (a regular at the Olson Salon) and Sen. Orrin Hatch, chairman of the Senate Judiciary Committee. Also on the Board of Trustees are former White House Counsel C. Boyden Gray, former Attorney General Edwin Meese (who presided over the secretive Council for National Policy for four years), and CNP members Holland Coors and Donald Hodel (now also head of the Christian Coalition).

Get LaRouche, Get Clinton

LaRouche recently concluded that the operation being run against Clinton is the same one that was used against him. "This is a group of people who meet weekly, or approximately weekly, in a 'Get Clinton' operation, who are evidently steering and coordinating the attack on the President, and running Kenneth Starr's operation as a subsidiary operation," LaRouche said in a March 4 radio interview with "EIR Talks." "This is being run as a foreign intelligence operation, in style, under Executive Order 12333, a foreign intelligence operation targetting our own President! That's what the facts show is a pattern. In other words, you can't do what's being done, legally, except in this quasi-legal covert operations provision of Executive Order 12333 and other things, and the guy who wrote that thing, or drafted it, is a part of the same ambience that's running this style of operation."

LaRouche said that whether it's being run formally under E.O. 12333 or not, "is not crucial, because it's a 12333-style operation. . . . If it is legal, or quasi-legal, it is run under that Executive Order, which is a foreign intelligence operation *against our President, directed, overall, from London!*"

"Now, this is pretty close to high treason," LaRouche declared.

Noting that Olson is also running the operation in the Paula Jones case, LaRouche said that this means that Starr's Office of Independent Counsel is "being run under the management of an extra-governmental agency, operating in a mode which corresponds only to a secret foreign intelligence operation, under provisions of 12333. And these are the guys who managed, with Olson's help, managed the appeal to the Supreme Court from the Paula Jones lawyers, to go ahead with this case against the President, while he's sitting in office."

Adding into this mix another British asset, "a crazy man, but with more money than is good for his mental health—Richard Mellon Scaife," and then, "the usual CIA-type foundations, which were used against me," such as the Smith Richardson Foundation, the Bradley and Olin Foundations, he said. LaRouche then summed it up: "These are all the same groups I was up against, in the 1980s, the same groups that framed me up, and pulled all these phony charges against me. And, the same crowd is going after the President."

The Chinagate connection

As noted above, the "predicate," in legal terms, for the 12333 operation against LaRouche was a phony allegation

that LaRouche had some sort of Soviet connection; this allegation was circulated through certain factions of the U.S. intelligence community, and into the Reagan-Bush National Security Council, particularly among the above-mentioned Walter Raymond, and Roy Godson—an NSC consultant who personally participated in the Train salon meetings. In fact, one participant in the Train meetings reported that Train himself insisted that LaRouche and his organization be characterized as "KGB."

In the case of the current operation being run against President Clinton, the corresponding allegation would likely be that Clinton allowed Chinese espionage to go on in his administration, in return for campaign contributions. Such charges—and worse—are being widely circulated in sections of the FBI and DOJ, and in private circles which overlap the Olson-Starr network.

Who is Theodore Olson?

Theodore B. Olson is the key link between independent counsel Kenneth Starr, and a circle of right-wing present and former Justice Department lawyers and legal activists. He is reported to have played the central role in recruiting career prosecutors to Starr's staff—which is now composed of about 18 lawyers.

Upon receiving his law degree in 1965 from the University of California at Berkeley, he immediately joined the Los Angeles law firm of Gibson, Dunn & Crutcher. Olson came to the Justice Department with his law partners William French Smith and Kenneth Starr in 1981, and has stayed in Washington ever since, as head of the Gibson firm's Washington office.

Olson represented Ronald Reagan during the investigation of the Iran-Contra affair in dealings with independent counsel Lawrence Walsh, and he successfully opposed subpoenas for Reagan to testify at the Iran-Contra trials of Oliver North and John Poindexter.

Olson is an activist in the network of right-wing "public interest" law firms funded by Richard Mellon Scaife, the Smith-Richardson Foundation, etc. He is also a leading member of the Federalist Society, the "conservative" alternative to the American Bar Association, in which Starr is also active.

Some of those whom Olson has represented include:

- convicted Israeli spy Jonathan Pollard, during Pollard's appeal of his 1987 conviction;
- students challenging affirmative action in Texas law schools, in a suit sponsored by Center for Individual Rights;

This reporter had occasion to sit in on a briefing given about a year ago, by a private investigator who is working with Rep. Dan Burton's congressional committee investigating "China-gate"—the committee for which Theodore Olson's wife Barbara also works. A few weeks prior to that meeting, the investigator, Neal Hogan, charged on NET Television that Clinton is responsible for treason in his administration. "Let's be honest," Hogan said. "Charlie Trie and John Huang have committed treason. And they are responsible to the President. Therefore, the President is responsible for this treason."

"The evidence is there!" Hogan proclaimed. "We've got the evidence just in the DNC financing reports. . . . We know that John Huang attended 39 security briefings. We know that John Huang was given a security classification even before he became a government employee. We know that Charlie Trie was given a security clearance and allowed to wander

around the White House at will despite the fact that he's still a Chinese national, has a home in Beijing, and a restaurant in Beijing." Hogan, a CNP member, is also the head of the Washington, D.C. chapter of the Christian Coalition. In addition to working for Congressional Republicans, Hogan also works closely with a group of renegade FBI agents; Hogan has described himself as a friend of former FBI agent Gary Aldrich (who is also a friend of Linda Tripp), and Hogan said that he and his wife have been among the recipients of leaks from FBI agents and Justice Department officials which began immediately after the November 1996 elections. Hogan stated that the allegations being passed around within U.S. law enforcement agencies are that Clinton has put the lives of longtime U.S. intelligence agents in danger because of leaks of sensitive intelligence information through John Huang and other Chinese agents.

- Virginia Military Institute, defending its all-male enrollment policy;
- former State Department official Steven Berry, after Berry was accused of leaking information from Bill Clinton's passport file to Republicans before the 1992 elections;
- the *American Spectator* magazine; and
- David Hale, Starr's key witness in Little Rock, in connection with a subpoena to Hale from the Senate Whitewater Committee in 1995.

The 'independent counsel network'

That Olson should be running Starr's pursuit of President Clinton is no accident. Olson is an important figure in the "institutional" independent counsel network, according to a former Justice Department prosecutor. Having had the independent counsel law used against himself—in an investigation triggered by Democrats in Congress—Olson no doubt believes that now, it is "payback" time.

In 1986, an independent counsel was appointed to investigate Olson, after a report by the House Judiciary Committee, chaired by Peter Rodino (D-N.J.), found that Olson had given "false and misleading testimony" to Congress concerning the Reagan administration's withholding of Environmental Protection Agency (EPA) documents involving the "Superfund" program. Olson declared, at the time, that the independent counsel statute "can work in unpleasant and unfair ways."

Olson challenged the constitutionality of the independent counsel statute, in the well-known case *Olson v. Morrison*. Olson's lawyer Thomas Martin told the Court of Appeals: "No less than any monarch, this independent counsel is able to act without any accountability to the people." His lawyer argued that the independent counsel

law imposes "a dual standard of justice. It picks out a group of people and says, 'For you, different justice.'"

The appellate panel, headed by Lawrence Silberman, ruled the statute unconstitutional on Jan. 22, 1988. Morrison appealed to the Supreme Court, which upheld the statute on June 29, 1988. The sole dissenter was Antonin Scalia, who took the unusual step of reading his dissent aloud from the bench.

On Aug. 26, 1988, independent counsel Alexis Morrison announced that she would not bring criminal charges against Olson. After Morrison released her report on March 20, 1989, Olson complained that the investigation was "an extremely difficult burden to undergo, particularly for such a long time. The cost of that emotionally, financially and psychologically is enormous."

Last summer, Olson was a participant on a panel on "The Independent Counsel Process," at the Judicial Conference of the Fourth Circuit U.S. Court of Appeals, in Homestead, Virginia. In his remarks, Olson was highly critical of the independent counsel statute, quoting extensively from Scalia's 1988 dissenting opinion in *Morrison v. Olson*.

In that dissent, Scalia had declared, as quoted by Olson: "I fear the Court has permanently encumbered the Republic with an institution that will do it great harm."

Another Scalia quotation used by Olson was the following: "How frightening it must be to have your own independent counsel and staff appointed, with nothing else to do but to investigate you until investigation is no longer worthwhile."

Knowing what we now know about Olson's role in steering Starr's witch-hunt against President Clinton and the President's associates, that statement sounds more like a boast than a complaint.—*Edward Spannaus*

Tufts study shows, state welfare reform policies are failing

by Marianna Wertz

A study released Feb. 23 by Tufts University's Center on Hunger and Poverty, finds that the large majority of state programs adopted under the 1996 Federal welfare reform, are failing to improve the economic well-being of welfare recipients, and in many cases, have worsened their standards of living. This is the first comprehensive study of the effect

of the welfare laws that have been adopted since the passage of the Personal Responsibility and Work Reconciliation Act (PRWORA). It underscores the accuracy of the warnings, from civil rights advocates, labor union and political leaders, including Lyndon LaRouche, who strongly opposed President Clinton's signing of this legislation, and who warned of its harmful consequences.

The study, "Are States Improving the Lives of Poor Families? A Scale Measure of State Welfare Policies," states that, in passing PRWORA, both the President and Congress (Republican and Democratic members), held that their proposed welfare changes "were a prescription to improve the economic well-being of poor Americans on public assistance. While many proponents stressed the need for tough medicine to motivate people to work, and many others spoke of the need for greater job opportunity and decent pay, virtually all who voted for this historic policy change trumpeted it as a vehicle to improve the financial conditions for poor families."

Taking PRWORA's proponents at their word, the study measured whether the states, on 34 key decision points, have adopted policies which will increase or decrease family economic security. Their overall finding is that more than two-thirds of the states are in fact now "disinvesting in the poor," instead of helping them to improve their lives.

The importance of the study is not just this finding, however. LaRouche and others (including Peter B. Edelman, who quit the Clinton administration over the issue and contributed to this study) had already publicly warned that the intention of the Gingrichites who rammed through PRWORA was to implement a fascist-style labor recycling policy. Its importance, rather, is that it comes from an academic institution with some standing among people who care about such things, and it will therefore lend weight to the fight which is already going on around the nation, to stop these Nazi policies, before thousands of people begin dying on our city streets.

What the study found

The accompanying table indicates the scores of the 50 states, relative to the 34 key decision points—the "Tufts Scale"—which formed the basis of the study. The study com-

TABLE 1

Most states fail to improve economic security under welfare reform block grants

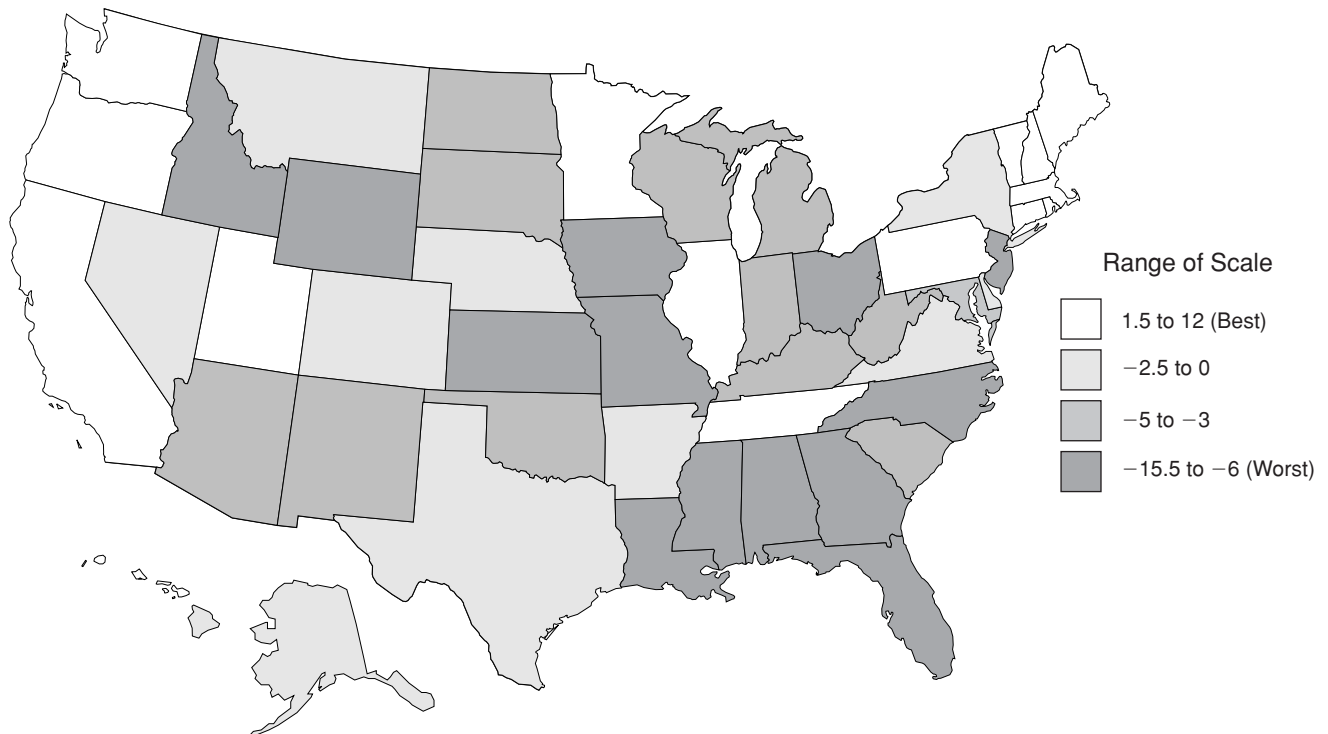
(Tufts Scale Score)

State	Rank	Score	State	Rank	Score
Vermont	1	7.0	Michigan	27	-5.5
Oregon	2	4.5	Iowa	27	-5.5
New Hampshire	3	1.5	Oklahoma	29	-6.0
Massachusetts	4	1.0	Ohio	29	-6.0
Washington	5	0.5	New Mexico	29	-6.0
Rhode Island	5	0.5	Nebraska	29	-6.0
Maine	5	0.5	North Dakota	29	-6.0
Connecticut	5	0.5	Kentucky	29	-6.0
Pennsylvania	9	0.0	Hawaii	29	-6.0
Utah	10	-0.5	Arizona	29	-6.0
Minnesota	11	-1.0	South Dakota	37	-7.0
Illinois	11	-1.0	Indiana	37	-7.0
California	11	-1.0	Wisconsin	39	-8.0
Tennessee	14	-1.5	Missouri	39	-8.0
Texas	15	-2.5	New Jersey	40	-8.5
New York	15	-2.5	Louisiana	40	-8.5
Delaware	15	-2.5	Florida	43	-9.0
Montana	18	-3.0	North Carolina	44	-9.5
Virginia	19	-3.5	Alabama	45	-10.0
West Virginia	20	-4.0	Wyoming	46	-11.0
Arkansas	20	-4.0	Kansas	46	-11.0
Colorado	22	-4.5	District of Columbia	46	-11.0
South Carolina	23	-5.0	Georgia	49	-11.5
Nevada	23	-5.0	Mississippi	50	-13.0
Maryland	23	-5.0	Idaho	51	-15.5
Alaska	23	-5.0			

Source: Tufts University Center on Hunger and Poverty, February 1998.

FIGURE 1

Changes in state welfare policies: impact on family economic security



pared each state’s welfare program in effect on Oct. 1, 1997, with its previous welfare program, with respect to specific provisions affecting economic security of poor families with children. Comparisons are quantified by “change” or “difference” scores, indicating change in the provision from a state’s old welfare program to its new one.

The 34 key decision points are grouped into the following categories in the Tufts Scale:

- Benefit levels and eligibility
- Time limits for receipt of benefits
- Work requirements and related sanctions
- Assistance in obtaining work
- Income and asset enhancement
- Availability of subsidized child care
- Special provisions for legal immigrant families

The study found that 42 states have adopted policies under PRWORA’s Temporary Assistance for Needy Families (TANF) Block Grants, that are likely to worsen the economic security of poor families. Eight states (Vermont, Oregon, New Hampshire, Massachusetts, Washington, Rhode Island, Maine and Connecticut) have implemented policies that are likely to improve poor families’ economic security.

The one area which improved in all states, except Wyoming, was child care. This reflects the fact that politicians

who say they are “pro-family” can’t easily force mothers of small children (12 weeks old in the case of Wisconsin) out to work without providing some care. However, the reality is that most such programs are underfunded and poorly staffed, and a very poor substitute for a mother’s care.

Perhaps one of the best measures of the hypocrisy which surrounded the 1996 Congressional debate over welfare reform, is indicated by the results of the law’s implementation in those states whose Congressmen and state officials fought hardest for “states rights” with respect to welfare laws. The leaders of California, Maryland, Michigan, New Jersey, Ohio, and Wisconsin, were particularly active, according to the report, in efforts to obtain greater state prerogatives. All of these states, except California, are now doing worse than their peers in terms of promoting the economic security of recipient families. Ohio and New Jersey scored among the worst in the nation. While California scored among the top 14 states, several of its newer, more draconian policies, were not implemented until after the October 1997 cutoff date of the study.

The majority of states are “failing and failing badly,” according to the Tufts study. Perhaps more people will now listen to the warnings of LaRouche and other leaders, before our nation takes more steps down this path to hell.

Campaign finance reform fails again

The McCain-Feingold campaign finance reform bill failed to get the needed 60 votes in the Senate to break a filibuster, for the second time in the 105th Congress. The first time, last fall, the bill succumbed because of a "poison pill" amendment by Majority Leader Trent Lott (R-Miss.), the so-called Paycheck Protection Act, which Democrats could not accept and Republican supporters of the bill knew would kill it.

The bill seeks to limit "soft money" spent on political campaigns, and to restrict issue advocacy by independent groups during an election campaign. Most Republicans oppose the bill.

This time around, Lott brought to the floor the Paycheck Protection Act as the underlying bill, which would outlaw political spending by labor unions derived from mandatory dues unless union members gave specific written permission, and the McCain-Feingold bill was brought in as a substitute amendment. Lott then used the same parliamentary maneuver as the first time around, "filling up the amendment tree" to prevent debate and force a Democratic filibuster in order to kill the McCain-Feingold bill for good.

Supporters of reform were not discouraged, however. After the bill died on Feb. 26, John McCain (R-Ariz.) vowed, "We'll continue to work. We'll try to continue to persuade eight of our colleagues, because that's the number we're short of 60 votes."

On a more useful front, Joe Lieberman (D-Conn.) introduced a separate bill on Feb. 23, which he had wanted to add to the McCain-Feingold bill as an amendment, to place limits on political activity by tax-exempt organizations. Lieberman singled out Americans for Tax Reform, a neo-conservative anti-tax group led by Grover Norquist, which is close to

House Speaker Newt Gingrich (R-Ga.). "If independent organizations such as this are excused by the law from paying taxes because they're supposed to be serving non-partisan public interests," he said, "they should not be working cooperatively in campaigns with political parties that are inherently and clearly partisan."

Paxon retirement leaves GOP rebels in disarray

Just as it appeared that he was on the verge of announcing a campaign to unseat House Majority Leader Dick Armey (R-Tex.), Bill Paxon (R-N.Y.) instead announced on Feb. 25 that he would be retiring from Congress at the end of the current session. He said he would never again run for public office. Paxon's announcement set off a scramble by the dissident grouping led by Lindsay Graham (R-S.C.) to find another candidate to take on Armey.

As late as Feb. 20, Paxon reportedly was working the phones in order to generate support for his bid against Armey. The Majority Leader post would be a stepping stone to the Speaker's chair if Speaker Newt Gingrich (R-Ga.) steps down in 1999 to run for President in 2000.

Further complicating the picture, Appropriations Committee Chairman Bob Livingston (R-La.), who had been planning to retire, reversed himself on Feb. 19. Gingrich had reportedly encouraged Livingston to consider running for Speaker, but after Paxon's announcement, Livingston said that he would not run against Armey. Also ruling out a run against Armey was Majority Whip Tom Delay (R-Tex.).

Paxon told a Republican Conference meeting that he had decided to retire after contemplating the effects on his family life of serving in the

House leadership for six to eight years. His district is in Buffalo, but his wife, former Rep. Susan Molinari (R-N.Y.), and daughter live in Staten Island. However, Jim Nussle (R-Iowa) told *Roll Call* that the real reason Paxon decided not to run against Armey, was because of what he learned from his phone calls. "He was smart enough to find out he did not have enough support before running," Nussle said.

Medical use of marijuana faces House condemnation

The House Judiciary Committee Subcommittee on Crime passed out to the full committee on Feb. 25, a resolution condemning the so-called medical use of marijuana. The resolution, sponsored by subcommittee chairman Bill McCollum (R-Fla.), states that the House is "unequivocally opposed to legalizing marijuana for medicinal use, and urges the defeat of state initiatives which would seek to legalize marijuana for medicinal use." The resolution is intended to be the Congress's reply to the referendums in Arizona and California in 1996 that legalized medical use of marijuana and other illegal narcotics.

McCollum said during the subcommittee markup that lifting the ban on marijuana would send the public the wrong message about drug abuse. If such initiatives were allowed to stand, youth would be asking, "How harmful could it be?" "I'm of the view," he said, "that the future prospects of our young people is too important a matter for ambivalence. . . . As an elected body, we must speak out."

Opposition to the resolution was led by John Conyers (D-Mich.) and Barney Frank (D-Mass.); the latter is sponsoring his own bill to legalize medical use of marijuana.

Ironically, in 1981 and again in 1983, McCollum co-sponsored a bill to establish an office within the Department of Health and Human Services to regulate the production and distribution of marijuana for medical and research purposes. Newt Gingrich (R-Ga.) was a co-sponsor of the 1981 legislation.

Senate resumes work on transportation bill

On Feb. 26, the Senate resumed work on the Intermodal Surface Transportation Efficiency Act re-authorization, popularly known as ISTEA II. The six-month extension of the original 1991 ISTEA, passed last fall, expires on April 30.

The Senate bill provides \$145 billion over six years for surface transportation, and includes such features as expanding the state infrastructure bank program, more funding for transportation technology research, changes to the funding allocation formulas to guarantee states at least 90% of the Federal funds that they contribute to the highway trust fund, and \$700 million per year in transportation safety programs. The bill also makes environmentalists happy, with increased funding for bicycle paths and wetlands restoration.

However, there's still a lot of work to do on the bill before final passage. Environment and Public Works Committee Chairman John Chafee (R-R.I.) reported that some 200 amendments had been filed, not including funding and financing matters which are to be worked out "between the participants in that matter," he said. In addition, reconciliation with the House is likely to be difficult, because the House version of the bill is much larger and very different.

Clinton certification of Mexico criticized

On Feb. 26, the Western Hemisphere Subcommittee of the Senate Foreign Relations Committee held a hearing to examine the process for certifying countries as cooperating with the United States in fighting drug trafficking. Subcommittee Chairman Paul Coverdell (R-Ga.) set the tone of the hearing, with his criticism of the recent Clinton administration decision to certify Mexico as a cooperating country.

Coverdell said that the situation in Mexico with respect to the activities of the Mexican drug cartels is little changed from a year ago, when the certification of Mexico sparked a campaign to destabilize the Mexican government. "I do not put the full measure of blame for this situation on the Mexican government," he said. "Our own administration has failed to treat our relationship with Mexico with the level of respect it deserves." Diane Feinstein (D-Calif.) chimed in, saying, "The decision to certify Mexico is incorrect. While we should give credit to Mexico for the limited progress it has made, there remain gaping holes in its counter-narcotics effort."

In fact, such criticisms are designed to undermine ongoing anti-drug collaboration between the Clinton and Zedillo governments, and to destabilize Mexico.

Drug Enforcement Administration head Thomas Constantine, who was the subcommittee's only witness, confirmed that the Mexican cartels are stronger than a year ago "because of the growth of methamphetamine as a drug of choice," and because "the heroin from Mexico" is now almost as pure as Colombian heroin. He said that the reason there is no intelligence sharing from Mexican authorities to U.S. authorities, is that the "civilian law enforcement institutions have become so

overpowered by these trafficking organizations. . . . All you need is two or three corrupt officers to tell the traffickers that information [which] is dangerous to you: 'Change your route of travel.' "

Democrats complain of do-nothing Congress

As they did at this time last year, House and Senate Democrats are complaining that the GOP leadership is holding up work on important bills in order to satisfy moneyed special interests. Not only did Democrats in both Houses complain about the death of the campaign finance reform bill in the Senate, but they've also been complaining about other bills being high-jacked as well, especially managed health care reform.

On Feb. 25 and 26, several House Democrats called on Speaker Newt Gingrich (R-Ga.) to schedule the managed care reform bill for floor debate. Frank Pallone (D-N.J.) said that the reason the GOP doesn't want to take the bill up, is that "they are aligned with the special interests, who are spending a million dollars to kill managed care reform because they know what tremendous support the issue has with the American people."

Further, the 1998 schedule contains only 89 legislative days, according to *Roll Call*, the fewest since 1956 (when there were 119). With an agenda that includes the Fiscal Year 1999 budget bill, 13 appropriations bills, NATO expansion, the surface transportation bill, IRS reform, Social Security reform, and numerous others, the work on most of which has barely begun, there is doubt as to whether the Congress can finish its 1998 agenda before the adjournment target date of Oct. 9.

National News

Foxhound masters protest hunt ban in Britain

Anglophile Hunt Country oligarchs have sounded an alarm against plans to ban fox-hunting in Great Britain, and to rally support for their English brothers in the Countryside Conservancy Movement. A press release from the Masters of Foxhounds Association of America, based in northern Virginia's wealthy Hunt Country, averred that the ban would "take away an estimated 14,000 jobs, bankrupt numerous businesses and make some 20,000 horses and 60,000 hounds useless."

The Masters of Foxhounds Association of America describes itself as "the governing body of organized fox, coyote and drag hunting in the United States of America and Canada. It represents 177 Registered and Recognized packs of hounds. Among its activities are . . . the publication of a *Foxhound Stud Book*."

Clinton launches three health care initiatives

President Clinton announced three initiatives in late February to improve health care for all Federally covered individuals (which includes one-third of all Americans), for uninsured children under five, and for minorities, who disproportionately suffer high rates of diabetes, heart disease, hypertension, infant mortality, and cancer fatalities.

The first initiative, the Patient's Bill of Rights, protects 90 million people whose health care coverage stems from Federal programs, including Medicare, disability, Federal employees, military, etc. Designed to protect against corner-cutting by managed care outfits, the rights include: the right to know all medical options, not just the cheapest; the right to choose a specialist; the right to emergency room care wherever, whenever it is needed; the right to keep medical records confidential; and, the right to bring a formal grievance or appeal of a health care decision. With this, Clinton announced, we

are setting a standard for the nation; he called on Congress to pass similar legislation to protect all Americans.

On Feb. 19, the President announced new initiatives for uninsured children of the working poor. Last year's balanced budget agreement includes a Congressional commitment for \$24 billion over five years to provide health insurance to 5-10 million uninsured children, 3 million of whom are already eligible for Medicaid. Some of the funds will help 40 states expand their Medicaid programs, such as South Carolina's, which covers children of families with incomes at 150% of the poverty level.

The third proposal, announced on Feb. 21, is a \$400 million plan to improve health care among minorities through existing Federal programs, new public outreach initiatives, and foundation-supported efforts. It is the first time the Federal government has set national health goals.

Six states try to wriggle out of Social Security

Six states are considering various forms of a resolution cooked up by the Conservative Revolution's American Legislative Exchange Council, that would allow states to "opt out" of Social Security. A representative from the National Committee to Preserve Social Security and Medicare, the second-largest senior organization, founded in 1982, told *EIR* on March 3, that several state legislatures are now considering ALEC's "model resolution." A resolution has already passed House and Senate committees in Arizona, where millions of retirees live, and one has already passed in the Oregon legislature, where seniors are also confronted with the "right to die," should they become too old and sick.

Similar resolutions are pending in New Hampshire, Indiana, Washington, and South Carolina. The source at the National Committee said that they have introduced a counter-resolution in Indiana, and are urging their 5.5 million members to help defeat these resolutions in every state where they pop up.

Meanwhile, the January-February publications of both the United Auto Workers and

the United Steel Workers have published an article by Fred J. Solowey, hitting the British model for Social Security privatization. He states, "Poverty is deep and growing for British seniors. . . . Thatcher combined her attacks on Social Security with wholesale privatization of state-owned enterprises." People he spoke with in Britain doubted that Labour Prime Minister Tony Blair would reverse the damage Tory Thatcher had done.

Islamic Saudi Academy approved in Virginia

By a 7-2 vote on March 4, the Board of Supervisors in Virginia's Loudoun County rejected an anti-Islamic hate campaign that used propaganda from the British intelligence front Christian Solidarity International (CSI); the Board approved a zoning application that will allow the construction of an Islamic Saudi Academy in the county, a Washington suburb.

The climate of hate and fear created by opponents of the project was countered by LaRouche Democrat Nancy Spannaus, who is campaigning for the Congressional seat of CSI-backer Rep. Frank Wolf (R), and by the local newspaper *EIR News for Loudoun County*, which pointed out that the enemies of the Academy represented a "new KKK," and located their efforts as part of a mobilization for a British-inspired war in the Mideast.

The ringleader in the hate campaign, Rev. James Ahlemann, has threatened to lead civil disobedience against the school's construction.

Union fights to protect welfare workers' rights

The American Federation of State, County, and Municipal Employees won a partial victory on behalf of 54 fired workers at Coney Island Hospital in New York in mid-February. Many of the employees had been on workfare. They had been brought in for about six months, to help the hospital clean up for its annual inspection, and had been

THE ENERGY DEPT. announced that it would support six new projects through its Superconductivity Partnership Initiative. Use of superconducting materials in electricity transmission would save up to half of the 8% of power that is lost in delivery, and would increase electrical reliability.

MICHAEL MILKEN, the convicted junk-bond king for Drexel Burnham Lambert, got a slap on the wrist for violating his parole condition that permanently bans him from engaging in the securities business. He agreed on Feb. 26 to pay \$47 million, to settle allegations by the Securities and Exchange Commission that he violated that ban in two separate deals. In 1990, before going to jail, Milken's nest egg was still \$500 million, even after paying \$1.1 billion in fines.

ABRAHAM LINCOLN frequently used the Presidential pardon for capital offenders, including those sentenced by courtmartial in time of war, according to newly discovered papers in the U.S. National Archives. The most recent of his pardons was granted on April 14, 1865, the day he was assassinated by an agent of the British-run Confederacy.

THE REPUBLICAN Party claimed the high moral road against the Clinton administration, holding its leadership conference of 1,600 at a gambling casino in Biloxi, Mississippi, on Feb. 28. Dropping the pretense of wooing African-American voters away from the Democrats, the onetime party of Lincoln catered a reception at the home of Jefferson Davis, president of the Confederacy.

DR. JACK KEVORKIAN'S latest "assisted suicide," has been ruled homicide. On Feb. 28, "Dr. Death" dispatched a 21-year-old quadriplegic student, who was despondent over his disability. The county medical examiner found that Roosevelt Dawson had been injected with barbiturates and that his ventilator had been turned off, neither of which he could have done himself.

told they would have a "real" job if they performed their tasks well, AFSCME Local 420 President James Butler told the weekly newspaper *New Federalist* on Feb. 26. "After the hospital passed inspection with flying colors," Butler said, they were abruptly laid off just after Thanksgiving.

"We in the union see this as unfair to the workers. They were dedicated workers. . . . They [management] double-crossed them, put them out on the street." After an all-night vigil and a morning rally in front of the hospital on Feb. 19, Butler said, "We took it to City Hall, to the deputy mayor's office. We presented it to him, saying that the hospital needs the workers, or the hospital . . . will not pass inspection again. . . . They're bringing 16 of the workers back." Butler said, "that's a victory, but we will continue to fight."

In New York City, he said, management is "back-filling jobs with workfare workers," i.e., rather than fill newly vacant positions by hiring full-time employees, the city is hiring workfare enrollees, who work for the amount of their welfare check. "We have nothing against workfare workers," Butler said. "We support them 100%. They wear the same uniform as the real workers, their nameplates are there, but they don't make the same money, they don't get benefits, they don't have union rights."

U.S.-Iranian relations, exchanges are improving

On Feb. 26, State Department spokesman James Rubin remarked that the United States encourages "people-to-people exchanges" between Americans and Iranians, a statement that received favorable press in Iran. The recent participation of U.S. wrestlers in an international tournament in Teheran was one example of the kind of contacts the Iranians welcome, in the slow, incremental process of reconciliation with the United States. Another example, cited by international wire services, is that numerous Iranian academics living in the United States have been travelling to Iran to participate in seminars and conferences.

Also encouraging were the remarks made by Secretary of State Madeleine Al-

bright, during the press conference announcing which countries had been denied certification for aid to fight the drug trade. Although Iran was denied certification, Albright held out the promise that, "the trend is encouraging. Counter-narcotics efforts are showing vigor, and the threat posed by the transshipment of drugs is being taken more seriously. Although we are unable to certify now, because we lack hard data to verify the extent of related progress, we are seeking more information and will respond appropriately to real improvements."

Oregon tells poor, disabled: 'Drop dead'

On Feb. 26, Oregon's Health Services Commission voted 10-1 to use state tax funds to pay for "physician-assisted suicide" for the state's 270,000 low-income residents who cannot afford medical care. Last year, Oregon voters passed a Death with Dignity Act, allowing doctors to prescribe lethal doses of drugs for "terminally ill" patients who allegedly request assisted suicide.

When the health commission formulated the nation's first health care rationing in 1988, the plan disallowed costly procedures for indigent patients who had only a few years left to live. Because the Oregon Health Plan, the state version of Medicaid, provides coverage for families at or below 100% of the poverty level, the commission concluded, as member Ellen Lowe put it, that "the most discriminatory thing would be not to give this choice [euthanasia] to the poor." Under the rationing conditions, being ill and indigent could constitute a "terminal" condition. As Dr. Gregory Hamilton, president of Physicians for Compassionate Care, told *EIR*, "To fund assisted suicide in a rationed health care plan for these people puts them at great jeopardy for suicide."

Moreover, the Oregon Health Division, which is charged with monitoring assisted suicides, has banned any public scrutiny of any aspect of an assisted suicide, creating a conflict of interest. Since the Health Division also manages the state's health plan, it has a financial interest in lowering health care costs by denying treatment to the poor.

Return to the Machine-Tool Principle

New Delhi correspondent Ramtanu Maitra's report, in this issue, draws attention to the tragic paradox facing industrial entrepreneurs today: Although India's machine-tool manufacturers represent the leading edge of their nation's productive capacity, and although they produce a commodity that is desperately needed for global development, yet they are unable to find customers for their products.

How could this be?

Just look at the rest of Asia, excepting China. The nations of Southeast Asia and Japan are crumbling. Despite the enormous sums of money which have been pumped into those countries since last fall, and into the financial markets of Europe and the United States, the underlying problems have not been addressed, and the situation is now ripe for a new explosion.

"It's blowing up," said Lyndon H. LaRouche, Jr., in an interview with "EIR Talks" on March 4. "And we're headed, toward the second half of March, at the latest, we're expecting some real major earthquake rumblings, and perhaps an earthquake then, or shortly thereafter. When that hits, the pressure, the blows against the U.S. and European financial markets, are going to be *horrifying*. So, people who think they're going to make money on the rise of the stock market, are going to find themselves up in a balloon, with no balloon carriage, at about 70,000 feet, trying to breathe."

For India, Japan, or any other nation, the linchpin of global survival must be a strategic agreement between the United States and China. Washington and Beijing must organize a New Bretton Woods System, to put the world financial system through bankruptcy proceedings, and erect a new one in its place, with fixed exchange rates to protect national economies, and with national banking, Alexander Hamilton-style, instead of British-dominated central banking.

That is only the first step, however. With the financial system on a sound footing, the real work of building the economy begins. The key is located in what LaRouche has called the Machine-Tool Principle: In the strategic machine-tool sector, scientists and engineers

transform discoveries of scientific principles into machine-tool designs, which are applied to bring the economy to a higher level. Without such a strategic machine-tool design sector, without a return to Classical forms of education, without fostering the state's role in building infrastructure, no nation can escape the collapse of the physical economy which is evident in almost every part of the world today.

From this standpoint, look at China's ambitious program for the Eurasian Land-Bridge. During the past year, significant progress has been made in expanding the development effort along this "New Silk Road," including such strategically important successes as the completion in December of a natural gas pipeline from the Central Asian republic of Turkmenistan to Iran. Recent diplomacy between China and Russia is also promising, in this regard.

But such progress has occurred without significant input from the United States, Europe, and Japan; they have been too busy making a fast buck in real estate or financial derivatives or the stock market, to bother about developing infrastructure, industry, and science.

If Japan continues on its present course, its banking system could disintegrate before the end of this year. If that happens, Japan will dump its U.S. securities; that, in turn, could detonate an explosion of the derivatives bubble, and the whole international system could vaporize, virtually overnight.

Therefore, it is urgent that Japan stop the monetarist nonsense, and focus on its industrial machine-tool capability, its real economic strength. A nation without significant natural resources, it depends upon imports to survive; it must therefore export high-technology, machine-tool-grade goods. The great market for that is China and the Eurasian Land-Bridge.

The Land-Bridge, approached from the scientific vantage-point embodied in LaRouche's Machine-Tool Principle, holds the key to the economic future, not only for Japan, India, and the rest of Asia, but for the entire world. Will policymakers draw the appropriate conclusions, before it is too late?

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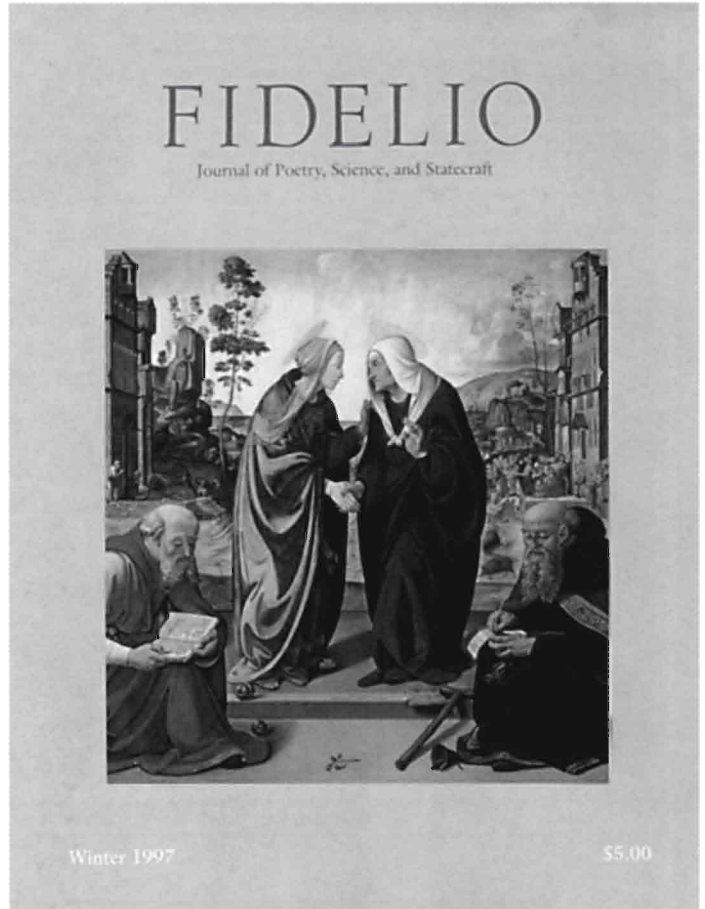
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