

EIR

Executive Intelligence Review

May 8, 1998 Vol. 25 No. 19

\$10.00

Follow Peru's strategy to defeat narcoterrorism
Why London is worried about the Caspian Sea
Milosevic steers the Balkans toward a new war

**Exposed! The anti-German
plot behind the 'euro'**



The cults of 'political correctness,' the world of make believe into which the frightened '68'ers had fled, are no longer the unchallenged wave of the future. The back-to-reality cultural paradigm-shift, is the changed political opportunity to which wise statesmen will hitch the destiny of their nations.

—LYNDON H. LAROCHE, JR.
March 5, 1998

Get back to reality.

Plato: Complete Works,
Hackett, hardcover, \$42.50

St. Augustine:
The City of God, *Random House, hardcover, \$21.00*

Peter Abelard: Ethical Writings, *Hackett, paperback \$9.95*

Nicolaus of Cusa: On Learned Ignorance,
Banning, paperback, \$10.00

Dante: The Divine Comedy,
trans. Allen Mandelbaum, Random House, hardcover, \$23.00

Thomas More: Utopia, *W.W. Norton, paperback, \$8.25*

Johannes Kepler: The Harmony of the World,
American Philosophical Society, hardcover, \$60.00

Erasmus: The Education of a Christian Prince,
Cambridge U.P., paperback, \$9.95

William Shakespeare: The Complete Works, *Random House, hardcover, \$18.99*

G.W. Leibniz: Philosophical Essays, *Hackett, paperback, \$12.95*

Jonathan Swift: Gulliver's Travels, *Penguin, paperback, \$6.95*

Percy Bysshe Shelley: Political Writings,
Harlan Davidson, paperback, \$1.95

Friedrich Schiller, Poet of Freedom, Vol. II, incl. Wilhelm Tell, Schiller Institute, *paperback, \$15.00*

Benjamin Franklin: The Autobiography and Other Writings, *Penguin, paperback, \$6.95*

The Political Economy of the American Revolution,
incl. Leibniz, Franklin, Paine, Washington, Hamilton, EIR, *paperback, \$15.00*

Friedrich List: Outlines of American Political Economy, *Böttiger, paperback, \$19.20*

Abraham Lincoln: Selected Speeches and Writings, *Random House, paperback, \$15.00*

Martin Luther King: Testament of Hope (Essential Writings), *Spring Arbor, paperback, \$22.50*

Lyndon H. LaRouche, Jr.: So, You Wish To Learn All About Economics? A Textbook in Elementary Mathematical Economics, *EIR, paperback, \$10.00*

Basic Books of the LaRouche Political Movement

Call or write for our free catalogue

Ben Franklin Booksellers

Call Toll-Free: 1(800)453-4108
Northern Virginia: (703)777-3661
FAX: (703)777-8287

Or mail your order to:

Ben Franklin Booksellers

P.O. Box 1707 Leesburg, VA 20177

Make check or money order to:
Ben Franklin Booksellers

****Shipping and handling (U.S.):** \$4.00 for first book
\$.50 each additional book. Additional shipping information available on request. Allow 3-4 weeks for delivery.
Books shipped fourth class mail.

AUTHOR, TITLE (abbrev).

Quantity Price

AUTHOR, TITLE (abbrev).	Quantity	Price

Credit card orders: Please charge my

Mastercard Visa Am. Exp. Discover

Card No. _____ Expires _____

Signature _____

Subtotal

Shipping**

Sales tax

(Va. residents add 4.5%)

Total

Founder and Contributing Editor:

Lyndon H. LaRouche, Jr.

Editorial Board: *Melvin Klenetsky, Lyndon H. LaRouche, Jr., Antony Papert, Gerald Rose, Dennis Small, Edward Spannaus, Nancy Spannaus, Jeffrey Steinberg, William Wertz*

Associate Editor: *Susan Welsh*

Managing Editors: *John Sigerson, Ronald Kokinda*

Science Editor: *Marjorie Mazel Hecht*

Special Projects: *Mark Burdman*

Book Editor: *Katherine Notley*

Advertising Director: *Marsha Freeman*

Circulation Manager: *Stanley Ezrol*

INTELLIGENCE DIRECTORS:

Asia and Africa: *Linda de Hoyos*

Counterintelligence: *Jeffrey Steinberg, Paul Goldstein*

Economics: *Marcia Merry Baker, William Engdahl*

History: *Anton Chaitkin*

Ibero-America: *Robyn Quijano, Dennis Small*

Law: *Edward Spannaus*

Russia and Eastern Europe:

Rachel Douglas, Konstantin George

United States: *Debra Freeman, Suzanne Rose*

INTERNATIONAL BUREAUS:

Bogotá: *José Restrepo*

Bonn: *George Gregory, Rainer Apel*

Buenos Aires: *Gerardo Terán*

Caracas: *David Ramonet*

Copenhagen: *Poul Rasmussen*

Houston: *Harley Schlanger*

Lima: *Sara Maduño*

Mexico City: *Hugo López Ochoa*

Milan: *Leonardo Servadio*

New Delhi: *Susan Maitra*

Paris: *Christine Bierre*

Rio de Janeiro: *Silvia Palacios*

Stockholm: *Michael Ericson*

Washington, D.C.: *William Jones*

Wiesbaden: *Göran Haglund*

EIR (ISSN 0273-6314) is published weekly (51 issues) except for the second week of July, and the last week of December by EIR News Service Inc., 317 Pennsylvania Ave., S.E., 2nd Floor, Washington, DC 20003. (202) 544-7010. For subscriptions: (703) 777-9451.

*World Wide Web site: <http://www.larouchepub.com>
e-mail: eirns@larouchepub.com*

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

In Mexico: EIR, Río Tiber No. 87, 5o piso, Colonia Cuauhtémoc, México, DF, CP 06500. Tel: 208-3016 y 533-26-43.

Japan subscription sales: O.T.O. Research Corporation, Takeuchi Bldg., 1-34-12 Takatanobaba, Shinjuku-Ku, Tokyo 160. Tel: (03) 3208-7821.

Copyright © 1998 EIR News Service. All rights reserved. Reproduction in whole or in part without permission strictly prohibited. Periodicals postage paid at Washington D.C., and at an additional mailing offices.

Domestic subscriptions: 3 months—\$125, 6 months—\$225, 1 year—\$396, Single issue—\$10

Postmaster: Send all address changes to *EIR*, P.O. Box 17390, Washington, D.C. 20041-0390.

From the Associate Editor


On the eve of the European Union's May 2-3 summit meeting in Brussels, at which the final arrangements were supposed to be made for the funerals of the sovereign nation-states of Europe, an explosive development has taken place in Germany, which could have far-reaching strategic significance. Chancellor Helmut Kohl has leaked classified documents from the 1989-90 period, demonstrating that he was forced to agree to join the European Monetary Union, scrapping Germany's currency in favor of a supranationally administered currency, the euro. Kohl admitted that this was "contrary to Germany's interests," but apparently concluded that he had no choice, in order to secure support for reunification from the powers that had defeated Germany in World War II.

The information leaked to Germany's *Der Spiegel* is only part of the story. *EIR* readers know that the push for the euro was not the creation only of France's President Mitterrand, as *Der Spiegel* implies, but rather of a broader anti-German conspiracy that included Maggie Thatcher and her puppy, George Bush. The operative British policy is expressed by the dictum of Britain's Lord Ismay: "keeping the Soviets out, the Americans in, the Germans down, and the Europeans, especially the French, happy." Today, even though Britain is not immediately joining the EMU, the Bank of England is poised to exert control over it, as we document in *Economics*.

The significance of the German leaks is not that the information is new, but that the Germans might, even at this late hour, overturn the British chessboard. On the eve of the EU summit, and with President Clinton due to arrive in Germany shortly, that could create the kind of shock that would extricate world leaders from British oligarchical control.

Otherwise in this issue, we feature a report on why Peru is succeeding, and Colombia failing, in the war against narco-terrorism. This matter is currently on the agenda of the U.S. administration and Congress, and our report should receive wide circulation.

We are also pleased to publish a guest commentary by a distinguished Chinese scholar, Prof. Y and Shu, who provides an extremely thorough picture of the background to the current dispute over the Caspian Sea, and a proposal for its solution.



EIR Contents

Departments

13 Australia Dossier

Greenies don't give a dam.

64 Editorial

New financial system, or no food.

Photo and graphics credits:

Cover, Bundesbildstelle Bonn/
Schambeck. Pages 5, 58, EIRNS/
Stuart Lewis. Page 17, Office of the
Presidency of Peru. Pages 18-20,
42, 54, EIRNS. Page 25, EIRNS/
Javier Almaro. Page 33, EIRNS/
John Sigerson. Pages 43, 44,
EIRNS/Dean Andromidas.

Strategic Studies

48 Caspian Sea development has British worried

This oil-rich region is of the utmost strategic significance, particularly as the Eurasian Land-Bridge opens up development prospects for all of Central Asia.

50 The legal status of the Caspian Sea

A guest contribution by Prof. Yan Shu, vice president of the Institute of Central Asia Studies at Lanzhou University, Lanzhou, Gansu Province, People's Republic of China.

Economics



The late French President François Mitterrand (left) and German Chancellor Helmut Kohl, in November 1994.

4 Exposed! The anti-German plot behind the 'euro'

The German government has declassified secret documents which show how Chancellor Kohl was pressured to agree to the European Monetary Union, as the price for the reunification of Germany.

Documentation: The British strategy against German unity, and the Bank of England's plan today, to "manage" the euro.

9 Wave of bank mergers reflects a grave danger to the economy

Testimony by *EIR*'s John Hoefle submitted to a House Banking Committee hearing on bank mergers.

11 Japan's new 'stimulus package' solves nothing

12 One small step for nuclear R&D

An effort to keep the nuclear option alive revolves around the Nuclear Energy Research Initiative.

14 Business Briefs

Feature

- 16 Colombia must follow Peru's strategy vs. narco-terrorism**
If the situation continues as it is, Colombia will become a narco-state within a year. The United States must ally with those who are willing to fight narco-terrorism, as Peru has conducted this war.
- 21 London's São Paulo Forum declares war on the United States**
In March, the São Paulo Forum's Revolutionary Armed Forces of Colombia (FARC) declared war against the United States, promising to turn the region into a new "Vietnam," should the United States aid Colombia against the drug cartels.
- 23 The FARC attacks, the government negotiates, and Colombia disintegrates**
- 25 Gen. Bedoya: To win, mobilize the nation**
- 26 Colombia ushers in a narco-dictatorship**
- 27 Peru moves decisively on narco-terrorism**
- 29 Recommendations for Peru's war on drugs**
- 31 Samper hands FARC huge territory**

International

- 32 Serbia's Milosevic steers Balkans toward a new war**
The strings of the Serbian dictator are being pulled from London and Paris, where the oligarchy is once again trying to blow up the Balkan powderkeg.
- 34 High protest vote in German state election**
The election in the former East German state of Saxon-Anhalt, where unemployment is officially 24.1%, was a stunning defeat for Chancellor Helmut Kohl's Christian Democratic Union.
- 36 A phantom dissolves: the end of the RAF?**
- 37 Helga Zepp-LaRouche on RAF terrorism**
- 38 Ukrainian 'democracy' is sacrificed to the IMF**
Including a statement by Dr. Natalya Vitrenko, chairman of the Progressive Socialist Party of Ukraine, who is being denied the parliamentary seat to which she was elected.
- 40 Schiller Institute organizes in Poland**
- 41 Angolans protect fragile, new peace, foil British destabilization effort**
An *EIR* team was invited to Angola to investigate first-hand the role of the London-based Defence Systems Ltd. and Executive Outcomes in destabilizing the peace process.
- 46 International Intelligence**

National

- 56 Starr's Hubbell indictment: the Olson Salon in action**
There is only one purpose to the new indictment, and that is to pressure the former Associate Attorney General to lie about the President of the United States. Hubbell is saying, "No, thanks."
- 57 Clinton slaps down 'clean needles' ploy**
The President's extension of the nine-year ban on Federal funding of needle-exchange programs was a personal defeat for drug-legalizer George Soros.
- 59 Congress stalls: last gasp for the IMF?**
The refusal of the U.S. Congress to fund the IMF is a signal to the world of a lack of confidence in this institution.
- 60 Congressional Closeup**
- 62 National News**

Exposed! The anti-German plot behind the 'euro'

by Elisabeth Hellenbroich

The German weekly news magazine *Der Spiegel*, in its April 27 edition, published explosive documentation of how Chancellor Helmut Kohl was forced to agree to join the European Monetary Union (EMU), as the price for German reunification. Titled "Darkest Hours," the *Der Spiegel* article is based on selections from classified documents released by the German government. The full documents will be published on July 7.

The facts about how the monetary union and the euro came to be, revealed by *Der Spiegel*, confirm what *EIR* and Lyndon and Helga LaRouche have said again and again, since the beginning of the 1990s: German reunification, which became possible with the fall of the Berlin Wall on Nov. 9, 1989, was linked to geopolitical conditions, imposed at the urging of England and France, part of which was that the German Chancellor had to surrender the deutschemark — and German sovereignty — in favor of the new European currency, the euro.

The *Der Spiegel* article is political dynamite, appearing on the eve of the special summit meeting of the European Union in Brussels on May 2-3, at which the EU heads of state and finance ministers are supposed to consolidate the final march to adoption of the euro on Jan. 1, 1999. Among the resolutions to be passed are 1) the final and binding decision on which countries will form the EMU; 2) the announcement of fixed exchange rates of the currencies of the EMU countries for the remaining eight months until the start of the EMU in January; and 3) the hotly contested decision on who the president of the European Central Bank will be.

But, just at the point when the geopoliticians think they have the euro all neatly tied into a package, the dramatic effects of the world financial crisis are becoming evident, not

only in Asia, but also in Europe. The stock market bubbles in the U.S.A. and Europe will in all likelihood burst during the second quarter of 1998, ushering in the next phase of the world financial crisis. The center of the next round of systemic shocks will shift to the United States and Europe, but the "Asia crisis" itself will also intensify.

The EMU would also be drawn into the world financial crisis as a consequence of these developments. In the coming months, currency speculators will target the exchange rates agreed upon between the 11 EMU member countries. Price-inflation of bonds and the bursting of the European stock-market bubble will intersect with the effects of the Asia crisis and hit the European physical economy directly, while the political opposition to the EMU and, in parallel, against rising unemployment, will also increase. An indication of this opposition appeared in the April 16 *Die Woche* when French Interior Minister Jean-Pierre Chevènement compared the EMU to the "sinking *Titanic*," and warned about the disastrous social consequences it would have.

According to *Der Spiegel*, "special interests of state" were what induced Chancellor Kohl to take the unprecedented step of ordering the release of such classified documents while he is still in office. Such documents are usually kept out of public view for 30 years. The report in *Der Spiegel* throws light on the bitterly waged debates, both behind the scenes and in the German government, concerning the euro. The louder the incantations in support of the euro become, the more disastrous the effects of this geopolitical stunt appear to Kohl himself. And, looking ahead to the end of his reign, it now seems as if Kohl wants to procure some political "insurance." It is as if he wanted to say: If the euro fails, then the generations which come after me should know that I was against it from



President George Bush and Prime Minister Margaret Thatcher in 1991. Documents recently declassified by German Chancellor Helmut Kohl shed new light on how the European Monetary Union was launched to prevent the emergence of a powerful, reunited Germany. The documents emphasize the role of France's President François Mitterrand, but, as EIR has shown, Bush and Thatcher had the same geopolitical goal.

the beginning, and that it was due to political pressures that I was forced to agree to it.

How deeply the discomfort is in circles of the German financial elite, and especially at the Bundesbank, may be gleaned from a remark of the president of the Bundesbank, Hans Tietmeyer: “A failure of the monetary union might be a drama,” he said, “but its success under ‘unstable conditions’ would be a tragedy” (quoted in Hans Lothar Merten, *Der Euro*, Europaverlag, Vienna, 1997).

Geopolitical poker

According to *Der Spiegel's* account, Kohl had no intention whatsoever of giving up the deutschemark in 1989. He was just as reticent about extending the European Monetary System, beyond the EMS I framework that had been created in 1979 by Chancellor Helmut Schmidt and French President Valéry Giscard d'Estaing. Kohl's position was that a “political union” was the prerequisite for the unification of monetary policy in Europe, and not the other way around. In 1988, a committee was formed under the leadership of France's Jacques Delors, with the aim of working out plans, but without making precise stipulations and without a fixed time-frame.

The situation changed abruptly with the political revolution in East Germany in 1989. During a working visit in Paris on Oct. 24, 1989, one week following the resignation of East German head of state Eric Honecker, French President François Mitterrand made unmistakably clear to Chancellor Kohl, according to *Spiegel*, that he wanted a decision in favor

of Monetary Union, and thus also the end of the German mark, at the European Community (EC) summit meeting in Strasbourg in December. “The French see this as the only reliable way to get the Germans under European control,” as the confidential government document reads. “For Mitterrand, tying the German currency to Europe is the decisive factor for his agreeing to reunification.”

Then, on Nov. 9, 1989, the Wall fell. Mitterrand called a special EC summit in Paris for Nov. 18, where he repeated his demand for the extension of the Monetary Union without delay, and also indicated that, were that not to happen, France would oppose the idea of a German confederation (at that point, reunification was not even under public consideration).

In a letter to Mitterrand dated Nov. 27, Kohl described his reservations about a Monetary Union and indicated that he wanted to postpone the demise of the deutschemark for as long as possible. His proposal was that the European Council, which was to convene in December 1992, should merely identify the steps which could be initiated on the way toward an eventual economic and monetary union.

Mitterrand reacted rather frostily to Kohl's proposal. He sent a reply, dated Dec. 1, 1989, in which he categorically demanded “that we come to decisions in Strasbourg which unmistakably obligate us to the path of economic and monetary union.” The negotiations over a future European Monetary Union, as Mitterrand envisioned the process, should be basically concluded in 1990, then followed by an EMU Treaty, which could be initialled in 1991 and ratified by 1992.

The assassination of Herrhausen

On Nov. 30, 1989, Kohl's closest adviser on economic matters, Deutsche Bank's Alfred Herrhausen, was assassinated ostensibly by the Baader-Meinhof Gang/RAF (see p. 36). The hit occurred three days following Kohl's public endorsement of the formation of a German confederation, without his having previously obtained the agreement of Mitterrand and British Prime Minister Margaret Thatcher for that step. The murder of Herrhausen, who had called for a Marshall Plan for the economic reconstruction of eastern Europe, following the fall of the Berlin Wall, and who was also among Kohl's closest friends, may well have been the blow which led Kohl to his change in attitude toward the euro.

At the summit meeting in Strasbourg on Dec. 9, 1989, Kohl ultimately gave in to Mitterrand's demands and committed himself to the timing Mitterrand insisted on for the European Monetary Union—contrary to his oft-asserted reservations. Kohl called this “the darkest hour in my life,” and, on Dec. 12, he told U.S. Secretary of State James Baker III, according to a government protocol reported by *Der Spiegel*, that he had made his decision “contrary to German interests.”

The *Spiegel* documentation provides only part of the picture. Look at it together with the analysis of historian Detlef Junker, on the policy of the U.S. Bush administration at that time, and also with Thatcher's account in her memoirs.

In an article published in the German daily *Frankfurter Allgemeine Zeitung* on March 13, 1997, the director of the German Historical Institute in Washington, D.C., Prof. Detlef Junker, wrote that, when the Berlin Wall fell, “President Bush, Secretary of State Baker, and a comparatively small group of associates, formulated the classical triad of American policy toward Germany in the 20th century: German unity, containment, and integration.” According to Junker, had the United States at that time rejected the reunification of Germany, this would have meant the end of its role in European politics. The strongest “rejection front” at that time was represented by Thatcher, “that lady with the purse . . . who equated British interests in the year 1990 with the glory of the victorious powers of 1945 and the division of Germany.” And, it was she—as Kohl himself revealed in a speech in Leipzig on April 30—who told Kohl privately at the Strasbourg summit in December 1989, “We beat you twice, and here you are again.”

England pulls the strings

Indeed, Thatcher's memoirs, *The Downing Street Years* (New York: HarperCollins, 1993), provide a clinically interesting insight into the geopolitical manipulations of British power politics under Thatcher, who said frankly, to Bush, Mikhail Gorbachov, and Mitterrand, long before the fall of the Berlin Wall, that England would under no circumstances

accept German reunification. During 1989, an hysterical propaganda campaign was carried out in the British media, warning that a “Fourth Reich” was being born, and equating Kohl's policy with the ambitions for hegemony of Adolf Hitler.

To be sure, England was nominally against the euro. But in the chapter on “The German Question and the Balance of Power,” Thatcher also warned that Germany would take a leading role in a federated Europe, “for a reunited Germany is simply too big and powerful to be just another player within Europe. Moreover, Germany has always looked east as well as west, though it is economic expansion rather than territorial aggression which is the modern manifestation of this tendency. Germany is thus by its very nature a destabilizing rather than a stabilizing force in Europe. . . . Only the military and political engagement of the United States in Europe and close relations between the other two strongest sovereign states in Europe—Britain and France—are sufficient to balance German power.” This was Thatcher's geopolitical credo, and it remains the determining factor in British foreign and economic policy down to the present day.

In September 1989, during a visit in Moscow, Thatcher informed Soviet President Gorbachov, that England did not at all desire a reunification of Germany. She told him that she had discussed this issue “with at least one other Western leader, meaning but not mentioning President Mitterrand. Mr. Gorbachov confirmed that the Soviet Union did not

Clinton to visit Germany

President Clinton will visit Germany on May 13—an excellent opportunity to relaunch the “special partnership” he established with Chancellor Kohl in 1994, to the consternation of the British.

On the occasion of the 50th anniversary of the Berlin airlift, Clinton will give a speech from a DC-3 airplane used in that heroic effort, which will be called *The Spirit of Berlin*. President Clinton and Chancellor Kohl will meet together in Potsdam, after which Clinton will give a speech at the Berlin Schauspielhaus. On May 14, Clinton and Kohl will visit Eisenach (Bach's birthplace) and Wartburg.

The two will then proceed to the Birmingham summit of the Group of Seven (plus Russia), which begins on May 15. According to the *Frankfurter Allgemeine Zeitung*, Clinton and Kohl will put the world economic crisis, and especially the Asia crisis, at the center of the G-7 discussion.

want German reunification either. This reinforced me in my resolve to slow up the already heady pace of developments.”

Reacting to the developments of Nov. 9, 1989, and immediately before the EC summit meeting called by Mitterrand in Paris for Nov. 18, Thatcher sent President Bush a message “reiterating my view that the priority should be to see genuine democracy established in East Germany and that German reunification was not something to be addressed at present.”

In her speech at the EC summit on Nov. 18, Thatcher said that “any attempt to talk about either border changes or German reunification would undermine Mr. Gorbachov and also open up a Pandora’s box of border claims right through central Europe. I said that we must keep both NATO and the Warsaw Pact intact to create a background of stability.”

Thatcher discussed the same issue with Bush at Camp David on Nov. 24: “I was very keen to persuade him of the rightness of my approach to what was happening in the crumbling communist bloc. I reiterated much of what I had said in Paris about borders and reunification and of the need to support the Soviet leader on whose continuance in power so much depended.”

The British Prime Minister was surprised and upset, as she writes in her memoirs, when Kohl laid out his ten-point plan for the future development of Germany, in his famous government declaration before the Bundestag on Nov. 28.

At that time, Kohl proposed to create “confederative” structures between the two states in Germany. The Germans in the East had to be given the chance to determine their own future. They did not need foreign advice for that. That was also true of the question of the reunification of Germany, said Kohl. At that time, the only hope that Thatcher saw, was in the creation of a political axis between Great Britain and France. She saw the opportunity to do that at the EC summit in Strasbourg, in December 1989, in the course of which she met twice, privately, with the French President, “in order to talk about our views on the German question.” Mitterrand, likewise upset about Kohl’s ten-point plan, said at that time that Germany had never in its history found its true borders, for the Germans, he said, are a people always on the move and changing. Writes Thatcher: “At this I produced from my handbag a map showing the various configurations of Germany in the past, which were not altogether reassuring about the future. We talked about what precisely we might do.”

In the past, Mitterrand said at the time, in moments of great danger, France had always developed a special relationship to Great Britain; he now had the feeling that such a time was upon France again. The two countries would have to come closer and remain together, and, in Thatcher’s words, “it seemed to me that although we had not discovered the means, at least we both had the will to check the German juggernaut. That was a start.”

When the British plan to sabotage the reunification of Germany failed, British foreign policy in the following years staked everything upon destabilizing the European continent by means of bloody wars such as that in Iraq and in the Balkans. Those forces seeking to foster the economic development of eastern Europe were to be contained. The debate over the euro, toward which England adopted a skeptical attitude from the outset, was turned into a political instrument. While British politicians such as Sir Leon Brittan spread the line in Europe that the euro has to be played against the dollar and establish itself as a leading currency in the world, the British oligarchy also looks upon the euro as a geopolitical tool with which to destroy the sovereignty of European countries and to subject their economies to a monetarist policy influenced by London’s financial interests.

The euro would then become England’s political Procrustean bed—explained thus in a German dictionary of foreign expressions: “From the ancient Greek legend about the thief who pressed unsuspecting wayfarers into a bed by hacking off protruding limbs or pulling at limbs that are too short. In general: an unpleasant situation into which a person is forced by violence.”

Documentation

The British strategy against German unity

LaRouche Exploratory Committee, from a leaflet issued in October 1993, during LaRouche’s campaign for the Presidency, titled “LaRouche Was Right All Along! Maggie Thatcher Confesses: ‘I Did All I Could to Save the Iron Curtain’ ”:

Oct. 12, 1988: LaRouche, in a press conference in Berlin, forecasts the near-term collapse of the Soviet empire and the reunification of Germany.

September 1989: Thatcher hits the panic button as East Germans flee, according to a preview of her memoirs in *Corriere della Sera*. Thatcher’s fear was “that behind this chain of events lurked the perspective, or rather, the specter of a unified Germany.”

Oct. 31, 1989: *Times* of London article, “Beware of Reich Resurgent,” by Conor Cruise O’Brien, screeches that a reunified Germany will lead to a Fourth Reich modeled on Nazi Germany. “German reunification is now inevitable. We are on the road to the Fourth Reich: a pan-German entity, commanding the full allegiance of German nationalists and consti-

tuting a focus for national pride.”

Nov. 9, 1989: The Berlin Wall falls, as millions jubilantly celebrate the downfall of communist totalitarianism, with Beethoven’s “Ode to Joy.”

Nov. 10, 1989: LaRouche welcomes the fall of the Berlin Wall, and issues a proposal for “rescuing Poland,” and also East Germany, starting with construction of high-speed rail and magnetic levitation railroad lines, “with emphasis on the artery of rail transport from the vicinity of Paris, France, through Germany and the eastern zone of Germany, presently the G.D.R., into Warsaw, Poland.”

Nov. 12, 1989: *Sunday Times* of London wails that the Berlin Wall collapse is “the first step towards the creation of a 70-million-strong Fourth German Reich. . . . The Fourth German Reich is set to boom, becoming Europe’s economic superpower in the process.”

Nov. 13, 1989: LaRouche condemns the attacks on German reunification coming from such sources as O’Brien, as reflecting either “specific Soviet assets or . . . Anglo-American Trust-oriented forces.” LaRouche renews his call for Germany to “proceed with assistance to Poland by way of assistance to strengthening the development of the economy of East Germany, [to] create a rate of growth of about 10% a year in the short term in real physical economic terms.”

Nov. 18, 1989: Thatcher writes to Gorbachov that she is on guard against “excessive euphoria” in Europe.

Nov. 30, 1989: Deutsche Bank chairman Alfred Herrhausen is assassinated, allegedly by the Red Army Faction. Just before his murder, Herrhausen had prepared a speech to be delivered on Dec. 4 in the United States, echoing LaRouche’s proposals for the development of eastern Europe. Herrhausen said: “It is advisable that the export guarantees which the German Federal government wants to expand, be tied primarily to specific projects. . . . I proposed setting up a development bank on the spot—that is, in Warsaw. Its task would be to channel the aid according to strict efficiency criteria. My vision is that such an institution could function somewhat like the German Reconstruction Bank, which traces its origins back to the Marshall Plan.”

July 12, 1990: British Minister of Trade and Industry Nicholas Ridley tells the *Spectator*: “It has always been Britain’s role to keep these various powers balanced, and never has it been more necessary than now, with Germany so uppity.”

July 31, 1990: Thatcher says, “Apart from the way in which Mr. Ridley said it, what he said was in tune with people’s feelings.”

April 1, 1991: Detlev Karsten Rohwedder, head of the German Treuhand, the agency in charge of economic integration of eastern Germany, is assassinated. Kohl government abandons LaRouche-Herrhausen perspective.

Lyndon H. LaRouche, Jr., statement of Nov. 30, 1989,

calling for support of Chancellor Kohl, following the assassination of Alfred Herrhausen:

“The murder of the Deutsche Bank’s Herrhausen today reminds me, as many others, of the murder more than a dozen years ago of Dresdner Bank’s Jürgen Ponto. This, I fear, has even greater strategic significance than the murder of Ponto back a dozen years ago. Obviously it is indicated that the murder, the assassination, was directed by the same hand which directed the assassination of Ponto and of Hanns-Martin Schleyer and targeted others during that period.

“At this time . . . it is important that all men of good will unite with Germany’s Chancellor Helmut Kohl, in solidarity with Mr. Kohl’s leadership of the Federal Republic of Germany and with Mr. Kohl’s position as de facto commander of forces on the front lines of the struggle for freedom, progress, and peace throughout the world.

“Let us respond to the murder of the honored Herr Herrhausen in a more adequate way than we did to that of Herr Ponto more than a dozen years ago. This is a moment of solemnity, but it is also a moment which we must rise above tears to take those actions which are appropriate under the circumstances.”

Bank of England, statements by various spokesmen, 1997-98:

The Bank of England has been operating the past two years in high gear to implement a plan by which the financier oligarchy, working through the City of London, would exercise extensive control over the euro single currency, including foreign exchange trading, bond trading, and equity issuance. “England is an ‘out,’ it will not be in the European Monetary Union, but we have all the infrastructure to make London the center of euro operations, and we have been working on that,” a Bank of England spokeswoman said on April 26, 1998. “London has the biggest financial market. . . . London’s role is based on its infrastructure, its large number of foreign banks operating here, the legal and accounting support, and so forth.”

At a conference on Nov. 7, 1997, in Geneva, Switzerland, organized by the International Center for Monetary and Banking Studies, Ian Plenderleith, executive director of the Bank of England, stated, “It is precisely because London is an international financial center that we have for some time recognized that EMU, and the birth of the euro, would have a significant impact on the wholesale financial markets in London, whether or not the U.K. was in EMU at the start.” As early as 1996, the Bank of England began planning and setting up the infrastructure to control all aspects of financial dealing with the euro. On Jan. 20, 1998, Eddie George, governor of the Bank of England, announced, “London thrives on liquid markets regardless of currency. . . . London can become the *international* financial center for the euro—or, for the time being, the euro-euro market—just as it is for the euro-dollar, euro-yen, or euro-DM markets now.”

Wave of bank mergers reflects a grave danger to the economy

by John Hoefle

The following is testimony submitted by the author before the hearing on bank mergers held on April 29 by the House Committee on Banking and Financial Services. Subheads have been added.

It's a lot more difficult to solve a problem, when one is unable or unwilling to admit what the nature of the problem really is. That is the situation facing this committee, and the nation, on the question of the current wave of bank mergers. The issue is not, as the proponents of "financial modernization" would have us believe, that the U.S. financial system is laboring under "outmoded" and "antiquated" laws which unfairly restrict banks. The claims by the banks that they are saddled with unfair "regulatory burdens" are absurd, and should not be taken seriously by any thinking individual. The issue is, whether the United States' and the world's economies will survive the looming financial disintegration.

For proof that the banks are not suffering unfair burdens, one need look no further than the level of what the Federal Deposit Insurance Corp. terms "off-balance-sheet derivatives." The U.S. commercial banks, as a group, had \$25.4 trillion in these derivatives at the end of 1997, compared to \$5.0 trillion in assets, \$418 billion in equity capital, and \$55 billion in reserves against losses. With off-balance-sheet items of more than five times assets, more than 60 times equity, and more than 463 times loan loss reserves, the banks can hardly claim to be suffering from excess regulation. Worldwide, we estimate that there are some \$130-150 trillion in derivatives outstanding. If this is *over*-regulation, one would hate to see the effects of *under*-regulation! The banks are already out of control. We don't need further deregulation, we need *re*-regulation, and quickly.

The banking picture is even worse, when you consider that 93% of the derivatives were held by just seven banks at the end of 1997, and that four of these seven banks are involved in the mergers announced in April, increasing an already dangerous level of concentration. The following table shows the big banks' derivatives exposures as of Dec. 31, 1997:

Consider the derivatives exposures of these banks, relative to their assets, equity, and reserves. What do balance sheets mean, when the banks have "off-balance-sheet" items more than 20 times the size of their balance sheets? If the derivatives are used to manage risks, as they claim, what in

the world are they doing, that they need so much risk management? If they are taking so much risk, that they need 20 times their assets to protect themselves, then they are already out of control. And if they don't, then why the staggering level of derivatives? What is going on? The answer is that they are no longer banks, but have become speculators, players in a global casino. They are not managing risk, they are spreading it, at a breakneck pace.

Now consider the effect, on this already dangerous situation, of the mergers announced this month:

Citicorp-Travelers: Citicorp's \$3.1 trillion in derivatives will be combined with Travelers' extensive holdings, mostly through its Salomon Smith Barney subsidiary. We estimate the new Citigroup would have \$5 trillion to \$6 trillion in derivatives, giving the U.S. three banks with \$5 trillion or more in derivatives (these three banks alone—Citigroup, Chase, and Morgan—will have derivatives with a notional principal value of more than twice the U.S. GDP).

NationsBank-BankAmerica: This merger would combine the fifth- and sixth-largest derivatives-holding banks in the country, yielding a bank with some \$3.3 trillion in off-balance-sheet derivatives. The two banks combined, would be even worse off than they are separately.

Banc One-First Chicago NBD: Banc One had, up until now, avoided getting on the derivatives disaster train, having just \$33.6 billion in derivatives at the end of 1997, compared to \$116 billion in assets. However, with the acquisition of First Chicago NBD and its \$1.3 trillion in derivatives, Banc One will vault into the trillion-dollar club, sealing its demise when the derivatives bubble pops.

Playing with fire

The result of these mergers, would be to further increase the concentration of derivatives in the U.S. banking system, thereby making the effects of any derivatives crisis even worse. Imagine the effect on the U.S. economy, were the new Citigroup, the new BankAmerica, Chase Manhattan, J.P. Morgan, Bankers Trust, and Banc One, all to suffer significant losses in their derivatives portfolio. At Morgan, a loss equivalent to just 0.18% of its derivatives portfolio would be enough to wipe out the bank's entire equity capital; similarly, a loss of just 0.27% would bankrupt Bankers Trust, 0.28% would take down Chase, 0.63% would bankrupt First Chicago NBD,

0.68% would wipe out Citicorp, and 1.24% would be enough to take out both NationsBank and BankAmerica.

Allowing any of these banks to combine, is playing with fire—and the fire has already begun to spread.

Then there is the matter of national sovereignty. The Citicorp-Travelers merger, by any reading of U.S. law, is illegal. In fact, the mere holding by Citicorp’s John Reed and Travelers’ Sandy Weill, of a press conference to announce their planned merger, was a violation of Federal conspiracy laws.

The restrictions on banking in the Glass-Steagall Act and the Bank Holding Company Act, were designed to contain the power of the banks, to induce them to serve the interests of their communities, rather than themselves. The purpose for which banks are chartered, is to serve the needs of the regions in which they operate. Banks are supposed to serve the economy, not dictate to it. Seeking “global competitiveness,” while the productive sector of the U.S. economy collapses, is a fool’s dream.

One regulator, responding to the Citicorp-Travelers announcement, said that “the marketplace will do what it has to do,” whether the law permits it or not. The “marketplace,” in the view of the bankers and of many regulators, would therefore seem to be above the law.

The idea that the banks can be allowed to operate outside the law, and that the law either must be made to conform to the demands of the bankers, or it will be ignored, is both obscene and illegal. The banks, whatever they may think, are subject to the laws of the sovereign nations which charter them—nations without whose authority the banks would not exist. If the U.S. government does not have the courage to enforce the law, the United States will cease to be a sovereign nation.

Grim picture of the world economy

What is driving this merger frenzy, and the capitulation of regulators, is the reality of a systemic, global financial crisis. The so-called “Asian” contagion—which is far from solved, despite the International Monetary Fund (IMF) bail-outs and the Japanese “stimulus” program—is not an Asian crisis at all, but a crisis of the global system. Only the banks know, at this point, what derivatives losses have been encountered, but not reported, over the recent months, but the sudden rush to merge, suggests that the picture is much worse than has been publicly revealed.

Deregulation has been a disaster. The “magic of the marketplace” has proved to be a cruel illusion, creating a society in which the poor clearly get poorer, and the rich seemingly get richer. But the rich are in for a great surprise, because their perceived wealth is based on pieces of a speculative bubble, a system of IOUs whose value will evaporate as quickly as the Emperor’s new clothes, once reality asserts itself. The bigger the banks get, the harder they will fall. Mergers will not help, but merely make the situation worse.

We are heading into the worst financial and monetary crisis since the collapse of the Lombard banking system trig-

Derivatives exposure of the top seven banks

Holding co.	\$ billions			Derivatives as a multiple of:			
	LLR	Equity	Assets	Deriva-	LLR	Equity	Assets
				tives			
Chase	3.6	21.7	365.5	7738.2	2135	356	21.2
Morgan	1.1	11.4	262.2	6216.1	5750	545	23.7
Citicorp	5.8	21.2	311.9	3105.9	534	157	10.0
Bankers Trust	1.0	5.7	140.1	2146.5	2153	276	15.3
NationsBank	2.8	21.3	264.6	1720.5	618	81	6.5
BankAmerica	3.5	19.8	260.2	1593.5	455	80	6.1
First Chicago	1.4	8.0	114.1	1266.7	900	159	11.1
Top 7	19.2	109.2	1717.5	23787.5	1238	218	13.9
All banks	54.7	417.9	5015.0	25380.3	464	61	5.1

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

gered the Dark Age. Since the events of last October-November, the IMF, the Federal Reserve, and to a lesser degree the U.S. government, have headed down the path toward a Weimar-style hyperinflation, in a vain attempt to bail out the financial system by rolling over trillions of dollars of unpayable financial claims. Massive amounts of liquidity have been pumped into the system, with more promised, to keep the financial markets from collapsing. But this liquidity, while appearing in the short-term to stabilize the system, actually increases the instability in geometric proportion. The more money you pump in, the worse the situation gets, and the bigger the inevitable explosion.

One of these days, perhaps very soon, there won’t be enough cash to fill the whole, and the bubble will begin to disintegrate. A reverse-leverage chain reaction of the derivatives markets will begin, an implosion of the financial system in which one bank after another, unable to meet its short-term obligations, will fail, triggering the domino-like collapse of one bank after another, until, in a matter of days, virtually nothing is left standing.

The demands to deregulate the financial system, are actually demands to bail it out, to create banks which are too big to fail, and too powerful to regulate. The banks are demanding the right to do whatever they feel necessary to ensure their survival, no matter what the cost to the economy, the nation, or the population. The fight among the banks, the securities firms, and the insurers, is a fight over who gets to eat whom, when there is not enough food to go around.

Rather than giving the nation another dose of the medicine—deregulation—which has made us sick, it is time to abandon this failed policy, and begin to re-regulate the banks, to force them to act like banks again, instead of drunken gamblers in a bankrupt casino.

As EIR Founding Editor Lyndon LaRouche has observed, this *Titanic* is heading straight for the iceberg. This hearing presents Congress with the opportunity to change course, and steer us out of danger.

Japan's new 'stimulus package' solves nothing

by Our Special Correspondent

"No one ultimately knows whether the new economic package put forward by the Hashimoto government will get the Japanese economy moving," commented one top Japanese official. "The crisis is continuing on the slope downward with no end in sight. Only those who are wishful thinkers believe there will be a turnaround." This gloomy assessment of the latest public works stimulus and tax-cut package announced by the Hashimoto government on April 24, is buttressed by the latest statistics coming out of the Japanese government.

The Economic Planning Agency and the Ministry of Finance announced in April that Japanese consumer confidence dropped for the 12th month in a row, and that for the last year, consumer spending is down by 12%. Banks' stocks continue to weaken, while the yen has depreciated to 132 to the dollar. The Nikkei is hovering around 15,000 to 16,000 points, and it is being artificially propped up by the Bank of Japan's printing of yen, at a rate of increase of 51% compared to last year.

Although U.S. Treasury Secretary Robert Rubin gave guarded praise to the Hashimoto government's package, Treasury officials and other U.S. government agencies are pressing Japan to do still more. Japanese officials have privately told their U.S. counterparts that this heavy pressure is starting to undermine Japanese confidence in the U.S.-Japanese relationship. Nonetheless, despite the pressure, the Japanese are sending top government and Liberal Democratic Party officials to Washington for further discussions about the economic crisis.

Leading the trek to Washington is Taku Yamasaki, the chairman of the LDP's Policy Research Council, who arrived on April 28 for meetings with Rubin, Federal Reserve Board Chairman Alan Greenspan, and Gene Sperling, head of the National Economic Council. Following Yamasaki will be Koji Omi, the Minister of Economic Planning, and another LDP policymaker, Koichi Kato. Kato is scheduled to attend a conference sponsored by the Economic Strategy Institute, entitled "Whither Globalism: A World in Crisis?" In addition, the leading member of the largest opposition party, the Democratic Party of Japan, Naoto Dan, is scheduled to arrive in Washington in early May. Dan is scheduled to meet with U.S. Assistant Secretary of State for East Asian Affairs Stanley Roth.

According to well-informed U.S. sources, Clinton administration officials are desperately trying to get Japan to adopt

an even "bolder" set of actions, including permanent tax cuts and further deregulation of the financial sector. Clinton administration officials believe that the renewed deregulation push will provide maneuvering room for Japan to fend off a potential "speculative attack" on the yen or bank stocks. The reasoning is based on the conception that Japan, by bringing about real transparency in their banking system and allowing certain banks to fail, may avoid a hedge-fund attack. Because the hedge funds operate on shorting bank stocks on the basis of their "hidden losses," so the thinking goes, once the losses are removed from the books, the hedge funds cannot attack.

However, this decision to close down certain banks is an explosive political issue domestically. All of the leading Japanese banks represent different political factions and combinations within the LDP. If one bank were to be allowed to go under, then that faction or factions would be weakened. One of the reasons that the government continues to print money to keep the banks liquid, is to avoid a major political explosion, so that no one in a leadership position ultimately will have to take responsibility for sinking one or two banks. Historically, the only institution which has been responsible for making this kind of decision, is the Ministry of Finance. With the ministry in near paralysis because of the ongoing scandal within it, the decision-making process has shifted to the office of the Prime Minister, and Ryutaro Hashimoto has been reluctant to take those steps. That is one of the critical reasons that former Prime Minister Yasuhiro Nakasone and his factional allies have called for Hashimoto to step down.

Confusing signals

For the Japanese, the confusion gets even more compounded, when the "globalizers" make even more strident demands on the Japanese to "let the banks fail," and the United States seemingly endorses this view. On top of that, the push for further deregulation infuriates the Japanese, because it demands a "cultural" shift in the way Japan thinks about its financial system. The Japanese do not have the "Anglo-Saxon" ideology about so-called "free markets," and prefer their way of doing banking and lending based on a personal relationship. What the Japanese conclude, is that the United States is the key force behind globalization, and not the Anglo-Dutch-centered financial oligarchy.

As a result of this process, Japanese officials are in Washington to get briefed and to seek clarification about what the United States intends to do. Unfortunately, the issue of the New Bretton Woods system is apparently not on the agenda, and so, Japanese officials who are open to this idea, will not receive any clear signal from the United States. Until that policy initiative is put on the table, Japanese confusion will continue. Hopefully, following President Clinton's trip to China, the Japanese situation will be given more careful attention, and heed paid to Japanese sensibilities. Otherwise, the United States might find itself losing a valuable ally.

One small step for nuclear R&D

by Marsha Freeman

On April 23-24, the U.S. Department of Energy sponsored a workshop in Washington, D.C., to brief about 100 of the nation's experts in nuclear science, engineering, and management on new initiatives the department has requested be funded in the fiscal year 1999 budget for nuclear energy research and development. The centerpiece of this effort is the Nuclear Energy Research Initiative (NERI), which would be funded at an initial level of \$24 million. Last year, Congress refused to fund a similar initiative.

NERI would fund research proposals by investigators in industry, universities, and government laboratories in fields that would lead to new technologies to improve the performance and economics of U.S. power plants, preserve U.S. leadership in nuclear technology internationally, and enhance nuclear energy's attractiveness as an energy source for the future, in the United States and abroad.

In the workshops, it was suggested to researchers that the areas they consider for submitting proposals include proliferation-resistant reactors and fuel cycles; new reactor designs with higher efficiency, lower cost, and improved safety; nuclear waste storage; and, "lower-output reactors."

"Lower-output reactors" are smaller reactors that may be more appropriate for use by developing nations. This area of work reflects the recognition that while the United States is shutting down nuclear power plants because the threatened deregulation of the electric utility industry has made them "uneconomical," developing nations, particularly in Asia, and most recently China, are planning to aggressively use nuclear energy to power their economic development. The United States has assumed that, because about 20% of its electricity is produced from nuclear energy, it is a world leader in this field. But, in fact, nuclear power now provides 17% of the electricity used worldwide; the United States is being left behind.

It has become painfully clear to the nuclear community that the refusal of their industry to fight the mindless anti-nuclear activists, starting back in the 1970s, has nearly destroyed the R&D and industrial base of what was the most extensive nuclear capability in the world. In the Reagan administration, nuclear R&D funding was considered "corporate welfare," and was emasculated. Similarly, in the Clinton administration, Vice President Al Gore has made clear his preference for "soft" energy sources, such as the recyclables, including wind and biomass.

But even in the industrially depressed United States, electricity use is increasing, and many who are planning for the energy needs of the next century know that the nuclear technology base must be kept alive to be reinvigorated. In the developing world, nuclear is the energy source of choice for the future.

The nuclear challenge for the next century

So, when, in January 1997, President Clinton directed the President's Committee of Advisers on Science and Technology (PCAST) to review Federal funding in energy research and development for the challenges of the 21st century, taking into account the environmental impact, he asked that they consider the role of nuclear fission and fusion technologies.

The PCAST report addressed three aspects of the challenge for nuclear energy in the United States. One involves the "concerns" about nuclear power—which are political hot button issues, more than technical considerations—including nonproliferation, safety, and waste from spent nuclear fuel. To address these concerns, as well as the admirable goal of designing and producing smaller reactors for developing nations, PCAST recommended that a Nuclear Energy Research Initiative be established. It recommended an initial funding level of \$50 million, to be increased to \$100 million per year by FY 2002.

The President's advisers also recommended that \$6 million per year be allocated for university programs. The number of nuclear engineering departments in universities has fallen by about half in the past decade or so, and equipment has become outmoded. Recognizing that without nuclear engineers there will be no future industrial capability, the DOE is proposing that a new Nuclear Engineering Education Research program be started this year, to reverse the trend.

Third, PCAST recommended \$10 million per year for a program to work on the problems encountered in operating U.S. nuclear power plants. This money will be matched by industry, through the Electric Power Research Institute, and will tackle questions such as component aging, in order to extend the lives of plants. One goal is to stop the premature closing of plants that can be operated safely and economically.

The budget requests for the NERI will fund small research projects, not demonstration plants. But, it is a first, small step in resurrecting a nuclear energy R&D effort.

Dr. Arthur Bienenstock, from the White House Office of Science and Technology Policy, told workshop participants that the President has often stated that "technology, and our science base, are responsible for more than 50% of America's productivity increase in the past 50 years." However, the funding for NERI is slated to come from a settlement with the tobacco companies, a funding source that is less than reliable.

How do you keep the program from suffering due to politics? he was asked. "Tell Congress the program is important," Bienenstock counseled, which is good advice.

Greenies don't give a dam

Plans for water projects for the world's driest continent are being opposed by radical environmentalists.

Beginning on April 21, soaking rains fell across much of the eastern states of New South Wales and Queensland. Some areas received up to 125 millimeters (5 inches), ending another extended drought. However, many areas received no rain, and have been bone-dry for much of the past six years. This crisis highlights, yet again, the urgent need for water development projects to sustain rural industry, Australia's second-largest export earner after minerals.

Some major water projects have been planned, particularly in Queensland under the National Party government of Premier Rob Borbidge, but a coalition of radical environmentalists ("greenies," who prefer brown to green) and free-market economic rationalists is attempting to scuttle them.

Borbidge's plans for water projects center around the Nathan Gorge Dam, to be built on the Dawson River in central Queensland. The dam will hold 1 trillion liters of water, two times the volume of Sydney Harbor, and is expected to cost \$120 million. Borbidge's government gave the go-ahead for the project in January, 70 years after it was first mooted in the mid-1920s. The president of the Dawson Valley Development Association, Ted Jago, outlined its benefits to the Brisbane *Courier-Mail* on Jan. 10. "The bottom line is that we are talking about 6,000 direct and indirect jobs flowing from this dam project over time," he said. "We are talking about projects with four times the value of Century Zinc," a billion-dollar mining project in North Queensland.

But the prospect of development

has made the greenies see red (or, more accurately, brown), and they have opened a bitter campaign against the Nathan Dam and other Queensland water projects. The campaign is being coordinated by the Australian Conservation Foundation (ACF), which was personally founded in 1963 by Britain's Prince Philip, and has since given birth to all of Australia's environmental and "indigenous" movements, whose purpose is to stop development. The late Dr. H.C. "Nugget" Coombs, a former boss of the ACF and longtime governor of the Reserve Bank, once bragged that he shelved virtually all large-scale water projects, including the Nathan Gorge Dam, planned for the continent following World War II as part of the country's Post-War Reconstruction Program.

The ACF attack has not been based on environmental arguments, but economic ones. It claims that because the projects require government subsidies for the construction costs, they breach the National Competition Policy guidelines.

Like the ACF, Australia's National Competition Policy is a British spawn, generated by the 1992 Hilmer Commission. Then, two assets of the British mining giant Rio Tinto, Rio Tinto consultant Fred Hilmer and Mark Rayner, a longtime director of Rio's CRA subsidiary (since merged into its parent), wrote guidelines to force a comprehensive imposition of British Mont Pelerin Society economic policies, such as deregulation and privatization, on Australia—all in the name of "competition." ACF executive director Tim Fisher has accused

the Queensland government of displaying blatant disregard for the Hilmer "reforms." He told the Dec. 9, 1997 *Australian*, "If we subsidize water resources, we will simply encourage its overuse."

The greenies are trying to dismantle the one Post-War Reconstruction project which Coombs couldn't stop: the Snowy Mountains Hydroelectric Scheme, an internationally admired feat of engineering. It generates electricity and provides irrigation water to thousands of square kilometers of farmland in New South Wales, by diverting 99% of the headwaters of the Snowy River. Greenies have been lobbying to have the Snowy River restored to its original condition, as it was before the construction of the scheme's Jindabyne Dam in 1967. This has enraged Australia's rice farmers, among many others, who rely on the diverted water for irrigation. On April 15, the New South Wales and Victorian state governments buckled to the greenies and launched a Snowy Water inquiry, to examine the "environmental, economic, and social consequences of diverting the Snowy River."

Besides the Nathan Dam, a number of other proposals for water projects are also in the advanced planning stage, just waiting to be built. These include the Clarence River diversion scheme in New South Wales (which has also been planned for decades), the Fitzroy Scheme in northern Western Australia, and the Finch Hatton Dam in Queensland. Prince Philip's army of greenies is threatening to stop all of them, just as they stopped the Franklin River Dam in Tasmania in 1982. Then, they mounted an international mobilization, and succeeded in getting the federal government to invoke an international treaty to override the Constitution (which grants control over water resources to the states) to stop the dam.

Business Briefs

New Zealand

Tariff cuts will close automotive industry

New Zealand's motor vehicle assembly industry will close in the near future, putting 1,500 workers out of jobs nationally, after the government's announcement in December that the tariff on motor vehicles will be scrapped as of Dec. 1, 2000. The jobs lost, and the additional effects of this latest Mont Pelerin Society-dictated decision, will be a major blow to this nation of 3.4 million.

Although Toyota New Zealand has not decided on a final close-down plan, Mitsubishi Motors' Wellington plant will close in June, leaving 300 people without work. Honda New Zealand will close its assembly plant at Nelson, on the South Island, by the end of September, with a loss of 190 jobs. The plant, started in Nelson 35 years ago, initially as the New Zealand Motor Corp., was taken over by Honda 10 years ago.

"This decision is another nail in the coffin of provincial New Zealand," said the Engineers' Union's South Island spokesman, Ged O'Connell. The closure will also affect such areas as freight, shipping, parts supply, and other manufacturing companies which were part of a contribution of more than \$10 million a year to the economy.

Middle East

Netanyahu scored for Israeli unemployment

Israel's official unemployment has increase to 6.5%, jumping from 153,400 to 163,400 individuals from February to March, and Prime Minister Benjamin Netanyahu's policy against peace is to blame, the daily *Ha'aretz* charged in an editorial on April 23.

The major cause for the increase in unemployment is the change in the government's investment policy, away from infrastructure, to support of the settlers and the projects of the coalition parties. "It is necessary to recognize the new order of priorities which is built into the national budgets of

1997 and 1998," the daily said. "The government opted to freeze the infrastructure allocations and increase the funds earmarked for the settlers in the territories and for the support of institutions and organizations that are connected with the coalition parties. There was no increase at all this year in the budgets for roads and interchanges, for the Trans-Israel Highway and for the rail network, even though all the studies show that growth is achieved by investment in infrastructure. No one disputes that the roads, the interchanges, the trains, and the national water and sewerage systems are in a state of gross neglect."

Meanwhile, the "government has dramatically increased the budget allocations for the development of the territories." There has also been a 17% increase in the budget of the Religious Affairs Ministry, "most of it to subsidize yeshiva students," who are the most right-wing and anti-peace. The editorial also points to the fact that Netanyahu's freezing of the peace process has led to an almost a complete halt in foreign investment into the country, while the deep freeze of relations with the Arab countries has worsened the prospects for increasing exports.

The editorial concludes, "This government, which changed the order of national priorities in the direction it wanted, refuses to acknowledge the price of that change."

Banking

Foreign banks 'bottom feeding' across Asia

"Foreign banks are already picking over the ruins looking for bargains," Britain's Reuters news agency commented on April 21, in a survey of how such banks are taking over Asian banks for the proverbial nickel on the dollar. According to Roy Ramos of Goldman Sachs in Hong Kong, banks in five Asian nations need almost \$250 billion in new capital over the next few years to reorganize. China needs new capital but won't let foreigners in. Malaysia's limits on foreign ownership of banks, now set at 30%, will also prevent or delay acquisitions, they say. Korean banks need \$55 billion in new capital, but they are

in such a mess that foreigners are still studying them.

More than \$30 billion is required by banks in Thailand and Indonesia, however, and both countries are welcoming foreign capital, the report said.

The banks named include London's Hongkong and Shanghai Bank, Standard Chartered Bank, and Banque Bruxelles Lambert (the Belgian Rothschild bank). "The predators are going to look for the bigger banks," one broker said. "The 'Asian Miracle' is not over yet. If you buy now and put your money in the right investment, when the downturn ends, you will benefit big-time."

Dutch, German, and French banks are also bargain hunting, they say. "We always knew that you have to hold on tight when riding the tiger," said Ulrich Cartellieri of Deutsche Bank.

Germany

Engineer shortage hurts machine-building sector

Germany's role as a machine-building nation is threatened because of an increasing shortage of engineers, the Association of German Machine-Building Industries (VDMA) during the Hanover World Industrial Exhibit in April.

Small and medium-sized firms, especially, are having increasing difficulty finding qualified engineers, and the number of new enrollees for machine-building in the universities continues to drop. In 1992, about 16,000 students enrolled in machine-building; in 1998, that number fell to 8,100, a decline of more than 50%. In the electronics and information faculties, the drop has been even greater over the same period, from 25,000 to only 10,000. Despite the drastic downsizing in the machine-building sector, Siemens alone is absorbing almost all of the annual potential of university graduates in electronics in Germany: 3,000.

Another reason for this devolution, is the failure of the school system to interest enough young people in the natural sciences, because the system uses outdated texts, or

curricula dedicate more time to the alleged risks of nuclear energy, than to a positive history of the natural sciences and German industry.

Prof. Monika Greif of the German Engineers Association warned on April 21 that Germany cannot afford a cultural outlook that neglects or opposes technology. Greif also said that the profile of engineers has undergone a significant change in recent years: In 1989, some 42% of all engineers were in the classic fields of design, research, and development; by 1993, this was down to 22%. However, service jobs in communications, maintenance, and consulting have increased.

The German machine-building sector plays a crucial role in solving the problems of this planet and mankind, VDMA president Michael Rogowski said on April 17. "This applies to the basic needs of a growing world population, that is, food, housing, energy, infrastructure, as well as for the improvement of environmental conditions," he said. A continuation in the drop of engineering students, he warned, would be disastrous for "a nation that is known for not possessing substantial natural resources of its own, and the success of which is based on the export of the most modern technologies."

Asia

Sino-Myanmar highway nears completion

Another 30-mile stretch of the road from Mandalay, Myanmar to China, called the Union Highway, was commissioned on April 5. The new stretch will go from Lashio to Kintha, both in Myanmar. The section from Lashio to the border (at Muse) was opened last September. The road will both facilitate trade with China, while "uplifting the life and economy in border regions," the Myanmar government said. "The virgin and fallow lands along the Union Highway can be reclaimed for cultivation."

This highway segment is even more important, following the Yangon government's recent request to the United States for help to eradicate opium production within five years. Lashio lies in close proximity to the

most dense poppy cultivation section of the Wa-controlled area along the Myanmar-China border, the target area of the government's proposed anti-narcotics effort. The road-building is another step in bringing the Golden Triangle opium-growing region under the control of Yangon for the first time, and ending the British-controlled opium traffic's domination of the region.

Technology

U.S. interest in maglev rail systems is growing

Institutional interest in the German maglev rail technology is growing in the United States, according to articles in the *International Herald Tribune* and the *Washington Post* on April 21.

"The scene could be straight out of 'Star Trek,'" the *Tribune* reported from Emsland, the site of the experimental track of the German Transrapid. "As passengers take their seats, the snub-nosed train starts to levitate above the guideways. Soon it is hurtling noiselessly at speeds close to 480 kilometers per hour, propelled by electromagnets and a linear motor lodged inside the rails. . . . But this ultrafast vehicle is no scientific fantasy. Eight times a day, it races along a 32-kilometer test facility here in the Frisian pastures near the Dutch border, preparing for its first commercial run between Berlin and Hamburg. By 2005, magnetic levitation trains could carry 40,000 passengers a day between Germany's two largest cities in less than an hour."

In April, the U.S. Senate earmarked \$1 billion in the Transportation bill "to develop and construct high-speed magnetic levitation trains throughout the country," the *Washington Post* reported on April 19. "State officials and private developers in Nevada, California, Florida, Maryland, and Pennsylvania have expressed interest in the program for developing passenger trains that can travel in excess of 240 mph."

Senate Environmental and Public Works Committee Chairman John Chafee (R-R.I.) pushed the funding for maglev after a visit to the Emsland test facility last year.

CHINA and the Association of Southeast Asian Nations discussed "new forms of trade," in meetings in Malaysia on April 18-19. China's assistant Foreign Minister Chen Jian said Beijing regarded the regional economic turmoil as an opportunity to strengthen bilateral trade and economic ties, and will extend credit and set up barter trade so that China can import more from ASEAN nations.

A.U.S. COMMERCE Department-led delegation signed 18 economic agreements in China in April, as a prelude to President Clinton's trip to China in June. The contracts include one by Westinghouse for \$167 million for turbines for a fossil fuel power plant, and a partnership for IBM with the government of Shanghai to help establish an electronic technology center.

BELARUS is rationing foodstuffs in some regions of the country. A directive issued by the Minsk District Executive Committee says the decision was made "to stop the unorganized and unauthorized export of goods outside the borders of the republic." Individuals are allowed to buy no more than 2 kg of meat and poultry, 0.4 kg of cheese, and 2 kg of bread at any one time.

THE NATIONAL IRANIAN Gas Company has asked the Australian resource company BHP to conduct a feasibility study for a 2,400 km, \$4 billion natural gas pipeline from Turkmenistan through Iran to Turkey. However, the company has already been threatened with sanctions under the U.S. boycott laws against Iran and Libya.

RUPERT MURDOCH'S News Corporation is lobbying to buy Television New Zealand, following an indication from the government that it may privatize the state-owned network. Murdoch already owns the Sky pay-TV network, and the largest newspaper group, Independent Newspapers Ltd.

Colombia must follow Peru's strategy vs. narco-terrorism

by Dennis Small

On March 31, the House International Relations Committee of the U.S. Congress held hearings on the rapid takeover of the South American nation of Colombia by narco-terrorist armies of the Colombian Revolutionary Armed Forces (FARC) and the National Liberation Army (ELN). Speaking before the committee, the Commander-in-Chief of the U.S. Southern Command, Gen. Charles Wilhelm, identified the Colombian crisis as a grave threat to the security of the entire Americas, including the United States.

Colombia, he stated, is “the most threatened country in the U.S. Southern Command area of responsibility,” which covers all of Ibero-America. There is “an active, growing, and increasingly violent insurgency, an expanding narcotics industry, and brutal paramilitary organizations which are wreaking havoc on the civilian population. In combination, these elements have abridged governance in about 40% of the rural countryside” — which means that the narco-terrorists, and not the Colombian state, run the show in nearly half of the country. This has “created security emergencies for each of the five countries with which Colombia shares a common border,” he said. Moreover, the general asserted, a recent visit to Colombia had confirmed for him that the country’s military is currently incapable of answering the threat, while the government of Ernesto Samper (who was elected to office with \$6 million in drug cartel funds) “is not committed” to even fighting.

At the same hearings, Randy Beers, the Acting Assistant Secretary of State, Bureau of Narcotics and Law Enforcement, explained that there is a “growing nexus of cooperation between the insurgents and the narco-traffickers.” Calling for prompt action, he stated: “We, the United States, and we, the government of Colombia, cannot cede Colombian territory, either air or ground, to the traffickers and the insurgents.”

Ten days after the hearings, the *Washington Post* of April 10 leaked quotes from what they described as a secret Defense Intelligence Agency (DIA) study, which concluded that Colombia could fall to the narco-terrorists within five years.



Peruvian President Alberto Fujimori inspects one of the tunnels used to recapture the residence of the Japanese ambassador in Lima from MRTA terrorists, on April 23, 1997.

It is *EIR's* considered view that Colombia will be lucky to last *one* year as a sovereign nation, if things continue on their current course. Moreover, as we have repeatedly reported in these pages over recent years, the entire Ibero-American continent is facing similar, if less advanced, assaults from the organized hordes of narco-terrorists, which are being run — as policy — out of the City of London. As we document below, London is executing this strategy through the Cuban-run São Paulo Forum, and with the financial largesse of their protégé, the drug-legalizing mega-speculator George Soros.

The United States itself is also directly threatened, both because of the security implications of narco takeovers south of its border, and because U.S. citizens and interests have now been explicitly declared “military targets” by the FARC, which is threatening to turn Colombia into “another Vietnam.”

The Clinton administration has clearly recognized the grave danger facing the Americas. The issue now is, what measures will follow. In his Congressional testimony, General Wilhelm indicated that a policy review was under way, including a comparison of the war against narco-terrorism in Peru and Colombia. He described this as a “study in contrast. . . . Peru, which has made steady and measurable progress against the dual threats of insurgency and narco-trafficking . . . [and] Colombia, which has not.” He reported that his staff is completing a “side-by-side analysis of the situations, past and present, in these two countries,” to provide “a set of benchmarks” for how to address the crisis in Colombia.

The facts regarding the two countries speak for them-

selves. As we document in the adjoining maps and graphs, between 1992 and 1997 Peru reduced its hectares under coca cultivation by almost 50%, from 129,000 to 69,000. In the same time period, Colombia more than doubled its area under coca cultivation, from 37,000 to 80,000 hectares, thereby overtaking Peru as the world's leading producer. Colombia's output rose by 108% during this period, while Peru's shrank by 56%. Even Bolivia, which does not have as aggressive an anti-drug strategy as Peru, was able to reduce its output by 18%. During this same period, terrorism collapsed in Peru; whereas in Colombia, it today threatens the existence of the state.

So, the Clinton administration is asking the right questions: *Why is Peru succeeding, and Colombia failing, in the war against narco-terrorism?* And, what have been the differences in U.S. policy toward these two countries?

To come up with the right answers, however, will require breaking with certain policymaking axioms which have been deeply imbedded in Washington since the Bush era, and earlier. Central among these is the British-authored dogma, that the power and role of the Ibero-American military must be vastly reduced, in the interest of preserving “democracy.” Furthermore, coming up with the right answers will also require adopting a *high-risk*, war-winning approach to the problem, rather than the risk-reduction strategies that are all too popular around Washington.

There are two principal factors in Peru's relative success. First, the government of Alberto Fujimori has, at every point,

Continued on page 20

Drugs and terrorism in Peru and Colombia

Figures 1 and 2 show the *decline* in the area of drugs and terrorist activity in Peru during 1995-98. The sources include the U.S. Drug Enforcement Administration, the U.S. Information Service, Peruvian press accounts, and *EIR*'s Lima bureau. Figures 3-5 show the shocking *growth* of drugs and terrorism in Colombia during 1982-98. Today, 40-50% of Colombia is virtually occupied territory. The sources for the data include the DEA, Colombian press accounts, and *EIR*'s Bogotá bureau.

The criterion applied in the two cases is slightly different: for Colombia, it is general areas of major influence; for Peru, it is more narrowly defined as areas of direct activity. Therefore, the two sets of maps cannot be compared in terms of absolute size of the respective areas marked; what they show is the relative change within each nation. The comparisons of harvested hectares of coca and production of coca leaves (in tons of HCl equivalent), are shown in Figures 6, 7, and 8. The sources of the data include the U.S. State Department's 1998 *International Narcotics Control Strategy Report*, and *EIR* calculations.

FIGURE 1
Peru, 1995

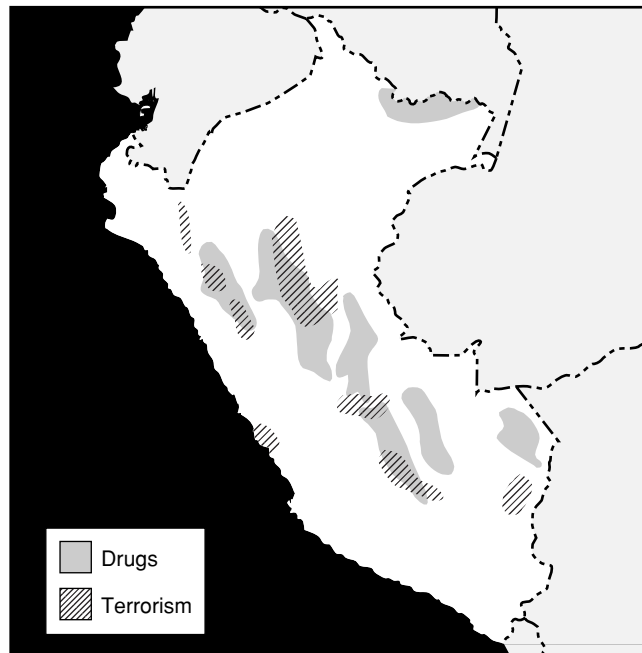


FIGURE 3
Colombia, 1982

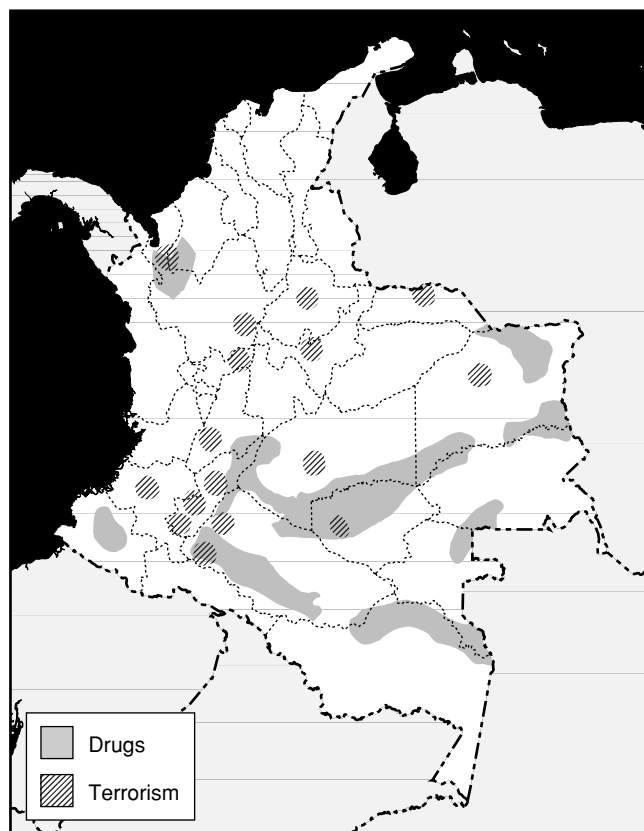


FIGURE 4
Colombia, 1995

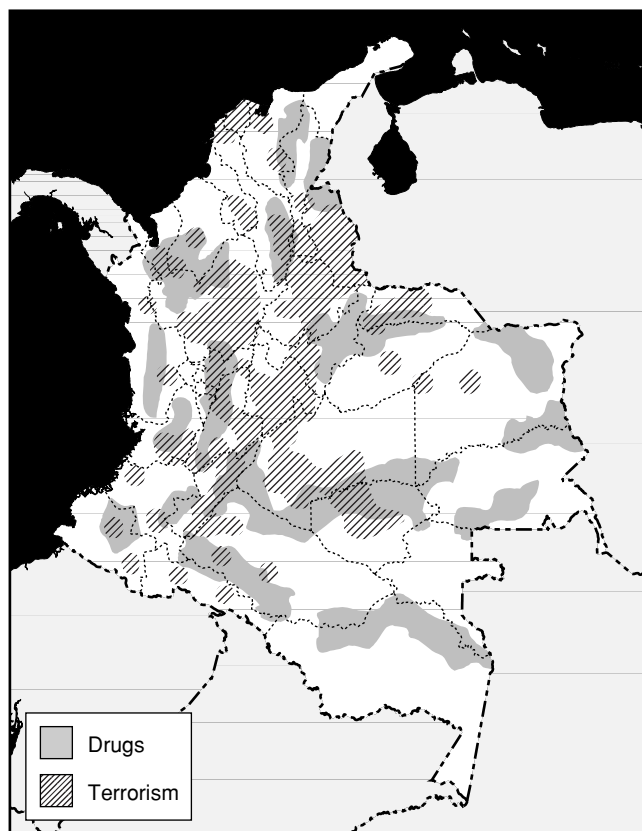


FIGURE 2
Peru, 1998

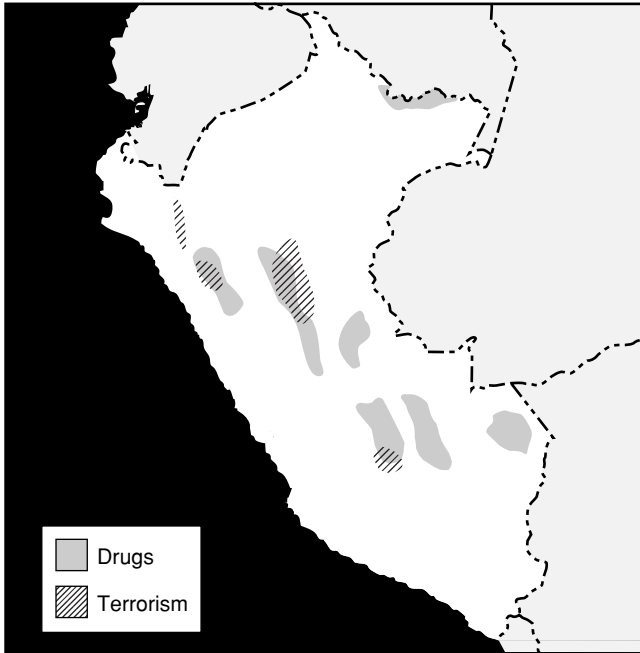


FIGURE 5
Colombia, 1998

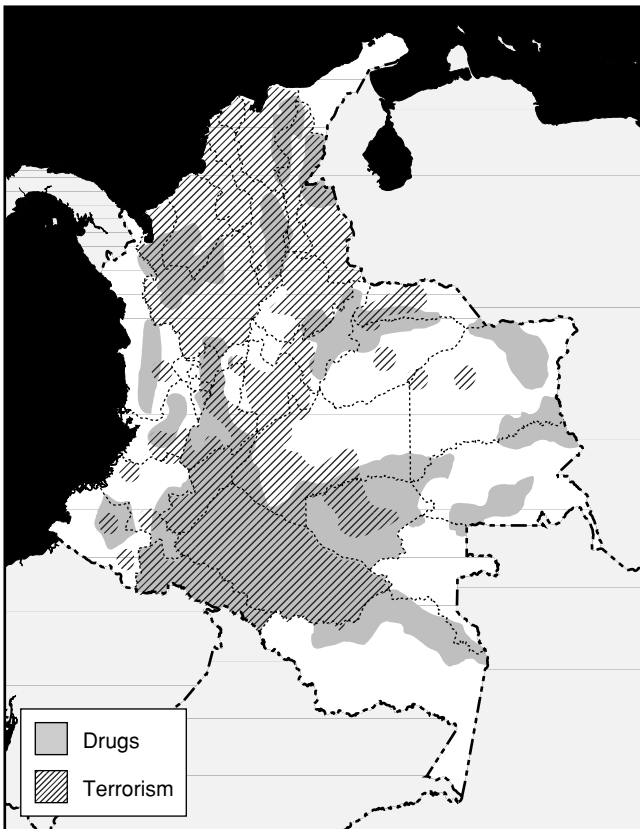


FIGURE 6
Coca area harvested
(thousands hectares)

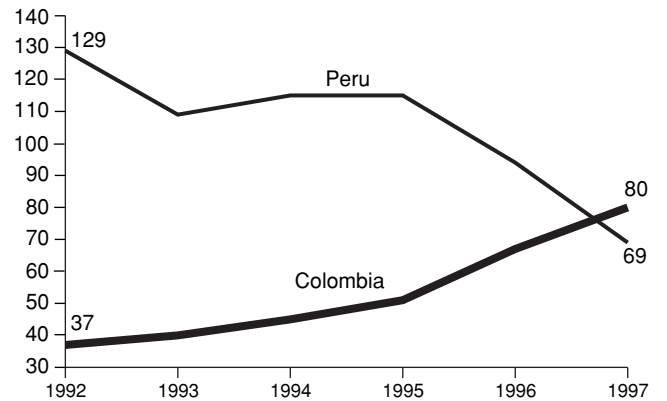


FIGURE 7
Coca area harvested, percentage of world total

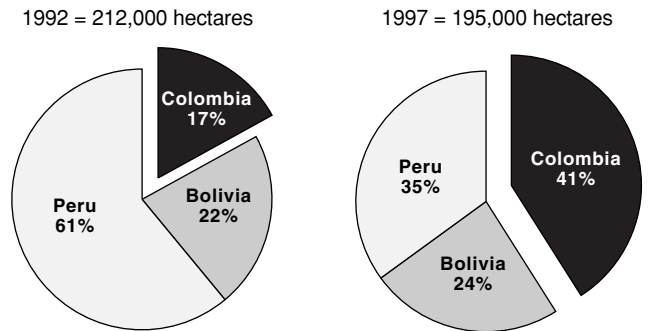
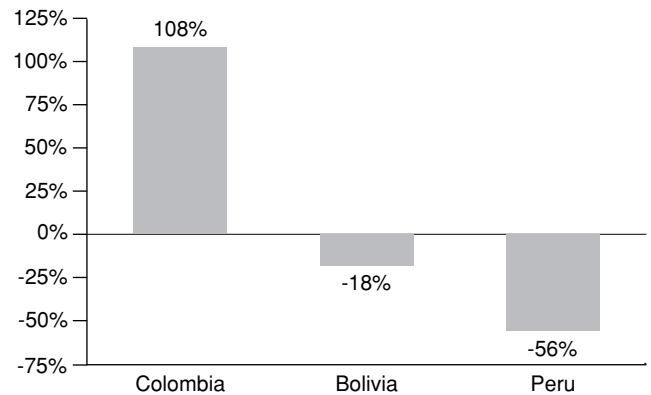


FIGURE 8
Cocaine production
(% change, 1992-97)



Continued from page 17

adopted a *war-winning* strategy—as distinct from mealy-mouthed capitulation to the narco-terrorists and their international apologists—and has been willing to run *great risks*, personal, political, and military, when these were necessary to save the nation.

EIR founder Lyndon LaRouche has repeatedly referred to the historical case of Germany's von Schlieffen, as contrasted to that of the young Moltke, to draw attention to just such qualities of leadership. Von Schlieffen's superiority over the young Moltke, LaRouche has explained, resides in the former's willingness to incur great risks in pursuit of victory. To make the broader political point, LaRouche told a Washington audience on March 18:

"Can we summon the leaders, and the leadership, to do what many people, still, at this moment, would consider unthinkable? To maximize the risk, rather than spreading and minimizing it? And, by maximizing the risk, as the great commanders in warfare, to win the war, whereas those who minimize the risk are sure to lose it."

The chronology of events which we publish below, traces the course of Fujimori's high-risk command decisions, taken in close alliance with the country's military, from the April 1992 suspension of Peru's congress and judiciary, to the audacious 1997 commando raid to retake the Japanese ambassador's Lima residence from the MRTA terrorists who had seized it. Fujimori has consistently acted like a von Schlieffen—and more often than not has had to do so against wilting domestic and international pressure, including that of the U.S. State Department, especially during the Bush years.

All the more politically significant, therefore, that the Southern Command's General Wilhelm invited the head of the Peruvian Armed Forces, Gen. Nicolás Hermoza, to address a Miami conference of military leaders from across the Americas, on Peru's successful operation to retake the Japanese compound. Wilhelm introduced General Hermoza by remarking that the hostage-rescue operation, for which Hermoza shares credit with Fujimori, "was one of the few resounding victories against world terrorism in the last 20 or 30 years." Hermoza told his colleagues, "I am not exaggerating when I say that, in 1991, Peru was bordering on extinction." He added the crucial insight that it was Fujimori's willingness to assume "political risks," which allowed his country to stop the advance of the insurgents.

The U.S. role

The Miami event points to the second key factor in Peru's relative success in its war against narco-terrorism: that viable U.S.-Peruvian cooperation has been put in place by the Clinton administration, after the fiasco of George Bush's pro-drug approach. For example, the United States has shared with the Peruvian military real-time radar intelligence regarding drug flights, which has permitted the Peruvians to shut down, by and large, the air bridge from coca plantations in Peru's jun-

gles to cocaine laboratories in Colombia (drug flights were cut from 752 in 1992, to 96 in 1996). This has been followed up with a U.S. program to train Peruvian Navy forces, so that they can now move against the river drug traffic which the cartels have now resorted to.

In general, the United States has provided Peru with information, technology, and training, and has avoided the pitfalls of either direct U.S. military involvement, multi-lateral "peace-keeping" forces, or any other abridgment of Peruvian sovereignty. Such an approach would only play into the hands of London's narco-terrorist organizations across the continent, who would like nothing better than to be able to raise the flag of "narco-nationalism" against the "Yankee invaders"—as the FARC is already doing.

The depth of current cooperation between the United States and Peru was highlighted April 21, when U.S. White House Drug Policy Adviser Gen. Barry McCaffrey (ret.) was decorated by President Fujimori with the Grand Cross of the Order of the Sol, an honor reserved for foreign persons who have provided support to Peru. Such cooperation inevitably produces real rage in London. The International Institute of Strategic Studies, for example, complained in its 1997 annual review that, not only are Peruvians "tolerant of Fujimori's authoritarian tendencies," but that "Fujimori found another important ally in the United States, when he became a willful participant in Washington's war on drugs."

The Bedoya option for Colombia

There are three relevant candidates running for President of Colombia in the May 31 elections—perhaps the country's last chance to pull back from the abyss. Horacio Serpa is narco-President Samper's hand-picked successor; if he wins, Colombia is lost. Andrés Pastrana presents himself as the only viable opposition to Serpa and Samper's narco-corruption, and he is viewed as such by many in Washington. But Pastrana has thus far shown a devastating flaw: He has repeatedly stated his commitment to negotiating and compromising with the FARC and ELN narco-terrorists, up to and including demilitarizing entire regions of the country in order to encourage "peace talks"—just as Samper has done. Such a non-confrontational, "low-risk" strategy guarantees that the war will be lost.

The only Presidential candidate who has thus far shown the potential to become Colombia's "Fujimori," who is prepared to fight to win, is Gen. Harold Bedoya (ret.). Many in official Washington, however, consider the Bedoya option "too risky," in that it would allegedly open the door to a greater role for the armed forces across the continent. And that, of course, goes against London's "democracy" dogma.

Thus, Washington is today trying to replicate the successes of Peru, in neighboring Colombia, but with partners who are, in fact, unwilling to fight. This approach will not work. Let us hope, however, that the axiomatics underlying this blunder will be jettisoned, in time to prevent the entire continent from falling to London's narco-terrorist hordes.

London's São Paulo Forum declares war on the United States

by Gretchen Small

Since 1990, *EIR* has repeatedly warned that the accepted dogma, that the narco-terrorist threat in the Western Hemisphere collapsed along with the Berlin Wall, is strategic folly. *EIR* insisted on three points: 1) that a continental narco-terrorist capability still exists, operating under the centralized command of the Cuban-founded São Paulo Forum; 2) that the Forum is deployed at a higher level, from London, aimed at breaking up the nation-states of the Americas; and 3) that the United States is a principal strategic target of the São Paulo Forum's warfare.¹

The official silence by this hemisphere's national security establishments to these well-documented realities, has had its desired effects. In March, the São Paulo Forum's Revolutionary Armed Forces of Colombia (FARC) publicly declared war against the United States, promising to turn the region into a new "Vietnam," should the United States, or any other nation, aid Colombia against the drug cartels. The Forum then opened a new flank of narco-terrorist insurgency: in Bolivia. Led by coca-grower assets allied to the FARC, the foot-soldiers of insurgency in Bolivia, as *EIR* documented a year ago, are an integral part of George Soros's narco-legalization apparatus in the Andean nations.

More "Made in London" than that, you cannot get.

'Vietnam' in the Andes

The announcement that the FARC has ordered its forces to treat U.S. advisers in Colombia as "military targets," was first reported by Britain's Reuters news agency on March 16. Once again, Reuters used its good contacts with the narco-terrorists to gain an "exclusive." FARC Commander Fabián Ramírez issued the pronouncement to a Reuters correspondent who claimed to have "travelled by night and day on the back of a mule" to reach the well-fortified FARC headquarters in "the jungles of Caquetá."

Days later, on March 23, the FARC kidnapped four U.S. citizens. Commander "Edison Romaña," head of the 53rd Front which seized the Americans, threatened that, should it be determined that any of the four worked for the CIA, Drug

Enforcement Administration, FBI, or any other U.S. intelligence agency, they would be killed.

A letter, warning that "if the United States gets involved . . . this will be another Vietnam," followed on March 29. This threat came from the FARC's cohorts in the National Liberation Army (ELN). The letter was sent by Francisco Galán and Felipe Torres, who currently reside in a "high-security" prison in Colombia. But, as the jailed chiefs of the drug cartels can attest, under the Samper government, imprisonment proves no obstacle to continuing a war or a business.

On April 11, the FARC's international spokesman, Luis Alberto Albán Urbano, alias "Commander Marcos León Calarcá," reiterated the threat to the Argentine daily *Página 12*. "The FARC have been very clear, and I underline: those who participate, directly or indirectly, in the war against our people will be military targets, and this includes financial or any other type of support for our enemy," he said. Two weeks later, the FARC sent an "Open Letter to the People and Progressive Sectors of the U.S.," from "Calarcá's" headquarters in Mexico, which, like the ELN, threatened that the United States, should it continue aiding Colombia, would suffer "the loss of innumerable citizens," in a war comparable only to Vietnam.

Both the FARC and the ELN have been members of the São Paulo Forum's steering committee for several years, with the FARC playing a particularly active role.

Soros's coca warriors

The Forum opened the Bolivian flank at the beginning of April. *Cocaleros* (coca-growers) began mass protests against "Plan Dignity," an aggressive coca eradication campaign initiated by the Bánzer government. Initially coordinated with national protests of the Bolivian Labor Federation (COB), clashes between protestors and security forces led to several deaths. While the COB eventually reached an agreement with the government, the *cocaleros* have made ending their protest conditional on one demand: that the government pull the military out of the Chapare—the center of the drug trade in Bolivia.

Clashes in the Chapare between coca-growers and security forces are not new, but this time, both the government and the leadership of the coca forces are determined to stand firm. During a "pull-aside" at the Summit of the Americas in

1. For the most complete treatment of these points, see *EIR*, Nov. 10, 1995; and, Lyndon LaRouche's Oct. 11, 1995 campaign statement, "The Blunder in U.S. National Security Policy."

Chile on April 18-19, Bolivian President Gen. Hugo Bánzer told President Clinton that Bolivia is in a war with the drug-traffickers, and it needs U.S. help, National Security Adviser Sandy Berger reported on April 19. Bánzer told Clinton that they will win this war, but it will not be easy, Berger added.

Amid rumors of the emergence of a "Chapareño National Liberation Army," the longtime head of the Andean Council of Coca Producers (CAPHC), Evo Morales, in a press conference in Bolivia's Congress on April 27 (he is a Deputy for the United Left party), threatened an "imminent armed uprising," should the government not immediately pull the military out of the Chapare. Bolivia faces immediate "Colombianization," he promised.

Morales knows what "Colombianization" means: He and his CAPHC (which operates in both Bolivia and Peru) are active members of the São Paulo Forum. In August 1996, at the height of the FARC-run *cocalero* uprising in the Caquetá and Putamayo departments of Colombia, Morales visited Caquetá to offer international support for the FARC uprising. In August 1995, the São Paulo Forum had featured Morales as a speaker at a conference in Buenos Aires, where his proposals for drug legalization and regional "resistance" against "imperialist" anti-drug plans, were cheered by delegates from around the Americas.

International support is a requisite these days for armed insurgencies. The groundwork for this has been systematically laid by Soros's agents. As we documented (see *EIR*, Jan. 31, 1997, pp. 46-65), Morales's CAPHC is an integral part of the Andean drug legalization machine run by Soros: CAPHC shares overlapping personnel and joint projects with the Andean Commission of Jurists, a group of drug legalizers which functions as a subdivision of Soros's Human Rights Watch/Americas. Soros has not only been one of the primary financial benefactors of HRW/Americas from its founding, but he continues to play an active role on its board of advisers.

In 1995, Human Rights Watch established a special project dedicated to challenging alleged "human rights violations caused or exacerbated by efforts to curtail drug-trafficking internationally." Bolivia, and specifically the Chapare region, was its first target. At the same time, Morales's CAPHC, the Lindesmith Center (the drug legalization team at Soros's Open Society Institute), and a group of European non-governmental organizations launched an international organizing drive for the legalization of coca. The project, called "Coca 95," provided a cover for international "networking," picking up the tab for members of the CAPHC travelling in Europe.

A conference, entitled the "International Meeting on Current Scientific Studies on the Effects of Coca Consumption on Humans," in Lima in March 1996, pulled the operation together: Co-sponsored by Soros's Andean Commission of Jurists and the CAPHC, the featured speaker was Anthony Henman, a British anthropologist who is the Lindesmith's top man in Europe. Morales attended.

Also, there are Soros's business interests in Bolivia, which increased greatly this year with the purchase of Bolivia's silver-rich San Cristóbal mine, by Soros's Cayman Islands-based Apex Silver Mines.

Follow the 'Calarcá' trail

What will be the role of the other branches of the São Paulo Forum in the Americas, as their Andean offensive escalates? One place to investigate, is the travels of "Commander Calarcá." In exile in Mexico since 1993, Calarcá handles international coordination for the FARC (internet communications, negotiations, message delivery, and so on), including participation in the public side of the São Paulo Forum's activities, such as the Forum's August 1997 confab in Pôrto Alegre, Brazil, where he was a speaker.

A window onto his more clandestine activities was opened when Bolivian authorities, with Interpol back-up, arrested Calarcá on March 25, when he arrived at the La Paz airport on a flight from Lima. Bolivian authorities reportedly had information that he had contacted residual MRTA networks while in Peru. Calarcá told Argentina's *Página 12* that he was returning from a "São Paulo Forum preparatory meeting" in Montevideo, Uruguay, and planned to meet in La Paz with the Communist Party and the Free Bolivia Movement (MBL)—the latter on the steering committee of the Forum since that body was set up in 1991. Calarcá was to meet with MBL Deputy Alonso Alem, the man who toured Europe in 1992 for the Forum, before being named Foreign Minister in the Sánchez de Losada government.

According to a profile of the FARC leader's recent activities reportedly assembled in Bolivia, Calarcá began a tour of Central and South America on Feb. 24, to line up continental political and logistical support for the FARC offensive. He reportedly started with meetings with the Nicaraguan Sandinista National Liberation Front (FSLN); his contacts in South America were said to include friends of Venezuela's Col. Hugo Chávez (ret.). Chávez had been assigned to coordinate the Forum's networks in the region's militaries, during his December 1993 visit to Havana, where he received a hero's welcome from Fidel Castro.

Chávez is now a leading contender in the upcoming Presidential elections in Venezuela. When his request for a visa to visit the United States was denied in April, Chávez announced that he will travel to London to garner international support—fulfilling his long-sought wish. In 1995, Chávez complained that he had been invited by Britain's Ambassador to Venezuela to visit London, but that Venezuelan President Rafael Caldera had intervened, to cancel his trip.

Bolivian authorities offered to deport Calarcá back to Colombia, where he faces sedition charges, but the Samper government refused to even *request* his extradition, on the grounds that he was wanted only for "political crimes." So, the FARC's Commander was shipped back to Mexico, to continue the war.

The FARC attacks, the government negotiates, and Colombia disintegrates

by Javier Almarío

The publication in April of this year of several reports forecasting a very dark future for Colombia caused an uproar, both nationally and internationally. The British-run International Institute of Strategic Studies (IISS) warned in a recent report that “the guerrillas are winning the war and will take over the country,” a prediction London views with satisfaction, given its strategy of dismantling nation-states. According to the *Washington Post*, another report from the U.S. Defense Intelligence Agency (DIA) predicted, that if things continue as they are now, in five years the Revolutionary Armed Forces of Colombia (FARC) and the National Liberation Army (ELN) will take power and convert Colombia to a “narco-state.” The DIA contends that narco-terrorists control 40% of the country’s national territory.

But if the situation continues on its current course, it will take far less than five years for Colombia to disappear as a viable nation-state. Colombia is *already* a narco-state. The Army and the National Police are already carrying out combat exercises in the streets of Bogotá. The capital is under siege, and on any one of the roads out of the city, groups of narco-terrorists can appear at one of their “roadblocks,” kidnap any individual whose name appears on the screen of their laptop computers, or anyone identified as a “military target.”

Gen. Harold Bedoya (ret.), the only candidate for the May 31 Presidential elections who rejects unconditional surrender to the narco-terrorists, has been subject both to innumerable attacks by the media, controlled by the oligarchy, and to “military” attacks by the narco-terrorists. On the evening of April 26, one of his campaign offices in Bogotá was completely destroyed by a bomb; several volunteers have received death threats for campaigning, and in a number of regions, the candidate’s literature has to be circulated clandestinely.

The negotiation trap

Overlooked amid the daily barrage of media reports of kidnappings, murders, narco-terrorist “roadblocks,” bombings, extortion, ambushes, and armed takeovers of municipalities, is a very serious piece of news which signals Colombia’s descent into total disintegration. Gustavo Alvarez

Gardezabal, Governor of Valle del Cauca, is negotiating directly with the narco-terrorists, purportedly to obtain “peace” for his department (state). Independent of the national government, he has travelled to London and other parts of the world to request help for his “peace process.” In his statements, Alvarez speaks of Valle del Cauca as if it were a separate nation.

Seventy percent of Valle de Cauca’s municipal mayors are threatened by the FARC, and are accountable to the group for what they do, and do not do. One key issue is the control of the budget. Although the FARC publicly tells people it intends to make sure that state funds are used correctly, and not stolen by the politicians, the truth is that unless mayors hand over 10% of their budgets to finance the narco-FARC, they will be killed or kidnapped. Gangs of armed men permanently “patrol” the municipalities to watch what is said and done. In oil-producing regions such as Arauca, Putumayo, and Meta, where royalties from oil companies are incorporated into the budget, funds are also diverted to finance the narco-terrorists’ activities, rather than being used for the welfare of the population.

To enforce this, one of the first conditions imposed on governors and mayors by the narco-terrorists is that FARC and ELN agents be named to key positions, from which they can control state funds. Alvarez Gardezabal’s calls for “peace,” and his repeated attacks on the government for not letting him seek “peace my way,” reflects the terror felt by the political class of a country which has allowed itself to be corrupted by the drug trade, and is now surrendering to the logical outcome of that corruption: the increased power of armed narco-terrorism. Valle del Cauca is one of Colombia’s three wealthiest departments.

Other governors are walking down the same path. Cauca department is in a situation very similar to Valle del Cauca. In Nariño, on the border with Ecuador, the ELN kidnaps mayors with impunity, while its men patrol the streets of several municipalities, as if they were the authorities.

Samper hands over everything

In the meantime, President Ernesto Samper Pizano’s narco-regime has no interest in resuming control of the nation,

for which the first step would be to defeat the armed narco-terrorists. Samper's priority has been, and continues to be, achieving "peace" at any price, in the few months remaining of his term in office. He has therefore given orders that no offensive military operations be launched, and that the Army respond only if attacked. Samper's strategy stems from the argument that the war cannot be won and that, therefore, peace has to be negotiated. The FARC and ELN argue from the opposite standpoint—that they are winning, and will win the war, and that any dialogue or "peace" negotiations are another step forward in gaining legitimacy, international credibility, and ability to recruit troops.

From the very beginning of his government, Samper has accepted the FARC's demands to clear large portions of national territory (i.e., removing the military from them), in order to begin "peace" negotiations. The FARC has always demanded clearing those areas where it has influence, with the goal of keeping them under its permanent control.

At the same time, Samper has accepted advice from the multitude of UN non-governmental organizations (NGOs) in the country, which spend their time vilifying the Army, and demanding that military officers be tried and sentenced, under cover of "human rights abuses." As a result of the recent murder of Eduardo Umaña, a lawyer for several people accused of belonging to the ELN, and recognized by the NGOs as a defender of human rights, Samper allowed the NGOs to have access to all secret military intelligence files. Thus, anything the military investigates will immediately become publicly available. The NGOs argue that Umaña was assassinated, because he was identified as an ELN member in some intelligence file.

The plot against the military

Colombia's Armed Forces are demoralized, have an insufficient budget, are the target of terrorist attacks carried out with the complicity of Samper's government, and operate under the onus of being "led" by a President who is an accomplice of the drug cartels. Most soldiers still recall the words of Gen. Ricardo Cifuentes, who resigned from the Army in January 1996 because he was convinced that drug money had put Samper in the Presidency, and who hated the idea that troops would swear loyalty to a President unworthy of such trust. "The President doesn't deserve my support," he said at that time. The troops also know that General Bedoya was removed from his post as head of the Armed Forces, because he opposed Samper's strategy of losing the war, and because the FARC made Bedoya's removal the condition for any "peace" talks.

Add to this the terrorist attacks on the Armed Forces during Samper's term in office. At the end of 1994 and beginning of 1995, as a result of a march that the FARC organized using threats of violence, the Samper government negotiated an agreement with the coca producers of Caquetá and Guaviare, that the government would not eradicate coca planted on plots

of less than three hectares. Given this arrangement, the Army opted to prevent the entry into the region of chemical inputs for cocaine processing, and stop the outflow of cocaine. In mid-1996, the FARC organized another march to take over Florencia, the capital of Caquetá.

While the Army was occupied with containing the march, it was the victim of a severe attack at the Las Delicias military base in Caquetá, in which the FARC murdered 50 soldiers and kidnapped another 60. Subsequently, at the end of 1996, the government ordered the clearing of 15,000 square kilometers of territory, supposedly to allow the FARC to free the soldiers. Despite this, not one soldier was freed. Samper then ordered another clearing in mid-1997, which resulted in the freeing of the soldiers, but which was a huge publicity stunt which effectively handed control of the cleared area over to the FARC.

EIR warned at the time, that after this occurred, the FARC would never give back that territory willingly, and that its goal was to maintain permanent control over the Caguán Valley, in which a large percentage of the world's coca is produced. Then, in December 1997, the narco-terrorists attacked another military base in Nariño, killing 10 soldiers and kidnapping 22. Subsequently, in March 1998, Mobile Brigade No. 3 was effectively dismantled after a surprise attack while trying to take back Caguán, the region Samper had surrendered to the FARC a year ago. The FARC attacked a battalion of the brigade, killing 62 and kidnapping 43 soldiers. Following this, Samper ordered the Mobile Brigade, a unit made up entirely of professional soldiers, to be demobilized.

Now the FARC is demanding that it be handed 50,000 square kilometers of national territory, supposedly as the first step toward eventual peace talks. Except for Bedoya, all the candidates are unaware of how precarious the country's situation is. Colombia is about to lose all of its freedoms, and fall to a narco-terrorist dictatorship. Samper is doing everything possible to ensure that his narco-regime lives on in the person of his candidate, Horacio Serpa, who insists that he is the candidate of "peace."

The truth is, that any public agreement between the narco-terrorists and the regime is the equivalent of an agreement between mafias to redefine the terms under which they will continue running the business. All of the "peace" proposals under discussion have as their first demand, the dismantling of the Armed Forces.

Conservative Party candidate Andrés Pastrana, who in doctored polls appears to be the front-runner, can't do enough to show that he is even more willing than Serpa to make concessions to the narco-terrorists. Colombia's political class thinks it can pacify the narco-terrorist groups, by granting the FARC autonomy over Caquetá, Putumayo, Meta, and Arauca, and granting the ELN autonomy over the Santander departments and a couple of others.

Nothing could be further from reality.

Gen. Bedoya: To win, mobilize the nation

“Don’t try to sell me the story, that in order to achieve peace, we have to hand over pieces of our country to criminals, to terrorists,” said Presidential candidate Gen. Harold Bedoya (ret.). He has based his campaign on one central message: “All is not lost.” Colombia’s continued existence as a nation requires that it drive the drug cartels and their armies out, and it is possible to do so. The following are excerpts from interviews he has given to Colombian media.

Semana of Feb. 23, 1998 describes Bedoya as a hardworking, devout Catholic, married for 28 years to a woman who loves opera. Some suggest Bedoya will beat the system, and sweep the elections as Peru’s Alberto Fujimori did in 1990, writes *Semana*, and then asks, why are you the only candidate who rejects dialogue with the guerrillas as the road to peace?

A: “Every government has offered dialogue, and here we have, after many years, a country at war. What purpose have these constant offers served? Who says that the FARC or the ELN are interested in peace? . . . From 1964-66, President Valencia, called the President of peace, pacified the country. How? With dialogue? No, by applying the law and the Constitution. Above all, the rule of law must be reestablished. This is an essential condition for any democracy. The law. Whoever commits a crime, must pay for it. Whoever assassinates, should be sentenced. . . .

Q: “You really would not accept any form of amnesty?”

A: “It could be acceptable for those who have committed a political crime of sedition and mutiny, without taking recourse to criminal actions, to terrorism. And also for the guerrilla rank and file who want to turn themselves in. We would give every kind of guarantee to them. But there cannot be an amnesty for the leaders of organizations who are no longer guerrillas, but are terrorists, and which have been internationally classed as such, just like the ETA or the IRA.

Q: “You do not believe, then, in the neutrality of the civilian population?”

A: “No, no one can remain neutral in the face of criminals. . . . What if the civilian population, during the war for independence, had declared itself neutral? Bolívar would have lost the war. There is no neutrality possible. One is either with terrorism, or against it. . . . Here, or in any other place, the first thing that is needed to confront this war, is a state which is organized, and a nation which is mobilized.



Colombia’s Gen. Harold Bedoya (ret.), campaigning for the Presidency.

Q: “Don’t you think that this has been tried?”

A: “Never. Here we still believe that the problem of terrorism is a matter exclusively for the military, and this is not true. A strategy of the state is required. . . . If the priority of the country is, and must be the fight against subversion and drug trafficking, it is necessary that the Executive—that is, the President and all the ministries, starting with those of Justice and Finance, formulate their activities based on this objective. Also, Congress and the Judicial branch.”

General Bedoya told the daily *El Tiempo* of March 29: “We are going to end this practice of kidnapping, raping, forcing the guerrilla rank and file to stay in these organizations, because if they leave, they kill their brother, their mother, their father, whomever. . . . There are no guerrillas here. What there are in Colombia, are mafias of terrorist drug traffickers. In the United States, they are already considered a worldwide threat. They are a threat to international security, because what they are, are a bunch of terrorists. . . . One-third of the country is in their hands, planted with coca up to its eyeballs. . . . I am going to draw up a plan, for the United States to help . . . develop these agricultural regions, so that the food that is needed is produced. . . . We need a joint government-peasant program, so that capital, technology, infrastructure, machinery, credits, etc., are invested. . . .

“This is simply the legitimate use of the arms of the republic. If there are criminal organizations which kill, extort, rape, kidnap, destroy infrastructure and national wealth, it is elemental that the state use its arms. . . . [When the nation rallies,] we are going to win this fight.”

Colombia ushers in a narco-dictatorship

1991-92: The U.S. President George Bush-sponsored César Gaviria government:

a) illegally rams through a new Constitution which legalizes possession of drugs and bans extradition as a state weapon against the drug cartels;

b) offers the drug cartels a pact to launder their ill-gotten fortunes through a plea-bargain agreement drafted by cartel lawyers; and

c) legalizes private foreign currency exchange, no questions asked, allowing billions of dollars of drug money to be laundered through Colombia's now deregulated banking system.

August 1993: President Gaviria holds closed-door talks with Cuban dictator Fidel Castro, head of the São Paulo Forum, a continental terrorist umbrella organization, as part of an appeasement strategy toward the country's rampaging narco-terrorists. At the same time, Gaviria implements a so-called "human rights" military reform, to straitjacket the Armed Forces.

June 1994: Dope, Inc.'s 18-year-long project to install cartel front-man Ernesto Samper Pizano into the Colombian Presidency, finally succeeds. Samper names a cabinet which includes Antonio Navarro Wolfe, chief of the amnestied M-19 narco-guerrillas, and Horacio Serpa Uribe, a longtime intimate of the ELN narco-terrorists. Serpa, as head of the Interior Ministry, runs a thug operation to terrorize and assassinate the regime's political opponents. Serpa is today Samper's intended successor to the Presidency.

August 1994: It is revealed that Samper has been holding secret talks with the FARC-ELN narco-terrorists since the beginning of the year, to fashion a "peace pact" with the narco-guerrillas on the El Salvador demilitarization model.

November 1994: Samper unveils plans to officially conduct peace talks with the narco-guerrillas. To pave the way for those talks, Samper goes to London, where he announces the opening of an Amnesty International office in Bogotá, and names several "former guerrillas" to key diplomatic posts abroad.

December 1994: A subcommittee of the Colombian Congress is forced to initiate an investigation of charges that Samper's election was secured by \$6 million in drug money. Despite evidence of the committee's corruption, the investigation is shelved for "lack of evidence." Six months later, Samper is fully absolved by Congress of charges of illicit

enrichment and fraud, despite overwhelming evidence against him and his campaign cohorts.

June 1995: Even while the FARC escalates its terrorist assaults across the country, Samper demilitarizes La Uribe, the former FARC headquarters which the Armed Forces had recently captured, and names it as a site for peace talks. Military morale plunges.

November 1995: Samper's leading political enemy in Colombia, Sen. Alvaro Gómez Hurtado, is assassinated.

April 1996: The British House of Lords moves to counter the Clinton administration's decision in March to deny the Samper regime "certification" as a collaborating partner in the war on drugs. It issues a strong defense of Samper as a leader "spectacularly successful against drug traffickers."

July 1996: Some 20,000 coca-"farmers," under the armed leadership of the FARC, surround the provincial capital of Florencia, in southwest Caquetá province, while thousands of others conduct terrorist assaults on surrounding towns, police and military posts, airports, and oil facilities. Samper's Interior Minister Serpa Uribe is accused by the opposition daily *El Nuevo Siglo*, of promoting the coca-insurgency.

It is later revealed that Serpa visited Germany during the same month, to meet with Werner Mauss, a shadowy figure with close ties to Colombia's terrorists, who was serving as a secret "bridge" between the Colombian and German governments in striking a deal with the terrorists.

August 1996: A heavily armed FARC unit seizes a military base in southwestern Putumayo province, killing 40 soldiers and taking another 60 hostage. The Samper government enters into negotiations with the terrorists, and forces the military to evacuate 5,000 square miles in the heart of this FARC-infested cocaine territory. The Armed Forces are humiliated, and not a single hostage is released.

June 1997: Nearly 10 months later, Samper orders another evacuation of the area, and the soldiers held hostage are released to delegates of the International Red Cross amid international publicity for the FARC. This permits the FARC to become the sole political and military authority in the region, dismantling the area's military base and imposing "war taxes" and curfews on the area's terrorized inhabitants.

July 1997: Armed Forces Commander Gen. Harold Bédoya is forced to resign from the military, after repeatedly crossing swords with Samper and Serpa over the regime's narco-appeasement policies.

October 1997: A nationwide deployment by the FARC-ELN to kidnap and/or assassinate candidates for gubernatorial, mayoral, and city council seats in nearly half of Colombia's 1,100 municipalities, successfully sabotages the midterm elections. About 1,500 candidates are forced to resign under threat of death, and 130 municipalities suspend the elections outright.

Peru moves decisively on narco-terrorism

April 5, 1992: With the explicit support of Gen. Nicolás Hermoza Ríos, head of the Joint Chiefs of the Armed Forces, President Alberto Fujimori shuts down the legislative and judicial branches, and issues several anti-terrorist and anti-drug decrees, previously vetoed by the Congress.

April 6, 1992: Decree 25475 is issued, establishing life sentences for the crime of terrorism, shortening the time frame for trials, and ordering them to be held in prisons, before anonymous judges. Issued at the same time was Decree 25659, which defines treason as the act of leading terrorist organizations, belonging to annihilation squads, participating in catastrophic assaults, and supplying or warehousing explosives. The crime of treason is tried in military courts, effectively placing the terrorist leadership under military jurisdiction.

April 10, 1992: Fujimori authorizes military participation in anti-drug operations, in the knowledge that the drug and terrorist zones are one and the same, and have to be fought simultaneously. Specifically, he orders the Air Force to take control of all the airports in the drug-producing and -processing region, in the jungle, and to intercept all drug flights and destroy landing strips used by the cartels.

April 1992: U.S. President George Bush, and almost all the other Ibero-American Presidents, denounce Fujimori as “anti-democratic.” Bush unilaterally suspends U.S.-Peru anti-drug cooperation, including the practice of providing Peru with intelligence gathered by AWACS, and other radar used by the Southern Command. At the beginning of that year, Bush had ordered the removal of the anti-drug radar built and operated by the United States in the Peruvian jungle, to provide intelligence to Peruvian authorities in combatting the drug trade.

May 1992: At the Bahamas meeting of the Organization of American States (OAS), the governments of the region denounce the “Fujimorazo” as an assault on democracy. The Peruvian government agrees to call elections for a Constituent Assembly, thus avoiding greater isolation.

May 16, 1992: The government promulgates the Repentance Law, mandating that reduced or suspended sentences be given to terrorists who cooperate with the authorities, identify their superiors, and reintegrate themselves into society.

July 1992: The narco-terrorist Shining Path begins the siege of Lima, and announces it has attained “strategic equilibrium” with the forces of the state. The Anglophile U.S. think-tank, the RAND Corp., had announced at the beginning of the year that Shining Path would lay siege to Lima, in

which case neighboring nations and the United States should intervene in Peru—precisely what the terrorists sought in order to declare Peru the “Vietnam” of the Andes.

Sept. 12, 1992: At “five minutes to midnight,” authorities capture in Lima Shining Path founder, Abimaél Guzmán Reinoso, along with a large number of the group’s leadership. Subsequently, the rest of the terrorist leadership is gradually captured. Shining Path’s main column, in the coca-producing Huallaga Valley, is significantly reduced as a result of both military actions and the government’s policy of creating armed peasant self-defense groups to fight terrorism.

Nov. 13, 1992: After discussing “democracy” with Bernard Aronson, George Bush’s Undersecretary of State for Inter-American Affairs, Gen. Jaime Salinas Sedó surreptitiously enters Peru, and leads a failed coup attempt, whose goal is to assassinate both President Fujimori and General Hermoza.

Aug. 21, 1993: Law 26223 is promulgated, changing the Penal Code to mandate life sentences for the crime of drug trafficking, when it is linked to terrorism.

August 1993: Lee Brown, the anti-drug “czar” of the new Clinton administration, visits Peru to discuss resuming the anti-drug cooperation suspended by Bush. As a first step, intelligence provided by U.S. AWACS and other sources is resumed.

Jan. 13, 1994: The major Peruvian supplier to the Cali Cartel, Demetrio Chávez Peñaherrera, is captured in Colombia as a result of close coordination by the Drug Enforcement Administration (DEA), and Peruvian and Colombian authorities. Subsequently, other important kingpins—the López Rodríguezes, Abelardo Cachique Rivera, Wilder Alvarado Linares, Waldo Vargas Arias, etc.—are arrested in Peruvian, Ecuadorian, and Colombian territory.

April 1994: The Peruvian Army launches its “final offensive” against Shining Path’s remaining columns in the Upper Huallaga Valley; but it halts the offensive after the so-called National Human Rights Coordinator falsely “exposes” that the civilian population is being “bombed.” The International Red Cross also sabotages the operation, demanding entry into the zone and, once there, convinces arrested terrorists not to reveal their leaders’ whereabouts.

June 22, 1994: President Clinton asks the U.S. Congress to more flexibly interpret legislation that limits, and threatens to suspend, Peruvian use of intelligence provided by AWACS and other U.S. radar, in order to shoot down drug planes over Peruvian territory. Congress agrees. This permits resumption of interdiction of drug flights through the Peru-Colombia air bridge, which provided basic cocaine paste to Colombian laboratories. This breakup of the air bridge caused the price of coca leaf to plunge, and, combined with bold attacks on Shining Path’s and the MRTA’s (Revolutionary Tupac Amaru Movement) protection of drug production, resulted in a rapid reduction in the size of the area under coca cultivation.

Aug. 2, 1994: A law is promulgated streamlining the legal procedures, both for dealing with the crime of drug trafficking, and for offering rewards to those who confess their crimes and cooperate with authorities to dismantle the drug mafias.

November 1995: Authorities arrest members of an international contingent of MRTA guerrillas, including Panamanians, Chileans, Colombians, and one American, as they prepared to assault the Peruvian Congress and take several VIPs hostage to exchange them for imprisoned MRTA leaders. The arrest of American citizen Lori Berenson, and her later conviction and 30-year jail sentence, becomes the "case" which allegedly proves the Peruvian government's violation of human rights. From that point on, the international drug lobby mobilizes to stop all U.S.-Peru anti-drug cooperation.

October 1996: The government resumes coca leaf eradication programs, suspended since the end of the 1980s because of inadequate security to respond to terrorism. At the same time, the government announces coca crop substitution programs in several of the production zones.

December 1996: New legislation against money laundering is approved, as part of the program of cooperation with U.S. bank supervision agencies.

Dec. 17, 1996: An MRTA commando squad seizes the

Japanese ambassador's residence in Lima, capturing high-level government officials, among whom are Fujimori's mother and brother, as well as police and military officers, congressmen, and a large number of foreign diplomats, including representatives of the DEA and CIA. This puts the government up against the wall, and Fujimori is subjected to immense international pressure, from both governments as well as non-governmental organizations, to make no attempt to free the hostages, but, rather, to negotiate and come to an agreement with the narco-terrorists.

Feb. 13, 1997: The government makes the unprecedented announcement that its goal is to eradicate illegal coca production within ten years. Also announced is a plan to dismantle, with U.S. assistance, the "riverine bridge" set up by the drug cartels between Peru and Colombia, which replaced the "air bridge," that Peru had earlier broken.

April 22, 1997: An elite commando unit of the Armed Forces recaptures the Japanese ambassador's residence in Lima, freeing all except one of the hostages, losing only two men, and completely annihilating the MRTA squad which had taken the residence.

May 1997: The Peruvian Congress names as national heroes Col. Juan Valer and Capt. Raúl Jiménez, the two Armed Forces commandos who had lost their lives in retaking the residence.

EIR SPECIAL REPORT

The True Story Behind The Fall of the House of Windsor

Reprints of EIR's 1994-1997 groundbreaking exposés

What political battles lie behind the assassination of Princess Diana? Why do 22 out of 30 top terrorist groups have their headquarters in London? *EIR's* series on the House of Windsor is indispensable for understanding today's news.

The Coming Fall of the House of Windsor
(Oct. 28, 1994)

The Sun Never Sets on the New British Empire
(May 24, 1996)

Britain's "Invisible" Empire Unleashes the Dogs of War,
(Aug. 22, 1997)

Epilogue: Can the House of Windsor Survive Diana's Death?
(Sept. 12, 1997)

Order from:

EIR News Service

P.O. Box 17390 Washington, D.C. 20041-0390 Order number EIR 97-004 **\$75**



Recommendations for Peru's war on drugs

The following are excerpts of an EIR Special Memorandum on "Recommended Next Steps in the War on Drugs in Peru," issued on March 20, 1997, which was circulated among relevant policy-making circles in both Peru and the United States.

I. The current situation

In 1996 there were significant accomplishments in the war on drugs in Peru. In order of importance, they are:

- a) significant aerial interdiction by the Peruvian Air Force, with tracking assistance provided by the United States government;
- b) the retaking of coca-growing areas controlled by the narco-terrorists, which had been abandoned by the Peruvian Army because of the conflict with Ecuador and the mistaken decision of the Peruvian executive in 1995 to pull the armed forces out of the direct fight against drugs, a decision which in practice was corrected in early 1996; and
- c) Peruvian police actions, which led to the capture of important leaders of the Peruvian mafia linked to the Colombian cartels, as well as the seizure of more than 166 kilos of drugs in the course of the year, a record for the country.

These actions led to the following year-end results:

- a) Hectares under coca cultivation in all of the coca-growing valleys of Peru have been reduced, according to satellite estimates, to some 94,000, a drop of more than 20,000 hectares compared to the 1995 level. It should be noted that these estimates exclude land left fallow in preparation for future coca cultivation.
- b) Prices for coca leaves have fallen dramatically, to historically low levels. However, cocaine prices on U.S. streets have remained stable, suggesting that the drug cartels have large stocks warehoused.
- c) More than 150,000 individuals involved in coca cultivation have abandoned that work, which has led to migration out of the coca producing regions—reversing the trend of previous years. . . .

It is worth underscoring the significance of the disruption of the air bridge, which for more than 15 years permitted the easy supplying of basic cocaine paste (PBC) to the Colombian and Mexican mobs. The four phases of Operation Laser Strike have led to a nearly total interruption of PBC smuggling by air to Colombian laboratories, which in 1992 accounted for about 70% of the PBC that entered Colombia.

The success of air interdiction in 1996 also demonstrated the appropriateness of a specific approach to international cooperation, which should be the model for all such interna-

tional coordination in the war on drugs. The approach was based principally on U.S. assistance in the areas of technical support, logistics, and supplies and equipment, with a basic respect for national sovereignty. The United States provided equipment and personnel for radar and infrared electronic surveillance of Colombian narco-planes in the northern area of the Peruvian jungle. U.S. technicians and advisers from the Department of Defense, DEA [Drug Enforcement Administration], Coast Guard, and Customs wore no uniforms, didn't shoot, nor did they otherwise intervene directly in actions against the drug flights. What they did do, was provide information and training to Peruvian troops in the surveillance, identification, and tracking of drug planes. Although they did not provide new planes, but only spare parts, to the Peruvian Air Force, this sufficed such that by the end of the year, the number of drug planes that were crossing the Peruvian jungle was reduced to nearly zero.

II. What should be done

The successes of 1996 have encouraged Peruvian authorities to propose additional goals in the war on drugs, including the government's recent pledge that all coca cultivation in Peru will be eradicated within ten years. However, it is our view that this goal, and others, can be achieved in much less time, if a series of issues are addressed, for which we make the following recommendations:

- 1) Interception of river transport: yes to technical assistance, no to a multinational military force.

The disruption of the air bridge has meant that the drug mafias are increasingly using river and land routes for the transport of PBC to Colombia and Brazil. River transport, using high-speed boats, and by land, through jungle paths known only to Indians of the region, have created a new and very complex interdiction problem. Patrolling the thousands upon thousands of kilometers of rivers and jungle paths implies new and more sophisticated technology, to which Peru does not have access at the present time. Rapid patrol boats, sophisticated detection and communications equipment, jungle observation posts, low-altitude planes, and highly sophisticated electronic surveillance equipment, are all necessary for this new stage in the war on drugs.

As a preliminary step, in February 1997 the Peruvian government put in service 60 high-speed patrol boats at the Iquitos base on the Amazon, which were built and equipped entirely by Peru, with U.S. support in the form of pilot training. Much more is required in this regard.

However, there are also voices in the United States, as revealed in recent articles appearing in the U.S. press, which are promoting plans for direct U.S. military involvement on Peruvian territory, and in Ibero-America generally. These plans include the possible deployment of special troops, or of U.S. pilots for airplanes and high-speed boats. Some have also proposed the creation of a Panama-based "Latin American Air Force," or some other supranational military deploy-

ment, to combat drugs.

This kind of “cooperation” would be a serious strategic error. Not only would it be unacceptable to the Peruvian Armed Forces, as a violation of national sovereignty, but the presence of U.S. military troops or advisers would hand the narco-terrorists the best possible argument for justifying their subversive operations as a fight against a “Yankee invasion”—that is, they would raise the flag of “narco-nationalism” for their cause. Thus, acting on such proposals would be the surest way to sabotage, in practice, the real and fruitful Peru-U.S. cooperation in the war on drugs which has emerged over the recent period.

What is true for Peru, in this regard, also holds for the Colombian, Bolivian, and Mexican situations.

Rather, the kind of cooperation that was achieved in 1996 should be pushed forward. This cooperation showed:

a) that the Peruvian government and Armed Forces have a real commitment and ability to fight the drug trade; and

b) that U.S. help, in the form of equipment, technology, and training—without any chain-of-command or direct military implications—can yield the desired results.

2) Support the role of the Armed Forces.

The seizure of the Japanese ambassador’s residence in Lima by an MRTA commando squad ran in parallel with the activation of the northeast front of the MRTA in the Middle Huallaga Valley, the country’s leading coca-growing zone. For both the seizure of the diplomatic residence and in the reconstruction of that guerrilla front, the role of the new narco-terrorist international, the São Paulo Forum, was vital. That group, founded in 1990 by Fidel Castro’s Cuban Communist Party, and today composed of dozens of leftist political organizations from throughout the continent, provided all sorts of logistical support—including weapons, cadre, training, and money—for the relaunching of the MRTA. . . .

In this regard, it is vital to strengthen the role of the Peruvian Armed Forces in controlling these isolated regions of the country. Any vacuum left by the state, as was shown in 1995, translates into a growth of narco-terrorism. A civil-military alliance in defense of the nation-state must be strengthened.

Thus, what must not be done is to follow the advice of those voices, originating in London but unfortunately also being echoed in the United States, which argue that the Peruvian Armed Forces, and those of Ibero-America in general, are obsolete, represent unnecessary expenses, and are a threat to “democracy.” In this sense, the international campaign to discredit the Armed Forces for supposed human rights violations, headed by non-governmental organizations (NGOs) with documented ties to the drug trade and to international terrorism, should not receive political support from London and from certain circles in Washington—for example, the Inter-American Dialogue—as is unfortunately occurring today.

Without the Armed Forces, the country cannot be pacified. The Armed Forces represent the most solid, the final

bulwark of defense against efforts to turn Peru into a narco-dictatorship. . . .

3) Destroy the drug-legalization apparatus financed by George Soros and company.

The international drug trade relies on the support of a London-centered propaganda apparatus which promotes the legalization of drugs. This lobby, which includes numbers of institutions and individuals receiving substantial financial support from U.S. and European sources, is carrying out an ongoing propaganda campaign to induce Peruvians to accept drug legalization as an option. Among these institutions are:

- the Andean Commission of Jurists, which receives financing from Human Rights Watch/Americas, in turn financed by mega-speculator George Soros;

- the Andean Council of Coca Growers (heavily infiltrated by the MRTA and Shining Path);

- a series of human rights NGOs, in particular APRODEH; and

- various media which advocate the decriminalization, or outright legalization of drugs, such as the Lima newspapers *Expreso* and *La República*. . . .

International cooperation to unmask and dismantle this drug legalization network is a priority of the anti-drug fight.

4) Strengthen the legal framework for the war on drugs.

The legal framework and administration of justice in Peru still suffers from major deficiencies for dealing adequately with the drug trade. The 1987 drug control law is so inadequate that, when a top drug trafficker is caught, the anti-terrorism law is frequently invoked in order to be able to apply a sufficiently severe sentence. While the possibility of seizing the assets of drug traffickers legally exists, current banking secrecy laws and the easy expedient of using front men, means that, in practice, the bulk of the money and properties of the arrested traffickers is never confiscated. The laws that cover these crimes, in particular those referring to money laundering, must be strengthened.

The administration of justice also lacks the necessary effectiveness: venality, corruption, and outright fear on the part of the judges are constant problems. The “faceless judge” system, which has been successfully applied in cases of terrorism, should be adopted for drug-related crimes as well.

5) Change the neo-liberal economic policy that favors the drug trade.

There may be the best of intentions behind the U.S.-endorsed program to establish 14 alternative development projects for eradicating coca cultivation, and substituting it with new crops in the country’s nine coca-growing zones. But the strategy has a fundamental flaw: There is virtually no transportation or communication system in place to transport the substitute crops to market in the country’s major cities, and abroad. Without these, it will be impossible to construct a truly viable economy in the regions today dominated by coca cultivation. Therefore, the construction of basic infrastructure to connect the zones of the eastern Andean Piedmont with

the country's main consumer markets, is the key factor in economically developing the zone.

This, in turn, requires fundamental changes in the current neo-liberal economic policy, which gives priority to payment of the foreign debt and to austerity in public spending, above the social needs and the physical economy of the country. The drug trade will never be destroyed as long as the prescriptions of the International Monetary Fund are followed.

Samper hands FARC huge territory

The following is from an EIR Special Memorandum issued on June 16, 1997, which was circulated among relevant policy-making circles in Colombia and the United States.

Summary

With the pretext of securing the release of 72 Colombian soldiers who have been held captive by the narco-terrorist FARC (Colombian Revolutionary Armed Forces) for 10 months, Colombian President Ernesto Samper Pizano issued a decree on May 20, 1997 ordering the total evacuation of all military and police personnel from a 13,000-square kilometer area in the southern province of Caquetá, near the Ecuadoran border. That evacuation, which has now been completed and verified, has permitted armed FARC forces to take possession of this territory. The Presidential decree, imposed in the face of strong military opposition, not only poses a serious national security threat to Colombia, but to every country in the region, including the United States. The threat is twofold:

1) A substantial portion of national territory has been handed over to an armed terrorist group which is heavily involved in every aspect of the drug trade, from cultivation of the raw material to its processing and trafficking. The result is to undermine the very concept of national sovereignty, and is rapidly creating a dual power situation.

2) The deal struck with the FARC narco-terrorists was shaped by agents of the United Nations and their non-governmental organizations (NGOs), as a prelude to holding "peace negotiations" with the FARC and other narco-subversive groups in the country. This scenario establishes a precedent for appeasement of narco-terrorism, and is an effort to establish a model contrary to Peruvian President Alberto Fujimori's recent firm rejection of terrorist blackmail, in the interest of preserving national sovereignty. . . .

The FARC and drugs: The 13,000 square kilometers which have been demilitarized under President Samper's directive, encompass the townships of Cartagena del Chairá and Remolinos del Caguán, where Army bases are located. The zone is heavily dedicated to the cultivation of coca, the

raw material for cocaine. . . .

All coca producers pay a "war tax" or levy to the FARC; if they refuse, they run the risk of being killed or expelled from the area. In fact, the coca-farmers are enslaved to the FARC, since they work for the FARC, and obey its mobilization orders on pain of death. The FARC's relationship to the drug trade, which now encompasses not only control of coca growing, but also processing laboratories and trafficking routes as well, has turned the FARC into Colombia's so-called "Third Cartel," after the Medellín and Cali Cartels. . . .

The FARC's current objective: The Third Cartel is not merely interested in garnering international attention. As the FARC stated last year, at the beginning of the hostage drama, the captive soldiers would be released only if there were a total evacuation of Cartagena del Chairá and Remolinos del Caguán. The FARC's objective is to seize total control of the region, and to use that control to win international recognition of the one-third of Colombian territory the FARC now claims to dominate. Such recognition would set a precedent for myriad separatist uprisings by "indigenist" and "environmentalist" terrorists everywhere.

The one-worldists behind the drive to turn the United Nations into the seat of a world empire . . . are fully prepared to grant the FARC's petition, and that of their ELN partners-in-crime, as part of a broader strategy to divide and destroy the Colombian nation-state.

LAROCHE ON THE NEW BRETTON WOODS

"The present fatally ill global financial and monetary system must be radically reorganized.

It can not be reformed, it must be reorganized.

This must be done in the manner of a reorganization in bankruptcy, conducted under the authority not of international institutions, but of sovereign governments."

A 90-minute videotape with excerpts from a speech by Lyndon H. LaRouche, Jr. given on March 18, 1998.

\$35 postpaid
Order number
EIE 98-002

EIRNewsService
P.O. Box 17390,
Washington, D.C.
20041-0390

To order, call
1-888-EIR-3258
(toll-free).

We accept Visa or MasterCard.

Serbia's Milosevic steers Balkans toward a new war

by Umberto Pascali

“The risk of an escalating conflict requires immediate action. . . . If unresolved, the situation in Kosova threatens to spill over to other parts of the region,” read a statement issued on April 29 by the representatives of the so-called “Contact Group” countries. The six powers (the United States, Russia, Germany, France, Italy, and Britain) discussed what to do to prevent the “explosion of the grenade”—to use the expression suggested by the Greek Defense Minister a few days earlier—in the middle of the Balkans.

This meeting, following two previous ones by the Contact Group, was supposed to finally adopt measures against Serbian dictator Slobodan Milosevic’s escalation of the crisis in Kosova. Milosevic had been asked to implement two basic points: 1) to withdraw the Yugoslavian Army and the Special Police from Kosova, and 2) to sit down at a negotiating table with the representatives of Kosova’s 90% ethnic Albanian majority in the presence of an international mediator. The request for an international mediator came from Kosovar leader Ibrahim Rugova, who has seen all the promises and written commitments by Milosevic toward Kosova thrown in the garbage can while the ink was still fresh.

But, Milosevic rejected both points. The intervention of the army, and even more the use of the special police, i.e., the recycled paramilitary gangsters used earlier in Bosnia by criminals such as Radovan Karadzic, have fuelled the crisis. The army has been attacking towns and villages with heavy artillery, and has even crossed over the border into Albania. The escalation, as we shall see, coincided like clockwork with a concerted deployment of the Kosova Liberation Army (KLA), the nominally Albanian, terrorist organization believed to be controlled by Serbian army intelligence. The

spiral of provocations and massive military response escalated according to the scenarios outlined by the London-based Tavistock Institute.

Furthermore, Milosevic organized a so-called referendum in rump Yugoslavia, which was boycotted by the Kosova Albanians, and resulted in a majority opposing any mediation over Kosova. In the meantime, the psychological warfare arsenal of Serbian intelligence was massively deployed. The wretched Serbian population was subjected to a renewed injection of chauvinist hysteria, this time against the Kosovars and any “foreigners.” At this moment, weapons are being distributed to Serb teenagers and young people, the reservists are being mobilized, and “spontaneous” armed squads of mostly Serb students are being unleashed against Albanian shops, homes, and individuals.

Contact Group roars—like a mouse

Faced with this situation, the Contact Group held a lengthy debate that went late into the night. However, the members were unable to take a common position. Five of the six countries, excepting Russia, agreed on freezing Yugoslav assets abroad. They also decided to block any investment in Serbia, if Milosevic fails to start negotiations by May 9. After the meeting, Russia again reiterated its opposition to taking a “punitive attitude” toward Serbia.

The reaction of the Milosevic government was expressed by Vencenslav Seselj, the extremist advocate of “ethnic cleansing,” and now the government’s main ally: We cannot prevent sanctions, but we can survive them, he said. According to observers both inside and outside Serbia, such limited measures could in fact strengthen Milosevic’s position. The

only hope for Milosevic to survive politically lies in a situation of confrontation, chaos, and war. Any step toward political and economic “normality,” in which the former Yugoslavian republics and the neighboring Balkan countries establish cooperative relations for their common development, would be the death knell for Milosevic. “These sanctions threaten to hit the Serb citizens more than the government,” several Belgrade sources remarked to *EIR*.

The psychosis of an encircled Serbia, is what Milosevic is counting on. Already, the anti-foreigner hysteria has reached the highest pitch so far among ordinary Serbians. Western, and especially American journalists or travellers, are being attacked in the streets. In this context, the Serb dictator’s gang, in the unreality created by the lack of any real economic activity, and with living standards collapsing, is having a field day pointing the finger at the “outside enemies.” Apparently, Milosevic has succeeded in positioning himself, in the eyes of many Serbians, in the middle of the political spectrum, with the Radical party and other “court extremists” chiding him for his supposed moderation.

‘Our Great Allies, France and Britain’

Observers have noted that Milosevic has become richer during the war, especially by controlling all black market activities. These observers point the so-called “Cyprus treasure,” i.e., the assets that the Milosevic gang has secretly accumulated on the Mediterranean island. Further, Russia has said clearly it rejects the sanctions, and thus they will be limited, *de facto*.

However, despite all the propaganda in the major Western media concerning the Russia-Serb Slavic and Orthodox brotherhood, the strongest supporters — one may say, puppet-masters — of Milosevic, are not in Russia, but are among the elite of London and Paris. It is these oligarchs who sponsored the present version of a design for a “Greater Serbia,” personified by Milosevic and launched in Kosova. Kosova, the autonomous province, was brutally annexed by Serbia in 1989 under Milosevic. The modern Greater Serbia Nazi-like ideology, like a poisonous gift, was given to the Serbs, with an infamous speech by Milosevic in Kosova, the “cradle” of Serb history. It was that chauvinist exploit that gave Milosevic the ideological instrument to become the undisputed controller of the League of Communists.

The puppet-masters of all this, are some of the highest-level oligarchs, who represent the continuity of the British and French empires. As Vaso Cubrilovic, the Serbian strategist of the genocide in Kosova, wrote in 1928, one can always count on our “Great Allies, France and Britain.”

New evidence of this connection has come to light over the recent days and weeks, in the context of behind-the-scenes infighting within NATO around the plans to arrest war criminals, starting with the top one: Radovan Karadzic. Karadzic’s arrest would have been an unmistakable sign that the NATO

FIGURE 1
The Kosova crisis region



troops stationed in Bosnia are serious about implementing the Dayton Accord. The plan was prepared in every detail; U.S. officers in the NATO command were in charge of its execution. But suddenly, everything was cancelled. The reason? The liaison officer between the Bosnian Serbs and the French NATO command based outside Mostar, had revealed the plans to Karadzic personally!

The story was brought to the media by U.S. sources, who reportedly are extremely enraged, and have violated the unofficial diplomatic code among the intelligence services. The officer, French Maj. Hervé Gourmillon, had a series of secret meetings with Karadzic. The information delivered to Karadzic “jeopardized the operation and the lives of NATO troops,” according to U.S. officials. This delivery of information “ripped open a big gap in the relations with the French,” one official said. Another U.S. source characterized the action as “despicable and appalling.” Reportedly, French authorities have promised to court-martial Major Gourmillon, but for the moment, the French Defense Ministry, while denying that “any arrest was compromised,” has recalled Gourmillon to Paris.

The saga of the French major is strikingly similar to that of Gourmillon’s British counterpart, Maj. Milos Stankovic, the liaison officer between the British head of the NATO forces in Bosnia, Gen. Sir Michael Rose, and Karadzic, during the war in Bosnia. As *EIR* has detailed, Major Stankovic was arrested last October in England for high treason, over the strenuous opposition of a section of the British establishment, for having revealed *every secret or confidential NATO plan* to Karadzic and his fellow war criminal Gen. Ratko Mladic.

Macedonia is next

In a recent meeting in Skopje, Macedonia, the Greek Defense Minister and his Macedonian counterpart signed an agreement for unspecified "joint military measures aimed at promoting regional stability," should the Kosova crisis escalate further. Not only the small bordering republic of Macedonia, but many other Balkan countries are rushing into military deals or protocols of understanding because of the commonly held fear of what is being brewed in Kosova. There is no doubt that Milosevic's (and his puppet-masters') strategy is to escalate the crisis.

Over the last couple of weeks, Serbian regular and irregular forces have been engaged in military operations in Kosova along the borders with Albania, including one all-night battle against 200 armed individuals who supposedly crossed the border into Kosova from Albania. Military helicopters, planes, and heavy artillery have been seen in use. Towns and villages have been bombarded, provoking a swelling exodus of terrorized ethnic Albanians. Milosevic's troops, according to Albanian police sources, have *already* crossed the border with Albania on more than one occasion.

The military operations of the regular forces are being coordinated with the war deployment of the irregular forces. Every genocidal step taken by Milosevic has been justified on the basis of countering the activities of the Kosova Liberation Army. The connection between the controllers of the KLA and Serb intelligence has been detailed by *EIR*. Recently, media close to Kosovar leader Rugova have begun to more openly denounce the KLA's activities. In Albania, the government of Prime Minister Fatos Nano is rapidly taking steps to break up this gang-counter-gang operation. In a letter addressed to Contact Group representative Italian Foreign Minister Lamberto Dini, Nano stressed that "the presence of NATO in Albania is greatly needed as a factor of pressure and security."

Nano came close to denouncing the connection between the Serbian army and the KLA, and the danger this represents for Albania—whose army has less than 11,000 men; with an economy in chaos, prostrated by the collapse of the financial pyramid scheme last year; without control over significant parts of the country; and faced with an aggressive organized-crime network, in large part connected to the Milosevic gangs. "The Serbian police and army are undertaking an intensive military operation in the border area with Albania, at a time when the Albanian population is becoming convinced that its only possibility is to organize self-defense," Nano wrote in the letter to Dini. In other words, the government could lose control of large chunks of the population, who are falling prey to the KLA strategy. In fact, the KLA leadership has just launched a slogan for a "Greater Albania," which would include Macedonia and other countries where there are ethnic Albanians. The fragility of the Albanian state makes that country extremely palatable for those British forces that launched the idea of a Greater Albania in the first place.

High protest vote in German state election

by Angelika Beyreuther-Raimondi

On April 26, elections took place in the former East German state of Saxon-Anhalt. Since this was the last major election before the federal elections on Sept. 27, its results have been awaited with great interest in the entire country. Of all 16 German states, Saxon-Anhalt has the worst unemployment situation, with an official figure of 24.1%, and it has the lowest economic growth of all states, despite the fact that the largest per-capita amount of federal money transferred from west to east—billions of deutschemarks—has gone to Saxon-Anhalt.

The election was a stunning defeat for Chancellor Helmut Kohl's Christian Democratic Union (CDU), which lost 12% of its previous vote, going from 34.4% to 22%. Three other parties will be in the new state parliament. The Social Demo-

For previews and
information on
LaRouche publications:

Visit EIR's Internet Website!

- Highlights of current issues of EIR
- Pieces by Lyndon LaRouche
- Every week: transcript of the latest **EIR Talks** radio interview with LaRouche.

<http://www.larouchepub.com>

e-mail: larouche@larouchepub.com

cratic Party (SPD) is the strongest, with 36% (a 2% gain), and will form the new government, which, under pressure from Bonn, most likely will be a Grand Coalition with the CDU. The PDS party, the former ruling party in communist East Germany, again got 20% (just a little less than the CDU). The PDS still has by far the largest membership and most extensive party structure of all the parties in the five new states. Nearly 13% (about 192,000 people) voted for the right-wing extremist party Deutsche Volksunion (DVU, German People's Union). The Greens, the former coalition partner of the SPD, got only 3%, falling below the 5% threshold required to get into the parliament. The Free Democratic Party (FDP) also did not reach 5% and will not be represented.

Seventy-two percent of the citizens went to cast their votes, nearly 20% more than in the last elections in 1994. More than 30% of these voters cast their ballot for an extremist party. Many abstainers went to vote this time, which indicates the character of this vote, as a protest against government policy in Bonn. One out of every three unemployed voted for the DVU, including 103,000 young, first-time voters. Thirty percent of those under 30 years of age, cast their vote for the DVU.

What is the DVU?

The chairman of the DVU, founded in 1987, is Dr. Gerhard Frey. He is close to such incendiary figures as Vladimir Zhirinovskiy in Russia and Jean-Marie Le Pen in France. Zhirinovskiy spoke at the DVU's annual party congress in 1993. Thereafter, Germany denied Zhirinovskiy an entry visa into the country. Frey's German connections are also astounding. Among his advisers and friends, he counts the former Interior Minister of Bavaria, Alfred Seidl, and the constitutional lawyer and former Bavarian Minister of Culture, Theodor Maunz, one of the leading commentators on the German Constitution. Maunz is said to have been a friend and legal adviser of Frey for years, and was also the thesis adviser of Germany's current President, Roman Herzog, who became Maunz's assistant in 1958. Frey also considered as his acquaintance, the first chief of the German Intelligence Service, Reinhard Gehlen. Following Gehlen's death, he published the friendly correspondence which had transpired between the two.

Who Frey's "advisers" are today, he will not say. In any case, as a publisher and owner of substantial real estate holdings in various places, he has considerable financial means. It has recently come to light that in 1995, Frey received a contribution for the DVU of about DM 270,000 (\$154,000) from Count Jacques de Mathan, a member of the French aristocracy.

Nationwide, the Office for the Protection of the Constitution (domestic security service) estimates that the DVU's membership is 15,000; Frey has two national newspapers, with an estimated circulation of about 100,000. It is believed that Frey invested DM 3 million in the campaign, which is more than the CDU and SPD combined. The party, because

of its showing, will be reimbursed with state money; in this case, the DVU will get DM 760,000, and every month, the DVU caucus in the parliament will, like every other caucus, get an additional DM 120,000.

The party has very little infrastructure in the state of Saxon-Anhalt, or in most German states; according to the state constitutional office, the DVU has no more than 100 members in all of Saxon-Anhalt. The DVU will, for the first time, have 16 representatives in the Magdeburg state parliament. In the Hamburg state elections, in 1997, the party failed to get into the parliament by a tiny margin: They gained 4.98% at that time. So far, the DVU is also represented in the parliaments of the city-states of Bremen and Hamburg.

DVU slogans were simple and demagogic: "Don't let them turn you into a pig!" "Make your vote a protest vote!" "German money for German jobs." "Kick out foreign bandits!" "Cut politicians' salaries!" Twenty-thousand election posters were put up by the DVU, mass mailings were done, with more than 1 million copies, and planes flew over the cities with election slogans attached. Only three public DVU events took place, with 300-500 people attending. The election campaign was overshadowed by many violent incidents between the right-wing extremist campaign workers of the DVU and the left-wing extremist "autonomists," whose infrastructure is partly controlled by the PDS. Even shoot-outs were reported in this campaign.

An economic disaster

A study recently published at the University of Trier ("Justice as an Internal German Problem") says that most eastern Germans believe that the situation in eastern Germany became far worse since the fall of the communist regime in 1989, and most expect it to become even worse in the future. The unemployment in the five new states (former East Germany) is double, on the average, that in western Germany. In Saxon-Anhalt, only 2% of the population believes that the economic situation is good, while more than 60% think it is bad.

Clearly, one of the reasons why the DVU was able to attract so many voters, was its demagogic appeal to the unemployed—without any real alternatives or solutions to offer. The only political party in Germany which *has* presented a serious alternative to the crisis, is the Civil Rights Movement Solidarity (BüSo), led by Helga Zepp-LaRouche. The BüSo is campaigning for a Eurasian Land-Bridge reconstruction program which will create millions of new, productive jobs.

The Saxon-Anhalt elections have presented the Bonn government with the bill it is now going to have to pay, for the deindustrialization policy which it has implemented, in utter disregard for the social consequences. If no new jobs are created, through such a Eurasian Land-Bridge program, then the radicalization process seen in Saxon-Anhalt will spread, well beyond the phenomenon of the protest vote.

A phantom dissolves: the end of the RAF?

by Angelika Beyreuther-Raimondi

On April 20, Reuters received an eight-page “self-dissolution declaration” issued by the terrorist Red Army Faction (RAF), also known as the Baader-Meinhof Gang. The relevant authorities ranked the declaration as “authentic,” and claimed that the paper used and the printing technique for the RAF five-point star were identical to earlier publications of the RAF, in which that organization took responsibility for various assassinations.

What does this “self-dissolution declaration” mean? Officials are expressing some skepticism. At the beginning of 1997, the Federal Attorney, Kay Nehm, had claimed that “the Red Army Faction has become practically insignificant. We are working on cleaning up the past.” Once the recent RAF declaration was issued, Nehm told the news magazine *Focus* that the authors of the declaration have not been identified, and that “the anonymous dissolution declaration does not tell us very much.” A high official of the Verfassungsschutz (Office for the Protection of the Constitution) told the *Süddeutsche Zeitung* that a single person had perhaps authored the declaration, some “keeper of the RAF seal.”

The former chief of the Bundeskriminalamt (Federal Criminal Office, BKA), Horst Herold, voiced his reservations too: The authors of this declaration, he said, “understand nothing about the old RAF.” The most devastating assassinations attributed to the RAF were committed during Herold’s term in office, from 1971 to 1981: On April 7, 1977, the terrorist group assassinated Federal Attorney Siegfried Buback; on July 30, 1977, they killed the spokesman of the board of directors of Dresdner Bank, Jürgen Ponto; and on September 1977, an RAF team kidnapped the President of the Federal Association of German Employers and member of the board of directors of Daimler Benz AG, Hanns-Martin Schleyer, in a black-mail attempt to force the release of jailed RAF members. Following six dramatic weeks — which included the hijacking of a Lufthansa aircraft to Somalia, the storming of the aircraft by the GSG9 anti-terror squad, the suicide of terrorists Andreas Baader, Gudrun Ensslin, and Jan-Carl Raspe in the Stammheim Prison near Stuttgart — the RAF commando team assassinated Schleyer.

The first and second “generations” of RAF killers were personally identified. But for years, nothing has been known about the identity of the supposedly still-existing RAF members of the so-called third, fourth, or fifth generations. The BKA

is still looking for six RAF members. Two of them, Sabine Elke Callsen and Barbara Meyer, say they want to surrender to the authorities. A seventh member, Christoph Seidler, surrendered to the Federal Attorney’s office in November 1996.

There have been no further clues with respect to individual RAF members since 1984. The authorities know, according to Hamburg Verfassungsschutz chief Reinhard Wagner, “very little” about RAF organizational structures. As late as 1985, the Verfassungsschutz accorded 10 pages of its annual report to the RAF, but by 1996 it devoted but a single page to this phantom. “Almost 28 years ago,” the RAF self-dissolution declaration claims, “on May 14, 1970, there emerged a liberation operation of the RAF. Today we end this project. The urban guerrilla, in the form of the RAF, now belongs to history.”

Many open questions

The self-dissolution declaration does not change the fact that all of the assassinations attributed to the RAF in the last 13 years remain unsolved. The perpetrators left not the slightest clues and killed with a high degree of professionalism, sophisticated technical ability, and military precision. Who the killers were, is still not known.

- Who assassinated Ernst Zimmermann on Feb. 1, 1985, the chairman of the board of the armaments firm Motoren und Turbinen Union (MTU)? A woman and a man gained entry to Zimmermann’s Munich apartment and killed him with a bullet in the back of the head. The RAF commando squad which allegedly carried out the hit has remained unidentified to this day, and no arrest warrant for named perpetrators has been issued.

- Who detonated the bomb that demolished the vehicle of Siemens manager Karl-Heinz Beckurts, killing him and his driver, Eckhard Groppler, on July 9, 1986?

- Who shot the German diplomat Gerold von Braunmühl, in October 1986? The authorities know nothing to this day about “Commando Ingrid Schubert,” who claimed responsibility for the killing.

- Who killed the spokesman of the board of Deutsche Bank, Alfred Herrhausen, on Nov. 30, 1989? The chief suspect, Christoph Seidler, whose face was on the “wanted” posters of the BKA for years and who was ranked as belonging to the inner core of the RAF, surrendered to the authorities in 1996. In 1997, the Federal Court lifted the arrest warrant against Seidler, because there were no “urgent grounds for suspicion” against him. But the question remains: Who killed Alfred Herrhausen?

- Who shot Detlev Karsten Rohwedder, the head of the Treuhand agency, entrusted with reorganizing industries in formerly communist East Germany? Rohwedder was killed on April 1, 1991, by a sniper. “Commando Ulrich Wessel” claimed responsibility, but no clues leading to the identification of specific persons were found.

Helga Zepp-LaRouche on RAF terrorism

Who benefits from the terrorism of the so-called Red Army Faction? Helga Zepp-LaRouche addressed this question in an article in EIR, April 3, 1992, titled "New Evidence Emerges in the Herrhausen Assassination Case." Here are excerpts:

Sensational new evidence in connection with the November 1990 assassination of the former board chairman of Deutsche Bank, Dr. Alfred Herrhausen, has just emerged from an interview with former Pentagon official Col. Fletcher Prouty, conducted by Italian journalist Antonio Cipriani and printed in the Italian daily *Unità*. The key to the motive behind Herrhausen's assassination lies in 11 pages of a speech he delivered in the United States only four days before he was ambushed. The speech contained Herrhausen's vision of a new kind of relationship between eastern and western Europe which would have fundamentally altered the world's future course.

Colonel Prouty . . . said in the interview that Herrhausen, Kennedy, former Italian Prime Minister Aldo Moro, Italian industrialist Enrico Mattei, and Swedish Prime Minister Olof Palme had all been killed for the same

reason: They had not been willing to accept world domination by the Yalta condominium. In each case, it was the same small, elite grouping which acted against a perceived threat to their power, a power based on the idea of a *pax universalis*. . .

There can no longer be any doubt, that had Herrhausen's policies prevailed in Bonn, the extraordinary historic opportunity which existed with the opening of the borders, would not have been frittered away as carelessly as it has been in the main. The relationship between East and West established at Yalta, could have been put on an entirely different basis, to the benefit of all participating nations. Not only would economic cooperation have developed the East, but it could have stimulated the entire world economy, which instead is now threatened with global depression. . . .

It is not necessary to lapse into simplistic formulas about Eastern or Western control: It can be historically proven that terrorism actually has elements from both sides. It comes from the forces in both East and West, who have thrown in their lot with the condominium policy of Versailles, and with its re-formulation in the form of the Yalta agreement. In the 1920s, these were the Anglo-American circles behind the policies of the "Trust," while, in the years following World War II, they were the forces who, like Bertrand Russell, influenced and controlled the Pugwash process. . . .

Shortly after the assassination of Rohwedder, the spokesman of the office of the Federal Attorney claimed that the "hard core" of the RAF operated "like a secret service." Members of the "commando level" used coded messages and modern secret-service equipment. And, contrary to the experience of the '70s, the perpetrators left no clues at the scene of the crime.

The RAF self-dissolution declaration has unleashed a barrage of interpretive efforts in the German media, along with the proliferation of old myths about the RAF and international terrorism as a "sociological phenomenon." No one seems to have given much thought to the fact that terrorism is a form of irregular warfare, in which the issue of the "interested third party" is always foremost, as Prof. Friedrich von der Heydte emphasized in his standard work on the subject, *Modern Irregular Warfare*.

Following the collapse of the communist system in the East, a number of facts have surfaced concerning the close relationship between terrorists and the intelligence services of these countries. The connection between the RAF and the Stasi (East German intelligence service), shown in many documents now available, provided enough evidence to convince

even stubborn empiricists of the intelligence-service control of terrorism. The degree to which intact networks of Eastern intelligence services have gone to work for Western services, is not known. There is, in any case, a lid on any consideration of the possibility that there is also a Western-controlled terrorism.

What is certain, is that leading people among the "industrial faction" of the Federal Republic of Germany were assassinated, and the killers were not called to account. It is unpardonable that politicians do not have the courage to pose the question, "*cui bono?*"—who benefits? That concerns the issue of the "interested third party" which profits from the killings. There is a lack of courage—as in the case of the assassination of Herrhausen—to think about the implications of the statements of former Pentagon official Col. Fletcher Prouty, who told an Italian newspaper in an interview after the assassination: "Terrorists do not kill the president of a bank without a special reason for it. Most terrorists are paid lackeys and tools of great power centers. Some great power center wanted, for some reason, to get rid of the board spokesman of Deutsche Bank, on that day and in that manner, in order to teach others a lesson."

Ukrainian 'democracy' is sacrificed to the IMF

by Rachel Douglas

Having become an unwelcome presence in most countries, unable to nail down Congressional approval for \$18 billion in contributions from the United States, and termed by Japan's Deputy Finance Minister Eisuke Sakakibara an institution whose "checks, and solutions, are insufficient," the International Monetary Fund is acting more dictatorially than ever in Russia and Ukraine. These are two of the largest and most heavily industrialized countries, to have had their every move subjected to IMF scrutiny and veto in recent years.

In Moscow, IMF representative Martin Gilman said in an interview with Radio Free Europe/Radio Liberty on April 28, that Russia had better not try to enforce its new trade statute, which enables domestic producers to make anti-dumping complaints against imports priced below cost. "We need to know, how the government plans to apply the law in practice," warned Gilman.

In Ukraine, the IMF has dictated a rewrite of the national budget for 1998. Its handiwork is visible also in the latest shakeup of the Ukrainian government, and is suspected in the devious use of court actions in attempts to oust newly elected members of the Ukrainian Parliament, including Dr. Natalya Vitrenko, the country's most ardent, and competent, opponent of IMF policies.

Clearly, "democracy," and legislation adopted by duly elected representative bodies, have no place in the IMF's universe.

Budget rewrite

Viktor Yushchenko, chairman of the Central Bank of Ukraine, told an April 22 press conference that the IMF has imposed precisely 92 conditions for Ukraine to receive an Extended Fund Facility (EFF) of \$2.5 billion, in tranches over three years, to "support deep structural reforms." The conditionalities include cuts in budget spending, to reduce the deficit from 3.3% to 2.5% of Gross Domestic Product. Also on the list, is the increase in fees for electricity and utilities — which means further strangulation of Ukraine's ruined industry and impoverished population. The utilities fee hike was imposed by government decree, already on April 21.

An IMF delegation was in Kiev for much of April, determining whether or not to approve the EFF, replacing a standby credit line, on which disbursements were suspended early this year.

On April 23, Ukrainian TV reported that Finance Minister Ihor Mityukov had announced that the 1998 budget is being rewritten to adhere to the new conditions, and will be submitted to the new Verkhovna Rada (Parliament) in May. The previous budget had already counted on a \$292 tranche from the EFF, which now is being made contingent on implementing "real economic changes," as the *Russky Telegraph* put it. In coverage of the IMF's demands on Ukraine, that Moscow newspaper commented that President Leonid Kuchma is visibly worried about the IMF's withholding approval of the EFF, since "the absence of IMF assistance precludes the possibility to improve, even declaratively, the life of the country's voters on the eve of [next year's] Presidential elections."

Russky Telegraph suggested that democracy has become too expensive in Ukraine — quite literally: It was the spending necessary to hold the March 29 parliamentary elections, that drove the budget deficit above the IMF's requirements!

Premier Valeri Pustovoytenko, using IMF language, said on April 17 that his cabinet was about to be purged, "to considerably reinforce and improve the government team in order to speed up *structural changes* in the Ukrainian economy." Economics Minister Valeri Suslov met Kuchma on April 22, then resigned to "concentrate on parliamentary work." Suslov was elected to the Verkhovna Rada on the slate of the Socialist-Rural bloc, headed by Oleksandr Moroz. Finance Minister Mityukov received a warning that if the situation with the budget does not improve, he'll also have to leave his post. Other officials likely to resign to take up their seats in Parliament, include Technology Minister Vitali Seminozhenko, Environment Minister Yuri Kostenko, and Transport Minister Valeriy Cherep. Kuchma also shifted the leaders of the Agroindustrial Complex Ministry, and the Security Service.

The tension around economic and financial policy questions in Ukraine was heightened with the assassination on April 22 of Vadym Hetman, head of the Ukrainian Interbank Currency Exchange, who was gunned down in the entryway of his apartment building. The highest-ranking such assassination in independent Ukraine, Hetman was famous as the author of Ukraine's own currency, the hryvnia, which bears his signature. Central Bank chief Viktor Yushchenko is one of his protégés. Hetman also ran for Parliament and lost, in the March 29 election. An Internal Affairs Ministry spokes-

man told Interfax that both economic and political motives for the killing would be investigated. Some sources in Kiev regard Hetman's murder as the signal for an assault on the hryvnia.

What democracy?

At an April 24 press conference in Kiev, Dr. Natalya Vitrenko released an open letter to President Kuchma (see box), regarding unlawful attempts to bar her Progressive Socialist Party of Ukraine from being seated in the Verkhovna Rada. She invoked international human and civil rights standards.

During the press conference, Dr. Vitrenko displayed a copy of her interview in *EIR* of April 24, 1998, which appears under the headline, "Our First Goal Is to End Ukraine's Pact with the IMF." The Konotop Province court acted to overturn Vitrenko's clear electoral victory, while the IMF delegation considering the new \$2.5 billion EFF was in the country.

According to the Press Center of Dr. Vitrenko's Progressive Socialist Party of Ukraine, it is not yet clear, whether the party's slate of 14 elected deputies will be seated in the new Verkhovna Rada. On April 29, former Justice Minister Serhi Holovaty, a leader of the "Forward Ukraine!" opposition electoral bloc, also had his victory nullified by a court, this time in Kiev. As in the case of Natalya Vitrenko, his victory had already been certified by the Central Electoral Commission.

Cynical violation of human rights must stop

This statement was issued by Dr. Natalya Vitrenko, chairman of the Progressive Socialist Party of Ukraine (PSPU), on April 24.

To: President of Ukraine L. Kuchma; Chairman of the Supreme Court of Ukraine V. Boyko; Acting Prosecutor General of Ukraine. V. Ferenets; Chairman of the Central Electoral Commission M. Ryabets.

Understanding the importance of regular elections to the organs of power, as one of the basic rights exercised by citizens in the formation of a ruling power structure, which would express the political will of the people, the People's Deputies of Ukraine from the Progressive Socialist Party of Ukraine believe that shameful political persecution has been unleashed against the PSPU and its leaders, N. Vitrenko and V. Marchenko.

According to the election results for the single, nationwide election district, the PSPU received 1,075,000 votes, i.e., 4.046% of the votes, surpassing the 4% barrier [for entry into Parliament as a bloc] and winning 14 seats in the Parliament.

N. Vitrenko and V. Marchenko won convincing victories in their individual districts (No. 160 and No. 161). More than 65,000 people voted for N. Vitrenko, or 53% of the voters; 51,000 people voted for V. Marchenko, which was 36% of the vote. They led their closest rivals by 43,000 and 31,000 (!) votes, respectively.

The party and its leaders achieved this victory, while completely observing the Constitution of Ukraine and Ukraine's Law on the Election of People's Deputies. It was precisely on that basis, that the district electoral commissions for districts No. 160 and No. 161, on 30 March 1998, certified the election of People's Deputies of Ukraine N. Vitrenko and V. Marchenko. The Central Electoral Commission also certified the representation of the PSPU in the Ukrainian Parliament as legal.

These electoral results, however, became the object of political attack by the opponents of the PSPU, and of Vitrenko and Marchenko personally. This has been assisted by state organs of power, and by the courts. Acting in the name of Ukraine, the Konotop Municipal Court has twice (27 March and 17 April), on the basis of unproved allegations by opponents and their hired witnesses, and in gross violation of procedural norms and the constitutional rights of citizens, adopted illegal decisions, aimed at annulling the lawful results of the election.

The supreme organs of state power, which ought to defend the rights of citizens, are abetting by their inaction the gross violation of the political rights of the citizens and of the members of the PSPU. Furious blackmail is under way, aimed to force the PSPU leaders to yield the districts where they won.

Such actions, together with the inaction of state organs of power and officials, forces us to state, that Ukraine is becoming a nation, where political rights are openly violated, and persecution for political beliefs occurs.

It is difficult to find in history any analogue for the flouting of the law, which is currently being permitted with respect to the PSPU and its leaders, for whom the population has expressed support.

We will never accept such cynical political reprisals, and we state that, if this is not stopped, we reserve the right, as a protest, to resign our mandates as People's Deputies of Ukraine, and to appeal to the European Court on Human Rights, and to the international community, for Ukraine to be recognized as a country, where human rights are cynically violated, and against which the corresponding sanctions should be applied.

With the agreement and on instruction of People's Deputies of Ukraine V. Marchenko, A. Charodeyev, P. Romanchuk, M. Savenko, T. Zadorozhnaya, I. Malolitko, V. Kvyat, S. Tikhonov, N. Haber, M. Sidorchuk, N. Ly-mar, V. Stozhenko, I. Kunev.

Schiller Institute organizes in Poland

by Katherine Notley

The Schiller Institute held a seminar at the Warsaw Polytechnical Institute on April 2, on Lyndon LaRouche's concept of a New Bretton Woods system and the Eurasian Land-Bridge policy. Among the 100 guests were represented six ministries (economics, agriculture, science, foreign affairs, transport, and education); the embassies of Japan, India, Malaysia, Indonesia, Russia, and Hungary; a delegation from the Peasant Party (PSL); several chambers of industry, and a representative from the Polish railroad. The broad spectrum of guests bespeaks the intensifying concern over the global economic and financial collapse, recognition that the "Asian troubles" are far from isolated phenomena, and acknowledgment of the Schiller Institute's authority, because it has persistently told the truth about the global collapse, and what to do about it.

Schiller Institute representatives Elisabeth Hellenbroich and Frank Hahn outlined the situation after the April 16 Washington meeting of the Group of 22, where the need for a New Bretton Woods was on everyone's mind, but no one addressed it. They described the campaign of the LaRouche movement internationally, to force LaRouche's policies onto the global agenda. The speakers also elaborated the cultural background of the Eurasian Land-Bridge, as well as the principles of physical economy and the need to return education to its Classical roots.

In the discussion, questions were raised about other nations such as Argentina or Malaysia, which had tried to resist the austerity conditionalities of the International Monetary Fund—whose policies, by 1993, had reduced Poland's industrial production to the level of 1975. By 1995, deaths outpaced births for the first time since World War II. There were also questions about George Soros, who has poured millions into getting these policies implemented in many countries, and what Poland can do to influence the global debate about these matters. An Asian embassy asked for LaRouche's articles on the Pope's visit to Cuba, as well as for writings of Cardinal Nicolaus of Cusa and Gottfried Leibniz, whose leading role in promoting ecumenical relations among nations and faiths had been underlined by the speakers.

Concern about the financial bubble

The Institute also engaged in smaller, private discussions later, having been invited to detail the New Bretton Woods

idea at the Parliament (Sejm). There were nine deputies (five from the Peasant Party, and four from the ruling Solidarnosc coalition, AWS), as well as some experts and journalists. The Schiller organizers remarked on the depth of awareness of the global financial crisis, and the impending effects on Poland, compared to discussions they had had during earlier visits to Poland, when interlocutors treated the subject more distantly.

The deputies openly expressed their fear that, very soon, the hot money bubble on the Warsaw financial market may explode and lead to consequences similar to Southeast Asia. They were very happy to hear about the Schiller Institute's intervention into the Washington April 16 meeting and the growing support globally for the New Bretton Woods call. Some Polish deputies asked about the European Monetary Union, apparently favoring a Gaullist concept of a Europe of the Fatherlands, over the EU's self-enforced austerity.

The next day, a high-level meeting took place at a government ministry, with economic experts. A former National Bank representative expressed the same fear as the deputies had, but in more precise terms: He expects the financial bubble in Poland to burst over the next two to three months. This is mainly due to the hot money flooding into Poland's financial markets to take advantage of high interest rates, which, as the financial situation worsens, will flow back out, thus collapsing the overvalued currency, the zloty, with consequences similar to what has wracked Asian countries.

Presentations to students and unionists

The Schiller Institute organizers were invited to the famous Catholic University Lublin to give a lecture to 60 students and some teachers about "The Science of Christian Economy as the Alternative to the Ongoing Global Crash." They also spoke to more than 100 students at the Theological Academy of Warsaw.

In the coal-mining heartland of Upper Silesia, Hahn and Hellenbroich gave a 90-minute presentation to 80 trade unionists, at the invitation of the trade union "Solidarnosc 80." The unionists, mostly from the coal industry, are being directly hit by the economic crisis, since the decision was made to close or reduce 54 of 70 mines, meaning 70-120,000 layoffs over the next three to four years. The event was videotaped, and the Schiller Institute was introduced there, along with former Deputy Wojciech Blasiak, who is widely known as a tough anti-IMF fighter. The trade union newspaper is planning coverage of the meeting.

Among the many private, one-on-one discussions with church layers, scientists, government officials, and unionists, the growing cultural decay was a major subject of concern. Drugs and violence in schools are spreading in epidemic proportions, while the education system is being systematically destroyed by George Soros and his collaborators, the institute's Polish interlocutors reported. *EIR* is growing in influence here, as are the Schiller Institute's Polish-language publications.

Angolans protect fragile, new peace, foil British destabilization effort

by Dean Andromidas

In the first week of April, an *EIR* team was invited to Angola to investigate first-hand the role of the London-based Defence Systems Ltd. and the British-controlled, South African-based Executive Outcomes in destabilizing the peace process, which had been initiated and underwritten by the Clinton administration. *EIR* soon discovered that both DSL and EO are considered deadly tools in the service of British interests in Africa. Sources in Luanda say that DSL's expulsion from Angola in December 1997, was prompted by fears that its activities posed a threat to the country's effort to achieve peace.

EIR was able to learn more about the role of these organizations in destabilizing the region and perpetuating the genocidal civil wars that have plagued sub-Saharan Africa since those nations gained their independence from colonial rule. Our report will concentrate on what *EIR* found with respect to Angola.

Africa's Thirty Years' War

Gazing at Luanda from an island on the opposite side of the bay, the city skyline is a deceptively impressive sight. The buildings along the bay gleam in the tropical sun, and at night the city lives up to the reputation it had earned during colonial times as an African "mecca." But as one approaches nearer, the city's seemingly beautiful sunlit, pastel skyline gives way to the bleak reality of 21 years of devastation during the civil war. It is a devastation caused not so much by the armed conflict—since no fighting took place in Luanda—but by 21 years of neglect. Despite the fact that Luanda's population has swelled to 6 million (some say 9 million), there have been no major construction projects since independence. Angola, with all its wealth in oil, diamonds, other mineral resources, spent two-thirds of its annual national budget and over half of its foreign exchange in the civil war.

Although the Portuguese colonialists founded Angola in 1572, they were unable to declare their possession "pacified" until 1922. It was not until almost the end of the 19th century that the Portuguese considered that the colony could produce exports more lucrative than slaves. Slavery, officially banned by the end of the 19th century, became a system of "forced labor," whose brutality sparked periodic revolts. On the eve

of Angola's independence, not only were the vast majority of the native population illiterate, but so were half of the Portuguese expatriates.

When independence was granted in 1975, Angola was instantly submersed by foreign invasion and civil war, which did not officially end until 1997, and has yet to be consolidated. The civil war was part of the "Thirty Years' War" scenario that then-U.S. Secretary of State Henry Kissinger unleashed in sub-Saharan Africa. These wars, which inflamed Angola, Mozambique, Ethiopia, Zimbabwe-Rhodesia, and other countries, were part of a neo-Malthusian policy aimed at ending any hope for economic development in post-colonial Africa.

By the end of the 1960s, South Africa had the potential for a rapidly growing industrial base, which was subverted by these wars engulfing both its immediate and more distant African neighbors. There was great potential for the rest of sub-Saharan Africa to become economically integrated, through the expansion of transcontinental infrastructure projects radiating from South Africa. Such a development would have underscored how the brutal apartheid system could only be a hindrance to prosperity, a fact that would have become self-evident to the Afrikaner regime.

Instead, the region was thrown into geopolitical surrogate warfare between the Soviet Union and the anti-communist West. The apartheid regime of South Africa was pitted against the nationalist regimes and Soviet client-states, like Angola. The dreams for trans-African development turned into the nightmare of a trans-African killing machine. The gold, oil, diamonds, and plantation products of Africa continued to be extracted for maximum profit.

As soon as Angola became independent, it was dragged into this bloody caldron of war. At the time, an interim government, comprising the three main revolutionary organizations, was to be formed: the Popular Movement for the Liberation of Angola (MPLA), led by Agostino Neto, primarily based in Luanda and other urban coastal regions; the Union for the Total Independence of Angola (UNITA), led by Jonas Savimbi and based in the south and east of the country; and the more tribal-based National Front for the Liberation of Angola (FNLA), led by Holden Roberto, which operated in the north.

FIGURE 1
Angola



The initial agreement collapsed, as “outside players” moved in to play off one group against another.

The Soviet Union, through its Cuban client-state, backed the MPLA. Operating through Zaire’s Mobutu Sese Seko, the West backed the anti-communist FNLA, which, with a force of British mercenaries, launched an invasion from southern Zaire into northern Angola. And then, South Africa, fearing for its interests in Namibia and fearing the establishment in Angola of safe-havens for the African National Congress, threw its support to UNITA.

A similar fate befell Mozambique, the other Portuguese colony, on the east coast of southern Africa, where the Marxist Mozambique Liberation Front (Frelimo) held state power with Cuban and Soviet backing, and fought the Western-backed National Resistance Movement for Mozambique (Renamo).

Everyone, except, of course, the Angolans, got their share. The West continued to get its oil, which was pumped by Gulf and Chevron oil companies from Cabinda province. The Angolan government’s share of oil revenues went to pay for Cuban troops and other East bloc personnel, of whom there were some 50,000 men, at the height of the war. Today, driving through Luanda, one sees that the only new construction since independence was the apartment buildings thrown up for the Cuban troops. Now they are occupied by Angolans. UNITA financed its weapons purchases through the sale of

diamonds that it mined in areas it controlled.

It would be historically comfortable to say that Angola simply became a battleground for the surrogate war between East and West, as well as the anti-apartheid struggle in South Africa and the Rhodesian-Zimbabwe war. But, a look at the British role throughout this period, shows the old Empire playing off all sides against each other. In 1986, the U.S. Congress and the Reagan administration approved military aid to UNITA, justifying the move by pointing to the presence of 50,000 Cuban troops in Angola. At the same time, in neighboring Mozambique, Defence Systems Ltd. received its first British Army Training Team (BATT) contracts to train two special forces battalions for the Marxist government in Maputo, in order to crush the putatively anti-Marxist Renamo. Back in Britain, the Conservative government was firmly in power, whose Prime Minister Margaret Thatcher could always be called upon to attack the Soviets’ “evil empire.” That same year, DSL would receive its first contracts for industrial security in Angola.

The same contradictions can be seen in the arming of the contenders within Angola: For instance, one of UNITA’s major arms suppliers to this day is reported to be the British military equipment company J.&S. Franklin. One of its directors, Marc Franklin, sits on the board of directors of Nord Resources, a mining company controlled by British subject and former employee of Anglo American Mining company, Jean Raymond Boule. Boule also owns America Mineral Fields, which currently has a diamond mine concession in Angola. Boule became well known for giving Congolese genocidalist Laurent Kabila \$50 million to overthrow Zaire’s President Mobutu, in return for a huge mining concession there.

Promise of peace betrayed

When the Berlin Wall collapsed in 1989, heralding the end of the Cold War, the world was presented with the opportunity to end these genocidal conflicts. Seeing which way the wind was blowing, the MPLA in 1990 officially dropped its Marxist ideology (it had joined the International Monetary Fund as early as 1987). In 1990, Portugal brokered an initiative—building on an earlier attempt in 1989 by Mobutu—which brought the MPLA’s José Eduardo dos Santos and UNITA’s Jonas Savimbi face to face. The result was the initialling of the Bicesse peace accord in 1991, and by May of that year, the last Cuban troops had been withdrawn. In 1992, multi-party elections were held, with Dos Santos receiving 49.57% and Savimbi 40.07%. Savimbi, not without good reason, declared the election fraudulent, and the country soon degenerated once more into civil war.

Without strong U.S. backing, any agreement was doomed. President George Bush was not interested in peace deals. According to U.S. Marine Col. Cody Purdom (ret.), Bush came from the old school in the CIA, whose motto was

“If everyone is confused, then we can control them.” Colonel Purdom, who carried out on-the-ground reconnaissance of the Angolan political-military situation for an unnamed U.S. government agency, told *EIR* that Bush’s lack of interest in peace agreements stemmed from his self-interest: “They were making too much damn money to bother negotiating peace agreements,” Colonel Purdom said. He added that the United States was advised on the ground by the British, most likely DSL, which had the largest foreign security operation in Luanda at the time.

All sides found little problem in supplying themselves with weapons. The MPLA continued to finance its purchases through the sale of oil being pumped by Western oil companies. Savimbi was able to finance his military operations through the sale of diamonds to multinational diamond buyers in Antwerp.

The Clinton initiative

The 1992 defeat of Bush’s Presidential ambitions offered renewed opportunity, which the Clinton administration seized upon. In May 1993, after trying for four months to achieve a peace agreement, the White House changed tactics; it moved to recognize the MPLA government, and ended its support for UNITA. According to one retired South African intelligence officer with many years’ experience in Angola, the time was ripe in 1993 for a negotiated agreement, because the fighting had reached a stalemate.

“It was precisely at this moment that hard-liners in the

MPLA signed a contract with Executive Outcomes,” this source told *EIR*, during a briefing on the Angolan situation in South Africa. Although EO’s intervention, through training and introduction of ground attack aircraft, played a notable role in the MPLA’s decisive military victory, it also gave the MPLA enough success to nurture the illusion that they did not have to negotiate with UNITA.

Under U.S. pressure, the Lusaka peace accord was signed in Zambia in 1994. Although organized under the auspices of the United Nations, it was and continues to be overseen by a Joint Commission comprised of the United States, Russia, and Portugal, and is chaired by the special representative of the UN Secretary General, Alioune Blondin Beye. Nonetheless, the end to the fighting was not in sight, until EO was forced out of the country in 1996 under U.S. pressure. EO is quick to claim that its contract was completed, but it was also obvious that it was not allowed to renew it.

One of the principal demands of UNITA was the withdrawal of all mercenary troops. The Cuban “Marxist mercenaries” were withdrawn by 1991, but were replaced by Western mercenaries in the guise of security companies. These security companies, under the cover of protecting oil and mining concessions, were led by former special forces drawn from elite units of the British, South African, and French foreign legions. They were leading relatively well-trained military operations, armed with everything from assault rifles and machine guns to artillery and T-72 tanks.

These mercenaries of the 1990s should not be confused



The Luanda harbor. Despite Angola’s vast oil and mineral wealth, living standards are abysmal; for most of the last 21 years, a civil war has raged, and foreign mercenaries and corporate looters have used Angola as their playground.



The DSL compound in Luanda. DSL was expelled from Angola in December 1997, apparently because of the threat they posed to the peace effort.

with the “dogs of war” images in political suspense novels, out for hire to the CIA or some petty dictator. More likely than not, the local dictator has been replaced by the economists of the International Monetary Fund, who order African governments to grant mining concessions to foreign private companies, in return for writing off some pittance of their foreign debt. If the state in question doesn’t control the concession area, the “global marketplace” can provide a privately financed military operation. In the 1990s, just such operations proliferated throughout Angola, particularly in the diamond-mining and oil concession areas which were contested between UNITA and the government troops.

In an apparent response to the UNITA demand that all mercenaries be expelled, Luanda created two Angolan private security companies: Teleservices and Alpha 5. Both companies aimed at becoming the sole providers of industrial security to the diamond-mining and oil firms. Nonetheless, it was not until recently, as the peace process began to take hold, that the security companies began to dominate these areas.

In September 1997, in order to force UNITA to recognize the cease-fire agreement, the Clinton administration agreed to UN-imposed sanctions. This had the effect of forcing a cease-fire and negotiating a timetable. The agreement calls for the legalization of UNITA, the establishment of a government of National Unity, and granting the post of vice president to Jonas Savimbi, a position he has yet to take up. The protocols call for systematic demobilization of UNITA, which will turn over its controlled areas to the authority of the central

government, under the governorship of appointees approved jointly by UNITA and Luanda.

DSL: the Queen’s fifth column

Despite the agreement, no progress in its implementation was made throughout the autumn of 1997. Then, in December, the government issued an expulsion order, forcing Defence Systems Ltd. to leave the country because of fraudulent business practices.

Why?

In an article that enjoyed wide circulation, *EIR* (Aug. 22, 1997) exposed Defence Systems Ltd. as the British establishment’s most important private paramilitary security company. That study documented how DSL and Executive Outcomes, along with other British corporate bodies, such as Crown Agents, and City of London financial institutions and Commonwealth-based mining companies, have imposed neo-liberal policies of globalization and privatization worldwide, in order to resurrect a new form of the British Empire.

Both DSL and Executive Outcomes operated in Angola. Both were forced out of the country for what appears to be the threat they posed to the peace effort.

Take the case of the British-controlled Executive Outcomes. In contrast to the popular media’s characterization of EO as a South African outfit, it is one of the most despised operations in South Africa, and that hatred spans the full political spectrum, especially among the security establishment, black African and white Afrikaner alike.

“We need peace in Angola. It’s a country that has every-

thing South Africa has, but also oil and plenty of water,” commented a South African expert on Angola. He continued, that Angola’s relatively small population, rich soil, and water resources are indispensable for the successful expansion of southern Africa’s economies, including that of South Africa. With its large population and advanced industrial base, South Africa offers Angola an important market for not only oil, but also for its hydroelectric power-generation capacity, once that is developed, as well as its tremendous agricultural potential. This expert pointed out that it was EO that destabilized the potential for peace.

In a world where one man’s mercenary is another man’s security guard, DSL has vigorously denied that it represents the elite formation of the “dogs of war.” Although it denies any “corporate links” to Executive Outcomes, this “Chinese wall” can be easily knocked down. For example, according to evidence presented before an official parliamentary hearing in Papua New Guinea, that government first approached DSL in an attempt to hire mercenaries to deal with an insurgency. But, the project apparently conflicted with DSL’s “prestige image.” This did not prevent DSL from contacting Sandline Ltd., a London-based mercenary outfit operating out of the same office as Executive Outcomes. That relationship parallels DSL’s and EO’s true sponsors: British Empire mining companies, banks, financial interests, and so on. DSL has among its clients, mining giants DeBeers, Anglo American, and Rio Tinto—that is, the seniors, since it is the “top dog of war.” The “underdogs of war,” on the other hand, such as Sandline Ltd., serve companies like Branch Energy, Ranger Oil, and Diamond Works, the “juniors,” which work in areas where the senior companies are not ready to take the risks.

“If you looked at DSL’s operation in Luanda alone, it became obvious why they had to go,” *EIR* was told by one Luanda-based security expert. Indeed, DSL was operating behind the cover of an “industrial security company,” providing rather poorly trained Angolan security guards to protect such clients as the U.S. and other embassies, multinational companies, and the private residences of the expatriate business community. In addition to these 1,600 Angolan security guards, it employed no fewer than 72 “ex-Gurkhas,” from the British special forces Gurkha Regiment, as well as 20 to 30 ex-SAS troops from Britain’s elite Special Air Services regiment and the Parachute regiment. It also had 50 armed Angolan police officers on its payroll. These substantial forces were backed by state-of-the-art communications and transportation capabilities, centralized out of its Luanda headquarters.

On Dec. 24, 1997, the office of President Dos Santos issued its *force majeure*, an order expelling all DSL “London” and expatriate personnel by Jan. 16. Although the official reason was that DSL was conducting its operations in “a fraudulent manner,” one source who was close to the situation, reported that police raided DSL headquarters, seizing computer disks which one Angolan state security officer said

“contained evidence that DSL was running an espionage operation.”

As soon as the expulsion order was announced, DSL’s chief executive officer, the Hon. Richard Bethell, arrived on the scene, hoping to have it revoked. After several fruitless days, Bethell was advised by expatriate businessmen to take a more flexible approach with the Angolan authorities, and ascertain what terms they wanted in order to allow DSL to continue operating, even if it meant substantial changes in DSL operations. Bethell flatly rejected the advice, “You can’t operate that way with these Angolans,” he allegedly declared. He then went about his attempt to “organize,” so to speak, the right personalities who would revoke the *force majeure*. Even as Bethell rejected this advice, the Angolan police were picking DSL’s Gurkhas up off the street and taking them to Luanda Airport to put them on the first flight out. Two days later, Bethell himself was escorted to the airport.

Bethell left behind chaos, as DSL’s clients, including the U.S. Embassy, were not informed of the state of affairs, leaving them to scramble for replacement security. Furthermore, DSL left behind hundreds of Angolan guards, who were unpaid, but still in possession of their weapons.

Another telling effect of DSL’s untimely departure was the arrival of personnel from Control Risks, the London-based private security intelligence and risk analysis counterpart of Britain’s paramilitary firms, called in by none other than Branch Energy, the London-based chief sponsors of Executive Outcomes. Control Risks was rushed in to conduct a “risk analysis” of the new situation.

Almost at the same time that DSL was expelled, a new timetable for the final stages of the peace process was issued. Although this timetable has not yet been fully met, UNITA did begin to pull out from all the diamond-mining areas it had occupied, as per the agreement. Such a move would have had to include hard guarantees that UNITA would get some form of monetary compensation built into the agreement, otherwise the pullout would make little sense. It is hoped that the targets set by this timetable, including the demobilization and legalization of UNITA, and Savimbi’s taking up his post in Luanda, will be accomplished soon.

Although peace continues to be fragile—and, people even speak of renewed war—those close to the scene doubt that the country will slide into renewed conflict. These sources point to strong diplomatic pressure being exerted by the United States, as well as a strong commitment to the agreement by American oil companies, particularly Chevron. The United States is joined by France, which is said to be making its presence felt in Luanda, where a new embassy compound is being constructed. The French oil company Elf Aquitaine is second only to Chevron, and has expanded its facilities in Luanda as well. “You would not see this type of construction going on by the French and the others, if they felt the war was going to restart,” was the comment of one Luanda-based South African security expert.

International Intelligence

Nigerian leader hits British 'colonialism'

Addressing a group of African ambassadors to the UN Commission on Human Rights in Geneva, Nigerian Foreign Minister Tom Ikimi decried "Britain's unguided vested interests," people who assume they can dictate the internal affairs of Nigeria.

According to Lagos TV on April 20, "he described Britain's role as dubious and the representation of the vestiges of colonialism, since they failed to leave behind a viable framework for the advancement of democracy. The minister said there was nothing wrong in prolonging General [Sani] Abacha's tenure if it augurs well for the future of the 250 ethnic groups that make up Nigeria. . . . 'The point we are making here is that our society is strong. General Abacha has made it economically strong. Since General Abacha took power in 1993, because of all this pressure, Nigeria has not obtained one dollar as loan or aid from any country. Yet, we are surviving.'"

Iranian paper: Brits attempt Mideast takeover

The *Iran Daily*, an English-language newspaper, charged in an editorial on April 21 that Britain's latest Mideast peace effort is part of an attempt to recolonize the region. "After successive attempts by the U.S. to jumpstart the terminally ill Middle East peace process, it's now Great Britain's turn to try and make the impossible possible," the official Iranian state news agency IRNA quotes the paper as saying. "British Prime Minister Tony Blair, currently on his first Mideast tour since taking office, said he hoped to inject 'new impetus' into the troubled dialogue."

The daily asks: "Of course, other world leaders like U.S. President Bill Clinton and French President Jacques Chirac have earlier made attempts to revive the Mideast process, but to no avail. One has to seriously wonder, what can Blair do to change things?" It answers: "Looking at the bigger picture of Blair's visit to the troubling Mid-

east region, one has to note that Britain is again trying to establish a niche for itself in what was a traditional sphere of influence. This latest attempt comes 50 years after ending its infamous mandate over Palestine, which turned into today's disaster for the Palestinian people. Like France's Jacques Chirac, Blair has aspirations of reviving part of his nation's past glory by acting as an all powerful peacemaker, when in reality it's all being done for Britain's narrow national self-interest."

The editorial situates Blair's initiative in the context of British, French, and U.S. rivalry, and comes down against Britain: "As a matter of fact, the Middle East and the African continent have become a cultural and economic battleground for the U.S., France, and Britain, to increase or at least maintain their varying degrees of influence. Given Britain's history in the Middle East, people in the region have a right to be skeptical of their intentions. After all, the Palestinian-Israeli flashpoint is stamped 'Made in England.'"

Student protests turn violent in Indonesia

Violent clashes took place in three cities starting on April 23, with police using tear gas and firing rubber bullets, in response to demonstrators throwing Molotov cocktails, in an effort to forcibly move demonstrations off campus and into public streets. The action began at Medan Technological Institute, and continued at St. Thomas Catholic University in Medan. On April 25, some 1,000 students at the University of North Sumatra in Medan took on 100 troops. One student suffered a gunshot wound, several suffered from tear gas, and five were reported taken into custody.

On April 27, two thousand students gathered at the gates of North Sumatra University, chanting slogans against President Suharto. A two-hour standoff ensued, as troops fired tear-gas and sprayed yellow dye on the students with water cannon. By nightfall, some 5,000 students were reported blockaded on campus grounds. Wire services claim that the students blamed Suharto for

failure to solve the financial crisis, quoting one as saying, "It's going to be like Tiananmen Square."

Also, one student was wounded when 1,500 students from Jambi University in Sumatra clashed with police, as they marched to the local parliament on April 25. Eight were injured in a similar incident in Mataram, West Nusa Tenggara. Forty students were detained after 500 tried forcibly to leave campus grounds at Ibnu Chaldun University on East Jakarta.

WFP appeals for food aid for North Korea

Catherine Bertini, the executive director of the World Food Program, appeared at the National Press Club in Washington, D.C. on April 27, to report on her most recent visit to North Korea. She said that the government's food distribution system has almost no food in it now, because no food has been coming into the country. She said that people are going back to eating roots, leaves, and tree bark. This fills stomachs, but has no nutritional value and causes digestive problems. She also reported that the average birth weight of newborn babies in North Korean hospitals has dropped to approximately one kilogram (2.2 pounds), and 3 out of 10 infants don't survive.

There are also, still, problems with the government allowing aid agencies access to all 210 counties of the country, she said. The WFP currently has access to 161 counties, and the government has agreed in principle to allow access to the other 49, but the bureaucratic machinery hasn't yet moved on this.

The WFP is requesting 658,000 tons of food aid this year and hopes that the international community will match this in bilateral donations, in a manner similar to the past year. In response to a question from this news service on the outlook for getting all this food aid, in view of the economic crisis that has hit Asia, she said that South Korea has pledged to continue to help "its brothers in the North," despite the economic crisis there, and that China has already contributed 50,000 tons. Japan, while committed to help-

KURDISH TERRORIST Semdin Sakik, number-two man of the Kurdish Workers Party (PKK), who was captured by Turkish troops in northern Iraq in April, says that the PKK killed Swedish Prime Minister Olof Palme in 1986. The Turkish paper *Sabah* quoted Sakik saying that PKK leader Abdullah Ocalan ordered the assassination, because of Sweden's decision to extradite eight PKK operatives living there. This is the first direct claim of PKK involvement in the murder.

SHIMON PERES, in an interview with *Le Figaro* on April 29, said that he is "clearly in favor of a Palestinian state." The choice is clear, the former Israeli Prime Minister said: There will be either two states or a binational state, and the latter would mean a binational tragedy.

A HIGH-RANKING member of Britain's MI6 was caught by Iranian authorities and confessed to spying, according to the Iranian newspaper *Jumhuri Eslami*. "Robert Gavin was arrested while filming unauthorized (military) areas in Kurdistan and was in detention for a week of questioning," the paper said. It said that Gavin had a tourist visa, and presented himself as a BBC reporter. He allegedly entered military areas without permission and took pictures and films.

GERMAN CHANCELLOR Helmut Kohl, who had planned to visit China at the end of June, cancelled his trip on April 29, since it would have overlapped with President Clinton's visit there. According to reports from Bonn, the decision was made in view of the urgency of President Clinton's diplomacy.

THE RAND CORP. has released a study forecasting a Turkish-Greek war and an Indo-Pakistani war in the first decade of the 21st century. The basis for the former is said to be "revival of regional competition in the Balkans"; the latter scenario has to do with Kashmir, with both India and Pakistan using nuclear weapons.

ing Indonesia with its food shortages, has yet to make a decision on North Korea, for political reasons. In short, said Bertini, "we do not expect the Asia economic crisis to have an impact" on food donations. What will have a bigger impact, is the skepticism of governments about the seriousness of the situation in North Korea.

Opponents of Kabila denounce massacres

A press release signed by leaders of the Congo opposition to dictator Laurent Kabila, charges that Rwandan, Ugandan, and Congolese troops carried out massacres in the town of Butembo in Kivu province on April 14. According to the report, the town was surrounded by troops, and then massacres were carried out against the civilian population. The statement, which was reported by AFP, said that the Ugandan-Rwandan-Kabila forces were "imposing agony on the peoples of Kivu in general and those of Butembo and Beni in particular," and called for an international investigation into the ongoing war in Kivu province.

The release was issued by the Union for Democracy and Social Progress, whose leader, Etienne Tshisekedi, has called for non-violent struggle against Kabila, and the Rally of Congolese Patriots, led by former Foreign Minister Gerard Kamanda wa Kamanda, one of the few voices who defended the Rwandan and Burundian refugees during the invasion of Zaire in 1996-97.

Azerbaijani party wants cross-border alliance

Fazail Agamaly, chairman of the pro-government Ana Vatan Party, has advocated creating a confederation of the Azerbaijan Republic and Iranian Azerbaijan, as the first step toward the reunification of the two regions, which have been severed since the Napoleonic wars, the newspaper *Turan* reported on April 27. The report was monitored by Radio Free Europe in Prague.

If true, the call marks a potentially serious development, particularly considering

Azerbaijan President Heidar Aliyev's reported recent call for the stationing of Turkish troops in the Caucasus, to guard oil pipelines.

Speaking at Ana Vatan's third congress in Baku on April 25, Agamaly also expressed support for the leadership of President Aliyev, in whose favor he rejected a bid by delegates to nominate him as a candidate for the October Presidential elections.

In December 1997, Radio Free Europe notes, former Azeri President Abulfaz Elchibey formed the Single Azerbaijan Union, to lobby for the unification of the two Azerbaijanians. Elchibey's Turkish-supported efforts to "reunify" Azerbaijan, that is, bust up Iran, was one of the reasons that Iran backed Armenia in the war over Nagorno-Karabakh. Elchibey was overthrown by Aliyev in 1993. Elchibey unexpectedly returned to Baku in March, from internal exile in Nakhichevan.

Swiss court rules in Raúl Salinas case

The Swiss Supreme Court's April 24 decision, to permit the release to the U.S. government of Swiss government documents related to Mexican drug cartel agent Raúl Salinas's Swiss bank accounts, reveals that the U.S. government is assembling a case against the brother of former Mexican President Carlos Salinas, on charges of money laundering, bribery, and drug trafficking, according to wire service reports. The U.S. case is said to charge that the Colombian cartels paid Raúl Salinas to secure Mexico as a safe transshipment point for their cocaine.

The joint U.S.-Swiss effort against Salinas, with which the current Mexican government is cooperating, came to light in November 1995, when Salinas's Swiss bank accounts were frozen. It now has entered a new phase.

On March 13, the *Wall Street Journal* reported that former Cali Cartel accountant Guillermo Pallomari had told U.S. authorities that the cartel paid some \$80 million to Mexican politicians during 1990-93, and half of that money went to Raúl Salinas.

Caspian Sea development has British worried

by Muriel Mirak-Weissbach

On April 26, the mother of all British think-tanks, the International Institute of Strategic Studies, presented its most recent Strategic Survey to the press. IISS spokesman John Chipman explained that the institute had come to the conclusion that the Caspian Sea oil reserves, which have attracted the attention of oil companies and major powers, since the 1991 break-up of the Soviet Union, are not so significant at all. Grossly exaggerated, Chipman said, were the figures circulated by the U.S. State Department on the reserves, and thus, grossly overrated was the potential for development of the region. Given the currently depressed world oil prices, Chipman argued, and the high costs of investments in pipelines and other infrastructural requirements, there would be no decent return on money going into the region. Better, he concluded, to lift the sanctions against Iraq, and develop its known, vast oil potential.

One is reminded inevitably of Hamlet's mother's comment on the performance of the lady in the play: "The lady protests too much, methinks."

Regardless of what the actual amount of oil reserves turns out to be, when they are fully explored, there is no doubt, that the Caspian Sea region is of utmost strategic significance, in the perspective that has opened up for the development of the Eurasian Land-Bridge. Despite ritual protestations to the contrary, there has, indeed, been an attempt to revive the 19th-century "Great Game," pitting one power against the other for influence and control over the region.

Foremost among such geopolitical strategists, have been the British, and specifically the IISS. It was in fact that institute's daughter think-tank, the New York Council on Foreign Relations, which floated a new policy draft in the May-June 1997 issue of its house organ, *Foreign Affairs*, the gist of which was the following: The containment policy against Iraq, and more especially, Iran, should be overthrown, and replaced by a Trojan Horse approach, whereby British oil

interests could gain access to the Central Asian republics' vast mineral riches, through a rehabilitated, friendly Iran. In the same issue, madman geopolitician Zbigniew Brzezinski penned an article, proposing the break-up of Russia and sundry balance of power fantasies (see Lyndon LaRouche, "Tweedledum Goofs Again," *EIR*, Dec. 5, 1997; and, Muriel Mirak-Weissbach, "CFR Signals New British Tactic Toward Iran, Iraq," *EIR*, June 6, 1997). Thus, when IISS comes up with such pronouncements on the Caspian Sea reserves, one should not take them as gospel, but should rather raise the question: What is going on here?

Oil, gas, and pipeline diplomacy

A number of important developments have taken place over the last weeks, which have redefined the relations among nations in the region. First was the announcement on April 9, by President of Kazakhstan Nursultan Nazarbayev, that his country had reached an agreement with Russia on the division of the Caspian Sea oil. As Nazarbayev said in Moscow to Itar-TASS, in the agreement to be signed on April 28, "We do not divide water, we divide only the seabed," at equal distances from the coasts.

The agreement constitutes a shift in the position Moscow had held earlier, which was that the Caspian Sea should be considered the joint property of the littoral states, and not divided up. This was also the position of Iran, which had been signator to a treaty arrangement with the Soviet Union, in 1921 and 1940, on the status of the sea. With his decision on April 10, Russian President Boris Yeltsin signalled a change, which was applauded by the Central Asian states as a step toward their viewpoint. At the same time, it was harshly criticized by Iran, whose Foreign Minister Kamal Kharrazi saw it as a violation of the informal understanding, that the legal status should be determined jointly by all littoral states.

The *Moscow Times* referred to the decision, in an editorial on April 14, as a “potentially crucial change of [Russian] policy,” and commented that “the chance of an end to the Caspian Sea dispute is a positive gesture toward other members of the Commonwealth of Independent States that shows Russia is willing to cooperate in developing the region.” Other commentators have mooted that the shift is merely one of tactics, but that Russian strategy, to control the flow of oil in the region, remains the same.

In this context, it is clear that no amount of oil reserves in the Caspian Sea or the littoral states is worth much, if the infrastructure is not developed to take the oil to international markets. Real development of the oil- and gas-rich countries in Central Asia depends, further, on the reinvestment of export revenues into building up all-rounded modern industrial economies.

According to statements by several Russian officials prior to the news of the Kazak agreement, Moscow has offered to Kazakhstan and Azerbaijan, to increase the amount of oil carried across Russian territory in the pipeline to Novorossiisk, on the Black Sea. First Deputy Foreign Minister Boris Pastukhov said Russia was willing to increase the capacity from 5 million to 17 million tons per year, and eventually invest to increase it further to 30 tons per year.

From a geopolitical standpoint, this would clearly continue to provide Russia with a lever over the flow of oil from the Central Asian republics. Russia’s continuing opposition to proposals for trans-Caspian pipelines, which would transport from Central Asia through the Caucasus, is to be understood in this light.

Yet, from the standpoint of the Central Asian republics, the issue must be viewed in a different light. For Turkmenistan and Kazakhstan, in particular, the precondition for economic development, is finding the means, through pipeline infrastructure, to market oil and gas for urgently needed revenues for development. Thus, the position their governments have held, could be summed up: The more pipelines, the better. The President of Turkmenistan, Saparmurat Niyazov, visited Washington on April 23, and met with President Bill Clinton, as well as representatives of oil companies. Niyazov also delivered a speech to the Johns Hopkins University School for Advanced International Studies, in which he said, “There will be several gas pipelines, including the northern one,” through the Caucasus and Turkey. In a joint statement, Niyazov and Clinton agreed on rapid development of the Caspian resources, and “efficient routes to world markets to promote regional development.” They “expressed their support for an east-west corridor, including a trans-Caspian pipeline, to transport Caspian energy to international markets.”

President Niyazov reportedly signed several agreements with oil companies, including Mobil, for feasibility studies. His comment was, “We intend to cooperate with everyone who wants to cooperate with us.” Regarding pipeline preferences, Turkmenistan is interested in exploring the Caspian seabed option (though it is the most expensive), has signed

agreements with Iran and Turkey for pipelines across their territories, and is hoping for an end to the Afghanistan war, so that it can participate in a pipeline across it into Pakistan.

The same could be said for Kazakhstan’s approach. According to a recent statement on the status of the Caspian Sea and transport of Kazak oil, Kazakhstan is eager to see the following pipelines realized: Tengiz-Novorossiisk, Atyrau-Astrakan-Grozny-Baku-Ceyhan, and Kazakhstan-Iran-Persian Gulf. In addition, studies are being done on projects for Kazakhstan-Turkmenistan-Pakistan and Kazakhstan-China-Far East pipelines.

As for Iran, it, too, is seeking cooperation for multiple pipeline and rail networks, to provide landlocked Central Asian countries with access to world markets. Iran’s opposition to the Caspian seabed proposal, rests on the well-founded argument, that the overland route across Iran is both the shortest and the cheapest, costing less than one-half that of the Caspian route. Obviously, Iran’s concern is that the alternative pipeline routes sponsored through Turkey, in particular, are being exploited, as attempts to diminish the role which Iran is geographically and economically best suited to play.

Economic considerations becoming primary

Whatever the ulterior motives behind Russia’s recent shift on the Caspian, if indeed there are such, it is undeniable that economic considerations are becoming primary. As Russian official Pastukhov said, during a meeting with Azerbaijan’s President Heidar Aliyev in Baku on March 30, “Russia has decided to take a serious step toward a compromise on the delineation of the Caspian Sea, as the drawn-out uncertainty over the status of this body of water *is holding up strategic investment plans.*” Russia’s acting First Deputy Prime Minister Boris Nemtsov reflected similar thinking, in a remark he made at a meeting of Group of Eight energy ministers in Moscow in the first week of April. “The U.S. and Russian sides,” he said, “acknowledge that different routes are possible, and the criteria will be based purely on economics.” In this, Nemtsov was echoing the concept presented by former Prime Minister Viktor Chernomyrdin.

The answer to the question, “What is behind the Russian shift on the Caspian?” will be answered only when the overall economic and strategic policy of the new government becomes known. If the government moves in the direction of integrating Russia into the broader Eurasian Land-Bridge infrastructure perspective, as leading economists in the capital have been urging over recent months, then the move to settle the Caspian Sea dispute, albeit not the most diplomatic in form, may signal a positive shift in overall policy. It is to be hoped, in this connection, that the tensions which Russia’s bilateral deals have created in Tehran, may be overcome, and Iran may be brought into a process which will lead to the establishment of a legal regime for the sea, which receives the consent of *all* the littoral states.

This happy perspective may indeed be the reason why someone at the IISS, is somewhat upset.

The legal status of the Caspian Sea

A contribution by Prof. Yand Shu, vice president of the Institute of Central Asia Studies at Lanzhou University, Lanzhou, Gansu Province, P.R.C.

Currently, there is a controversy concerning the problem of the Caspian Sea, particularly its legal status and the distribution of the sea among its littoral countries. For lack of legal support, the littoral countries are far from reaching unanimity on its division. The problem will not be solved until all the littoral countries agree on its legal status. The length of coastline is of first priority in consideration of dividing the waters. The theme of this article, which proposes to divide the Caspian Sea by coastline and water median line, is only for reference of the littoral countries.

In recent years, there has been a heated argument among the littoral countries, focusing on the exploitation and export of petroleum, and the division and ownership of the area's waters and resources. Up to now, no consensus has been reached. This has become a regional issue attracting worldwide attention. The heart of the problem, is the legal status of the Caspian Sea and the interests of the relevant countries. These two aspects are closely bound together.

Part 1

The Caspian Sea, the largest lake in the world, is part of the line dividing Europe and Asia, which links the Caucasus, Central Asia, Southwest Asia, and Russia. It is an area of great strategic importance. The Caspian Sea has an area of 371,000 square kilometers, with an ultra-depth of 1,025 meters. It is about 1,200 km long from north to south, and 320 km wide from east to west. It is -28 meters in surface height. (In recent years, as more water flowed in, the height of the water surface and depth of the water have increased each year. In 1995, the height of the water surface was -26 m. The data concerning water depth and area listed in different sources varies, due to the unsteady water surface.) Its salt content is 12.7%. There are around 50 islands in the lake, with a total area of 350 square kilometers.¹

The Caspian Sea has three main economic values. First, is shipping. Providing vast waters between Europe and Asia, the Caspian Sea played an important role in shipping during the time of the Soviet Union. Its shipping function should be correctly estimated in the future. I would like to point out that the former Soviet Union had constructed numerous big canals to form a shipping network joining the Caspian Sea, the Baltic

Sea, the White Sea, and the Volga, Don, Dnepr, and Moscow rivers. Ships below 5,000 tons could navigate from Astrakhan to Moscow, St. Petersburg, and Arkhangelsk. With the splitting of the Soviet Union, the Caspian Sea's function in this navigation network has been declining; yet, it will certainly be developed in the future.

The second economic value of the Caspian Sea is to be found in its fishery resources. Annual fishing amounts to hundreds of thousands of tons. It is the main place of production of the world-renowned sturgeon roe, for caviar. During the Soviet period, production of roe in the best years reached more than 4,000 tons, worth hundreds of millions of U.S. dollars. A considerable income is still being made, even when the production of fish and roe is not half of that in the best year.

The third value is oil. Azerbaijan, on the western shore of the Caspian Sea, found oil as early as the 13th century, and there was mass exploitation of oil by the late 19th century. A number of big European companies, such as Nobel Brothers' Petroleum Production Company, Royal Dutch Shell, and Rothschilds, were actively engaged in oil exploitation and export. At that time, the oil produced in the Caucasus accounted for 30% of the total world oil trade. The exploitation of natural gas in the Caucasus area began only in 1928, much later than that of oil. For quite a long time, Azerbaijan served as the most important oil and natural gas production region for Europe. Thus, it was a most significant strategic objective. In 1940, the oil production of Azerbaijan reached 22,200,000 tons, making up 71% of the total for the former Soviet Union.² After World War II, the production of oil in Azerbaijan and its percentage of Soviet production, declined. In 1991, its production was only 11,700,000 tons, making up only 2.3%.³ In recent years, with numerous new discoveries of large oil and natural gas fields, the Caspian Sea once again has become an area of worldwide attraction.

Being a transnational body of water, the littoral countries along the shores of the Caspian Sea have land boundary claims. During the Russian Empire, Russia and Iran had not delimited their boundary on the Caspian Sea. Mainly, it was Russia which was engaged in fishery and shipping, while Iran's backward shipping and fishery were basically confined

2. *Ibid.*

3. Liu Jingbei, et al., *The General Survey on the Countries of CIS* (Publishing House of the East China Normal University, 1993), p. 140.

1. *Bol'shaya Sovetskaya Encyclopedia*, third edition, Vol. II, pp. 499-502, 1970 (in Russian).

to the waters near its shore. Since Iran found no exploitable oil and gas fields in its offshore waters area, most of the oil and gas exploitation was limited to the Russian shore area, mainly in the land and waters near Baku. Early in 1722, Russia founded the Caspian Sea Fleet, which played an important function during the later wars against Persia (1722-23), Iran (1804-13), and the war in the Caucasus, to conquer and seize possession of the areas around the Caspian Sea.

Since the October Revolution in 1917, the attitudes of the Soviet Union and Iran toward the Caspian Sea generally followed those of the Russian imperial era. But there was a difference: Two treaties on the Caspian Sea, one signed in 1921 and the other in 1940, decided that each country had as its economic zone, 10 nautical miles of the waters along its shore, while the rest of the waters were free for fishery and shipping by both countries. Neither treaty involved underwater resources, or the delimiting of any boundary. Since the Iranian shore of the Caspian is only a very small, smooth, and straight part, Iranian economic interests have been confined to a small area of water. Most of the rest of the Caspian Sea had been the Soviet Union's area of activity. Following the policy of the Russian Empire, the Soviet Union also set up a fleet called the Caspian Sea Regional Fleet, a branch of the Black Sea Fleet.

Part 2

For many years, the Caspian Sea was quiet, without controversies or conflicts. Unfortunately, in the past few years, the area has gotten restless. There are two main reasons for that. One is that large-scale oil and gas reserve fields have been newly found; the other is the disintegration of Soviet Union. Urged by political and economic interests, the littoral and other concerned countries of the Caspian Sea area have been deeply involved in this dispute. It has mainly taken place among the Commonwealth of Independent States, i.e., the former Soviet Union's republics, focusing on the exploitation rights of oil and natural gas, together with the boundary delimiting of the Caspian Sea.

In recent years, several large oil and gas fields have been discovered. For example, there are Chirag-1, Azeri, Gjuneshli, Karabakh, and Shakhdeniz fields. The first three oilfields were reported to have reserves of 500 million tons. The other two do not have such big reserves, but they are estimated to have a vast range of prospects. The number most frequently quoted by Western analysts, is 200 billion barrels of petroleum and 7.89 trillion cubic meters of natural gas, which is about the total of the United States' and Mexico's natural gas reserves.⁴ Currently, there is a common view that the Caspian Sea area is going to be the world's main natural gas supply center in the next century. Its prospects are probably no less than the Persian Gulf. Of the current proven reserves, Azerbaijan has the largest proportion, estimated to

4. Rosemarie Forsythe, "The Politics of Oil in the Caucasus and Central Asia," *Adelphi Paper* 300, Oxford University Press, 1996, pp. 6-9.

be more than one-half. Next come Russia and Kazakstan. Turkmenistan and Iran have the least.

Mainly because of economic interests, and for additional political, historical, and geological reasons, the littoral countries have different attitudes toward the division and exploitation of the Caspian Sea. Their attitudes have changed somewhat during recent years. Generally speaking, the gaps between their opinions have narrowed, but are still too great to reach a consensus.

Azerbaijan believes the Caspian Sea to be a sea and not a lake, and that the United Nations Convention on the Law of the Sea should be applied to the boundary delimitation of the waters and the bottom, in order to clarify each country's respective range of sovereignty and exclusive economic zone. Afterwards, the related problems, such as the rights to petroleum exploitation, will be solved accordingly. Azerbaijan adopts this attitude because the petroleum production areas are mainly located near its shore, and it does not want to let any other countries gain benefits from its backyard. Azerbaijan aims to revive its economy through this petroleum, and to rid itself of Russian control.

Russia, on the other hand, holds that the Caspian Sea is not a sea, but a lake, and the Law of the Sea cannot be applied in this case. At the beginning, Russia insisted that the Caspian Sea belonged to all the littoral countries and should be kept in its original status and not be divided. The littoral countries would have equal rights to participate jointly in shipping, fishery, and resources exploitation. Russia's attitude is very easy to understand: In a shared area, the strongest has the most, as history shows. After years of dispute, especially the resolute disapproval of Azerbaijan (which has the support of the United States), Russia has withdrawn a little.

During Nov. 11-12, 1996, five foreign ministers of the littoral countries held a meeting in Ashgabat, Turkmenistan. At the meeting, Russian Foreign Minister Yevgeni Primakov declared that Russia was ready to agree on the 45 nautical miles of jurisdictional area in the Caspian Sea, and to acknowledge the jurisdictional rights of the littoral countries on exploitation of petroleum. However, the central waters should still be shared. This indicates that Russia has given up its original proposition and adopted the attitude of a limited division. At the end of the Ashgabat meeting, a memorandum was signed among Russia, Turkmenistan, and Iran, which expressed their identical views and cooperation on the division and exploitation of the Caspian Sea.

Before that, Turkmenistan and Iran had a similar attitude to that of Russia. Kazakstan's attitude was more like that of Azerbaijan; it stands for division, but in a different way. It advocated that the bottom should be divided, to make the exploitation rights of petroleum and other resources clear. But the waters should not be divided, and an administrative system of fishery quotas and shipping permits should be adopted.

The reasons for Kazakstan, Turkmenistan, and Iran adopting such an attitude are very complicated. The following ex-

planations should be considered: First, all three countries are rich in oil and natural gas reserves, but these are mainly not located along the shores of the Caspian Sea. Kazakhstan's Tengiz Oilfield (not included in the Caspian Sea's oilfields by the author), discovered nearly at the same time as the new Caspian oilfields, is also called "the second Middle East." All three countries, especially Kazakhstan and Turkmenistan, lack the material and financial resources to make an efficient exploitation of their current oilfields, let alone make more investment on the Caspian Sea. Secondly, the oil reserves in the Caspian Sea are not as important to the economies of the three countries as to Azerbaijan (of course, their oil reserves in the Caspian Sea are not as great as those of Azerbaijan). Moreover, the political, economic, and other relations with Russia are of great importance. Kazakhstan has a higher percentage of Russians in its population than any of the other countries in the Commonwealth of Independent States, and Turkmenistan was the first to adopt the policy of dual nationalities and sign an agreement of joint defense with Russia.

The confrontation between Iran and the West, headed by the United States, has lasted for many years, and Iran could not afford the confrontation with Russia, which would put herself in an isolated position. Iran needs to cooperate with Russia in Caucasus, Central Asian, Southwest Asian, and Middle Eastern affairs. All these factors have made Iran, Turkmenistan, and Kazakhstan avoid sharp confrontation with Russia. The slightly different attitudes of the three countries should be considered normal. After all, different countries have their different interests.

Part 3

As we have shown, the heart of the Caspian Sea problem is its legal status. The following analysis is about related matters.

Many people might consider it a strange question, whether the Caspian Sea is a lake or a sea. However, in geographic science, lake and sea have specific, different definitions, which cannot be mixed up. But in the Soviet Union, for particular reasons, there have for a long time been different views about the matter. Geological materials indicate that a long, long time ago, the Caspian Sea once was a part of the Black Sea. The petroTECTONIC characteristics of the south Caspian Sea, its so-called submarine structure, is between land crust and ocean crust. Because of these characteristics and other geological factors, together with the vast area of the Caspian Sea (4.5 times bigger than Lake Superior in the United States, the second biggest lake in the world), many Soviet scholars thought it to be a sea, not a lake, or at least not a typical lake.

The *Great Soviet Encyclopedia* explains it thus: "The Caspian Sea, located in Soviet Union (Russian Federal Republic, Kazakhstan Soviet Socialist Republic, Turkmenistan Soviet Socialist Republic, Azerbaijan Soviet Socialist Republic) and Iran territories, is the biggest closed salt waters. Generally, it is considered to be the biggest lake in the world, but that is

not definite. Because, from the perspective of its size and forming structure characteristics, it is a sea."⁵ Meanwhile, the *Small Soviet Encyclopedia* says: "The Caspian Sea, an inland sea, is the biggest closed saltwater lake in the world, located between Europe and Asia, on the boundaries of Soviet Union and Iran."⁶ This illustrates that the former Soviet Union lacked a definite geographic definition of the special waters of the Caspian Sea.

It should be acknowledged, that the difference between lake and sea is whether the body of water is connected to the open sea. Other factors should not be considered as a basis or reason to identify a body of water as a lake or sea. For the same reasons, marine geological terms have also been used to describe the Caspian Sea. The most-often-quoted term is "continental shelf." Continental shelf is defined as the extension of continental crust into the seawaters, with a slope of less than 0.1°, and with the depth less than 200 m. The area of the Earth's continental shelf is about 7.6% of that of oceans. No countries have included the Caspian Sea in measuring the area of the Earth's continental shelf. Land under the waters of a lake should not be called a continental shelf. It should more accurately be called water bottom or lake bottom. Those who mix up all these concepts might not have thought that such academic arguments could be turned into important considerations in a dispute among countries.

Currently there is no generally acknowledged method or treaty to delimit boundaries of lakes. The delimitation of a boundary on lakes is used in the following cases: 1) A lake between two countries is delimited by the connection line between two points at which the land boundary line crosses the shoreline. Examples are the Aral Sea between Uzbekistan and Kazakhstan, and Lake Xingkaihu between China and Russia. 2) If the shape of a lake is rather complicated, and there are islands in it, the littoral countries should negotiate the boundary based on the principle of equidistance, such as for Lake Superior, Lake Huron, and Lake Ontario between the United States and Canada. 3) If there is no division and the waters, together with the resources are shared, such as the Caspian Sea during the Soviet period, and Lake Malawi in Africa. The Caspian Sea is a unique big lake, among five countries, and there is no precedent to go by.

Since the Caspian Sea is a lake, the Law of the Sea should not be applied. But if we look at this problem from a different perspective, a different result might be reached. One of the starting points of the law of the sea is: The bordering countries divide the waters according to certain principles and methods to clarify their respective range of sovereignty and interest. The littoral countries along the Caspian Sea should have a common understanding of this principle. The historical lack of division does not mean there will be no division now or in the future. Even though the law of the sea could not be applied

5. *Op cit.*

6. *Malaya Sovetskaya Encyclopedia*, third edition, Vol. IV, 1959, pp. 608-609 (in Russian).

to divide it, there are still other ways to be adopted. The dispute over the Caspian Sea is not focused on the division itself, but on each nation's economic and political interests. Experience has proven that whenever there is a confrontation of interests, the best way to handle such a problem is to make a clear distinction of each party's range of interests. Moreover, the attitude toward vested interests receives sufficient consideration. The only way to solve realistic problems is to adopt a realistic method.

During the Ashgabat Meeting attended by five foreign ministers, Russia suggested 45 nautical miles as the judicial range of the respective littoral countries. This indicates that Russia has adopted a comparatively practical attitude toward the division of the Caspian Sea, which has relaxed the dispute to a certain extent. The focus has been shifting from, "Should we divide or not divide?" to, how to divide. At present, among the five countries, only Russia, Kazakhstan, and Azerbaijan have proposed suggestions for division. They can be simplified as, Russia supporting part-division of waters and territory (lake bottom), Azerbaijan for a complete division of waters and territory, and Kazakhstan only for a division of territory. Since the detailed content of their plan is not available, this is only a general comment.

The width of 45 nautical miles proposed by Russia has no legal basis. This figure is the average width of the Earth's continental shelf, although sometimes an equivalent 72 km is used. Since there is no verified width of territorial waters in the world, Russia's suggestion can be understood. According to this plan, the division of about half of the Caspian Sea waters will be decided. Most of the current oilfields' ownership is definite. But what is to be done with the remaining half? If other big oilfields are found outside the 45 nautical mile range, and the reservoir is connected to current oilfields (this is very likely to be the case), might there not be any other confrontations? Russia's plan aims to keep larger areas of public waters, which will not solve the current problems, and might cause problems in the future.

It is estimated that Russia's plan is going to change. The treaties between Russia and Iran on the Caspian Sea could not provide Russia enough legal ground for not dividing the Caspian Sea, because the Commonwealth of Independent States is not a successor of the Soviet Union. Logically, it is not possible for Azerbaijan, Turkmenistan, Kazakhstan, and Russia to take the responsibilities set out by the treaties between Iran and Russia. Recently, Russia's President Boris Yeltsin, at a meeting with Kazakhstan's President Nursultan Nazarbayev, said a framework for the legal status of the Caspian Sea should be proposed before July 1, 1998, to divide its bottom in a just manner. In the meantime, he said that the situation of a shared exploitation of the Caspian Sea water surface should be maintained, including free shipping, fishery regulations, and maintenance of the environment. This might possibly indicate a crucial change in Russia's policy on the Caspian Sea.

Azerbaijan advocates a complete division of the waters

and bottom, but there is still no clear proposal, including principles and plans. But Russia has some comments on this aspect. Russian Deputy Foreign Minister A. Chernishev said in November 1995, that the exploitation of the Caspian Sea should be based on the area of one's territory, population, the distance of oilfields from the respective country's shore, and its ability to exploit the oilfields. Obviously, with these criteria, Russia would have an unreasonable advantage. Its vast area not along the shore, and big population not living in the Caspian Sea area, are of course not a basis for negotiating the division of the sea. While the distance of oilfields from the respective country's shore is reasonable as a criterion, exploitative ability is not, by any means. Chernishev spoke of the distribution of petroleum exploitation, but also reflected a certain attitude.

Many factors had probably restrained Azerbaijan from proposing a plan. One reason, for sure, is that a complete division of the Caspian Sea is a very difficult job.

Up to now, the littoral countries have not proposed any principles or methods (at least none have been publicly proposed) on division of the Caspian Sea. Principles acceptable to all the littoral countries, as the base of solving the problem, are necessary and of first priority. Otherwise, all plans are only empty talk.

If we include a comprehensive consideration of the United Nations Convention of the Law of the Sea, other treaties and customs, of the examples of division of other territorial lakes, and of the delimitation of land and water boundaries, the following are some principles we might reach:

1. A lake should only be divided among the related littoral countries.
2. The littoral countries, through negotiation, should decide upon the division principles and methods for such a lake. If necessary, related countries and organizations might be invited to confer, on occasion.
3. Similar principles and methods should be applied to certain areas of waters.
4. The waters given to a particular littoral country should be based on the shore length of the country. Meanwhile, the characteristics of its shoreline (such as the curve, protrusion into the water, or sunken shore), and the distribution of islands, are to be given special consideration.
5. The individual countries can be technically flexible on the above-mentioned characteristics, for convenience in division and administration through negotiation, such as to use a straight line to replace a complicated coastline, exchange of territorial waters, etc.
6. Since flowing waters are different from land, even after division, the countries concerned should share partial common interests.

Meanwhile, the littoral countries are required, to a great extent, to cooperate on common maintenance and administration in fields of environment and ecology, etc., and on the part that is not divided, but shared. In the recent dispute among the littoral countries, some of the listed principles have been

FIGURE 1

Proposed division of the Caspian Sea



mentioned, some have not. Here, we might as well take Azerbaijan’s opinion of a complete division as an example. Integrating with the above-mentioned six principles, I would like to express some of my views on the division of the Caspian Sea. Since the Caspian Sea is a lake, for the littoral countries, the first problem they face is to delimit their boundaries with respect to the opposite ones. This is the point that distinguishes division of a lake from division of a territorial sea: The division of a territorial sea often sets out a boundary line that differentiates territorial waters from the high seas, based on an acknowledged width of territorial waters.

Considering the specific conditions of the Caspian Sea, we propose the following plan: First, the median line, i.e., the geometrical median line of the Caspian Sea, which reflects the principle of equidistance, should be determined⁷ (Figure 1). The median line is made of equidistant points to the banks, along the long axis of the Caspian Sea. A and B are two ends in the north and south which are about equidistant to the three sides of the bank. (Since the Caspian Sea is not a regular geometric figure, we adopt the method of step-by-step approach to decide the median line. The curve in Figure 1 indicates the emerging procedure of the median line. We can see, End B of the median line in the south, might not be definite, due to the shape of the south part of the Caspian Sea. It could be changed slightly.) C, D, E, F, and G are respective intersection points of boundaries and shorelines between Russia and Kazakhstan, Azerbaijan and Iran, Iran and Turkmenistan, and

7. J.R.V. Prescott, *Political Frontiers and Boundaries* (Allen & Unwin, 1987), pp. 152-155.

TABLE 1

Countries along the Caspian Sea

Country	Azerbaijan	Iran	Kazakhstan	Russia	Turkmenistan
Relative length of coastline	1.00	1.05	2.44	1.56	1.29
Relative size of water area	1.18	1.12	1.84	1.11	1.00
Coastlines in sequence	5	4	1	2	3
Water areas in sequence	2	3	1	5	4

Turkmenistan and Kazakhstan. The five countries’ ranges of territorial waters can be delimited through linking up B-E, B-F, and then making vertical lines to the median line from C, D, and G.

The following is the explanation necessary for such a division.

1. Figure 1 is based on 1:4,000,000 “Map of Union of Soviet Socialist Republics” of 1991, published by the Soviet Union’s Earth-surveying and cartographic General Bureau. The map does not mark out the Kara-Bogaz-Gol Gulf located in Turkmenistan. The gulf covers 18,000 square km, connecting the Caspian Sea by only a canal 13 km long, 3 km wide, and 6 m deep. The average water depth in the gulf is only 10 m.⁸ Obviously, this gulf is not within the division range of the Caspian Sea, and it is excluded in calculation of the shoreline and size in this article.

2. The degree of curvature of the Caspian Sea’s shore varies greatly in different areas. Generally speaking, the Caspian Sea’s shoreline in the south is relatively straight, while in the north it is very winding, especially along the delta of the Volga River, also with many islands. To delimit territorial waters in a case of very crooked shoreline, generally a straight baseline is drawn from which to decide the width of territorial waters toward the direction of the ocean. Despite the fact that the characteristics of the different country’s shorelines differ a lot, this article does not adopt the method of straight baselines.

3. There are about 50 islands in the Caspian Sea. As to the sovereignty of those islands, the principle proposed in this article is that they should be determined by the waters; that is, an island located in one’s territorial waters, shall belong to the country. As to disputed islands, their sovereignty might be solved through negotiation. Therefore, the previous procedure of deciding the median line has not taken the islands into consideration.

4. Under the conditions of a complete division and no public waters left in the Caspian Sea, the littoral countries cannot have territorial waters (or territorial waters plus exclusive economic zones) of the same width. That is, one cannot divide the Caspian Sea like the delimitation of territorial wa-

8. *Mission to Earth: Landsat Views the World*, Plate 257 (Washington, D.C.: National Aeronautics and Space Administration, 1976).

ters. This article does not set out the respective territorial waters or exclusive economic zones.

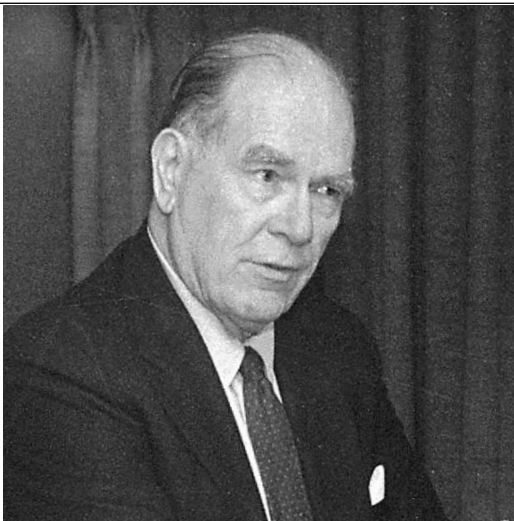
5. In Figure 1, we calculated the length and size of waters of the five littoral countries, and made the comparison. It should be pointed out, that, due to lack of accurate maps and material resources, this calculated result is only an outline, intended to explain a division plan. There is an obvious disorder in the sequence of the coastline length and waters area as a result of calculation: The coastline of Russia comes second, while its area of waters remains fifth; the coastline of Azerbaijan comes fifth, while its area of waters occupies second place. Why is the sequence of Russia and Azerbaijan just the opposite? From the map we can see very clearly: Russia is the only littoral country along the Caspian Sea's coast with its waters sunken into the land, even though Russia has a relatively long coast.

The situation of Azerbaijan is just the opposite. Its territory protrudes into the Caspian Sea, which has the advantage of having more water surface. That is why there is a disorder in the sequence. At this point, we can only say that Azerbaijan is blessed by God.

From the above, we can see the plan for adopting a median line and shoreline is feasible. The principle is just and the result is reasonable. It is not perfect, but please remember, the principle in solving disputes is justice and reason, not mathematical accuracy. There is still much to be done on the

division of the Caspian Sea. There are problems of principles and techniques to be solved. Unfortunately, at present these problems have been scarcely mentioned by the parties concerned. This article has proposed a plan of division based on the coastlines and median line. Even if this plan is accepted, there are still other factors to be considered. For example, in recent years, the surface of the Caspian Sea has been rising about 0.5 m per year. Since the east bank is low and flat, many areas there have been inundated. So the water's surface is getting larger, and will directly influence the length of coastlines and the location of the median line.

The Caspian Sea issue is getting to its crucial period. All the five countries should sit down together to discuss the way out of the problem. All the countries wish to determine the legal status of the Caspian Sea through friendly negotiations, to avoid an unstable situation which would hinder their exploitation and development. A common understanding of all these issues is the basis for solving the issue of the Caspian Sea. I sincerely hope that the five countries will soon reach an understanding and consensus. As to what principles and methods to adopt, it is the five countries' affair, with no interference from any other countries. After the legal status of the Caspian Sea is resolved, accelerated exploitation of oil and natural gas will play an important role in developing and promoting the economy of the littoral countries. This is what we expect.



LaRouche ON RADIO

*Interviews with Lyndon LaRouche
On the Weekly Broadcast "EIR Talks"*

ON SATELLITE
Saturdays 4 p.m. ET
Galaxy 7 (G-7)
Transponder 14.
7.71 Audio.
91 Degrees West.

**SHORTWAVE
RADIO**
Sundays, 5 p.m. ET
2100 UTC
WWCR 12.160 mHz

**Cassettes Available to
Radio Stations**
**Transcripts Available
to Print Media**

Local Times for "EIR Talks" Sunday Shortwave Broadcast on WWCR 5.070 mHz

Adis Ababa 0100*	Bretton Woods 1700	Helsinki 2400	Little Rock 1600	Paris 2300	Stockholm 2300
Amsterdam 2300	Bucharest 2400	Ho Chi Minh City 0600*	London 2200	Philadelphia 1700	Sydney 0800*
Anchorage 1300	Buenos Aires 1900	Honolulu 1200	Los Angeles 1400	Pittsburgh 1700	Teheran 0130*
Athens 2400	Buffalo 1700	Hong Kong 0600*	Madrid 2300	Prague 2300	Tel Aviv 2400
Atlanta 1700	Cairo 2400	Houston 1600	Manila 0600*	Rangoon 0430*	Tokyo 0700*
Auckland 1000*	Calcutta 0330*	Istanbul 2400	Mecca 0100*	Richmond 1700	Toronto 1700
Baghdad 0100*	Caracas 1800	Jakarta 0500*	Melbourne 0800*	Rio de Janeiro 1900	Vancouver 1400
Baltimore 1700	Casablanca 2200	Jerusalem 2400	Mexico City 1600	Rome 2300	Vladivostok 0800*
Bangkok 0500*	Chattanooga 1700	Johannesburg 2400	Milan 2300	St. Louis 1600	Venice 2300
Beijing 0600*	Chicago 1600	Karachi 0300*	Minneapolis 1600	St. Petersburg 0100*	Warsaw 2300
Belfast 2200	Copenhagen 2300	Kennelbunkport 1700	Montreal 1700	San Francisco 1400	Washington 1700
Berlin 2300	Denver 1500	Kiev 2400	Moscow 0100*	Santiago 1800	Wellington 1000*
Bohemian Grove 1400	Detroit 1700	Khartoum 2400	New Delhi 0330*	Sarajevo 2300	Wiesbaden 2300
Bogota 1700	Dublin 2200	Lagos 2300	New York 1700	Seattle 1400	Winnipeg 1700
Bonn 2300	Gdansk 2300	Lima 1700	Nogales 1500	Seoul 0700*	Yokohama 0700*
Bombay 0330*	Guadalajara 1600	Lincoln 1600	Norfolk 1700	Shanghai 0600*	Yorktown 1700
Boston 1700	Havana 1700	Lisbon 2300	Oslo 2300	Singapore 0530*	

* Mondays

Starr's Hubbell indictment: the Olson Salon in action

by Edward Spannaus

In a purely vindictive and retaliatory move, Whitewater prosecutor Kenneth Starr has again indicted former Associate Attorney General Webster Hubbell, plus Hubbell's wife, Suzy, his accountant, and his lawyer.

Hubbell immediately charged that the new indictment was brought for the sole purpose of pressuring him to lie about the President. "I will not do so, and my wife would not want me to do so," Hubbell declared. "I want you to know, the Office of Independent Counsel can indict my dog, they can indict my cat, but I'm not going to lie about the President. I'm not going to lie about the First Lady or anybody else."

The Hubbell indictment is a case study in the abusive prosecutorial methods used by Starr's team of career Justice Department prosecutors. And it is also an illustration of the workings of the "Olson Salon," the close circle of friends of Starr and Theodore Olson who work as a "private" adjunct to Starr's official investigation. As *EIR* reported on March 13, Olson and his wife, Barbara, host a regular gathering of friends at their secluded Great Falls, Virginia home, which includes Starr, *American Spectator* editor Emmett Tyrrell Jr., *Wall Street Journal* editor Robert Bartley, Supreme Court Justice Clarence Thomas, and others. Barbara Olson is chief counsel to Rep. Dan Burton's (R-Ind.) House Government Oversight and Reform Committee, which is investigating Democratic campaign fundraising, focussing on alleged Chinese donations to the 1996 Clinton re-election campaign claimed to have been funnelled through Lippo Group of Indonesia, and others.

A stepping stone

As a former law partner of Hillary Clinton, and a close friend of both Bill and Hillary Clinton, Hubbell was in the target sights of the "Get Clinton" crowd from the beginning. The *Wall Street Journal* editorial page relentlessly went after

Hubbell, beginning with the first in its "Who Is Webster Hubbell?" series on March 2, 1993—around the case of Rep. Harold Ford (D-Tenn.)—and it continued the barrage with a "Who Was Webster Hubbell?" series, after Hubbell's resignation from the Justice Department in March 1994.

There was also the notorious *Journal* editorial "FBI Director Rose?" attacking the "Rose clique" from the Rose law firm, featuring attacks on Hillary Clinton, Vincent Foster, Hubbell, and William Kennedy III, a deputy White House counsel. Less than two weeks after this, Foster killed himself; the note found in his briefcase cited the *Wall Street Journal*, saying: "The *WSJ* editors lie without consequence."

As a way of putting pressure on Hubbell, Starr's office, led by Starr's top deputy, Hickman Ewing, prosecuted Hubbell in 1994 for an unrelated matter; in late 1994, Hubbell pled guilty to stealing money from his law firm by padding expense records, and to evading taxes by not reporting that money as income. This was widely seen at the time as an effort by Starr to force Hubbell's cooperation around Starr's targetting of Hillary Clinton, since Hubbell not only worked very closely with Mrs. Clinton and Vincent Foster at the Rose law firm, but he was involved during the 1992 campaign in gathering up the law firm's records concerning Mrs. Clinton's work related to the Whitewater transactions.

Hubbell apparently never gave Starr's office anything they could use. While he was in prison, he was brought out to testify both before Congressional committees, and in front of Starr's Little Rock, Arkansas grand jury. Starr's office was, by late 1996, pursuing a theory that the hundreds of thousands of dollars which Hubbell had obtained in consulting fees after resigning from the Justice Department was actually "hush money" arranged by the White House. Starr, and the news media, were particularly focussed on a \$250,000 consulting contract which Hubbell had with the Lippo Group, whose

U.S. operations are based in Arkansas.

The pressure continued, and when Hubbell was released from prison in February 1997, he declared that he would no longer cooperate with the Whitewater prosecutors. "I have spent an extraordinary amount of time cooperating with investigations," Hubbell said in a statement at the time. "My answers did not always please the investigators, but they were always truthful. That cooperation did not benefit me at all. I was subjected only to further investigations. There is no apparent purpose in continuing down this path."

While Starr's grand jury in Little Rock is ostensibly investigating Whitewater-related financial deals, Starr's Washington grand jury is said to be trying to make an obstruction of justice case against President Clinton, Mrs. Clinton, and their circle of friends and associates. This is the pretext for the entire "sexgate" operation around Monica Lewinsky et al. Just as the President's friend Vernon Jordan is being accused of trying to get Lewinsky a job to keep her quiet, Jordan also reportedly helped Hubbell out. Hubbell is clearly seen by Starr's office as a stepping-stone to get Vernon Jordan, and former U.S. Trade Representative Mickey Kantor—both of whom helped Hubbell obtain jobs in 1994.

In February 1998, the *American Spectator*, whose editor Emmett Tyrrell is a regular participant in the "Olson Salon," published a cover feature on Hubbell which emphasized Hubbell's work in the Rose law firm with Hillary Clinton and Vincent Foster, and the firm's links to the Lippo Group and its owners, the Riady family. The article was rather prescient: It predicted that Hubbell would probably be indicted again. The *American Spectator* was not alone in this; much of the news media has been the recipient of leaks from Starr's office in the past few months, predicting indictments of Hubbell, his wife, his lawyer, and his accountant.

To add to the pressure, Representative Burton announced that he would make public the tape recordings of telephone conversations between Hubbell and his wife, while Hubbell was in Federal prison. During the week prior to the indictment, Burton's committee also released detailed information about Hubbell's consulting payments during 1994—with much of the Burton data being the same as what appeared in Starr's indictment one week later.

The April 30 indictment charged Hubbell and the other defendants with conspiracy to violate the IRS laws through impairing and impeding the IRS, evading taxes, and mail fraud. Hubbell's lawyer John Niels said that Starr's office had brought "a very rare type of tax charge" against Hubbell, one that "would not be brought against an ordinary taxpayer" by the Department of Justice. A statement issued by Niels's office elaborated this point, saying that Hubbell had acknowledged to the IRS that he owed taxes, that he had been unable to pay them, and that under existing DOJ prosecutorial guidelines, the failure to pay taxes does not constitute tax evasion. But this did not stop Starr and his friends, in their quest to "get" President Clinton at any cost.

Clinton slaps down 'clean needles' ploy

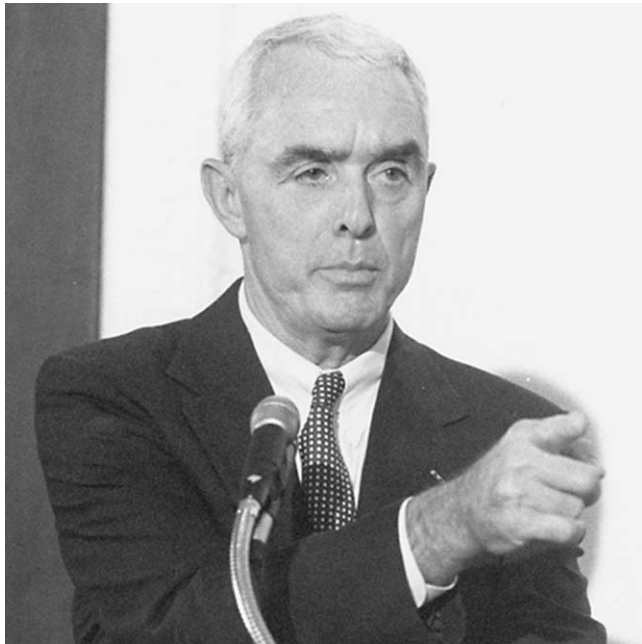
by Jeffrey Steinberg

President Clinton delivered a significant defeat to mega-speculator George Soros on April 20, when he announced that he was extending the nine-year ban on Federal funding of needle-exchange programs. Such programs exist in 110 cities in 22 states, providing "clean" disposable hypodermic needles to heroin addicts, ostensibly to decrease the spread of the HIV virus and other blood-borne diseases among intravenous drug users who share their needles. In recent years, Soros, who is the largest bankroller of the drug legalization movement in the world today, has poured substantial amounts of tax-free money into the needle-exchange programs, through his Open Society Fund, and through the Drug Policy Foundation, an organization dedicated to the legalization of psychotropic drugs.

Within hours of President Clinton's announcement of the extension of the ban of Federal funding for the needle exchanges, Soros announced that he was creating a \$1 million matching fund, to encourage the expansion of the free needle programs by state and local governments. Sources close to the Clinton White House have told *EIR* that, had President Clinton lifted the ban on Federal funding, as much as \$600 million in taxpayers' money could have been funneled into the distribution of hypodermic needles. They characterized Soros's announcement as a defensive move, highlighting the fact that his dope legalization cause had suffered a substantial setback.

The President's decision to extend the ban was not a foregone conclusion. Up until the last moment, supporters of the scheme had expected him to lift the ban, based on the fact that the program had the support of Vice President Al Gore and Health and Human Services Secretary Donna Shalala. Their support was based on a number of dubious studies of the results of needle-exchange programs in allegedly reducing the spread of HIV, and an intensive lobbying effort by homosexual rights organizations, AIDS activists, and Soros's drug lobby. The Soros apparatus is notorious for producing slick "medical" studies, prepared by doctors and biomedical researchers on Soros's payroll, which attempt to give a veneer of "objectivity" to their pro-dope-legalization propaganda.

Indeed, days before the President made his announcement, Shalala and some White House staff had drafted a press release, and scheduled a press conference, where it was expected that they would announce the President's lifting of the ban.



National Drug Policy Director Barry McCaffrey, who convinced President Clinton that needle-exchange programs are not all they're cracked up to be.

Unfortunately, while President Clinton continued the funding ban, he did allow Shalala et al. to issue statements endorsing the effectiveness of needle exchanges in reducing the rate of HIV infection.

The President's eleventh-hour decision to continue the ban was the result of an effort by Gen. Barry McCaffrey (ret.), the head of the White House Office of National Drug Control Policy (ONDCP). McCaffrey personally walked the President through the needle-exchange controversy, while the two were travelling together, aboard Air Force One, to a summit meeting in Santiago, Chile. He gave the President a memo by former Health, Education, and Welfare Secretary Joseph Califano, detailing his own studies of the hazards of needle distribution. McCaffrey had also solicited the assistance of Congressional Republicans.

Rep. Dennis Hasert (R-Ill.), who heads the Congressional Republicans' Drug-Free America task force, warned on April 23, that if the President lifted the ban, Congress would pass an override. A week after the President's announcement, the House, by a 287-140 vote, passed a permanent ban on direct or indirect Federal funding of the needle-distribution programs.

Debunking the needle-exchange myth

Critical to McCaffrey's successful fight to retain the ban, was a fact-finding study conducted by a researcher at the ONDCP, into the oldest, and one of the largest, needle-exchange programs in North America, that in Vancouver, British Columbia. The program dispenses more than 2.5 million free hypodermic needles each year.

At the time the Vancouver program was launched in 1988, approximately 2% of the drug addicts serviced by the program were infected with HIV. Five years later, the rate of HIV infection was 20%. During the same period, the number of heroin overdoses in the Vancouver area went from 18 in 1988 to 200 in 1993—a clear indication that heroin abuse was on the rise.

The Vancouver study also revealed that the heavy funding of the needle-exchange program cut into money that would have otherwise gone to treatment programs, aimed at getting people off drugs altogether. The net effect: Vancouver has become a magnet for drug abusers and drug-related crime for the entire Pacific Northwest. While it would be unfair to say that the transformation of Vancouver into the “needle park” of the Northwest was caused by the needle-exchange program, the study clearly demonstrated that the needle-exchange program had neither reduced the spread of AIDS among drug addicts, nor contributed in any way to combatting the spread of illegal drug abuse in the area.

Soros's hidden agenda

To hear George Soros tell it, his Open Society Institute Lindesmith Center, and the Drug Policy Foundation, which he funds to the tune of at least \$15 million, are not in favor of the legalization of drugs. They merely wish to foster a “debate” on how to reform the country's anti-drug effort. This is a lie.

At the Nov. 8-9, 1996 tenth annual meeting of the Drug Policy Foundation, in Washington, D.C., founding member Eric Sterling told a closed-door gathering that he was proud to have devoted the last 20 years of his life to the cause of “drug legalization.” He went so far as to chastise those who balk at the idea of crack cocaine legalization. At a press conference at the National Press Club in February 1997, when confronted in public by a reporter for *EIR*, Sterling admitted that he and his Drug Policy Foundation colleagues were unabashed advocates of the legalization of all drugs. “The challenge is to end the policy of prohibition against the use of cocaine [and] heroin,” he said.

For the Soros gang, the idea of needle-exchange programs has been to establish yet one more step forward for their quasi-secret agenda of full legalization. And without the Drug Policy Foundation backing, the needle-exchange effort would have likely never gotten off the ground.

In 1990, for example, the Drug Policy Foundation gave its \$100,000 cash prize, the Richard J. Dennis Drugpeace Award, to Jon C. Parker, the founder of the National AIDS Brigade, and David Purchase, founder of the needle-exchange project in Tacoma, Washington. The next year, DPF gave its Norman Zinberg Award for Achievement in the Field of Medicine and Treatment to Prevention Point, a San Francisco needle-distribution project. In 1992, the Zinberg prize went to Dr. Alex Wodak, of the Royal Australian College of Physicians, who set up the first needle-exchange programs in that country.

Congress stalls: last gasp for the IMF?

by Suzanne Rose

As the crisis in the Asian financial markets deepens, the International Monetary Fund is running into unexpected opposition from the U.S. Congress. On April 23, the Republican leadership of the House of Representatives failed to include an administration request for \$18 billion to replenish IMF funds in an emergency supplemental spending bill for fiscal year 1998, signalling to the world a lack of confidence in this institution to deal with the crisis in the Asian markets, in particular. A debate, followed by passage of legislation authorizing the \$18 billion, has been relegated to the indefinite future.

The failure of the House to act on the measure decides the issue for the time being, even though the Senate approved the additional funds before the Easter recess. This will weaken the authority of the hated institution in its victim countries, and open the door for the possibility of concerted action to reverse the monetarist austerity policies with which it is associated—and return to production-oriented financial systems.

The arguments in favor of expanding the resources available to the IMF have stressed that the crisis may widen and new emergencies develop. To the extent that there is awareness on the Hill of the increasing severity of the crisis, it seems that a growing number of Congressmen are no longer moved by the argument that if they don't support allocation of more funds for the IMF, they will be responsible for future calamities. And though obstruction of President Clinton's legislation may be one motive for Republican actions, it is also becoming obvious that the situations in Korea and Indonesia have worsened since the IMF interventions began. Therefore, the Fund's days as an enforcer for international financial interests are numbered. Looming bankruptcies of the largest of Japanese banks, the rising levels of unsustainable South Korean debt, and the stock market and derivatives bubbles in the West threatening to explode, all render the IMF's so-called remedies obsolete. The resources which the IMF can assemble are clearly inadequate to the growing levels of bad debt.

A motley group of opponents

The opposition to the IMF in the House, where it has been the most vocal and active, has been led by a coalition of right-wing conservatives and Democratic liberal activists

concerned with labor and environmental issues. The latter mistakenly argue that the IMF can be reformed to protect labor and the human rights of target populations. At the other end of the spectrum, Mont Pelerinite House Majority Leader Dick Armey (R-Tex.) and others of his ideological ilk have been huffing and puffing against the IMF for preventing the "magic of the marketplace" from operating completely unchecked, even going so far as to say that the IMF caused the need for bailouts—not predatory speculators and bankrupt financial systems. Just the fact that the IMF can come in with a bailout, they say, corrupts the morality and dulls the brain of speculators who would otherwise make responsible and creative investment decisions.

On the other hand, labor-backed Democrats and some industrial spokesmen have argued against the IMF for aiding foreign governments whose subsidized industries and underpaid labor compete with U.S. workers and products.

Whatever the ideology of its opponents, it is widely perceived that the IMF is involved in economic restructuring activities for which it has no authority, and that are outside of the control of the U.S. government, and the net effect has been ever-worsening crises. The Republican leadership announced just before their April 2 recess that they would not agree to rush a debate and vote on the IMF by including it in an emergency disaster and military supplemental spending bill, because too many Congressmen had fundamental concerns about it. Just weeks earlier, the House Banking Committee had passed a carefully amended bill in support of the replenishment funding, with bipartisan support (H.R. 3114), which addressed many concerns about the IMF. By the time the recess ended on April 20, when a vote by the whole House was expected, Speaker of the House Newt Gingrich (R-Ga.) announced, during a speech in Pennsylvania on April 20, that chances for passage of the IMF refunding legislation had weakened markedly. He cited growing criticism by rank and file members of the IMF's handling of the Asia crisis.

In contrast to rabid free-trade proponents like Rep. Tom Campbell (R-Calif.), who argued that derivatives traders have made IMF interventions into currency crises obsolete, some Congressmen introduced themes of sanity into the debate. Rep. Bernard Sanders (I-Vt.) introduced an amendment to the House Banking Committee bill, which opposed an amendment the IMF is preparing to its charter, calling for the deregulation of the capital markets in its victim countries. The Sanders amendment also attacked the IMF's policy of promoting austerity against the living standards of the countries whose policy it controls. Other amendments introduced by Sanders and his allies would have required that the IMF force banks and investors to provide debt relief, roll over existing loans, and extend new credits. Others have attacked the IMF for actually creating unsustainable debt levels, promoting speculation and trade deficits, and have called for a "new architecture" for the financial system.

Gingrich backs down on campaign finance reform

House Speaker Newt Gingrich (R-Ga.) reversed himself on campaign finance reform on April 22, just as a Democratic discharge petition was gaining significant Republican support. The petition would have forced out a half-dozen different bills languishing in committee. Twelve Republicans, led by Christopher Shays (Conn.), had signed the petition, putting backers of a debate close to the required 218 signatures. Rather than letting the reformers gain control, Gingrich agreed to bring up legislation before the end of May, on condition that the 12 Republicans removed their names from the petition, which they promptly did.

The agreement is to allow full debate, with amendments, of at least two proposals: a House version of the McCain-Feingold bill in the Senate, co-sponsored by Shays and Marty Meehan (D-Mass.), and a bill co-sponsored by Asa Hutchinson (R-Ark.) and Thomas Allen (D-Me.), which has 71 co-sponsors, including 21 Republicans. Shays explained that "it was a strong consensus in our party that, however we felt on particular votes, we did think, one, it should be open, and that there should be many alternatives."

Democrats remain skeptical about the commitment of the GOP leadership to an open debate. Minority Leader Richard Gephardt (D-Mo.) called the GOP leadership's turnaround "a retreat, not a conversion." He added that Gingrich's getting the Republican signers off the discharge petition "doesn't give me a lot of confidence that we're actually going to wind up with an open procedure," because the "basic obstinance and negativity" to campaign reform within the Republican leadership has not

changed.

Earlier in the week, Senate Majority Leader Trent Lott (R-Miss.) nonchalantly said that "nothing" would happen in the Senate if a reform bill were passed in the House. However, Shays told reporters, "if you don't think the Senate is concerned . . . then speak to some members who got calls from senators asking them not to sign the petition."

Burton creates uproar with 'scumbag' remark

Dan Burton (R-Ind.), the chairman of the House Government Oversight and Reform Committee, took partisan politics to new lows, in a meeting with the editorial board of the *Indianapolis Star*. Referring to President Bill Clinton, he said, "if I could prove 10% of what I believe happened, he would be gone. This guy is a scumbag. That is why I am after him." This comment created an uproar among Democrats, and fed into a conflict over subpoenas in the investigation of campaign finances Burton is running.

The ranking Democrat on the committee, Henry Waxman (Calif.), said on April 22 that he is considering any number of actions against Burton, not only for the "scumbag" remark, but also for his handling of tapes of conversations between former Department of Justice official Webster Hubbell and his wife, while Hubbell was in prison. Burton obtained the tapes from the Department of Justice and was warned not to release them publicly, which he did anyway, including to *American Spectator* magazine. The actions Waxman is considering range from bringing a privileged resolution to the House floor censuring Burton and calling for his removal from the

committee chairmanship, to the filing of a formal ethics complaint with the House ethics panel.

Meanwhile, the House GOP leadership is considering maneuvering some parts of the investigation away from Burton and giving it to House Oversight Committee Chairman Bill Thomas (R-Calif.). One reason that is given for this is that Democrats on Burton's committee are blocking the issuance of more subpoenas, and that Thomas's committee has the necessary two-thirds majority to approve the subpoenas. Another alleged reason, is to get the investigation away from Waxman, who is considered much more dangerous to the GOP than Sam Gejdenson (Conn.), the ranking Democrat on the Oversight Committee.

Education savings account bill passes the Senate

After weeks of maneuvering around filibusters and other legislative roadblocks, the Senate passed the Coverdell education savings account bill on April 23 by a vote of 56-43. The bill would expand current educational IRAs from a \$500 yearly contribution, to \$2,000, and allow withdrawals for primary and secondary school expenses (now limited to expenses for higher education). The debate revolved around giving tax breaks to families for education expenses versus making substantial improvements in public education.

Democrats characterized the bill as "tax support for private education" that would do little for the vast majority of children attending public schools. The GOP defeated three Democratic amendments that would have changed the thrust of the bill away from tax breaks and toward more

support for public education. The first, sponsored by Edward M. Kennedy (Mass.), proposed a loan forgiveness program that would steer teachers into areas of high need, including rural and poor districts. Kennedy claimed this would add 100,000 new teachers a year for ten years. The second, sponsored by John Glenn (Ohio) would have deleted the provision allowing withdrawals for primary and secondary education, but would have retained the increased contributions limit. The third, sponsored by Carol Moseley-Braun (Ill.), would have provided incentives for construction and renovation of public schools.

At the end of the debate, Minority Leader Tom Daschle (D-S.D.) decried the process by which the bill was debated and passed. He said that, because the Democratic amendments were not passed, "we have gone from doing little to doing damage to our public educational system. . . . We would abolish the national role in public education." President Clinton has vowed to veto the bill when it reaches his desk.

Citicorp/Travelers merger should wait for drug probe

At a press conference on April 9, Maxine Waters (D-Calif.), a member of the House Banking Committee, said that she opposes the merger of Citicorp and the Travelers Group until allegations that Citicorp laundered drug money for Raúl Salinas de Gortari, brother of former Mexican President Carlos Salinas de Gortari, are thoroughly investigated. She said that the illegal drug trade would come to a "screaming halt" tomorrow, if it had no ability to launder drug profits through financial institutions worldwide.

"A disturbing pattern is emerg-

ing," she said, "of drug traffickers and dope dealers using the highly secretive and protective private banking system of Citibank to conduct their business with the utmost efficiency. Citibank's private banking system appears to be favored by these global criminals, because of their 'don't ask, don't tell' policy toward their wealthiest, and sometimes dirtiest, clients."

Waters reported that she has sent letters to President Clinton, Federal Reserve Chairman Alan Greenspan, Attorney General Janet Reno, and Banking Committee Chairman Jim Leach (R-Iowa), "in an effort to put the brakes on this merger until this matter is completely resolved." She also announced that she'll be introducing legislation "to prevent the review of merger applications involving institutions under investigation of, or convicted for, money laundering." She vowed that she "will not rest until the truth is brought to light and the criminal drug-trafficking and money-laundering is brought to justice." What remains to be seen is whether she will point the finger at the Salinas brothers' friends, such as former President George Bush.

Social Security reform takes center stage

Proposals for reforming Social Security are getting increasing attention, after several weeks of sniping among Congressional Republicans and other GOP leaders over whether to apply the supposed budget surplus to the Social Security trust funds. All the proposals include investing some or all of the trust funds in the financial markets.

Sen. Phil Gramm (R-Tex.) offered a proposal on April 22 which would create a new system, in which workers would voluntarily put three percentage points of their Social Security tax into

individual retirement accounts, to be managed by Social Security individual retirement funds regulated by a Social Security investment board. Gramm said that the advantage of this proposal over the current payments system is that workers would benefit from "the power of compound interest."

However, at a hearing of the Senate Special Committee on Aging later the same day, there was less enthusiasm for investing Social Security trust funds in private financial markets. In his opening statement, committee Chairman Charles Grassley (R-Iowa) said that this is not a "panacea" for Social Security's problems, because "the demographic factors will be with us for a long time."

Ranking Democrat John Breaux (La.), pointing to the 77 million Baby Boomers who will hit retirement age beginning in 2010, said, "We must do better than simply reducing benefits, increasing taxes, and increasing borrowing" to maintain the solvency of the system.

The caution from members and witnesses, stems not from the casino-like nature of the financial markets, but rather, from fears of government involvement in corporate governance issues if it were to become a major stockholder, or, alternatively, the administrative obstacles to setting up 140 million individual investment accounts and the risks associated with people managing their own investments without knowing the ins and outs of the financial markets.

Meanwhile, House Ways and Means Committee Chairman Bill Archer (R-Tex.) has announced that his committee had favorably reported out a bill to create a bipartisan panel "designed to solve Social Security's long-range problems." This panel is modeled on a similar one already convened to look at Medicare.

National News

Don Eret, LaRouche ally, challenges Nebraska GOP

Former Nebraska State Sen. Don Eret (D) is running unopposed for the Democratic nomination to challenge incumbent U.S. Rep. Doug Bereuter, as part of the drive by the LaRouche wing of the Democratic Party to take back Congress from the Conservative Revolution. Bereuter, who sits on the House Banking Committee and chairs the International Relations Committee's Subcommittee on Asia and the Pacific, has supported every neo-liberal economic measure which has accelerated the collapse of Asia's economies.

Senator Eret, by contrast, has been a collaborator of Lyndon LaRouche since the latter launched his Food for Peace effort a decade ago. In 1997, Senator Eret joined hundreds of parliamentarians and political leaders internationally in signing the Call to President Clinton to Convene a New Bretton Woods Conference, at precisely the same time that Bereuter's subcommittee was showcasing the "Asian tiger" economies, all of them now fatally stricken by currency assaults.

Eret decided to run, after Bereuter led a vote in Congress last year which denied food aid to the starving nation of North Korea. Months before that, Eret had used his experience as a farmer and retired NASA engineer, to contact American and Korean political, religious, and farm leaders to work out an emergency plan to solve the desperate North Korean situation.

North bashes Clinton for China satellite deal

Oliver North, hypocrite extraordinaire, took up cudgels in the *Washington Times* of April 26 to bash President Clinton's decision to allow aerospace manufacturer Loral to launch a commercial satellite on China's Long March rocket. At issue are allegations that Loral and the Hughes satellite company had previously given to the Chinese rocket technology that allegedly could be applied

to their missile program, or exported to what North dubbed "rogue nations," such as Pakistan.

North (who can honestly say that his own illegal sales of TOW missiles to Iran during the war with Iraq, involved no dual-use technologies) frets that "it's too bad that Mr. Starr won't be able to include this Clinton-China space caper within the scope of his investigation," when Starr presents his results to Congress in June. North ticks off some "dual-use" technologies—jet engines, communications equipment, and supercomputers—which have been sold to China, huffing that the "Clinton administration's indifference to the arming of China" is "simply stupefying." North apparently doesn't think the cocaine and opium marketed by his Contra and Afghansi buddies was "stupefying."

Spannaus campaign gains steam in Virginia race

The effort of LaRouche associate Nancy Spannaus to become the Democratic challenger to Rep. Frank Wolf (R) in Virginia has picked up steam, as Democrats in the 10th Congressional District begin to elect delegates to the district party convention on May 30. On April 23, she addressed a meeting in Prince William County, hitting hard at the McCarthyite fear-mongering used against her delegates in Rappahannock County, which, she said, was also keeping those present from backing her as the best candidate to rebuild the party and defeat Wolf.

Meanwhile, on April 27, attorney James Schoener wrote a letter to the attorneys for Virginia's Democratic Party, which is a defendant in Lyndon LaRouche's Voting Rights Act suit against former party head Don Fowler et al., after Fowler had forced the party to deny seating at the 1996 National Convention to all LaRouche delegates. Schoener's letter notes: "There have been some allegations that hinted at threats against delegates' employment or business opportunities if they continued their support for Mrs. Spannaus. I am sure that you would not condone such unlawful and unethical actions on the part of your party members, and

that you will see that the Party officers in that County are advised that we will not tolerate unfair tactics being used against Mr. LaRouche's supporters.

"As we advised the United States Court of Appeals for the District of Columbia in our brief and at oral argument, we were concerned that changes in voting practices without preclearance would happen again and that our contentions were *not moot*. Since there are 13 more caucuses scheduled over the next two weeks, if there is further evidence of discriminatory actions against LaRouche supporters, we will be inclined to report the same to the Court."

Bush says Secret Service should not testify

Former President George Bush sent two letters recently to Lewis C. Merletti, the head of the Secret Service, regarding the effort by "Get Clinton" prosecutor Kenneth Starr to force Clinton's Secret Service agents to testify before his grand jury, according to a report in the *New York Times* on April 25. It is not clear whether both letters were sent on the same date.

The first letter, dated April 15, was submitted by the Clinton administration to a Federal judge, as part of its sealed filing, petitioning the court to grant executive privilege to Secret Service agents being compelled to testify before the Starr's grand jury. In that letter, Bush wrote, "I feel very strongly that U.S.S.S. agents should not be made to appear in court to discuss that which they might or might not have seen or heard. What's at stake here is the confidence of the President in the discretion of the U.S.S.S. If that confidence evaporates, the agents, denied proximity, cannot properly protect the President." Bush told Merletti that he was free to "use this letter with proper authorities in the special prosecutor's office, or should the matter go to court, with the proper officers of the court."

Always one to cover his back, however, Bush also sent a cover letter to Merletti, denouncing the "orchestrated attacks" on Starr as "vicious and outrageous." He noted that, if Starr is personally pushing for the agent testimony, Merletti could show him the

POPE JOHN PAUL II will visit the St. Louis diocese next January, after his visit to Mexico City, the Vatican announced in mid-April. St. Louis Archbishop Joseph Rigali, a longtime personal friend of the Pope, had extended an invitation for him to visit St. Louis whenever he had an opportunity. The Pope will arrive in St. Louis on Jan. 26. It is not yet known if he will be visiting other U.S. cities.

PAT ROBERTSON has signed on to the "Clinton is a killer" line coming from James Dale Davidson. Robertson linked Clinton on his "700 Club" broadcast to the deaths of Vincent Foster, Ron Brown, Mary Mahoney, Barbara Wise, Victor Raisner, Paul Tully, Jim Wilhite, Stanley Heard, Bob Wilcher, Kathy Ferguson, Bill Shelton, and Jerry Parks.

PRISON PRIVATIZATION was defeated in Tennessee's Senate, marking a significant blow to the Tennessee-based Corrections Corporation of America. CCA's net income per share doubled between 1995 and 1996, while the rate of assaults and murders at its Youngstown, Ohio facility have begun to raise an outcry.

THE INTERNAL REVENUE Service is still investigating six tax-exempt groups linked to House Speaker Newt Gingrich, including two Georgia colleges which hosted his "Renewing American Civilization" courses, and the Abraham Lincoln Opportunity Foundation, which worked closely with Gingrich's GOPAC. The investigation centers on whether these groups violated their tax status to sponsor political activities.

OREGON has the lowest in-hospital mortality rate in the country, not because it has the best care, but because it has become so adept at "avoiding hospitalization at life's end by planning for their deaths," gloated Susan Tolle, head of the Center to Improve the Care of the Terminally Ill. Oregon leads the nation in the "medical use of morphine."

cover letter, so he would realize that Bush "initiated this letter idea," is "furious about the mindless attacks" on Starr, and hopes "he will not compel the agents to come forward." Bush also offered to "talk personally to Ken should he so desire." The *Times* published both letters without comment.

British press push Gingrich for President

Both the London *Sunday Telegraph* and the *Sunday Times* ran articles promoting a U.S. Presidential bid by House Speaker Newt Gingrich for the 2000 elections. The Hollinger Corp.'s *Sunday Telegraph*, the British oligarchy's flagship publication for the "Get Clinton" operation says that Gingrich "is now all but certain" to run for the Republican nomination. "With his latest physical and political 'makeover,' the leaner yet kinder one-time Bonaparte of the Republicans' 1994 revolution has seen his approval rating soar."

The *Sunday Times* (owned by Rupert Murdoch) notes that, until recently, the prospect of Gingrich running for President "would have provoked chortles of disbelief." But now, the "softer, nicer Newt" is criss-crossing the country, including Iowa and New Hampshire, promoting his new book. Gingrich is showing "uncharacteristic restraint" these days, demurred the *Times*, not even attacking Clinton around the ongoing sex scandals—which may have to do with problems in Gingrich's own private life.

Boston Globe highlights grand jury abuses

The tactics of Whitewater independent counsel Kenneth Starr, in using his grand jury to harass and intimidate witnesses, were cited in the *Boston Globe* on April 26. The parade of witnesses before Starr's Washington grand jury "has cast harsh light on the largely unfettered powers of the Federal grand jury," said the *Globe*. It added that grand juries were originally conceived

by the Framers of our Constitution as a protection against tyranny. Many states have restrictions on grand juries, such as allowing defense lawyers to be present in the grand jury room with their clients, allowing only legally obtained evidence, and allowing a defendant to appeal, if the indictment is based upon insufficient evidence.

But there are no such checks on Federal grand juries, and the U.S. Supreme Court has refused to exercise any supervision, deferring instead to Congress. Thus, the *Globe* wrote, 70 members of the House of Representatives have endorsed a bill requiring Federal prosecutors to adhere to the ethical rules of the states in which they practice, which defense lawyers say would curb some abuses, an apparent reference to the "Citizens Protection Act," co-sponsored by Pennsylvania's Joe McDade (R) and John Murtha (D).

State budgets hooked on stock market bubble

A recent study showed that Virginia and Maryland have become increasingly dependent on personal and capital gains tax revenues to fund their state budgets, and face being wiped out if the stock market bubble doesn't continue to bloat, reported the *Washington Post* on April 17. The study by Mark Zandi, chief economist for Regional Financial Associates (RFA), showed that between 1998 and 2000, Virginia expects to raise \$16.9 billion in personal tax collections (including wages and capital gains). Were the stock market to be flat over that period, Virginia would lose \$700 million in projected revenue; were the stock market to fall 30%, Virginia would lose \$1.6 billion, or one-tenth of all projected revenues from personal tax collections.

Maryland is currently anticipating \$12.6 billion from personal taxes. If the market is flat, RFA found that Maryland would lose \$350 million in projected capital gain tax revenue, and if it were to fall 30%, Maryland would lose \$800 million in revenue.

Lawmakers in several states are proposing securities transactions taxes, especially to fund education.

New financial system, or no food

In the past month, international appeals have been raised for emergency food donations to locations in East Asia, eastern Europe, Africa, and other points in need, involving millions of people. These emergencies are part of a breakdown pattern that also includes farmers facing ruin in the major food-belt regions of the Americas and western Europe, and includes collapse of agricultural trade around the globe.

What's the connection? The chain-reaction effects of the disintegration of the global financial system are causing links to snap in the food chain. Each week, *EIR* provides documentation of the latest blowout events of the speculation-based financial system. Here, we make the point that, either we move fast toward a replacement financial system—a New Bretton Woods—or we face the prospect of widespread famine.

Begin by looking at the most obvious breakdown point: food exports and imports. In recent years, world food trade has been rigged, in the name of “free” trade, but rigged or not, the trade is halting, because the financing for it is blown out.

For example, in East Asia, the 1997 drop of currency values against the dollar automatically made traditional imports of foodstuffs from the United States 30-80% more expensive. Beginning in the summer of 1997, East Asian import orders were slashed, or cancelled, for U.S. specialty foods (cherries, apples, and so on), then for staples (feed grains, cereal grains, meats, dairy products).

The reason is clear. One day, an apple from Washington State cost the equivalent of 15¢ in Thailand; then, in a matter of weeks, it cost \$1.50. Washington State apple exports to the Pacific Rim nations fell 70% in autumn 1997.

In response, the U.S. Department of Agriculture rushed in, over the past six months, to extend emergency credits to East Asian nations to buy agricultural commodities from the United States. For example, South Korea received \$1.5 billion from late 1997 through spring 1998. How long can this go on?

Secretary of Agriculture Dan Glickman is keeping up a good face. On April 20, he said, in his latest announcement of \$400 million in credit guarantees for

South Korean food importers, that “Korea has been a good customer for many years.” Of the \$400 million, he said, “today’s increase will help Korean importers to buy needed food and agricultural products and help maintain the stability of the Korean economy, while providing U.S. farmers with access to an important export market.” In 1997, Koreans bought \$3.3 billion in U.S. agricultural goods.

The government agencies of Australia and other trading nations are likewise pumping out emergency trade financing, as is the U.S. Ex-Im Bank, for non-food merchandise trade.

The result? Trade continues to plunge. Take corn, the commodity in which the United States is the world’s leading producer and exporter. U.S. corn exports from Sept. 1 through March 26, and outstanding unshipped sales, were down a huge 24% from a year earlier—which itself was at a low level. Most of this decline is due to the impact of the financial crisis in Asia.

U.S. farmers are told that because demand is down for what they produce, they must accept a price dictated by the “free market,” which is far below their production costs. Corn prices are at around \$2.20 a bushel to the farmer, way below his costs to produce. Wheat prices have dropped \$1.00 a bushel since this time last year. Some farmers are holding onto their product, trying to avoid “distress-sale” prices. In Washington State, a wheat exporter, a whopping 35% of last year’s wheat crop is still in storage, instead of what would be a normal 10% this time of year—planting season for spring wheat!

In March, Congressmen held meetings in North Dakota and Minnesota to publicize the fact that farmers are facing ruin. In April, 1,600 farmers came to Aberdeen, South Dakota to confront Secretary Glickman.

European farmers are likewise in revolt. This spring, mass protest rallies took place in Spain, France, Germany, Belgium, and Italy, against the European Union’s Agenda 2000 free-market policy.

The financial collapse means that there will be no markets and no food, unless we force a new, nation-serving financial system into being.

SEE LAROUCHE ON CABLE TV

All programs are *The LaRouche Connection* unless otherwise noted. (*) Call station for times.

ALASKA

- ANCHORAGE—ACTV Ch. 44
Thursdays—10:30 p.m.

ARIZONA

- PHOENIX—Access Ch. 22
Tuesdays—5 p.m.

CALIFORNIA

- CONCORD—Ch. 25
Thursdays—9:30 p.m.
- COSTA MESA
Media One Ch. 61
Thursdays—12 Noon
- GARDEN GROVE—Ch. 3
Mondays—11 a.m. & 4 p.m.
- LANCASTER/PALMDALE
Jones—Ch. 16; Sun.—9 p.m.
- MARIN COUNTY—Ch. 31
Tuesdays—5 p.m.
- MODESTO—Access Ch. 8
Mondays—2:30 p.m.
- SAN FRANCISCO—Ch. 53
2nd & 4th Tues.—5 p.m.
- SANTA ANA—Ch. 53
Tuesdays—6:30 p.m.

COLORADO

- DENVER—DCTV Ch. 57
Saturdays—1 p.m.

CONNECTICUT

- BRANFORD—TCI Ch. 21
Wed.—11 p.m.; Thu.—9 a.m.
- MIDDLETOWN—Ch. 3
Wednesdays—10 p.m.
- NEWTOWN/NEW MILFORD
Charter Ch. 21; Thu.—9:30 p.m.

DISTRICT OF COLUMBIA

- WASHINGTON—DCTV Ch. 25
Sundays—2 p.m.

ILLINOIS

- CHICAGO—CAN Ch. 21
Sun., May 17-9 p.m.
Sun., May 24—7 p.m.
Mon., May 25—10 p.m.

KANSAS

- SALINA—CATV Ch. 6*

LOUISIANA

- NEW ORLEANS—Cox Ch. 8
Mon.—1 a.m.; Wed.—7 a.m.
Thu.—11 p.m.; 12 Midnite
Sun.—4 a.m.

MARYLAND

- ANNE ARUNDEL—Ch. 20
Fri. & Sat.—11 p.m.
- BALTIMORE—BCAC Ch. 5
Wednesdays—4 p.m. & 8 p.m.
- MONTGOMERY—MCTV Ch. 49
Fridays—7 p.m.
- P.G. COUNTY—Ch. 15
Thursdays—9:30 p.m.
- W. HOWARD COUNTY—Ch. 6
Monday thru Sunday—
1:30 a.m., 11:30 a.m.,
4 p.m., 8:30 p.m.

MASSACHUSETTS

- BOSTON—BNN Ch. 3
Saturdays—12 Noon

MINNESOTA

- DULUTH—PACT Ch. 50
Thu.—10 p.m.; Sat.—12 Noon
- MINNEAPOLIS—MTN Ch. 32
Fridays—7:30 p.m.
- MINNEAPOLIS (NW Suburbs)
NW Community TV Ch. 36
Mondays—7 p.m.
Tues.—1 & 7 a.m.; 1 p.m.
- ST. LOUIS PARK—Ch. 33
Friday through Monday
3 p.m., 11 p.m., 7 a.m.
- ST. PAUL—Ch. 33
Sundays—10 p.m.
- ST. PAUL (NE Suburbs)*
Suburban Community Ch. 15

MISSOURI

- ST. LOUIS—Ch. 22
Wednesdays—5 p.m.

NEVADA

- RENO/SPARKS
Conti. Ch. 30; TCI Ch. 16
Wednesdays—5 p.m.

NEW JERSEY

- STATEWIDE—CTN
Sundays—5:30 a.m.

NEW YORK

- BROOKHAVEN (E. Suffolk)
TCI Ch. 1/99; Wed.—9 p.m.
- BROOKLYN—BCAT
Time/Warner Ch. 35
Cablevision Ch. 68
Sundays—9 a.m.

- BUFFALO—BCTV Ch. 68
Saturdays—12 Noon
- HUDSON VALLEY—Ch. 6
2nd Sun. monthly—1:30 p.m.
- ILION—T/W Ch. 10
Fridays—10 a.m.
- IRONDEQUOIT—Ch. 15
Mon. & Thurs.—7 p.m.
- ITHACA—Pegasys Ch. 57
Mon. & Weds.—8 p.m.
Saturdays—4:30 p.m.
- JOHNSTOWN—Ch. 7
Tuesdays—4 p.m.
- MANHATTAN—MNN Ch. 34
Sun., May 17 & 31—9 a.m.
Sun., June 14—9 a.m.
- MONTVALE/MAHWAH—Ch. 14
Wednesdays—5:30 p.m.
- NASSAU—Ch. 80
Wednesdays—7 p.m.
- OSSINING—Ch. 19-S
Wednesdays—3 p.m.
- POUGHKEEPSIE—Ch. 28
1st & 2nd Fridays—4 p.m.
- RIVERHEAD
Peconic Bay TV Ch. 27
Thursdays—12 Midnight
- ROCHESTER—GRC Ch. 15
Fri.—11 p.m.; Sun.—11 a.m.
- ROCKLAND—PA Ch. 27
Wednesdays—5:30 p.m.
- SCHENECTADY—SACC Ch. 16
Wednesdays—10 p.m.
- STATEN ISL.—CTV Ch. 24
Wed.—11 p.m.; Sat.—8 a.m.
- SUFFOLK, L.I.—Ch. 25
2nd & 4th Mondays—10 p.m.
- SYRACUSE—T/W Ch. 3
Fridays—4 p.m.
- SYRACUSE (Suburbs)
Time/Warner Ch. 12
Saturdays—9 p.m.
- UTICA—Harron Ch. 3
Thursdays—6 p.m.
- WEBSTER—WCA-TV Ch. 12
Wednesdays—8:30 p.m.
- WEST SENECA
Adelphia Cable Ch. 68
Thursdays—10:30 p.m.
- YONKERS—Ch. 37
Saturdays—3:30 p.m.

- YORKTOWN—Ch. 34
Thursdays—3 p.m.

OREGON

- CORVALLIS/ALBANY
Public Access Ch. 99
Tuesdays—1 p.m.
- PORTLAND—Access
Tuesdays—6 p.m. (Ch. 27)
Thursdays—3 p.m. (Ch. 33)

TEXAS

- EL PASO—Paragon Ch. 15
Wednesdays—5 p.m.
- HOUSTON—Access Houston
Sat., May 9—3:30-4:30 p.m.
Mon., May 18—5-6 p.m.
Thu., May 21—7-10 p.m.

UTAH

- GLENWOOD, Etc.—SCAT-TV
Channels 26, 29, 37, 38, 98
Mon.-Fri.—various times

VIRGINIA

- ARLINGTON COUNTY
ACT Ch. 33
Sun.—1 pm; Mon.—6:30 pm
Wednesdays—12 Noon
- CHESTERFIELD COUNTY
Comcast Ch. 6; Tue.—5 p.m.
- FAIRFAX COUNTY
FCAC Ch. 10
Tuesdays—12 Noon
Thurs.—7 p.m.; Sat.—10 a.m.
- LOUDOUN COUNTY
Cablevision Ch. 59
Thursdays—10:30 a.m.;
12:30 p.m.; 2:30 p.m.;
4:30 p.m.; 7:30 p.m.; 10:30 p.m.
- ROANOKE COUNTY—Cox Ch. 9
Thursdays—2 p.m.

WASHINGTON

- KING COUNTY—Ch. 29
Fridays—8 a.m.
- SPOKANE—Cox Ch. 25
Tuesdays—6 p.m.
- TRI-CITIES—TCI Ch. 13
Mon.—12 Noon; Weds.—6 pm
Thursdays—8:30 pm

WISCONSIN

- WAUSAU—Marcus Ch. 10
Fri.—10 p.m.; Sat.—5:30 p.m.

If you would like to get *The LaRouche Connection* on your local cable TV station, please call Charles Nottley at 703-777-9451, Ext. 322.
For more information, visit our Internet HomePage at <http://www.larouchepub.com/tv>

Executive Intelligence Review

U.S., Canada and Mexico only

- 1 year \$396
- 6 months \$225
- 3 months \$125

Foreign Rates

- 1 year \$490
- 6 months \$265
- 3 months \$145

I would like to subscribe to
Executive Intelligence Review for

- 1 year 6 months 3 months

I enclose \$_____ check or money order

Please charge my MasterCard Visa

Card No. _____ Exp. date _____

Signature _____

Name _____

Company _____

Phone () _____

Address _____

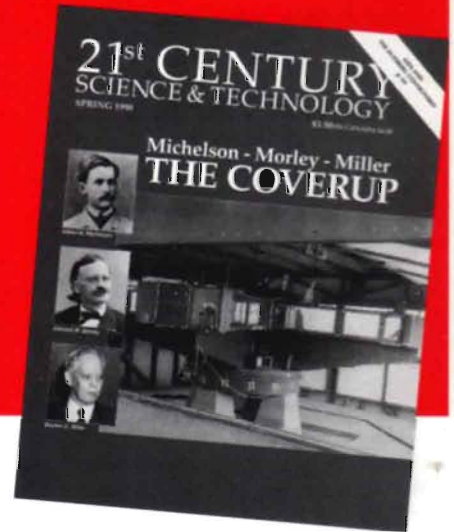
City _____ State _____ Zip _____

Make checks payable to EIR News Service Inc.,
P.O. Box 17390, Washington, D.C. 20041-0390.

Michelson-Morley-Miller: THE COVERUP

Featured in the Spring 1998 issue of

21st CENTURY
SCIENCE & TECHNOLOGY



The Experiments of Dayton C. Miller (1925-1926) and the Theory of Relativity

by Maurice Allais

Einstein's theories of special and general relativity rest on the allegedly null results of Michelson's interferometer experiment. Here, a French physicist and Nobel Laureate in economics, demonstrates that Michelson's results were not null, and that the interferometer experiments of the American scientist Dayton Miller produced positive results, thereby invalidating the foundation of the Theory of Relativity.

Optical Theory in the 19th Century, and the Truth about Michelson-Morley-Miller

by Laurence Hecht

To understand the ground-breaking significance of Dayton Miller's ether drift measurements, one must go back to the original discoveries of Fresnel on the wave theory of light and its subsequent development in the 19th century.

Into Space from the Sea

by Oleg A. Sokolov

Since the dawn of the space age, nations have lofted satellites into space from launch sites on land. Soon, for the first time, satellites will also be reaching space from the sea.

All Chernobyl's Victims: A Realistic Assessment of Chernobyl's Health Effects

by Zbigniew Jaworowski

Fear of radiation, reinforced by press scare stories and unwise policies, has created a shocking number of psychosomatic illnesses in the Chernobyl region. A leading radiation expert reviews the situation and scores the faulty assumptions of the radiation regulatory agencies.

AIDS and the Duesberg Controversy

The Challenge of Developing an AIDS Vaccine

Is There a Causality in Quantum Physics?