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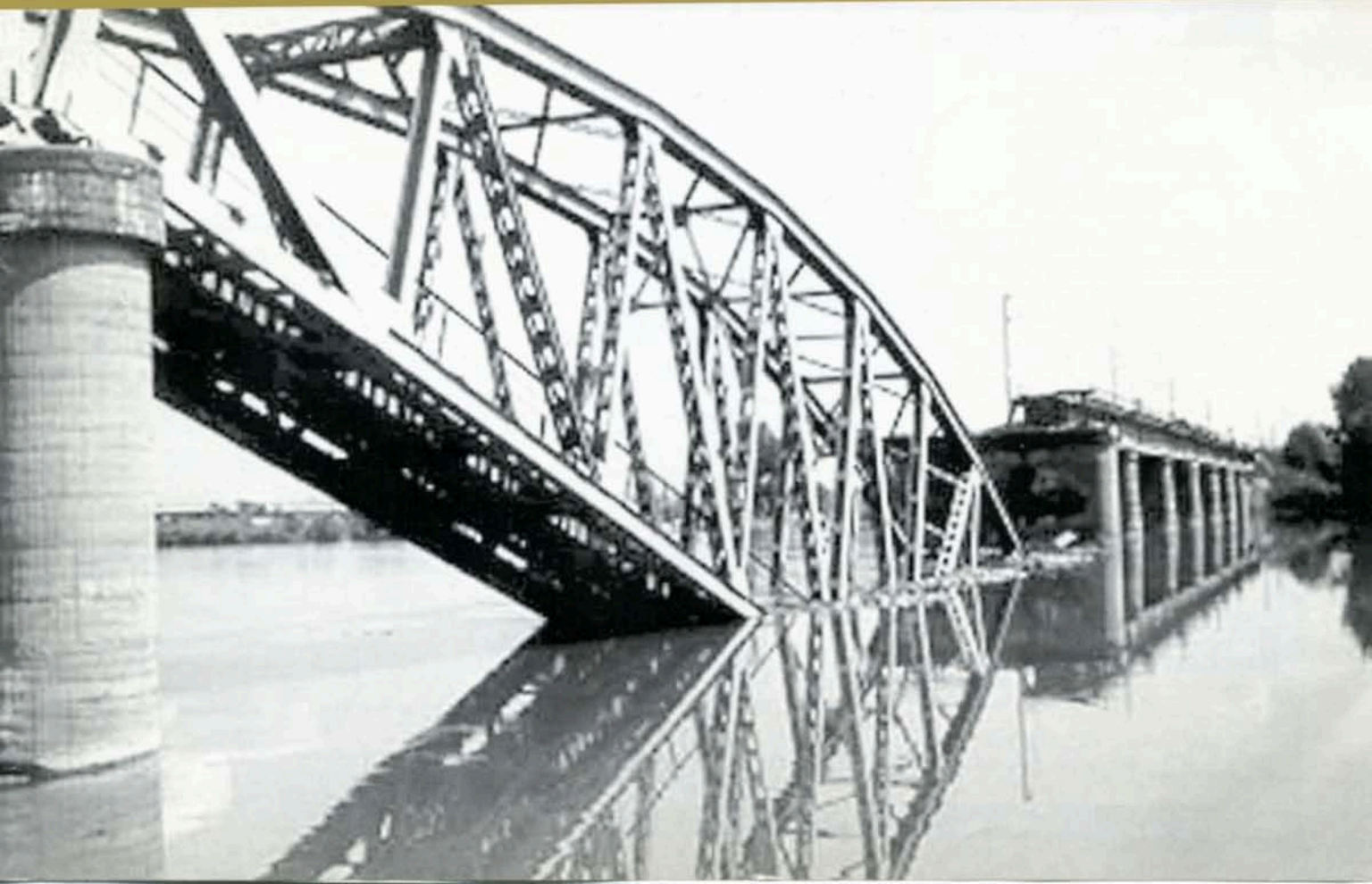
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The coming hyperinflation crisis  
War-mongering Brits launch new assault on Clinton  
Indonesia on the cusp of a new, democratic era

**Balkan reconstruction: first  
step toward global recovery**




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*World Wide Web site: <http://www.larouchepub.com>  
e-mail: [eirns@larouchepub.com](mailto:eirns@larouchepub.com)*

**European Headquarters:** Executive Intelligence Review Nachrichtenagentur GmbH, Postfach 2308, D-65013 Wiesbaden, Bahnstrasse 9-A, D-65205, Wiesbaden, Federal Republic of Germany  
Tel: 49-611-73650. Homepage: <http://www.eirna.com>  
E-mail: [eirna@eirna.com](mailto:eirna@eirna.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.

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## From the Associate Editor

Since President Clinton's San Francisco speech of April 15, the idea of a new Marshall Plan for reconstruction of the Balkans has been on the agenda. Leaders of Germany and Italy have seconded the call. The Schiller Institute's petition calling for "peace through development" in the Balkans is drawing international support.

In this issue of *EIR*, we kick off a campaign by the LaRouche movement worldwide, to make this happen. You can be sure that it will *not* happen, unless Lyndon LaRouche's approach is adopted.

We publish here a wealth of programmatic material on how such a reconstruction effort should proceed, taking the cases of the Balkans and Palestine. But, as LaRouche has often stressed, he is not offering a "program," but rather a *policy*, a way of thinking about physical economy and the human mind. This method is what has made him so unique among economic analysts, for nearly 50 years now. He explained that method most recently in "The Economics 'I.Q.' Test" (*EIR*, May 14), and, in a 1994 speech reprinted in this issue (p. 35), he provides a summary of the crucial points.

There will be no reconstruction of the Balkans or anywhere else, if we remain under the British-steered regime of the International Monetary Fund and World Bank. If you doubt that, look at what happened after the 1993 Oslo Accords between Israel and the Palestinians. There was a commitment to development of the Palestinian territories in the Accords, but the IMF/WB moved in, with their usual package of blackmail and austerity. Nothing was ever done. The economic situation deteriorated, and, especially after the assassination of Prime Minister Yitzhak Rabin, the political and social powderkeg was re-ignited. Now, with the defeat of "Bibi" Netanyahu, the world has a second chance (see *International*).

A successful reconstruction effort requires a revolutionary overhaul of the world financial system: a New Bretton Woods. The alternative? Weimar-style hyperinflation (see *Economics*).

The British oligarchy is determined to prevent such a revolutionary transformation, at any cost. Now, more than ever, the choice faces the United States: Build a 21st century of progress, by joining the "Survivors' Club" of Eurasian nations; or, plunge into a new Dark Age, by straddling the fence or sticking with London.

*Susan Welsh*

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## Reconstruct the Balkans— and the world!

by Lothar Komp

Ten weeks of uninterrupted bombing have turned Yugoslavia into an industrial wasteland. The living standard of the population has fallen to the level that prevailed at the turn of the century. The complete collapse of Danube traffic for Hungary, Bulgaria, and Romania is gripping the entire region. The situation of some million Kosovo refugees in Albania and Macedonia is even more dramatic. The temporary refugee camps are completely inadequate for the winter season.

In view of the catastrophic economic conditions in the two countries, steps must be taken to assure that it is possible for the Kosovars to return home before winter sets in. The first snowfalls begin in October, at the latest. On the other hand, almost all of the homes in Kosovo have been destroyed, and these must be rebuilt in a crash program. The race against time has already begun. The NATO countries must prove now, how important they think the fate of the refugees really is.

The various proposals from different circles for a “Balkan Marshall Plan” with sums of \$30, \$60, or even \$89 billions, are laudable, but they all miss one decisive point. They are all based on the illusion that what is at stake is to overcome a local, or at most regional emergency, while the rest of the world is assumed to be basking in economic stability, with the storms on the international financial markets supposedly brought under control. The reality is starkly different. There is an advancing process of collapse of the world financial system and the devastation of entire national economies in Asia, Ibero-America, and eastern Europe, which resulted from that collapse. Additional catastrophes on the financial markets are imminent, because the growing number of danger-spots—ranging from the speculative bubble on Wall Street to the bad debts in Japan, and up to \$150 trillions of financial gambling on the part of international banks and speculation funds—threatens to spin out of control, while central banks and other financial crisis managers have already shot off most of their ammunition. U.S. Treasury Secretary Robert Rubin has already announced his intention to leave the sinking ship.

At the same time, speculative financial flows and the dogmas of liberalization

FIGURE 1

**Balkan countries: existing and proposed waterways**



and deregulation are causing ever more severe damage to the real economies of nations. In Indonesia, whose population is fourth-largest in the world, 30 years of development work have been wiped out over the past year, by attacks on the currency. In Russia, investment activity in infrastructure and industry was wound down to nearly zero as a consequence of the International Monetary Fund-dictated shock therapy. And since there are no domestic customers for exportable products—energy, raw materials, steel, and aluminum—thanks to incessant currency devaluations and collapsing real incomes, these products are being thrown onto the world markets at prices below the actual cost of production. Per-capita consumption of steel, for example, collapsed in the Common-

wealth of Independent States (CIS) of the former Soviet Union between 1991-97, from 347 kilograms to only 103 kg, and Russia temporarily became the largest steel exporter in the world. But hardly a single dollar of these export earnings was reinvested in the Russian economy. On the other side, the cheap exports are threatening to wipe out jobs in steel production in Europe and the United States.

In Europe's industrial heartland of Germany, unemployment, against which nothing has been done, and the failure to implement a program of reindustrialization in the reunified country's new eastern states, has created a fiscal time bomb: The annual costs of unemployment run at some 170 billions deutschmarks, and the transfer payments which will have to

be paid well into the next century, are DM 100 billions annually. In addition, more than DM 130 billions in debt service has to be paid out of the tax revenues of the Federal, state, and local governments. Thanks to the globalized structure of industries, some of the largest German firms no longer pay any taxes at all. One consequence of this skewed situation, is the shrinkage of public infrastructure expenditures, observed since 1992, which will soon have a severe impact on the productivity of the German economy.

It's the same picture everywhere. A grand design is indispensable: a radical reform of the bankrupt, unsalvageable world financial system, by writing off the speculative financial titles, and returning to a system of fixed exchange rates; then, the creation of new, national credit mechanisms, with which immense investments in infrastructure, industrial plant, and technology projects can be financed in order to reconstruct the world economy. Under such conditions—and *only* under such conditions—a “Marshall Plan” for the Balkans and southeastern Europe will cost nothing, from the standpoint of physical economy, and it will instead become an important element of a highly profitable undertaking.

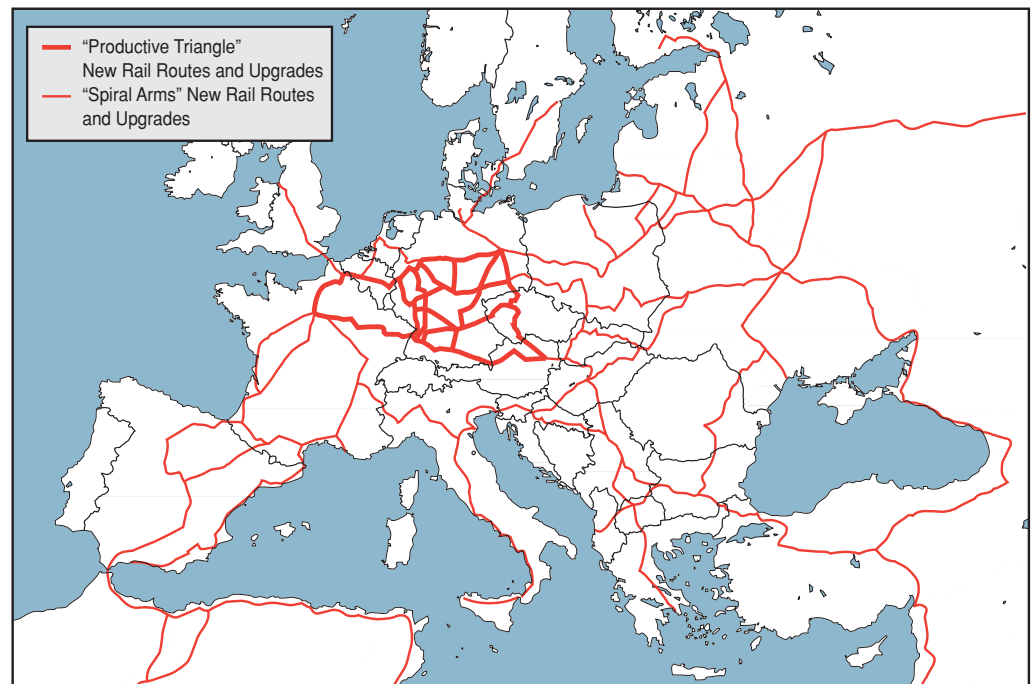
### What is immediately required

Without delay, major efforts must be undertaken to make Kosovo livable once again. In the relatively short time remaining until winter sets in, this can only be done effectively, and without cutting corners on quality, if the best available technologies worldwide—quality construction firms, engineers, and military specialists—are mobilized. Infrastructure and industrial plants must be reconstructed all over Yugoslavia. The most urgent problem-areas are obvious:

*The Danube must be made navigable again.* Without this economic artery, which, since the completion of the Rhine-Main-Danube canal, has connected the North Sea with the Black Sea, any idea of a rapid reconstruction is illusory. Austrian, Hungarian, and Greek firms are standing ready to clear away the wreckage of destroyed bridges in Novi Sad, Bogojev, Smederevo, and elsewhere in Serbia. According to re-

FIGURE 2

### Proposed European ‘Productive Triangle’ rail development



ports from German shipping experts, the clearing work could take three to four months. But the shipping channels must be cleared in a shorter time, by working on the different segments of the Danube all at once.

*Other transport infrastructure:* Roads, railways, and especially bridges over the Danube, must be given equal priority.

*Housing construction, with the priority placed on Kosovo:* Rapid reconstruction of homes must be promoted through making emergency loans availability to the returning population. That will create the foundation, at the same time, for the creation of small and medium-sized industries, especially in the construction and construction-materials industry. The majority of the new homes must be completed by September.

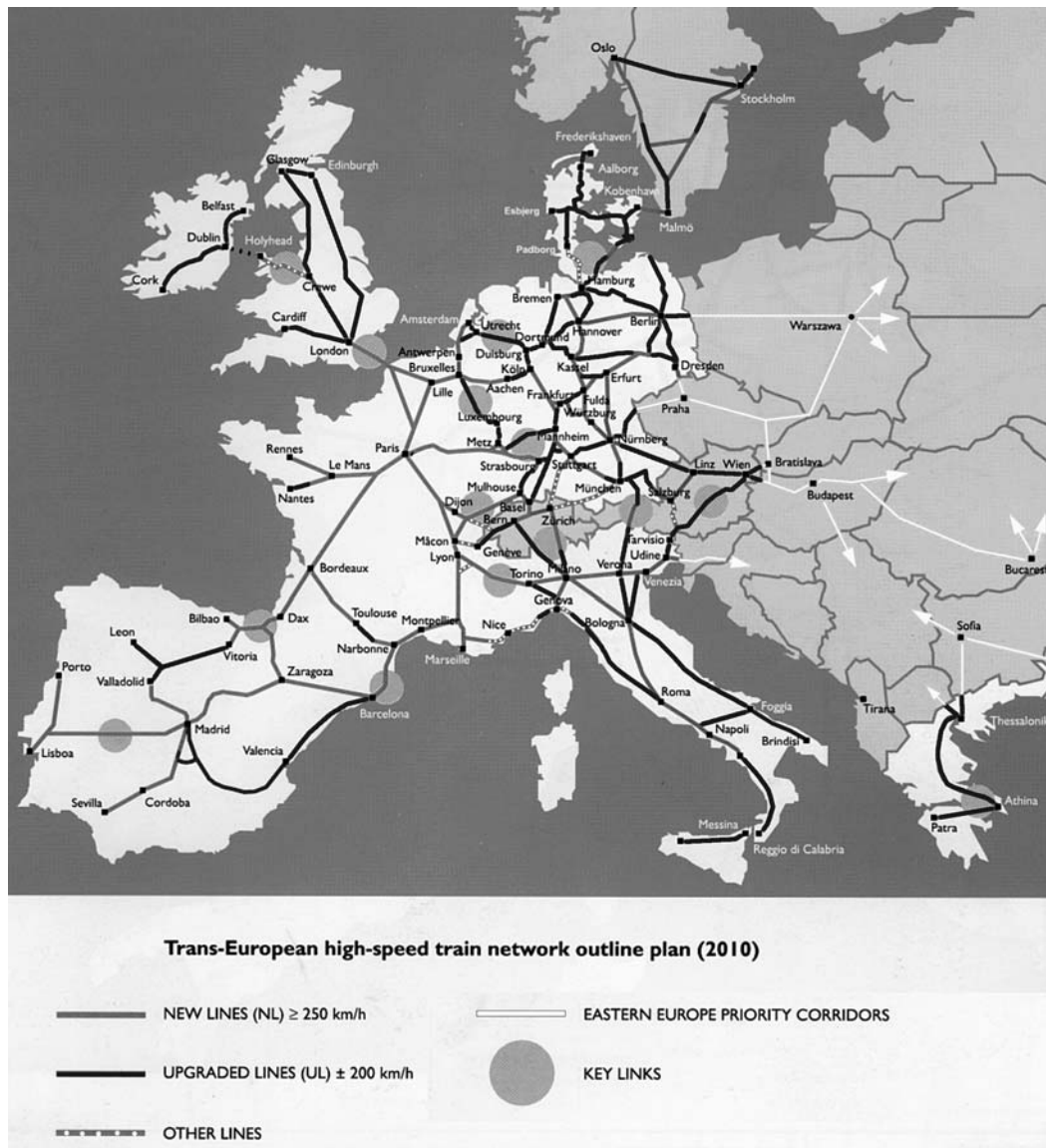
*Removal of land-mines in Kosovo:* Unless the approximately 1 million land-mines are cleared away, agriculture will be unthinkable. Only the immediate and massive deployment of the most modern technological equipment can ensure that this task is completed in the necessary time.

*Reconstruction of industrial plants:* German large-scale construction firms are specialized in construction of turn-key steel plants, chemical plants, fertilizer plants, cement plants, and power plants, and they are currently suffering under a dramatic shrinkage of orders as a consequence of the crisis in Asia. Unless new factories, and thus new jobs, emerge quickly in Yugoslavia, there will be a new wave of refugees—hun-



FIGURE 3

## Approved European Union projects



dreds of thousands of Serbs, who cannot earn a living in Yugoslavia.

### Southeastern Europe: bridge to Asia

With the fall of the Iron Curtain in 1989, a great opportunity existed to bring about a Eurasian “economic miracle,” recalling the economic cooperation of France, Germany, and Russia toward the end of the nineteenth century. Shortly after the fall of the Berlin Wall, Lyndon LaRouche published a proposal in a memorandum to European governments “toward the development and modernization of infrastructure in Europe—energy supplies, transportation routes, communications, waterways,” titled “The Paris-Berlin-Vienna

Productive Triangle.” The geographical triangle formed by those three cities circumscribes an economic region which has the most unique density of skilled manpower, infrastructure, and technological capacities in the world, and could therefore be used as the motor for an economic development program along “development corridors” for the entire Eurasian continent.

The backbone of the corridors consists of an integrated system of high-speed conventional and magnetically levitated trains for both passenger and freight traffic, extended into an additional network of roads and waterways. Sufficient amounts of low-cost energy are necessary for industrial growth in the regions through which the corridors run, and that makes it necessary to increasingly employ nuclear energy. The inherently safe high-temperature reactor (HTR) developed in

Jülich, Germany can play a decisive role in this effort. Additional elements of the Productive Triangle are the use of European ports and shipyards for assembly-line construction of “floating factories,” i.e., mass production of HTR modules, desalination plants, fertilizer plants, etc., which are transported on floating platforms to the recipient country, and which can be put into operation on-site along the coast. On the whole, investments in infrastructure would generate an economic profit on account of the increases in productivity, which would far overshadow the costs of the initial investments.

Today, a decade afterwards, this potential for continent-wide cooperation, which would generate an unparalleled eco-

conomic boom, is still being blocked, for geopolitical reasons. Essential features of the sabotage of this potential, were the British-instigated wars in the Middle East and Balkans, the strangulation of the western European economies by the Maastricht Treaty, and the enforcement of brutal shock therapy in Russia. The evident failure of these schemes, now offers a chance to finally realize the 1989 LaRouche Plan.

### Linking in the 'New Silk Road'

At the same time, a number of Asian countries, in particular the government of China, have announced their determination to realize a comparably ambitious infrastructure and industrial program: the construction of the "Eurasian Land-Bridge," which is to connect the eastern coast of China with the North Sea coast of western Europe, along the two main routes of the old Silk Road.

For obvious geographical reasons, the economic development of southeastern Europe, but also of eastern Europe as a whole, is crucial to any Eurasian economic cooperation. The so-called "priority corridors," stipulated by transportation ministers at the March 1994 Second Pan-European Transportation Conference on the island of Crete, broadly coincide with the "spiral arms" of the "Productive Triangle." The main nodal points of these 10 European corridors are:

*Corridor 1:* Helsinki-Reval-Riga-Kaunas-Warsaw, with the branch Riga-Kaliningrad-Gdansk.

*Corridor 2:* Berlin-Warsaw-Minsk-Moscow-Nizhny Novgorod.

*Corridor 3:* Berlin/Dresden-Wroclaw-Lviv-Kiev.

*Corridor 4:* Berlin/Nuremberg-Prague-Bratislava-Gyor-Budapest-Arad-Craiova-Sofia-Istanbul, with the branches Arad-Constanza and Sofia-Thessaloniki.

*Corridor 5:* Venice-Trieste/Koper-Ljubljana-Budapest-Uzhgorod-Lviv, extended through Bratislava-Zilina-Kosice-Uzhgorod, Rijeka-Zagreb-Budapest and Ploce-Sarajevo-Osijek-Budapest.

*Corridor 6:* Gdansk-Warsaw-Katowice-Zilina.

*Corridor 7:* Danube, including all ports in eastern Europe.

*Corridor 8:* Durres-Tirana-Skopje-Sofia-Plovdiv-Burgas-Varna.

*Corridor 9:* Alexandroupolis-Dimitrovgrad-Bucharest-Chisnau-Lyubaskeva-Kiev-Moscow/Pskov-St. Petersburg-Helsinki, as well as Odessa-Lyubaskeva and Kiev-Minsk-Vilnius-Kaunas-Klaipeda/Kaliningrad.

*Corridor 10:* Salzburg-Ljubljana-Zagreb-Belgrade-Nis-Skopje-Veles-Thessaloniki, extended through Graz-Maribor-Zagreb, Sopron-Budapest-Novi Sad-Belgrade, Nis-Sofia, and Veles-Bitola-Florina-Via Egnatia.

Corridors 5, 7, and 10 are obviously of crucial importance for the reconstruction of the region destroyed and affected by the war. At the speed envisaged by the participating transportation ministers up to this time, not very much will have happened in 10 years, for lack of financial resources. There are plenty of studies on these corridors already. Now the earth-

moving must begin for these projects.

Additional investments in transportation infrastructure are necessary for the Balkans. These were described in a call entitled "For Peace and Development in the Balkans," issued on April 28 by Bosnian political leader Faris Nanic and Schiller Institute founder Helga Zepp LaRouche. These include:

The Drau River, which flows through Austria, Slovenia, Croatia, and Yugoslavia, and then into the Danube, as well as the Sava, which flows from Slovenia via Zagreb to Belgrade, have to be made navigable in accordance with European standards. A connected waterway from the Danube over the Morava in Yugoslavia and the Vardar in Macedonia, into the Aegean Sea at Thessaloniki, can be achieved by means of canal systems.

Additional railways and highway connections must be run from Zagreb through Croatia up to Split, and then along the Adriatic Coast over Bosnia, the Yugoslav republic of Montenegro, Albania, and Greece, and finally to Athens.

### Financing without foreign capital

The question of how an economy equipped with a minimum of skilled manpower can achieve reconstruction of infrastructure and production on its own power, without going into debt on international capital markets or selling off its own productive capacities and raw materials to foreign investors, was answered long ago in economic history. The histories of the United States, Japan, France, and Germany offer plenty of successful examples.

Take Germany, for example. In September 1931, German Economics Ministry official Wilhelm Lautenbach summarized the basic principles of such a credit policy, in an urgent appeal which, had it been carried out, would have led Germany out of economic depression, and thereby prevented Hitler's rise to power (see *EIR Political Economy*, "How Great Minds Thought about the Great Depression," March 20, 1998). Lautenbach pointed to a "natural way to overcome an economic and financial emergency," such as after a war, great natural catastrophes, or in a depression or financial collapse. In such a situation, he wrote, one cannot rely on market forces alone. The immediate mobilization of all idle manpower and productive capacities is the "real and most urgent task of economic policy, and it is relatively easy to solve in principle": The state must generate "new economic demand," and do that under the condition that it "represents a capital investment for the economy. Conceivable projects would be . . . public or publicly supported work which signifies an increase of wealth for the economy, and which would have to be carried out anyway under normal conditions," i.e., investments in the renewal of transportation infrastructure.

The question, naturally, is: How can such projects be financed, since long-term capital is not available, neither on the foreign nor the domestic capital markets? Lautenbach emphasized that the provision of the necessary liquidity for such financing is merely a "technical organizational" prob-

lem. It can be solved, for example, by having a national bank provide a rediscount guarantee for such credits which are linked to “economically reasonable and necessary projects.” In this way, the recourse to the national bank is but a fraction of the expansion of credit needed for the infrastructure investments. The “stimulating effect of the primary credit expansion” has the effect of “rekindling the whole of production”; idle capacities are employed once more, production increases, and state tax revenue increases. Since the “extent and velocity of the expansion of production” will increase faster than the “extent and velocity of credit expansion,” the national bank financing has no inflationary effect.

The Lautenbach Plan was presented in September 1931 at a secret conference of the Friedrich List Society, in the presence of Reichsbank President Luther and 30 leading economics, politicians, and representatives of industry. (Former Reichsbank head Hjalmar Schacht, who later became Hitler’s Economics Minister, was not invited.) Had the plan been implemented, the resulting economic recovery would have deprived the National Socialists of any chance to rise to power.

### **What is a ‘Marshall Plan,’ actually?**

Perhaps the best-known example of an “economic miracle” in recent history, is the reemergence of the German economy following World War II. The positive connotation of the words “Marshall Plan” for world public opinion comes from its connection with this “miracle.” This leads to the natural idea that we could rebuild the regions devastated by war today, by doing what was done at that time, investing a few billions of dollars in the context of a new “Marshall Plan.” The old “Marshall Plan” therefore deserves a closer look. It had three positive effects:

The importation of strategically important raw materials from the United States, which the Marshall Plan made possible, was an important bridge to survival for the German economy in the immediate postwar years. The inclusion of both winners and losers of the war in the same aid program had by no means a negligible psychological effect on the German population’s morale. Moreover, the dollar credits were tied to the development of a western European economic order which, among other things, envisaged fixed exchange rates and, up to 1958, a monetary protective wall, effected through capital controls and limited convertibility of currencies.

But that was not the crucial ingredient for the “economic miracle.” The total volume of dollar credits in the case of Germany covered only a fraction of the damage which had been caused immediately following the war’s end by the misguided Morgenthau Plan to entirely dismantle Germany’s industrial capacities. Moreover, Germany by no means received the lion’s share of the Marshall Plan money; instead, Great Britain (\$3.2 billion), France (\$2.8 billion), the Benelux countries (\$1.5 billion), and Italy (\$1.5 billion) took most of the funds. Germany followed with \$1.4 billion, which was

granted over 1948-52. (Have you ever heard of an “economic miracle” in England after the war?)

Far more important than the immediate Marshall Plan money, was the mechanism chosen, particularly in Germany, to transform the repayment of the credits for commodities into new investments. That was the motivation for creating the Kreditanstalt für Wiederaufbau (KfW, or Credit Institution for Reconstruction) in 1948. Under this arrangement, German firms which had received dollar credits from the U.S. government, were permitted to pay these credits back through the KfW in Frankfurt. On the basis of this income, the KfW then provided new credit or investment aid to selected sectors of the German economy. Over the decades following the war, the annual volume of additional credit provided by the KfW has increased steadily to where it now stands, at about DM 40 billions. The focus was, and still is, on those areas of the economy which are also most crucial in the Balkans: public infrastructure, support for small and medium-sized firms, and promotion of housing construction. It made possible the construction of millions of new homes at record speed—and that success was possible under conditions where Germany had just taken in 1.5 million refugees from the East and, up to 1955, another 1.6 million late returning prisoners of war, who all rushed into the largely destroyed western part of Germany.

To state the point succinctly: The KfW is indeed a child of the Marshall Plan, but not a single U.S. dollar was necessary for it to carry out its function of generating credit. A one-time deposit of capital by the government would have led to the same effect. Every sovereign country has the freedom to create such a state development bank, on the model of the KfW, even without previous provision of credit in the context of a foreign “Marshall Plan.”

## **Destruction in Balkans greater than admitted**

by Elke Fimmen

At the current time, it is very difficult for the general public to obtain reliable information about the extent of destruction in Yugoslavia and in Kosovo. We have to rely on estimates, gathered together from reports from Belgrade, NATO reports on flights and bombing missions, and observations by experts on the region. But it is surely instructive for evaluating the dimension of the problem, when Austrian Finance Minister Edlinger, at the meeting of the European Union (EU) Finance Ministers on May 10, warned against allowing “an infrastructure wasteland in the Balkans.” It is to be expected that a more

precise picture of the situation will make its way into the public following the current visit of the UN humanitarian mission in Yugoslavia, than is possible under the temporary conditions of NATO war propaganda. An attempt will be made here to give an impression of the tasks which have to be tackled following, hopefully, a rapid end to the war.

### **Return of the refugees**

The greatest and most immediate problem is the situation of the refugees from Kosovo, as well as the task of making their return possible. According to NATO reports, it is estimated that 745,000 refugees are currently in Albania, Macedonia, and Bosnia-Herzegovina, and another 124,000 in EU countries. Some 700,000 people, according to estimates, are still in Kosovo, but they have been driven from their homes. The coordination of aid for the refugees has come under severe criticism. The organization Doctors Without Borders warns of "Rwanda-like conditions," if the weather deteriorates and the refugees in the overcrowded camps cannot be housed under minimal sanitary conditions. Financial aid for the refugees, according to United Nations reports, is also far from adequate. Macedonia was promised 23 million deutschmarks (roughly \$14 million) in mid-May for emergency aid for the refugees. France is supposed to pay almost that amount for this purpose to Albania and Macedonia. EU Monetary Commissioner de Silguy estimated on May 11 that there would be additional costs for humanitarian aid, depending on how long the war lasts (four to nine months), of \$240-780 million.

Whether or when the refugees can return to their homes depends upon how quickly the war is brought to an end. A precise evaluation of the conditions on site must be generated. The reports about villages which have been destroyed by Serbian military units vary between 300 to 400. There is, in addition, the damage in cities, caused by the battles between the Serbian military and units of the Kosovo Liberation Army (UCK), as well as by the NATO bombing. At least 300,000 housing units are needed in order for 1.6 million people to return to Kosovo. That includes the necessity for rebuilding or building anew the water and energy supply systems, as well as clearing land-mines, which would have to be begun immediately on a large scale, because the refugees cannot otherwise return.

The UN High Commission for Refugees demanded in a four-phase plan published on May 20, that infrastructure, "especially bridges and roads," be rebuilt, but also for "provisional" reconstruction, which is utterly unacceptable. It is also not sufficient to distribute seed for planting to the refugees, and plastic sheeting to cover windows and other household items, as the plan calls for.

The EU Commission currently estimates that DM 3.8-6.3 billion will be needed for the reconstruction of Kosovo over three years, which is obviously insufficient.

### **Destruction of Yugoslavia**

Although the estimates of the order of magnitude of the damage in Yugoslavia vary from \$20 billion (Western sources) to \$100 billion (reports from Belgrade), it is obvious that an enormous effort will be required to bring the country back to the level of an industrial country, which is indispensable because of its geographical situation. Croatian sources estimate that Yugoslavia would have to spend 7-10 years of its entire GNP to repair the damage done by NATO bombing.

The bombing damage to infrastructure is particularly dramatic, because this is the area which has to function most urgently once the war is ended. Again, according to Croatian sources, 80% of the rail connections in the country have been wrecked, 95% of the airports can no longer function, and 80% of the communications facilities (antennas, radio transmission towers, and so on) have been destroyed.

Five of eight of the bridges from Serbia over the Danube have been destroyed. The city of Novi Sad (300,000 inhabitants), which spans the Danube, now has no bridges left that connect the different parts of the city. The capital requirement for rebuilding a comparably large bridge in Germany, such as the bridge over the Rhine at Mainz, is about half a billion deutschmarks. The wreckage has to be cleared away, which is now lying in the water and blocking shipping. The international Danube Shipping Institute in Budapest estimates that it will take years before the Danube is navigable again. Danube shipping will lose 100 million tons of cargo annually. The freight is iron ore and grain, for the most part.

On the whole, there are an estimated 50 bridges destroyed in Serbia and Montenegro, and along with that the destruction of the most important roads and rail junctions. NATO paralyzed the most important highway in Yugoslavia in a bomb attack on May 18 on a bridge north of the industrial city of Nis (175,000 inhabitants). This so-called "Highway of Brotherhood and Unity" is the most important connection between Central and Southeast Europe (from Zagreb-Belgrade to Thessaloniki, as well as to Sofia and Istanbul). The rail connection from Belgrade to Bar in Montenegro has been severed because of the destruction of a bridge over the Lim River and the destruction of rail line; in addition, the Belgrade-Thessaloniki rail connection has been severed with the destruction of the bridge at Grdelica, to name just a few of the major junctions.

Energy-supply facilities have also been severely damaged: According to Croatian sources, only 10% of the gasoline supply remains intact as a result of the embargo and huge attacks on the refineries, especially in Novi Sad, and attacks on the fuel depots. Up to 80% of electricity production has been paralyzed. This is not necessarily permanent damage, but there are tremendous problems in obtaining spare parts and repairing the damage. Part of the damage was done by graphite bombs, which produce short-circuits. The graphite

dust has to be removed from the plants. (On May 4-5, NATO used graphite bombs for the first time, and caused an electricity blackout in all of Yugoslavia.) In Belgrade (approximately 2 million inhabitants), the main heating plant for the city, in Novi Belgrade, was destroyed.

It is difficult to estimate the destruction of industrial capacity. It is only certain that those cities in which industry is located, have been the main targets, such as Prizren, Nis, Novi Sad, Belgrade, Pancevo, Sremska, Mitrovica, and Leskovac. The heavy metals industry has been severely damaged, and the estimates we hear are in the range of 30% damage. The Yugoslav Information Ministry published a list of 36 factories on April 23, which had been attacked up to that time, among them chemical and pharmaceutical plants, electronics suppliers, and one machinery factory in Rakovica. The Belgrade Information Ministry reports that 500,000 people were left unemployed as of April 19 as a consequence of the destruction. The chairman of the Yugoslav Trade Union Federation estimates a loss of 100,000 jobs due to the war.

The main machinery producer in Yugoslavia, in Krusevac (north of Nis), was bombed. In Kragujevac, 32,000 jobs were destroyed by NATO attacks when the largest factory in the country, Zastava, was badly hit. In addition to the small Yugoslav "Yugo" car, this factory also produces trucks, agricultural equipment, as well as light weapons. During a UN delegation visit on May 20, the leader of the delegation, Viera de Mello, spoke of "an economic and social catastrophe." According to reports issued by the factory management, 124 people were wounded, 24 severely. The assistant foreman estimates the damage at more than \$1 million.

According to claims of the Belgrade leadership, hospitals and schools have also been hit and destroyed. In one report from the Information Ministry on April 23, sixteen hospitals and health facilities, as well as 190 schools and educational facilities, are listed as having been either partially or totally destroyed by bombs. The May 21 *Süddeutsche Zeitung* reported that at least three patients and one guard were killed in a bomb attack on a clinic in the southern section of Belgrade. The operating room, an intensive care unit, and the neurology department of the clinic were hit.

The situation in the agricultural area deserves special attention. The refugees from Kosovo were unable to do any spring planting. Many of the fields cannot be cultivated because of land-mines, and the agricultural machinery is gone. In other areas of Serbia and Montenegro, agriculture is also severely affected, which will become manifest in the fall at the latest, when the food scarcity makes itself felt in the largely rural country. Many thousands of hectares of farmland, rivers, lakes, and ground-water have been polluted as a result of the attacks on refineries, fuel depots, and factories, according to official reports from Belgrade.

The Federal Office for the Environment in Berlin has now warned in an internal memorandum of an "ecological catas-

trophe in Yugoslavia." The destruction of industrial plants has created a danger to the people in the region which will last well beyond the end of the war. "Since a rapid reaction to the damage was not possible because of the ongoing war, and neither time nor money is available to repair the damage, there is a danger that the damage will spread beyond Yugoslavia," according to the *Süddeutsche Zeitung*. The regional environmental authorities in the north Bulgarian city of Vidin announced on May 20 that an oil spill was sighted on the Danube for the 16th time since the beginning of the bombing on March 24. The slick was eight kilometers long and 400 meters wide, and it was moving downstream with the current toward the Bulgarian side of the river bank.

The charge has also been made (unconfirmed by *EIR*) that toxic radioactive aerosols were released when some facilities where hit by NATO attacks.

### Effects in southeastern Europe

The dramatic effects on the whole region must be considered, as already indicated, for shipping on the Danube.

Transit routes for the entire Balkan region have been disrupted, in Macedonia, Greece, and Bulgaria, and these countries, together with Romania and the Ukraine, transport their exports to the EU either by land routes or on the Danube.

The worst affected is Macedonia, because this country not only has to take care of the refugees, but is also economically ruined. The direct losses are running at \$100 million monthly. All of the large metallurgical and chemical factories are closed, since they are dependent on raw materials supplies from Yugoslavia, and they export 70% of their product in barter-business back to Yugoslavia. Imported leather and textile raw materials for the clothing and shoe industries also come through Yugoslavia to Macedonia.

Bulgaria is losing \$250 million per month due to the war, both as a result of losses to the economy and the loss of tourism. Romania's losses run at \$180 million per month.

Hungary is suffering from the closing of the Danube, as are Ukraine and Austria. Danube shipping is completely blocked.

Croatia just announced losses of \$1.6 billion in tourism, trade, and transportation. Greece is suffering losses in tourism, and is now feeling the impact on its transportation sector, while the stocks of Greek construction firms are being driven speculatively high on the basis of hopes for postwar contracts, which is leading to turmoil on the local financial markets.

The situation in Albania is devastating, because the country was miserably poor even before the waves of refugees came in. The situation in Bosnia-Herzegovina, which has also taken in refugees, is economically desolate, since economic reconstruction, under the control of the World Bank and International Monetary Fund since the 1995 Dayton Accords, has been stymied.

## U.S. mortality: Economic 'boom' is killing the children

by Marcia Merry Baker, John Hoefle, and Linda Everett

While you still hear rave reports of the nine-year "boom" in the U.S. economy, just look at the condition of American youth in the 1990s, and you know the opposite is true. The very patterns of death and illness among children over the past 30 years, show that the "boom" talk is a cynical fraud. The graphics here give a summary picture of the poverty and mortality trends evident in the vital statistics of the nation.

The top three causes of death for young people ages 1 to 19 are unintentional injuries—the majority of which are the result of *preventable risks*—homicide, and suicide. Fully 14% of all deaths among children 1 to 19 are from homicides as of 1995. Among Afro-American youths, the *rate of increase* in homicides and suicides, adds up to an epidemic. The suicide rate for older black teenagers has almost tripled since 1980. This is a public health emergency. At current rates, 1 out of every 1,500 Afro-American male teenagers will die of homicide or suicide each year.

On the local level, there is dramatic evidence of these killer trends. A report released on May 4 in Boston, by the Boston Public Health Commission, gives a neighborhood-by-neighborhood breakdown of the high death rate, the high rate of hospitalization, and other readings on the crisis. A *Boston Globe* article, headlined "Death Rates Linked to Poverty, Health Care Access; Black, Hispanic Men Dying Young," displayed maps showing which neighborhoods had high death rates, for men ages 15 to 24, from 1990 to 1996, especially for Afro-American teenagers, and Asians. The Boston Public Health Commission has named "young men's health" as a special focus area for action. Boston's chief medical officer, Dr. John Rich, commented on the new report, "I think we're seeing both the effects of poverty and lack of access to health care."

### More children living in poverty

Begin with the national picture showing increasing numbers of children in poverty. **Figure 1** shows the poverty trends for three age groupings in the country—those under 18 years old, those in the middle bracket of 18 to 64 years, and those over 64, from 1959 to 1995. Poverty in each of the years is defined by a very limited dollar-value annual income for the household.

What stands out at first glance, is the rising trend of the percentage of children living in poverty—from under 15% twenty-five years ago, to more than 20% as of the mid-1990s. According to the latest figures, an estimated 25% of all children are living in poverty today: more than 20 million young people. The percentage in poverty has risen during the very same years as the so-called economic "boom."

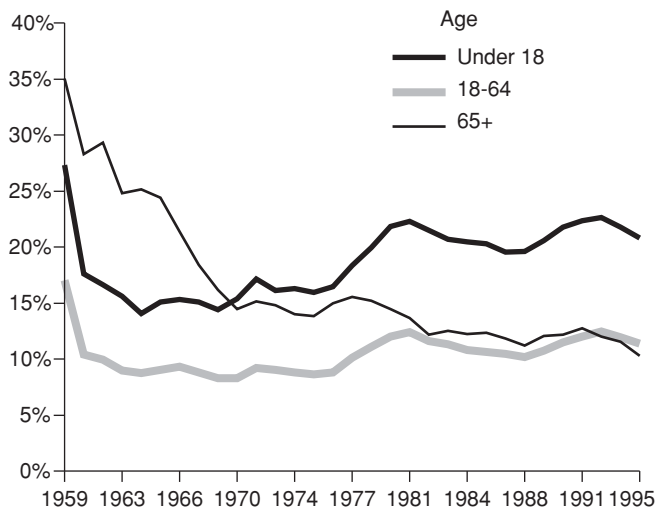
Note that as of the 1950s, the first decade when poverty categories were estimated, the elderly had the highest percentage of poverty in the nation. Then there was a decline, throughout the 1960s, of poverty for all age groups, followed by a levelling off in the 1970s. But, as of 1980, there begins a rise in impoverishment of young people—to the level of *twice* that of the other age groups; there also begins a rise in the rate of impoverishment of the elderly as of 1995. So much for the myth of "boom" times.

**Figure 2** shows more about children in poverty, in terms of the composition of the household, and the relatively higher rates of impoverishment for blacks or Hispanics, and for children in a one-parent family. Look at the extremes on the right-hand bar diagrams. In cases of an Hispanic household headed by a single female, more than 60% of the children are in poverty. In the case of a black female head of household, more than 50% of the children are in poverty; and the figure is more

FIGURE 1

### Poverty trends by age, 1959-95

(percentage of population)



Source: U.S. Bureau of the Census.

than 30% for similar white households.

The context for this snapshot view of child poverty is that entire sections of cities and states are deteriorating to the point of breakdown of physical and social conditions for life, as shown by the Boston example. Families do not have the physical means, nor the cultural hopefulness, to exist. Look at the increase in percentage of black children born to unmarried mothers. In 1970, this was 37.5%. But by 1980, more than half (56.1%) of all black children were born to unmarried mothers. As of 1996, this percentage rose to 70%, where it remains today. With the fact that a household needs several jobs to barely survive, the single female head of a household is put under impossible strains.

### Lack of health care

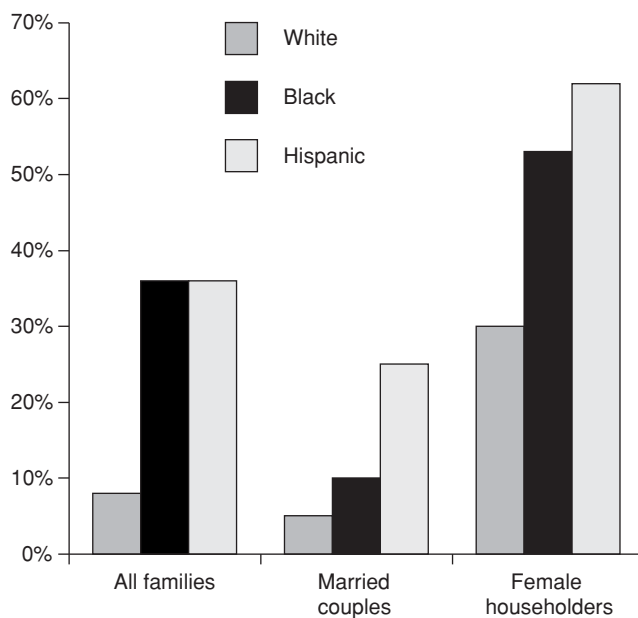
Along with impoverished circumstances, millions of children have no health-care coverage at all. **Figure 3** shows the situation across the country as of 1996, when 10.6 million children lacked health insurance of any kind. Today, the number is more than 11 million.

Look at the local and state patterns. The table gives the details for each state. In six states (darkest tone) in the south, more than 20% of the children living there had no health insurance coverage—a total of 2.566 million children. In the many states that have between 10 to 19% of children not covered by health insurance (lighter tone), some states such as California, stand out, where 1.631 million children have no health insurance.

As suggested by the map, the U.S.-Mexico border region,

FIGURE 2

### Percentage of children under 18 living in poverty by race/ethnicity and family



Source: Federal Interagency Forum on Child and Family Statistics, *America's Children: Key National Indicators of Well-Being, 1997* (as reported in *Health and the American Child, Part 1: A Focus on Mortality Among Children*, Public Health Policy Advisory Board, Inc., May 1999).

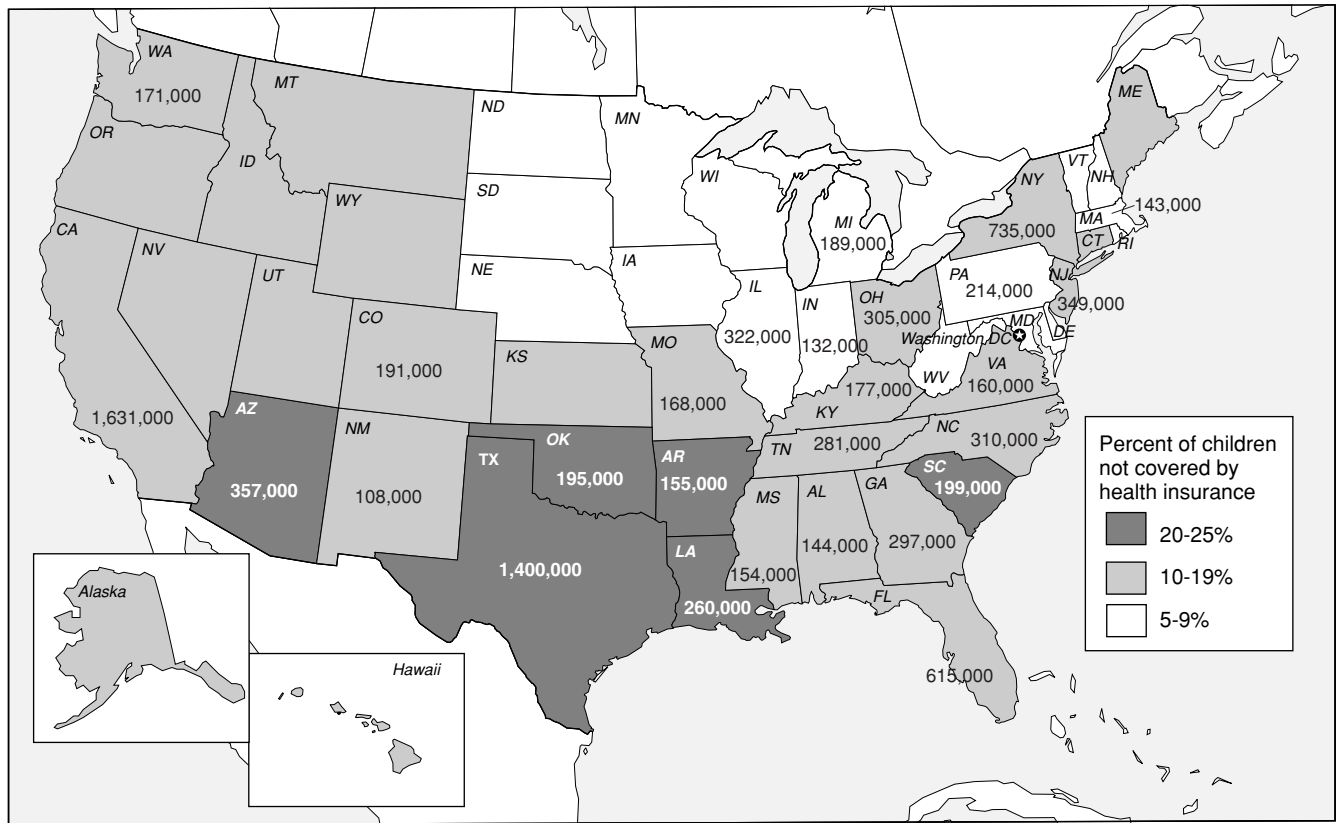
the “*maquiladora* gateway,” is among the worst in the country for lack of provision for children. Texas Gov. George W. Bush, who is aspiring to be President based on his “record,” is presiding over one of the states with the highest misery levels in the nation. Similarly, Vice President Al Gore, another Presidential aspirant, advocates “re-inventing government,” which replaces full-time jobs that have benefits, with contract labor with no benefits—the kinds of policies that led to the current crisis.

Even with full knowledge of the patterns shown on this map for 1996, Congress passed the so-called “Welfare Reform Act” (Personal Responsibility and Work Opportunity Reconciliation Act of 1996), which specified that immigrant families who arrived after Aug. 22, 1996 would receive no health care coverage for five years after their arrival. This has directly created harm to children, and a national public health threat. One out of every five children under age 18 living in the United States today, is an immigrant, or has immigrant parents.

The five major states with large Hispanic and other immigrant populations are California, Texas, Florida, New York, New Jersey, and Illinois. There are health threats specific to communities and nations-of-origin all around the country. For example, in Boston, the incidence of hepatitis B among

FIGURE 3

**10.6 million children in the United States not covered by health insurance, 1996**



Source: U.S. Bureau of the Census; Statistical Abstract of the United States: 1998.

young males of Asian or Pacific Islander descent today, is 218.8 per 100,000 people, or nearly 21 times higher than the rate among the general white male resident population in the area, of 10.5 (for the years 1991-97).

**Figure 4** shows the percentage of children lacking health insurance, according to their citizenship and immigrant status. The percentage of non-citizen children lacking health care, especially in black and Hispanic households, is very high.

On May 5, Sen. Dianne Feinstein (D-Calif.) raised the alarm at a Senate Judiciary Committee hearing, stating, “People are dying, and we are going to have a major public health contagion problem in California unless we get this cleared up.” She called on Attorney General Janet Reno to order the Immigration and Naturalization Service to take action. Feinstein reported on the crisis:

“People are essentially forgoing essential health care because they wrongly believe that their participation in government-run health programs will jeopardize their immigration status or the status of family members in the United States.

“Recently we’ve had a death in Orange County of an

infant who died after receiving an injection in the back room of a local gift shop. And all throughout my state, these illegal, non-medical treatment facilities are setting up to deal with the problem.

“In California alone, 1.7 million children go without health insurance — despite the existence of a Federal program that offers low-cost medical care. And in some areas of Los Angeles, only 30% of preschool youngsters have been immunized.

“I was just in Orange County, at a center: 37,000 youngsters have no immunization at all, because they’re afraid to register — that their immigration status will be jeopardized.”

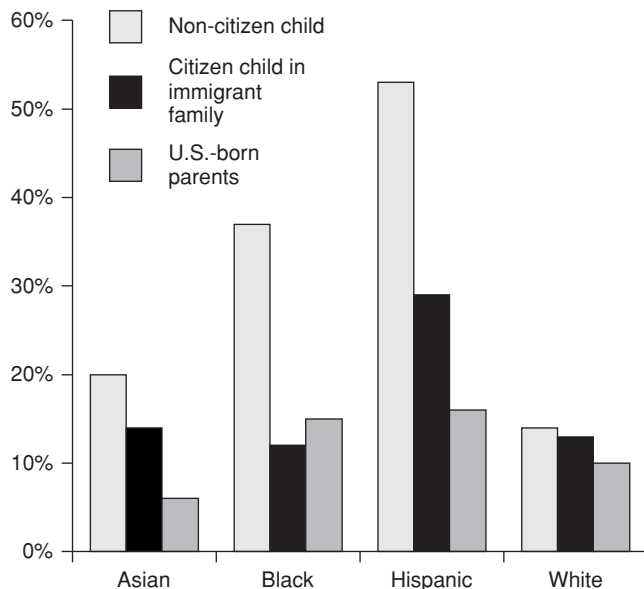
**Vaccination crisis**

In 1995, the United States nationally had a vaccination rate of 75%, meaning that many states were lower than that, for example, Missouri (67%), Nevada (68%), Arkansas (69%), and Illinois (69%). And many localities, such as the Los Angeles immigrant communities, were down to 30% and under. Denver authorities are worried about the public health threat of measles and whooping cough (pertussis) from lack



FIGURE 4

**Percentage of children without health care insurance, by citizenship status, 1995**



Source: *Current Population Survey*, March 1996. Brown et. al. (1998) (as reported in *From Generation to Generation/The Health and Well-Being of Children in Immigrant Families*, National Research Council Institute of Medicine, May 1998).

of inoculations. So are many other other cities with large immigrant communities.

Apart from these obvious problems related to lack of medical care and spread of infectious illness, there are also other disease impacts from demoralization and poverty showing up in statistics about children. Over the last two decades, obesity has shot up. The rate of obesity rose from 5.5% among children aged 6 to 11 in 1971-74, up to 13.6% in 1988-94. Likewise, for children aged 12 to 17, the rate went from 6.2% in 1971, up to 11.5% in 1988-94. Medical personnel are now reporting a marked increase in rates of Type 2 diabetes (usually an adult condition) among young people.

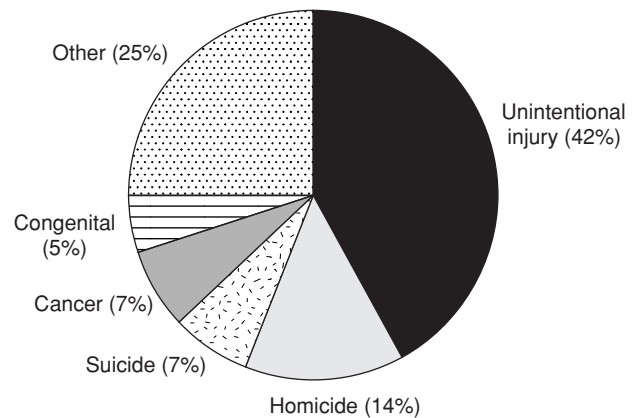
**Causes of death in children**

**Figure 5** shows the percentage breakdown of the causes of death in children, as of 1995, a pattern which has not improved since. The leading causes of death are: unintentional injury (42%), homicide (14%), suicide (7%), cancer (7%), and congenital anomalies (5%), with the remaining 25% accounted for by a variety of causes including pneumonia/influenza (1.2%), HIV (1.5%), and chronic obstructive pulmonary disease (1%).

In the course of this century, great strides were made to reduce the mortality rate for infants, children, and young people, mostly through a decrease in biological factors (vaccinations, antibiotics, pasteurization, improving hygiene, medi-

FIGURE 5

**Percent distribution of mortality in children (age 1-19) by cause, 1995**



Source: *CDC Wonder Mortality Statistics*, Centers for Disease Control, 1998 (as reported in *Health and the American Child, Part 1: A Focus on Mortality Among Children*, Public Health Policy Advisory Board, Inc., May 1999).

cal advances.). For example, for children ages 1 to 4 years, the death rate per 100,000 dropped by 98%—from 1,980 in 1900, down to 40 in 1990. The same is true for other age groups.

However, in recent decades, the rate of death from *non-biological* causes, namely, increased risk factors in the environment—such as riding in cars, drug abuse, violence, exposure to homicide and likelihood of suicide, and drug- and alcohol-related factors in the home—have *not decreased* at appreciable rates. In some age groupings, for example, 15 to 19 years of age, and for African-American males, these factors have *increased significantly*.

**Figure 6** shows the major causes of death due to injury, by age grouping in 1995, for the top three categories of mortality—unintentional injury, homicide, and suicide.

What stands out, is the rising rates of all three from ages 5 to 19. (For infants, injuries account for under 5% of all deaths, because 80% of the infant death rate comes from problem conditions arising in the perinatal period.) The bar diagram shows that in the 15- to 19-year group, unintentional injury is 36%, homicide 17%, and suicide 10%.

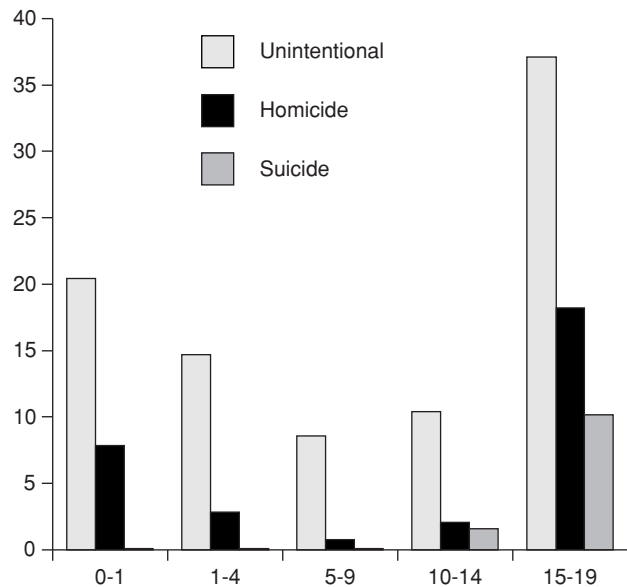
The majority of the injury deaths are caused by automobile crashes or firearms accidents. Vehicle crashes are the leading cause of injury deaths in children, and, in 1995, added up to almost 8,000 deaths, or about 60% of all deaths caused by unintentional injury to young people ages 1 to 19. Other factors are drowning, falls, and fires. If there were development of urban mass transit and interstate railroads, the death rate would drop dramatically among all age groups.

Moreover, the takedown of the nation’s passenger rail and mass transit systems accounts for a large number of non-fatal injuries, with deep impact on the families and the economy. In

FIGURE 6

**Major causes of death due to injury, by age, 1995**

(deaths per 100,000)



Source: CDC Wonder Mortality Statistics, Centers for Disease Control, 1998 (as reported in *Health and the American Child, Part 1: A Focus on Mortality Among Children*, Public Health Policy Advisory Board, Inc., May 1999).

1995, when there were 13,234 deaths caused by unintentional injury, there were also 5.8 million children hospitalized for unintentional injury of some type—which is 400 times the number of deaths.

**Black youth mortality emergency**

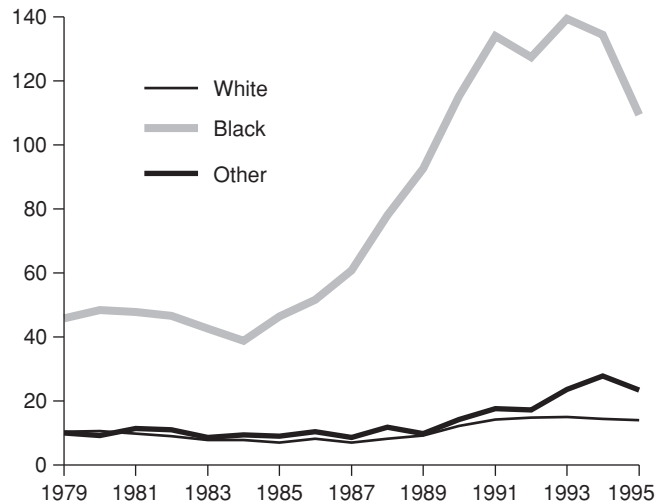
When the homicide and suicide rates are looked at, by sub-group of young people, over time, as shown in **Figures 7-9**, the national public health emergency is clear. Figure 7 shows that, while homicide rates were static until about 1985, after which the rate among black males soared. Likewise, Figure 8 shows the soaring increase in rate of suicide among black males, beginning around 1985, and a steady increase among white teenagers since 1979. Suicides of white male teenagers is the highest of any sub-group. Figure 9 shows the results of a survey in 1995, about the prevalence of firearms in schools, which has worsened since.

Speaking as medics, the Public Health Policy Advisory Board, stated in its special report released in May, “Because of the devastating nature of homicide and suicide, the epidemics among black males constitute a genuine health emergency demanding immediate and careful scientific inquiry, unrelenting commitment to understand causation, and aggressive preventive action” (see references).

FIGURE 7

**Trends in homicide rates in males, age 15-19, by race, 1979-95**

(deaths per 100,000)

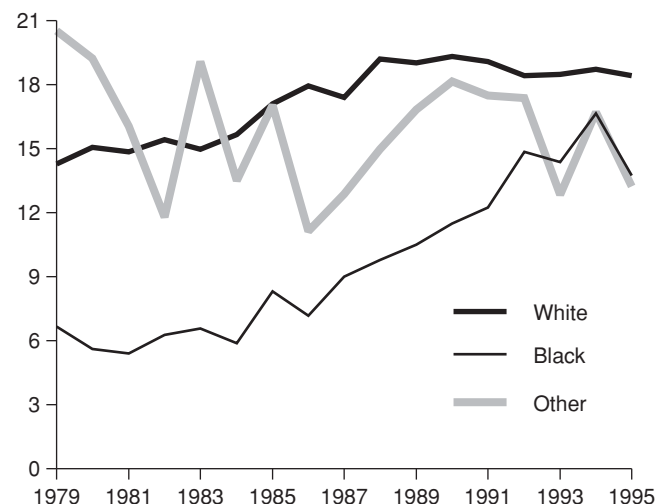


Source: CDC Wonder Mortality Statistics, Centers for Disease Control, 1998 (as reported in *Health and the American Child, Part 1: A Focus on Mortality Among Children*, Public Health Policy Advisory Board, Inc., May 1999).

FIGURE 8

**Trends in suicide rates in males, age 15-19, by race, 1979-95**

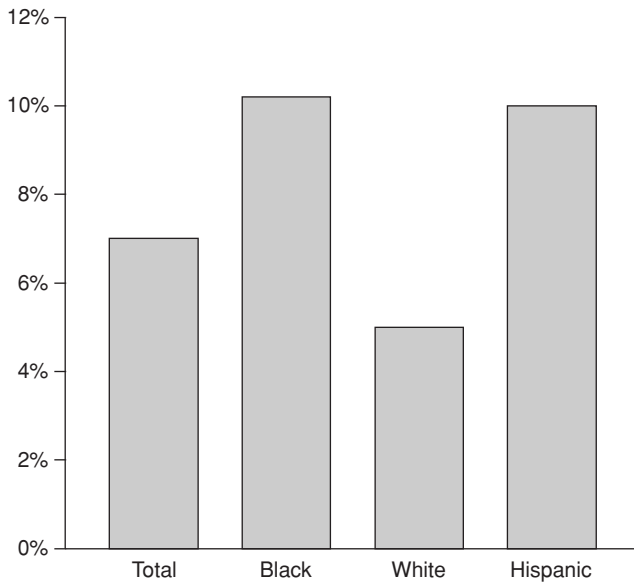
(deaths per 100,000)



Source: CDC Wonder Mortality Statistics, Centers for Disease Control, 1998 (as reported in *Health and the American Child, Part 1: A Focus on Mortality Among Children*, Public Health Policy Advisory Board, Inc., May 1999).

FIGURE 9

**Proportion of teens in grades 9-12 who report bringing a gun to school in the last 30 days, 1995**



Source: U.S. Dept. of Health and Human Resources, *Trends in the Well-Being of America's Children and Youth, 1997* (as reported in *Health and the American Child, Part 1: A Focus on Mortality Among Children*, Public Health Policy Advisory Board, Inc., May 1999).

In fact, as *EIR* has shown in the past several years of special reports documenting the collapse of the economy, the solution, in order to decrease the toll of death and misery among people of all ages, is to start taking emergency measures to restore the economic base of the nation, and provide grounds for hope and a future.

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**Commentary: Stanislav Menshikov**

**Yeltsin halts Russian economic upswing**

*Prof. Stanislav Menshikov, based at the Erasmus University in Rotterdam and also associated with the Central Mathematical Economics Institute of the Russian Academy of Sciences, wrote this analysis on May 13, the day after the dismissal of Yevgeni Primakov as Prime Minister of Russia. Originally directed to a Russian audience, the article has been translated by Rachel Douglas.*



Yeltsin's removal of Primakov was greeted in the business world abroad with some consternation. Experts here were particularly surprised by Yeltsin's explanation, that nothing had been done for the economy under Primakov and that total stagnation had set in. Experts are saying, "Your President is clearly not well briefed. He is cutting off an upswing that has just begun."

After Primakov's first months in office, when the business world abroad, taking our "reformers," at their word, had viewed him with some skepticism, recently opinions in the West had abruptly improved. The undeniable achievements of the government, now dismissed, were making an impact. Among them:

- Stabilization of the exchange rate of the ruble, which during April and early May rose against the dollar, instead of continuing to fall. This is important, insofar as our domestic prices largely depend on the ruble's exchange rate.
- As of this spring, the Primakov government had managed to stabilize inflation, which fell to the level of 3% in March and April.
- The government was able to improve tax collection, contrary to expectations, and sharply reduced the federal budget deficit. After Kiriyenko and Chubais, when our financial system virtually disintegrated, this is viewed as nothing short of miraculous.
- Contrary to panicky predictions that Yuri Maslyukov and Viktor Gerashchenko would crank up the printing press and unleash hyperinflation, the government and the Central

Bank were able to handle the financial crisis and even began to repay debts to some foreign creditors.

- Contrary to the allegation that the International Monetary Fund and the World Bank would not even want to sit down for talks with Primakov and the communist Maslyukov, these institutions agreed to grant Russia new, major loans. True, Yeltsin found nothing better to say about this, than to reproach Primakov for the latter's efforts allegedly being in vain, because Russia would not really need these loans. But, only two months earlier, the same Yeltsin had threatened to make a personal intervention into negotiations with the Fund, in order to make sure they were successful. The President obviously no longer remembers what he has said, and assumes that other people will forget it, too.

- Finally, and most importantly, industrial production began to rise again under Primakov, having declined steeply under Chernomyrdin and Kiriyenko. By May, nationwide production had surpassed last year's level, and if Primakov had been free from interference, it was forecast that by the end of the year, production would have increased 5-6%. None of the previous Prime Ministers under Yeltsin could boast of such brilliant results. Was it from envy, that they decided to incite Yeltsin to cast Russia back into crisis?

People in the West are surprised at the modesty of Primakov, who did not boast of his achievements, waiting rather for them to be manifested in a more noticeable rise of the standard of living. Primakov had not, after all, succeeded in eliminating the wage payment backlog, while the population's real incomes, through the fault of the previous government, had remained lower than they were last year. The Primakov government understood that, without a significant increase in wages, there could be no sustained economic growth. In all the industrially developed countries, the wage fund comprises two-thirds of the Gross National Product, but in Russia it is less than half. Low wages and general poverty are the main reason for the stagnation of our economy, not some imagined sins of the Primakov government.

Even in this inauspicious situation, however, Maslyukov and the other members of that government found ways to animate production, without advertising their efforts. They understood that the steep increase in the price of imported goods created a possibility to stimulate the growth of domestic production. The government helped domestic producers to obtain the credits they needed to replenish their working capital, which had been reduced to zero under Gaidar and Chubais. There is demand for many domestic products, but the producing enterprises often lack the working capital to organize their production. Likewise, this spring the government for the first time provided monetary credits to the agriculture sector, which made it possible for industry to steeply increase the production of tractors for the spring planting. The financial markets also were coming to life, for the first time since August 1998. Share prices were rising

again. Both domestic and foreign businessmen had begun to grow accustomed to stability. And Yeltsin destroyed all that in a single moment, clearly not out of economic policy considerations.

It should be understood, what awaits the economy in the coming time of political crisis and the latest disorganization of central power. The Western press is unanimous on this account. It forecasts a new collapse of the ruble against the dollar, a burst of inflation, decline of production, and the latest budget crisis. The World Bank has already suspended implementation of its program of credits for Russia. The IMF will almost certainly take a corresponding decision. Another theme, taken up in the *American Journal of Commerce*, is that the new instability, now engulfing Russia, will halt the process of rooting out corruption, which was beginning under Primakov. The relatively dormant oligarchy, which has thoroughly bought off the President's family, will be able fearlessly to return from its voluntary exile abroad, and take up its customary amusements.

Is that not the whole purpose of this operation to change the government, which the London *Financial Times* termed a "swan song"?

## Moscow paper covers EIR Bonn seminar

The Moscow newspaper *Slovo* on May 12 published a report on EIR's April 21 policy seminar in Bad Godesberg, Germany, headlined "Stop the Slide into a Dark Age; the Opinions of Russian and American Scholars." The report consisted of excerpts from the presentations by Lyndon LaRouche and Prof. Stanislav Menshikov (see "EIR Bonn Forum: A Dialogue on Solving the World Crisis," *EIR*, May 7, 1999 for a full transcript), supplemented by new material.

The feature in *Slovo* appeared on the newspaper's regular page from EKAAR-Rossiya (ECAAR-Russia: Economists Allied for Arms Reduction), which Professor Menshikov co-chairs. The excerpted speeches were introduced with a note, saying that the seminar was on the theme, "How to Exit from the Crisis: Europe, the World Financial Crisis, and the New Cold War," and that the participants were scientists from the United States, Russia, Germany, India, and China. Lyndon LaRouche is identified as "the American political figure and economist, founder of the school of 'physical economy,'" and as "leader of the left wing of the Democratic Party in the United States, who has run for the Presidency several times."

LaRouche's presentation was given in Russian in the form of excerpts from his article, "The LaRouche Doctrine," and

from his actual words at the Bad Godesberg seminar. Headlined "On the Road to World War III?," it led with LaRouche's analysis that the immediate cause of the war in the Balkans was "an attempt to stifle the world financial crisis, which arose at the end of the 1980s in the form of a bursting bubble of speculation around the yen, then spread to other countries of Asia, to Russia, and Brazil, and in the autumn of last year threatened to bankrupt the major hedge funds in the U.S. No small role in provoking the war was played by the Blair government, which is continuing Thatcher's line of reviving the British imperial role in the world, using friends and agents in the U.S.—a traditional British policy line for many decades."

Rarely has any such identification of the British role appeared in the Russian press! The excerpts from LaRouche went on to hit Al Gore's protection of his derivatives-playing cronies at Long Term Capital Management, and the roots of NATO "out-of-area deployments" in the British war against Argentina in 1982. The passage concluded with the last part of "The LaRouche Doctrine," on the impossibility for President Clinton to balance between two irreconcilable policies, and the solution being immediate joint action by the United States, Russia, China, India, and at least one continental European partner, such as Germany, for a New Bretton Woods agreement, consistent with the anti-imperial policies of Franklin Delano Roosevelt.

Professor Menshikov's contribution to the spread was titled "'The Blair Doctrine' on the Backdrop of the Balkan War." The text incorporated new, sharp polemics about British strategy, within his Bad Godesberg presentation, such as: "Lyndon LaRouche emphasizes the special role of Great Britain in provoking the current NATO aggression. And he seems to be right, since it was the Prime Minister of that country, who formulated the concept of the new 'order.' The *Financial Times* calls it 'the Blair Doctrine,' or 'a charter of interference in the affairs of countries with repressive regimes, putting into question the sanctity of the principle of nation-states as the basis of international law.' Blair believes that Great Britain has a unique role to play in developing such a charter. Thus, LaRouche is not far from the truth, when he accuses Blair of implementing the imperial designs of his masters, acting through British-American agency in Washington."

For *Slovo* readers, Professor Menshikov also highlighted the role of Vice President Al Gore and Secretary of State Madeleine Albright, writing, "The aggression against Yugoslavia is also the first swallow of spring, in the expansion of NATO to the East. Albert Gore recently stated, that the goal of this was to overthrow 'the last communist dictator' in eastern Europe. This makes it clear to other countries on the periphery of the former U.S.S.R., that if they elect 'disobedient' left governments, that may serve as a pretext for military intervention by NATO. It becomes clear what Albright meant, when she spoke about the role of NATO as 'defender of democ-

racy.' The question arises, of who is next? Belarus, where [President Aleksander] Lukashenko has been a thumb in the eye of the Americans for some time? Russia, where Primakov or Luzhkov, whom Washington equally dislikes, might succeed Yeltsin?"

Professor Menshikov concluded his own excerpted presentation: "Of course, Lyndon LaRouche may turn out to be right, with his hope for the victory of reason in the world of the Western establishment. Today, we know that around Clinton is grouped the most noxious and dangerous group in recent American history, at least since the time of the Dulles brothers. LaRouche believes that Clinton is a prisoner of these people, who together with Blair and other 'British agents' are pushing him to violate the world order, while the President himself would resist, trying to balance between two policies. Frankly speaking, I find this hard to believe. Known facts indicate otherwise. Personally, I agree with LaRouche that Clinton is a weak President, easily succumbing to 'bad influences' and stubbornly aggravating his own mistakes. Therefore, it will be difficult for him to turn his policy around 180 degrees, even if he were to understand its ruinous nature. The rebirth of Franklin Roosevelt's policy for a genuine alliance with Russia is a truly great idea, which could fundamentally change the course of modern history. Only, so far, a new Roosevelt is not visible on the horizon."

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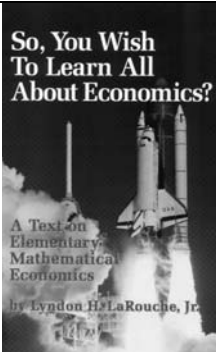
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# Argentine farm leader blasts IMF austerity, backs New Bretton Woods

*Argentine farm leader Ernesto Julio De Simone is the president of the Federation of Agrarian Cooperatives in the north-eastern province of Corrientes, which is also a crucial agricultural area for the Common Market of the South, or Mercosur. As a representative of that federation, Mr. De Simone is also a member of the executive committee of the Agricultural Intercooperative Confederation, Ltd. (Coninagro), which represents 200,000 Argentine farmers. Coninagro was one of the organizers of the three-day farmers' strike on April 21-24, called to protest the Menem government's free trade economic policy which has devastated the farm sector. The strike was a total success, paralyzing agricultural and related activity nationwide. Despite the protest, Argentine President Carlos Menem and Finance Minister Roque Fernández have refused to meet any of the farmers' demands, and producer organizations are now threatening to organize another strike, this time for a week. Farmers are asking for access to credit at reasonable interest rates, a halt to the imports of food at dumping prices, and renegotiation of their debt, which is currently unpayable.*

**EIR:** You just carried out a very successful strike against the Argentine government's economic policies. What's the next step?

**De Simone:** This wasn't a strike against Menem or against the government. It was a strike against a system which is strangling us. If we don't get an answer within 30 or 40 days, we will meet to discuss how to continue this mobilization.

The point is not to create a national uproar and bring down everything. We want a reaction from those whose duty it is to react. This isn't a crisis provoked by the leaders of agricultural federations. When we go back to our farms, people ask us, "What happened? What news do you bring, Don Simone?" And, we have to tell them that the government hasn't responded.

Let me also make clear that this isn't just a farmers' strike. This was a *national* strike of historic proportions. Given that the farm sector is more oppressed, with a declining profitability, the farmer has to cut back on those things needed for his survival. So, the point is that farm towns and businesses are also dying. The success of the strike, particularly the [mobilization] by Coninagro and the Argentine Agrarian Federation which are mass based, in part was due to the fact that there

was a shared sentiment of both producer and the [farm-related] businesses.

**EIR:** The agricultural federations have met several times with the government to present their problems and to pose possible solutions. What has happened in these meetings?

**De Simone:** If we were having a conjunctural or temporary crisis, such as others we are having, the situation would not be so serious, but at this point the crisis is becoming systemic. And when we go to talk to the government, specifically with the current Economics Minister—and we do have specific proposals to make, which perhaps need to be developed more technically—he doesn't listen to us. His answer is: Either do what I tell you, or you die. And this is because he is linked by remote control to interests totally foreign to our own, so that what we don't have is a national agricultural policy. And we have an enormous and important potential which others covet.

Otherwise, you wouldn't see the kind of capital you see around here, doing big financial business. For example, thanks to the big financial and real estate business George Soros has done here, taking advantage of the conditions created by the current farm crisis, Argentine land is now worthless compared to other countries.

**EIR:** So, you're saying the government doesn't have an agrarian policy?

**De Simone:** There is a perfectly defined agricultural policy, but it isn't a national agrarian policy. It is an internationalist agrarian policy, which has brought us to the point of nullifying all that is genuinely Argentine. This globalist policy is part of an offensive against many of the concrete features which make up the nationality of any country: the concept of fatherland, and the broader concept of patriotism, which determines the behavior of individuals with respect to their country, in which national symbols like the flag lose their symbolism and end up as dishrags. The government's policies for education and security are a part of the same thing.

What is happening with agriculture, which is the patrimony of the Argentine people and which has a comparative value with respect to other countries which is truly important, is that we are working in the service of other people who, with a little money, using econometric formulas, steal our patrimony through the famous speculative bubble we've

heard so much about, and the rest of that policy is a total looting of the Argentine farm sector. Today, they are telling the whole world, with expensive publicity, that Argentina is the country of the future. But the question is, "That is true, but for whom?" So, the world is being offered the potential capacity that we have, but which Argentines are not using for ourselves and which is only benefitting a group of Argentines, who are the ones promoting this model.

**EIR:** The government claims that it has had the highest yields and the highest agricultural productivity in many years. What is happening, then, to the profitability of the producer?

**De Simone:** There is a meticulously defined international agricultural plan which is being carried out with a meticulousness never seen before. But I don't need to be a scientist in economics to realize that I am putting my effort into the land, and getting nothing for it. The gentlemen who have been and are in charge of the economy, such as Minister Cavallo [Domingo Cavallo, Economics Minister until 1996] and previous ones, know this. The crisis the producer is suffering, and specifically the producers in the areas around the Federal Capital [Buenos Aires], is due to the absolute lack of profitability. And this is because, today, products are worth nothing and services cost a fortune.

There are the public services which the privatized companies provide for the government; there's transportation and the tolls, which previously the farmers were exempted from paying, and the high financial service charges. At the same time, international prices are preestablished; there is no free market in Argentina — that is a lie. This cost has nothing to do with the small and medium-size producer, but is due to factors outside farming. One can add to this the fact that, for the Argentine producers, subsidies ended with the Convertibility Plan; there are no kinds of subsidies, as there are in other countries like the United States and Europe.

**EIR:** Could you fill out the picture with some concrete figures?

**De Simone:** Let me tell you about my case. I am a producer of *Yerba Mate* [used to make tea]. I have 65 hectares. I have workers who are part of a cooperative and who earn \$250 a month, which in Argentina is pitiful, and the government tells us that labor costs are still too high. So, I'm not paying the workers any great fortune. And, I'm operating in fairly normal conditions, with a farm that has a fairly high yield; it was an old farm, which we gradually reconverted and modernized.

However, the net annual profit in 1998 was \$3,000. That was the annual profit, before taxes. In 1988, this crop gave me an annual profit of \$30,000; so, \$27,000 has gone up in smoke. And we must realize that *Yerba Mate* is a product that has no competition, either nationally or internationally.

Further, in 1988, some 170 million kilos of the product sold on the market, and today it is more than 260 million for the domestic market, with a retail price that rose a little. More

is also exported than ever before. So we can see that production is growing, sales are growing; yet, we are increasingly worse off. So, between the farm and the supermarket, someone ended up with my \$27,000.

**EIR:** What emergency measures are you proposing to the government?

**De Simone:** After the strike, we proposed that what was needed was a rescue plan. And we told the government: You created the problem, you have to solve it. What did they do

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*I think a New Bretton Woods conference is perfect, because it would imply an international rescue plan which could be coordinated with a national rescue plan, preserving the unique characteristics of each country.*

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with the financial aid to save the banks? There was money to help the banks which remained [after the 1995 Tequila Effect], and there is money to help the automotive industry. So, why is there never any money for the farmers?

They would have us believe that without immense amounts of capital, one can do nothing today. And, who has vast amounts of capital? The private banks don't lend to the farm sector, because there isn't sufficient guarantee of either profit or of repayment.

When the captain of a ship is facing an emergency in which the ship is sinking, he doesn't ask the crew or his first mate to tell him what to do, but he does what he knows has to be done to control the situation. And there are possibilities, the technicians know it.

Another thing is that there needs to be sufficient courage and patriotism to do it. And this message is not just for the current government, which is proving disastrous in what it is doing to the Argentine nation. The debt of the Argentine producer is unpayable, the Argentine debt is unpayable. It is unpayable. So, gentlemen, what are we going to do?

**EIR:** How do you personally view Lyndon LaRouche's proposal to convene a New Bretton Woods conference?

**De Simone:** I think it's perfect, because it would imply an international rescue plan which could be coordinated with a national rescue plan, preserving the unique characteristics of each country. Then, once calm is restored, and we guarantee that the ship is seaworthy, the captain should meet with his crew to discuss the contingency plan, so as to reach a port — a real rescue plan — that will save the ship and those on board.

# The coming hyperinflation crisis

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*What will it mean for you? William Engdahl examines Weimar Germany, when a wheel-barrow full of money couldn't buy a loaf of bread.*

Among prominent economists, government officials, and central bankers, debate today is over whether, or not the world stands on the brink of a new round of savage price deflation, as a consequence of the rolling series of financial crises which began out of Asia two years ago. In reality, however, the world, outside of a handful of economies in emerging markets which are implementing International Monetary Fund conditionalities, is far from being hit with deflation—a process in which manufacturers, facing collapsing markets, desperately slash prices to sell products to market inventory, in turn cutting their profits or running losses, which in turn leads to job cuts that depress the economy further, all in a self-feeding downward spiral.

Present trends are continued further, most emphatically in Japan and the United States. Here, the two largest industrial economies in the world, stand on the brink of not merely inflation, but, rather, a global hyperinflation of a sort until now only seen on a national level during the early 1920s in Weimar Germany, following its defeat in World War I and the imposition of punitive Versailles reparations.

The Weimar Germany example is crucial today to illustrate where the money-printing policies of the Greenspan Federal Reserve and, most especially, of the Bank of Japan and Ministry of Finance since 1995, are taking us.

## The Weimar hyperinflation

In the early years after Germany's defeat in World War I, the country underwent an inflation never before seen. Inflation reached such dimensions in 1921-23, that it was renamed "hyperinflation," to indicate its unprecedented scale.

Like every case of inflation—simply defined, the continuing rising of prices for the same or equivalent goods in the market—the German inflation of the early 1920s was the result of specific policy decisions. It is useful to look at those decisions before looking at their social and economic consequences, effects which to this day evoke vivid nightmarish memories for many German citizens.

The initial disproportionate rise in the price of goods and services came as a result of the onset of the Great War in August 1914, a war that found Germany facing foes on two fronts: Russia and the Anglo-French Entente. To finance the extraordinary costs of what everyone in the government of

Chancellor Theobald Bethmann-Hollweg was convinced would be a short and limited war, the Reichsbank, under Rudolf Havenstein, demanded the suspension of gold convertibility. This action was approved by the Reichstag on Aug. 4. This was done to stop a run on the central bank's gold reserves and to maintain the required gold backing for new currency issue of 30% gold for every reichsmark printed.

This tiny step, a very modest one by today's monetary standards, opened the door to the ensuing inflation. Existing gold reserves, as well as the private gold hoards of citizens which were called into the Reichsbank, were soon insufficient to cover new money issue needed to finance the war procurements, as the fighting dragged on into 1918.

Rather than impose tax increases, the government of Chancellor Bethmann-Hollweg chose to finance the war by borrowing to cover the growing budget deficits. Over the four years of fighting in the trenches of France and in the East, the Reichstag approved various spending bills totalling a then-staggering sum of 164 billion marks for what had become the first global war. Of this sum, 40 billion marks was raised by issuing Treasury bills, most of which went to middle-income citizens.

During this period, the Reichsbank was authorized, for the first time, to accept government Treasury debt as backing for issue of new banknotes. Previously, only gold or commercial bills, that is, paper representing underlying real goods transactions, could be used as currency backing. Now, in effect, there was no limit to how much currency, or fiat money, the Reichsbank could issue to finance the war. So long as the Treasury issued new bonds and the Reichsbank discounted them, the process could go without apparent limit.

This action, too, proved insufficient to meet the war's costs, and by 1916 the government authorized local savings associations or municipal governments to borrow to finance their costs, by using their holdings of Reich bonds as collateral. This allowed enormous deficit spending to take place across the land, in the midst of the hardships of the war. There was little concern initially about the mounting money supply and government debt tied to it. Finance Minister Karl Helfferich told the Reichstag, "After the war we shall not forgo . . . our claim that our enemies shall make restitution for all the material damage they have caused by the irresponsible





*Depositors carry their money in suitcases and baskets outside a Berlin bank in 1923. “The Weimar Germany example is crucial today to illustrate where the money-printing policies of the Greenspan Federal Reserve and, most especially, of the Bank of Japan and Ministry of Finance since 1995, are taking us.”*

launching of the war against us.” No one in Berlin in 1916 could imagine anything but a German ultimate victory, which would allow the debt to German bondholders to be repaid by reparations from France and other defeated Entente powers, as in the Franco-Prussian War in 1870-71.

It didn’t quite go according to plan, however.

The November 1918 defeat of Germany by the Entente powers, set the stage for the next step in an inflationary situation in Germany that was then relatively under control. When the German government signed the Armistice on Nov. 11, not only was it forced to agree to evacuate all occupied territory, to repatriate all prisoners, to hand over 5,000 large guns and 30,000 machine guns, to evacuate the entire left bank of the Rhine, to restore or replace 5,000 rail locomotives, 150,000 freight cars, and 5,000 trucks, and to surrender the entire German naval fleet.

But also, in June 1919, Germany was forced to sign the Treaty of Versailles. Thus, Germany agreed to the infamous Article 231, to accept sole guilt for the war, and to repay an unspecified amount in “reparations” to the Entente powers, above all to France, the main field of battle for most of the war. In addition, the Versailles victors, at the insistence of France, demanded that Germany cede 13% of its territory, which included some of its most vital iron production, coal mining, industry, and agricultural lands, as well as all its colonies.

At war’s end, Germany was gripped by serious inflation. The debt of the Reich, only hundreds of millions of marks in 1914, had climbed to billions of marks — no one knew exactly

how much, because of bad official statistics. By 1920, the total German public debt was estimated at 236 billion marks. The public held 96 billion marks more in war loans, which when redeemed would put more money in circulation, fueling inflation.

The result was a fall in the international value of the mark from the pre-war rate of 4.2 to the dollar, to 8.6 in January 1919 (**Table 1**). Inside Germany, prices for basic goods had doubled. There were some 6 million German war casualties —

TABLE 1  
**The Weimar Germany cost of living index**  
(1913 = 100)

|               |                 |
|---------------|-----------------|
| 1913          | 100             |
| 1914          | 103             |
| 1915          | 129             |
| 1916          | 170             |
| 1917          | 253             |
| 1918          | 302             |
| 1919          | 415             |
| 1920          | 1,019           |
| 1921          | 1,341           |
| 1922          | 21,252          |
| 1923          | 13,047,440,148  |
| Nov. 23, 1923 | 657,010,000,000 |

Source: German Statistical Office.

the prime of the country's labor force. The outbreak of tuberculosis and other diseases took an added toll, in a population weakened by near-famine conditions by war's end. Major industry had been converted to war production, and funds were lacking to reconvert to civilian output. The rail and roads infrastructure was in shambles after the heavy military use or war damage.

There were labor strikes everywhere in Germany, in protest against the desperate postwar economic conditions and anarchy which threatened. The Ebert government decided on the expedient to print more money, to restart the economy and get food and goods into circulation. Between the November 1918 Armistice and July 1919, when Versailles was signed, the government deficit rose 50%, and the money supply accordingly. The mark collapsed against the dollar, and internal prices rose 42%. The dollar was worth 14 marks by July 1919.

Between July 1919 and February 1920, foreign confidence in Germany's ability to recover began to fade, and the currency fell to 100 marks to the dollar. The official cost of living index, published for the first time in February 1920, revealed an 847% increase since August 1914. Flight capital out of Germany by wealthy businessmen, who feared that new taxes would be demanded to finance the reparations, fuelled the currency fall.

### **The Versailles reparations**

Much of the blame for this phase of the inflation and currency collapse could be placed on the fear of the anticipated economic consequences of the Versailles reparations clauses. Actual reparations payments were not to begin until May 1921, according to the schedule reached by the Reparations Commission. This triggered the next distinct phase in the inflationary spiral, as the grim economic terms of the Versailles reparations burden became reality.

On May 5, 1921, British Prime Minister Lloyd George handed the German Ambassador to London the final Allied Reparations demands, the infamous "London Ultimatum." Germany was to pay a colossal sum of 132 billion gold marks at an annual installment of 2 billion, plus 26% of the total value of its export earnings. In the event of a failure to meet payments in a timely manner, Germany would be subject to sanction, including military occupation of the Ruhr industrial heartland by the Allied powers.

The German government refused to sign the accord, and resigned. But, the successor government of Josef Wirth, the "Weimar Coalition," fearing worse from the victors, rapidly accepted, as did the Reichstag. In August, a down-payment of 1 billion gold marks was made as stipulated.

In a real sense, the Allied insistence on such huge reparations, even if parcelled out over 46 years, proved to be the detonator which turned an ugly postwar inflation crisis into the unheard-of Weimar hyperinflation.

In order to get the foreign currency to pay its foreign

reparations and other debts, the German government sold paper marks abroad, marks created, again, by fiat, by having the Reichsbank discount new Treasury bills, i.e., printing-press money-creation unrelated to any increase of goods-creation. The large mark sales triggered a new panic selloff of the mark in exchange markets from London to Paris to New York, and the panic was aggravated by deliberate mark selling by certain German factions bitterly opposed to the "Fulfillment Policy" of the Wirth government.

A new economic blow struck Germany on Oct. 20, 1921, when the League of Nations decided arbitrarily that the rich industrial basin of Upper Silesia would be partitioned from Germany and given to Poland. The surprise League decision came despite a March 1921 plebiscite, as mandated in the Versailles Treaty, in which an overwhelming majority had voted to remain German. This devastating economic loss of Upper Silesia unleashed panic within Germany anew, fuelling even more German capital flight or conversion of paper marks into goods.

By the end of November 1921, the mark had plunged to 276 to the dollar, and by early 1922, the cost of living index had risen 2,400%, compared to the end of 1913.

At this point, the Reichsbank began to greatly accelerate printing new bank notes, apparently in an attempt to prevent the bankruptcy of industries and agricultural enterprises unable to get ordinary bank credit. The Reichsbank expanded its discounting of commercial bills in 1922, from 1 billion to 422 billion. Not surprisingly, by June 1922, the mark was nearly in free-fall, or at least it seemed, by comparison to what had gone before.

It was only a foretaste. The mark went from 300 to the dollar in June, to 8,000 by December 1922. German inflation had entered a qualitatively new phase. Newspapers printed charts with the daily currency fix, and the mark was an object of everyone's obsession. Everyone suddenly realized that the mark was galloping into the abyss.

At that point, every citizen who could, in effect began to speculate against the mark, in a frantic bid to protect themselves as best they could in a desperate situation, further aggravating the crisis.

### **Rathenau is assassinated**

The mood rapidly turned to hysteria on June 24, 1922, when Foreign Minister Walter Rathenau was assassinated, only two months after signing the Rapallo Treaty with the Soviet Union for improved trade and economic relations. Rathenau had been a symbol of a democratic Germany, and one of the most vocal proponents of the policy of fulfillment, which sought to solve the reparations impasse by concession and agreement. Under fulfillment, Rathenau and others believed they could, by demonstrating a good-faith effort to pay, at the same time convince the Allies that the burden of reparations was impossible to meet, and thereby get suspension or relief. His assassination marked a decisive turning

point in the German inflationary process.

Inflation suddenly became runaway inflation, as the German population panicked. Ordinary Germans suddenly realized that it was not “prices” which were rising, but the mark which was collapsing in value. In the four weeks after Rathenau’s murder, the mark went from 320 to the dollar to 538. By August, it was at 1,426. The cost of living index shot from 41 in June 1922 to 685 by December. (Recall, that it was 1 in 1913 on the eve of the war, or a 68,500% rise in less than a decade.)

This rate of currency depreciation and price inflation meant that the real, inflation-adjusted value of the state tax revenues was able to cover only a diminishing fraction of necessary costs, meaning the Treasury had to issue yet more bonds and bills to cover the deficit, further fuelling inflation. The entire population, no longer only a handful of the wealthy, attempted to convert their paper marks into something more secure. Any German able to get his hands on foreign currency hoarded it, further forcing the mark down. The Wirth government passed 40 laws, in a vain effort to forbid purchase of foreign currency by citizens, and to force those with legitimate trade-related foreign currency to turn it over to the Reichsbank. The laws were ignored; confidence in government itself had vanished.

## Occupation of the Ruhr

The final phase in the now awesome rate of German inflation came when French and Belgian troops occupied the Ruhr industrial heartland in January 1923. The hard-line Germanophile government of the newly elected French Prime Minister Raymond Poincaré, determined to show its resolve to impose the Versailles dictates with “utmost rigor,” as part of French policy to deliberately keep Germany economically weak and to neutralize any future military threat.

Ironically, the French policy set off events which a decade later led toward the actions of the Montagu Norman-Hjalmar Schacht-Baron Schröder cabal, Hitler’s legal coup d’état, and the beginning of just that French nightmare of a resurgent, militaristic Germany.

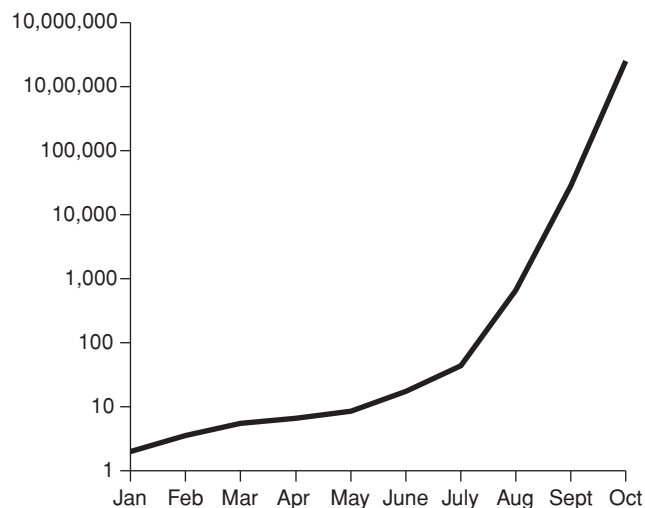
The pretext for the French occupation was a dispute over delivery to France of telegraph poles and coal. Claiming that the German government was cheating on the precise amount of its Versailles obligations, Poincaré ordered the occupation. At the moment that French and Belgian troops entered the Ruhr, the government of Chancellor Wilhelm Cuno ordered a stop to further reparations to France and Belgium, and forbade any German official from following the orders of the occupying forces.

Poincaré responded by evicting all German officials from the Ruhr, setting up French administration, and economically cordoning off the region from the rest of Germany. Bank and regional Reichsbank funds were seized, along with inventories of mines and factories, to meet the French reparations demands.

FIGURE 1

## Hyperinflation in Weimar Germany, 1923

(trillions Reichsmarks outstanding)



Source: *Zahlen zur Geldwertung in Deutschland 1914 bis 1923.*

A German policy of encouraging passive resistance brought the factories and mines of the Ruhr to a virtual halt, despite French efforts to bring in French personnel to keep them running. The economic impact of the loss of Germany’s industrial heartland was devastating. With 10% of Germany’s population, the Ruhr produced 80% of its coal and steel and accounted for 70% of its freight traffic. In addition, the Cuno government had to maintain financial support to the striking workers in the Ruhr. The printing presses went into even higher gear.

The policy of passive resistance in the face of the Ruhr occupation, pushed German inflation to the now infamous hyperinflationary levels (Figure 1). As the resulting social chaos and unrest grew, in August 1923 the Cuno government resigned, and was replaced by that of Gustav Stresemann, who at once ordered an end to the passive resistance and halted support payments to workers. In late November, at the peak of the hyperinflation, an agreement, encouraged by the Stresemann government, was signed by the French and Belgian government forces and the Ruhr industrial representatives, according to which the German industries would pay taxes and deliver their products directly to the Allies. The agreements remained until the Dawes Plan was signed in August 1924. The end of Weimar hyperinflation coincided with the end of the French occupation of the Ruhr.

## The social impact of hyperinflation

The social and psychological impact on the population were incalculable. In June 1922, German unemployment

TABLE 2

**Dollar exchange value of the Reichsmark**

|               |                   |
|---------------|-------------------|
| 1913          | 4.20              |
| 1914          | 4.28              |
| 1915          | 4.86              |
| 1916          | 5.52              |
| 1917          | 6.58              |
| 1918          | 6.01              |
| 1919          | 19.80             |
| 1920          | 63                |
| 1921          | 105               |
| 1922          | 1,886             |
| 1923          | 534,914,000,000   |
| Nov. 23, 1923 | 4,200,000,000,000 |

Source: Lombard Street Research, Brian Reading.

stood at a low 1%, rising to 2.8% only by December of that year. Export industry, under the cheap mark, was booming. Ruhr coal miners worked overtime to fill export orders. The mine workers were forced to work more, simply to try to compensate for the disastrous decline in their purchasing power. A similar situation prevailed in steel and other export industries.

The trade unions could gain only an ever-diminishing share of the price inflation through wage increases from their employers. Strike pressure had won the concession of a sliding wage scale to reflect the price rises, but the rise was so rapid that, by the time the official cost of living index data could be gathered, announced, and applied to wage rates, the inflation had galloped ahead, depleting the real value of the wage.

By 1923, the rate of inflation was so high that the value of a paycheck sank between the time it was handed out in the factory and the time the worker could race to the shop to buy something with it (**Table 2**). A sliding scale of wages was introduced in the attempt to bring order to this situation.

The result of the sliding-scale wages, however, was to add a savage wage-price cycle of inflation. Prices increasingly reflected the collapse of the mark. From an index level of 100 in July 1922, just after Rathenau's assassination, prices rose by 30-fold, to 2,785, at the time of the Ruhr occupation in January 1923. By July, prices had soared to the unbelievable level of 74,787 compared to the level of 100 a year before. By September, it had reached 23,949,000, and by November, 750,000,000,000.

Most citizens' savings were destroyed. Living standards collapsed. While a few industrialists, such as Ruhr steel and coal baron Hugo Stinnes, were able to accumulate immense fortunes at the beginning of the inflation, the majority of the population was pushed into poverty.

To compensate for the skyrocketing prices of necessities, white-collar workers, unable to secure wage hikes, turned to stock market speculation in hopes of winning enough to survive. As German industrialist Richard Merton noted in 1921, "A very large portion of German consumption among the middle-income groups, for example white-collar workers, is paid for by speculation on the bourse."

The past five years in the United States have mirrored this trend, where households put all their savings into stock mutual funds or 401-K pension plans.

Ironically, low-skilled, white-collar workers were in high demand because of the exploding volume of paperwork in the final phase of the inflation, to carry out the enormous administrative calculations caused by the constant change of money values, counting, and moving of money itself. One of the largest employers became the Reichsbank, where the money was being turned out in gargantuan volumes.

To most Germans, however, the inflation became an unimaginable disaster. Anyone who was unable either to push prices up, as industrialists did, and repay old debt with an increasingly worthless currency, or to demand wage gains, as trade union members could somewhat, lost. Indeed, the French accused the German government of deliberately pursuing inflation in order to get out of their reparations obligations.

Most of the middle class, who relied upon holdings in money, rather than tangible goods on productive assets, saw their life savings wiped out. Pensioners saw the value of their retirement payment, fixed in a stated amount of marks, become worthless in a matter of months. Citizens, mostly middle income, who had been persuaded, out of patriotism, to buy the flood of war bonds, found the value of their fixed-income bonds vanish. As the value of their fixed income from investments vanished, the government continued to tax their "capital gains" from the bonds.

More than half of all German university students were forced to take on extra work on farms or in factories to survive, as their fixed stipend, or family support rapidly became worthless. While the cost of a university education was not high, most students depended on family savings to get through, and most middle-income families drew on their bonds or other savings to put their children through school, not unlike many U.S. families who count on mutual fund earnings today.

Even the once-prosperous small and middle-sized entrepreneurs of the *Mittelstand*, the heart of German economic life, were forced to sell off personal valuables and household possessions to survive. By 1922, such sales were organized on a mass scale through formal housewives' associations, who centralized the disposal of peoples' cherished possessions. Salesrooms were set up in local savings banks to make the process as efficient as possible.

One observer noted, "A walk through the small salesroom with its tables and glass cases is heart-rending. There lie

spread out so many lovely things so pleasing to the eye — silk shawls, fine linen, old porcelain, silver . . . everything that once decorated a house.”

Physicians asked their private patients to pay in goods, as money had become worthless. A consultation fee would be paid with a pound of butter or a sack of potatoes. Doctors would set out on house calls, only to return because they hadn't enough money for trolley fare. While not all middle-income families were ruined, and some actually were able to profit from the misery of others, a large minority was utterly ruined by the collapse of the mark in what was termed “the vastest expropriation that has ever been effected in peacetime.”

Pensioners, whose survival depended on life insurance annuities or on small coupon payments from their investment in “safe” Reich bonds, i.e., with claims against “debtors,” found that they were paid “mark for mark,” that is, a mark of 1913 nominally equalled a mark in 1923.

Entire home mortgage debts were repaid in worthless marks. In one case, a full mortgage repaid gave the recipient only enough to buy a two-week vacation in a cheap boarding house. Small rental apartments were a common source of added income for many middle-income Germans of the day. While many such small landlords benefitted from paying their mortgages with worthless money, they also found that their rental income was equally worthless. The landlord was legally responsible for maintaining his property, whose cost remained high. Neglect of property maintenance during the war years was often compounded by theft of door-handles, stair carpets, metal fixtures, light bulbs — anything which might be bartered by someone desperate. Thus, property often fell into disrepair, and slums grew up. Tenants began to resent “greedy” landlords.

The broader social effect of the expropriation of the middle class in Weimar Germany was a festering resentment toward the democratic regime of the Weimar Republic. That resentment was exploited by a new radical party of the “little man,” the NSDAP of Adolf Hitler, who first burst on the scene in the depths of the hyperinflation in 1923 in the failed Munich “Beer Hall Putsch.”

### **Omens for today's crisis?**

“All well and good,” a reader might say. “But what does this all have to do with us? Where is the hyperinflation today? There are no war reparations on the United States or other major industrial economies.”

In fact, prices over the recent past have fallen to the lowest levels since the early 1970s. Central banks, from the Federal Reserve under Alan Greenspan to the European Central Bank, constantly remind us of how benign inflation has become. It almost does not exist. True, recently the U.S. Consumer Price Index showed a slight rise, 0.7% month-on-month, and the Fed tilted toward possible future rate rises to “preempt infla-

tion.” But this hardly constitutes hyperinflation of the Weimar era.

And in Japan, the problem is a collapse in prices, i.e., deflation, not inflation. Where, then, is the hyperinflation?

The answer is that it is not only being created by deliberate government policies, but that, when least expected, at some point in coming months, it will explode with a fury comparable to that Germany's in 1921-23. Consider the following. Lyndon LaRouche's *Feature* story, “The Economics I.Q. Test” (*EIR*, May 14), lays out clearly the process of today's imminent hyperinflation. As LaRouche explains, its roots go back to the misguided policies of the U.S. Federal Reserve and successive U.S. administrations, particularly following the August 1971 decision of the Nixon administration to decouple the dollar from gold. As with the Reichsbank in 1914, that decision opened the door to inflation.

However, unlike in Germany in the 1920s, the United States was in the unique position that its currency, the dollar, was not a mere national unit of account, but the foundation of the entire postwar global trade and payments system. The inflationary effects of the 1971 abandonment of the Bretton Woods agreements of 1944, were spread across the globe. It was not until the oil price explosion of 1973-79 that the world began to be aware of “inflation problems.”

Time after time during the 28 years since August 1971, governments have backed off from addressing the fundamental problems of a monetary system run amok. For politicians who wanted to get reelected, it was far easier to turn on the printing presses, and to increase public debt, to hold the strained system together until after the “next election.”

In 1995 that process reached a qualitative new phase, just as in the early phases of Weimar inflation. Japan was the center of this phase. During the 1980s, Japan underwent significant inflation. Its effects, however, were not manifest as they were in Weimar. Because of the very high rate of personal savings, the rising savings of Japanese went into speculative investment in the Nikkei stock market, or into real estate in Japan, and later in the United States and Europe. Japan saw an “asset inflation,” which, by 1990, had reached alarming dimensions, as the Nikkei Index of stocks soared past 39,000.

The total capitalization of the Tokyo Stock Exchange had surpassed that of the United States. Paper assets of Japanese banks made them the world's largest.

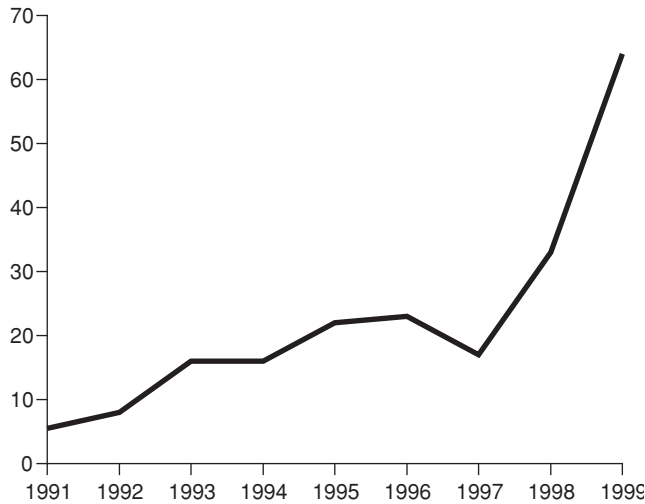
This asset inflation in Japan came to a bitter end in late 1990-early 1991, when the Bank of Japan tried to stop the speculation and bring the frenzy under control. The Japanese financial system crashed. The Nikkei plunged to 16,000, where it remains, eight years later. Prices of real estate, the main collateral for the Japanese banking system, fell more than 60% from their peak, and continue to decline today.

Then, in spring 1995, as the Japanese yen soared to a postwar high of 80 to the U.S. dollar, Japan faced a meltdown

FIGURE 2

### Japanese government bond issues

(trillion yen)



Source: Japanese Ministry of Finance.

of its banking system, which would have pulled the United States and the rest of the world with it.

At that point, a new form of Washington-Tokyo “crisis management” took hold. The Federal Reserve made available an emergency liquidity line of \$500 billion, should any Japanese bank in New York have liquidity problems. The Bank of Japan began to push down Japanese interest rates, to force capital out of the yen and ease the inflated currency, which was killing exports. Japanese funds began to pile into the U.S. bond market as never before, pushing U.S. interest rates abnormally low, and kicking off the latest unparalleled bout of “irrational exuberance” on the Dow.

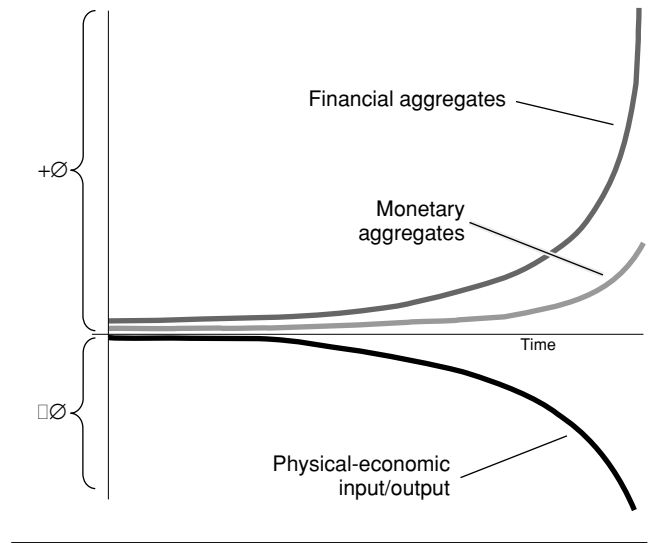
At the same time that the Bank of Japan was printing yen to push the discount rate to a peacetime low of 0.5%, the Ministry of Finance was issuing record levels of public debt to finance “public works” as fiscal stimulus projects to stabilize Japan’s economic free-fall (Figure 2).

Yet, the asset inflation of the 1980s and the political inability of Japanese politicians in the early 1990s to forge a consensus to reorganize the entire system, meant that the public works was pouring so much money down a hole. Bridges were built to nowhere in rural provinces, where the Liberal Democratic Party needed votes. The real economic potential of Japan, only a decade earlier the technological giant of the world, was rapidly falling into obsolescence.

The bad debts of the banks in real estate and other projects were quietly rolled over to save face. Their nominal value rose to the point that today, total non-performing loans of the Japanese banking system, including the giant Postal

FIGURE 3

### A typical collapse function



Savings Bank, KAMPO, exceed \$2 trillion, according to the best private estimates. Japan has thus been the first major sector of the global system to reach the point defined in LaRouche’s “Triple Curve,” or “Typical Collapse Function” (Figure 3), in which the divergence in the size of monetary aggregates in relation to the collapse of real economic aggregates is so extreme that all efforts to spend out of the crisis merely aggravate the crisis, just as in Weimar Germany in 1921-23.

The collapse of Asian markets beginning in May 1997 dealt the fragile Japanese system a crippling blow, as some \$253 billion in Japan bank loans to Asia alone suddenly became worthless, adding to the hidden losses of Japanese banks.

Early this year, in a desperate effort to counter the effects of the “Asia crisis,” the Bank of Japan pumped sufficient liquidity into the system to put interest rates at effectively zero. Today they are slightly higher, but the government faces a pre-programmed debt explosion over the next 3-5 years, at least.

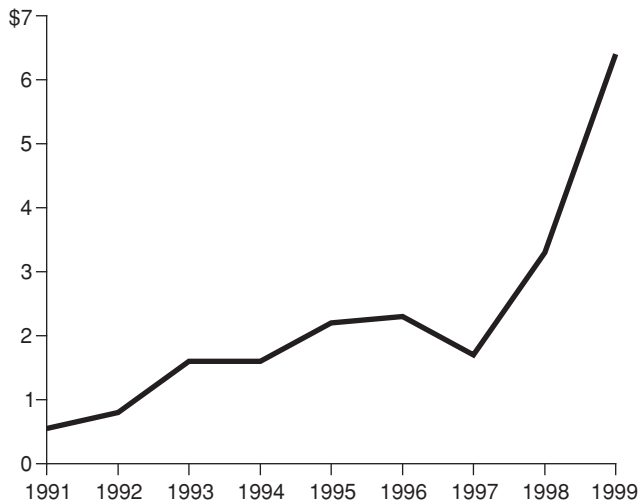
Since the beginning of the crisis in 1991, Japan’s public debt has soared to historic highs. But by 1998, the crisis had so deteriorated that the Obuchi government forged emergency programs on a scale never seen. A bank “restructuring” bill was passed, creating a fund of up to \$500 billion to bail out Japan’s insolvent banks. It is reliably reported that only one of the 19 major Japanese banks is technically solvent today.

Already in 1998, as compared with 1997, the rate of new public debt issue, Japanese Government Bonds (JGBs) and short-term paper, was double, or more than 30 trillion yen (about \$250 billion) a year. Beginning in July 1999, the

FIGURE 4

**U.S. money supply (M3)**

(trillions \$)



Source: Federal Reserve.

annual level of new government debt issue will again double, to near \$500 billion. Soaring unemployment, as private companies slash jobs for the first time since the 1930s, adds to government costs, and the demographic pressures from the world's fastest aging population, combined with hundreds of billions in pensions already owed, for which companies have no funds in reserve, owing to the collapse of the stock market and real estate assets, all create the preconditions over the coming 12-18 months in which the only conceivable policy course, whatever the government, will be to deliberately inflate out of the debt.

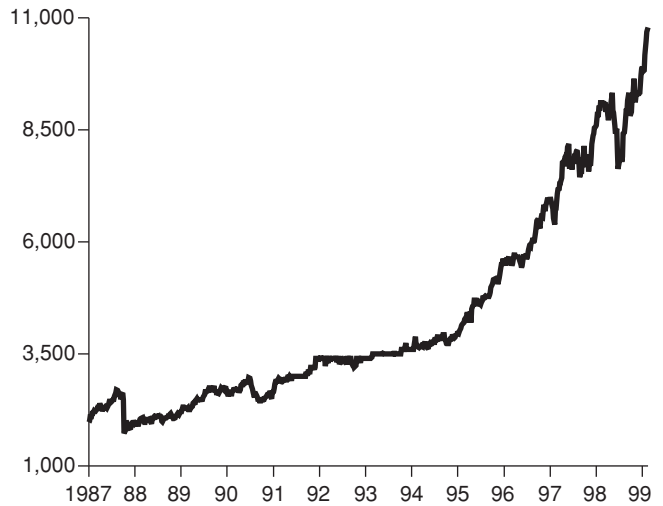
That acceleration of the printing press creation of new money in turn will collapse the yen, as well as any vestiges of credibility in the mythical Japanese "recovery." Thus, in many respects, Japan's post-1995 policies to create a cheap yen also laid the basis for the crisis which erupted during 1997-98, starting in Asia and, by last August, spreading to Russia and other emerging markets. The default of Russia last August and the collapse of the \$3 trillion Long Term Capital Management hedge fund in late September led Greenspan's Fed to embark on the greatest liquidity operation in postwar Fed history (**Figure 4**), to provide artificial life support to the dying global dollar system.

In addition to a series of interest rate cuts between September and November, and the direct injection of money into the banking system, the Fed provided banks directly with a level of bank free reserves as never before. The government mortgage agencies, Fannie Mae and Freddie Mac, were deployed to buy up a record \$128 billion in

FIGURE 5

**Dow Jones Industrial**

(Average weekly closings, 1987-99)



Source: Dow Jones.

mortgage bonds to prevent the collapse of the \$635 billion collateralized mortgage market. Liquidity flowed as never before, all in the name of "saving the system."

The consequences of this last round of money printing and liquidity creation by the Greenspan Federal Reserve, together with the new phase of Japanese debt creation about to be unleashed, are giving an inflationary impulse to the global system which, barring a fundamental Chapter 11 reorganization and write-off of trillions in unpayable debt, will make the 1921-23 Weimar experience appear mild by comparison.

Currently, the effect of the Fed's money-printing, easy-liquidity policies since last September has shown up in what can be identified as the onset of hyperinflation. But, unlike that of Weimar Germany, its negative consequences so far have been less obvious, as the liquidity has gone into the only place in the economy where double-digit paper profits can be had—the stock market (**Figure 5**). Today, the combined paper value of all stocks traded on public exchanges in the United States—the New York Stock Exchange, NASDAQ, etc.—exceeds \$13 trillion. Any number of triggers are likely to pop the bubble, and, aided by the presence of tens of trillions of dollars in the stock index derivatives, the reverse-leverage effect on stock values will take the savings of most of middle America down with it, just as the collapse of the reichsmark took the savings of Germans with it. The fact that today's imminent hyperinflation crisis takes a different form from that of Weimar Germany, in no way makes it any less threatening to the world.

# Business Briefs

## Space

### Russian-Ukrainian firm launches converted SS-18

The first launch of the Dnepr launch vehicle, which is a converted SS-18 intercontinental ballistic missile, took place on April 21, from Baikonur, Kazakhstan. Its payload was the small UoSat-12 technology satellite, built by Surrey Satellite Technology Ltd., in England.

The Russian-Ukrainian company, Kosmotras, is marketing the Dnepr, and plans a second launch in December with a Ukrainian payload. According to Kosmotras, up to 150 missiles are available to be converted to commercial launchers. The rocket is built by NPO Yuzhnoe in Ukraine, which also builds the Zenit rocket that is being marketed internationally for ocean launches by Sea Launch, headed by Boeing. Considering the hoops Boeing had to go through (and fines it had to pay) to launch anything with the Russians and Ukrainians, it seems doubtful that U.S. satellite owners will want to use the Dnepr.

The 770-pound UoSat payload carries technology experiments, including for microwave digital communications, Earth observation, propulsion, attitude control, and navigation. Surrey Satellite, started by college students a few years ago, works with developing nations on small satellites, to introduce them to space technology. Singapore's Nanyang Technological University and the European Space Agency contributed to the experiments on board UoSat-12.

## Machine Tools

### Germany, Japan face decline in orders

Foreign orders for the German machine tool industry fell 30% in the first quarter of 1999, compared to one year ago. The dramatic turnaround in the industry is evident in the fact that, in the first half of 1998, new machine-tool orders for German industry were still up 40%, but in the second half of 1998, the growth rate slowed to 5%, and the first

quarter 1999 has now shown a contraction by 10% (domestic and foreign orders combined). The German machine-tool industry association has downgraded its 1999 growth expectations from 5%, as announced as late as March 1999, to 3%. Once the old orders have been processed, the industry is set for a sharp contraction.

In Japan, machine-tool orders fell 26.7% in March 1999, compared to the year before, the financial daily *Handelsblatt* reported on May 10. It was the 13th successive month of year-on-year declines. Domestic demand fell 27.9%, to 35.14 billion yen (roughly \$270 million). The contraction of foreign orders, by 25.5% to 36.77 billion yen, was in particular caused by the 43.3% fall in orders from North America—with March 1999 orders of 16.17 billion yen still the most important market for Japanese machine tools. Orders from Europe (14.5 billion yen) were down by 14.5%. East Asian machine-tool demand increased 41%, to 5.9 billion yen, but that was only a small recovery from earlier steep declines.

For 1998, the Japanese machine-tool industry reported a 12.5% decline of new orders. The 24% decline of domestic machine-tool orders resulted from a 30.1% drop of demand from the broader Japanese machine-producing industry and a 24.1% drop in orders from the Japanese automobile sector. Orders from South Korea collapsed 75.1%.

## Banking

### Treaty opens Australia up to foreign takeovers

A new World Trade Organization (WTO) treaty, called the Fifth Protocol to the General Agreement on Trade in Services (GATS), will open up Australia's domestic banks to foreign takeovers, in the name of further "liberalizing" trade in financial services. The Department of Foreign Affairs and Trade has said that a failure to sign the treaty would jeopardize Australian trade, but concerns are being expressed about its impact on the domestic banking industry.

Sen. Barney Cooney, the deputy chairman of the federal parliament's Joint Standing Committee on Treaties, which reviewed

the Fifth Protocol and gave the green light to Australia signing it, admitted, "Any foreign investor could buy our banks, but they would have to comply with our regulatory regime." Peter Westmore, the national spokesman for the National Civic Council, pointed out that since the GATS treaty was first signed in 1995, eight of the ten largest stockbrokerages in the country have been sold to foreign interests. In reply to arguments by the treaty's backers that any foreign takeovers would have to satisfy a national interest test set by the Treasurer, Westmore pointed out that the onus would be on Australia to show how it wasn't in the national interest. "If a government were to veto a foreign takeover, it could be ordered to pay compensation by the WTO," he said.

## Venezuela

### Food consumption drops, as unemployment rises

According to the Supermarkets Association of Venezuela, food consumption dropped 12% nationwide in April. The president of Venezuela's commercial association, Consecomerio, said that this means that the crisis is much worse than anyone thought. "When someone stops buying a pair of shoes, clothing, or jewels, this is not as serious as when someone stops buying eggs, pasta, and meat," he said. The Chamber of Food Industries reports that consumption of cheese, sardines, flour, tuna, vegetable oils, chicken, and pasta had already fallen more than 5% between January and February of this year.

President Hugo Chávez and his ministers brag that inflation has dropped since they took office on Feb. 2. The Central Bank, however, admits that inflation is dropping because consumption (food, clothing, shoes, and services) is dropping. According to Datanalysis, average family income dropped 2% in the first quarter of 1999. The trade unions' Labor Center for Documentation and Analysis reports that unemployment rose four percentage points so far this year, from 11% at the end of 1998, to 15% in April. According to the head of the Venezuelan Labor Federation, 50,000 people lost their jobs



in the first months of 1999.

These figures do not include the estimated 52% of Venezuela's 9.5 million labor force who are "employed" in the so-called "informal economy," which is really a form of disguised unemployment.

Conindustria, one of the industrial federations, reports that at least 50 small and medium-size companies went bankrupt in the first quarter. In all, 359 manufacturing companies have shut their doors in the last 12 months.

## Commerce

### Australian intelligence involved in espionage

Australia's intelligence services are actively involved in international commercial espionage, as part of their cooperation with the U.K.-United States alliance's covert communications intelligence (COMINT), according to a report to the Director General for Research in the European Parliament. The report is entitled "Interception Capabilities 2000," and was written by Scottish TV executive Duncan Campbell.

Campbell says that the so-called "U.K.-U.S.A." alliance, which was set up under intelligence arrangements established shortly after World War II, "has routinely intercepted international communications to obtain sensitive data concerning individuals, governments, trade, and international organizations." Further, the report says, "comprehensive systems exist to access, intercept, and process every important modern form of communications."

The report reveals that Australia's cooperation includes its involvement in a little-known organization called ILETs, which "has, without parliamentary or public discussion or awareness, put in place contentious plans to require manufacturers of new communications systems to build in monitoring capacity for use by national security or law enforcement organizations." Martin Brady, the head of Australia's Defense Signals Directorate, admits Australia's involvement in the U.K.-U.S.A. "relationship." DSD passes on "commercially relevant COMINT" to the Office of National Assess-

ments, which decides how it is to be used. It is sometimes passed on to Australian companies to give them an advantage, or balance a disadvantage, in an international trade issue. "Similar systems operate in other U.K.-U.S.A. nations, Canada and New Zealand," the report says.

## Debt

### Relief measures called far from inadequate

Ethiopian President Meles Zenawi said that the Highly Indebted Poor Countries Initiative (HIPC) and other debt reduction initiatives were "far from adequate," and were being used "as the whip to enforce unquestioning acceptance of the economic orthodoxy, the so-called Washington Consensus," in a statement to the conference of African finance and planning ministers in Addis Abeba on May 7. He said that "the choice we are left with under HIPC is to either abandon all independent and rational thinking in economic policymaking or wallow in the quagmire of unsustainable debt."

UN Secretary General Kofi Annan reiterated his view that "all creditors should convert into grants all remaining official bilateral debt of the poorest countries, and creditors should consider clearing the entire debt stock of the poorest African countries."

In the joint statement issued by the attendees, the conference called upon the Group of Seven nations to cancel debt arising from bilateral aid for the poorest countries of Africa. "Debt relief for the poorest countries should not be provided at the expense of Official Development Aid for funding development programs and projects in these and other countries," it said. It called for "exceptional debt relief" for those countries emerging from conflict, including total cancellation.

"Much of the debt is unpayable, altogether it is a very significant impediment to Africa's orderly growth, and current debt resolution mechanisms, particularly the HIPC initiative, are far too slow far too selective in coverage, and far too conditioned," it said.

**THE BRITISH** Treasury said on May 7 that it plans to sell more than half its gold reserves (415 metric tons, or \$3.5 billion worth) in the near future. The announcement caused a sharp drop in prices, \$7-10 an ounce on May 7 and another \$5 on May 10, which had been inching up toward \$290 per ounce.

**A JAPANESE** delegation from the Global Infrastructure Fund is due in Thailand in late May to present detailed proposals covering the environmental and social impact, investment costs, routing, and dredging for the Kra Canal, a 12-kilometer canal that would open a direct passage between the Andaman Sea and the Gulf of Thailand, bypassing the congested Straits of Malacca.

**HSBC HOLDINGS** plc, better known as the drug-tied Hongkong and Shanghai Bank, said on May 10 that it has reached an agreement to buy Edmond Safra's Republic New York Corp. for \$10.3 billion. The deal includes Republic's 49% interest in Safra's Luxembourg-based private banking operation. Among its dirty dealings, Republic runs the "money plane" which ships billions of dollars in cash to Russia.

**HONDA MOTOR** Co. says that it will close one of its five assembly lines in Japan, because of a shrinking home market and dwindling exports. Honda has been manufacturing 1.25 million cars a year in Japan, down from a peak of 1.4 million. In April, Honda's sales dropped 23% compared to April 1998.

'**AIDS** is out of control' in Sub-Saharan Africa, according to Bernhard Schwartlander, chief epidemiologist of the United Nations AIDS organization. The spread of AIDS in Botswana, Namibia, Swaziland, and Zimbabwe exceeds the "most horrifying nightmares," he said. More than one-quarter of the adult population is infected with HIV. In 29 of the affected countries, life expectancy is now 47 years, seven years lower than it would be without AIDS.

## Israeli elections: Barak wins landslide for peace

by Dean Andromidas

The landslide victory of Ehud Barak, the leader of the One Israel alliance, over Benjamin Netanyahu in direct elections for Prime Minister, represents a window of opportunity for restarting the Middle East peace process. Netanyahu's resounding defeat is a major loss for the British-American-Commonwealth (BAC) forces, who hoped to use his dangerous provocations to ignite a new Middle East war. Netanyahu was the favorite of the BAC faction in the United States, including U.S. Vice President Al Gore and his Principals Committee and right-wing Congressional Republicans, who have been sabotaging every one of President Clinton's foreign policy initiatives since 1993. In addition, Netanyahu was personally close to Her Majesty's Prime Minister Tony Blair, and was an active participant in every British effort to undermine the U.S. President.

As soon as Barak announced victory, a delighted Bill Clinton offered his "warmest congratulations," and pledged to work "energetically for a just, lasting, and comprehensive peace that strengthens Israel's security." Within 24 hours, reports began circulating that the President was preparing a Middle East summit to be held as early as June, to include Barak, Palestinian President Yasser Arafat, Egyptian President Hosni Mubarak, and Jordanian King Abdullah. Minimally, Clinton and others expect Barak to move on implementation of last fall's agreements at Wye River, Maryland, which Netanyahu sabotaged even before the ink had dried on his signature.

Barak won 56% of the vote, to Netanyahu's 43.9%, in the second of Israel's direct elections for prime minister. One of Barak's campaign advisers was the flamboyant James Carville, who had advised Clinton's campaign in 1992. As in Clinton's upset of Vice President Bush ("It's the economy, stupid!"), Carville advised Barak to stress Netanyahu's economic failures, especially the tremendous increase in unem-

ployment, which has reached its highest level in six years under "Bibi."

### **A victory for all Israelis**

Addressing 60,000 supporters in the Tel Aviv square where, in November 1995, Yitzhak Rabin was assassinated, Barak said, "This victory belongs to all of the people of Israel. . . . From all of you I hear the cry for change. . . . It is my intention to be everyone's Prime Minister. Whatever the differences of opinion between us, we are brothers. . . . We will reach peace, not from weakness, but from strength and a feeling of security—not peace at the expense of security, but peace that will bring security." Barak continued: "I come to pledge to you, citizens of Israel, and to you my friend and commander, Yitzhak Rabin, that this is indeed the dawn of a new day."

Reactions from Israel's Arab neighbors were warm: Palestinian President Arafat extended his congratulations, saying, "I respect the choice of this democratic election, and I give my best wishes to Mr. Barak," while the top Palestinian negotiator Saeb Erekat, added that the Israeli people had sent a message that "they want to make peace." Similar congratulations poured in from Jordan and Egypt, as well as from France and other countries, all expressing renewed hope for peace.

Speaking to reporters during a meeting with Linho An, Chief Minister of China's Hunan province, Israeli President Chaim Weizman said that Israel "must renew the peace process with the Palestinians and try to reach a process with Syria, because time is short."

### **Nuclear war threat abates**

The election of Barak marks an international strategic shift, noted Prof. John Erickson, an international military se-



*Israeli Prime Minister-elect Ehud Barak. He told Israelis, after his sweeping defeat of Benjamin Netanyahu, "This victory belongs to all of the people of Israel. . . . From all of you I hear the cry for change."*

curity expert at the University of Edinburgh. This is especially true with respect to Israel's well-known nuclear weapons capabilities: With the war-like Netanyahu as Prime Minister, and Ariel "The Butcher of Lebanon" Sharon as Foreign Minister, the threat of nuclear war was very real, which Lyndon LaRouche had pointed out repeatedly. "One piece of good news is that Netanyahu got the shove," he said. "That should mean no to the nuclear weapons option. Barak won't fall for that. This lessens the pressure for some fairly violent action. Netanyahu is a maniac. Now, I imagine the frenetic stuff will calm down—the threats against Iran and so on. The whole profile of politics in the Mideast could now change, with the likely declaration, soon, of an independent Palestinian state, and some kind of accommodation with Syria. At least for the moment, things should calm down in the Middle East and the immediate environs."

A senior Israeli figure in the peace camp agreed with that assessment, telling *EIR* that, unlike Netanyahu, Barak will seek a good relationship with Clinton. He nonetheless warned that the most important factor would continue to be Clinton's exercise of leadership. This source warned that, despite all the euphoria about the potential for peace, Barak's policy outlook continues to be a big question mark. "There are a lot of progressive people in his circle as well as very right-wing ones," he said.

Although Netanyahu's defeat was greeted with great sighs of relief throughout the region, many point out Barak's "three nos" in his election campaign: No to the division of

Jerusalem. No to an Arab army west of the Jordan River (i.e., the West Bank). And, no to a return to Israel's 1967 borders. Superficially, these prohibitions are very similar to Netanyahu's, and, while Barak is certainly no dove, one Palestinian stressed, "Barak is not Netanyahu; he will be a hard negotiator, not a non-negotiator like Netanyahu."

Some Israeli policy circles warned Barak and Clinton to be cautious about putting too much pressure on getting a final settlement with the Palestinians in the near term. This could rapidly give the Israeli right wing an opportunity to radicalize matters. Also, if Israel should refuse to make sufficient territorial compromises, especially on the question of East Jerusalem, it could radicalize the Palestinian population, who feel that the peace process has not met their justified aspirations. These circles suggest that the first move should be for a peace settlement with Syria and Lebanon, with Clinton's direct and personal involvement. This would strengthen the forces for peace throughout the region, and, furthermore, would dovetail with the efforts of many countries to mend historic differences among themselves. These would include efforts by Iran to improve relations with Saudi Arabia, the Gulf states, Egypt, and Jordan, as well as Jordan's efforts to improve relations with Syria.

### **Coalition politics inside Israel**

Although Barak handily defeated Netanyahu, the vote for the Knesset—Israel's parliament—reinforced the trend toward splintering among and within political parties. The victory for peace notwithstanding, the election of Barak was more a repudiation of Netanyahu, whose hold on power had become intolerable for both the center and left of the political spectrum and for his own Likud party. There are now no fewer than 15 parties represented among the 120 members of the Knesset. Barak's One Israel—an alliance of the Labor Party with the pro-peace Orthodox religious party, and with Geshet, the social issues party of former Likud leader David Levy—won the most seats, 26. Nonetheless, this is down from the 34 seats it had held after the last elections.

Netanyahu's **Likud** received a crushing defeat at the polls, getting only 19 seats, down from 32, the lowest since 1961, when, as Herut Party, it got only 17 seats. Netanyahu resigned as Likud chairman, but, even a week before the election, the rest of the party leadership had agreed that Bibi, as chairman, had to go. None other than Ariel Sharon was named acting chairman, in hopes of rebuilding the shattered party.

A leading religious party, **Shas**, got 17 seats, a spectacular gain over 1996, when it had won 10 seats. Shas had been part of Netanyahu's governing coalition, but, before that it had also been in the Labor Party-led government of Yitzhak Rabin. Aryeh Deri, Shas's chairman, was recently convicted of fraud. It is widely reported that Barak will refuse to negotiate a coalition with Deri, but that he would consider bringing Shas into a coalition without Deri as party leader.

**Meretz**, the pro-peace party, got 10 seats, and would no doubt be a leading member of a coalition government.

**Yisrael B'Aliyah**, the Russian party of Nathan Sharansky, received 7 seats. Like Shas, it had served in Netanyahu's government. However, according to press reports, the Likud claims that Sharansky made a secret deal to support Barak, which Likud had not learned of until 5 p.m. on Election Day. Yisrael B'Aliyah could also be in the next government.

**Shinui**, a new left-wing party, got 6 seats, and **One Nation**, another left-wing party, got 2 seats.

The **Center Party** won 6 seats. This party includes former Defense Minister Yitzhak Mordechai, one of the candidates for prime minister, whose late withdrawal from the race helped pave the way for Barak's landslide. Mordechai, who had resigned as Defense Minister in Netanyahu's government, is said to be a favorite of the Clinton administration, and will no doubt get a high position in the next government. His party includes Danny Meridor, a former Likud member, who had resigned as Netanyahu's Finance Minister, disgusted with Netanyahu's thoroughgoing lack of integrity.

The most dangerous of the right-wing parties, including the **National Religious Party** and the **United Torah Judea**, lost seats, and now have only 5 each. These parties have the most contacts in U.S. right-wing Zionist circles.

**Ysrael Beiteinu**, the other Russian party, won 4 seats. This is the party of Avidgor Lieberman, who was Netanyahu's chief of cabinet, who had to leave his post because of alleged links to the Russian mafia. Other right-wing parties, including

**National Unity**, won only 3 seats, while the extremist **Molodet** and **Tsomet** failed to make it into the Knesset.

The Israeli-Arab parties, including the **National Democratic Alliance**, **Arab Democratic Alliance**, and **Hadash**, all increased their representation by 1 seat, winning a total of 10. Although it is unlikely they would join a coalition government, they would tend to support the government on peace issues.

Barak has 45 days from May 17 to put together a governing coalition. Talks between One Israel and the other parties are being handled by former Foreign Minister Yossi Beilen, one of Rabin's top negotiators in the Oslo Accords, and Haim Rainmon, who is said to have been a protégé of Rabin's. Beilen has mentioned that the coalition government could include enough parties to account for 75 of 120 members of Knesset. It is feared that such a broad coalition would include the Likud and other right-wing parties and thus would hinder peace efforts.

Netanyahu's Defense Minister Moshe Arens and Foreign Minister Ariel Sharon have called for a National Unity government, a coalition that they had refused to support when in power. The efforts are being supported by none other than Ronald Lauder, heir to the Estée Lauder cosmetics empire, and bankroller of Netanyahu's election campaign. Lauder, who had been U.S. ambassador to Austria during the Reagan-Bush years, also called for "the establishment of a National Unity government," acting in his capacity as the head of the Conference of Presidents of Major American Jewish Organizations. It is by no means out of the question that the Barak would allow Likud into his government, and there is even talk of Sharon becoming Foreign Minister.

### High security alert for Barak

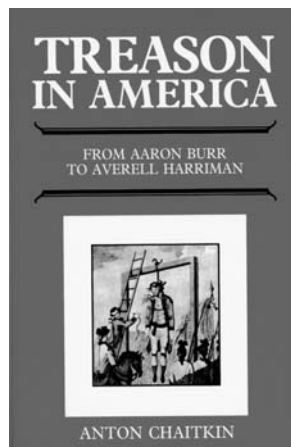
Barak and Clinton's enemies are no doubt prepared to take drastic countermeasures. Shin Bet, Israel's secret service, fears that Barak's close association with the assassinated Yitzhak Rabin could prompt Jewish extremists to mount a similar attempt at assassination. On the day of Barak's victory, police opened an investigation of two Likud supporters, who had been filmed singing, "Yigal Amir murdered Rabin with three bullets, and Barak is next in line." In addition, a group of demonstrators in Jerusalem were seen waving banners that read: "You Elected Barak. We Will Finish Him, Too."

At the same time, Irving Moskowitz, the American "bingo billionaire" who financed Netanyahu's campaign, broke ground for a 132-unit apartment house in the middle of the Arab Quarter in East Jerusalem. In addition to funding the most provocative Jewish settlements, Moskowitz is the leading financier for the Ateret Cohanim yeshiva, which aims to destroy Islam's third holiest site, the Al Aqsa Mosque on Jerusalem's Temple Mount, in order to rebuild the Temple of Solomon.

Such an apocalyptic scenario could be the trigger for World War III.

## Treason in America

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# The 'Oasis Plan' for Mideast peace

by Lyndon H. LaRouche, Jr.

*With the election on May 17 of Ehud Barak as Israel's Prime Minister, the stage is set for resumption of the peace process with the Palestinians and other Arab states. Most essential to that process is the economic development of the region, as EIR and Lyndon LaRouche have insisted for the past 25 years.*

*On July 8, 1990, during the buildup to George Bush and Margaret Thatcher's war against Iraq, Lyndon LaRouche issued a call for an "Oasis Plan," to provide the basis for a lasting peace in the Middle East. (LaRouche was, at the time, in prison—a political prisoner of Bush and his Anglophile political faction.) He reiterated his program in a speech to the Institute of Oriental Studies in Moscow on April 27, 1994, published below. Subheads have been added.*

I'll give an outline of my background in this area and then focus upon one particular topic, which is a very narrow part of the total Asian picture: the question of Middle East peace, focussed upon cooperation at present, however unstable, between Shimon Peres on the Israeli side, and Yasser Arafat on the side of the Palestinians. And there are some other Arab countries, naturally, interested in this.

Relevant parts of my experience bearing on this are two. First, after returning from the Second World War with a very strong impression of my postwar experiences in India, I ran into a book which angered me very much, a book called *Cybernetics*, by Prof. Norbert Wiener, which became famous in later years. . . .

From 1945 through 1963, the world had been dominated by the idea of postwar reconstruction based on scientific and technological progress, but from 1968 on, after the counter-cultural revolution among youth, the result was that we no longer as nations accepted the idea of the right of developing nations to scientific and technological progress. So the period from the First Development Decade and the aborted Second Development Decade, as announced by U Thant in his famous Second Development Decade proposal at the UN—that was over.

At the same time, there was a destruction of all traditional family and related values within the United States, North America, and western Europe.

As an economist, I had known at the time that if the policies of that period were continued, the international Bretton Woods system in its existing form would cease to exist, would

collapse—as it did, over the period 1967 through 1971. Because of my somewhat unique success in forecasting the nature of this collapse, I achieved a certain influence; and I faced then the question of the passage of the world from less than two decades of postwar reconstruction, to what have become today three decades of post-reconstruction deconstruction.

If that policy of deconstruction continues, if the policies of the past 30 years continue, then I would say there is no chance for any part of the planet. There will be a general collapse into barbarism.

As a result of that, some friends of mine and I started some publications and set up an intelligence organization project. People became specialists in various parts of the world and specialists in various subjects; and, through publications which are the result of that effort, I have been involved in most parts of the world over the past 25 years.

One of my primary concerns was with the crossroads of civilization, the Middle East, which traditionally, for geographic and other related reasons, has been the crossroads between the Mediterranean and the Indian Ocean regions historically, for thousands of years, since at least the time of that ancient civilization we sometimes call Harappa.

For special reasons, I became concerned with the injustice suffered by the Arab people in consequence of British operations in setting up Israel.

In April 1975, in the course of a visit to Iraq for the annual Baath Party session, I proposed to various Arabs who were there, that they consider a new approach to the Israeli-Arab conflict. The idea was not entirely original; there were brief precedents in Israel for this. There were certain Arabs who had confidence in it, particularly after they discovered, in the middle of that meeting, that the Lebanese civil war had broken out. This had been a subject of some debate. At the time, I insisted that it was about to break out; they said no, and when it did, we had some very serious discussions.

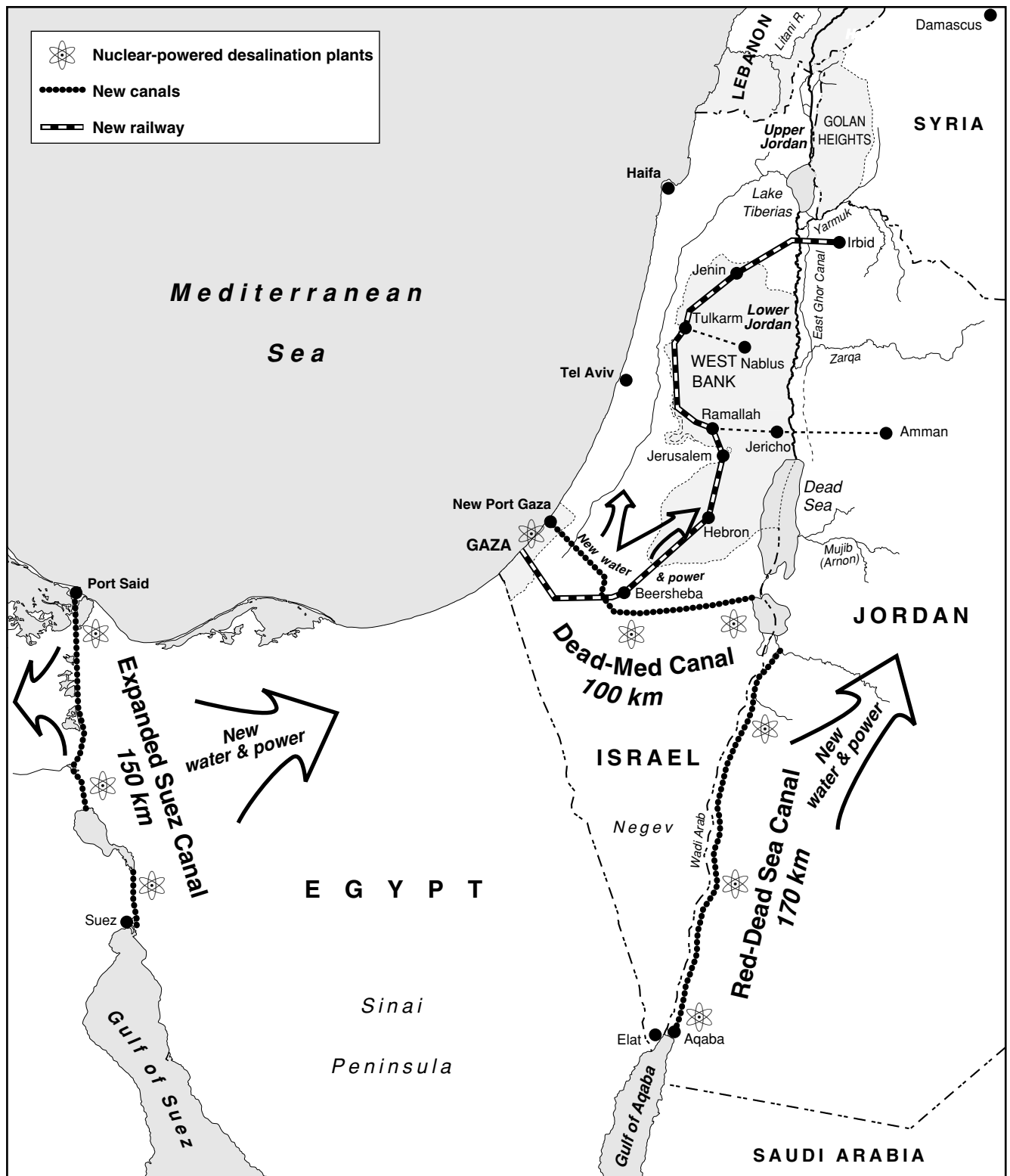
What I proposed—and I had ready acceptance from certain circles in Israel and among some Palestinians and other Arabs—was the following thesis. I stated that the efforts to find a political solution to the Middle East conflict would not succeed under any circumstances, because we had extreme bitterness which could not be settled at the political bargaining table. Before we could have a political solution, we had to have an economic self-interest by both parties in a political solution.

Some Israelis, of the type you would associate today with Shimon Peres, agreed. By early 1976, there was a very significant effort to bring this to success; but because of a very radical shift in politics in Israel at that time, our efforts failed. We tried to revive this again with some sympathy from certain circles in the United States in the later 1978 Carter period. But that failed because forces inside Israel at the time wished it to fail.

There was a brief effort to revive that on the Israeli side, as well as ours, when Shimon Peres was Prime Minister of Israel. What I believe were some very useful plans were

FIGURE 1

### Selected infrastructure projects for Middle East development



brought to agreement; but we were cut off because of the change in government.

The plan, as you know, has been revived recently on the initiative of Shimon Peres in negotiations with Yasser Arafat. It could succeed; it is very much in jeopardy.

## **Water and nuclear power**

The typical axes of the proposal were two things: water and nuclear power. One of the key problems there, of course, is the shortage of water. One cannot meet the indices of water consumption for a modern population, for both the Palestinian and Israeli populations, under present conditions. There is a conflict over water because the Israelis have, frankly, been using their conquests to take water from everybody. It's one of the conflicts with Syria on the Golan Heights issue. It involves, in Lebanon, the Litani River, and things of that sort.

If you look at the aquifers in the region, *there is not enough water available for the total population—not for modern life*. Therefore a political division of the water as it exists, would be no solution.

When we were negotiating with the Peres government in Israel in the early 1980s, they came up with a plan which was called the Canal-Tunnel Plan, to bring seawater from the Mediterranean, through Beersheba, and to cut a tunnel in the mountains, into the Dead Sea, which would be partly, in their view, a power-generating project, which would stabilize the aquifers in the vicinity of the Dead Sea.

I suggested that that was not adequate; it was good, but not adequate. We focused on the Gaza area as a key area to look at, in terms of shaping a possible policy. We found the Israelis had done all the paperwork and planning necessary for the development of infrastructure in that region. My friends made an effort to involve some Japanese interests in actually constructing the project and financing it according to these plans.

My particular version of it came in two parts. Of course, the Jordanians and the Palestinians were very interested in that version of the plan, which was to make another cut from the Gulf of Aqaba toward the Dead Sea, which would be largely a Jordanian project, to link the two canals by a cross-canal.

My point was to increase the size of the canals adequately to permit a large-scale desalination project along the banks of the canal. Our concern also was that, since this required nuclear energy, to avoid the problems of nuclear proliferation.

As you may know, back some years ago, at the German nuclear research center at Jülich, a new type of high-temperature reactor was developed, which is sometimes called the Pebble Reactor. It is a fully designed system. It has never been installed due to economic and political reasons. It is the type of reactor which I would recommend to the attention of certain Russian circles as well. It was developed under the direction of a group headed by Professor Schulten of the Jülich Center. At that time, initially Brown Boveri was to be the contractor to build these type of reactors.

My view was to build a series of 300 megawatt electricity plants and put them in blocks of four, to build what was called, in the 1950s, nuplexes.

Although the cost of producing fresh water from salt water by nuclear energy is high, the availability of usable fresh water is such a bottleneck in the region, and fresh water is at such a cost in the region, that the high cost of fresh water or brackish water produced by nuclear desalination or nuclear-assisted desalination, would be perfectly acceptable economically. You could in fact build up a supply of water by such methods which would be the equivalent of a new, added river in the region, which would mean the possibility of creating new cities and recapturing the desert for industry and agriculture. As I'm sure you know, there were plans in Egypt along similar lines which were aborted on orders of international financial institutions.

I merely cite this as an illustration of what can be done. We have the technology available and obviously, in the unused potential of Russia's scientific-military-aerospace research capabilities, there is a capability from this nation, if there were some credit available, to participate in assisting in such projects, for this case or other cases where development would become the key to peace.

## **The way out of the current crisis**

In conclusion, let me state what the issue is, I believe, here.

The issue with the present countercultural trends in economy is obvious; but I can assure you that within a relatively short period of time, the existing global financial and monetary system will collapse. It is finished; it is unstable. What has been seen in the past six weeks on international financial markets is only an advance rumble of much larger financial disruptions to come.

So, soon those problems will be the music of the past. The question will be: how to keep economies going *despite* the collapse. And policies to accomplish that, I think, are the only important policies.

In this case, I propose we drop the sociological or often-accepted sociological view of negotiations and grand politics. I propose that, not only the material, but the psychological effect of development upon the state of the individual mind is the key to peaceful development of this planet in the coming period. We have seen, in recent decades, that those sociological ideas which are very popular in, for example, the U.S. establishment, have been worse than a failure. For example, I know intimately most of the countries of Central and South America; and I can assure you that in those countries, those sociological methods have been proven to be worse than nothing.

To me, the key is the fact that man is not an animal. If humanity were an animal, it would be in the same category as the higher primate species, which means that the human population would never have exceeded, in the past 2-3 million years, more than 10 million individuals at any one time on this planet. Man has already shown, many centuries ago, that

he can increase willfully the potential population density, that is, the power of man over nature, which no animal can do. We reached the level of several hundred millions during a period of the Roman Empire and afterward. The productive power of man has increased more greatly in the past 600 years than in the millions of years of human existence prior to that time. The secret of it is that we have developed science as a tool of human development. No longer does 95% or more of the population labor in the brutality of rural life—or if they do, they need not, if we use modern technologies.

We have elevated man by making possible a society which required an education in ideas. The cruelest thing I have seen on this planet, is to see a human being, and looking into their eyes, expecting to find humanity reflected there, to find a person instead who has been bestialized. The essential thing is what we used to hear and accept up until the mid-1960s. I'm sure all of us who were adults then, or who were growing up in that period, would think about justice for the developing nations, and providing them access to technology to solve their problems.

The tendency now, is to look at those faces and say, "The problem is there are too many people."

I would suggest that if we do not change our policy to foster in the individual a sense of his identity as a human being, through access to scientific and other creativity, that we shall bring barbarism upon ourselves.

## The Oslo Accords and economic development

*The following are the economic sections of the September 1993 Oslo agreement on Palestinian "self-rule."*

### **Annex III Protocol on Israeli-Palestinian Cooperation in Economic and Development Programs**

The two sides agree to establish an Israeli-Palestinian Continuing Committee for Economic Cooperation, focusing, among other things, on the following:

1. Cooperation in the field of water, including a Water Development Program prepared by experts from both sides, which will also specify the mode of cooperation in the management of water resources in the West Bank and Gaza Strip, and will include proposals for studies and plans on water rights of each party, as well as in the equitable utilization of joint water resources for implementation in and beyond the interim period.

2. Cooperation in the field of electricity, including an Electricity Development Program, which will also specify the mode of cooperation for the production, maintenance, purchase and sale of electricity resources.

3. Cooperation in the field of energy, including an Energy

Development Program, which will provide for the exploitation of oil and gas for industrial purposes, particularly in the Gaza Strip and Negev, and will encourage further joint exploitation of other energy resources. This program may also provide for the construction of a petrochemical industrial complex in the Gaza Strip and the construction of oil and gas pipelines.

4. Cooperation in the field of finance, including a Financial Development and Action Program for the encouragement of international investment in the West Bank and Gaza Strip, and in Israel, as well as the establishment of a Palestinian Development Bank.

5. Cooperation in the field of transport and communications, including a program, which will define guidelines for the establishment of a Gaza Sea Port Area, and will provide for the establishing of transport and communications lines to and from the West Bank and the Gaza Strip to Israel and to other countries. In addition, this program will provide for carrying out the necessary construction of roads, railways, communication lines, etc.

6. Cooperation in the field of trade, including studies, and Trade Promotion Programs, which will encourage local, regional and inter-regional trade, as well as a feasibility study of creating free trade zones in the Gaza Strip and Israel, mutual access to these zones, and cooperation in other areas relating to trade and commerce.

7. Cooperation in the field of industry, including Industrial Development Programs, which will provide for the establishment of joint Israeli-Palestinian Industrial Research and Development Centers, will promote Palestinian-Israeli joint ventures, and provide guidelines for cooperation in the textile, food, pharmaceutical, electronics, diamonds, computer, and science-based industries.

8. A program for cooperation in, and regulation of, labor relations and cooperation in social welfare issues.

9. A Human Resources Development and Cooperation Plan, providing for joint Israeli-Palestinian workshops and seminars, and for the establishment of joint vocational training centers, regional institutes and data banks.

10. An Environmental Protection Plan, providing for joint and/or coordinating measures in this sphere.

11. A program for developing coordination and cooperation in the field of communications and media.

12. Any other programs of mutual interest.

### **Annex IV Protocol on Israeli-Palestinian Cooperation Concerning Regional Development Programs**

1. The two sides will cooperate in the context of the multi-lateral peace efforts in promoting a development program for the region, including the West Bank and Gaza Strip, to be initiated by the G-7. The parties will request the G-7 to seek the participation in this program of other interested states, such as members of the Organization for Economic Cooperation and Development, regional Arab states and institutions,



as well as members of the private sector.

2. The Development Program will consist of two elements:
  - a. an Economic Development Program for the West Bank and Gaza Strip.
  - b. a Regional Economic Development Program.

A. The Economic Development Program for the West Bank and Gaza Strip will consist of the following elements:

1. A Social Rehabilitation Program, including a Housing and Construction Program.
2. A Small and Medium Business Development Plan.
3. An Infrastructure Development Program (water, electricity, transportation and communications, etc.).
4. A Human Resources Plan.
5. Other programs.

B. The Regional Economic Development Program may consist of the following elements:

1. The establishment of a Middle East Development Fund, as a first step, and a Middle East Development Bank, as a second step.

2. The development of a joint Israeli-Palestinian-Jordanian Plan for coordinated exploitation of the Dead Sea area.

3. The Mediterranean Sea (Gaza)—Dead Sea Canal.
4. Regional Desalinization and other water development projects.

5. A regional plan for agricultural development, including a coordinated regional effort for the prevention of desertification.

6. Interconnection of electricity grids.
7. Regional cooperation for the transfer, distribution and industrial exploitation of gas, oil and other energy resources.
8. A Regional Tourism, Transportation, and Telecommunications Development Plan.
9. Regional cooperation in other spheres.

C. The two sides will encourage the multilateral working groups, and will coordinate towards its success. The two parties will encourage inter-sessional activities, as well as prefeasibility and feasibility studies, within the various multilateral working groups.

## Interventions by LaRouche

*The following is a selected chronology of efforts toward Mideast peace by Lyndon H. LaRouche and associates, prior to the 1993 Oslo Accords.*

**April 1975:** LaRouche travels to Baghdad, Iraq for meetings with leaders of the Iraqi Baath Party. Speaking in Bonn, West Germany en route back to the United States, he releases his proposal for an International Development Bank (IDB), calls for a sweeping financial reorganization of the world monetary system, an orderly process of debt moratorium, and the establishment of the IDB as a centralized fund for long-term, low-interest credits for infrastructural development. The proposal also details a plan for the industrial and agricultural development of the region stretching from Syria to Afghanistan, and from the Persian Gulf to the Mediterranean Sea.

**November 1975:** LaRouche and associates organize a seminar in Paris on his Middle East development plan, with the planned participation of France and Middle East and African nations. The seminar is sabotaged by the U.S. embassy in Paris on orders of Secretary of State Henry Kissinger.

**November 1975:** LaRouche meets in New York with former Israeli Foreign Minister Abba Eban on his proposals.

**August 1977:** LaRouche writes an article, "A Future

For the Middle East," which is published in the Paris-based newsletter *Israel & Palestine*.

**March 1978:** LaRouche writes "A Machiavellian Solution for Israel," which emphasizes the need for "a massive economic development program for the Middle East."

**May 1983:** A Cairo conference on Mideast development organized by LaRouche and his associates is abruptly cancelled through massive pressure on the Egyptian government by Henry Kissinger.

**December 1983:** LaRouche calls on Israel to work with PLO leader Yasser Arafat to bring peace to the region. LaRouche issues "Proposal to Begin Development of a Long-Range Economic Development Policy for the State of Israel," circulated widely there by LaRouche representatives sent for that purpose.

**1984:** Three trips to Israel by LaRouche representatives, who argue for his development proposals.

**August 1986:** LaRouche extends full support for the renewed proposal of Shimon Peres for a new Marshall Plan for Mideast development.

**July 1990:** LaRouche warns of British and Israeli efforts to trigger a new Mideast war; issues "Oasis Plan," again calling for emergency program to economically develop the Mideast.

**April 1991:** LaRouche's Presidential campaign widely circulates a 32-page pamphlet titled "Demand Development in the Middle East! Stop Bush's Genocidal New World Order."

**July 1992:** LaRouche representatives in Jordan distribute proposals on regional economic development.

# New evidence shows British were behind China Embassy bombing

by Jeffrey Steinberg

On May 14, Lt. Gen. Robert Gard, the former president of the National Defense University and the president emeritus of the Monterey Institute for International Studies, voiced deep criticism about the way that the air war in the Balkans has been conducted, and argued for a humanitarian solution to the ongoing crisis, on the PBS “News Hour with Jim Lehrer.” Toward the end of the interview, PBS’s Phil Ponce asked Gard to comment on the recent “specter of mistakes” in the NATO bombing targetting, an explicit reference to the May 7 bombing of the Chinese Embassy in Belgrade.

The Chinese embassy was hit with at least three precision-guided bombs, resulting in the deaths of three people, and injuries to a score of others. The Chinese government branded the bombing a “barbarian” act of aggression, and accused the “U.S.-led NATO” of a premeditated attack on their sovereign territory.

On May 10, U.S. Defense Secretary William Cohen and two unnamed “senior intelligence officers” from the Central Intelligence Agency and the Defense Intelligence Agency “explained” the cause of the bombing, blaming the incident on an outdated map provided by the CIA, at a Pentagon press conference.

The preposterous cover story put forward by Cohen et al. only served to deepen the rift between the United States and Chinese governments, a rift that could still jettison President Clinton’s efforts to achieve a diplomatic solution to the Balkan war. That rift was very much evident when Chinese President Jiang Zemin refused to accept a personal phone call from President Clinton days after the bombing. Eventually, the President met with the Chinese ambassador in Washington, signed the official condolence book for the Chinese journalists and embassy official killed in the bombing, and did speak by telephone with President Jiang on May 14.

The PBS interview with General Gard demonstrated that a sane element within the U.S. military establishment is becoming increasingly alarmed at the insane direction in which U.S. military doctrine is headed, under the likes of Chairman of the Joint Chiefs of Staff Gen. Henry Hugh Shelton and NATO Supreme Allied Commander Gen. Wesley Clark (SACEUR). In this view, General Gard and the others have joined Lyndon LaRouche, who called for a thorough probe of the Chinese Embassy bombing, and publicly declared, “I would court-martial the SOBs.”

General Gard responded to Ponce’s question: “Well, particularly if we’re going to attack targets in populated areas, I think we have an obligation. For example, in the case of the Chinese Embassy — to blame that on a seven-year-old map is ludicrous. With all of the surveillance capability we have, we should be cross-checking each and every target we hit in a populated area, to minimize the chances for these kinds of accidents. What’s occurring in warfare is a secular trend toward an increasing proportion of civilian casualties. The turn of the century was about 10%. Now it’s running 80 to 90%. And I think the means that we’re employing to try to achieve a humanitarian objective are contributing to what is an increased proportion of civilian casualties in warfare. And I think we need to take a hard look at employing our forces in that manner.”

While General Gard was too polite to say outright, that the story put forward by Defense Secretary Cohen and NATO spokesman, and British subject, Jamie Shea was an outright lie, his remarks touched upon some of the crucial evidence that the “CIA old maps” tale is preposterous, and that a thorough investigation could lead to a solution to one of the most dastardly, and potentially politically devastating crimes to have ever been carried out by elements of NATO.

Indeed, as *EIR* reported last week, on May 8—two days *before* the Cohen cover story was first rolled out—Maj. Gen. Walter Jertz of NATO was asked by a defense correspondent whether it were possible that the mistaken targetting of the Chinese Embassy could be attributed to an out-of-date map. Jertz debunked the possibility of an “old map” error. “We go through a very thoroughly researched targetting process,” he told reporters at a NATO press conference in Brussels. “We do validate targets, if they are legitimate targets, with all the information we can get. These targets will then be placed on the master target list consistent with NATO plans, and those targets, once they are legitimate, we are going to attack. I have no evidence that we are using old maps, wrong maps.”

## How it works

*EIR* has interviewed a number of current and former U.S. military and intelligence professionals, who have confirmed, indeed, that the scapegoating of the CIA for the China Embassy bombing is absurd. A composite picture from these sources can be summarized as follows:



*President Bill Clinton and President Jiang Zemin review Chinese troops in Beijing, June 27, 1998. The British-steered NATO attack on the Chinese Embassy in Belgrade was intended to break up the deepening strategic partnership between the United States and China.*

1. While it may have been the case that officials of the CIA “nominated” the particular Federal Republic of Yugoslavia Interior Ministry building, thought to be a command post for the deployment of Serb paramilitary death squads inside Kosovo, as a target for NATO bombing, and while the CIA may have even been working from erroneous maps provided by the National Imagery and Mapping Agency, there is no way that such an initial error could have escaped detection further along the chain of command.

2. Once a target has been recommended, there is a cross-check and further review conducted at the Pentagon, of all of the evidence justifying the targetting. This review process draws upon added sources of documentation, drawn from a wider range of U.S. government intelligence databases and sources. Several branches of the U.S. military, as well as representatives of other U.S. intelligence agencies, participate in this process.

It should be emphasized that several sources interviewed for this article told *EIR* that, as a matter of routine, the Chinese Embassy in Belgrade is a target of electronic eavesdropping by the U.S. National Security Agency. Telephone and cable traffic in and out of the embassy is a priority target for U.S. “national intelligence means.” Therefore, the idea that the 1996 relocation of the Chinese Embassy was not noted by U.S. intelligence agencies at the headquarters level is preposterous.

3. If the targetting recommendation passes this second

cross-checking, the referral is forwarded to NATO headquarters in Brussels, where another review process takes place. This is the process that was described on May 8 by General Jertz, and by a NATO headquarters official interviewed by *EIR*’s military correspondent Dean Andromidas. At NATO headquarters, in the J2 (Joint Intelligence) and J3 (Joint Operations) sections, the American intelligence, backing up the target recommendation, is cross-checked against information from other NATO countries.

4. Before final approval is given for a target, there is an on-the-ground check carried out by NATO intelligence assets. In the case of the Chinese Embassy, on-the-ground sources in Belgrade would have been deployed to eyeball the target, to confirm that the cumulative intelligence motivating the targetting was accurate. In short, if, as Cohen et al. claim, there was no correction provided on the targetting of the Chinese Embassy, this was the result of outright willful sabotage on the part of key elements of the NATO command, who, by their own rules, cannot authorize a bombing attack until an eyewitness corroboration of the accuracy of the target information has been transmitted back to Brussels.

### **British perfidy**

NATO officials confirmed to *EIR* that the target verification process, including a mandatory on-the-ground site observation, is handled at NATO headquarters by the J2 and J3 units, which are staffed by active duty officers from several

NATO countries. The chain of command leads up to the Deputy SACEUR, who, by NATO statutes, is always a British officer. The present Deputy SACEUR is Gen. Sir Rupert Smith, who had been the commander of the United Nations Protection Force in Bosnia. The British component of the Bosnian peacekeeping force was notorious for feeding preemptive information about planned UN military deployments to the Serbian forces, thus abetting some of the very "ethnic cleansing" that they were deployed to prevent. So, the idea that General Smith is the chief operations officer for the current NATO operation in Kosovo demands special attention and scrutiny, if the truth is to be revealed about the Chinese Embassy bombing.

Well-placed U.S. intelligence sources have told *EIR* that it cannot be ruled out that British assets on the ground in Belgrade, including Serbian assets with long-standing ties to British intelligence, may have been the source of the disinformation that locked in the targetting of the Chinese Embassy. "The British are the number-one suspects," stated one source, who requested anonymity. "They have the capability on the ground, and they clearly have the motive. The United States had neither."

Several military sources completed the picture: Once the mapping coordinates of a target are verified from the on-site sources, it is a matter of procedure that specific NATO countries are given the task of planning and executing the attack. Given that 75% of all of the air sorties over Yugoslavia have been carried out by the U.S. Air Force, it was not shocking that it was apparently American fighter aircraft that dropped the three precision-guided bombs.

## Washington, Bonn, Rome, Moscow pursue diplomacy

by Rainer Apel

The first direct telephone conversation between President Bill Clinton and Chinese President Jiang Zemin, on May 14, broke the ice that had been piled up between NATO and China, after the "accidental" bombing attack on the Chinese Embassy in Belgrade on May 7. That telephone contact, in which Clinton assured the Chinese that there would be a thorough investigation of the bombing incident, helped to restore much, though not all, of the positive impulse for a diplomatic solution to the Kosovo conflict, which had been created by the May 6 Bonn declaration of the foreign ministers of the Group of Seven and Russia. The talks that Germany's Chancellor Gerhard Schröder had in Beijing with Chinese leaders on May 12, were also very important to mend relations between NATO and China, thereby "pulling China into the boat," as German

officials put it. But the diplomatic impulse was consolidated only with the Clinton-Jiang Zemin telephone discussion, and one cannot rule out a new British-instigated atrocity to once again undermine the fragile relationship with Beijing.

From there, the international Kosovo peace diplomacy made fast advances in the days immediately after: On May 15, the United Nations Security Council approved a joint U.S.-Russian initiative, supported by the governments of Italy and Germany, to appoint Martti Ahtisaari, the President of Finland, as special UN envoy for the Kosovo peace process. Not being a member of NATO, makes Finland acceptable to Russia and China, the two non-NATO members of the five permanent powers on the UN Security Council. And, having clashed repeatedly with U.S. Secretary of State Madeleine Albright over her destructive views on the Balkans issue, German diplomats very much welcome that Clinton has named Deputy Secretary of State Strobe Talbott to represent the United States in the Kosovo peace talks.

Talbott is known among German diplomats as a tough negotiator, but he is also known for being a constructive mind, and Italian diplomats hold similar opinions on this issue. Furthermore, Talbott has also been designated by President Clinton to handle the sensitive joint work with Russian Balkan envoy Viktor Chernomyrdin, the longtime crony of Vice President Al Gore. In effect, President Clinton has not only iced out Secretary of State Albright from the Balkan diplomacy, but he has iced out Vice President Gore as well. This, too, is an extremely positive and important maneuver by President Clinton, which undercuts the prospects of the peace effort being sabotaged by the notorious Gore-Chernomyrdin combination, already under suspicion of having plotted the overthrow of Russian Prime Minister Yevgeni Primakov.

The redoubled U.S.-continental European effort to achieve a diplomatic solution to the Kosovo war became visible on May 18 when, after two days of Italian-German consultations in Bari, Italy, Schröder and Italian Prime Minister Massimo D'Alema, at a joint press conference, endorsed the Ahtisaari mission. That mission is something that Talbott was involved in directly, when he met with the Finnish President and Chernomyrdin in Helsinki on the same day.

### **The air war must be halted**

The other aspects on which the German and Italian leaders agreed, were the need for a temporary halt in the NATO air war against the Serbs, to create conditions for a rapid withdrawal of Serbian forces from Kosovo. The cessation of air operations would be made possible, when a joint Kosovo resolution of the Security Council, with the explicit consent of Russia and China, were passed, Schröder and D'Alema said. And, they indicated, that resolution should be along the lines of the May 6 Bonn resolution of the G-8. D'Alema had published the basic outlines of this proposal already on May 16, and he had also been strengthened in his view after a conversation with Schröder on May 10, that NATO could not,

and should not be allowed to avoid, the necessity of a thorough investigation of the “accidental” bombing of China’s Embassy in Belgrade. D’Alema told Schröder that NATO would lose all confidence among the citizens of its 19 member-states and internationally, if it continued to make foul apologies for the embassy bombing, instead of really telling the public what it was that made such a catastrophe possible.

D’Alema and Schröder also made clear that a solution to Kosovo could only be a diplomatic one, rather than one based on total military victory of NATO over Serbia—a victory that might still be far away. Schröder added that, for Germany, he categorically ruled out any deployment of ground forces for combat missions. This earned him very angry headlines in the British press on May 19, for example in the *Daily Telegraph*, which wrote: “Germany Joins U.S. in Veto of Ground Forces.” The London *Times* said that at the Bari press conference with D’Alema, Schröder had “crippled” the British government’s plan for a ground war against the Serbs.

“The German Chancellor’s outright dismissal of this strategy appeared to isolate Britain among the main players of the alliance,” the *Times* wrote, adding that “France and Italy are also opposed to deploying troops unless there is first a peace agreement and approval by [Serbian President Slobodan] Mr. Milosevic of an international military force in Kosovo with NATO at its core.” The *Daily Telegraph* said that Schröder’s “no” to ground forces “parallels one given to Mr. Blair by President Clinton last month. Mr. Blair tried for hours to persuade the President to endorse the possible use of ground troops if bombing fails to force Milosevic to back down. But he could not.”

For a change, the *Telegraph* coverage of President Clinton’s policy was accurate. Indeed, the American leader rebuffed Blair’s persistent efforts to win him over to a land war in the Balkans, during a lengthy White House meeting two days before the April 23-25 NATO 50th anniversary summit in Washington. Blair, British Foreign Secretary Robin Cook, and British Defense Secretary George Robertson had all lied through their teeth, at an April 25 press conference, when confronted by *EIR* and other news organizations about the U.S.-British rift over the ground troops issue.

### **Beware another British incident**

For reasons all too apparent, the British hawks are getting frustrated: The bombing of the Chinese Embassy on May 7 was about to undo all of the diplomatic efforts for a cease-fire and peace talks on Kosovo, but by May 18, most of the sabotage of that diplomacy had been undone, again, by concerted action among Russia, China, Germany, Italy, and the White House (against strong resistance of the State Department and Pentagon). It cannot be ruled out that sabotage will be tried again, but the peace process has gained momentum in recent days, so that it is much more difficult to derail it. And, what certainly enrages the hawks more than the German Chancellor’s remarks as such, is the fact that the diplomacy

resembles recommendations made by Lyndon H. LaRouche at a Bonn seminar on April 21 (see *EIR*, May 7), when he called for a peace initiative by Clinton, in cooperation with Russia, China, and “at least one leading power on the European continent.”

Indeed, during May 18-20, Deputy Secretary of State Talbott, Finnish President Ahtisaari, and Russia’s Balkan envoy Chernomyrdin held marathon meetings in Helsinki. The first meeting, on the night of May 18, lasted eight hours. The next morning, the three men met for another five hours before Chernomyrdin flew off to Belgrade to meet with Milosevic. When Chernomyrdin returned to Moscow from Belgrade, Talbott was already there, awaiting further consultations.

On May 19, the political directors of the foreign ministries of the G-8 countries also met in Bonn, to draft a UN Security Council resolution, based on the May 6 G-8 communiqué which initiated the present round of diplomacy.

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## Documentation

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### Many worldwide believe bombing was deliberate

*From the May 12 statement by Pennsylvania State Rep. Harold James. Representative James is the former chairman of the Pennsylvania Legislative Black Caucus, and is Special Assistant to the President, National Black Caucus of State Legislators.*

“I call upon President Clinton to take prompt and vigorous action against those in the NATO command structure responsible for the bombing of the Chinese Embassy in Belgrade, which may include court-martial proceedings. Also, on behalf of the 58,000 constituents in my Philadelphia legislative district, I wish to express the most profound condolences to the families of the innocent Chinese diplomats and journalists who were killed or injured in the NATO attack.

“I questioned the legitimacy of the NATO war in Yugoslavia from the beginning. We were told that the goal was to stop ‘ethnic cleansing’ and genocide. But why was there no action taken when the worst genocide of the post-World War II period was taking place in Central Africa, where more than 6 million Africans have died [since 1993]? . . .

“Lyndon LaRouche warned that the NATO war against Yugoslavia was really a British geopolitical manipulation of the United States into a conflict with Russia and China, in order to destroy President Clinton’s policies of cooperation and partnership with those nations. The British, he said, want to use NATO as the military arm of an Anglo-American ‘New World Order,’ to risk world war in a confrontation with Russia and China. This is exactly what seems to be happening.

“... We saw last August how destructive and criminal military actions can be covered over by lies, the way President Clinton was lied to with false reports about terrorism and bomb-making in Sudan, which led to the missile attack against an innocent pharmaceutical plant in Khartoum.

“President Clinton has my full support in cleaning out those networks who are still trying to sabotage his administration from within. China, Russia, India, and other nations are cooperating to build a transportation system from Asia to Europe to Africa, called the Eurasian Land-Bridge, which has the potential to establish peaceful economic cooperation among all the nations of the Balkans, and beyond. I believe this was one of Ron Brown’s goals, and the sooner we return to that policy, the better.”

*On May 14, former Nebraska state Sen. John DeCamp sent a communication to Nebraska’s Congressional delegation. Senator DeCamp is a highly decorated Vietnam veteran and was a close friend of the late CIA director William Colby.*

“I am writing to you to urge that the Congress undertake an immediate, thoroughgoing investigation of the NATO bombing of the Chinese Embassy in Belgrade last weekend. The Chinese have repeatedly charged that the bombing was intentional, and, having some knowledge of military matters, I think they have an excellent basis for that belief. Responsible voices in Europe, such as former Assistant German Defense Minister Willy Wimmer, have also charged that the attack was deliberate.

“Only a blind man could fail to see, that the bombing came immediately on the heels of the G-8 agreement of last week, which put forward a clear pathway to end the war, a pathway which is now in shambles.

“Let me be very clear on the stakes involved. The fruitless war in the Balkans is enraging both the Russians and Chinese, and clearly contains within it the seeds of World War III. Therefore, to pull the world back from the abyss into which it is rapidly plunging, two actions must be taken immediately:

“(And forget not the true story of the ‘Gulf of Tonkin’ incident which triggered the Vietnam War—now reclassified I believe.)

“1. The culprits in the NATO chain of command must be identified, and punished, severely and rapidly.

“2. A large-scale program of economic reconstruction of the entire Balkans area must be put forward as the basis to ‘win the peace’ along the general lines outlined in the G-8 agreement, integrating the Balkans with the great Eurasian Land-Bridge which runs from China to Rotterdam. President Clinton has already put forward a proposal along these lines.

“Regarding point #1 above, I fully endorse the statement of Lyndon LaRouche of May 10, which you no doubt have seen, in particular his call for the courts-martial of those responsible for the bombing of the Chinese Embassy. Such a ‘Dr. Strangelove’ figure as SACEUR Gen. Wesley Clark,

who called for bombing Russian ships supplying oil to Yugoslavia, is clearly capable of almost any madness. . . .”

*Santo Domingo columnist Gerardo Joaquín Brito extensively excerpted LaRouche’s statement in the May 13 issue of **El Nuevo Diario**. The following day, Brito headlined his “International Memorandum” column, “LaRouche, the United States, and Kosovo,” which departs from Dominican practice, in that it cites the British as responsible for the bombing.*

“We must ask ourselves (or better yet, ask Mr. LaRouche) what do the Americans think about this conflict, in which they should not have gotten involved? And, who is dragging whom, is the government of the United States the United Kingdom, or is Her Majesty the White House? . . . Was the U.S. military induced into this unprecedented catastrophe by the arch-powerful British and Tony Blair? . . .

“Weeks before I ran and commented upon the press release . . . by ‘LaRouche’s Committee for a New Bretton Woods’ from the United States, I wrote . . . that ‘many things are very rotten in Denmark,’ regarding the Atlantic Alliance’s bombing of Yugoslavia. Is the economic power of the United Kingdom at stake, or that of the euro? . . . Who is betraying

## Schröder vs. BBC over Balkan ground war

On May 19, German Chancellor Gerhard Schröder met with NATO Secretary General Javier Solana in Brussels, after which the two men held a press conference at NATO headquarters. During the press conference, Schröder was bombarded with questions by a gaggle of British journalists, who were hysterical over the German leader’s categorical rejection of the use of ground forces in the current Balkan operation.

In typical British fashion, they tried to play word games, to trip up Schröder and force him into a “hypothetical discussion” about conditions under which he might relent and go along with London’s war drive.

Because each of the 19 NATO countries has de facto veto power over any change in NATO policy, and because the ground war option was formally rejected by NATO heads of state during the opening day of the NATO 50th anniversary summit in Washington on April 23-25, Schröder’s position represents the kiss of death for the Blair government’s drive to start World War III in Kosovo. Below is the transcript of one particularly nasty exchange

whom; who is dragging whom? There is a widening political and diplomatic gulf between Russia, Beijing, and the United States.

“... I will conclude by citing a paragraph from the press release: ‘The implication is, that any U.S. official supporting the policies of Her Majesty’s Blair government may be acting treasonously, if not otherwise explicitly guilty of treason, against the U.S.A.’ ”

**Chalmers Johnson**, from the University of California at San Diego, took part in a May 20 Internet debate among Asia scholars, many of whom offered important insights.

Johnson declares that the bombing was deliberate; unfortunately he lays the blame on “ ‘rogue’ officials of the CIA and the U.S. Defense Intelligence Agency combined with right-wing members of the Republican Party [who] want to ruin relations with China and stimulate a new Cold War in East Asia. . . .

“The explanation given by Secretary of Defense William Cohen that the CIA was using an ‘outdated map’ is almost surely a pathetic lie. . . .

“The *modus operandi* of these plotters is to release out-of-context intelligence photos, false intelligence, and conjec-

tures about Chinese espionage in the United States. One of the main sources of such intelligence ‘leaks’ is Lt. Gen. Patrick Hughes, chief of the Defense Intelligence Agency, who regularly supplies Congressman Benjamin Gilman (Republican of New York), chairman of the House International Relations Committee, with intelligence to support American warmongering in East Asia. It is Gilman who has said to the press that ‘North Korea could nuke Seattle.’ ”

Another contribution came from Indian scholar **Shekhar Krishnan** of the University of London School of Oriental and African Studies.

“My initial hunch was that the embassy was intentionally targetted in order to make impossible the passage of the [G-8] Bonn Agreement in the [UN] Security Council. . . .

“This war has been a guise for NATO and the West to establish its military and economic apparatus in Russia’s former sphere of influence and consolidate a geomilitary sphere stretching from western Europe to the Middle East. Remember that the bombing of Iraq continues as we speak. . . .

“The bombing has pushed Russia back to the outsider’s position it had been relegated to by NATO until about a week before the bombing, when the Germans attempted to bring

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between the Chancellor and a fulminating BBC correspondent, as reported by Federal News Service:

**Mark Laity, BBC News:** You have just said that the strategy will not change. There are many military people who believe that air power can achieve very much but it cannot achieve everything. Presumably you believe the only thing that is really unthinkable is to lose the war. If it comes down to a choice between risking losing the war and using ground troops, which would you choose?

**Schröder:** Please don’t try too hard. I will not participate in this specifically British debate on war theories. I think and I trust that we have a good strategy, a strategy that has indeed been successful in some respect and will continue to be successful, and this is why I refuse to participate in such a theoretical debate.

**Q:** Could I just pursue you on that, Chancellor. When do you think that ground troops might be—

**Schröder:** I have said everything that is to be said on this particular issue and you will not get more out of me if you go on pestering me with these questions.

**Q:** I am not pestering you, you have come to give a press conference, surely journalists have a right to ask the question?

**Schröder:** Do I look very offended, do I look very angry?

**Q:** When do you believe the use of ground troops would become thinkable? Under what circumstances

should NATO send ground troops into Kosovo?

**Schröder:** I think I made myself very clear on this. I oppose sending in ground forces and this is very much to do with the fact that NATO strategy, a strategy that we developed together, is slowly beginning to take effect, and it is supporting a political settlement. So, of course I understand that you have questions, questions that go in a different direction, but I think it would be wrong if I were to respond in a theoretical manner to theoretical questions, because that would be misinterpreted. I support the present strategy of NATO, I think it is promising, it can give us success, this is why I am against changing it; that once the war is over we have to send in a robust international military presence into Kosovo. That we need it, that we have to have it, is something that is obvious and that again is part and parcel of NATO strategy.

**Q:** In view of the brutal behavior of the Serbs, don’t you think that that would be reason enough to at least think about sending in ground forces?

**Schröder:** I have been trying, I have been trying hard, to make it very clear that I am not willing to participate in theoretical debates about what is going to happen if a, b, c. I understand your desire and your need for a new subject, but it is not all that easy, I understand, to fill the pages of a newspaper day in, day out, with news. But, please understand why I refuse to participate in this extremely theoretical debate.

them in for fear that Joschka Fischer and the Greens might pull out of the government, which would be disastrous for the coherence of European policy toward Kosovo. I don't think that the U.S. and Britain would have sought Russian consultation otherwise; indeed, it has been the trend since the enlargement of NATO to specifically exclude Russia. . . .

"It will be very difficult to get Russia and China to now agree to any kind of negotiated settlement brokered between Russia, the U.S., and the rest of NATO. Russian and Chinese neo-nationalist opinion, provoked by this incident, will scoff at any concessions to Britain, France, and the U.S. in the Security Council now. Neither Moscow nor Beijing will dare encounter the domestic fury of agreeing to the under-negotiation Bonn Agreement. Thus the war will continue outside of the purview of the United Nations and the Security Council, which is precisely in the interests of Anglo-American policy. . . .

"It is also too coincidental that the bombs would happen to hit the only other member of the Security Council not a party to this conflict, while these negotiations were going on. . . .

"This was the last desperate and dangerous way to scuttle a negotiated settlement that was in the offing, and is not in the interest of Britain or America.

"All the citations of ethnic cleansing, and the counterargu-

ments about imperialism and the violation of national sovereignty being traded by both sides seem to obscure the grand strategy of this whole war. It is revolting that this has now been blamed on the CIA, thus allowing the actual responsibilities and design of this incident to retreat behind the iron curtain of national security."

*From statements by several Asian governments:*

**Cambodia:** King Sihanouk declared, "I severely condemn those behind this very cruel and unjustifiable act, of which the peaceful embassy of the People's Republic of China was an innocent victim."

**Vietnam:** The Foreign Ministry declared the attack a "violation of international law." Vietnam News Agency denounced it as "a blatant violation of sovereignty of the People's Republic of China and of international laws."

**Thailand:** Foreign Ministry spokesman Don Pramudhvinai said, "The Chinese people and government should receive a clear explanation and appropriate compensation. The destruction of an embassy by weapons of war is a violation of international law which is the basis for international relations."

**Philippines:** Foreign Minister Domingo Siazon expressed regret, adding, "It's time to find a diplomatic solution."

*On May 14, former French Presidential candidate Jacques Cheminade, president of Solidarity and Progress, the French co-thinkers of Lyndon LaRouche, issued a statement.*

"After the bombing of the Chinese embassy in Belgrade and the removal of the Primakov government in Russia . . . the world is on a course for war. . . .

"1. [The French government] must demand, just as German Chancellor Gerhard Schröder did in Beijing, that the bombing of the Chinese Embassy be entirely brought to light. Unless a serious investigation, leading to the responsible figures, is conducted, we must immediately withdraw our forces from the operation in Yugoslavia. . . .

"2. France must demand the resignation of Gen. Wesley Clark, Supreme Allied Commander in Europe, and his court-martial. . . . Failing such a sanction, we must immediately withdraw from NATO, which has, in any case, condemned itself to a disaster. . . .

"5. It must be said loud and clear to the British, American, and Russian governments, that peace in Europe requires that the entire Balkan region benefit from a Marshall Plan, and that Eurasia join forces in a vast plan of mutual development, based on great infrastructure projects, high-speed transportation networks, and development of the most advanced technologies. This 'Eurasian Land-Bridge' would meet the wish expressed by Russia, China, India, and many other countries whose backs are to the wall.

"6. This effort cannot succeed within the monetary and financial order of the IMF. . . . Therefore . . . sovereign states must negotiate a new Bretton Woods. . . ."

## LAROCHE ON THE NEW BRETTON WOODS

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## In about-face, Museveni offers amnesty

*The Ugandan President's offer to the Lord's Resistance Army is a sign that he may be willing to end this conflict.*

In a sharp reversal of his previous policy, Ugandan President Yoweri Museveni has offered rebel leader Joseph Kony and his Lord's Resistance Army (LRA) an amnesty if the 13-year war between the LRA and his government is ended. Heretofore, Museveni has been completely opposed to any amnesty. "I was angry with Kony as he killed many people, but now I have been persuaded and I have agreed to give him and his fighters amnesty," Museveni said on May 14, during a visit to Kony's village in northern Uganda. "Tell Joseph Kony to come back home and stop disturbing people. Tell him that you people have the power to decide the future and who is to lead you through elections," he said.

Government officials said the President had been persuaded that an amnesty is the best way to end the war, in which brutality on both sides has brought total destruction to the two war districts of Gulu and Kitgum in northern Uganda.

Over the past five years of the war especially, the LRA stepped up its abduction of hundreds of children, who are then terrorized into becoming child-soldiers. On the other side, Museveni's Popular Defense Forces have refused to provide security for the population, and Museveni has instead carried out a program of placing the Acholi people of the area into so-called protected villages, where children are dying of diseases like measles and diarrhea and from malnutrition.

This has led to an outcry from the Acholi community and religious leaders for Museveni to settle the war one way or the other. Up to now, Museveni has considered only a military victory

over the LRA, declaring that he would never talk to "terrorists," a line in which he is supported by the likes of U.S. Rep. Donald Payne (D-N.J.) and U.S. Assistant Secretary of State for African Affairs Susan Rice.

However, the LRA has ceased its attacks on the two districts for the last four months, while the pressure has continued to build for peaceful negotiations. Museveni's declaration in favor of amnesty was prompted by a row caused in the northern districts when Museveni's Presidential adviser on political affairs, Maj. Kakooza Mutale, attacked Local District Council leaders Walter Ochora and John Bosco Oryem, along with religious leaders, for seeking dialogue with the LRA to end the war. Mutale called for the arrest on charges of treason of Ochora, claiming that he was in cahoots with Kony. Mutale said that Ochora had committed treason by sending a Christmas card to the LRA sick bay, as a gesture of good will. Ochora charged that Mutale was conspiring to murder him, calling him a "mad dog that must be tamed by its master," Museveni. Ochora organized a petition drive to have Mutale removed.

In the midst of this fracas, Museveni toured the northern districts, and in a meeting with regional parliamentarians, came down hard on the side of Ochora: "Ochora is 100% correct," Museveni told the MPs, adding that he was fully aware of all that Ochora was doing with the LRA. Later, at a rally, Gulu district MP Okello-Okello confirmed that Museveni had blamed Mutale and that Ochora was rightly seeking dialogue with the LRA leaders.

In a separate rally in Gulu, Musev-

eni said that he would use four ways to end the war, according to the pro-government daily, *New Vision*: "First he would use military means, followed by the peaceful means. He said in the latter means, religious and international organizations would be used to persuade the wayward rebels back home. The rebels must promise to come out peacefully and settle down without causing any more trouble. He said he would use economic development in the region and lastly consolidate constitutional governance."

The economy in northern Uganda has been devastated since Museveni came to power in 1986, first by the robbery by the army of all the region's livestock, which has never been replaced, and by the war with the LRA, which resulted in the burning of most of the districts' farms, where 90% of the people live.

A negotiated settlement for the northern Uganda war could have ramifications beyond Uganda. Since 1995, after peace talks between the LRA and Museveni failed, the LRA found safe haven and some logistical support in Sudan. Since then, Museveni has used this as an excuse to seek military aid and to give support to the Sudanese People's Liberation Army of John Garang. Garang, with the backing of Museveni, the U.S. State Department, and British intelligence, has been the last hold-out among the rebel factions to sign the April 1997 peace accords with the Sudan government. Thus, a settlement in northern Uganda opens up possibilities of dialogue between Uganda and Sudan for ending the 16-year war in southern Sudan which has resulted in the deaths of millions of civilians there through starvation and disease.

In Khartoum on May 21, Sudan Foreign Minister Dr. Mustafa Osman Ismail said that Sudan wants to normalize its relations with Uganda.

# International Intelligence

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## *Austerity ravages health care in Ibero-America*

Health care facilities are being destroyed by neo-liberal austerity and privatization in Ibero-America, forcing workers in several countries to go on strike, allowing epidemics to spread, and leaving pensioners to die.

- Honduras: 8,000 health and hospital workers went out on an indefinite strike on May 10, demanding higher wages. The strike will affect the functioning of 24 hospitals and 500 clinics around the country. Honduras has also been hit recently by a cholera epidemic. The majority of strikers are paramedics, lab technicians, and nurses who want a commitment from the government to grant a wage increase to compensate for higher inflation in 1998 and 1999.

- Argentina: On May 5, private clinics which provide care to retirees whose medical insurance comes from the government's PAMI agency, began a 48-hour strike because PAMI owes them \$150 million. The strike will affect 3 million pensioners.

- Colombia: The government is forcing more than 3,000 public hospitals and clinics to become "social entities of the state," prior to undergoing "restructuring" (i.e., cut-backs). Hospitals must sign an agreement with the Health Ministry committing themselves to restructuring, even if this means layoffs.

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## *East Timor principals sign UN-backed accord*

Indonesian Foreign Minister Ali Alatas and Portugal's Jaime Gama signed an accord on autonomy, security arrangements, and voting procedures for the upcoming Aug. 8 vote on the future status of East Timor, in the presence of UN Secretary General Kofi Annan in New York, on May 5. Hours earlier, Annan had persuaded Alatas to accept a memorandum on UN security requirements for the balloting procedure in East Timor, under which, Alatas told the press, "we will endeavor to disarm all the factions." Indonesia had resisted pressures in this direction, in

part because it rejected Portuguese calls for deployment of foreign troops, reduction of Indonesian troops, and, as Alatas indicates, pressures to disarm militias that failed to adequately address violence by (Portuguese-backed) pro-independence elements, including the recent mass murder of 11 pro-integrationists.

Alatas commented: "There are two sides in the East Timor conflict, let's face it. . . . And they are fighting with one another as they have done for the past 23 years. So if you want to disarm them, disarm both."

The security requirements will not be made public, according to UN sources. Reportedly, the Indonesian army and security forces will be responsible for restoring calm. The accord does clear the way for deployment of a UN policing action in East Timor in advance of the vote. Indonesia has asked for participation from the United States, Britain, Australia, Germany (as head of European Union), Japan, and the Philippines.

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## *NGOs fighting over U.S. policy toward Sudan*

Non-governmental organizations (NGOs) active in Sudan have split, with some who want a peace agreement between Khartoum and the Sudanese People's Liberation Army, and others who back the SPLA as Contra-style "freedom fighters." On the one side, Care USA, Oxfam America, and Save the Children USA issued a statement on April 27 demanding, "U.S. Must Adopt a 'Peace First' Policy Toward Sudan." The statement applauds a recent exchange of letters between Sudan Foreign Minister Mustafa Osman and Undersecretary of State Thomas Pickering, and calls for the United States to work for a comprehensive cease-fire on both sides; a referendum for self-determination for the south; the establishment of a peace timetable; the re-establishment of diplomatic contact with Khartoum officials; and, engagement "in a range of actions to help persuade the SPLA and its regional allies to accept a comprehensive cease-fire and increase their commitment to a peace process."

In a forum of NGOs in early May, an all-out fight broke out between the group that wrote that statement and Roger Winter, Executive Director of the U.S. Committee for Refugees. Winter, along with Human Rights Watch, called for the U.S. Agency for International Development to fund those relief agencies operating outside the UN Operation Lifeline. This means funding such gun-running operations as the Norwegian Peoples Aid. Winter also called for the United States to give the SPLA anti-aircraft missiles like those given to the Afghan mujahideen. However, no one agreed to this.

The other NGOs were arguing for a peace policy that would allow them to fight the health breakdown in southern Sudan, where strange fevers, cholera, and meningitis, not to mention simple starvation, are rampant.

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## *Khmer butchers held in own torture camp*

The chief executioner of the Khmer Rouge, Kang Kek Ieu, a.k.a. "Duch," who was director of the KR's main interrogation center at Tuol Sleng, and "The Butcher," Ta Mok, the last KR Defense Minister and a former powerful regional commander, are under arrest and are being held in the Military Court's detention center at Tuol Sleng. Cambodia has no law covering genocide, so both men have been charged with violating an old law that made membership in the Khmer Rouge illegal. "Duch," who claims now to be a born-again Christian, was found working for international aid agencies on the Thai border (including UN aid agencies). He has also been charged with torture and murder, according to the *Straits Times* of May 14.

When the KR turned Tuol Sleng from a high school into a torture center, Duch's staff methodically mounted pictures of every one of his victims on the walls, to confirm each and every one of the more than 14,000 killed. It is unknown if these photos remain there. Reportedly, however, the souls of those victims still haunt the premises.

Among the items found in a search of

## Briefly

**VIETNAM** celebrated the 45th anniversary of the fall of Dien Bien Phu on May 7. On that date in 1954, after 55 days of fighting, the People's Army of Vietnam captured 16,200 French troops at the historic battle, shattering French hopes of retaining their colonial empire in Indochina.

**IRAQ** released figures showing growing casualties from continual bombing raids being conducted by American and British warplanes, with 21 dead and at least 15 wounded during May 8-12 alone. Since Dec. 17, 1998, U.S. and British warplanes have carried out 4,862 raids against southern Iraq and 1,243 raids against northern Iraq.

**AUSTRALIA** may heavily fine Wackenhut's privatized prison subsidiary, Australasian Correctional Management, after its Villawood Detention Center in Sydney, which houses illegal immigrants, suffered its fourth breakout in two years. Inmates have complained about the conditions, especially overcrowding, with one report that 20 men are sleeping in the same room.

**UNICEF** executive director Carol Bellamy condemned the practice of "buying slaves out of bondage," in a May 13 commentary in the *International Herald Tribune*. Bellamy was referring to the practice of Christian Solidarity International's Baroness Caroline Cox. "Freeing slaves with cash payments will do little to end slavery in Sudan," she writes, and UNICEF "believes that the practice has added a clear profit motive to the host of other factors that have allowed slave-taking to flourish." CSI redeems "slaves" at \$50 a head, a king's ransom in a country where some people subsist on \$1 a day.

**ALFRED HEINEKEN**, the Anglo-Dutch beer magnate, has been linked by Italian intelligence agencies to Serbian war criminal Arkan, *EIR* has been told. Arkan's financial manager, Giovanni Di Stefano, is Heineken's sole distributor in Yugoslavia.

Mok's residence in Anlong Veng were 61 sandstone carvings from the famous Cambodian temples, weighing 40 tons. The KR was heavily involved in "steal on order" looting of Cambodia's cultural heritage, in collusion with Bangkok antique dealers, on behalf of clients.

### ***Sachs maniac proposes drug legalization***

In a press conference in Bogotá, Colombia on May 6, Harvard economist Jeffrey Sachs answered a question about the role of the drug trade in Colombia's economy with the following comment: "It is ironic that the Colombian government, like the Bolivian and Peruvian governments, has spent vast amounts of money trying to combat the most competitive economic activity those countries have, which is cocaine and poppy production. I have told the Bolivian government this many times, so that they would present the problem to the U.S. government. Unfortunately, the position the U.S. government holds is different, and those governments are under tremendous pressure from the U.S. government, and that is a political reality one must accept.

"I think that drugs should not be fought with repression, but with education and prevention, and that it is absolutely useless to fight market forces. That is why I say that it is ironic to spend so much money against the most competitive industry the region has. Imagine how the Gross Domestic Product of Colombia would improve if drug production were included."

### ***Malaysia's Abdullah: End Iraqi sanctions, bombing***

At a welcoming dinner for Iraqi Vice President Taha Yaseen Ramadhan, Malaysia's Deputy Prime Minister Datuk Seri Abdullah Ahmad Badawi stated: "A new consensus has to be reached, one based on legality, propriety and decency in the conduct of international relations. To begin with, all economic sanctions must be lifted. Similarly, unilat-

eral air strikes must stop." Ramadhan, along with a 20-person delegation, arrived in Kuala Lumpur on May 10. Ramadhan is the most senior Iraqi leader to visit Malaysia since the establishment of diplomatic relations 35 years ago.

Abdullah further told his guests that these steps should be taken "simultaneously with the establishment of a new regime for monitoring," adding that Malaysia rejects the continued arbitrary imposition of the "no-fly zones" over Iraq. He said all members of the UN Security Council should begin to resolve the situation. Malaysia is currently a non-permanent member of the UN Security Council.

### ***Italy's new President is a 'Britannia Boy'***

On May 13, Carlo Azeglio Ciampi was elected President of the Republic of Italy, in what has been fairly described as a "coup" against Italy's current government and institutions. Ciampi, Italy's "super-minister for the economy" and the chairman of the International Monetary Fund interim committee, is the leading City of London mouthpiece in Italy. Since the decimation of Italy's political and economic sovereignty took place through Transparency International's "Clean Hands" anti-corruption trials over 1992-94, Ciampi has led the effort to purge Italy of any political or economic figure who opposes the liberalization and privatization of the country's economy.

Until one day before the electors voted, another candidate was favored by Prime Minister Massimo D'Alema. However, on May 12, pro-British elements of D'Alema's party and opposition leaders suddenly announced they would vote for Ciampi. The direction of Ciampi's technocracy was determined in 1992, when neo-liberal Italian businessmen and political figures met with their British colleagues on the royal yacht *Britannia*, anchored off Italy's coast. At that meeting, they plotted to take down Italy's crucial state sector industries and privatize them, a plan which included "watergating" all of Italy's leading politicians.

A TALK WITH HON. MAHENDRA SIREGAR

## Indonesia on the threshold of a new, democratic era

*On May 19, the campaign opens for parliamentary elections, in which an estimated 130-140 million Indonesians will vote on June 7. This election is considered the most important in 44 years, since the democratic and multi-party elections in 1955.*

*The elections come in the context of a severe economic crisis. Since the global financial crisis broke out in Asia in 1997, the percentage of the Indonesian population living below the official poverty line has increased dramatically. By 1996, those living in poverty had decreased to 11%, but by the end of 1998 that figure rose to 48%, and it is growing.*

*(See Gail G. Billington, "Indonesia Is 'Dying, Do You Understand?'" EIR, April 16, 1999.)*

*Indonesia has implemented wide-ranging and fundamental reforms, including "revenue-sharing" with the provinces, allowing raw material wealth to remain in the districts. The International Monetary Fund opposed the measures, complaining about "the government's future ability to make debt repayments," but the growing threat of regional crises convinced the government to go ahead. The Law on Intergovernmental Fiscal Relations, passed on April 23, allows provinces to keep 15% of the government's share of oil revenues, 30% of gas revenues, and 80% of forestry, mining and fisheries. It includes an "equalization fund" to ensure that resource-poor provinces receive a like amount of government revenue.*

*In addition, Indonesia has ended the dual function of the military (known as dwifungsi) in military and civil matters,*



*including positions in civil bureaucracies across the country. On April 23, the government passed legislation to eliminate many of these positions, while also providing for the local election (rather than appointment from Jakarta) of district chiefs and mayors. Measures taken last October required most dwifungsi officers in civilian posts to either quit their posts or resign from the military by April 1. This included 4 Cabinet ministers, 10 of 27 provincial governors, and 128 or 306 district chiefs and mayors. About 35% resigned from the military.*

*Hon. Mahendra Siregar is the First Secretary in charge of the Press and Information Division of the Embassy of the Republic of Indonesia, in Washington, D.C. He was interviewed by Gail G. Billington on May 10.*

**EIR:** Indonesia's election campaign starts on May 19. I'd like to review the process that has led up to these elections, what is expected will happen in the course of the elections, and the scope of what is being attempted.

**Siregar:** I thank you for the question, because it is very important to not forget that it was only last year when, in fact, the whole reform movement of the students led to the result of bringing down President Suharto. It was exactly on May 21, that the former President had to step down, and if you look at the last 12 months, we have achieved, I think, by any standard, significant progress in all three sectors of the reforms: political, economic, and legal.

**EIR:** Can you outline briefly what these reforms were and what has been accomplished?

**Siregar:** Yes. For the political reforms, the main, important agenda is to elect new members of Parliament, that is, the upper house, the People's Consultative Assembly, as well as



the lower level, the House of Representatives—that is the election we are going to have on June 7.

Second, as a consequence of that reform, we will have a newly elected President and cabinet at the end of this year. You have to understand that it is because of the agreement between the present government and the present members of the Parliament, forced by the reform movement of the students and many other parties, including the press, that this timetable has been agreed to; otherwise, we would have to wait until 2003 for elections. So, that in itself is a significant reform. But, of course, there are some people who would say that it is not fast enough, and they would like to see everything the day after Suharto stepped down; but it was not possible.

For the economic sector, although the economy was in recession last year, with negative growth of 13.5%, in the first quarter of 1999 we witnessed growth of 1.3% compared to the fourth quarter of 1998. So, once again, it should not be seen as an absolute and separate number; you have to see that in the right perspective, comparing the 13.5% negative growth last year to 1.3% positive growth nowadays. So that, by any standard, is an achievement. We are continuing the economic reforms, including restructuring the corporate sector, restructuring the corporate debts, recapitalizing the bank-

ing sector, and lowering the interest rates, and reforming monetary and fiscal policies as well. What is important in that particular reform, is to make sure that the matter of all problems in this sector, that is, the “kkn”—collusion, corruption, and nepotism—will not return.

As for the legal reform, this is, I think, the sector that remains to undergo much more reform in the future. But, we have started by implementing very strategic political regulations and laws that have set the coming elections, and have introduced laws that allow as many political parties as the people want for the general election, and have abandoned all types of laws and regulations that restrict the media. The number of publications has tripled in the last 7-8 months. Once again, these are significant changes and developments by any standard, but, you know, you won’t be able to satisfy everyone, obviously.

**EIR:** What will be the difference in the composition of the Parliament? Previously, you had a number of seats reserved for the military and, I believe, appointed seats.

**Siregar:** Let me start with the military seats. The number of military representatives in the House of Representatives has been reduced, from 75 in the previous arrangement to only

38 in the coming Parliament. The other 462 members will be elected on June 7, that is, for the lower house, the House of Representatives. As for the upper house, the People's Consultative Assembly [MPR], it will consist of all 500 of the lower house, plus 200 other members, which includes the representatives of provinces and representative groups in the society.

For the representatives of the provinces, there will be 5 representatives for each province, which means a total of 135 for 27 provinces in the MPR. These people will be elected by the members of the local parliaments; while in the past they would be more directly appointed by the central or local government, but now they will be elected locally, representing the provinces.

If I may digress a little bit: This is in line with the commitment of the Parliament and the government to provide more autonomy to the provinces, a better balance between central and provincial-level governments, as well as revenues and expenditures. What is important, is to accommodate the desires of many parts of Indonesia, like Aceh, Irian Jaya, East Timor, Riau, Kalimantan, and many other places, to be listened to and to participate more actively in deciding their own programs, their own schedules, and their own lives, in a way. By name, it is not federalism, but by design, or by format, it is hard not to say it is not federalism.

Let me return to the question about the other 65 members of the MPR, the upper house. They will consist of people representing many groups or professions and interests. The press, for example, will be represented in the Parliament, farmers, fishermen, and also doctors, students, youth, etc. The representation of functional groups is in our 1945 Constitution.

**EIR:** In giving greater authority to the provinces, what are the powers that will rest exclusively with the central government?

**Siregar:** Foreign policy, defense, and fiscal policy are the main policies that will remain with the central government. But even there, it depends on the conditions and circumstances of each province, so that being decentralized should not mean that the most underdeveloped and the most unfortunate provinces are left to take care of their own problems. That in itself is not fair, and we should help these people and these provinces by giving more effort to help them undertake their own initiative and the capability to solve their problems.

Indonesia is so diverse that it would be impossible to have a magic formula for all 27 provinces, and I think, in a way, that was one of our mistakes in the past.

**EIR:** In the past, there were only three recognized political parties in Indonesia. This time around, something extraordinary happened with these elections. Can you review the sheer number of people who would be eligible to vote in these elections?

**Siregar:** Out of 205-207 million population, the eligible voters would be around 65-70%, so we're talking around 130-

140 million. Even with the present situation, where the registration period is very, very short, we have successfully registered around 75% of eligible voters. The registration period started in the third week of April and, originally, it was to close last weekend, but because of the technical problems in many parts of Indonesia, it was extended until the end of this week. So, with this situation, we have reached 75% of registration, and even in East Timor, for example, the number has reached 50% or more of the total eligible voters. And, we are quite optimistic that the people who have registered will participate in the elections.

**EIR:** And when does the campaign period start?

**Siregar:** It will start on May 19, for two weeks, until early June.

**EIR:** Is there a period of time, just before the elections, when no campaigning is allowed?

**Siregar:** In the past, we would have what we call a quiet, or "silence" week, that is, a full week of no campaigning before the election. But now, because time is short, the quiet week, or silence, will only be for two days.

**EIR:** How many parties attempted to register, and how many will actually contest in the elections?

**Siregar:** Originally, there were 144 parties registered, because it was a very simple procedure—they simply had to go to the Ministry of Justice and register the name. But, out of that 144, the committee scrutinizing party requirements accepted 60 parties as having fulfilled the administrative procedures for political parties. Out of those 60 parties, only 48 parties are now considered as final participants for the coming elections, because the other 12 did not pass the representative test in the provinces. But, I understand the somewhat cynical reaction by Americans, or by others, about the number of parties being so high. People will say, how can a government or country be run effectively with that many parties?

I think, once again, it is important to understand the perspective and the context. The context is, the Indonesian people during the last 30 years did not have the chance to give their votes and aspirations democratically, and based on that, all of the other objectives, including an effective government, would be perceived as less important than the right and the chance and opportunity for all Indonesians to say something about their lives.

We should understand that, and we should, on the contrary, applaud these 48 parties, because with the current economic situation, with the problem of negative growth in the economy, still we can have 48 parties willing to take part, for the first time in 44 years or more, in a democratic election. I think what we should do is welcome this, and applaud these people's brave actions, not the other way around.

**EIR:** My understanding is that they have to have actual physical offices and campaign apparatus at the local level to meet

the requirement. What were the parameters for a party to be approved?

**Siregar:** Yes, every party has to be represented in at least one-third of the provinces, or 9 out of 27 provinces. Within the 9 provinces, they have to be represented in 50% of the districts. Of course, after we have these 48 parties, they have to nominate their candidates in those provinces and districts where they are represented. This is still in process.

**EIR:** What is the youth factor in these elections, either as first-time voters or as part of how the vote will be conducted?

**Siregar:** Once again, we should not forget that it is the young people who make things like this possible, because it was the students who made possible what we have today in Indonesia, with this election. Because of that, we can see that some of the parties are led by very young people and students, whose idealism is quite high. And, in addition to that, there will be around 600,000 university students taking part as observers to monitor the elections.

In a way, there is no alternative for universities other than to customize their examination and new semester schedules with the general elections, and that decision has been reached between the committee overseeing the general election and the universities. So, these 600,000 students will hopefully be effective as soon as the schedule for observers and monitors is established.

**EIR:** Would these monitors be active throughout the whole campaign period, up to and including election day itself?

**Siregar:** Absolutely, including the post-election, in counting the votes, until the final outcome is announced.

**EIR:** In the campaign period itself, what would be the kind of things that these students would monitor? Has there been some trouble with fights between parties?

**Siregar:** Technically speaking, I don't think I can answer that question, because as far as I understand, the formal regulations of the campaign itself have not yet been finalized. My own personal assessment is that the most important thing that the students could do is to, in a way, not only prevent or cure, but more important, is to educate the followers of the political parties in the way that they should understand that it would be better not only for the party or the elections, but for the country as a whole if we can conduct this general election peacefully. And, I think the students are doing a very good job in that.

Another example: We should recognize their contribution in the last two talk shows between Presidential candidates, which were conducted and organized by the students. So, through that, their own civic and political education is much improved, in terms of how we should conduct this campaign peacefully, even before the campaign officially opens.

**EIR:** The June elections are for Parliament, and the President will be elected in a special election in November?

**Siregar:** That is the timetable agreed to by the present government and the present members of Parliament, so, tentatively, that will be the timetable. But, whatever the newly elected members of Parliament decide could change that.

**EIR:** Already, you have people who have put themselves forward as candidates. What is the process by which, and when, do the parties nominate Presidential candidates?

**Siregar:** Officially, they should not start that before the general election takes place in June, because you don't know the outcome of that election—which are the major parties that will win or, through forming a coalition, could nominate Presidential candidates. But, we are not talking about procedure here. It is important, I understand that. But what is also important to recognize, is that we are doing a civic education program in a very short time. So, any type of initiative which might not be perceived as officially accepted, but as long as it is conducted in a peaceful manner and is based on the good will to educate people and the political parties—don't forget, most of these political parties are new, they might not even have any clue what to do. So, if things are conducted for this purpose, I think the people will accept that happily.

**EIR:** Can you give an idea of who has emerged as either self-professed Presidential candidates, or likely candidates?

**Siregar:** As far as I know, there are no surprises. The people who have been quoted or named unofficially by some parties, or by the students, are those who have been named for quite some time, such as Amien Rais, Megawati Sukarnoputri, Abdurrahman Wahid (“Gus Dur”), and, of course, President B.J. Habibie himself. So, there are no new people among this small group, but I should also name General Wiranto and the Sultan of Yogyakarta.

**EIR:** I noticed also that the election commission ruled that ministers who intend to campaign for their parties have to resign their posts in government. I think two ministers did that in the last week. This is new.

**Siregar:** You're right. The chairman of the Golkar Party, who is the Minister for State Secretariat, Akbar Tanjung, has resigned from his post, and the other one is the Minister for Investment, Hamzah Haz, who is the chairman of one of the Muslim parties, the United Development Party.

**EIR:** Is there a role for foreign pollwatchers or observers in the election?

**Siregar:** Yes, it has been agreed among the Indonesian government, the general election committee, and the UN Development Program [UNDP] to have foreign observers and monitors coordinated by the UNDP and the general election committee. As far as I understand, there are already tens, if not hundreds of them, now in Indonesia from various countries around the world, including the United States—or, mostly the United States—and we would welcome their participation. Because, in a way, that would produce a greater credibility of

the general election—although, we have to remind people that, officially speaking, this is the general election conducted by Indonesians for Indonesians, and the participation of the UNDP and foreign observers is just to complement the process. It is not a UN election.

**EIR:** At a briefing at the embassy earlier this year on the elections, it was said that foreign non-governmental organizations cannot spend money on election training or setting up NGOs in Indonesia to accept money for election purposes.

**Siregar:** It's not Indonesia-based NGOs that are the issue, but the political parties. Indonesian political parties should not accept any foreign donations regardless of sources.

**EIR:** Cambodia, for example, has one of the highest ratios of NGOs per capita in the world, and the NGOs played a very big role in attempting to shape the elections, in terms of training in elections, democracy, and human rights. At the briefing here, I had asked about the role of the International Republican Institute, and what its relationship to the elections would be.

**Siregar:** We are very well aware about that, and, I think, the evidence suggests now, that it is the political parties which are actively coordinating and organizing the civic education through the general election committee. They are more in charge than the NGOs or the government, and I think that is the correct way to go, because the general election, as it should be, is the business of political parties. These are their concerns, not of others.

Those who would like to help, including U.S. NGOs, for example, should channel that through a more acceptable arrangement, such as the UNDP, which can then coordinate with the general election committee. But, we should not have direct relations between political parties and foreign NGOs. That would only lead to unnecessary politicization of issues, which would be detrimental to the general election itself, and would be counterproductive.

**EIR:** What are the issues in the elections? What struck me in the course of the last year is the extent to which the students did not seem to take up economics, and there was very little anti-International Monetary Fund [IMF] protest, for example.

**Siregar:** I think everyone agrees that the most difficult problem that the present government faces is about legitimacy. I think that whatever the outcome, whoever wins, we should no longer have this legitimacy question, because in that situation, whatever you do, whatever you think, is very much put in doubt by the people in the country and internationally.

I think that that is the main issue to be solved in this coming election, whoever the winner. And from the political parties' point of view, I understand that the issues that have been undertaken officially, at least by the government, are the issues that have created great interest from the parties. Issues like decentralization, regional autonomy, human rights, better

and more equal income distribution across regions and social layers, equal opportunity for education, health facilities, public services, and utilities.

We are not talking about extraordinary issues as such, because I think the issues are still the same. The issues are not the big question now; it is the will and the trust of people of the various parties participating in the elections. The general election is not issue-based, maybe, but trust-based.

**EIR:** There has been from the outside, from the international community, the IMF, and so on, discussion of the need for reform. But, in fact, at this point, my sense is that there is no turning back, no calling off these elections; the psychological momentum in the country is such that this difficult, but necessary challenge must go ahead.

**Siregar:** Yes, absolutely, I think that when you have a very difficult economic situation on the one hand, and you have so many regions or provinces asking for more autonomy and even more, in some cases, separatism, I think the only way to move ahead is to form a democratic, new Indonesia. I don't believe there is any other way to have that democratic, new Indonesia other than through general elections. I think the logic is very simple.

**EIR:** Earlier this year, Dr. Nurcholish Madjid had made the point that not everything will be solved with this election, but it sets in motion a process where, when problems arise, they can be addressed, and subsequently lead to the needed legal and other reforms, but that this, given what the country has gone through in the last year, is an essential first step in that direction to restore confidence in the population.

**Siregar:** I very much agree with that, but we also have to recognize that there are other reforms and forces, which are conducive to the improvement of the situation, which are now taking place—as I said, the economic reform, the legal reform. They are all there, but to speed up these other processes would require a democratic and peaceful general election. It doesn't mean that this general election will solve all the problems, but we are doing a lot of other things as well, like with the case of East Timor, which, coincidentally, will also be solved around this period of time. All forces are not based on the general election itself, but certainly the outcome of a peaceful, successful, and democratic general election will speed up the solutions to all these other problems.

**EIR:** Let's look at some of the problems in the regions. In the East Timor case, will they, for example, be participating in the June 7 elections for Parliament?

**Siregar:** Yes, because until June 7, their status is still part of Indonesia, as it is constituted in our law, so they will take part in the general election.

**EIR:** And then, the special vote that will take place on Aug. 8?



**Siregar:** Yes, that is the UN-organized popular consultation for the people to choose whether they would accept the concept of autonomy within the unitary state of Indonesia or, if not, then they will have to decide themselves to take a separate way.

**EIR:** What happens after that point?

**Siregar:** The outcome of the Aug. 8 popular consultation will be presented and discussed by the newly elected members of the upper house of the Parliament, the MPR, hopefully, at the end of August, when it meets for the first session of that body, for 7-10 days. Hopefully, whatever the outcome, it will be approved by the members of Parliament, and that will become law.

**EIR:** What are the implications? If the vote goes for extended autonomy, then, in fact, there will be more power-sharing with East Timor, along the lines of other provinces? If not, if there is a vote to break with integration, what happens?

**Siregar:** It depends on the members of the coming Parliament, but they should recognize that Indonesia has signed the agreement with Portugal under the auspices of the UN Secretary General, and I am confident, although we are talking very much ahead of things, and we have to wait and see, but whoever wins the general election next month, should uphold the international agreement that has been signed.

Ironically, there is something of an anomaly in this case. Megawati Sukarnoputri, chairman of the PDI-Struggle party, an opposition party leader, widely seen, especially in the West, as a democratic leader, has stated clearly and repeatedly that, were she President, she could not accept independence for East Timor. Yet, Indonesia has signed the accord with the UN. I don't want to speculate and make any hypothetical analysis about this matter. The country will deal with that when and if it is required later.

**EIR:** From the United States, reading about Indonesia, the picture that you get is of non-stop crisis and yet, in fact, the process that you just described could not be taking place if constant turmoil were happening. Reading the *Washington Post* and a recent report by Human Rights Watch, for example, there is a very clear bias to paint the problems in East Timor as a one-sided conflict, with both the *Post* and Human Rights Watch weighing in for the pro-independence faction.

Foreign Minister Ali Alatas said after the signing of the UN-backed agreement on May 6: "There are two sides in the East Timor conflict, let's face it. . . . And they are fighting with one another as they have done for the past 23 years. So, if you want to disarm them, disarm both."

I've wanted to ask for a very long time: If you compare the 300 years of Portugal's occupation of East Timor and the 24 years that Indonesia exercised control, what did Portugal ever do to improve the living standards of East Timor?

**Siregar:** I think it would be better to ask the East Timorese

that question, because they would say that it is not only that the Portuguese did not provide anything to them during their 400, not 300, years of occupation, but even in the last minutes of their presence there, they just totally abandoned the area. It was not only that earlier 400 years, but even the last minute of their presence, they just packed up and left without any transition whatsoever for the people of East Timor to become an independent state at that time.

Regarding the situation in the last 24 years, being an integrated part of Indonesia, I think East Timor now is much more open, maybe not in the recent several months or so, but before, so many journalists and foreign dignitaries came to East Timor, they witnessed the physical progress of development in East Timor.

The problem with a situation like this, anywhere in the world, if you do not solve the political status of East Timor, once and for all, whatever development, whatever program you build and organize, it will be easily hijacked by the unrealistic dream. In any part of the world, there are always winners and losers in political elections, but if you are in the final status, and independence or expanded autonomy is no longer an issue, you have to deal with that. However difficult the situation, if you are the loser in that political procedure, if you cling to the belief that by proclaiming independence you don't have to follow the outcome of the general election, and you can dream of creating your own government, then people are not focussed on the right things in developing their own life, but rather they are much more focussed on this unrealistic image. And that in itself is detrimental to the process of improving the situation in East Timor, and that is what's been going on in the last 24 years.

Regardless of the political interests of Indonesia, I think that what is important now and in the future, is to provide the opportunity to the people of East Timor to decide once and for all their own destiny, and if they can solve that issue, whatever the outcome, I believe it will bring a more realistic focus on their immediate problems and concerns, rather than keeping on dreaming unrealistically.

**EIR:** One issue that has come up around the ongoing crisis in the Balkans: Does it improve political stability, or the physical welfare of the population, to create a multitude of micro states that may not be economically viable?

**Siregar:** I would tend to agree with you on that matter, but, once again, in relation to the East Timor situation, it is a different story. Unfortunately, the political status of the province is still very much a pending matter on the UN agenda, so, as a country that abides by the UN regulations, we have to honor that. I don't want to be accused of any kind of "hidden agenda" of Indonesia. Our only agenda is to follow the agreement of the UN-organized self-determination agreement on East Timor, and we will respect that.

But, if you ask about other parts of Indonesia, that is a different case, such as things happening in Aceh, in Irian Jaya,

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in Riau. We have to understand that these are not in any way self-determination issues, and they were *never* self-determination issues, because these are parts of Indonesia, acknowledged not only by the country, but also by the international community. So, that is their final status; there is no question about it.

In the past, during Suharto's government, it was very much a human rights issue—yes, absolutely. Human rights issues in a way that these people in general were not provided equal opportunity to have access to development and the benefits of development. We acknowledge that very much. That is why we are trying our best to speed up the process of the decentralization, but still, this decentralization needs laws, needs regulations, and needs concepts, and it takes time. Once again, we should not forget that it is only 12 months that we have had this new government, so it takes time.

In addition to that, we also have several problem spots around the country, such as in Maluku. But, in Maluku, I don't think the issue is about human rights. It is about the dispute between groups of people, which have different ethnic or religious backgrounds. My understanding of human rights violations or problems means that if the government or the authorities, which includes police or the army, took abusive actions against the people, that is a violation of human rights. But, if it is a fight between people or groups of people, it is not an issue of human rights here, it is a different issue. It could be lack of equal opportunity between these groups, or it could be rooted in historical problems between these groups—but it is not a human rights issue.

I think that to generalize all of the problems as human rights problems or issues in Indonesia, is useless. In some cases they are, but in most cases they are not. So, if you take that as human rights problems across the board, then I don't think that would bring any benefit to solving the problems on the ground.

**EIR:** Also, given what has happened in the economy in the last 18 months, human rights is also economic rights, and if people are struggling to survive and to make ends meet, then that creates political tension of its own, which can only fuel residual conflicts between different groups. But in Maluku, earlier this year, Dr. Nurcholish Madjid gave a briefing in Washington where he described the capital of Maluku, Am-

bon, as the “sweet city,” because of the historical harmony of relations among the different groups. To what would you attribute the violence there in the last months?

**Siregar:** Well, there are many theories that have arisen from this very unfortunate situation in Ambon, Maluku. Some of them, or many of them, believe that it is a result of acts by provocateurs. I don't want to speculate about that, because this is still very much at the level of theories. I believe that, regardless whether the problem is provoked by other people who have their hidden agenda or intentions in creating problems around Indonesia, we have to recognize the difficulty and the challenges that people have to face in living together in harmony with different ethnic and religious backgrounds.

In a way, the 30 years of Suharto provided a very secure situation in the way that the armed forces of Indonesia, Abri, always took control of everything. Every type of democratic action or freedom of speech, or whatever, was totally limited and restricted, so that a difference of ideas has never been heard in many places in Indonesia. It depends on how you classify that situation: On the one hand, it is a safe and secure situation, but, on the other hand, there is no democratic life there.

Now, with the reform, people can act, can express views, freedoms, and unfortunately, some of their actions are not accepted by other groups of people. These are the extremes of what has been happening over the earlier 30 years, when we had no freedom at all and now, maybe, in a way, too much freedom, with no social responsibility. You just say whatever you want to say, and that includes things that hurt other people's feelings or religion or ethnic identity, and that creates problems in countries as diversified as Indonesia.

**EIR:** General Wiranto has taken a pro-active stance in trying to address concerns about human rights and other alleged abuses in the past year, including a number of investigations, and President Habibie made a first-ever trip to Aceh. So, there is an ongoing effort, in parallel with the reforms of the political process, to address acknowledged problems from the past. In Maluku, for example, a team of officers originally from Maluku, of different backgrounds, was deployed to address problems.

**Siregar:** I understand the concern, but, once again, you have to understand the reality on the ground. The ratio of police to

civilians in Indonesia is 1:1,200. By comparison, the U.S. has 1:250; Hong Kong has an even lower ratio of 1:200. Even India, which is much larger in population than Indonesia, has 1:800, an even better ratio than us.

That is one factor; the other factor, which is a consequence of our geographical situation, is that India is all on the same continent. In our situation, we consist of 17,000 islands, so let's talk about the reality. Mobilizing police from one place to another, or people, in general, is a challenge in itself. There is no way that the police force in Indonesia could maintain the security and the safety of the whole country.

They are overstretched, and with the present economic crisis, the number of areas where there are some problems is increasing around the country. They are very much overstretched, and in the last year, they are, in a way, exhausted, because it keeps on, day by day, week by week, in all different places.

**EIR:** And they are not a separate entity; they are themselves Indonesians caught up in this situation.

**Siregar:** That's right. That is why I think we have to understand why the military has to take part in some difficult spots, and even that does not provide a minimum level of security forces. So, that is why the military and the police, especially the police, have to form civilian forces to support them in maintaining security. We are talking about a very realistic problem, and an immediate solution to that.

I can easily argue, well, we will increase the number of police so that we do not need any civilian people to be part of this, but that is unrealistic. Even in the U.S., with the much better ratio, you still need the National Guard; you also have neighborhood watch groups. It is very important to understand why in a country like Indonesia, everything done by the police is taken as being suspicious, that it is just to create conflict between civilians and different groups.

Please understand the subjective conditions of the country and the problems, then you would understand the logic of providing this solution. It is not a permanent solution.

**EIR:** Let me ask about Aceh, because I was struck again last week, as in the East Timor case, by how it is covered in the U.S. press. There was an incident last week where, in the initial reports, it seems there was a crowd of 2-7,000 people, including women and children, who attempted to storm a munitions dump, where even missiles were held, and, unfortunately, the police or troops were outnumbered and they opened fire, and about 40 people were killed. This side to the story, in what has been a long-standing, difficult situation, disappeared from the reporting, in favor of making it appear to be yet another case of unchecked military brutality in Indonesia.

**Siregar:** I don't know what is the real motivation behind U.S. media coverage, which is very much one-sided, not only

on Aceh, but also on East Timor and other issues. It is very unfortunate, and I don't think it benefits the American public to read such one-sided stories, because not only do they not get enough information about the situation, but in some cases, this one-sided information is the only source for some people in making decisions.

The only thing we can do about it is to provide more opportunities, instead of less, to American journalists to visit places and to talk to the people, to better understand the situation. But at the end of the day, it is up to them to decide what type of reporting they would like to see.

For instance, you mentioned Aceh. I would like to draw your attention to a recent incident in East Timor. I just read a quotation from *The Age* in Australia, that during the fight between the pro-integration armed group and the separatist paramilitary, there was a group of journalists trapped in the market. I don't know if you are aware or have read somewhere in the U.S. press that it was the police who saved this group of journalists—rescuing them from the middle of a fight and taking them to the police station and guarding them while the gunfight was still going on outside. It was the police.

**EIR:** What I did read was that the journalist leading the group was advised not to proceed into an area where there clearly was some trouble brewing.

**Siregar:** Yes, exactly, that was earlier. But then, we are talking about journalism, and they might have different ideas and might not trust the police in that situation. But, they took a taxi and went directly to the market where the trouble occurred, and they were threatened by gunshots. Three police officers rescued them, and put them in the police station to keep them safe.

**EIR:** And *The Age* tends not to be that friendly toward Indonesia.

**Siregar:** Usually, that would be the case, but even they covered this fact. But, I have seen nothing in the U.S. press. My personal assessment: I think the safety of any journalist should be of interest for the media, don't you think?

**EIR:** Given the bombing of the Chinese Embassy in Belgrade, with the death of the three journalists, I should think yes. Let me ask about the conflicts between different ethnic groups: You have used the example of your own family to describe how ethnicity alone does not account for why there would be these kinds of conflicts.

**Siregar:** It's a long process of living together among different ethnic and religious groups, which is required by Indonesians to stay united. But, on the other hand, the way in which we have conducted the civic and political education in the last 30 years—in the way that all the students, from very early on up to the university level, are educated to ignore the social and political challenges happening in Indonesia.

On the one hand, this is the real problem of having such diversity in Indonesia, but, on the other hand, we did not have the opportunity to understand and to learn of these problems, because it was in part the political strategy of the previous government to remain in power, to make people less attracted to examining social, political situations, in a way to make people ignore and close their eyes to these situations.

With the advent of reform, now people can once again open their eyes to all the injustice and unfair treatment that their groups have received in the last decades, and they make noise and make demands for attention where they have been ignored. But, unfortunately, since not too many of us are aware of the sensitivity of the different ethnic groups and religions in Indonesia, these people tend not to understand how they should express their protest and concerns without violating other people's rights.

I think that this is the situation, unfortunately, because if you go further down into a family situation, it is not a problem. A husband and wife may have different background in terms of ethnicity, and even religion. There are so many matrices of possibilities; maybe one joins the spouse's religion, or maybe they keep their separate religions, and they decide what their children's religion will be. But this system works because they participate actively in deciding what is best, what is not good for them. One way or the other, they can solve the problems without any force or break-up, because they are actively participating.

But, on the much larger scale, unfortunately, that is not the case. They were not participating, and even, by design, their ability to understand the situation was neglected. So, once they have the possibility to voice their protests and concern, then unfortunate situations happen.

**EIR:** Among the early reforms was ending certain classifications by ethnic or religious identity?

**Siregar:** I think you are referring to a special code or mark used to distinguish people who were allegedly taking part in the communist party organization. This policy has been abolished. But, in Indonesia, unlike in the U.S., all forms will have a question about your religion, not ethnicity. It is a standard form, and there's nothing wrong with that.

**EIR:** Under the Constitution, everyone has to choose one of five religions?

**Siregar:** It's the state ideology, the *Pancasila*, which says that everyone should have a stated religion, a belief in God. There's nothing wrong with that, no human rights violation.

**EIR:** Declaring that people should have a belief in God might be useful. I question whether that's true here.

**Siregar:** For instance, let me tell you a little about East Timor. When the Portuguese left East Timor, I understand that there were less than 100 or so churches, and only 40-50% of the population were Catholics. But now there are close to 800

churches, and 90% or more are Catholic believers. Even the Vatican gave Indonesia very high recognition of this achievement. So, there are things that are not very well understood, or are overshadowed by some political, or the more popular human rights issues.

Talk of human rights: The practice of religion is one of the basic rights, and there is no problem with this in Indonesia as a whole. But, you should not confuse that with the burning of mosques and churches. This is, once again, the problems that the people and the community have to face in safeguarding not only their own religious places, but also their friends' and families' religious places. And, it has been that way for a long time.

**EIR:** And the state ideology makes that very clear, the equal recognition of the different faiths.

**Siregar:** I still remember in many parts of Indonesia, during the Friday prayers for the Muslims, it was the Christians who kept watch on the cars and parking spaces, and that sort of thing. And during Sunday services, the Muslims watched out for the logistics for the Christians. That actually was the situation in Ambon, but not any more. This is a path, I believe, that every country has to go through, and now, unfortunately, is our time to go through this, to have a better country.

**EIR:** Indonesia is not going through this situation in a vacuum, but it is happening in a world situation, which has become more dangerous of late, certainly, given the implications of the Balkans crisis and the latest incident, with the unfortunate bombing of the Chinese Embassy in Belgrade. In particular, it has put into question the role of the United Nations in international conflicts and conflict resolution. Indonesia was very much involved in the first Balkans war in the early 1990s, and Indonesian troops participated in the UN peacekeeping force. How is this situation being seen from Indonesia now?

**Siregar:** We are always consistent in our foreign policy position; regardless of our domestic situation, we always have a consistent foreign policy. That is, regarding the Yugoslavia situation nowadays, we regret the actions taken by NATO in bombing Yugoslavia, because we understand it is not the decision by the United Nations, and only the United Nations could deploy or take actions such as what NATO is doing now. We, in a way, do not agree and even condemn the bombing as a whole by NATO on Yugoslavia, because that is against international law.

Because of that, we are also consistent with the incident of the Chinese Embassy being bombed. We condemn and regret the situation, because that would only make things more complicated. We regret the bombing and these unfortunate consequences. It is important for all countries to restrain themselves from taking unilateral or group actions without the consent of the United Nations.

**EIR:** *EIR's* founder, Lyndon LaRouche, has situated this attack on the Chinese Embassy in the context of what has been developing over the last months as a new collaborative relationship among a group of nations—China, India, Russia—around economic development, in friendship with the United States. President Clinton has talked about a Marshall Plan for the Balkans, but he has also talked about his priorities being to establish good relations with Russia and China, and our fear is that this incident will disrupt those relations. How does Indonesia see these new relations among major powers?

**Siregar:** I think we should understand that even the IMF recognizes the limitations it has in solving not only the regional problems, but now, the global economic problems. So, I think that any initiative from any country should be perceived as showing their commitment and goodwill in solving the global crisis. We should not politicize the attempt to find solutions in these economic and global crises by claiming that unless this is the initiative of this or that country, it should not be considered. I think that is ridiculous.

If we accept the concept of globalization, we should accept the concept of global solutions, and thus we should accept the participation of the global community. It is not the monopoly of one organization or one country. I think that is the position of Indonesia, and we would support any attempt and any help conducted by any country in solving the economic

problems, and we believe the international community should do that as well.

**EIR:** Before this crisis, the Southeast Asian countries were collaborating on a number of major infrastructure projects in the region, including a series of bridges that would have connected Malaysia to Sumatra to Java and then to Bali. Most recently, I saw a report about a railroad that would circumscribe Kalimantan and connect with ferry service to the Philippines archipelago. This is the kind of thinking, big thinking, that Indonesia is known for in terms of nation-building. How do you see Indonesia's role, given what's going on in the country now?

**Siregar:** Once again, with the present position of the Indonesian government, it would be difficult to do that, but as far as I understand, being an Indonesian, hopefully the general election will produce a much stronger leader, who will provide not only Indonesia, but the region and globally, concepts that will contribute to the solution of the global problems. Because in the past, if you understand Indonesian foreign policy, and even domestic history, you would see that any Indonesian leader does not consider his own country as the limit or the playground of action; we also play an important and ethical role globally, and we will do that again, hopefully, very soon.

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## War-mongering Brits launch new assault on Clinton

by Edward Spannaus

Never in recent memory have the British been so exposed as they are at this moment, in their mad push for an expansion of the Balkans war, and their vile attacks on U.S. President Bill Clinton for his resistance to their war-mongering entreaties.

While the U.S. news media portrays the British-U.S. split, if at all, in the mildest of terms, the British press has been absolutely frothing at the mouth over President Clinton's refusal to back the British campaign to introduce ground troops into Yugoslavia. On May 16, the *Sunday Times* of London declared that the entire postwar Anglo-American "special relationship" is now threatened.

Three days earlier, an editorial in the *Daily Telegraph* described President as having been "the chief ditherer" at the Washington NATO 50th anniversary summit in April, when Britain was isolated in its call for a ground war. "Things have gotten so bad," the editorial stated, "that there are now mutterings that the normally first-class sharing of military and strategic information between Britain and the United States is being impaired." (*EIR* had already been advised through its own sources that indeed, President Clinton has ordered a downgrading of the long-standing intelligence-sharing arrangement between the United States and the U.K.)

Most shocking of all, was a letter published alongside the *Daily Telegraph* editorial, written by a well-known British historian, Alistar Horne. "Though no one would advocate shooting President Clinton, it is pretty clear that, if only Congress had removed him by impeachment back in January, NATO would not now be in the mess it finds itself," Horne wrote. "Is it therefore any wonder that NATO puts up so feeble a performance with such an American Commander-in-

Chief at the helm?" Whatever the outcome of the Kosovo conflict, Horne concluded, the "far more lasting damage will be the injury inflicted by one spineless political leader upon NATO and the Western alliance as a whole."

### Cook's mission

On May 16, the British press announced that Foreign Secretary Robin Cook would be coming to the United States to press the issue of ground troops, and the British media were filled with attacks on President Clinton and the United States for resisting the British calls. The *Sunday Telegraph* reported that Cook "will fly to Washington this week for crisis talks to stiffen Western resolve in the war against Serbia amid growing British military frustration over America's reluctance to commit ground troops."

The *Sunday Times* of London claimed that Prime Minister Tony Blair "feels 'a deep sense of frustration' with Bill Clinton after failing to persuade him to commit ground troops to Kosovo." The same article reported that Blair and Cook had been on the phone to Clinton and U.S. Secretary of State Madeleine Albright all the previous week, and that "there is a growing sense of frustration with the Clinton administration's intransigence."

On May 17, the London *Times* harkened back to Winston Churchill's call for a "special relationship" between the British Empire and Commonwealth, and the United States, and it warned that that relationship is now threatened because of "a reluctant Bill Clinton."

The previous day, another article in the *Sunday Telegraph*, by military historian John Keegan, and entitled "Blair's Mission: To Make Clinton Fight," also referenced the "special relationship," declaring: "Mr. Blair has done

more for Mr. Clinton than he has received in return. It is time for tough talking.”

By May 18, the fight between the British and President Clinton was so obvious, that the issue dominated the White House press briefing that day. White House spokesman Joe Lockhart was bombarded with questions about the British, and he had to reiterate that President Clinton “has no intention to use ground troops,” while repeatedly telling reporters that “the British can speak for themselves.”

It is also being reported that President Clinton spoke to Blair on May 18 and “expressed his displeasure” over the articles in the British press, and he asked Blair to “please get control” of those who appeared to be speaking on his behalf. (This was reported by the *New York Times* on May 20, and the next day by the London *Guardian*.)

When Cook arrived on Thursday, May 20, he was almost invisible. No public events were scheduled on the day of his arrival, and he seemed to be relegated largely to meeting with Secretary of State Albright. This was at the same time that informed sources were reporting that Albright had been all-but-removed from policymaking and diplomacy on the Balkans, and that the President was using Strobe Talbott, his longtime friend and Albright’s top deputy, as his point-man for the Balkans negotiations.

## Diplomatic efforts

What President Clinton is pursuing is a twofold “exit strategy”—seeking a negotiated settlement of the Kosovo conflict, and planning for postwar reconstruction along the lines of what many refer to as a “new Marshall Plan.”

In the days leading up to the “accidental” bombing of the Chinese Embassy in Belgrade, serious efforts were under way to hammer out a diplomatic settlement which could have been acceptable to the five permanent members of the UN Security Council, including Russia and China. The May 7 NATO attack on the Chinese Embassy in Belgrade had the predictable disruptive effect on those efforts. Now, the negotiations appear to be back on track and near to reaching fruition. Talbott met all day on May 18 in Helsinki with Russian envoy Viktor Chernomyrdin and Finnish President Martti Ahtisaari, who is acting as mediator on behalf of the European Union and the United Nations. Chernomyrdin then went to Belgrade, where Yugoslav officials are indicating they may be willing to accept the G-8 proposal which had been worked out prior to the Chinese Embassy bombing. Talbott, Chernomyrdin, and Ahtisaari then met again on May 20 in Moscow, while the political directors of the G-8 were meeting in Bonn.

## Postwar reconstruction

The only viable exit strategy for the Balkans War is a postwar “Marshall Plan” to reconstruct that ravaged region and build up its transportation and industrial infrastructure. This general approach was offered by President Clinton already before the NATO summit, in the President’s April 15

address to the American Society of Newspaper Editors meeting in San Francisco, when he said: “We must follow up the example of the World War II generation, by standing up to aggression and hate, and then by following through with a post-conflict strategy for reconstruction and renewal.” Clinton stressed that people “have to have something to live for,” and he argued that the peoples of Southeast Europe “need to have more to gain by working together than they do by having constant fights with each other . . . and we need to reach out and help lift them up there.”

Well-intentioned as the President’s plans are, they are not sufficient in their present rather vague and limited form. And, the absolute danger in some of the current thinking, especially in the plans being worked out by the European Union, is that the International Monetary Fund (IMF) and the World Bank will sabotage any effort at large-scale infrastructure and development projects, just as they have done in post-Dayton Bosnia.

This is already the direction things are moving. On May 12, the European Union and the World Bank announced the formation of a joint task force “to coordinate the international response to the economic needs of the Balkans resulting from the Kosovo crisis.” The EU statement says that the task force will have an office in Brussels, “under the guidance of IMF Managing Director Michel Camdessus, World Bank President James Wolfensohn, EC Commissioner Yves Thibault de Silguy, and ministers from the major donor countries.”

On the U.S. side, Deputy Secretary of State Stuart Eizenstat addressed a meeting at the State Department on May 18, in which he presented what was portrayed as the Clinton administration’s perspective on the reconstruction of Southeast Europe. Eizenstat said that the administration had held its first interagency discussion on this just four days earlier.

Eizenstat said that the administration has identified four aspects of policy for Southeast Europe: 1) humanitarian and refugee assistance, 2) balance of payments relief to the front-line states, especially because of trade disruptions caused by war destruction, 3) money for reconstruction of roads, bridges, and other infrastructure, and 4) integration of the region’s economies among themselves and with EU and Central Europe.

Eizenstat also said that three approaches for promoting reconstruction are under consideration: 1) the stability pact (human rights, democracy, etc.) led by the EU; 2) donor assistance coordinated by World Bank and EU; and 3) bilateral U.S. assistance, including foreign aid and trade benefits. He said that private investment is being sought, and that the U.S. Commerce Department is organizing a forum on investment in Southeast Europe to take place soon, probably in June.

Time is short, if a catastrophe next winter is to be avoided. What is needed is not only a crash program, but a dramatically different way of thinking about the whole program, breaking out of traditional ideas of “foreign aid” and IMF-style “reforms.” The outlines of the type of program needed, which

should be linked to the broader Eurasian Land-Bridge conception, and accompanied by global financial and monetary reform, is presented in this issue (see *Feature*).

This is truly the path to peace, the alternative to Blair's road to World War III.

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## Documentation

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### 'Old-fashioned British imperialism'

The Blair government's Balkans policy is a case of "old-fashioned British imperialism," and "the righteous Tony Blair" is covering up the fact that the British Empire had one of the most horrific records in history of brutal ethnic cleansing, writes British historian Richard Gott, in the May 20 London *Guardian*. Gott explicitly supports President Clinton against British attacks on Clinton's refusal to send troops to the Balkans.

Gott stresses that any sense of history would place Blair and Co. in the historical tradition of the "Limps," the "liberal imperialists" of the 19th and early 20th century. Blair is like the "pro-war Herbert Asquith," who supported the late-19th-century Boer war, "with its concentration camps and slaughter of civilians." Recollections of that "pointless and barbaric" war, explain why "almost every British historian today is in the anti-war camp."

Today's British government push for the Balkans war is "nothing new. . . . It is a throwback to the colonialism of the last century, when the imperial powers intervened at will in the affairs of independent states and peoples. Today's British Limps threaten a return to those old imperialisms, recommending intervention whenever they feel that an individual sovereign state is not behaving according to their definition of how states should behave."

Gott writes: "At first, they thought they had the United States with them, but now, finding President Clinton reluctant to engage American ground troops in a Balkan war, they pour scorn on his leadership and his failure to pick up the white man's burden. Clinton at least has some sense of history. . . ."

"Yet Tony Blair has never so much as hinted that Britain was responsible, during more than 200 years, for some of the most dreadful, institutional ethnic cleansing the world has ever seen: poisoning, shooting, slaughtering, and—yes—bombing the indigenous populations of the British Empire.

"An outsider might conclude from Britain's contemporary war fever that a powerful imperial drive still survives in the British cultural make-up."

Gott stresses, that the only way British aims in this conflict can be achieved, is by setting up a "protectorate" in Kosovo:

"This is what the Liberal imperialists now wish to construct, with the help of NATO, in the Balkans."

### 'Shooting President Clinton'?

*Excerpts from a letter to the editor by British historian Alistar Horne, published in the London Daily Telegraph, on May 13:*

**Sir:** For once I disagree with John Keegan in his call for the sacking of Gen. Wesley Clark. . . . Why shoot the monkey when the organ-grinder's to blame?

Though no one would advocate shooting President Clinton, it is pretty clear that, if only Congress had removed him by impeachment back in January, NATO would not now be in the mess it finds itself. . . .

. . . On a visit to the United States last month, however, I was surprised—and very disturbed—to find my American political contacts united, from Left to Right, in agreement that Clinton was the most "shamelessly bad" President on record (as one eminent former secretary of state put it), even including the disastrous Warren G. Harding.

Is it therefore any wonder that NATO puts up so feeble a performance with such an American commander-in-chief at the helm? . . .

However the Kosovo tragedy is eventually resolved . . . what one fears may be of more lasting damage will be the injury inflicted by one spineless political leader upon NATO and the Western alliance as a whole.

Alistar Horne  
Henley-on-Thames, Oxon

## The British espionage citadel in Washington

by Scott Thompson

With all the flap about Chinese spying in the United States, why is no one making a stink about the fact that, every day, some 400 spies of one sort or another from the British Embassy fan out throughout our nation's capital to go "prospecting for golden nuggets of intelligence," according to British Ambassador Sir Charles Meyer? Given the growing rift between the Clinton administration and Her Majesty's Blair government over the conduct of the war against Yugoslavia, among other matters, perhaps the time has come for a crack-down on the activities of the Red Coats at the British Embassy, who rely upon a post-Franklin Delano Roosevelt "special relationship," to worm their way into the inner councils of the U.S. government.

The British Embassy sits on a hill at 3100 Massachusetts Avenue, right near Observatory Circle and the home of the



U.S. Vice President. During Al Gore, Jr.'s tenure in office, as Johnathon Powell, British Prime Minister Tony Blair's Chief of Staff at 10 Downing Street, noted in an interview with *EIR* (May 14 issue), Gore has been especially close to a succession of British ambassadors. Ever since he became Vice President, Al Gore has "talked over his neighbor's fence" with the British ambassador, hosting frequent dinner parties and other festivities where the British have exercised their influence.

Some of the espionage activities of the British Embassy were revealed at a seminar on May 12 at the Woodrow Wilson International Center for Scholars, where Sir Charles Meyer and other ambassadors spoke about what their job was like.

### Top of the totem pole

Perhaps what drew Sir Charles out was the assertion by the Ambassador from Singapore, Chang Hang Chee, that Britain "is on the top of the diplomatic totem pole in Washington, D.C." The ambassador said that the Singapore Embassy to the United States is the largest maintained by her nation, and yet the ambassador only has a staff of 40 people. She said that this is the same size as the staff maintained by a country such as Norway.

Sir Charles said that the British Embassy has a staff of 400, and that only 12% of these people are from the civil service, known as the Foreign and Commonwealth Office. Others come from offices ranging from Defense to Trade to

Intelligence to police. He stated that at the British Embassy they have a mixture of people, who represent the entirety of the British government "in miniature."

Sir Charles said that he "had banned the use of the term 'special relationship' " to characterize U.S.-British relations by Embassy staff members, because the phrase tends to lead staff members to not work as hard as they otherwise might, to maintain Britain's special status.

In short, the British Ambassador to the United States indirectly confirmed the report by the Singapore Ambassador, that Britain does stand at the top of the "diplomatic totem pole."

### Prospecting for gold

Sir Charles boasted that every day, he deploys his 400 staff members to go "prospecting," at the National Security Council, the National Economic Council, the U.S. State Department, the U.S. Department of Defense, with Republican and Democratic leaders on the Hill, and so on. At the end of the day, as his "prospectors" return, the process continues, with efforts to locate the "six or seven gold nuggets of intelligence" that go into that day's cable to 10 Downing Street. He noted that each member of the Embassy is tasked to work his or her counterparts in the U.S. government at every level, depending on their rank, so that the British government will know precisely what policies will prevail in the United States.

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Sir Charles said that his job was even more intense, in an age of rapid communications, where President Bill Clinton talks so frequently with Sir Charles's boss, Prime Minister Blair. He boasted that he could put a dispatch on the Prime Minister's desk within one-half hour. However, he said that before Prime Minister Blair would make a phone call to President Clinton, there was usually a long questionnaire sent to the British Embassy, instructing the Embassy to find out precisely what the balance of forces on the policy issue at hand was in the U.S. government and throughout the United States.

Sir Charles also mentioned the influence-peddling that is carried out through the British Embassy and its consulates in the United States. He noted that since becoming Ambassador 18 months ago, he has given more than 50 speeches throughout the United States, and the Embassy has had more than 14,000 guests at dinners, teas, and receptions.

Sir Charles said that as Ambassador to the United States, he has had to be "part saloon keeper, part pundit, and part hotelier"; the last because of the huge volume of visitors to the United States from every walk of life in Britain. He stated that only by performing these services, has he been able to maintain the vast Anglophile "networking" essential to keep Britain first and foremost in Washington.

### 'Lying abroad'

Sir Charles said that his favorite description of an ambassador was that "he was an honest man sent to lie abroad."

While *EIR* has no proof that Sir Charles ever was an "honest man," he clearly does "lie abroad."

This author asked Sir Charles why Blair, British Defense Secretary George Robertson, and Foreign Secretary Robin Cook had come to the United States almost two days before any other government delegation to meet with President Clinton prior to the summit for NATO's 50th anniversary. This author asked whether the purpose had been to pressure President Clinton to agree to a ground war in Kosovo; and why, after President Clinton reportedly forcefully rejected this proposal, Blair had dodged two scheduled press conferences.

This question is important, given that Foreign Secretary Cook was set to arrive in the United States on May 19, "to stiffen the Clinton administration's resolve" for a ground war.

Sir Charles replied: "Well, that was a particularly harsh question from the media. I was at the three-hour meeting between President Clinton and the Prime Minister, and I can tell you that the Prime Minister never once raised the question of ground troops. As for why Prime Minister Blair came to the U.S. 36 hours early, he had a long-standing engagement in Chicago. And, I must say, the Prime Minister did not dodge the press."

When this author tried, in a follow-up question, to point out that Blair's speech in Chicago had called for the globalization of NATO in the same way that there was a globalization now of free trade economics, the microphone was taken from my hands.

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# Voters look to dump Gore, and the Democratic Party should listen

by Michele Steinberg

Democratic Party leader Lyndon LaRouche, who is running for the Year 2000 Presidential nomination against Al Gore and Bill Bradley, on April 2 issued a forceful statement warning Democrats that they will fail to regain the U.S. Congress, and fail to win the Presidency, if they continue to stick to the so-called "Gore legacy."

LaRouche said, "World economic depression is already under way. Worldwide war is already threatened. It is time for a change in the way things have been going. Don't just support a candidate. Support a change. The world, this nation, and you badly need that change."

"It is currently estimated among relevant Party circles, that the Democratic Party generally will tacitly recognize Gore's unelectability by this coming summer," continued LaRouche, anticipating that "some other Democratic candi-

dates will appear on the list."

LaRouche pointed out that "A crisis far worse than 1929-1932 is in progress inside the U.S.A. itself. . . . The world's needs cry out for a U.S. leader with the outlook and commitments of a Franklin Delano Roosevelt. U.S. candidates who are not committed to policies and outlooks like those of Roosevelt are of little use to the United States, or the world as a whole today. For the moment, I am the only visible candidate who meets that standard."

During two weeks in mid-May, LaRouche's forecast that Gore's liability as a candidate would be widely recognized within the Democratic Party by the summer, began to hit with gale force.

Gore continues to plummet in the frequent election polls. The latest poll on May 13 shows him losing to George W.

Bush by 56% to 40%. His staff is also reeling from a sudden, and unwelcome campaign change, with the appointment of former Rep. Tony Coelho (D-Calif.) to run the campaign.

## The stench of Gore

Gore's lack of appeal to Americans isn't new; in 1988, he was a disaster in the Presidential primaries. In the New York primary, he came in third, with barely 10% of the vote, behind Michael Dukakis and Jesse Jackson; he also promised, as a "Southern Senator" from a civil rights "tradition," to carry the South, but that never happened. Jesse Jackson beat him there, too.

But at root, there is a much bigger problem for Gore: the American people smell a rat, and continue to insist, even in polls, that he "lacks leadership," "doesn't have a clear vision for America," and is "too stiff and wooden" to lead the country. What the American voters are sensing, increasingly, is that Gore is little more than a British puppet, like Henry Kissinger, and former President George Bush. Gore jumped at the chance to usurp the Presidency during the British-controlled impeachment of Clinton, and is responsible for the worst policy decisions of the entire Clinton Presidency.

From the summer of 1998, when Independent Counsel Kenneth Starr launched what he hoped was the "end-game phase" of his vendetta against Clinton, Gore began operating on indirect advice from Kissinger that he do what Kissinger had done during the Nixon impeachment—that is, covertly take over the government. From mid-August onward, Gore pushed the United States into a series of needless, anti-civilian military actions—in Sudan on Aug. 20, 1998; in Iraq at the end of December 1998; and in late March 1999 in Kosovo.

LaRouche told Democrats in his April 2 statement, that "current Vice President Al Gore, could never become President unless President Clinton resigned or were assassinated." Gore has gambled that the British Empire's continuing efforts to get rid of Clinton before the end of his term, would succeed, and Gore might become President. But Gore's trust in his "special relationship" with the British elite, could turn out to be one of the main reasons why he is finally pushed aside, as the Democratic Party opens up to serious debate, and seizes the opportunity to adopt a real Franklin Roosevelt-oriented policy.

Gore's two greatest official "achievements" as Vice President were the 1996 welfare cuts that threw thousands of America's poor onto the scrap-heap, and his "Reinventing Government" project, in which he fired close to 300,000 Federal employees.

Not a few sober-minded Democrats have concluded that Gore's "New Age" mumbo-jumbo will kill the party, and that he has no intention of enacting policies that will address the poverty and hard times that have hit blue-collar, minority, and farm families across the country. They have come to agree that Gore's "Third Way" is indeed 100% British, and doomed to failure.

## Democrats speak out

In the April 1999 newsletter of the Philadelphia local of the American Federation of Government Employees (AFGE), labor editor Joe Ponisciak wrote an editorial, "Still Fat at the Top," directly attacking Gore's "reinventing government." Citing a study by Paul Light, Ponisciak writes, that Light "credits new labor President wannabe Vice-President Al Gore with making the 272,900 position reductions as the centerpiece of his reinventing government campaign. So do I."

Gore exposed how disconnected he is to the concerns of inner-city minorities on May 4, when he made a grandstand appearance at the Detroit chapter of the National Association for the Advancement of Colored People (NAACP), hosted by one of his minority endorsers, Mayor Dennis Archer, a Republican turned Democrat. Archer is so despised by his constituency that more than 120,000 "Recall Archer" petitions to drive him out of office (more than twice the number needed) had been delivered that very day. Archer is being recalled precisely for implementing warmed-over GOP austerity and "free trade" ideas. Not only is Archer implementing the anti-education privatized schools scheme of Michigan Gov. John Engler (a GOP front-runner for vice-president), but he has made legalized gambling and "black casinos" into the post-industrial economic foundation for Detroit.

A May 13 *Washington Post* story titled "Gore Worries House Democrats" reported that participants in the first meeting between the Gore campaign and Congressional Democrats, had complained that the Gore team is neglecting key Democratic constituencies such as unions, minorities, inner-city residents, and farmers. A few reportedly also complained that the danger of a protracted war like in Yugoslavia (a war which Gore and his Principals Committee pushed the President into), will detract from the party's ability to win in 2000.

More bluntly, the Conservative Revolution's *Washington Times* reported on May 13 that "there is growing concern, perhaps even fear, among many Democrats about Vice President Al Gore's weak polling numbers, especially in the northeastern states his party usually takes for granted. But instead of grouching in private about it, some Democrats are going public with their complaints, telling anyone who will listen that Mr. Gore turns off voters, even his own party.

" 'I'm concerned about the party's chances for the Presidency right now,' longtime Massachusetts Democratic campaign strategist Tubby Harrison said. 'I'm worried about what's happening on the Democratic side.' "

The *Washington Times* reported that "Mr. Gore's chief weakness, say veteran Democratic strategists, is . . . his stiff, insufferably boring personality.

" 'He does not come across as a real person,' says Mr. Harrison. 'Apart from his woodenness, it's his choice of words and phrases. He's ponderous. He's not natural. . . . He doesn't connect.' "

The liberal flagship *New York Times* on May 14 published a front-page story trumpeting the news "Clinton Admits Con-

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cern" about Gore's poor performance.

The polls released on May 13 were indeed deadly. A *USA Today*/CNN/Gallup poll showed that Texas Gov. George Bush would defeat Gore 56% to 40% if the election were held today. A *Boston Herald* poll shows Gore trailing Bush by 37% to 44% in Democratic stronghold Massachusetts—the state that gave Clinton his biggest victory in 1996. In New York, where Democrats outnumber Republicans two to one, Gore barely polls 50% against Bush.

Gore's solution of hiring Tony Coelho will probably just make things worse. Coelho, who left Congress under a cloud of allegations about shady dealings with a savings and loan bank, has been blamed for losing the Congress in 1994 to Newt Gingrich and the fascist Conservative Revolutionaries. Coelho's strategy was to be "more Republican" by preempting GOP issues. When, in January 1995, Sen. Edward Kennedy denounced this idea, saying this country "doesn't need two Republican Parties," Gore was clearly on the other side, allying with a GOP mole, "Dirty Dick" Morris, to pre-empt GOP issues, which lost them the Congress again in 1996. With Gore and Coelho, Democrats could expect to lose again in 2000. The only thing that Coelho does give Gore, is access to big money.

### **Deep policy differences**

A story being circulated in Washington, is that Gore is "furious" at Clinton for having given an unauthorized interview about Gore's campaign to the *New York Times*. There certainly is a fissure, but it's much bigger than that.

Clinton has visibly broken with Gore's "Third Way" buddy, British Prime Minister Tony Blair, and with Her Majesty's Blair government, over the conduct of the Kosovo war. While President Clinton is working to reach a peace settlement that includes Russia and China, Gore's British friends are hell-bent on widening the war into a strategic confrontation between NATO and Russia. Blair is again demanding a green light for a ground invasion, and he wants the decision *within two weeks*. Clinton is resisting; other NATO leaders such as Germany's Chancellor Gerhard Schröder, have openly attacked the British for pushing a ground invasion.

Gore has been the British cabal's asset in the Kosovo war drive. Indeed, Gore's national security adviser Leon Fuerth, the leading Anglo-Zionist agent on the Principals Committee, says the Kosovo war *is* Gore's war. "To an unusual degree among Vice Presidents, he's shaped that policy," bragged Fuerth. "[Gore] is in the cockpit." Fuerth and Gore consider Clinton their *co-President*, and have been caught sabotaging his policies.

As *EIR* has reported previously, the Kosovo war was started by a direct Gore action *behind Clinton's back*. But, beginning with the NATO summit on April 23-25, Gore was excluded from strategic matters, as Clinton began to take back the Presidency that had been usurped during the British-controlled impeachment.

# Chinese spying scare under growing attack

by Marsha Freeman

For six months last year, daily newspapers carried front-page stories on how President Bill Clinton's policy of engagement with the People's Republic of China had allowed the transfer of dual-use satellite- and rocket-launch technologies from American companies, potentially threatening the security of the United States.

This media-created uproar led to the formation of a congressional committee, headed by Rep. Chris Cox (R-Calif.), which held numerous hearings to investigate those charges, and which expanded its inquiry into allegations of Chinese spying at the nation's nuclear weapons research laboratories.

Through an unending flow of illegal leaks to the press concerning the contents of the Cox Committee report, which is still classified, the latest scare campaign by the media, and by Republicans who aim to wreck the engagement policy with China, has centered around a scientist formerly employed at the Los Alamos National Laboratory in New Mexico, Wen Ho Lee.

Dr. Lee was fired by the Department of Energy in March in response to the media and congressional outcry, and forced into virtual hiding to escape from the press. He has not been charged with any crime, although he has been extensively investigated by the Department of Energy and the FBI. His lawyer, Mark Holscher, released a statement on his behalf on May 7, insisting that Dr. Lee is innocent of any crime.

## Trial by press

Dr. Lee's lawyer asserts in the May 7 statement that government investigators "have never found any evidence that Dr. Lee ever disclosed any classified information to anyone in Mainland China." The press has incorrectly reported that Dr. Lee and his wife took "several" trips to China, where he presented technical papers to Chinese scientists. Holscher explains that there were two trips taken, "which were approved in advance by Los Alamos Laboratory," and "were with the full knowledge and approval of the Federal Bureau of Investigation." The Lees' trip in 1986, in fact, was at the request of the FBI, in order for Mrs. Lee to obtain background information on Chinese scientists for the Bureau.

Holscher's statement recounts both Dr. and Mrs. Lee's work with the FBI, including one incident where the Bureau

paid Dr. Lee to fly to Lawrence Livermore National Laboratory in California in 1982, to meet and gather information on a Chinese-American scientist working there who was suspected of spying, and to report back to the FBI.

The latest round of accusations against Dr. Lee asserts that he transferred classified nuclear bomb codes into his personal computer at Los Alamos, with the implication that they could be given to China. "Press reports incorrectly state that Dr. Lee mishandled his . . . computer files," Holscher states. "Dr. Lee has never given computer files to any unauthorized persons. . . . Dr. Lee's computer files contained dozens of nonclassified codes. . . . It is irresponsible for the press to falsely portray any unclassified codes as containing classified information."

Holscher concludes: "Dr. Lee will not be a scapegoat for alleged security problems at our country's nuclear laboratories. Nor should he be used to further the political agendas of those who are illegally leaking confidential information concerning the details of the government's investigation."

## Teller: To stay secure, stay ahead

Nuclear weapons scientist Dr. Edward Teller, who has campaigned for four decades to end the security classification of scientific research, penned a commentary in the May 14 *New York Times*, to introduce some balance into the otherwise irrational coverage of alleged Chinese nuclear spying. Dr. Teller was responding to some of the outrageous comments, such as those of Dan Thomasson in the May 5 *Washington Times*, that "this case is far worse in its implications than the delivery of atomic bomb technology to the Russians more than 50 years ago."

Dr. Teller states that the theft of U.S. nuclear secrets for the Soviet Union by Klaus Fuchs and others in the late 1940s "constituted important information for the Soviets." He continues, "This situation is in sharp contrast to the present position of the Chinese scientists. They have had 50 years to consider the possibilities that we kept secret. It seems to be probable that the Chinese must have made discoveries that made the added knowledge from intelligence less important. I conclude, at this time, that Klaus Fuchs was more important than the Chinese spy at Los Alamos is apt to be today."

Dr. Teller also criticizes efforts by today's politicians to tighten security in response to the recent "revelations." He recalls that "the reaction of President Harry Truman to the leaking of information," was that "he imposed no additional measures for security." Instead, Truman called for "accelerated work on all aspects of nuclear weapons."

Dr. Teller insists that "the right prescription for safety is not reaction to dangers that are arising, but rather action leading to more knowledge, and, one hopes, toward positive interaction between nations," because "our continuing security is acquired by new knowledge rather than by conserving old knowledge."

# Michigan defeats proposal to bring back the death penalty

*On April 21, the Michigan House of Representatives voted against House Joint Resolution H, sponsored by Rep. Larry Julian, which would have amended the state constitution to allow the death penalty for the crime of first degree murder, and to submit the proposal to a vote of the people at the next general election. In 1846, Michigan became the first English-speaking jurisdiction in the world to statutorily abolish the death penalty. Despite a number of attempts to reinstate the death penalty over the years, the statutory prohibition against the death penalty was not overturned legislatively, and the prohibition was subsequently written into the 1963 state constitution.*

*The Michigan Catholic Conference was a strong voice against the death penalty during hearings on House Joint Resolution H. Paul Long, Vice President of Public Policy for the Michigan Catholic Conference, testified against the bill. Excerpts from that testimony are included. He was interviewed on May 14 by Marianna Wertz.*

**EIR:** The death penalty bill was defeated in Michigan, thanks in part to your work. We've also been in touch with Rep. Ed Vaughn, who also fought the bill. Do you think it's going to come back again in some other guise, or do you think the people of Michigan truly reject the death penalty?

**Long:** Until the legislature is given a clear idea that the people don't support this, the legislature may try to bring it back. I think, with the clear knowledge that the House is well short of the two-thirds needed to pass this, that it's dead for this session of our legislature. For future sessions, this may be an issue that may come back again and again, depending on the proponents of the issue, and depending on whether they have a political agenda to achieve by trying to push this forward or not.

**EIR:** Do you think there's any connection between the fact that Michigan is home to Dr. Jack Kevorkian, and it now has the death penalty on the agenda?

**Long:** I see a connection in the fact that these measures were defeated [Michigan voters rejected the attempt to legalize assisted suicide in November 1998], because there's a strong belief in the State of Michigan, traditionally and historically,

that supports a position of life. Michigan was the first state in the English-speaking world to prohibit the death penalty.

**EIR:** Do you know anything about the circumstances of that?

**Long:** There was an execution in the city of Detroit sometime in the early 1830s. It was the last time that anyone was ever executed in the state. There was a mob mentality. It was done in the public square in the city of Detroit, and people were so overwhelmed with disgust at this event having taken place, that, immediately, the death penalty was stopped. Then, formally in law, in the year 1846, we formally banned it in statute. Then, in 1963, it was prohibited in our state constitution.

**EIR:** You may know that there is a movement afoot, small but growing, for a moratorium on use of the death penalty nationally.

**Long:** Yes.

**EIR:** The American Bar Association has called for it. Massachusetts voted against the death penalty last month, by a larger margin than they had a year before. Now, Michigan. Do you see the prospect, particularly with the Pope's recent statements on this and his emphatic endorsement of such a ban, that this will take hold?

**Long:** I would hope so. It would be my hope that public policymakers would look at this as not being an appropriate stance that government be in the business of killing people, and that they begin to turn away from this as a way of trying to solve the issues of crime and violence in our society.

**EIR:** I'm calling from the state of Virginia, where we've just had six executions in two months' time, and where Richmond Bishop Walter Sullivan denounced this as an "execution state." Our Governor, Jim Gilmore, for the first time in his term, gave a life sentence rather than executing the seventh expected executee two days ago, on the grounds that the man to be executed did not even know that he was going to be executed, he is so mentally retarded. This is not that unusual on death rows in America today, to have the mentally retarded. Do you have any experience with this, or thoughts on what should be done?

**Long:** I don't have any experience with it. I think it points to one of the saddest points of the death penalty, and what it means for people and the damage that it can do to people. I think that situation is one of the saddest situations that there possibly could be, in relation to this being in our justice system.

**EIR:** In this man's case, and I think this goes to an important question: His prosecuting attorney said that he never would have asked for the death penalty had there been the alternative of life without possibility of parole, which was not possible under Virginia law at that time. Are there alternative laws that could be developed to deal with this kind of situation?

**Long:** Absolutely. I think Michigan points the way. We have life imprisonment without parole for first degree murder, whereas with most of these states, that's where they call for the death penalty. If you talk to people who are in prison, certainly that's probably a more gruesome fate for someone, to spend the rest of their life in prison, knowing that they are never going to leave, than at some point that they might be executed and relieved of that burden.

We hear so many stories, from time to time. There was an inmate that was in prison for life in some other state, who contacted Kevorkian and wanted his help. Obviously, they're looking at death as a good alternative to spending their life in prison.

From the standpoint of justice, life imprisonment without parole would be a very good alternative to ensuring that there is a punishment paid for a crime.

On the other hand, too, I would say that with regard to life imprisonment without parole, in polling that's been done on the issue of the death penalty, both here in Michigan and nationally, in general the majority of people say that they support the death penalty. Yet, when they give them the alternative of life imprisonment without parole, support either drops to 50% exactly, or below 50%. So, even in the general public's mind, it is a strong alternative, and it is a strong punishment.

**EIR:** That poll also holds in Virginia, which is the second in the nation in the number of people that it executes. But it has been regularly ignored by the legislature.

One last question: You said in your testimony that "public policy should be developed with the common good as the central theme and undergirded in the belief in the sanctity of human life and the inherent dignity of the human person." Would you like to expand on that?

**Long:** Public policy should be based on the premise that it promotes and protects life. When we look at the government getting into the business of killing people, whether it be through the death penalty or through assisted suicide, or for that matter, with regard to the area of abortion, the government really, when it sanctions the killing of people, it cheapens life for everyone, not just for those whose lives the government is taking.

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## Documentation

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*This testimony was presented by Paul A. Long, Vice President for Public Policy of the Michigan Catholic Conference, on House Joint Resolution H, before the Committee on Constitutional Law and Ethics, Michigan House of Representatives, on April 19.*

... The Michigan Catholic Conference is the public policy voice for the Catholic Church in our state. We thank you for the opportunity to offer our brief reflections on House Joint Resolution H.

Traditionally, the Catholic Conference has opposed efforts to restore the death penalty in Michigan. From our advocacy during the 1961 constitutional convention, to our opposition to various ballot initiatives, to our testimony before various legislative committees, our position has always been clear: On the issue of capital punishment, as with assisted suicide or abortion, the Church stands against the use of lethal means to solve social problems.

We acknowledge the need to protect society from violent crime. We do not challenge society's right to punish the serious and violent offender. But, to serve as an effective deterrent to crime, any punishment must be swift, sure, and evenhanded. Capital punishment fails in all these categories.

By its very nature, a harmonious social order recognizes the role of law and its relation to rights, privileges, and responsibilities. Law comforts and it controls. It protects and it punishes. It edifies and it enriches. It limits and it liberates.

It should not kill. For a government with the power to kill, is a government with too much power.

As the report of the 1844 Select Committee on the Abolishment of Capital Punishment of the House and Senate stated:

"Imposition of the penalty is a 'usurped power of government'; since no man has the right to take his own life, he cannot delegate the power to take his life to the government."

The restoration of the death penalty, absent in our state since 1846, is a simplistic solution to complex problems. As was the case with assisted suicide, proponents of the death penalty outline the most gruesome and heinous acts and suggest that if we abandon our 153-year public policy and adopt legalized killing, we will put an end to such acts. Public policy, however, should not be developed in response to a specific anecdote, no matter how gruesome and heinous. Public policy should be developed with the common good as the central theme undergirded in the belief in the sanctity of human life and the inherent dignity of the human person.

It may be said that this resolution is limited in its scope and approach. But the fact of the matter is that Michigan's prohibition, the longest in the English-speaking world, would come to an end.

We urge this committee to oppose House Joint Resolution H, and all other proposals which would allow the death penalty in Michigan. Thank you.

## ABA seeks moratorium on death penalty use

On Feb. 3, 1997, the American Bar Association House of Delegates voted 280-119 to approve a call for a moratorium on executions in the United States until jurisdictions implement policies to ensure that death penalty cases are administered fairly, impartially, and in accordance with due process, to minimize the risk that innocent persons might be executed.

Since the ABA's action, several states, including Illinois and Nebraska, have introduced legislation calling for a moratorium. On May 20, Nebraska passed a two-year moratorium, while they consider the questions surrounding the death penalty. Moves to introduce the death penalty have been defeated this year in Massachusetts and Michigan.

The ABA had already opposed executions of mentally retarded persons and people who were 18 or younger when they committed their crimes. It has never taken a position for or against capital punishment in most cases, although it has long-standing policies supporting appointment of competent counsel; preserving, enhancing, and streamlining *habeas corpus* review; and eliminating discrimination in capital sentencing on the basis of the race of either the victim or the defendant.

The policy urges a halt in imposing death sentences until each jurisdiction across the country assures that people charged with capital crimes receive the due process protections that the ABA has been urging since 1979.

The following is the introduction to the report that accompanied the death penalty resolution:

### From the ABA report

"The American Bar Association has adopted numerous policies bearing on the manner in which the death penalty should be applied in jurisdictions where it exists. These policies were adopted in view of the ABA's extensive experience with the administration of the death penalty and in light of several ABA-sponsored studies. The policies concern: 1) competent counsel in capital cases; 2) proper processes for adjudicating claims in capital cases (including the availability of Federal *habeas corpus*); 3) racial discrimination in the administration of capital punishment; and 4) the execution of juveniles and mentally retarded persons.

"The time has now come for the ABA to take additional decisive action with regard to capital punishment. Not only have the ABA's existing policies generally not been implemented, but also, and more critically, the Federal and state

governments have been moving in a direction contrary to these policies. The most recent and most dramatic moves, both strongly opposed by the ABA, have come in the form of laws enacted by Congress in 1996. Federal courts already are construing one law to significantly curtail the availability of Federal *habeas corpus* to death row inmates, even when they have been convicted or sentenced to death as a result of serious, prejudicial constitutional violations. Another law completely withdraws Federal funding from the Post-Conviction Defender Organizations that have handled many post-conviction cases and that have mentored many other lawyers who have represented death row inmates in such proceedings.

"These two recently enacted laws, together with other Federal and state actions taken since the ABA adopted its policies on capital punishment, have resulted in a situation in which fundamental due process is now systematically lacking in capital cases. Accordingly, in order to effectuate its existing policies, the ABA should now call upon jurisdictions with capital punishment not to carry out the death penalty until these policies are implemented. Of course, individual lawyers differ in their views on the death penalty in principle and on its constitutionality. However, it should now be apparent to all of us in the profession that the administration of the death penalty has become so seriously flawed that capital punishment should not be implemented without adherence to the various applicable ABA policies."

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## Gun control derails juvenile crime bill

Debate on the GOP's showcase juvenile crime bill took a sharp partisan turn toward a focus on gun control, in the aftermath of the shooting at Columbine High School in Littleton, Colorado that took the lives of 14 students and a teacher. Even before gun control became the focus, however, debate had revealed a party-line split in the Senate over the bill itself. When debate began on May 11, Judiciary Committee Chairman Orrin Hatch (R-Utah) described a bill that was oriented toward increased law enforcement, tougher penalties for violent juvenile offenders, and greater "parental empowerment."

Paul Wellstone (D-Minn.), who reflected the views of many Democrats, complained, "I see a whole lot of emphasis on punitive measures, locking up more children. I do not see a whole lot by way of effort to keep children from getting into trouble in the first place."

At the outset of the debate, Hatch foreshadowed the difficulties that would arise. "The test for the Senate . . . will be whether we choose to play politics with the gun issue or work in a bipartisan manner to ensure that access to firearms by juveniles is tightly controlled and that the laws are fully enforced," he said.

The fireworks began on May 12 when Frank Lautenberg (D-N.J.) offered an amendment to regulate firearms sales at gun shows. Lautenberg's amendment, and a GOP alternative sponsored by Hatch and Larry Craig (R-Id.), began three days of contentious argument. Charles Schumer (D-N.Y.) called the GOP alternative a "Swiss cheese amendment," because of its many loopholes. All this led an exasperated Hatch to say, "I really believe there is an effort in this body by some to never have a juvenile justice bill." Hatch offered a clarifying

amendment to close the loopholes that the Democrats were complaining about, but, in any event, the Hatch-Craig amendment passed by a vote of 48-47, with six Republicans jumping ship to oppose it.

## Farmers shortchanged by GOP, Democrats say

On May 13, Democratic Senators held a press conference to vow that, no matter what, they will continue their efforts to aid farmers who are being devastated by low agricultural commodities prices. The press conference came the morning after the conference committee working on the emergency supplemental appropriations bill had narrowly rejected a Democratic plan to provide a \$4.3 billion aid package above and beyond what was already in the bill. Minority Leader Tom Daschle (D-S.D.) said, "We will use whatever means available to us to make our case."

Byron Dorgan (D-N.D.) reported that he and Tom Harkin (D-Iowa) watched the Republican members of the conference committee "decide that they wanted to nearly double the amount of money for defense spending," but "when we raised the question about family farmers, they plead poverty." He said, "If we've got \$5 billion or \$6 billion extra for defense spending the Defense Department didn't ask for, then we've got the money to provide decent price supports during collapsed income for family farmers." Paul Wellstone (D-Minn.) warned that what the GOP action translates into, is that "a whole lot of family farmers are going to be driven off the land."

Richard Durbin (D-Ill.) recalled the scene two years ago, when Democrats from both the House and the Senate held an all-night vigil in the Capitol Building to get a disaster relief bill passed. "What does it take," he asked,

"to get the attention of the Republican leadership around here when it comes to rural America? They say that they're friendly with the families across America who are struggling with these problems, yet when it comes time to put up or shut up, they can't produce." He vowed that the Democrats will continue to wage this fight because "if we don't come to the rescue, the farm families across this country will continue to suffer."

## Emergency supplemental passes the House

On May 18, the House passed a conference report by a vote of 269-158 that combined two separate emergency supplemental appropriations bills into one \$15 billion measure, the bulk of which goes to the Pentagon, but also includes disaster assistance for Central America, \$574 million for agricultural assistance, and funding for recovery efforts in Oklahoma and Kansas in the aftermath of recent disastrous tornadoes.

David Obey (D-Wisc.), the ranking minority member on the committee, told the House that while he thought there was "much good" in the bill, his main problem was "that it is a symbol of the mendacity that dominates the Federal budget process." He complained that there was \$5 billion in the bill "above and beyond" what is needed for military operations in the Balkans, and it was there because, according to the chairman of the Senate Budget Committee, Pete Domenici (R-N.M.), "we had to pour as many dollars into this bill because it will be labeled an emergency and will not count against spending limits." This means, Obey said, that it frees up about \$5 billion worth of "pork" in the regular Defense Appropriations bill, which the committee will begin work on shortly.

## Editorial

### *The biggest U.S.-British rift since Suez?*

We've been saying it for years, but now there's no excuse for anyone in government, or elsewhere, to deny the reality: The British government is in a head-on collision with the Clinton administration. The British-U.S. rift is now totally out in the open, and the outcome of this war will affect the lives of all of us for centuries to come.

We can't trace here the entire five-year history of British assaults against President Clinton, ranging from the Whitewater scandals, to the hysterical British reaction to Clinton's seeking a partnership with Germany, to the intense policy-battle over Bosnia and Russia. Over the last month, however, the conflict has reached a fever-pitch.

The British oligarchy, as Lyndon LaRouche has emphasized, is determined to preserve its power, and it has chosen the Balkan war as one of its tools for doing so. This is Britain's war, but Britain can't make it work without the United States. The problem with President Clinton, as the British press says openly, is that he wants to reach a lasting peace, in collaboration with Russia and China. This objective is anathema to the British imperial design.

Since the NATO summit on April 24, the rift has been fully public, thanks in no small measure to *EIR*. Before that event, Prime Minister Tony Blair came to Washington to attempt to "stiffen the resolve" of President Clinton to commit ground troops to Kosovo. Complicitly, the U.S. press portrayed U.S. and British positions as the same. But *EIR*'s questions at the summit, and coverage of the reality, blew this cover story apart.

From that time forward, the British media have been going bonkers against President Clinton, with one paper going so far as to say that Tony Blair should be the U.S. President, not Bill Clinton. The *Sunday Times* of May 3 cited a nominal American, James Hooper, executive-director of the Balkan Action Council, and a strong supporter of mounting a ground war in Yugoslavia, to make their point: "How can we get the leadership it will take to turn the air campaign into a winning ground war? The simplest way is to revoke the Declaration of Independence, and reunite with Britain to avail ourselves of Tony Blair's firm and principled leadership."

Both the *London Times* and the *Daily Telegraph* have been rabid, with editorial after editorial attacking President Clinton for his every effort to resolve the conflict. He's been attacked for involving the Russians, for proposing a Balkan reconstruction plan at the end of the war, for seeking to reestablish relations with the Chinese after NATO's criminal bombing of its embassy.

On May 13, the *Daily Telegraph* virtually howled with pain over Blair's failure to corral President Clinton into a ground war, a move they know will kill any diplomatic potential with China or Russia. Calling Clinton the "chief ditherer," the editorial bemoans his unwillingness to escalate. It then notes: "Things have got so bad in the alliance that there are now mutterings that the normally first-class sharing of military and strategic information between Britain and the United States is being impaired." (Good!)

On May 17, the *London Times* lead editorial was even more shrill. Citing Winston Churchill's call for "a special relationship between the British Commonwealth and Empire and the United States," the paper praised the "political intimacy" which continues to this day, shown by the joint article by U.S. Secretary of State Madeleine Albright and British Foreign Secretary Robin Cook in the *Washington Post*, but expressed great concern about the fact that President Clinton is "reluctant" to go along.

That "reluctance," and the conflict over whether to negotiate or escalate the war, has hit the front pages ever since.

Back in 1956, President Eisenhower had the guts to counter the British-French-Israeli attack on Egypt's Suez Canal, showing that U.S. "brawn" need not be controlled by British "brains." Unfortunately, that rift was patched up, over the dead body of President Kennedy. Today, the potential for putting the British oligarchical relics in their place, through an alliance among the sovereign nation-states of the United States, Russia, China, Germany, and others, is again on the agenda. It can only happen if nations and citizens have the guts to tell the truth: The British oligarchy is the enemy, and it must be destroyed.

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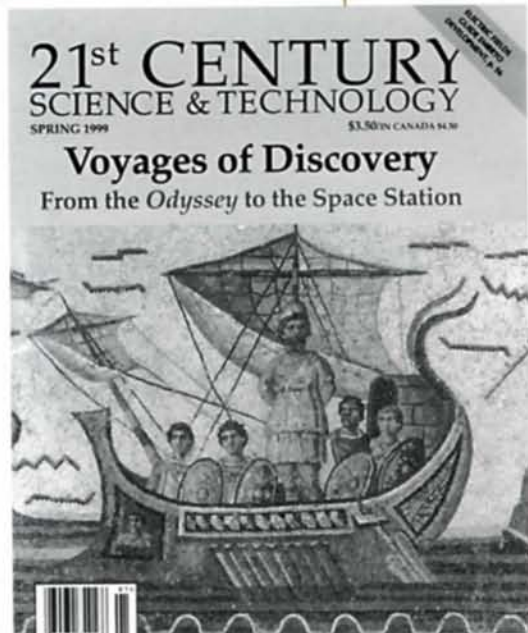
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