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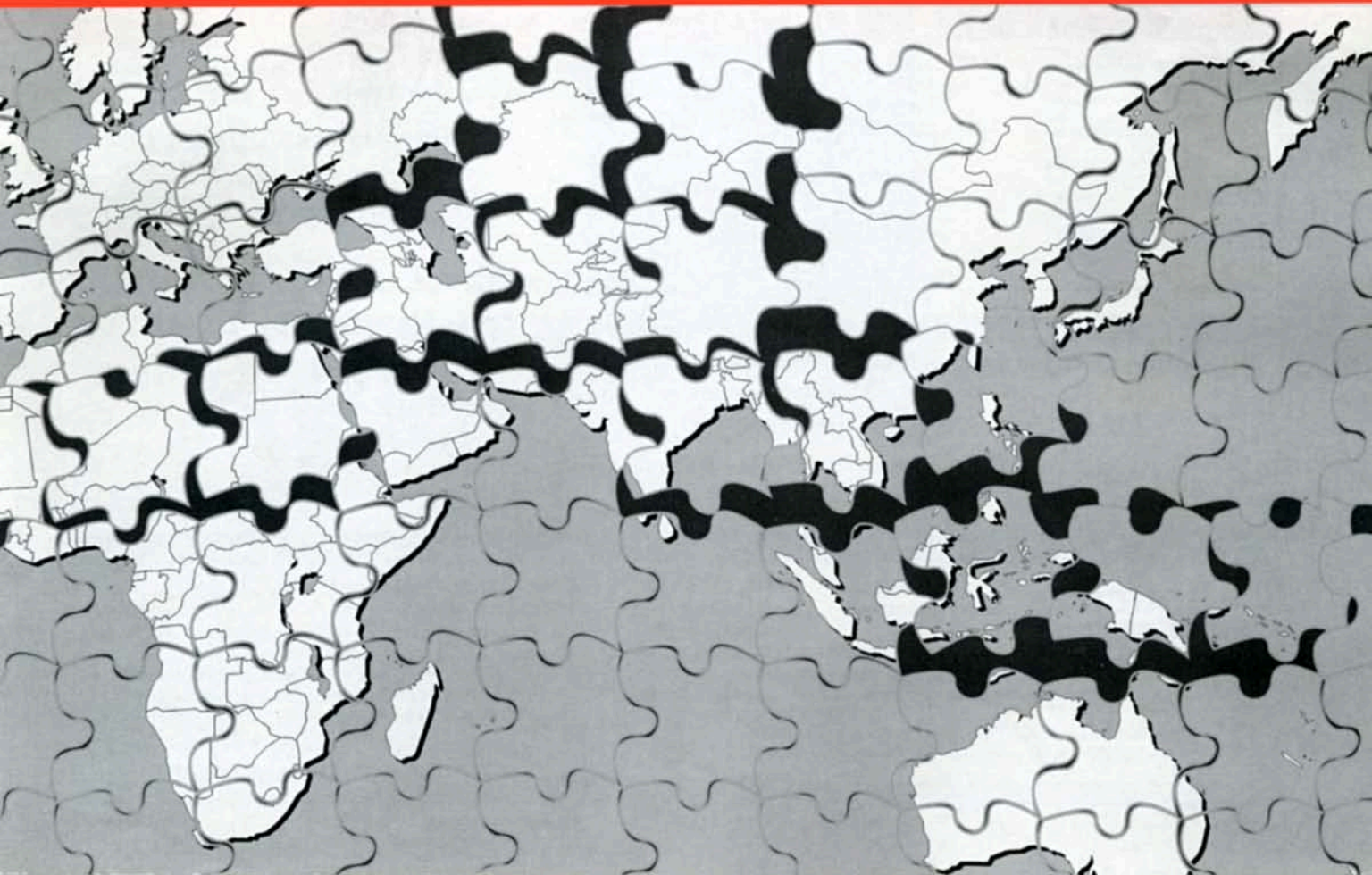
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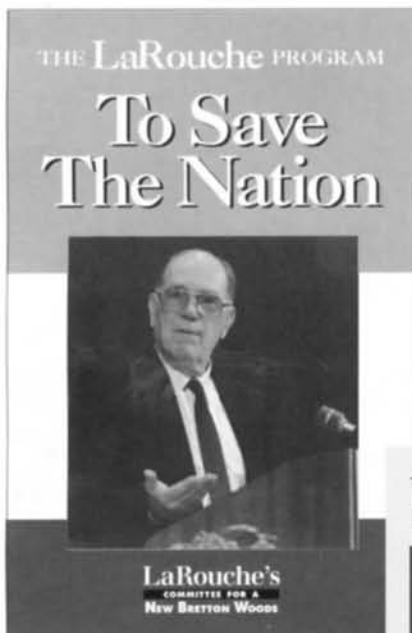
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Real economics vs. virtual reality
Terror in Russia poses 'Pinochet' option
Australia acts as British stooge in East Timor

**British vow to rip apart
the world's nation-states**



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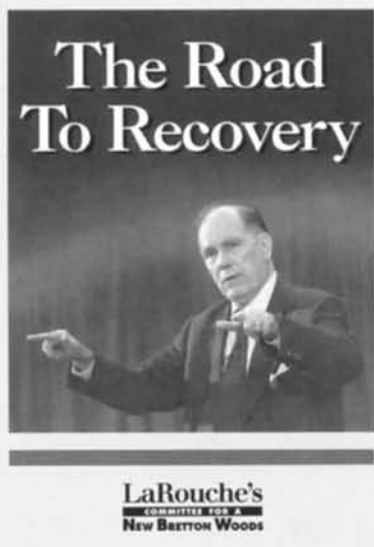
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From the Associate Editor

At the conceptual center of this issue, are two extraordinary statements reported in the lead to our *International* section:

- The bald-faced assertion by Martin Palmer, “spiritual adviser” to British Royal Consort Prince Philip, that the main thrust of British foreign policy today is to break up Russia, Indonesia, and other “empires”—including, ultimately, the United States and China. “Perfidious Albion is alive and kicking,” he chuckled. “The British Foreign Office has a certain agenda, which is continued divide and rule.”

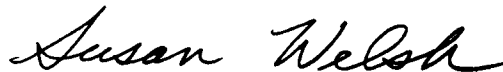
- Lyndon H. LaRouche, Jr., in a statement released by his Presidential campaign committee, warns that the British monarchy’s policies in East Timor, as well as toward Russia, in the Transcaucasus, and in Central Asia, could lead to something “akin to ‘World War III’ before the end of this century.” (That means, within the next three months!)

If some among our readers have doubted *EIR*’s insistence on the evil role of the British monarchy, here it is, in black and white.

Articles in this issue flesh out the strategic picture in detail: the emerging “Pinochet option” in Russia; Australia’s role as the British stooge in running the East Timor crisis to break up Indonesia; the British-manufactured crisis over Taiwan, aimed at the splintering of China.

Why is all this happening? Why would the old farts at Buckingham Palace, and their retainers around the globe, play with fire in this way—when top Russian Army officers are stating, *in public*, that they are building 10,000 low-yield tactical nuclear weapons, since *only by actually using such weapons could they defend themselves against what they see as a likely NATO attack?*

The reason is economics—and power. The financier oligarchy is bankrupt. Our *Feature* provides vivid documentation of that fact. There *is* no “booming economy”; get that stupid idea out of your head! The oligarchs are desperately maneuvering to grab up chunks of the world, and its natural resources, to position themselves to keep their corrupt power in a post-crash world. Our job, the job of the world’s patriots and republicans, is to stop them.



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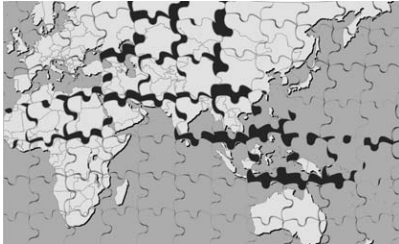
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Kyrgyzstan President promotes 'renaissance of the Silk Road'

by Mark Burdman

The University of Bonn in Germany was the scene of an important international policy declaration Sept. 14, when Dr. Askar Akayev, President of the Central Asian republic of Kyrgyzstan, delivered a major address, on the theme, "The Diplomacy of the Great Silk Road." The event was sponsored by the Bonn-based Center for European Integration, a research institute founded in 1994. President Akayev spoke at the Center as part of a state visit to Germany.

In his introductory remarks, Akayev noted that he is "the author of the doctrine of the diplomacy of the Great Silk Road." The "Great Silk Road," Akayev stressed, brings together the destinies of Asia, Europe, and Africa. Today's "re-birth of the Great Silk Road" makes possible the creation of a "zone of stability, friendship, cooperation, security and partnership" in the world. He declared that the Great Silk Road was critical for the "development of civilization," including in its "spiritual and philosophical" domains.

He said he was in Germany, because, given its "key role" in East-West relations, it could make an important contribution to these positive dynamics.

President Akayev had also hosted a summit Aug. 24-25 in Kyrgyzstan's capital, Bishkek, for the so-called Shanghai Five, comprising the three Central Asian states of Kyrgyzstan, Tajikistan, and Kazakstan, as well as Russia and China. That meeting worked out important protocols for cooperation on the economy, security, and in other domains. Akayev informed his Bonn audience, that he is the chairman of "The Group of Central Asian countries."

Transport is key

One crucial point of emphasis made by the Kyrgyz President, was on "transport projects" in the Great Silk Road region. He said that "the significance of these projects is enormous, not only economically but politically. These projects are a contribution to peace, and peace is a precondition for

the economic renaissance of the Great Silk Road."

At one point in his address, Akayev praised the building of a rail line between China and Uzbekistan, through Kyrgyzstan. He hoped for a European role in the development of what he called "*the project of the century*," namely "the rail lines going from Shanghai to Paris." He also welcomed the "very active" work of the European Union in railway projects, evidently referring to the "Trans-European Nets," also known as the "Delors Plan" sponsored by the former European Commission President Jacques Delors, for the building of an array of rail projects throughout different parts of western, eastern, and central Europe.

Akayev pointed to the key role of his country as "a bridge of friendship and cooperation" for the vast region extending from "Portugal to Japan." Kyrgyzstan, he explained, is an important "transit land" for various countries, for example, for the shipments of oil and gas from Turkmenistan and Kazakstan to China and Japan. He said that the Japanese were very interested in building ties in Central Asia, to secure energy supplies from this region.

Akayev stressed that "we have built wonderful relations with China." He said an agreement had been reached with the Chinese authorities, to keep borders open between the two countries. China has also granted an "air corridor" to Kyrgyzstan, which will ensure that in the coming years, flights via Kyrgyzstan will offer the shortest route from Europe to Southeast Asia. At one point, he asserted that one of the key features of his country, is its "Confucian philosophy and Confucian spirit."

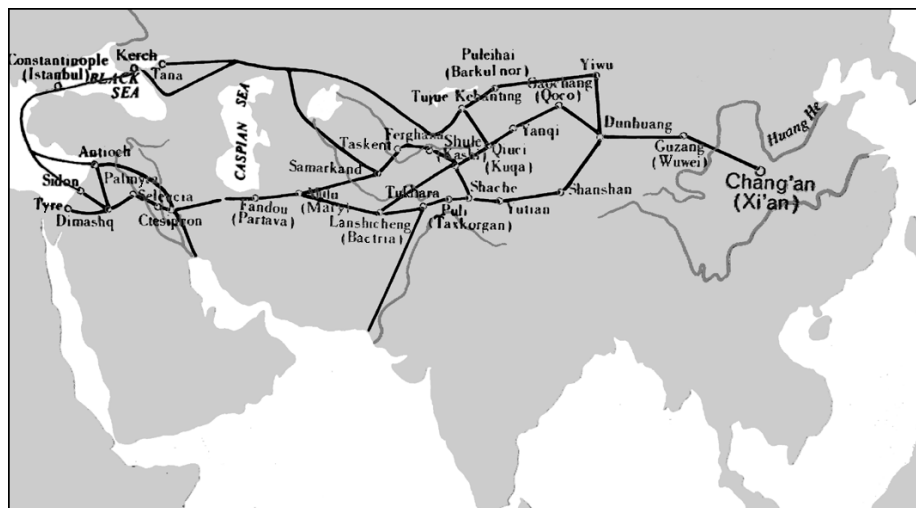
Containing Brzezinski?

Although Akayev's speech was also interlaced with praise for "liberal economics," "liberalism," "globalization," and the like, his speech offered an alternative to the resource wars and destabilization impinging on the region.

FIGURE 1
Main land routes of the silk trade, circa 1100 A.D.



Kyrgyzstan President Askar Akayev



Source: *The Silk Road on Land and Sea*, China Pictorial Publishing Co.

The Kyrgyzstan President also reflected on the threats to security in the Central Asian region, and the broader region of Eurasia.

During the question and answer period, *EIR* asked Akayev whether he was aware of the “forecast” by Brzezinski and his co-thinkers in London, that the next years would see the eruption of a “Eurasian Balkans,” and what role he saw Germany and Europe playing, to create a Eurasian dynamic of peace and development as opposed to the geopolitical aims of Brzezinski and his backers (see “Brzezinski Plays Britain’s ‘Great Game’ in Central Asia,” *EIR*, Sept. 10, 1999).

Akayev began his answer, by saying that “I’ve very often spoken to Dr. Brzezinski, on the perspectives for Eurasia in the 21st century. He has made many prophesies. I see him as the ‘Nostradamus of the 21st century.’ This danger of a Balkans war is very real, after the collapse of the Soviet Union. Dr. Brzezinski prophesied war in the Balkans, 10 years before it happened. What he talks about, is a possible scenario.”

Having said this, Akayev was quick to add that precisely this danger was the reason he was “very active to reactivate the Great Silk Road,” to extend “cultural exchanges,” and to try to recreate the “Golden Age” of the Silk Road of the 9th to 11th century,” to reinforce “freedom, peace and prosperity” in the region. He affirmed that “Europe must make a contribution” to a “stable Central Asia,” through encouraging transport projects and the like. Living standards in the region should be brought up, over time, to European levels. “Germany has a key role in Central Asia, to bring peace, stability, welfare, and prosperity,” the President affirmed.

Another question also dealt with the regional threats to peace and stability. In response, Akayev declared: “Our region is very troubled. There are many causes. The main problem is the civil war in Afghanistan. Afghanistan is one of the

main sources of drugs, extremism, and export of terrorism. As long as there is no peace in Afghanistan, and also in Tajikistan, there are risks of destabilization.”

To fight this, “we want cooperation with the West, and, in the first line, Germany. Germany is our most important partner.” He recalled positively, the 1998 visit to his country by German President Roman Herzog, on the occasion of which there were agreements signed to fight organized crime, terrorism, and extremism.

Von Humboldt in Central Asia

At various points during his address, and in the question and answer period, Dr. Akayev lauded the contributions made by German scientists to the understanding of the Central Asian region.

He noted, for example, the work done, over 160 years ago, by the great German scientist Alexander von Humboldt in the Tian Shan mountain regions in Kyrgyzstan and China. He revealed that there was a special project planned, for early in the next century, by German scientists, geologists, and others, to come to Kyrgyzstan, to commemorate this work.

Earlier, he had praised one Ferdinand von Richthofen, who intensively studied the geology of China, during the 19th century, and did essential work on the history of the Silk Road. Von Richthofen is famous among scholars of the “Silk Road” for his four-volume history of China.

Akayev himself is a physicist, and a member of both the Kyrgyzstan and New York Academy of Sciences.

For previous *EIR* coverage, see the interview with Dr. Apas Jumagulov, ambassador of Kyrgyzstan to Germany and former Prime Minister, in *EIR*, Nov. 13, 1998. See also *EIR*, April 9, 1999 for publication of the Kyrgyz Republic’s Silk Road doctrine.

'Prince of Thieves' Robert Strauss and money laundering in Russia

by Richard Freeman

In November 1995, Robert S. Strauss, acting as chairman of the U.S.-Russia Business Council (USRBC), authorized the Council to address a letter to Alan Greenspan, chairman of the U.S. Federal Reserve Board of Governors. The Strauss-authorized letter argued to the Fed that it should quickly approve the application for a New York branch representative office, which the Russian bank, Inkombank, had submitted in that April. At the time that Strauss was taking up Inkombank's cause, that bank was at the center of laundering what some estimates place at several billions of dollars in criminal and capital flight money out of Russia, and into New York, London, and Switzerland. A good part of the illicit cash flowed to the Bank of New York, specifically through the office of Natasha Gurfinkel Kagalovsky, who headed—and still heads—the Bank of New York's eastern Europe division.

Strauss had great expertise to argue on behalf of the interests of the money-laundering Inkombank. He is a long-time friend of George Herbert Walker Bush, and as President, Bush had made Strauss Ambassador to Russia from 1991-93. In that capacity, as Lyndon LaRouche identified, Strauss acted as the "Prince of Thieves." He was appointed Ambassador to Russia on June 4, 1991. In late August, the government of President Mikhail Gorbachov fell. In the ensuing uncertain period, Strauss helped shove through the policies devised by the oligarchy's Mont Pelerin Society, which, under the Intentional Monetary Fund, applied shock therapy and privatization to steal the nation blind. The networks of George Bush and former British Prime Minister Margaret Thatcher set up Russia's entire criminal money-laundering operation.

Strauss's participation in the Inkombank operation, as early as 1995, is not only not surprising, but logical. It is one slice of the larger pattern of Bush network criminal activity. If one asks, "Who lost Russia?" one shouldn't start in 1995 or 1993, but at the beginning: 1989-93, when the Bush apparatus rammed through in Russia its criminal policy.

The Strauss-authorized U.S.-Russia Business Council letter was obtained by *EIR* from publicly available Freedom of Information Act files maintained at the Federal Reserve Board's headquarters in Washington, D.C. To our knowl-

edge, no other publication in America has cited and published the Strauss-authorized letter, choosing instead to focus exclusively on the activities of Vice President Al Gore, who is also heavily implicated in the Russian money-laundering operation. The obfuscation of the hand of President George Bush, which preceded Al Gore's role, in guiding the money laundering all along the way, shows that the press is engaged in a very large cover-up.

Further, among the other 400 pages in the Inkombank file held at the Federal Reserve, are documents establishing that Fed chairman Alan Greenspan was informed of the Inkombank-Bank of New York cash nexus and its operations for three and a half years, and allowed it to continue. This activity took place with the participation of the highest levels of the U.S. and other financial establishments. Our report should help the reader penetrate beyond the media's misrepresentation that the money-laundering involved only what is called the Russian mafia and a few rogue bankers.

We will review, through the relevant documents, how the money laundering worked, which will require establishing a few basic facts about the operation. Because the activities of BONY's Gurfinkel Kagalovsky, and what is contained in her letter to Fed chairman Alan Greenspan, establishes certain essentials, we will start with that, and then proceed to the earlier, but more important network around Robert Strauss, George Bush, and their friends and collaborators, such as former Federal Reserve Bank of New York President Gerald Corrigan. We will see how they created the financial apparatus to make this money laundering possible.

The money-laundering machine

Inkombank has a long history of money laundering. In 1988, Inkombank was formed to make loans, trade foreign exchange, and perform similar banking services. By 1992-93, Inkombank claimed that it was the fourth largest bank in Russia. Inkombank also sought to take over companies. According to the book, *Kremlin Capitalism: Privatizing the Private Economy*, Inkombank's press secretary told a reporter, "Certainly the goal of our bank is not just profit. . . . We want to become co-owners of major enterprises. Yes, we buy shares. And if some directors do not understand,

they are doomed.”

Inkcombank owned a significant share of Russia’s timber industry—which raw material was looted—two insurance companies, and other enterprises. In the early 1990s, Inkcombank opened up a branch in Cyprus, employing 11 staffers, and opening up a second branch there in 1994. Cyprus is a known money-laundering center, and is the center of Russian money laundering.

In 1992, Inkcombank started its banking relationship with the Bank of New York (BONY), including wire transfers. Since 1992, the head of BONY’s eastern Europe division was one Natasha Gurfinkel; she handled the Inkcombank account, through which much dirty money was laundered.

Her future husband, Konstantin Kagalovsky, had been, from 1992-94, Russia’s representative to the International Monetary Fund, from which post, he helped implement the IMF’s shock therapy program, which established the looting against Russia. Konstantin Kagalovsky had been part of the brain trust of the monetarist Mont Pelerin Society’s Lord Harris of High Cross’ International Center for Research into Economic Transformation, which took over the key posts of the Russian government in late 1991. (Two other minions of Lord Harris also took over posts in the Russian government: Yegor Gaidar, who became Prime Minister, and Anatoly Chubais, who became head of the privatization operations, as well as others. These people worked with the Bush-Strauss network.)

Telltale letter to Greenspan

To expand its money flows, Inkcombank made an application on April 19, 1995, with the Federal Reserve Board of Governors in order to open up a representative branch office in New York, an application which came under the purview of the Fed’s authority. The apparatus that knew that it must expand the illicit money flows out of Russia, mobilized to make sure the Federal Reserve approved Inkcombank’s application. BONY’s Natasha Gurfinkel Kagalovsky, using her maiden name, Natasha Gurfinkel, wrote a letter on April 23, 1996, on Inkcombank’s behalf, addressed to “Honorable Alan Greenspan.” This letter was obtained from the Federal Reserve’s Freedom of Information Office. What is astonishing, is that Natasha Gurfinkel Kagalovsky indicated crucial features of the banking relationship between Inkcombank and BONY that should normally have triggered suspicion an immediate response by a Federal Reserve board chairman. Greenspan has sat on his hands over this for, now, three and a half years. The letter stated:

“As Senior Vice President and Division Head of the Eastern Europe Division of the Bank of New York, I am writing to provide the Federal Reserve with information about Inkcombank, an organization which I know very well and which I understand has before you and your colleagues an application to establish a representative office in the United States. . . .

“Our relationship with Inkcombank dates back to March 12, 1992, at which time we opened a demand deposit account for them to clear U.S. dollar payments. *Today, they are our largest and most active relationship, processing in excess of 250 payments per day.* We also extend a modest clean [credit] line for the exchange activity. *Needless to say this is a very important and profitable relationship for our bank. . . .*

“If Russia is to succeed in their quest to develop a market economy and build a democratically based financial system, it is imperative that a strong commercial banking system lead the way. Inkcombank in my opinion, has both the capacity and vision to lead an effort. . . .

“. . . I believe that allowing [Inkcombank] to open a U.S. representative office will go a long way in serving both U.S. and Russian customers. . . .

“I feel confident in adding the Bank of New York’s voice in support of Inkcombank’s application” (emphasis added).

Alarms were silenced

Inkcombank started working with BONY in March 1992. According to Natasha Kagalovsky’s 1996 letter, “This is a very important and profitable relationship for our bank.” Further, “they are our largest and most active relationship, processing in excess of 250 payments per day.” That’s 1,250 payments per week! What could Inkcombank be doing, in terms of real trade or any other legitimate activity, that the Bank of New York was processing 1,250 payments into dollars per week? This should have set off alarm bells.

Further, according to an Aug. 21, 1999 *New York Post* story, “Bank Made Killing on the Mob,” the Bank of New York was collecting a \$56 fee per wire transfer from Inkcombank for a large number of such wire transfers it performed, to bring money into and out of the United States, a rate as much as six times higher than the normal wire transfer fee. This information would have been available to the regulators and inspectors of the Federal Reserve. Such a high fee represented, effectively, BONY’s skimming from some of the illicit funds for itself.

Russian banking authorities did not share BONY and the Fed’s complacency about Inkcombank: In 1996, they issued a scathing 200-page audit revealing that Inkcombank, as stated by the *New York Post*, “appeared to be engaged in criminal activity, and recommended severely curtailing its activities.”

How much did Alan Greenspan know of this, while not acting? On Aug. 23, 1999, the Federal Reserve’s chief press officer told *EIR*, “If the Russian authorities had any report on Inkcombank [with regard to dirty money], then the Federal Reserve would have found out about it,” because, “when any foreign bank applies to open an office in the United States, as part of the application review process the Federal Reserve talks with, and reviews the case with the banking authorities from the country of that bank. This is the requirement spelled out in Chapters 4 and 5 of the Federal Reserve’s

‘Purposes and Function’s Statement.’” (In Chapter 5, the appropriate sub-section is entitled “Authorizing the Establishment of Foreign Branches of Member Banks and Regulating the Scope of Their Activities.”)

The highest levels of the U.S. banking establishment permitted—and perhaps abetted—the activities of Inkombank and the Bank of New York.

Strauss appeals to Greenspan

Robert Strauss had already instituted the policy that created a criminal banking system in Russia. He only waited six months to move on behalf of Inkombank’s interests for its application for a representative office. After leaving his post as Ambassador to Russia in 1993, Strauss moved right over to become chairman of the U.S.-Russia Business Council. Although the Council had been around for awhile to promote U.S.-Russian business relations, Strauss, working with the Bush networks, was able to transform the organization to his purposes, and it became his fiefdom.

On Nov. 8, 1995, Strauss authorized the USRBC to address a letter to “Honorable Alan Greenspan” to also recommend that the Fed approve Inkombank’s application. In this instance, the letter was signed by Council President Eugene Lawsen, but everyone knew that the USRBC was Strauss’s organization, and Lawsen’s letter appeared under the letterhead displaying, “Robert S. Strauss, Chairman of the Board.”

The letter stated:

“As I understand it, [foreign bank] representative offices are very different from actual branches, in that they are not empowered to take deposits or make loans. I also understand that because of these differences, the Federal Reserve has broad discretion in fashioning the criteria to be applied in evaluating representative office applications. I urge the Board, in exercising this discretion, to give weight to the benefits representative offices will confer on U.S. trade and investment interests, and to the value of such offices as catalysts for strengthening the Russian [banking system]. . . .

“I can certainly appreciate the need for application of strict standards when considering applications to establish foreign bank branches in the U.S. But especially in the context of managing a difficult transition away from a government-monopolized financial system to a modern private system, it would be counterproductive to prevent the leading organizations in the industry [Inkombank] from having the simple capability to facilitate liaison with existing U.S. customers, develop contacts with potential new customers, and network with U.S. financial institutions.”

Already at this point, there were reportedly growing, and sometimes vocal suspicions about Inkombank’s dirty activities. A serious examination of Inkombank would reveal this. The Russian banking authorities’ 200-page 1996 audit of Inkombank confirmed, and then some, how dirty the nature of Inkombank’s work was. Then, Inkombank exploded in

September-October 1998, following the Russian government’s announcement on Aug. 17 that it would not pay on its Treasury debt. Inkombank had financial exposure on several fronts, including its ownership of a good amount of Russian Treasury debt. But, until its September-October failure, the Bush-league financier networks had benefitted from a principal money laundromat.

The Council: Strauss’s fiefdom

Who is Robert Strauss and the U.S.-Russia Business Council? What was the extent of their reach?

Many businessmen and bankers were on the board of the USRBC in 1995, but two stand out. One is Dwayne Andreas of the food cartel company Archer Daniels Midland.

The other is Gerald Corrigan. Corrigan served as President of the Federal Reserve Bank of New York from 1985-93. Under Corrigan’s direction, the “Bankers Forum” project was set up. At George Bush’s behest, Corrigan “sent in a group of experts from the Fed, commercial banks and the Volunteer Corps on an off-the-books mission to teach the Russians at the Central Bank the bond game.” Corrigan also helped set Russia up with its new “free market” banking system. Starting in 1992, Corrigan was co-chairman of the Russian-American Bankers Forum, and from 1993, was chairman of the Russian-American Enterprise Fund. Thus, he knew intimately how the banks worked, including the speculative and dirty-money side. This knowledge was at the service of the USRBC and Strauss. (Today, Corrigan is employed as a top officer at Goldman Sachs investment bank.)

Robert S. Strauss was born in Lockhart, Texas on Oct. 19, 1918. After graduating from college, he joined the FBI, serving in 1941-45.

Strauss was, from 1945-77, and then again in 1981, a member, and later a partner, in the Texas-based law firm of Akin, Gump, Strauss. He was treasurer of the Democratic National Committee from 1970-72, and became chairman of the DNC from 1972-77. Democratic or no, Strauss was a flunky for British oligarchical financier networks. During the 1980s, he did the dirty work for Pamela Churchill Harriman’s “Democrats for the ’80s” political action committee inside the Democratic Party. But since he had no morality, party affiliation meant little. Strauss worked freely as part of the Bush networks, drawing at first on the dirty networks from Texas. He was an old friend of Bush; as the June 5, 1991 *New York Times* reported, “when George Bush moved into the White House [as President], Mr. Strauss was one of the first to call and congratulate him there, and Mr. Bush had Mr. Strauss over among his initial dinner guests.” Strauss is equally close with another Texan, James Baker III, Bush’s Secretary of State and then White House Chief of Staff.

Strauss continues to keep his Bush network affiliation alive, sitting on the board of the Bush-aligned Forum for International Policy (FFIP) (see article, p. 75).

Ghana bishop calls for debt cancellation and a Marshall Plan for Africa

The Right Reverend Charles Palmer Buckle, a Roman Catholic bishop from Ghana, spoke at the National Summit of Africa debt workshop Sept. 9 in Baltimore, and called for a full cancellation of Africa's debt. The debt workshop at which he spoke was sponsored by Catholic Relief Services. Bishop Buckle stated categorically that there should no longer be any conditions imposed on the developing countries, as has been the case through the International Monetary Fund's Structural Adjustment Programs. He also called for a "new, just economic order" and for a Marshall Plan for the development of Africa. He was interviewed on Sept. 10 by Lawrence Freeman.

EIR: I understand that you are calling for debt forgiveness in this Jubilee 2000 year. Could you tell us more about this campaign?

Bishop Buckle: Definitely there is a campaign started, most probably because of what the Pope himself said in 1994, when he put it into writing that at least the developed countries should consider, if not outright cancellation of the debts of Africa, at least giving Africa a great big relief, because that is the only way that Africa can start self-reliant development of itself. The debt of Africa is really crushing. Let's be frank and honest about it: It is supposed to be in the region of over \$200 billion, which means that every African today that comes to birth has a debt burden of \$235 on his or her head. This is quite unfair.

EIR: Some groups are calling for a partial debt moratorium. President Clinton has called for a \$70 billion debt reduction for the most heavily indebted countries. Congressman Jesse Jackson, Jr. called for a full debt cancellation from the advanced-sector countries and the IMF. Are you advocating a complete cancellation of all debt, and are you advocating that the African countries now finally be relieved of having to pay any of this foreign debt?

Bishop Buckle: Definitely I am for total cancellation of the debt. Also I am for no conditions to be imposed by the creditor nations. Whatever conditions there are should come from the African countries themselves. Why am I in favor of total cancellation of debt? I would like to say in the first place, from debt servicing and from debt rescheduling, have we not

paid these debts already a long time since? The interest that has been paid on these debts—for every dollar we received in debt, we have paid \$1.30—so we have already paid it.

Secondly, look at the exploitation that Africa has been through these last 40 years, not to talk about the past 400 years of slavery, economic exploitation of raw materials from Africa, exploitation of human resources from Africa. It is just unfair to think that we should still carry a debt burden into the next millennium, after all the exploitation that Africa has been through.

But apart from that, let us ask ourselves, do the creditor countries really need the money? It is all paper debt. Their development has been going on irrespective of the debt that is owed them by Africa. Why then should we have this debt burden on our heads like a sword of Damocles?

Finally, a lot of the debt was acquired in very unethical and immoral circumstances. It was during the Cold War times. It was for strategic reasons that America gave a lot of money to governments in Africa, knowing fully well that these governments were corrupt, these governments were not using the money for development. It was just to keep the governments as strategic allies. Not only America; the British government did the same. The French government did the same. The German government did the same. Just looking at the unethical ways in which some of these debts were accrued, it would just be unfair to have this debt burden still hanging around the necks of Africans, and especially of generations to come.

So, as far as I am concerned, there is a need for a total cancellation of the debt, because we have already paid for it, and it is immoral. It is unjust for anybody to be born into debt.

EIR: The other point that you have raised is a call for a Marshall Plan for Africa? Could you explain what you mean by this?

Bishop Buckle: Many countries in the developed world are worried that, if the debts are cancelled, will Africa not get back again into debt? Will the money that should accrue from this nonpayment of debts not be misused for arms or for prestigious projects, or even find its way back into Swiss and American banks and British banks, because of corrupt government? That is why I said there should be no conditions imposed from outside. We are going to impose the conditions from within.

What are some of those conditions? In Ghana, for instance, where 40% of our GDP is used for paying debts each year, this means that we are taking 40% away from vital services like health care, like subsidies for agriculture, like education, like social services. Ghana therefore must continue to pay the debt that it owes the developed world, but pay it into a fund in Ghana—pay it to itself, so that that amount of money, with the supervision of the NGOs, civil society, and the churches, can be used as further income for development projects in the health sector, in social services, in the agricultural sector, and in the sector of education. So all said and done, the country will have to pay the debt, but have to pay it into a central fund that will be monitored, supervised, and used in the same country, like Ghana, for social services, for health care, for education, for agriculture. This is a way in which whatever money should be accrued from the debt will be beneficial to the country.

Number two, we are talking about a Marshall Plan. There are many people who are calling for reparations from the northern countries—America and Europe—for exploiting Africa over 400 years. They are talking about reparations to the Jews for the Nazi holocaust, which was only about 25 years of Nazi persecution in Europe. Then Africa has a right to ask for reparations too. But I am not interested in money for reparations. I believe that the best form of reparation would be that America and Europe come together and put together a plan to help develop Africa—that is what we call a Marshall Plan. I thought that this is what was done for Europe after the Second World War. America cancelled all the debt that the various European countries owed her, and America put together the Marshall Plan to help Europe develop its industries, to develop its potential. And today Europe has become America's greatest trade partner. So I believe that there is enough money in the system, if America and Europe will come together and put together a Marshall Plan, not only for Africa but for the entire Third World, so that helping us to develop our potential, we become also vital and valuable trade partners. It is something that the economics of the world demands, that a certain reparation be made *in the form of a Marshall Plan towards the development of the Third World countries.*

EIR: We did a study of the Marshall Plan, and particularly Britain was given sums of money and used it to pay off its debt. What they did in Germany is to set up a National Reconstruction Bank, an independent credit authority, and as you are suggesting, they used dollar-backed marks and instead of returning them to the United States, they put them in this reconstruction bank, which formed a capital base, and then they lent money out for investment in the country. This of course created the German miracle of the postwar period. What you are saying is that each country in Africa would have a separate bank into which these debt payments would go.

Bishop Buckle: Definitely. And Japan too, the same way.

EIR: The advanced sector countries could float lines of credit into the African banks for this similar reconstruction plan.

Bishop Buckle: Definitely. And if it has worked in the case of rebuilding Germany from all the destruction that had gone on, from the ashes of Germany, then I would even say that they do not need to put in too much money into Africa. It is not that the whole African continent is war-torn and destroyed. We do have the infrastructure. All we need is investment. We do have the brains. The brains are here in America. The brains are in Europe. What we need is to be able to bring back those brains to come and help in Africa, and at the same time give them just remuneration. When we look at a Marshall Plan, it should not be seen in terms of having to start in Africa from scratch. Africa is already doing fairly well. But Africa needs quite a lot of investment, and this is a way whereby the investment can be engendered, and it can be monitored inside the country itself by civil society, for the benefit of the country.

EIR: What about infrastructure in terms of water, power. Nigeria could develop an east-west oil pipeline. There is no way of getting from one country to another. The colonialists left no infrastructure deliberately. They just looted the resources. And what Germany did in the Marshall Plan was to put this money into hard infrastructure—roads, power, and water management, and also “soft infrastructure”—education and social services. Then you can hire the people in that country who are unemployed and you are creating net wealth in the country. I think that the infrastructure deficit has held back the potential of most of the countries in Africa.

Bishop Buckle: I am not an expert in economics and economic policy, but I think that what you said is in the right direction. If the resources are there and made available, with the help of expertise, from both Europe and America, channeling them in consultation with African governments, whether it be into infrastructure or into education of the people so they can then develop their resources, it will be a secondary stage of development that would be necessary. I am hoping that the malice that was in colonialism is over and done with. Whether we like it or not now, the world is a global village. If the developed world does not help the underdeveloped world and the developing world to develop itself, the underdeveloped and developing world will pull down the developed world.

Is that not what Malthus said? If we do not stop exploiting the Third World, the Third World will have to move into the First World in order to survive. And this is what is happening with floods of migrants, illegal immigrants, refugees, all heading towards America, all heading towards Britain, all heading towards Europe in order to survive. So it is in the interests even of the developed world to develop the underdeveloped

Definitely I am for total cancellation of the debt. Also I am for no conditions to be imposed by the creditor nations. . . . Have we not paid these debts already a long time since? The interest that has been paid on these debts—for every dollar we received in debt, we have paid \$1.30—so we have already paid it.

and developing world, so that it can stem the flow of migrants into the north. When people are satisfied in their home countries, they will not come to the north.

Two, if they help us develop, we will become vital and valid trade partners.

Three, Africa is very rich. Africa is still a virgin, untapped in terms of natural resources, in terms of human resources, in terms of human intelligence, and everything. The potential in Africa is immense. I have been to school where there are so many children. The tendency is to look at the children as problems for the future. But just imagine if we could invest in the education of these children. Who tells me that we do not have the African Einsteins who are yet to be discovered, the African Alexander Bells, the inventors, they are there. These are brains that are only waiting to be brought to blossom. That is why I believe very strongly that Africa has a lot of wealth and can play a major role in the development of the world, not only for itself. Believe me, I am a dreamer, when I say that the third millennium is going to be for the Third World, and for Africa in particular. Because I see the potential. I do not want to say that European civilization has more or less exhausted itself. No. But I can say for sure that African civilization, African intelligence has not yet been tapped.

EIR: You said Malthus. Malthus had a theory about population growth going faster than food production. I think history has totally proven that wrong. There is a neo-Malthusian theory that developed in the 1960s and the 1970s, especially after the death of President Kennedy, with the counter-culture movement in the West. If you look at the potential for agricultural development in Africa, it is enormous. People say that the continent, with a mere 700 million people, is overpopulated. This is a fraud. We believe that there is potential for billions of people in Africa, and billions more on this planet, and that each person, made in the image of God, has the power of creativity to advance the entire human race. I would like to know what comments you would make to those people who say there are too many people in Africa?

Bishop Buckle: One has to admit immediately that it was because Europe was overpopulated that they started the exploration. Sometimes history must be rewritten. Europe was overpopulated; they were fighting among themselves, they did not know what to do. They needed more space—that

brought them to Africa and the New World. But if you look at the population now in Europe, about 200-some million people, and Africa is twenty times the size of Europe—still, even if you take the Sahara Desert out, Africa is not overpopulated. It is not at all the case. Secondly, those children that have already been born, cannot be unborn. The young people we have in the continent are already there. Therefore, they must be allowed to grow and blossom into their fullest potential. Africa today is about 65% below the age of thirty-five. You can imagine the potential there. As for birth control, it will come with education, when people come to know that I can take care of so many children, and I choose to have so many, or so few. It comes with education. It cannot be forced, especially not in Africa, where we treasure life. And every life in Africa is considered a blessing from God, and it definitely is a blessing from God. So if you ask me, whether the problem has to do with overpopulation, I would say no. Look at China.

If the theory is correct that the more people there are, the more geniuses there are, and every genius is worth 4,000 people, you can imagine, if we are able to discover geniuses in a continent of 700 million, what a great resource that would be for the world. Those who keep harping on the fact that there are too many people in Africa, that Africans are having too many children and the rest, sometimes I wonder if they do not have a hidden agenda.

EIR: Henry Kissinger put out a document in 1974, called the National Security Memorandum 200, which explicitly said there are key countries around the world which had too many people and they are using up the resources that would otherwise be used by the West. And in Africa, he mentioned Nigeria. So there is a hidden agenda. Some people do not want Africa to have a large population.

Bishop Buckle: I must say that it is even sad and unfair to think about it, and very unjust. But again, in the world that we have today, why is it that 80% of the world's resources are being used by 20% of the population—America and Europe? That is definitely very selfish, for anyone to think that you are using 80% of the world's resources, and even human resources, in terms of brains. Most of Africa's brains are here in America or in Europe, being used or misused. In the name of social justice and fairness, let us not talk about it and look at the beautiful potential there is in every child that is born,

and let's help this child come to the full potential that God has given to it. And I believe that the world will be more fortunate for it. Who would have thought that with the discovery of the microchip, today we can do such wonders? Now this is just one tiny little micro-thing, and how much information it can contain! Who can tell me that we are not going to discover through some of these children the cure for AIDS, the cure for other sicknesses, and other inventions that will make the world even more pleasant to live in? Who tells me that we are not going to discover how to make good use of the sand of the Sahara Desert? Or of the sun in Africa, for creating more complicated and more complex technological gifts and benefits to the world? As a man of religion, I believe that any child that God allows to be born has a mission, has a vocation, and it is our duty to make sure that this child answers the vocation that God has for it, and fulfills the mission for which he or she came to the world. No person has been allowed to be born by God to become a burden. Each one is an asset.

EIR: Africa has been plagued by ethnic wars. Do you have an idea for the solution to this, or do you think that there may be a hidden agenda behind these wars to prevent Africa from becoming powerful?

Bishop Buckle: It is a very complex issue—the issue of conflicts in Africa, both from within Africa itself, and outside Africa. The reasons are both human, because they are engendered by human beings, and social. Some of the reasons date back to history; others are just today and present. Some of them are being engineered today by forces inimical to Africa's unity, in Africa and outside Africa. It is very complicated. We can talk about, for instance, the heritage of colonialism and the creation of nations in Africa. We were just lumped together in 1894, in the Berlin conference where the imperialist powers just decided on how African states would be drawn up with a ruler. They cut nations into bits and put them in different parts. A typical example is my own country of Ghana and Togo, and Ghana and Ivory Coast. There are ethnic groups that have been divided into two, one group of francophones in Togo, another group of anglophones in Ghana. Other groups are divided between Ghana and the Ivory Coast. My mother's own tribe is divided into two. These artificial borders, this lumping of people together by force to become nations, people who were moving over large expanses of this continent, have all of a sudden found that they are constrained to live together. Now these are factors that have led to a lot of conflict, if you take the case of Rwanda, Burundi, and the rest of it. These are some of the factors—colonial pressures, colonial divisions, colonial exploitation, and colonial interests even today.

Apart from that, you have strategic interests, linked up with economic interests, financial interests, political interests and the rest of it. So, in Africa conflict situations can be traced both from outside and from inside Africa.

I would also like to say that we do not despair. What has been done cannot be undone. The past has come and is going away. We now have to look forward and see how we can prevent conflicts from occurring on the African continent, resolve them when they occur, and pull our resources together for the development of building peace and development in the continent. This is where we would also need the help of, I am sorry to say, Christian Europe and Christian America. If Europe and America were as Christian as they should have been, since they have had Christianity for longer centuries; if they were as Christian as they should have been, or even if the Muslim countries were true believers in Allah, as they say, Africa would have had more peace. It shows that Christians did not really become Christians. They had their own hidden agendas. They have constructed all these sinful structures, and today they are still perpetrating some of these sinful structures of oppression, and of exploitation.

Africa has problems, but Africa can solve these problems. That is one thing I can tell you for sure. We are awake. We are doing our bit. The only thing is that sometimes we are overwhelmed, by natural disasters, by manmade disasters, by devious interests of our former colonial masters, by hidden agendas of the present powers-that-be, and of course by our own instinctive selfish motives of power and corruption. But I would tell you that we have been talking about these problems, we are looking these problems in the face, and we are beginning to find solutions to them. All we need is to be encouraged, and we need a more just social system in the world, a more just economic system—a world that does not live by double standards, as we have seen. Look at how much money is being pumped into Kosovo and the Balkans for rebuilding and reconstruction—\$30 billion. And how much has America invested in Africa, only about \$100 million for the development of Africa, for conflict resolution and the rest.

EIR: You say we need a just social system. Back in the 1970s, there was a discussion at the Non-Aligned Movement summit for a new, just world economic order, and we have worked on this issue with the heads of state of India, Mexico, and many other countries over decades. Today, EIR founder Lyndon LaRouche is calling for a New Bretton Woods System, which would be based on a community of principle among sovereign nation-states—not supranational agencies, but nation-states—for the purposes of issuing the credit required for global development. Would you agree with this type of plan?

Bishop Buckle: I would say that I subscribe to it. From the past experience, communism has imploded. Capitalism is creating more poverty and misery, even in the capitalist countries. In America now, 90% of the wealth of America is in the hands of about 2% of the American population. In Europe, with all these mergers going on, it is creating a lot

more unemployment, a lot more social unrest. So let's be honest, and say that capitalism is about to strangle itself. It means that it has outlived its usefulness, together with the Bretton Woods institutions as they have them today. So we need a new world economic order, something between communism and capitalism. I would say that as a Catholic bishop, I find quite a lot of indices in the teachings of the present Pope. He has come up with about four documents that talk about the social system in the world, *Sollicitudo Rei, Socialis, Centissimus Annus, Laborem Exercens*. I believe that the Pope is also echoing what your founder has been saying.

It is high time we come up with a social economic system that does not put the power necessarily in a certain superstructure, but is based on economic solidarity, and fairness. If you ask me how it should come up, I do not know, but there is the need for something new. That is where we have to go. I think that this something new can be worked out, if we will look dispassionately at the current economic situation and at the Bretton Woods institutions and admit that a lot of mistakes have been made, they have outlived their usefulness, and let's come up with something new. I believe in that today.

EIR: What specific things are you planning to do with the Jubilee 2000?

Bishop Buckle: The Pope put into writing what was the feeling of many, many people. The cancellation of the debt of the Third World started early in Mexico, in the 1980s, and the Pope only put it into written words. I have been happy to see that not only the Catholic Church but also the Christian Caucus and even the Muslims all around the world are taking up this call for cancellation of the debt. I am aware, for instance, of the recent [1998] Lambeth Conference of the Anglican Communion, which also called for the cancellation of the debt. The Jubilee 2000 Coalition, which is made up of about 200 NGOs, are calling for the cancellation of the debt in favor of the Jubilee year. I personally do not think that must be achieved by all means by the year 2000. I am rather looking at it for the next decade. We should talk about it until we reach a point where we say yes, it has been unfair, as with the abolition of the slave trade. Those who called for the abolition of the slave trade started in about 1770. Nobody thought seriously about them, but they kept obnoxiously at it until 1803, and it became law in the British Empire in 1806, and then Europe took it up in 1809, in France and Germany, and in 1835, the whole of Europe came together and set up the ships that went to stop the slave trade on the Atlantic Ocean. So you are talking about 60 to 70 years to really bring to fruition the dreams of William Wilberforce and the rest.

Today, we are the dreamers to talk about a debt-free world. I do not expect this by the year 2000, but I don't expect

the flame to die out. The flame calling for the cancellation of the debt, calling for a more just world economic order. We should continue with this fight for the next 20, 30, 40 years. We should continue this fight until we see an end to an economic form of slavery that is worse than even the form of slavery we have experienced with the slave trade.

EIR: It may come sooner, because the financial system is completely out of control; there is \$300 billion in derivatives, and there is this huge debt. We expect that there will be a major financial collapse in the next weeks, months. In that case, the debt moratorium may come before the end of the year 2000.

Bishop Buckle: I would be the happiest, because the word Jubilee means that there must be jubilation in the hearts of all men and women, the whole of creation must rejoice, because the Lord God has freed us from all forms of oppression and slavery. It is my hope and prayer that we will live the Jubilee in the year 2000 and beyond. In a period of celebration, celebrating life, celebrating love, celebrating solidarity, celebrating joy, happiness, celebrating peace amongst all men. It is my biggest prayer for all mankind, for all races, for all religions, for all political persuasions, for all colors.

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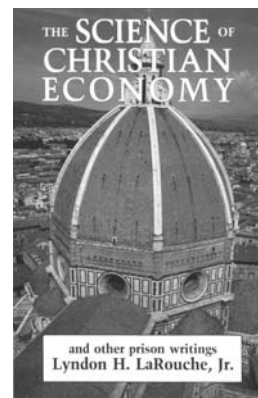
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Business Briefs

Foreign Debt

IMF scrambles to shore up Ukraine's finances

Following the admission by Ukrainian President Leonid Kuchma, that his country's foreign debt is unsustainable—an admission that triggered a temporary nosedive of 50% in the value of Ukrainian Eurobonds—the government and International Monetary Fund (IMF) have been trying desperately to build up some facade of financial stability. On Sept. 7, the Ukrainian government suddenly presented a revised version of the 2000 budget, devoting 10.67 billion hryvnias (\$2.1 billion), out of the entire budgeted expenses of 24.89 billion hryvnias, to foreign debt payments, or some of 43%.

On the same day, the IMF's Deputy Managing Director Stanley Fisher stated that Ukraine's "fiscal adjustment has been encouraging," and therefore, the IMF approved a \$184 million loan. One day earlier, the World Bank had already given the green light for a \$100 million loan to Ukraine. Both the IMF and the World Bank are among the country's top foreign creditors.

President Kuchma's adherence to the World Bank-IMF prescriptions for Ukraine, and their disastrous implications, has been brought to the center of the upcoming Oct. 31 Presidential election by candidate Dr. Natalia Vitrenko of the Progressive Socialist Party of Ukraine. Dr. Vitrenko, a member of Parliament, has surged to second place in most preference polls for the elections.

Food Cartels

Pork producers merge, tighten food control

The Virginia-based Smithfield, the world's largest producer and processor of pork, is acquiring Murphy Farms, the second-largest hog producer in the United States, it was announced in early September. Smithfield by itself was already the largest factory-farm producer of hogs, marketing 5.5 million hogs annually, and with significant opera-

tions in Poland, France, Mexico, and Brazil.

The new combine, like the Cargill-Continental merger, goes "beyond big," into the realm of food control outside of any nation's ability to assert its national interest in protecting and securing farming and food supplies. Already, the top four meat processors in the United States slaughter more than half of all pork sold in the country.

Leland Swenson, head of the National Farmer's Union, has warned that the merger will contribute to foreign meat coming into the United States from Brazil and Mexico, causing prices to already-beleaguered U.S. farmers to be further depressed.

Argentina

Industry, workers act to protect production

Several different industrial sectors are experiencing open rebellion against so-called free trade by businessmen and workers, who are demanding "active measures" to protect production from the damaging effects of free-market policies. The Union of Metalworkers (UOM) issued a statement on Aug. 7, attacking the government for devastating industry. Because of "an economic policy of savage opening [to globalization], which prefers to replace production factories with containers filled with imported goods . . . in only a few years, we've lost half our labor force."

At the annual meeting of the Argentine Industrial Union (UIA), *Página 12* reported on Aug. 19, some attendees began talks to create a new association, to be called "The Productive Group," which "would sweep aside the Association of Argentine Banks and the stock market, given that in recent years, these have curbed government policy, [and acted] against the interests of productive sectors." In addition to industrialist factions, the Productive Group will include agricultural organizations such as Coninagro, the Argentine Agrarian Federation, Rural Confederations, and the Argentine Rural Society. These farm organizations staged two nationwide strikes earlier this year to protest the destruction of agriculture.

In addition, on Aug. 27, the Argentine Workers' Movement, the General Economic Confederation, and the Argentine Agrarian Federation, joined to launch the National Union of Production and Labor, to demand measures to attain "a profound redistribution of the internal market," according to the report in the daily *La Nación*.

Fusion Energy

China's research set to enter a new stage

China's operation of another experimental nuclear fusion device, the Tokamak HL-2A, which is being built on the outskirts of Chengdu, capital of Sichuan Province, will open a new phase in the country's controlled nuclear fusion research, Xinhua news agency reported Sept. 9. The Tokamak HL-2A project, being conducted at the China National Nuclear Corp.'s Southwest Physics Research Institute, the country's first and biggest nuclear fusion experiment center, uses equipment from Germany.

China started work on controlled nuclear fusion in the 1950s and developed the Tokamak HL-1 by its own efforts and put it into operation at the Institute in 1984. In 1994, a new system from a modified HL-1 installation was put into use for greater efficiency. Despite the world recognized research results gained with the help of existing equipment, Chinese researchers decided to build the more advanced Tokamak HL-2A facility with German equipment, aiming to enhance their role in the "sphere of nuclear fusion."

Russia

Helmut Schmidt says IMF wreaked disaster

Former German Chancellor Helmut Schmidt attacked the International Monetary Fund policy in Russia, as well as in Asia and Ibero-America, as incompetent, in a interview with Italy's *Corriere*

POPE JOHN PAUL II addressed the issue of "Ethics and Finance" in a speech on Sept. 16, pointing to the dysfunctional "economic relationships, [in which] financial transactions have grown much bigger than real ones, so much that the world of finance has nowadays acquired an autonomy of its own."

YEVGENY PRIMAKOV, the former Russian Prime Minister, told an NTV interviewer that his electoral slate would not ally with "extremists" who would take Russia back to "the command and administrative system," or those on the right—"the pseudo-liberals, that are dragging [the country] in the direction of the Chicago School. They are also called the 'Chicago Boys,' and they are very proud of it. They completely deny the regulating role of the state."

A MOROCCAN business delegation of 230 arrived in Israel on Sept. 6, including three parliamentarians, four managers of the Moroccan King's farms, and an adviser to the Moroccan Construction Minister. It was the largest delegation from an Arabic country ever to visit Israel.

'**BIPOLAR**' is the best characterization of the World Bank's *World Development Report* for 1999, released on Sept. 15, which promotes the devolution of power away from national governments in two directions: towards globalization, and what it calls "localization," which it defines as "the growing economic and political power of cities, provinces and other sub-national entities." This will be "one of the most important new trends in the 21st century."

THE WORLD HEALTH Organization's *Weekly Epidemiological Report* on Aug. 20, reported that infectious disease is now the world's leading killer of children and young adults, killing some 13 million each year, with just six diseases: AIDS, malaria, TB, measles, diarrheal diseases, and acute respiratory infections, accounting for 90% of these deaths in 1998.

della Sera, published on Sept. 9. Schmidt was among the guests at a major international economic meeting at Cernobbio, Italy. "The IMF gentlemen are bankers full of good will, but I must say that with Russia, they did everything wrong. . . . They gave out billions of dollars, but their aim was to save Western banks. The development of the country took second place. By the way, the last two to three years, the same thing happened in South America and in the Far East."

The IMF should stop playing the lender of last resort, he said, adding that it would be wrong to cut financial relationships with Moscow: "We must deal with the Russian people, a very proud people, with great respect. This does not mean that we must have unlimited confidence in them. . . . The problem is not [President Boris] Yeltsin. There will be a successor and we must go on negotiating with him. The fact is that we will need at least a couple of generations before Russia approaches Western standards from a legal and economic standpoint. In the meantime, we must avoid a paternalistic approach towards them. This is a characteristic American behavior. Russians must learn from their mistakes."

Monetary Affairs

Central banker says Asia needs its own fund

If there had been an Asian Monetary Fund (AMF), when the Asian monetary crisis broke out in 1997-98, "then maybe the damage caused by the crisis could have been contained, as it was initially a currency crisis, and countries only faced liquidity problems," the governor of Malaysia's central bank chief said. Bank Negara Governor Tan Sri Ali Abul Hassan Sulaiman told a symposium of the Japan-Malaysia Association in Tokyo on Sept. 7. "Large financial support, if provided up front" by such an Asian Fund, "could have stopped the contagion," he said.

On the currency controls in Malaysia, the Bank Negara Governor said: "We envisage that the controls will remain for some time, until there is a discernible normalization of the currency and financial markets domesti-

cally and globally, and until concrete measures are in place to reform the international financial system." He also said in his speech that "the need to maintain the momentum for reform is particularly urgent, as the present international financial system is ill-equipped to cope with the challenges of the globalization."

Beyond monetary cooperation in an AMF, as distinct from the International Monetary Fund and its "conditionalities," the East Asian countries should also use the yen as an Asian reserve currency, he said, and they should expand their cooperation generally, in a framework of the kind that Malaysia has been proposing for some time, namely the East Asian Economic Caucus (EAEC).

Social Security

Polish system is on verge of bankruptcy

On Sept. 16, Poland's cabinet held an extraordinary session to discuss the disastrous situation of the public social security fund, ZUS. In the first eight months of 1999, the federal budget had to put more money into ZUS (9.6 billion zlotys or \$2.2 billion) than had been budgeted for the entire year. In addition, the ZUS had to take 2.8 billion zlotys in short-term bank credits. Public pension payments, the 21 private pension funds, the regional health insurance funds, and the employment offices are all dependent on payments from ZUS. According to government statements, the reason for the financial disaster at ZUS is the refusal or inability to meet social security payments by the large companies in the steel, mining, defense, machinebuilding, and national railways industries, as well as, increasingly, by the privatized corporations.

At the same time, social and financial turmoil is exploding, as the government is pressing through "social reforms" and mass industrial layoffs. In early September, rumors of a cabinet reshuffle led the zloty to fall to its lowest level against the U.S. dollar since April 2, and on Sept. 15 the zloty suffered another heavy loss, while stock prices also dropped by 3.5%.

Real economics vs. virtual reality

Lyndon H. LaRouche, Jr., in his keynote address to the Labor Day conference of the Schiller Institute and International Caucus of Labor Committees on Sept. 4, underlined that the world is presently in the final phase of disintegration of the global financial system, a collapse which was set into motion in August 1971, when President Nixon took the dollar off the gold-reserve standard. That year, he said, “was the point at which Hell began to break loose.”

The crisis that is soon going to finish off this bankrupt world economy, LaRouche said, is going to occur on the watch of the present, incumbent President of the United States, Bill Clinton. Given the authority and influence of the United States, the President of the United States is *the only figure on this planet* who could implement the measures required to prevent a worldwide catastrophe, a New Dark Age. And it is therefore essential that President Clinton adopt, very soon, certain policies which will bring about a New Bretton Woods financial system: a system based upon the conception that “each nation-state is governed by a commitment to the principle of the general welfare, and that all nation-states each recognize that their well-being as independent nation-states, and their security, depends upon applying the same notion of general welfare to the world as a whole, to all nation-states.” (See last week’s *EIR* for the full text of LaRouche’s speech.)

Proceeding from the conceptual standpoint provided by LaRouche, on Sept. 5, *EIR*’s Economics Staff presented a panel on “Real Economics vs. Virtual Reality,” which we publish in this section. In it, they documented how the present crisis—whose very existence, to this day, many people will not admit!—came about. The economics panel was organized as a conceptual unit, drawing on much of what has been published in *EIR* over the past few years.

First, John Hoefle gave a report on how “great” the financial world looks from the vantage point of “virtual reality.” His talk was titled “Virtual Economy vs. Real Psychosis.”

Using the same jargon from public television’s “Wall Street Week” and other financial shows, Hoefle demonstrated to the audience the insanity of viewing the spread of financial cancer, as economic “growth.”

Speaking next, Marcia Merry Baker used a series of photographs and graphics to demonstrate the economic decline in the U.S. economy, by looking at a U.S. farm county and a factory town, in the 1960s—when the U.S. economy still “worked,” whatever its flaws—compared to the situation today, when it doesn’t. Even the landscape itself has changed dramatically, in ways that are obvious once the talk of “economic boom” is put aside.

Richard Freeman then took up the foremost question posed by the panel, and the conference itself. What makes for a real recovery, rather than virtual reality? His topic was, “The Machine-Tool Principle: Collapse of an Essential Feature of the Economy.”

The panel concluded with a short report on Malaysia, on the occasion of the first anniversary of the economic national interest measures taken by that country, on Sept. 1, 1998, in resistance to the demands of the International Monetary Fund that nations must submit to austerity and destruction. Recent Malaysian television footage showed industrial and infrastructure scenes, including assembly-line production of the Malaysian “Proton” car, production of integrated circuitry for export, and scenes of mass transit and construction. An upcoming issue of *EIR* will carry a much more detailed report on Malaysia’s actions, by Gail Billington and Richard Freeman.

The authors wish to thank those who contributed photographs and statistical information to this panel: Don Eret, Nebraska; Jobst Gellert, Ontario, Canada; Bob Linnertz, North Dakota; Elmo and Evelyn Romens, Iowa; Walter Merry, Pennsylvania; Ron and Deanna Wiczorek, South Dakota; *The Times-Plain Dealer*, Cresco, Iowa; and the *McKeesport Daily News*, Pennsylvania.

Virtual reality, real psychosis

Alan Greenspan walks into a bar, and orders an expensive glass of champagne and some pretzels. The next morning, the *New York Times* carries the banner headline, “Greenspan Expects Economy to Expand, With Some Twists and Turns.”

Greenspan is, after all, the financial genius of our times.

His every utterance is studied for hidden meanings, secret codes. (My favorite method is to take the *Washington Post* coverage of his speeches, cut it up into tiny strips, and read it like tea leaves.)

Look at Greenspan’s amazing record. When he was sworn in as chairman of the Federal Reserve in 1987, the Dow Jones Industrial Average was at 2,700 points. Today, its over 11,000 points (**Figure 1**).

The Dow has nearly doubled since he warned of “irrational exuberance” in late 1996. God only knows where it would be today, were he not so successful in keeping it under control.

Under Greenspan, the U.S. economy has become the envy of financial parasites all over the world. We have a derivatives market second to none, a stock market well beyond reason, debt levels that make the bankers drool, and enough jobs so that everyone can have two or three. Greenspan may not be able to walk on water, but he has certainly shown he can run right over the edge of the cliff without falling.

The Fed chairman hasn’t done this all by himself, however. He’s had plenty of help from some of the brightest minds in the business, including the rocket scientists on Wall Street who figured out that you could sell enormous amounts of derivatives, issued by bankrupt banks, and backed by worthless paper.

Take Robert Merton and Myron Scholes, who won the Nobel Prize in Economics for nearly blowing up the global financial system. The pair won the prize in 1997 for developing “a new method to determine the value of derivatives.”

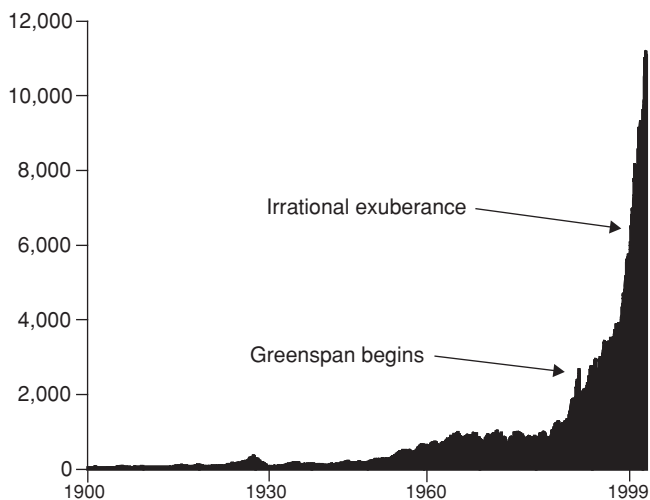
Here’s an example of their work (**Figure 2**).

What gobbledygook!

At the time they won the prize, Merton and Scholes were partners in Long-Term Capital Management, the big hedge fund that, using their formula, managed to turn millions of dollars of capital into billions of dollars in losses, on trillions of dollars in derivatives bets. It lost so much money that the Fed and the banks had to step in and bail it out, lest it default on its derivatives and set off a chain reaction of derivatives defaults which could have wiped out nearly every major bank

FIGURE 1
The Greenspan bubble

Dow Jones 'Industrial' Average



Source: Dow Jones.

in the world. This prize-winning nonsense is, arguably, the worst betting system ever devised.

That’s not so surprising, given the track record of the Royal Swedish Academy of Sciences, which awards the Nobel Prize. In the past, they’ve awarded the prize to defenders of slavery and feudalism.

If they were honest, they’d revoke all the economics prizes they’ve awarded in the past—except for the one given to Maurice Allais—and give one to Lyndon LaRouche. But the oligarchs of the Royal Academy are not trying to spread the truth, but to hide it.

Insanity of the markets

We live in a world gone nuts, where fiction is pretty strange, and truth is stranger still.

FIGURE 2
Black-Scholes’ derivatives formula

$$C = SN(d) - Le^{-rt}N(d - \sigma\sqrt{t})$$

where the variable d is defined by

$$d = \frac{\ln\frac{S}{L} + (r + \frac{\sigma^2}{2})t}{\sigma\sqrt{t}}$$

Take the following truism, which you can find on the business pages of virtually any major newspaper at least once a year: “In a free market, the true value of assets is accurately established by the actions of investors. If an asset is overvalued, investors will stay away, causing the price to drop; if an asset is undervalued, investors will buy, causing the price to rise.”

The only problem with that statement is that none of it is true — none of it.

Free market? What free market? It doesn't exist. The markets are largely the creation of the international financial oligarchy, which uses them as a battering ram against the nation-state, and a way to pick people's pockets. The oligarchs routinely organize raids on nations as a way of bailing out their banks—the European currency crisis of 1992 pumped billions of dollars of revenue into the bankrupt U.S. banks, and made George Soros's reputation as “the man who broke the pound sterling.” But then, as now, Soros is just a front man—a nasty one to be sure, but merely a front for something much larger and even more evil. The so-called Asian crisis of 1997 was another bankers' manipulation, as was the central bank intervention of 1998, and the intervention under way today. It's insider trading on a scale that would make Ivan Boesky turn green with envy. Free? Only in the sense that the oligarchs are free to steal.

Investors? What investors? Virtually all of what is called investing today is really speculation, bets on the movements of stocks, bonds and currencies. Investors are people who put money into an enterprise in order to increase its usefulness to society. But the markets today are a giant casino, where gamblers place bets that some things will rise, and others will fall. And since this casino is rigged, the advantage goes to the insiders. So you can call them thieves and suckers, but not investors.

True value of assets? You've got to be kidding. The real economy of the U.S., the physical economy as measured in terms of physical inputs and outputs per capita, per household and per square kilometer, has fallen by some 50% since the late 1960s. The Dow back then was hovering just under 1,000 points, which means it should be — according to the economic fundamentals—at about 500 points today. Of course, that

doesn't count inflation, the looting of foreign countries and the cannibalization of what was once the most powerful industrial economy in history. But still, anyone who claims that today's bubble reflects the “true value of assets” is a damn fool.

The Internet

The *Wall Street Journal* recently ran an op-ed which claimed that the Internet was more important to the economy than the Federal Reserve. In a sense, that's true, since at least some aspects of the Internet are useful. But the idea that the Information Age is the natural successor to the Industrial Age, is dangerously wrong.

This is especially clear in that yuppie fantasy of the day, on-line investing. It is widely claimed that, due to the proliferation of electronic and printed financial information, the individual investor now knows as much about what is going on in the markets as the professionals on Wall Street. Thanks to the Internet, cell phones and pagers, the average individual can follow the market as closely as the traders at a Wall Street investment bank. Everyone is now an insider. And if you believe that, I have a bridge for sale.

Much has been said recently about the dangers of day-trading. Now day-trading is insane, certifiably insane. You have guys — mostly men, but some women — sitting at computer terminals in freelance trading rooms, buying and selling stock like mad. Some of these geniuses make as many as 500 trades a day, buying shares of a company and selling them minutes, even seconds, later. Most of them neither know, nor care, anything about the companies upon which they bet — all they care about is making money.

In a typical day-trade, the “investor” will buy a few thousand shares of a company, wait for the stock to go up one-sixteenth or one-eighth of a point and then sell. “Long-term” to a day-trader means holding on to a stock over lunch, assuming they even take a lunch break. The day-trading firms, the companies which rent out trading terminals to individuals, often deliver lunch, so the suckers can keep trading. This is a trick they learned from the casinos, which long ago figured out that you do whatever it takes to keep the bettors at the table.

Still, when the Wall Street investment banks and the Securities and Exchange Commission attack day-trading as gambling, you'd better have plenty of salt on hand.

“Some argue day-trading is really nothing more than speculation,” Securities and Exchange Commission Chairman Arthur Levitt noted in a speech to the National Press Club in Washington, D.C., on May 4, 1999. “Personally, I don't think day-traders are speculating because traditional speculation requires some market knowledge. They are instead gambling, which doesn't.”

Think about that: “traditional speculation.” George Orwell would love that one.

After all, day-trading and on-line investing are merely the

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LAUNCHED!

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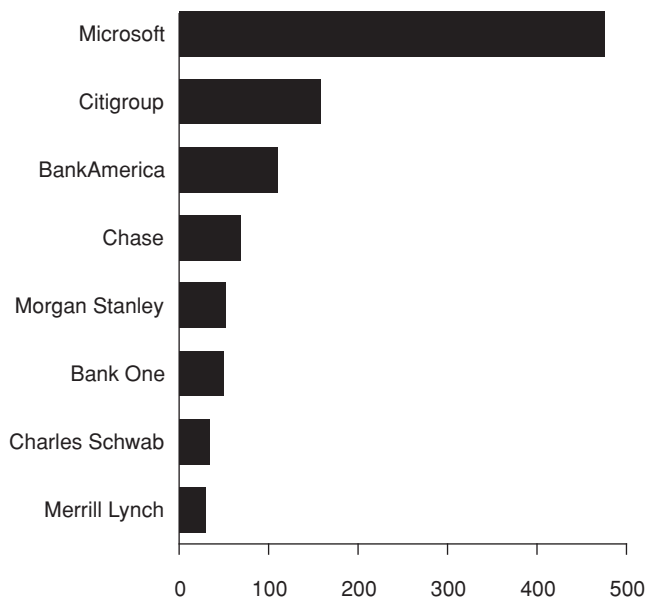
www.larouchecampaign.org

Paid for by LaRouche's Committee for a New Bretton Woods.

FIGURE 3

Microsoft vs. the banks

(\$ billions)



extension to the individual, of the practices of Wall Street. Today, everybody's getting into the act, from Grandma to the kids. There are now even summer camps, where kids are taught how to play the markets. Suckers may not be born every minute, but they're certainly being trained.

The markets are nothing but a giant casino. The gambling psychosis is so pronounced in the West that the recent World Congress of Psychiatry held a session on the matter. One professor said his clinic was filled with patients who had developed "perfect" gambling strategies—the only reason they were in the clinic instead of the penthouse, these patients believed, is that they hadn't yet fully mastered their perfect system. Other patients blamed their problems on "bad luck." Former German Chancellor Helmut Schmidt put it more bluntly in a recent editorial, saying that the Wall Street boom was "based on actions by psychopaths."

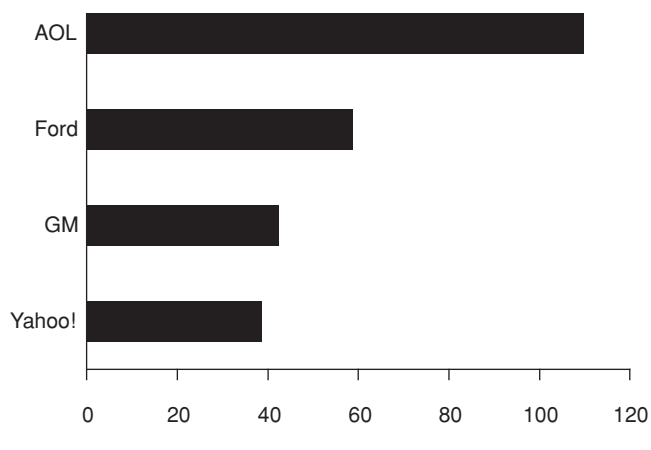
In a properly functioning economy, the most valuable industries would be those which make things, which transform less valuable inputs into more valuable outputs, thereby creating wealth and increasing the productivity of society as a whole. That's not exactly the way it works today.

The most valuable corporation in the world today, in terms of market capitalization, is Microsoft—the first company in history to top \$500 billion (Figure 3). (The bugs in Windows alone must be worth at least \$100 billion.) Microsoft is worth more than the top five U.S. banks combined, which gives you a clue as to why it is under attack by the Justice Department.

FIGURE 4

Internet vs. industrial market capitalization

(\$ billions)



The banks are terrified that, should their dream of on-line banking ever take off, Microsoft would take over. Bill Gates is personally worth more than Chase Manhattan and J.P. Morgan combined—but then, many of you are, too, were honest accounting practiced.

Even with the recent, orchestrated declines, the Internet stocks are astonishingly high (Figure 4). America Online is now one of the 25 largest companies in the country, in terms of market value, bigger than Ford and General Motors combined. Why? In part because of the foolish belief in the Information Society, and in part because our manufacturing base is collapsing, and many people can't afford new cars. Fortunately, those who can't afford a car to get to the store can always get their groceries over the Internet.

Yahoo!, the Internet portal and search engine, is comfortably in the top 100 in terms of market capitalization, nearly as big as General Motors, and nearly double the size of Caterpillar.

If you think that's nuts—and you're right if you do—take a look at eBay, the on-line flea market, where people can auction off Beanie Babies, Pokemon paraphernalia and all sorts of odds and ends (Figure 5). Even though its computers have been crashing regularly—a major problem for an Internet company—eBay is still valued at some \$16 billion, making it almost twice as large in terms of market capitalization as the top five U.S. steelmakers combined! Pretty soon, you'll be able to buy the steel companies on eBay—assuming its computers are up.

There's been a lot of talk lately about this "Internet bubble," but calling the Internet stocks the problem is a lot like pointing at a rock on top of Mt. Everest and calling it

FIGURE 5

Flea market vs. steel market capitalization

(\$ billions)

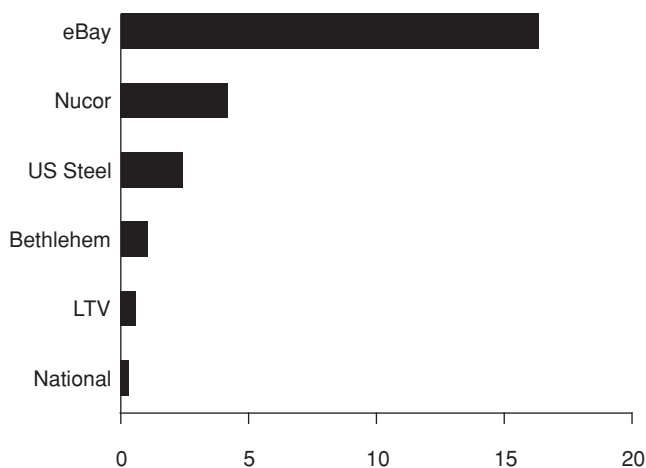
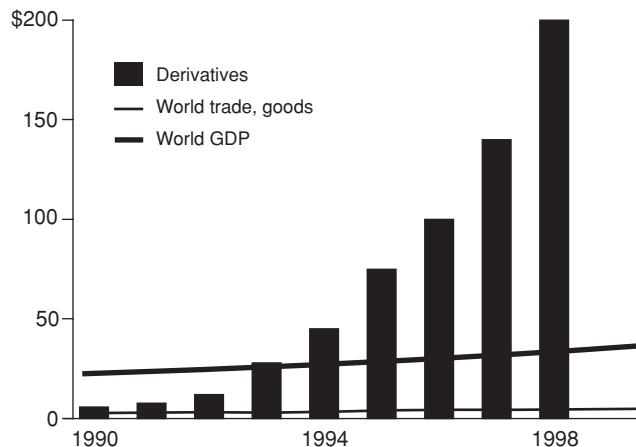


FIGURE 6

Growth of the bubble: derivatives vs. world trade and output

(\$ trillions)



Sources: IMF, *EIR*.

a hazard to aviation. Its the mountain, not the rock, that's the problem.

Derivatives

In this case, the mountain is made up of derivatives and related financial instruments.

The growth of the derivatives market is astonishing (**Figure 6**). According to the International Monetary Fund (IMF), world trade in goods totalled \$6 trillion in 1998, and gross world product was \$41 trillion, compared to what we estimate was some \$200 trillion in derivatives bets. Overall there are some \$300 trillion in financial claims outstanding, with more than \$4 trillion in financial bets placed every business day. That puts annual financial turnover—the sum of all these bets—at over \$1 quadrillion (\$1,000 trillion)—some \$150-200 in turnover for every dollar of trade in goods.

The world derivatives figure is our own estimate. It's not entirely clear that anyone knows the actual number, and if they do, they're trying to keep it a secret. All the official figures are designed to hide, rather than reveal, the truth. The bankers call this "transparency."

What are they doing with these derivatives? Hiding losses, rolling over unpayable debt. Look at *Crédit Suisse*, which was caught red-handed in Japan selling Japanese companies derivatives expressly designed to hide losses. One former Morgan Stanley derivatives salesman metaphorically described the process this way:

You combine \$90 worth of gold and \$10 worth of lead into a bar. You then sell half of the bar—the half which contains all the gold—for \$90. Since you paid \$100 for

the whole bar, and \$50 for each half of the bar, you book a \$40 profit. After all, you paid \$50 for that half-pound and sold it for \$90, so you made \$40, right? Of course, you're left with a half pound of nearly worthless lead, which you're carrying on your books as being worth \$50, but that can be hidden. What counts is that you made a big profit, up front. At least, you claim you did.

That type of fraud, applied to paper assets, is what the derivatives market is all about.

This is the "traditional speculation" which SEC Chairman Levitt defends.

Deeper in debt

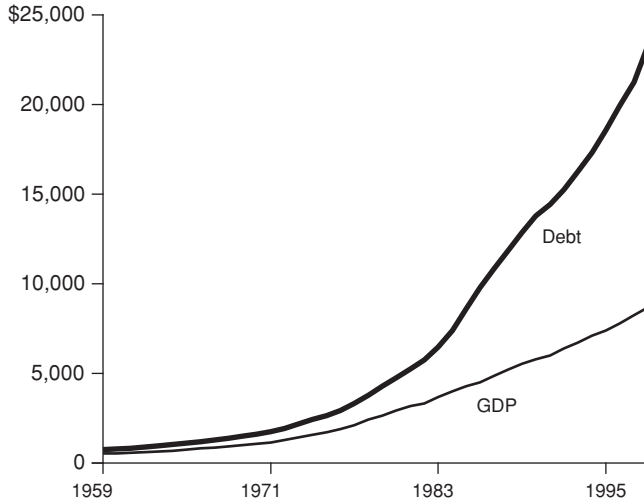
In the United States, the great economic boom of the 1980s and 1990s, has been accomplished by going \$3 in debt for every \$1 increase in GDP (**Figure 7**). But only one-third of GDP represents productivity and two-thirds represents overhead, and virtually all of the growth over the last decade has been in the overhead sector. We've actually been increasing the debt while shrinking the productive sector. This process of going ever deeper in debt, while destroying our ability to pay that debt, is what economists call sound economic fundamentals.

The decline in the productive sector has triggered a decline in real wages for most Americans, who have been forced to go deeper and deeper into debt to make up for shortfalls in income (**Figure 8**). Total credit market debt in the United States now stands at over \$23 trillion, or some \$230,000 for

FIGURE 7

Growth of debt vs. growth of GDP

(\$ billions)

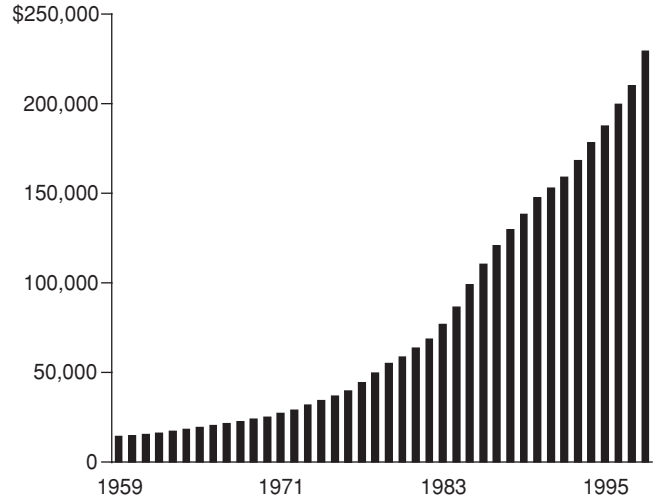


Source: Federal Reserve.

FIGURE 8

U.S. debt per household

(\$)



Source: Federal Reserve, *EIR*.

every household in the country, compared to \$10 trillion in debt and \$115,000 per household when Alan Greenspan took over at the Fed.

When debt rises and real income falls, bankruptcy can't be far behind, and it hasn't been. More than 1.4 million bankruptcy petitions were filed in 1998, of which 96% were personal bankruptcies (**Figure 9**). Over the last seven years, some 7.7 million personal bankruptcies have been filed, or about 1 bankruptcy for every 13 households. Since Alan Greenspan took office, more than 11 million Americans have filed for personal bankruptcy, and nearly 700,000 businesses have filed.

One of the linchpins of the assertion that the U.S. economy is "fundamentally sound," is the presumption that rises in asset values create wealth. That is, if the value of all stocks listed on the stock exchanges was \$15 trillion yesterday, and rises to \$15.1 trillion today, then \$100 billion of wealth has been created. By this standard, the U.S. stock markets are amazing wealth-creation machines. When Alan Greenspan took over at the Fed, the capitalization of all stocks on U.S. markets was \$3 trillion. Today, the stocks are worth \$16 trillion, a five-fold increase (**Figure 10**).

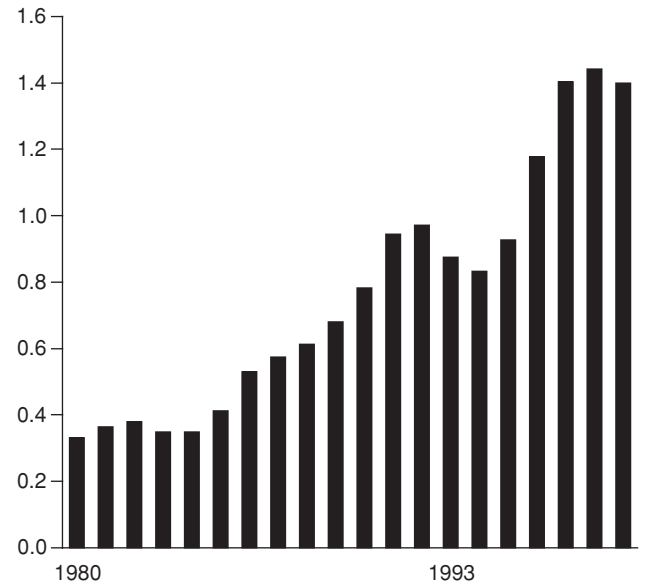
There's a small problem with this rosy picture, however. Stocks do not create wealth.

In a speech late last month at a Federal Reserve conference in Jackson Hole, Wyoming, Chairman of the Bubble Greenspan stated, "At, root, all asset values rest on perceptions of the future. A motor vehicle assembly plant is a pile of junk if no participants in a market economy perceive it capable of

FIGURE 9

U.S. bankruptcy filings

(millions)



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

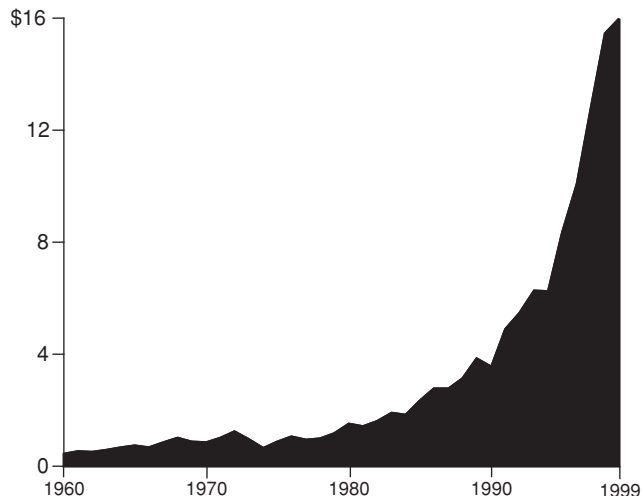
turning out cars and trucks of use to consumers and profit to producers."

Now we're getting to the heart of the matter: a bubble has formed in Greenspan's brain.

FIGURE 10

Capitalization value of stock traded on U.S. market

(\$ trillions)



Source: Federal Reserve.

The idea that reality is determined by perceptions is one of the more pervasive idiocies of our time.

The truth is that a plant which produces motor vehicles has value no matter what Wall Street thinks, and regardless of whether or not it makes a profit, because the production of motor vehicles is inherently useful. The plant can lose money and still be productive, in real economic terms. It's the effect on the economy, not the investors, which counts.

A steel plant, even the most outmoded, inefficient plant in the world, has more value than eBay, because it produces steel, which is necessary for human survival. We can live without eBay—at least most of us—but we can't live without steel.

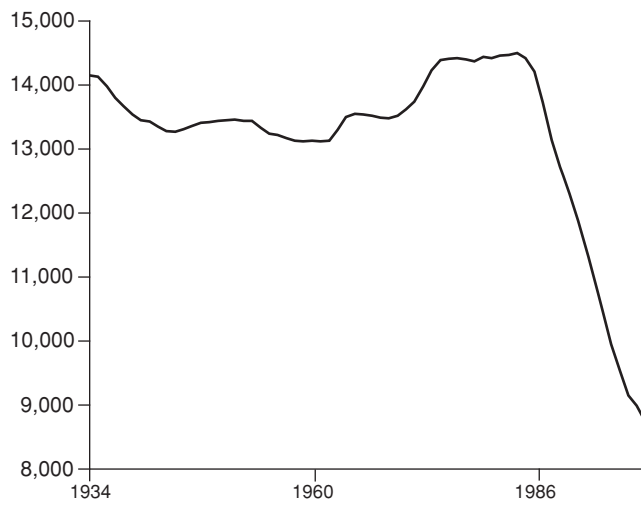
Wall Street lives by a simple philosophy: If it makes money for us, it's good; if it doesn't, it's bad.

In such a warped world view, full employment is bad, because it increases the chances that companies will have to pay higher wages to attract and keep employees; for Wall Street, having a big pool of unemployed workers is good, since anyone who dares to demand a decent wage or decent working conditions can be easily replaced. Therefore, when employment goes up, the market goes down, and when employment goes down, the market goes up.

The same thing occurs when the production indices—which should never be confused with actual production—go up. Rising production increases the chances that the economy will “overheat” from growing so fast, thereby increasing the likelihood that the Fed will raise interest rates to cool things off.

FIGURE 11

Number of U.S. banks



Source: FDIC.

This is truly virtual reality: Those things which are actually good for society—such as a rising standard of living and rising productivity—are considered bad, and those things which are bad for society—like a declining standard of living and falling productivity—are considered good. All that counts to the fleas, is their money. To hell with the dog.

It is, in a word, psychotic.

Post-crash positioning

Sooner or later, such a system must inevitably collapse, and we have now reached that point—we have entered the zone of instability which marks the end of the present system. The party is over.

Look at the pace of mergers in the financial world, where the big banks are in a mad dash to become too big to fail. After all, the big banks don't go bankrupt, they merge (in the trade, its called mergers and acquisitions, or M&A for short, but to the households affected, its closer to S&M). We have the formation of the world's first trillion-dollar bank in Japan, and the failed attempt to create a trillion-dollar bank in France. All over the world, the number of banks is shrinking rapidly, as the drunks lean against each other to keep from falling down.

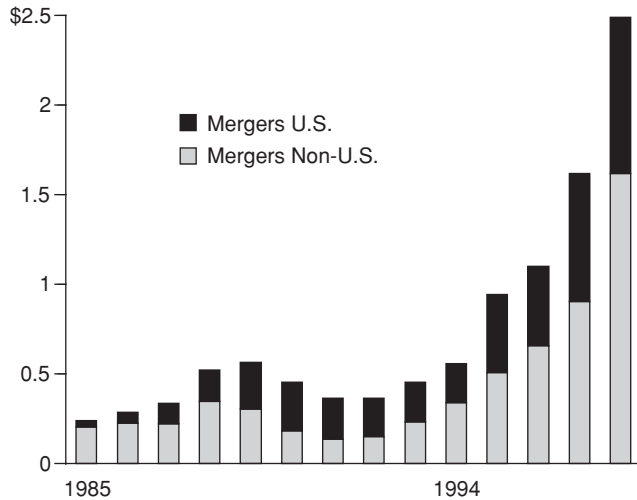
In the United States, the number of banks has dropped by some 40% since the mid 1980s, but even that doesn't tell the whole story: The big banks are swallowing each other at an incredible rate, usually in shotgun marriages arranged by the Fed.

As the bubble grew, a whole group of financial institutions

FIGURE 12

Global cartelization

(\$ trillions)



Source: Thompson Financial Securities Data.

grew up with it, institutions of seemingly great power (**Figure 11**). Now that the bubble is dying, those same institutions are now threatened with extinction, and are fighting for their lives. They won't make it. These seemingly all-powerful giants are crumbling before our very eyes.

The more clever among the oligarchs have been preparing for the crash by buying up control over the necessities of life, so that after the crash—after all the paper wealth has evaporated and all the suckers have been ruined—they can control what is left of the world. That is the reason for the bloody wars along the Great Rift mineral belt in Africa, and the reason for the surge in mergers among industrial companies in recent years (**Figure 12**).

There are those among the oligarchy who, after all, understand that those who control the raw materials, the strategic minerals, the precious metals, the energy and water supplies, and the means of production of those items, control the destiny of mankind. After the crash, they plan to use their control over these necessities of life to consolidate their control over humanity.

This is what is behind the escalating pace of mergers in oil, food, telecommunications, pharmaceuticals, chemicals, aluminum, copper, and energy and water utilities.

The old system is gone, finished. The question is: What will replace it? A return to the days of the empire? Or a leap into a new Renaissance? To repeat the errors of the past, is to doom the world to feudalism and a new Dark Age. Better that we learn from the best lessons of history, and build that new Renaissance. Let us choose reality over psychosis.

Marcia Merry Baker

U.S. farms, factories, 1960s and 1990s: a real economy documentary

How real is reality to you? We have prepared a mini-documentary on the United States at two points in time—1960s and 1990s, at two representative locations: a farm county and a factory town.

This is meant as a reality check for us all, given our historic challenge to enable others to truly see reality and act on it. But as we go along, I will repeat some of the voices of *unreality* (shown below, indented in italics). See if they sound familiar.

I. A U.S. farm county, 1960s and 1990s

We begin with a farm county in the 1960s, perhaps in the Midwest, central Florida, or elsewhere. We are not using dollar figures yet for income (**Figure 1**). Can someone farming support a family in the 1960s? Yes. In the 1990s, no—unless he or she and others work *off* the farm at something else, and as of right now, 1999, you maybe can't make it even then.

Take just the price of one farm-produced commodity—durum, which is a very important hard wheat, because it is used for pasta! The price for a bushel of durum wheat in the 1960s was \$3.10. Today, it is \$2.70! Straight, unfiddled-with dollars. In the 1960s, to buy a combine-harvester—nothing fancy, it took 2,000 bushels of durum. Today, a new harvester—not the biggest and fanciest—takes 59,000 bushels. That tells you something.

Here in **Figure 2**, you see that over time, the prices a farmer must pay for farm inputs—tractors, fertilizers, buckets, pumps, seeds, breeding stock, veterinary medicines, and so on—goes up way higher than the prices the farmer receives

FIGURE 1

Farming in America

	1960s	1990s
Support a family?	Yes	No
Prce received—durum wheat, bu	\$3.10	\$2.70
Price paid—combine harvester	2,000 bu	59,260 bu

FIGURE 2

Prices farmers pay exceed prices farmers receive

(index 100=1910-14)

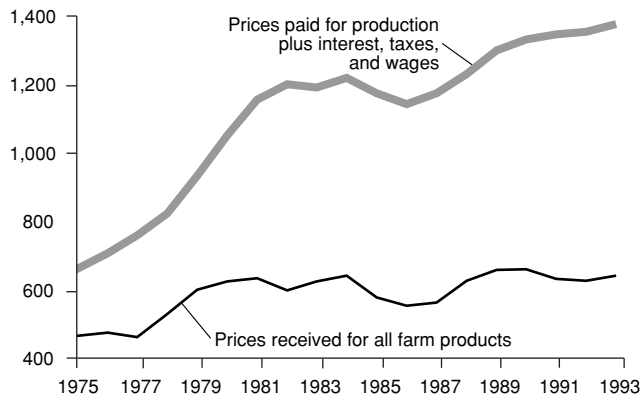
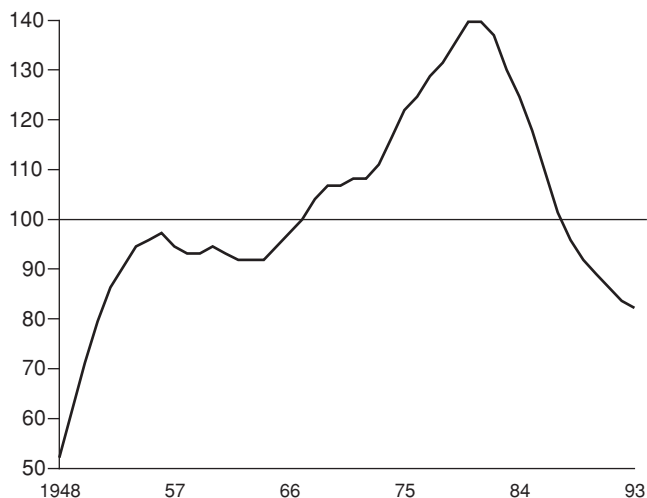


FIGURE 4

Index of farm inputs: durable equipment

(1967=100)



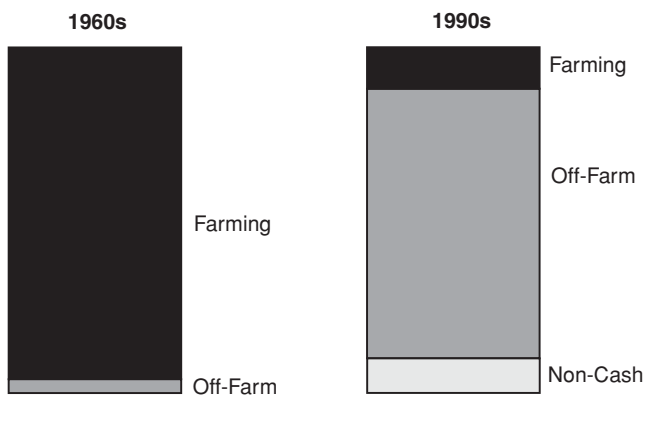
for what he produces. So he must fill the gap by other means or get out. What do you hear?

These farmers bring it on themselves. That's what technology does. Makes them too productive. That's the problem.

In the 1960s, the farmer's income came almost entirely from farming and covered his bills. (Figure 3). Very little was from off-farm sources. In the 1990s, the reverse is true.

FIGURE 3

Average farmer income



Most of the farmer's income comes from *off-farm* work—town jobs, school bus driving, etc. And his wife, kids, relatives, dog and cat work off-farm too.

In addition, look at the “non-cash” segment on the bottom, in the 1990s. That's a Federal accounting trick, to inflate the official statistics of farm income, by counting as so-called “imputed” income your living in a dwelling on the farm, that you could otherwise rent. Or the imputed value of food grown on the farm, that you would otherwise buy! A comment from Senator Lugar recently:

If all these farmers can get by this way, why shouldn't they keep doing it? Why should we help them with Federal farm relief? Why subsidize a bunch of part-time farmers anyway?

How do farmers get by? They don't. They are now leaving in mass numbers. A year from now, anywhere from 30% to half, will be gone in parts of the Midwest. Many farms are operating on credit card debt. How long will that last?

In recent decades, farmers have cut back on inputs of all kinds, as this index shows (Figure 4). The average age of the U.S. tractor fleet has gone up. But it's not just scrimping on equipment. Soil improvements—the resource base of the nation—are not maintained and the soil is not developed the way it should be. The two photos (Figure 5) contrast the terracing, and tiling, and drainage improvements of the 1960s, with a photo of Conservation Reserve Program land of today. About 35 million acres is locked up in CRP.

What could and should be going on is, precision farming with GPS—Geo-Positioning Satellites. You could fine-tune inputs to each square foot of your land—fertilizer, drainage, pest controls.

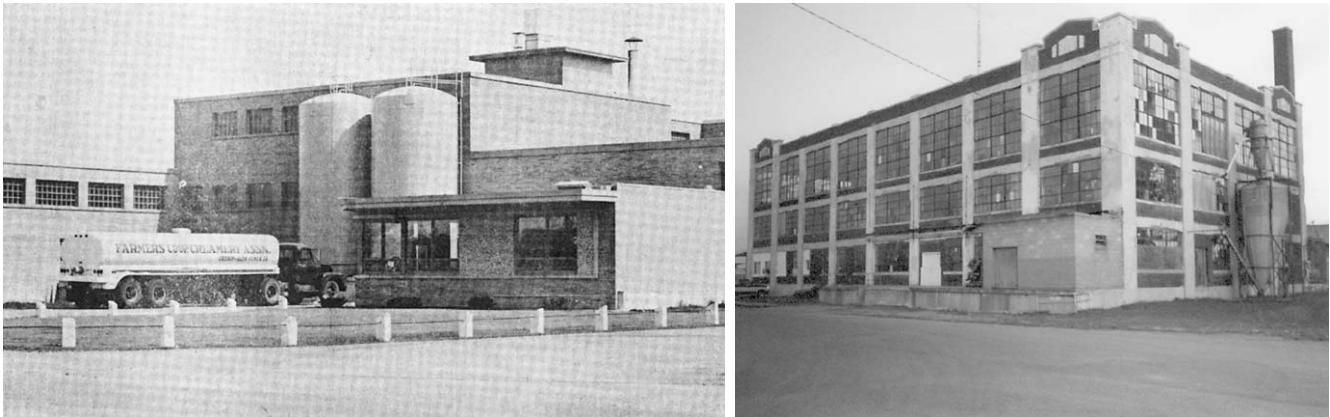
So given the contraction of agriculture inputs and activity, and farmers leaving and so on, what does the overall land-

FIGURE 5



The photo of the contour strip fields (left) was taken in Pipestone County, Minnesota, in October 1960, showing erosion management. All during the 1960s, drainage control through tiling, terracing, pond-building, and other means created vastly improved fields and yields across the farmbelt. The photo on the right illustrates a field under the Conservation Reserve Program, which now has 35 million acres. Additionally, there are proscriptions against improvements in millions more acres of “wetlands” and other designated untouchable areas.

FIGURE 6



The Farmers Cooperative Creamery plant in Cresco, Howard County, Iowa, shown here (left) in 1966, was typical of the local businesses and processing facilities operating still in typical rural areas at that time. The plant made home deliveries of dairy products. In contrast, the 1996 photo (right) of the shut-down former Armour meat-processing plant in Huron, Beadle County, South Dakota, is from 1996, and typifies the wave of shutdowns characterizing the 1990s.

scape look like? Farm-related businesses are shutting. Farm counties are depopulating. The towns are becoming ghost towns.

Two scenes give the contrast between the 1960s and 1990s (**Figure 6**). You see the creamery business in Cresco, county seat of Howard County, Iowa in the 1960s. Then you see the shut-down processing plant in Huron, Beadle County, South Dakota in 1996.

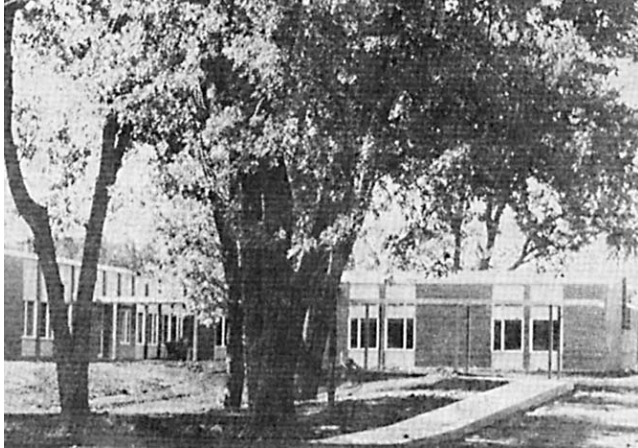
And by the way, this shutdown process also eliminated the local supply of fresh food—creameries, butchers, bakeries,

truck gardening, everything, eliminating the regional varieties of sausages, cheeses, butter milk. It’s all gone. In Iowa, 80% of food comes from out of state, and abroad, from a few “free trade” centers.

You can’t stop progress.

Not just goods, but vital service infrastructure is disappearing from the map. Here is a hospital opening in 1961 in Cresco, Howard County, Iowa (**Figure 7**). Part of the wave

FIGURE 7



The new St. Joseph's Mercy Hospital, in Cresco, Howard County, Iowa, was dedicated on Oct. 1, 1961. Such new facilities were part of the continuing impact of the construction program launched by the 1946 Hill-Burton Act, mandating ratios of five or more beds per thousand persons.

FIGURE 8

Hospital bed availability

(beds per 1,000 people)

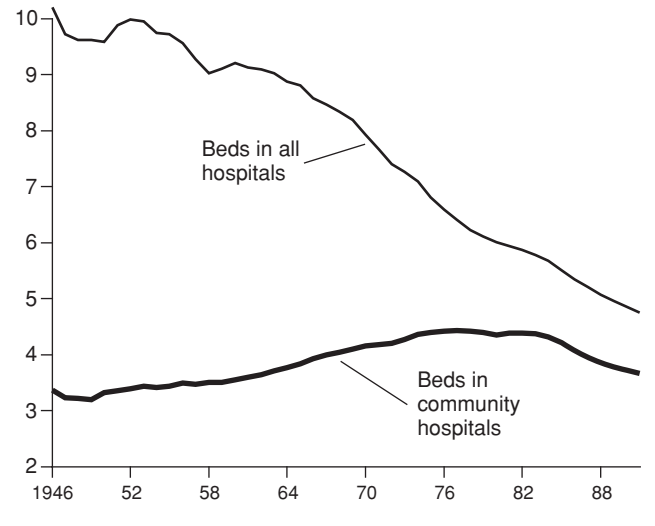


FIGURE 9



Above: An historical atlas printed in 1875, featured this artist's drawing of Cresco, Iowa, with the busy railroad running through the center of town, with schools, factories, churches, commerce, etc. Below: The Cresco train station is shown in 1955, before it was sold and removed. Between the 1960s and 1990s, all the rail tracks in the county were closed.

of the 1946 Hill-Burton hospital building program, which made beds available in rural areas on a set number per thousand people. But today, the number of beds per 1,000 people is dropping (Figure 8), and there are more and more cases where the drive to reach a hospital is too far to get there in time. Illinois lost 35 hospitals in the last 10 years. Minnesota lost 25. Missouri lost 20. What do you hear?

*Medical care was getting too expensive.
Doctors and nurses expect too much.
We must cut costs. Have "managed" care.*

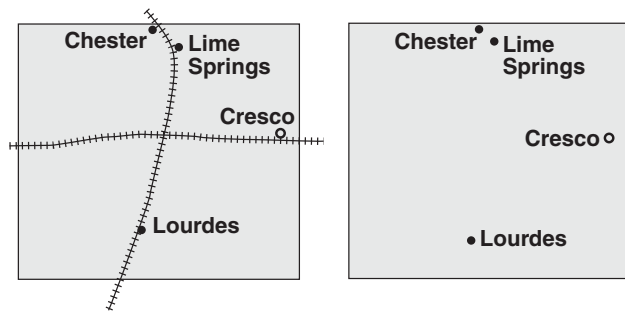
Not just hospitals, but churches and schools are cutting back, as the population in farm areas declines.

Reflect a minute on how towns in the farm belt got where they are in the first place. The set of photos from Cresco, Howard County, Iowa, makes the point (Figure 9). The railroad came through, and towns and development corridors came into being. Look at the map of Howard County in the 1960s (Figure 10), showing the towns which were established directly along rail lines. And then the 1990s. The rail has been removed. Thirty percent of all the rail in the whole state of Iowa was removed in the 1980s.

Here's the national graph, showing the

FIGURE 10

Railroads in Howard County, Iowa



drop in rail mileage per household in the nation (**Figure 11**). The high point was the 1920s; it declined from there on. Grain, people, and commerce is moving by truck, a far more costly, inefficient way to haul anything. But what do you hear?

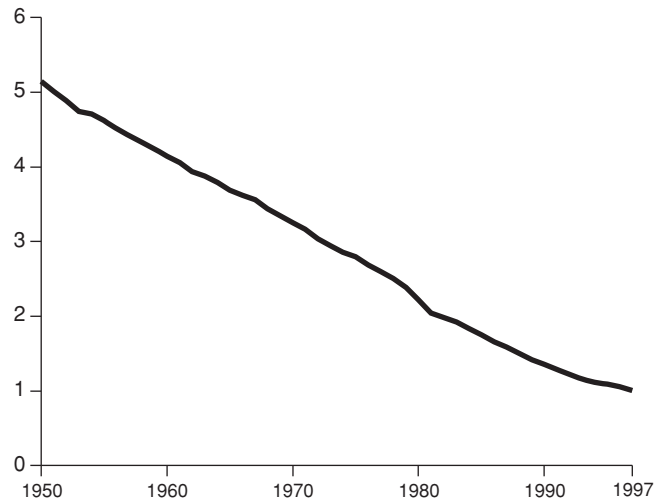
We can't have big government involved in infrastructure.

The rate of shutdown and depopulation is great. Look at the the process in terms of the most precious national resource we have—the individual person (**Figure 12**). The photos show a farm youth in the 1960s, and aging farmers today. A young lad in the 1960s could expect to farm, maybe to attend college. The favored degrees were still soil science, agronomy, plant pathology, animal husbandry, dairy science, maybe ag business. He might be in the Future Farmers of America club. In the 1960s, under the Veterans Administration bill, the G.I. bill, about 500,000 people went to college as of 1970, up from 30,000 in 1964.

FIGURE 11

Railroad mileage

(miles per 1,000 households)



Sources: Association of American Railroads; U.S. Department of Commerce, Bureau of the Census, *Population Surveys*, various years.

Today, the average age of farmers is up from 50 to over 60. The Future Farmers of America officially changed its name to FFA—they don't use the word farmer in their name anymore. The favored subjects in farm state colleges are journalism, computer science, accounting, broadcasting media. But what do you hear?

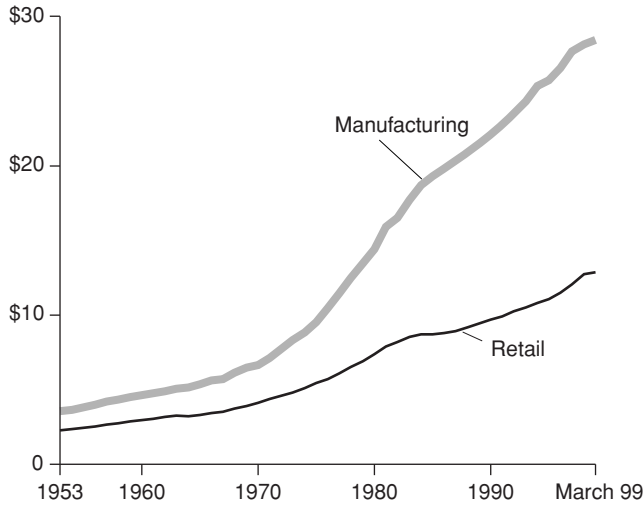
Farming is just a lifestyle. What does it matter? Food will come from somewhere. Leave it to the markets.

FIGURE 12



FIGURE 13

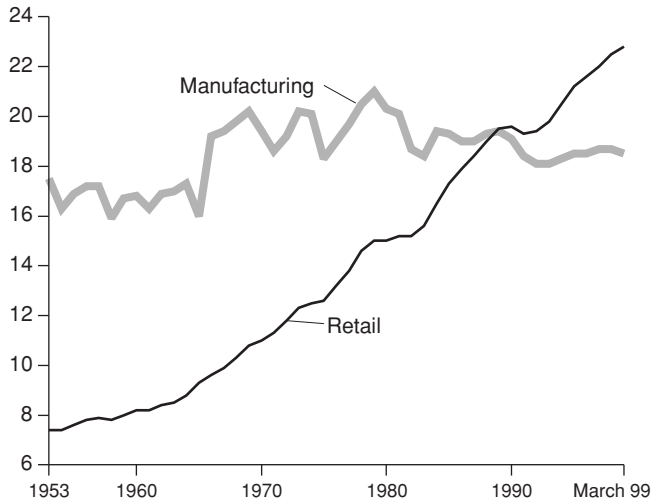
Annual wages: manufacturing vs. retail
(thousands \$)



Sources: Bureau of Labor Statistics, U.S. Department of Labor, *Employment and Earnings*, various years; *Handbook of Labor Statistics*.

FIGURE 14

Retail employment vs. manufacturing employment
(millions of jobs)



Sources: Bureau of Labor Statistics, U.S. Department of Labor, *Employment and Earnings*, various years; *Handbook of Labor Statistics*.

II. A U.S. factory town, 1960s and 1990s

Now we turn to a factory town. To start with, in the 1960s, when factories were still in operation, you could work a job (textiles, steel mill, shipyards, assembly plant, etc.) and raise a family. Not so today. You either don't have a factory job, or it isn't enough. Therefore, in industrial—or formerly industrial belts, it is still true that households need two and more jobs to support a family.

Annual wage levels may have gone up in dollar terms, as shown in **Figure 13**, compared to the paycheck of someone working in retail, for example, but manufacturing jobs became scarce. Close to 400,000 have been lost in the U.S.A. just in the last 18 months. **Figure 14** shows how the number of manufacturing jobs remained the same in absolute numbers for 45 years, while other kinds of jobs, went up.

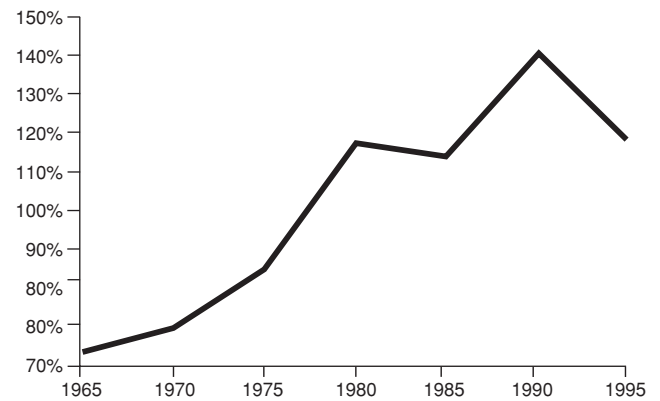
Figure 15 summarizes the situation for the average wage earner, where just a few basic costs (home, car, food and health insurance) came to take *more than an average paycheck*. This reflects the fact that today, households can't survive with only one paycheck, and even with three or more jobs by family members, the debt burden is soaring (**Figure 16**).

The number of their weekly paychecks required to buy a new car was fewer than 35 in the 1960s, including financing. But today it's up close to 60. Plus, the car itself has shrunk. Then there's the length of car loans, which means more financing charges paid. Twelve months used to be common; then 24 months, then 36, 40, and now over 60!

The same pattern applies to buying a home. You could

FIGURE 15

Combined home, car, food, and health insurance premium payments
(% of average pay check)

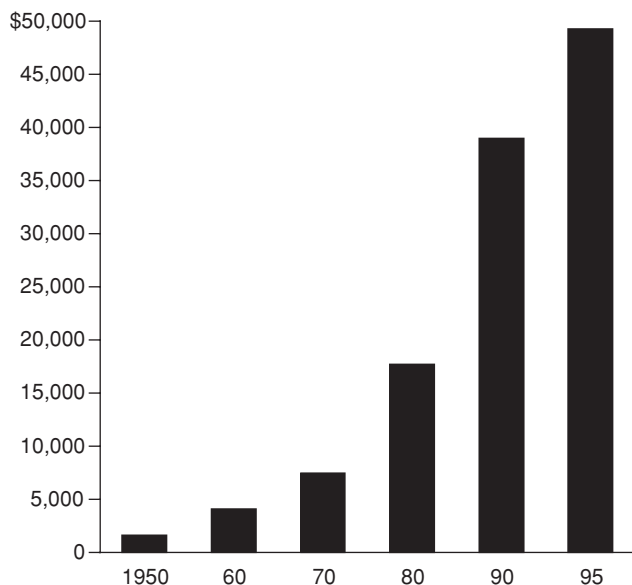


say, cars and houses are being sold, not for use, but for the excuse of collecting interest and finance charges. But what do you hear?

Someone is making it rich. The farmers are getting government hand-outs. The unions are raking it in. . . .

FIGURE 16

Household debt per household soars



In fact, **Figure 17** shows how the farmers' share of the consumer dollar has *dropped* from an average of about 30 to 40% or more in the 1960s—when your food cost you less, down to under 20%. At this same time in the 1960s, the factories were still producing, and they were mostly unionized. But both farmer and labor were making a living. Look at one example.

You know the name Heinz? H.J. Heinz, the ketchup and pickle maker, was in Pittsburgh in the 1960s. The factory was unionized—steamfitters, Teamsters and others. Farm produce came from nearby regions, and other U.S. locations, for processing. Then, as of the 1980s, Heinz ketchup moved to Tijuana, Mexico under NAFTA. Both U.S. farmers and labor were put out of work.

Millions of farmers and city jobs alike are gone. Where's the food and goods coming from if they aren't producing it? For all but grain, the U.S. is *dependent* on international sources. Cheap. Not just food, everything. What do you hear?

Who needs farmers and workers? I can get what I need at Wal Mart, or Price Club. . . .

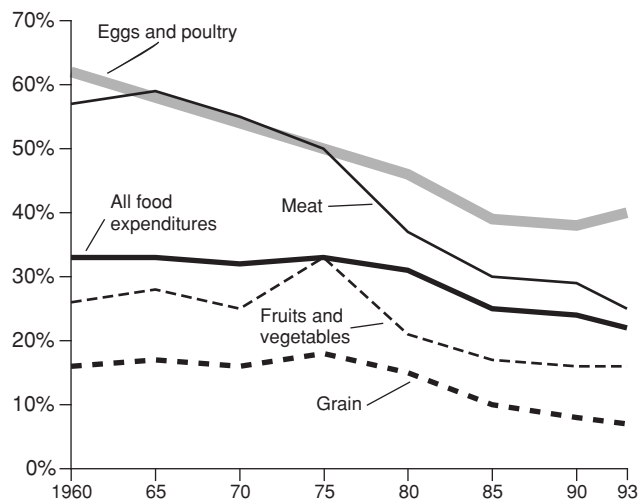
Compared to the 1960s, far less of the U.S. market basket is "Made in the U.S.A." for consumer, producer or infrastructure inputs and outputs. Look how little is produced here that is consumed here, in the current "consumer boom":

Clothing	30%
Shoes	10%
Cars	50%

FIGURE 17

Farmer's share of consumer dollar drops

(percent of food dollar)



Bulldozers	30%
Steel	35%
Fresh fruits and vegetables	50%
Seafood	40%

What do you hear?

You can't change it. Globalization is here to stay. Just make sure it's a level playing field. Make sure the Europeans aren't cheating us. Make sure the Asians open their markets. . . .

Look what this means about the landscape and infrastructure and inputs into production potential here in the U.S.? It is winding down into breakdown. **Figure 18** shows the declining amounts of water going for industrial use, taken on a per-person basis. In 1950, some 240 gallons per day, in use to make hospital beds, to make tractors, to make ketchup, you name it. Today, only 120 gallons. **Figure 19** shows the annual decline in net power generating capacity per capita.

Housing starts are way down (**Figure 20**). In the 1960s, there was a perspective that public policy must guarantee that housing be built at a rate to have enough around as the population needs grew. What do you hear today?

There are too many people. Let the market decide who gets what.

So, from industry, to power, water, consumption of the basic market basket, the economic potential productivity has declined, and the landscape reflects this. Look at the transportation infrastructure patterns.

FIGURE 18

Per-capita water withdrawals for industrial use

(gallons per day)

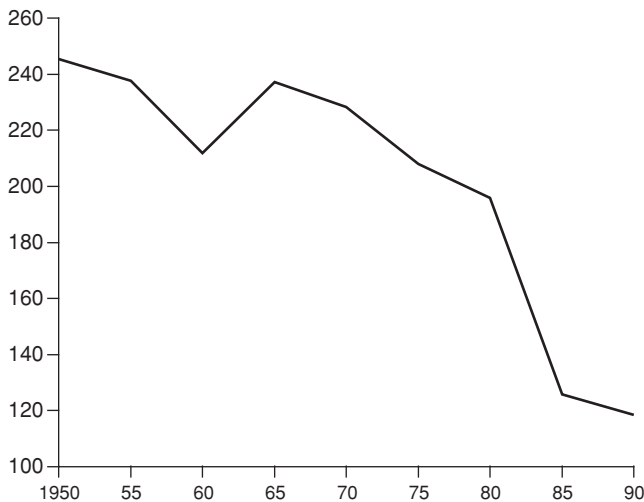


FIGURE 19

Annual change in per-capita electric generating capacity

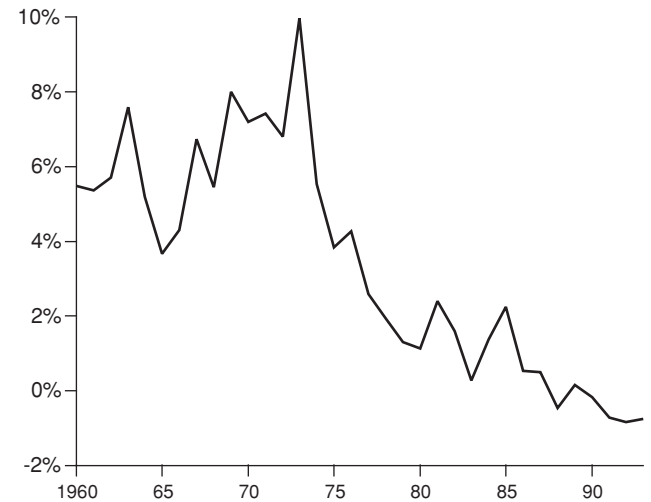


FIGURE 20

Housing starts per household, 1963-95

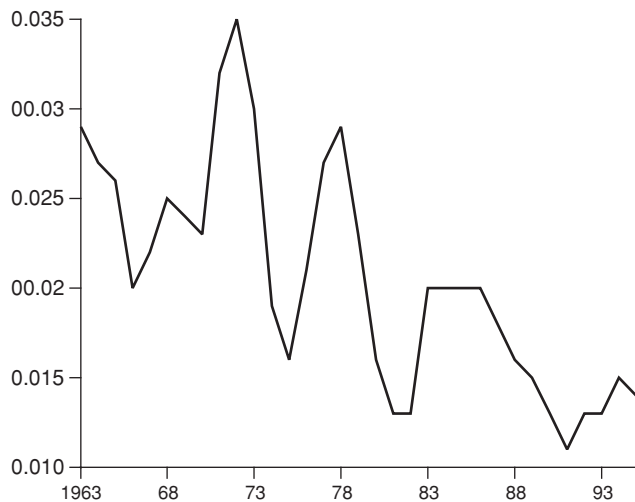


FIGURE 21

Public transit, McKeesport, Pennsylvania

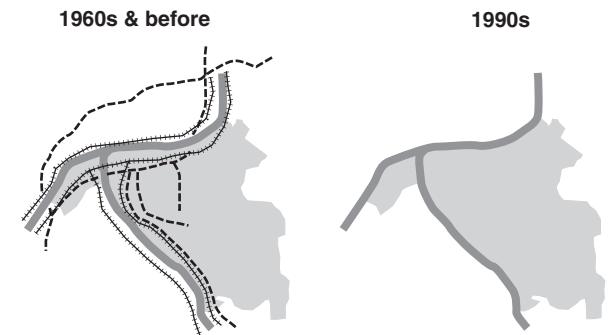


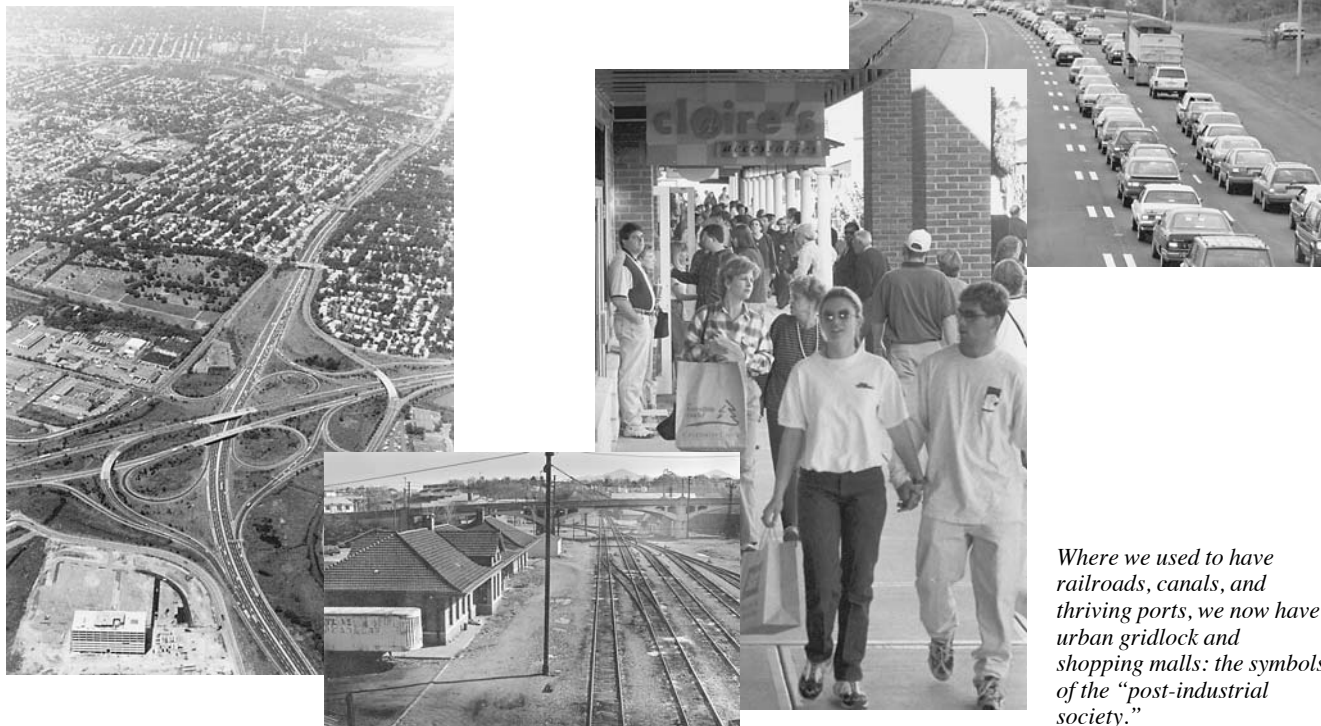
Figure 21 shows two maps of the public transit for McKeesport, Pennsylvania in the 1960s (and before) and today. This is one of the many mill towns (Homestead, Duquesne, Clairton, etc.) in the Greater Pittsburgh area in Allegheny County. In the 1960s, and before, you see railroads and streetcar lines. Several routes follow the two Youghiogheny and Monongahela Rivers, which come together. But in the 1990s, the rail and streetcars are gone. True, there are freight lines still, but no passenger lines. All gone. On Sept. 4, as a matter

of fact, the final trolley line in Allegheny County was ended in South Hills.

By the way, just to place this matter in context of the history of our century. Know where the name Brooklyn “Dodgers” came from? Brooklyn was the locale for experimental electrified streetcars, so many, that people were always dodging them. The baseball team was first called the “Trolley Dodgers,” then just Dodgers. During FDR’s time, beginning in the 1930s, a nationally used trolley design (called the “PCC” for Presidential Conference Commission) put thousands of streetcars onto urban routes, moving millions of people. Today, there are a few left in San Francisco, Newark, and Boston.

Here’s what you see instead (**Figure 22**)—roadways ev-

FIGURE 22



Where we used to have railroads, canals, and thriving ports, we now have urban gridlock and shopping malls: the symbols of the “post-industrial society.”

erywhere. Next to no mass transit. This got its start from the 1956 National Defense Highway Act, which commissioned 41,000 miles of interstate. But also, there was a major buildup of urban area roads. **Figure 23** gives the figures. In the 1960s there were already some 506,000 miles of roadway in and around towns. By the 1990s—834,000 miles. That’s a lot of asphalt.

But that’s not all. There is a bigger deal—a scam—involved a real estate swindle and a half. *Shopping centers*. During World War II, you had about 12 in the United States. By the 1960s, you had about 10,000. And today, you probably have over 45,000. Shop till you drop. And the point about this is: Good bye cities.

You can call it organized crime, or disorganized crime, but there was a deliberate intervention to have strip malls (giving windfall gains as they proceeded through multiple owners,) mega-malls, and all kinds of variations.

You know what a mall or shopping center is. It is a unit area in which you have three or more stores—that’s how the census defines it, but the property as a whole is owned by one owner, so that in fact, what is involved is *ground rent*. We fought a revolution against ground rent. But now it was reintroduced in the 1960s, 70s, 80s, and 90s, and more than that, any shop in a shopping center pays “overage,” a percent of profit, to the owner.

So we have reached the stage of the mega-mall—Mall of the Americas, in Minnesota, owned by the same people, the Ghermizian Brothers, who own the world’s biggest mall, in

Edmonton, Canada. What do you hear about this?

You know, you can have sensitivity to the environment in malls. You can go to the Rain Forest Cafe in the Mall of the Americas. And they make mist for you. You can see how it feels. . . .

Meantime, just compare the relative surface area taken up by highways, with that concentrated, integrated, electrified transit, especially maglev, and you see who’s doing what to the environment. We are moving *up* on the scale of insanity, from the 1960s to the 1990s.

What do the developers and financial interests—and we won’t spend time going into it here, this is just a reality check, not an exposé; but, the names associated with the development of the malls include some experts up at MIT, at what they call the Media Lab. And what do they say?

FIGURE 23
Roads and malls

	1960s	1990s
Urban hi-way mileage	506,000	834,000
Shopping centers	10,000	43,500
Million square feet	—	5,229

Well, one thing is, artificial is more secure. People like the magic. They feel safe. They can't take reality anymore. Reality is threatening to the American public. They need to have a secure place to go to spend their money. Give them fake storefronts. Fake downtowns. And give them some glitz. They like that, because they are addicted to TV and movies.

So, as the photos show, you are spending your time on the road, with the congestion, trying to get somewhere, to make money, to get somewhere, to spend money, to get somewhere, to keep the cycle going. Look at the congestion. In the 1960s, the work commute—the “journey to work” as the census calls it, might take you per week, just a couple of hours, because you might take the street car. You didn't need two cars per family; you probably didn't need even one. Today, it takes seven hours a week to commute, if you are lucky. And it might take many more hours than that.

Then there's household needs. In the 1960s—and Generation X, Y, and Z will find this “awesome,” you didn't need hours in the car to get food and necessities. An average household—not wealthy—could depend on the bread man, the milk man, the dry cleaner, the grocery man, *coming to the house*. Even coming to the farm. Today, you spend at least three to five more hours driving around to get these things. Of course,

FIGURE 24

Electronic communications and usage

I. Communications	1960s	1990s
TVs in homes	1	2.3
Cable TV in homes	5%	65%
Internet in schools	0	90%

II. Electronic media usage: 7.8 hrs a day, per person, 1999	
Broadcast TV	4.2 hours
Radio	3 hours
Other (home video, video games, recorded music, on-line Internet)	0.6 hours

Source: U.S. Statistical Abstract, 1998.

what do you hear people say?

Well, I don't drive around. I use the Internet. I do all my banking that way. I take care of everything that way.

Well let's look at communications. **Figure 24** shows that in the 1960s, there was one TV per home, on average, and as of 1970, 40% were color. Today, there are 2.3 televisions per home. In the 1960s, cable TV wasn't big. Today 65 to 70% of homes are hooked into 100 stations! Think of it.

In the 1960s, of course you didn't have Internet at all. Today, 90% of the schools are connected and of course, a big percent, over 60 million Americans can be reached this way. For the good, and for otherwise.

Media usage? Figures for today, compiled by those watching advertising, marketing, and so forth, show an average person spends 7.8 hours a day on various kinds of electronic media. This is a representative person, not technically an addict. The person doesn't have to be treated yet!

Broadcast TV—over four hours a day. Okay, an hour while you are dressing. Then two or three hours at night. Radio—three hours. Well, you're in the car at least an hour, driving to work or somewhere. It's easy to get three hours of radio in. Plus you play it while you work. Say, you're a painter. You play it all day. Other such entertainment—more than a half hour: home video, video games, recorded music, the Internet. It's very conservative. We're up to over 7 hours a day, and we're up to 12 hours of commuting during the week, so you look at the insane situation of the average citizen.

This brings us to the real issue, the mind. Think of the *content* of all this media time.

There was a very evil man a few decades ago, named Mr. Adorno, who worked on the Radio Project, and other projects, who said: If you can control what people do in their leisure time, you've got them. You can control what they think, or whether they think at all.

Now think of the content of some of the video games—the “point and shoot.” The violence, the disassociation.

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Add to that picture, what we have *not* shown here — I don't think we need to prove it here, but we need to be mindful, that we haven't depicted the fact that there are cast-asides in this picture. Poverty has *increased*. We've presented the situation for average, "successful" people, who are trying to farm, and work, and raise families, and they are failing. At the same time, you have an increase in the prison population, an increase in poverty. This is the situation.

So we leave this documentary with these thoughts. We have portrayed the 1960s, not as a golden age, or a Garden of Eden, but as a time and place when things still worked. There was a big fight then, but still some reality.

Look at the reality push from something, for example, like the 1958 National Defense Education Act. Sputnik had gone up, and people said, the Russians are going into space, let's get going here. This mandated studying Russian and other languages, science in many areas — physics, geology, climatology. You could get a college loan for a thousand dollars a year, payable later. There was a Teacher Corps set up under President John F. Kennedy's Higher Education Facilities Act. before he was assassinated. It built infrastructure in the schools.

And of course, you remember at the time, it was 1961, when President Kennedy said, "I believe this nation should commit itself to achieving the goal, before this decade is out, of landing a man on the Moon, and returning him safely to Earth." And that wave continued for a time. Until we saw it disappear. It was in 1963 that Dr. Martin Luther King spoke the "I Have a Dream" speech. These people were assassinated. There was opposition.

We have reached the stage today, where we now have a *pretense* of an economy, but it's called a "boom"! To underscore the insanity of this, think of just some obvious consequences of not building infrastructure, and allowing people to suffer and die around the world. The consequences of *not* making steel, not furthering agriculture, and most of all, *not* developing minds. Right now, one-third of the world's population is infected with tuberculosis. It's terrible in Africa; it's 40% of the population in Asia. It's coming back in the United States.

Over this weekend, while we have been meeting here, you may have seen in the headlines, in New York City, where they quit public health spraying for mosquitoes ten years ago, they now have an outbreak of St. Louis encephalitis. People are dying.

So we have been looking at the past, not because of nostalgia. But we have prepared this, just to provoke ourselves to think how we can make reality real to people, so they can act on it in a sane way. So people will move to come together and think, what can we do? Which is what's happened at times of crisis in the past, and what has got us here today. It's *not* nostalgia. It is our legacy, and our heritage. And with this, and our commitment, I think we can make a future, despite the crisis.

**Former Mexican President
José López Portillo:**

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for the world to listen to
the wise words of
Lyndon LaRouche.'**



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The collapse of the machine-tool design principle

The battered world physical economy, if it is to survive and ever undergo reconstruction, must draw from and be energized by the machine-tool design sector. However, the machine-tool industry's capability is being destroyed. This year, orders and/or consumption of the machine-tool industries of Japan, Germany, and the United States have fallen in the range of between 13 and 41%. These three nations combined produce one-half of the world's machine tools.

This indicates a desperate situation for the world economy. It signals the deepening economic collapse in Japan, Germany, and the United States. *But, it also indicates the permanent abandonment of any future.* The machine-tool design principle is the well-spring of economic growth. Economics starts with man in the image of God, and the capacity of the sovereign individual mind to make revolutionary validatable discoveries in fundamental science, as well as in Classical art and music. In the scientific realm, these ideas are incorporated as designs for machine tools and other advanced machinery. Through this process, they are directly transmit-

ted into the physical economy and the productive process, directly imbuing that process with a power that permits man to transform and greatly increase his mastery over nature, advancing civilization.

The loss of the machine-tool industry is due to the process that Lyndon LaRouche has scientifically represented as the Triple Curve collapse function, displayed in **Figure 1**. The financial aggregates, or the speculative bubble, which is represented by the top curve, and the monetary aggregates, which are attempting to hold up the bubble, as represented by the middle curve, suck the life from the physical economy, which is the bottom curve, causing it to collapse. These are three curves, but one simultaneous function. But, what the loss of the machine-tool design principle consists of is something special: If mankind loses the machine-tool design principle, *it will never have the chance to advance*. Man will be thrust back into ruin and destruction, a world of half a billion semi-literate human beings roaming the Earth—which is the explicit goal of Britain's Prince Philip. In fact, this is why the machine-tool industry has been *deliberately targeted for destruction*, which will be documented here in the case of the United States.

The machine-tool industry is collapsing at a dramatic rate.

Figure 2 shows the consumption of machine tools in the United States. For the first half of 1998, the consumption of machine tools was \$3.274 billion; for the first half of 1999, the consumption of machine tools was \$1.944 billion, a staggering fall of 41%. If one saw this level of fall and did not

FIGURE 1
A typical collapse function

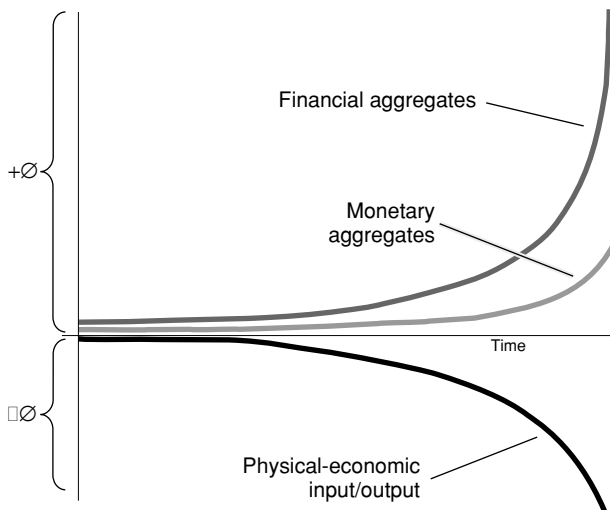
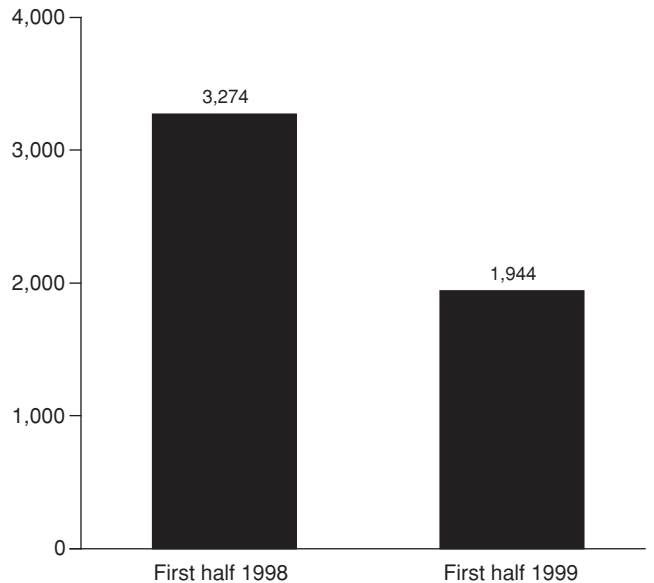


FIGURE 2
U.S. machine-tool consumption collapse of 41%
(\$ millions)

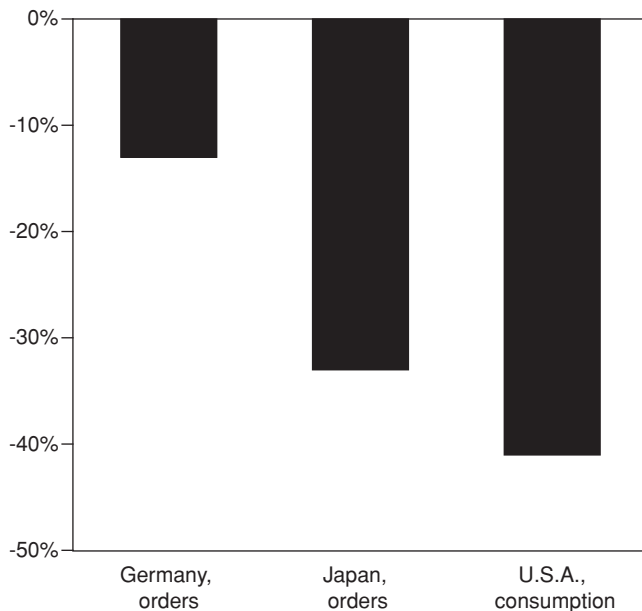


Source: Association for Manufacturing Technology.

FIGURE 3

Fall in big three world machine tool production

(percent)



Sources: Association for Machine Tool Manufacture; VDMA, German Association of Machine Tool Builders; Japan Machine-Tool Builders' Association.

know which country it occurred in, one might say, "Oh, this is Russia," or, "This is occurring in a country in Africa." But no, this occurred in the United States, which, we're told, is in its ninth year of economic expansion.

Figure 3 shows the situation for the other two members of the big three machine-tool producers, Germany and Japan. Unlike with the United States, the figures do not show consumption, but rather new orders. But whether one is dealing with consumption or new orders, if they are falling, it all leads back to one thing: a fall in production. For Germany, for the period of May through July of this year compared to May through July of last year, new orders fell by 13%. For Japan, we have a longer span: Comparing the first six months of 1999 to the first six months of 1998, new orders dropped by 33%.

What makes this a catastrophe for the world, is the fact that the machine-tool industry is a small industry, but a highly skilled, highly technologically developed industry. It should have been much larger throughout its history—but it's not a gigantic industry. Most machine tool shops are what are called in Germany *Mittlestand* shops, shops of between 10 and 200 employees, which, in the past, were dedicated to technological progress. For purposes of comparison, in 1998, total

TABLE 1

The largest machine-tool-producing nations

(1998 = \$36.8 billion)

1. Japan
2. Germany
3. United States
4. Italy
5. Switzerland
6. China
7. Taiwan
8. United Kingdom
9. France
10. Spain
11. South Korea
12. Brazil

Source: *Metalworking Insiders Report*, "World Machine Tool Output and Consumption Report, 1999."

world production of machine tools was only \$36.8 billion, out of a total world Gross Domestic Product of \$41 trillion.

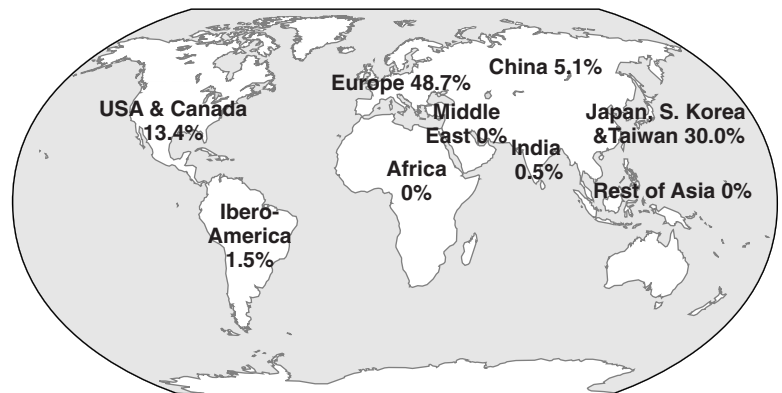
Let us look at just how concentrated world machine-tool production is. **Table 1** lists countries in order of size of machine-tool production. Japan, Germany, and the United States are grouped together, because these three countries have averaged, for the last three years, production of 53% of the world's machine tools. If one adds the next four largest machine-tool builders, in order of rank—Italy, Switzerland, China and, Taiwan—then these seven countries produce 79% of the world's machine tools. So, seven countries produce four-fifths of the world's machine-tool output.

Next, **Figure 4** shows a map of world distribution of machine-tool production. There are three main centers: first, Ja-

FIGURE 4

Where world's machine tools are produced

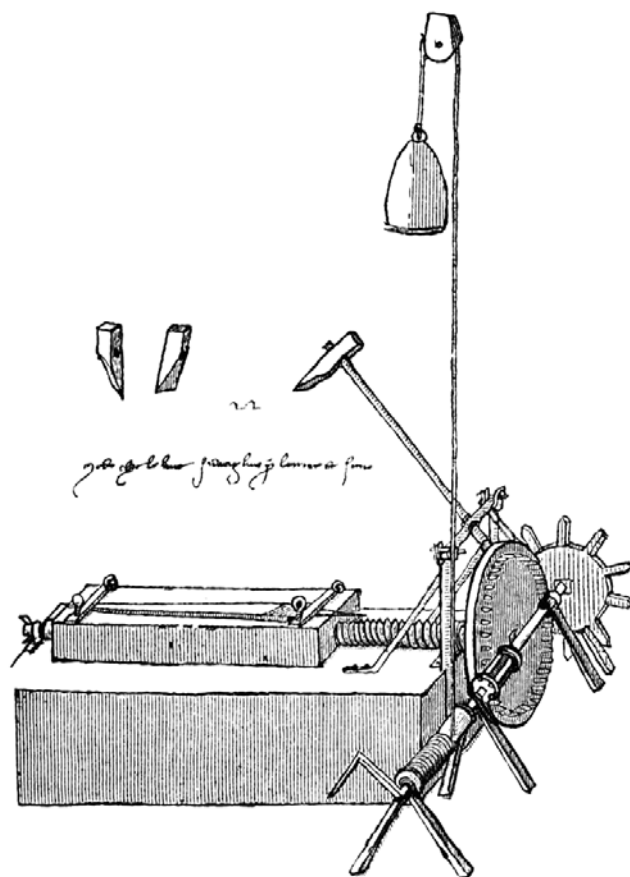
(1998 production = \$36.8 billion)



pan, Taiwan, and South Korea, which have 30%—and remember, Japan and Taiwan are among the world’s top seven producers; Europe, which has 48.7%, in which Germany, Italy, and Switzerland make up the lion’s share; and the United States and Canada, which have 13.4%, which is almost exclusively from the United States. There’s also China, with 5.1% of world production, and India with 0.5%. Now, look at the rest of the world. Ibero-America has 1.5%; that’s largely Brazil. Africa, the rest of Asia, and the Middle East have *zero percent of the world’s machine-tools production*. We have to build up machine-tool production in these other areas, and that is a key feature of the Eurasian Land-Bridge. But now, you can realize what a disaster it is when machine-tool performance is plunging in the range of 13-41% in Japan, Germany, and the United States, which produce by themselves more than half the world’s machine tools. The world is starved for machine tools.

But the critical point is, that most of the population would not even appreciate what has just been proven about the devastation of the machine-tool design principle. They’re focussed on the stock market, on the Internet, on McDonald’s. You say to most people, “What do you think of the fall of something upon which human life depends, machine tools?” The reply: “I don’t know much about it, and I don’t really care.” And that’s probably the biggest problem, because leaders of state,

FIGURE 5
Drawing by Leonardo of a file-cutting machine



people who are running for the Presidency, *do not even understand, that this is one of the most fundamental question facing the human race, at least in terms of the economic principles involved.*

The machine-tool design principle is an expression of the fundamental discovery in epistemology that Lyndon LaRouche made in the period 1948-52, arising from his study of Bernard Riemann and Georg Cantor, as will be seen.

What are machine tools?

Before delving further into the machine-tool principle, let us look at what a machine tool is—because most people haven’t seen them, and since some of them are going the way of the dodo bird. We’ll look at machine tools; then, we’ll look at the higher concept of the machine-tool design principle, which is *not the same thing as machine tools*—machine tools are a *function* of that higher principle. Then, we’ll look at the deliberate destruction of the machine-tool industry, and finally the relation of the machine-tool principle to the Eurasian Land-Bridge.

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- that Washington and Franklin championed Big Government?
- that the Founding Fathers promoted partnership between private industry and central government?

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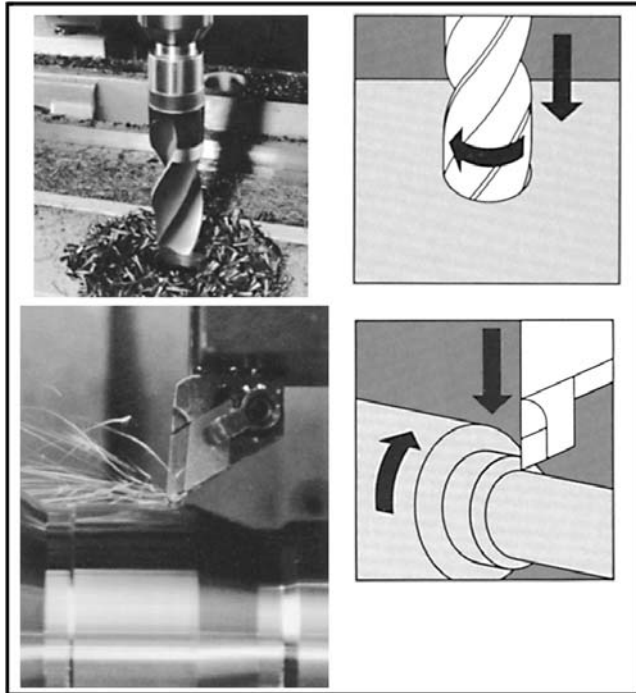
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FIGURE 6

Characteristic action of major metal-cutting machine tools



A machine tool is a machine that makes other machines. The design of machine tools has been developed for hundreds of years. This sketch (**Figure 5**), from either the late fifteenth or early sixteenth century, is from Leonardo da Vinci's notebooks. It is a file-cutting machine. Leonardo made hundreds of sketches of every variety of machine tool, absolutely every variety you can imagine, although it is not known how many of these were made into working models; the implementation of some of his inventions would have to await the development of the heat-powered machine.

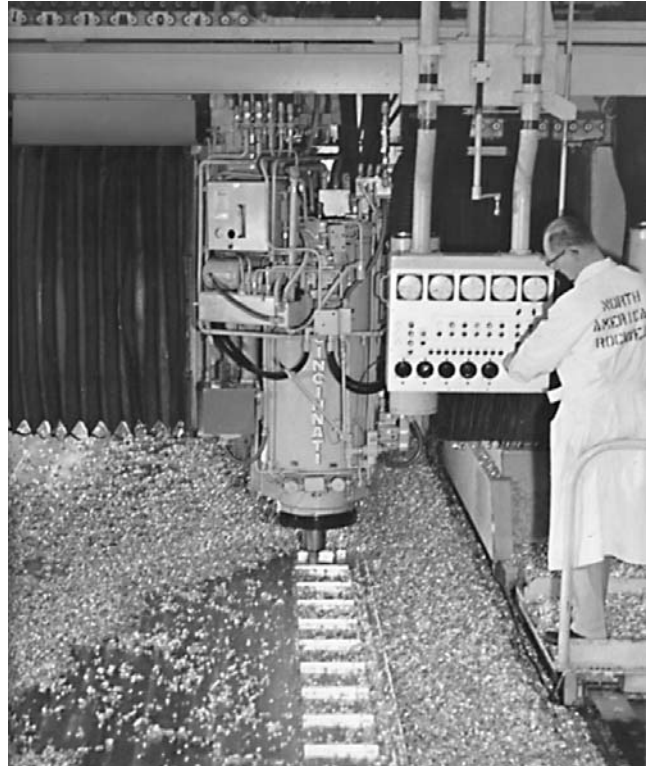
The development of the machine tool, and the machine-tool design principle, was greatly advanced by Lazare Carnot and Gaspard Monge at the Ecole Polytechnique in Paris in the first part of the nineteenth century. Thus, the machine-tool design represents *a process of centuries of ongoing perfecting*.

There are two main types of machine tools: the metal-cutting machine tool and the metal-forming machine tool. The distinction is based on their characteristic of action. The metal-cutting machine tool cuts metals, ceramics, or other materials; this can be done by boring, gear-cutting, turning, grinding, and so forth. Metal-forming machine tools stamp or form a metal or other material; their operations include stamping, forging, etc.

We are going to look at two varieties of the metal-cutting type. Importantly, all of these work through rotational action.

FIGURE 7

A numerically controlled machine tool machining fuel tank panels



In **Figure 6**, we see a drilling machine on the top. The drilling machine tool's rotating bit bores or enlarges holes in the material that one is being worked on; what one is working on, is usually called the work-piece material. Below that, is a turning machine, also called a lathe. In a turning machine tool, it is the work-piece that is rotated along a common center line, and the blade is brought into contact with the rotating work-piece material.

In the operation of metal-cutting machine tools, the force of the instrument is normally built up or concentrated in the tool bit or blade. Dozens of parameters determine a machine tool's functioning. One important parameter is the spindle speed of the tool bit. During the nineteenth century, spindle speeds of 100 to 750 revolutions per minute (rpms) were common. Today, spindles can rotate at 8-15,000 rpms. Speeds of 30-40,000 rpms may soon be common.

We have examined machine-tool blades and tool bits, and their characteristic actions; let us move upward to examine an entire machine. The picture in **Figure 7** was taken 30 years ago. It shows a numerically controlled machine tool that is 270 feet (82 meters) long. It is machining, in an advanced way, the fuel tank panels for the Saturn V rocket, which is the rocket that took the Apollo 8 spacecraft on man's first voyage

to the Moon in 1969.

I want to plant an idea into your head, to stimulate a mental concatenation of ideas. Scientists, such as Wernher von Braun and others, originate the concept of space travel totally in their minds, involving new physical principles. There is nothing *physical* that exists yet. So, the scientist conceives of a spacecraft, with specifications, and much work goes into that. But to make that spacecraft, he has to have hundreds of specially built or modified machine tools to machine the specific functions without which the spacecraft could not be built.

Moreover, the engineers building the spacecraft will work with master mechanics, who have decades of experience, and will know what type of machine tool needs to be constructed to, in turn, build the spacecraft. So, the scientists, the engineers, and the master machinists, through discussions, traverse back and forth in their heads *the product designs, both of the spacecraft and of the machine tools that will build the spacecraft*. Then they incorporate these advanced designs into the machines. In this way, the advanced designs increase man's power over nature.

Now, we've seen a single machine tool. Some single machine tools are very powerful, such as the five-axis machine tool, which can perform multiple functions of drilling, milling, etc., and can work on a work-piece material not from only three axes, but from five axes, and as well as tilt the work-piece. As part of the advances, there are machine tools based on new physical principles, such as lasers, particle beams, and plasmas to do milling and other jobs.

But now, look at **Figure 8**. This is a manufacturing plant, making a hull for an Army tank. The hull can be seen in the center, the round shape, floating down the center on a cushion of liquid. On either side of the hulls are many machine tools. Each one or two machines is performing a different function. This gets us to the next level. The machining work is not done by a single machine tool, but an organized series of them, dozens, or perhaps hundreds. Thus, one increases the power of the machining process, by organizing the machines into an ordered configuration. The power of the configuration is greater than the sum of the powers of the individual machines.

This point is exemplified by the Mack Truck assembly and manufacturing plant in Frederick, Maryland, which can be visited. Inside, it has 1,450 machine tools. The production process is nothing other than an organized configuration of machine tools, which is how real manufacturing is done.

The introduction and advancement of machine tools, especially since the introduction of the heat-powered machine, has created an increase of power and efficiency by man by as much as 100-fold.

An important feature of machine tools is that they build, not just individual products, but other machines. **Figure 9** shows that proceeding from creative human discovery, machine tools build construction equipment, mining equipment, oil and gas drilling equipment, etc. The construction equipment, built with machine tools, in turn, is used to build

FIGURE 8

Configuration of machine tools machining a tank hull



dams, bridges, water mains. So, the machine tool builds the construction equipment, which is utilized to build the dams and other edifices. By this process, physically, the machine-tool design radiates out everywhere, throughout the economy.

All economic mobilizations require machine tools, including the Land-Bridge. For example, the biggest bottleneck in the economic mobilization of the United States during 1939-44 for war production, was machine tools. Since machine tools build other machines, the United States couldn't build anything without having machine tools first. Leading his Hamiltonian-style mobilization of industry, President Franklin Roosevelt ordered the construction of new machine-tool plants, and their operation on 24-hour-per-day shifts. **Figure 10** shows that the United States went from the production of 34,000 machine tools in 1938 to 307,000 in 1942. We can build machine tools when we decide to.

The higher machine-tool design principle

Considering the development and power of the machine tool, we've moved in the direction of, but have not yet reached, the machine-tool design principle. It is to be empha-

FIGURE 9

The central role of the machine tool in the economy

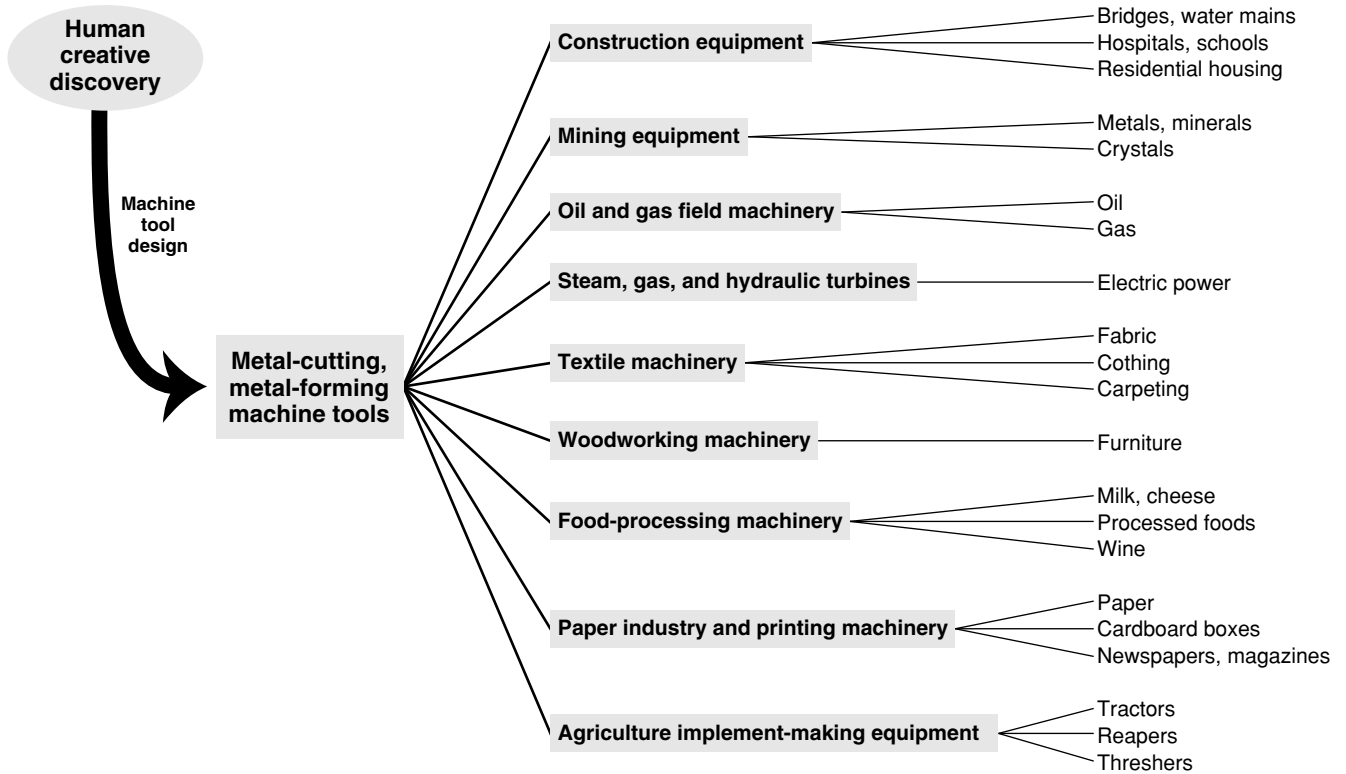
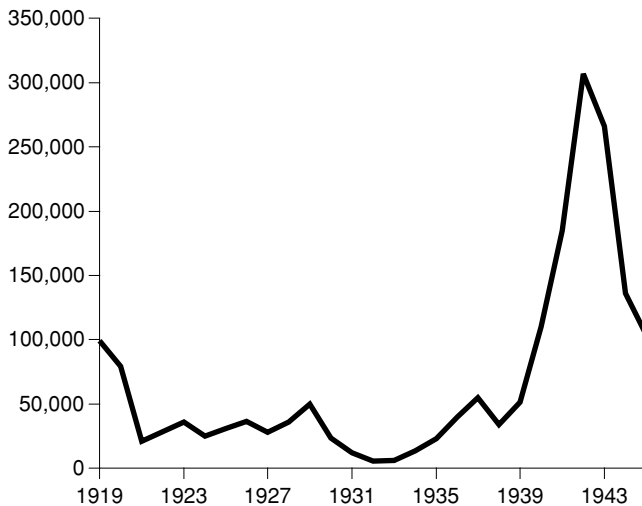


FIGURE 10
U.S. machine-tool production surges under Roosevelt 1939-43 mobilization

(units produced)



Source: "A Study of the Machine Tool with Emphasis on the Problem of Stability," 1962 Doctoral Thesis at American University by Robert Stanley Himes.

sized, again, that the machine tool, as powerful or remarkable as it is, *qua* machine tool, is not the machine-tool design principle. It is a function of the principle.

The machine-tool design principle exists as a higher concept, which involves the creative mind, the mind's creation and improvement of the machine-tool design, its improvement of the productive labor force, and the relation of all of this to transforming the economy.

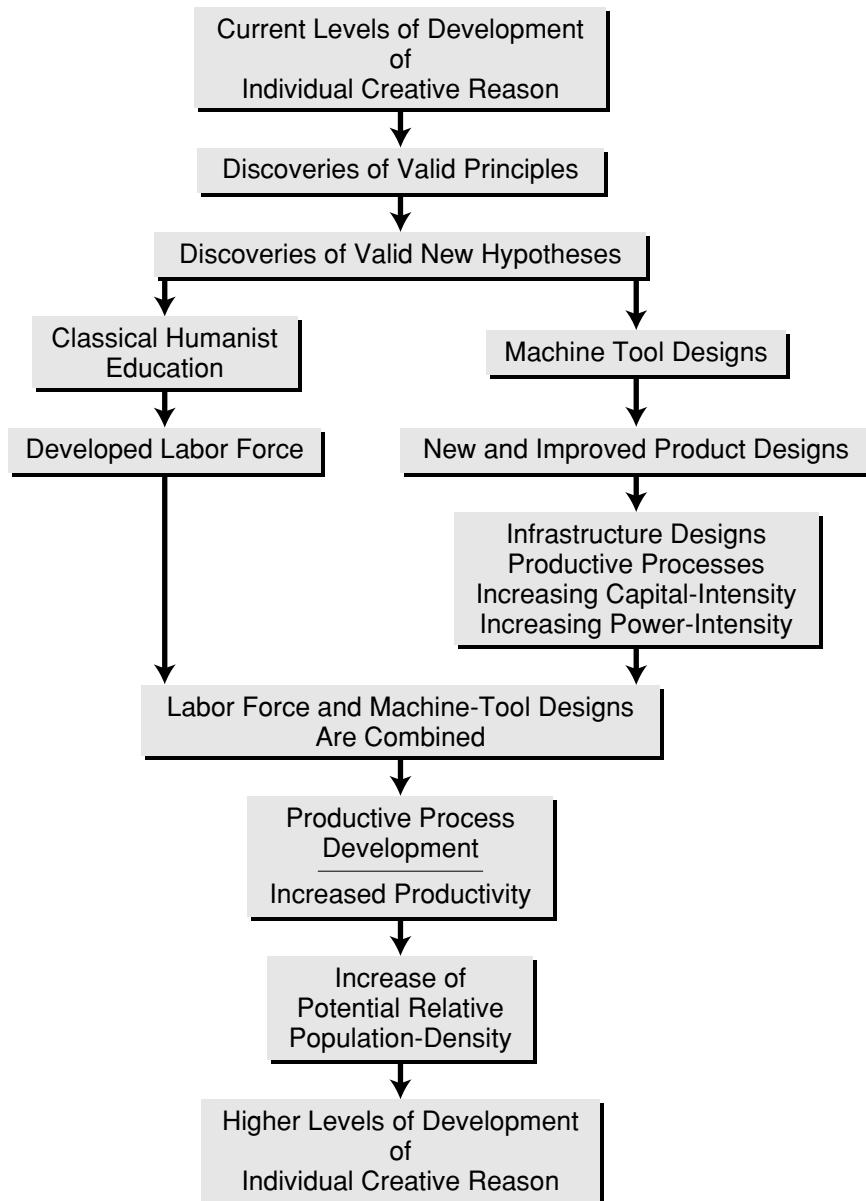
Figure 11 is a graphic from Lyndon H. LaRouche's article, "Return to the Machine-Tool Principle," which appeared in the Feb. 7, 1997 *EIR*. It is recommended that you read this in full. I could not do full justice to elaborating this valuable work, so I just want to make a few points.

Start with man in the image of God. Man makes a revolutionary discovery of physical principle. It is usually individuals who care very much about mankind, who make such discoveries. This new discovery is effected at first as an hypothesis, and then as a validated solution to an otherwise perplexing paradox in existing knowledge. Mr. LaRouche has represented that, as the column splits off to the right side in Figure 11.

This discovery occurs in the cognitive mind, in the same manner that it does in art and music — that is, as a metaphorical idea. However, the metaphorical idea is not painted onto a canvas, or sculpted into stone. Rather, it is put into a machine.

FIGURE 11

How the Machine-Tool Principle is situated



machine-tool designs, each with more power, incorporated into the machines.

Here, we are talking about machines, not just restricted to machine tools in the narrowest sense, but to all advanced machines, including laser systems, power systems, rail systems, that incorporate this latest machine-tool design.

In this way, each machine-tool design represents a transmission from the past of all the advanced ideas, from Leonardo da Vinci, from Lazare Carnot, and so on. It represents the transmission of all the important ideas of civilization, which are still alive, but now improved upon.

Simultaneously, and this is the left side of that chart, this process of generation of revolutionary ideas must shape the minds of members of the labor force, so that their cognitive ability, and associated skill level, are constantly rising. The labor force must have more powerful minds to master the machine-tool principle.

Bring the two processes together, and now you have the advanced mind working with the advanced machine-tool principle. *This is the source of productivity.* This is the point that LaRouche was concentrating on in his 1948-52 studies, which led to his breakthrough in economic science. How do you go from the invisible world of the mind, into modifying the material and physical world? Where is that transmission point? This is it.

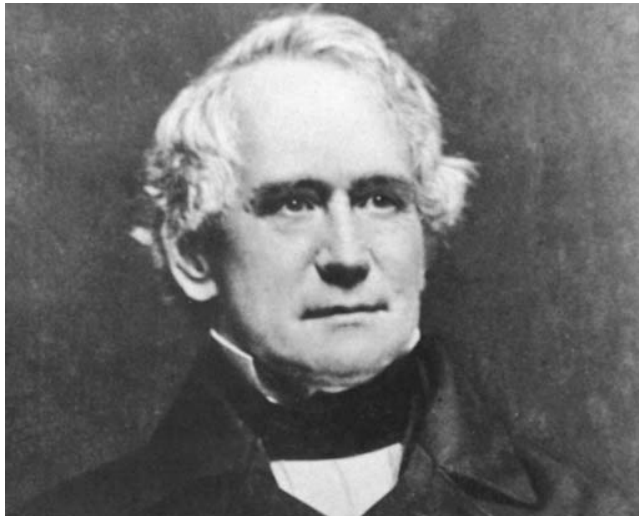
This is the source of technological progress. Technological progress is *not* computers. It is not the Internet. It's not the Information Age. That's all nonsense! That high-tech stuff is not really high tech. *This* is the source of technology,

the *real* source of technology. It's the *only* source of technology, this entire conceptualized process. This results in the increase in non-entropic activity in the whole economy. Man enhances the rate of growth of potential relative population density.

The society that's committed to this principle, that's organized by this principle, is a society that moves and can move with the most advanced ideas, as LaRouche has discussed in terms of the Riemannian manifold, from an *n*

If you want, *the idea as a design concept, is painted or transferred to the machine.*

So, we have man generating a succession of revolutionary scientific discoveries, which generates a succession of machine-tool designs. These designs are incorporated into a succession of machines, each with greater efficiency. So, the machine-tool design principle is not a single machine, nor is it a single machine-tool design; rather, it's an ordering process, starting with scientific discoveries, of a *succession* of



Henry Carey (1793-1879), the great anti-free-trade economist of the American System.

domain to an $n+1$ domain. Think of being able to transmit that into machines, which can then move the whole society that way.

A society that has machine tools, and this whole machine-tool design principle, and a skilled labor force, can think of these ideas and almost immediately transmit them. But an underdeveloped country in Africa, right now, can't. *Therefore, such a country is denied the very principle required to develop.* And the deliberate collapse of the machine-tool industry, therefore, represents not just the collapse of orders, or of consumption, it represents the collapse of the very principle itself. Because, if you abandon the machine tools, then you can't have the larger, higher machine-tool principle operate.

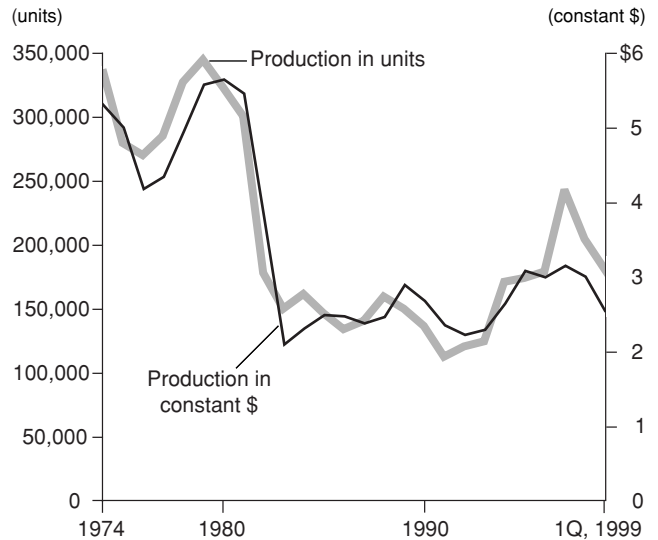
The destruction of machine-tool design

When America was founded, it was directed by the machine-tool design principle. During the period of 1861-76, America advanced the machine-tool principle around the world, under the leadership of Henry Carey (see photo). America helped construct railroads in an earlier version of the Land-Bridge and machine-tool shops and other manufacturing industries in other nations.

But the British oligarchy specifically targetted the American machine-tool industry for destruction. In the 1960s, it introduced the post-industrial society. In 1971, it manipulated President Richard Nixon into taking the United States off the gold-reserve standard, and into adopting the floating exchange-rate system. The oligarchy started building up the speculative bubble that sucked the physical economy dry. In 1979, British asset Paul Volcker was made Federal Reserve Board chairman, and applied a policy which he called "controlled disintegration," which he and some others had devel-

FIGURE 12

U.S. machine-tool production, in units and 1982 constant dollars



Sources: Association for Manufacturing Technology; U.S. Department of Commerce, Bureau of the Census; *EIR*.

oped at the New York Council on Foreign Relations, as part of a project, called *Project 1980s*. This produced in the 1970s, a series of 33 books. The *Project 1980s* book on monetary disorder, written in the 1970s, asserted that the economy would be put through oil shocks, energy cutoffs, interest rate hikes, and would plunge the economy into negative growth and disintegration, which the oligarchy hoped it could control—hence the term, "controlled disintegration."

In November 1978, speaking in Leeds, England, Volcker affirmed the policy, saying, "Controlled disintegration is a legitimate objective of the 1980s." During the second week of October 1979, now installed as Fed chairman, Volcker raised interest rates into the stratosphere. By February 1980, the prime lending rate was 21.5%. The real physical economy, led by the machine-tool industry, buckled at the knees.

Figure 12 depicts machine-tool industry production level in units produced, which is the upper curve, and in 1982 constant dollars, which is the lower curve. The horizontal line represents 1979. You'll see the effect of Volcker's action, with a delay of about 18 months. Machine-tool production went straight down. Although there has been some bouncing around near the bottom since, and sometimes a slight rise, it is far below where it was in 1979.

Figure 13 shows machine-tool production per capita. The index is based on 1967. On this basis, America's machine-tool production today is 58% below where it was in 1979.

FIGURE 13

U.S. machine-tool output per capita collapses

(1967=1)



Sources: Association for Manufacturing Technology; U.S. Department of Commerce, Bureau of the Census; *EIR*.

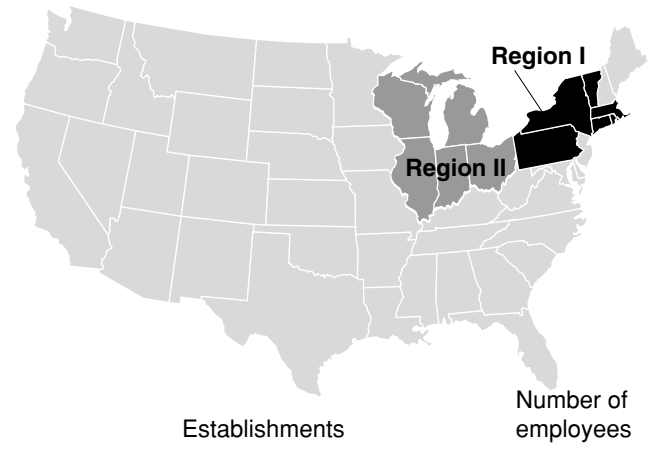
Volcker's action was a scorched-earth policy. The United States permanently lost capacity. **Figure 14** is based on the Commerce Department's census of the machine-tool industry for 1977, just before the Volcker actions, and for 1992, which is the latest year available. These are the two regions where most of America's machine tools are made: Region I is New England, and Region II is the Midwest. Between 1977 and 1992, in the Midwest, the number of machine-tool establishments went from 567 to 317, the number of machine-tool workers went from 48,200 to 22,700. In New England, the number of machine-tool establishments went from 275 to 115, and the number of machine-tool workers went from 23,500 to only 7,700. The machine-tool plants permanently closed their doors, and the workers scattered to the four winds.

Figure 15 documents the number of machine-tool workers. The top curve is all employees, including white collar workers. The bottom curve is just production workers, the workers who physically build the machine tools. The number of machine-tool production workers has fallen in half since 1967, to 35,300. That's the total number of workers in the entire United States that make machine tools today. Many workers who used to make machine tools, are either retired or are now driving taxicabs.

It should be considered that the average age of machine-tool workers is now 50-55 years. The industry is not getting the necessary influx of new workers, and the older workers

FIGURE 14

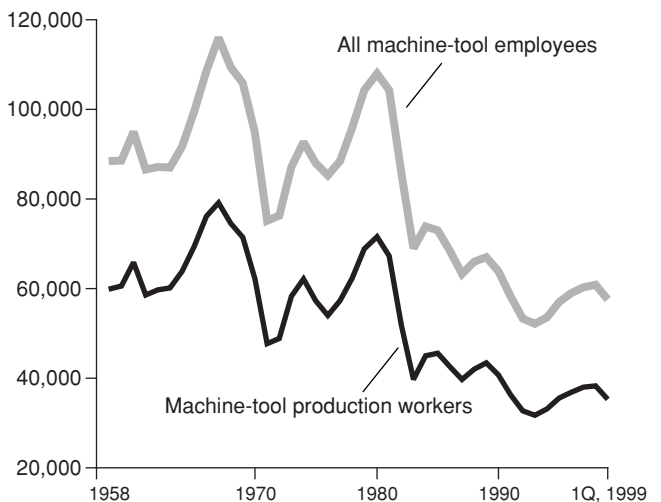
Collapse of U.S. machine-tool establishments and employment, 1977 to 1992



	Establishments	Number of employees
1977		
Region I	275	23,500
Region II	567	48,200
1992		
Region I	115	7,700
Region II	317	22,700

FIGURE 15

Number of U.S. machine-tool employees and production workers halved since 1967

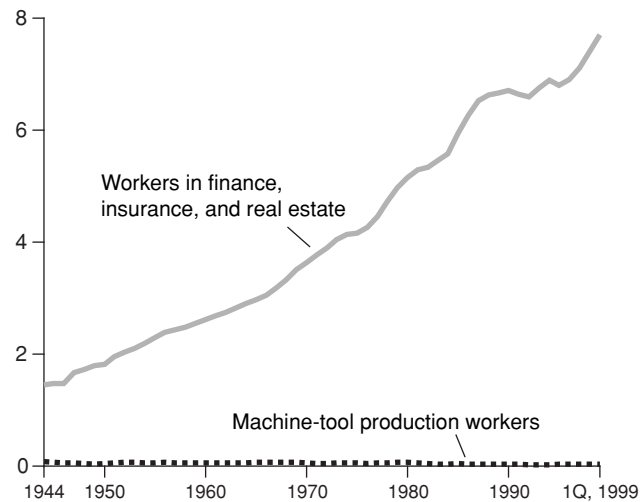


Sources: U.S. Department of Labor, Bureau of Labor Statistics, "Employment and Earnings," various years; *EIR*.

FIGURE 16

Machine-tool production workers vs. workers in finance, insurance, and real estate (FIRE)

(millions of workers)



Source: U.S. Department of Labor, Bureau of Labor Statistics, "Employment and Earnings," various years; *EIR*.

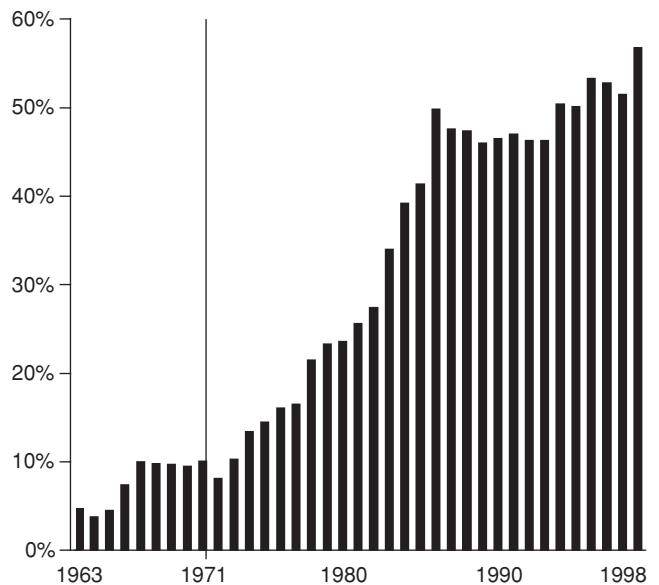
are nearing retirement age.

The machine-tool workforce has always been a relatively small work force, although in its heyday it should have been much larger than it was, given the needs of an expanding economy. I took the number of machine-tool production workers from the last graph, and put them in **Figure 16**. They are at the bottom; they look like a smudge on the bottom. This is the tiny force of highly skilled people, among the most skilled workers in America. Let us compare the number of machine-tool production workers to some other type of employment—say, the number of workers in the expanding "industry" of finance, insurance, and real estate, which goes by the acronym of FIRE. The acronym is quite apt, as this is the industry of financial speculation, which is burning down America. In 1999, there were 7.7 million workers in the FIRE sector, only 35,300 in physical production of machine tools. There are 220 workers in finance, insurance, and real estate in America for every worker making machine tools.

Finally, one hears a lot about imports. America imports more than half the machine tools that it uses each year, a strategic threat. This is the result of bad policy decisions. **Figure 17** shows imports as a percent of all machine-tool consumption in the United States. The year 1971, marked on the graph with a vertical line, is the year that Nixon took the dollar off the gold-reserve standard. Machine-tool imports,

FIGURE 17

Imports as a percentage of U.S. machine-tool consumption



Sources: Association for Manufacturing Technology; U.S. Department of Commerce, Bureau of the Census; *EIR*.

which had always been 10% of total consumption before 1971, now went up to 20%. It may be shocking, but up until 1976, the United States still exported more machine tools than it imported. In 1979, Paul Volcker began applying controlled disintegration to America, and as a result, within a few years, machine-tool imports went up to 50% of all machine-tool consumption, and have basically held at that level most of the time, until now, when imports are 56% of consumption. So, in assessing responsibility for this, America should look toward itself, rather than blaming other nations.

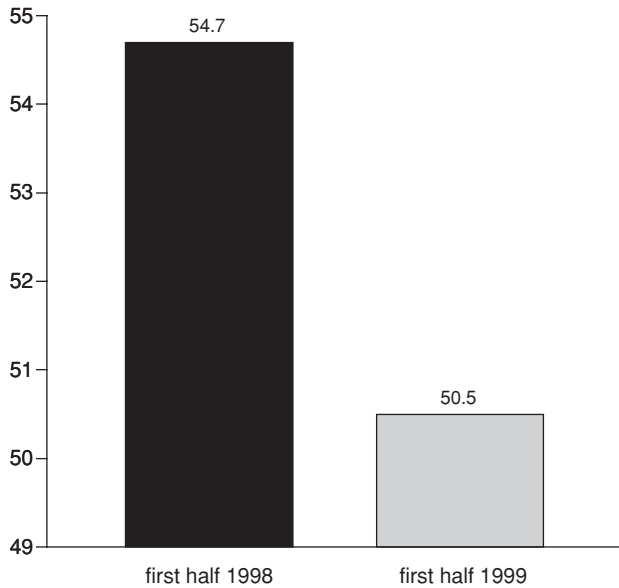
So, the collapse of machine-tool consumption we saw for the first half of this year (Figure 2), is occurring within the shrunken, or shrinking, industry. *It's a phase-point within the larger span of collapse.*

The collapse of the machine-tool sector is not occurring in isolation. Let us look at just three critical industries.

Figure 18 shows that finished steel production in the United States, for the first half of this year, compared to the first of last year, is down 7.7%.

Figure 19 documents the production of farm equipment. America produces one-third of the world's farm equipment and exports one-quarter of what it produces. This is vital for the whole world. For the first seven months of this year, compared to the first seven months of last year, shipments of two-wheel-drive tractors above 100 horsepower, which

FIGURE 18
U.S. finished steel shipments fall 7.7%
 (millions of net tons)



Source: American Iron and Steel Institute.

FIGURE 19
Percentage fall in U.S. farm equipment shipments
 (first seven months 1998 compared to first seven months 1999)

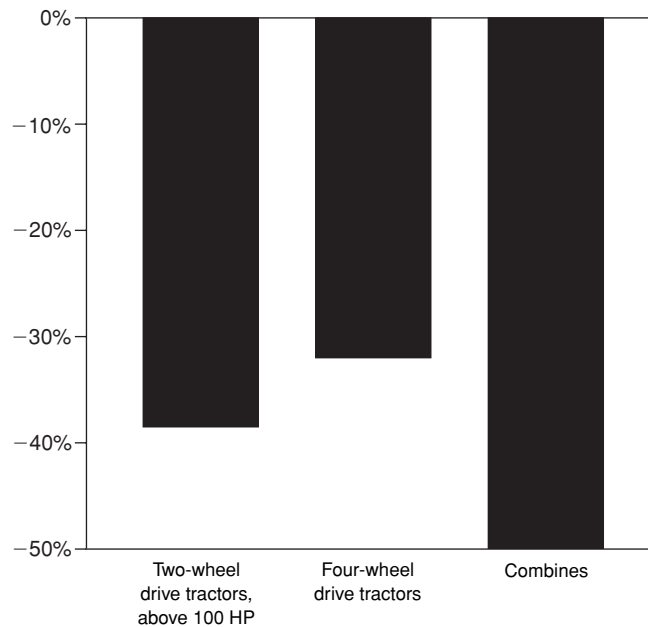


FIGURE 20
Shipments of four-wheel-drive tractors and combines, 1980 to 1997
 (number of units shipped)

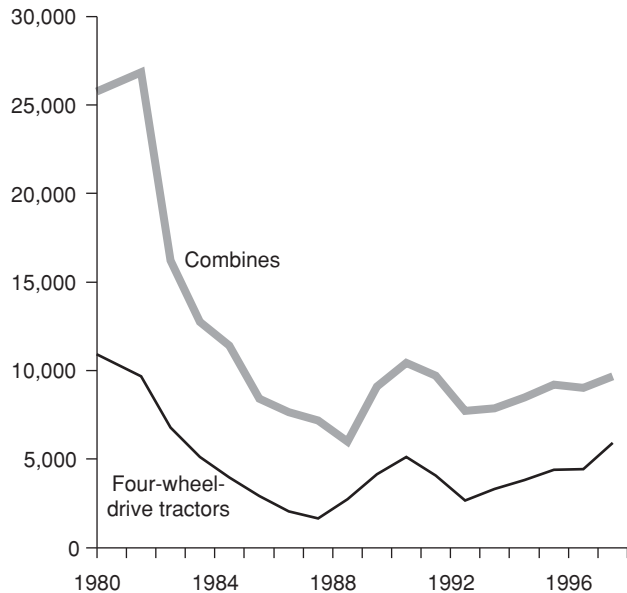
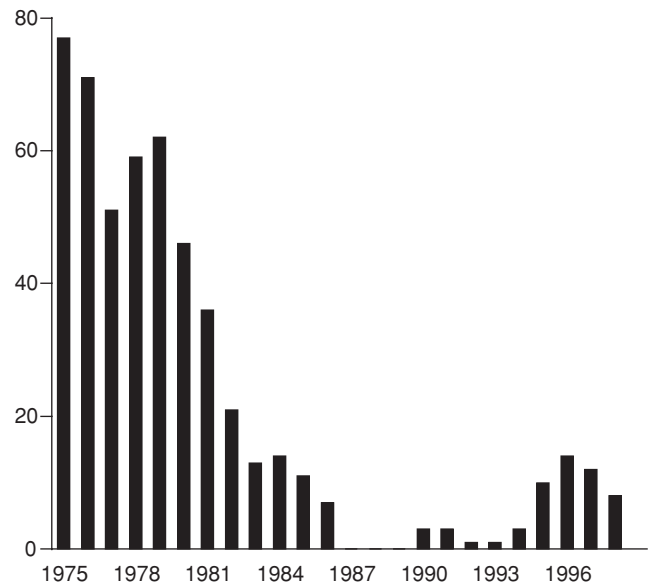


FIGURE 21
U.S. commercial shipbuilding orderbook, 1975-98
 (number of ships)



Sources: U.S. Department of Commerce and McGraw-Hill Companies, "U.S. Industry & Trade Outlook '99"; *EIR*.

FIGURE 22

Eurasia: future main routes of the Eurasian Land-Bridge



are standard equipment on farms, were down 38.5%; four-wheel-drive tractor shipments were down 32%; and shipments of combines were down 50.2%. We've shown similar statistics before, but every time we update the picture, it just keeps sinking lower and lower. Farm equipment embodies the most advanced technology for man to alter nature on the farm, and it is disappearing. **Figure 20** depicts the historical trend, since 1980, of combines and four-wheel-drive tractors.

Figure 21 shows the third industry, shipbuilding. America went from building 77 commercial ships in 1975, to building none in certain years, and now we're building eight. Shipbuilding has the capability of building not only ships, but many other things—and now it's nearly gone.

So, the collapse of the machine-tool industry is the harbinger of, and accompanied by, the collapse of other critical industries, such as tractor production and the shipbuilding capability, which are leading features of the machine-tool design sector.

Can the machine-tool design principle be saved, not only for America, but for the world? What does it mean if it's not saved?

If it is not saved, we don't survive.

The most important feature that can be introduced in the world today, is a New Bretton Woods monetary system, pivoted around the Eurasian Land-Bridge. Helga Zepp-LaRouche developed this powerfully in her presentation [see last week's *EIR*]. The Land-Bridge cannot be built without machine tools.

Figure 22 shows the Land-Bridge rail map. Consider all the machine tools needed to build that. But also think of these rail corridors and development corridors as extensions, physical extensions, or tentacles of the machine-tool principle into all these other places in the world, such as Kyrgyzstan and Kazakstan, and so forth.

Figure 23 shows a span under construction along the northernmost route of the Land-Bridge, the bridge network that connects mainland Europe, at Denmark, to Sweden, and then connects up the important islands of Sweden. It's quite beautiful. This requires, of course, machine-tool design.

Figure 24 is an artist's rendition of a nuplex, a complex of nuclear plants, preferably pebble-bed high-temperature gas-cooled reactors, and the nuclear plants that generate electricity and other power to the other industries that are

FIGURE 23

The West Bridge, part of the 'Øresund Connection,' linking Sweden and Denmark



set up there. This requires a tremendous number of specialty machine tools; it's also part of the machine-tool design principle.

Figure 25 is an artist's drawing of the Three Gorges Dam project in China. It's a wonderful project, which will transform the face of China; it requires a tremendous number of machine tools, and is part of the machine-tool design principle itself.

FIGURE 24

An artist's rendition of a nuplex

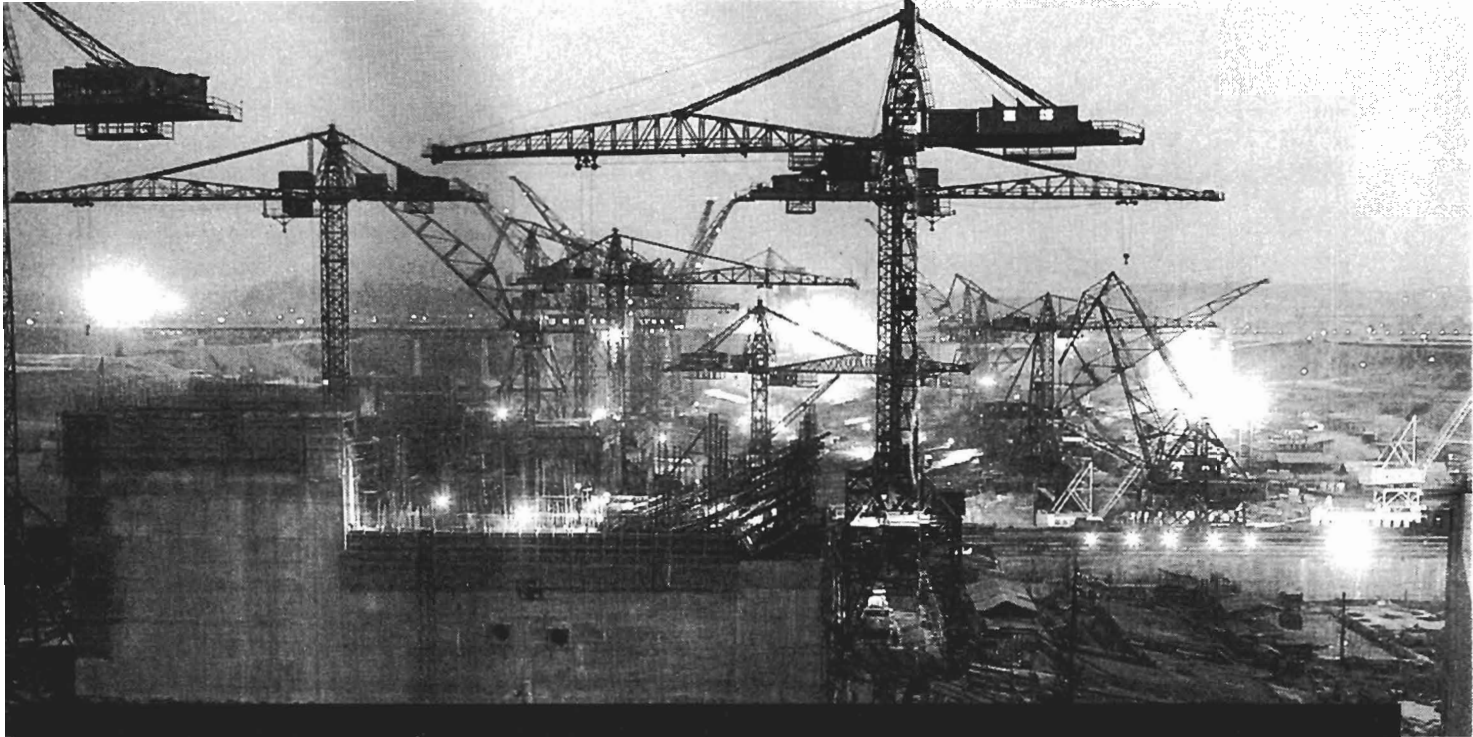


There's an irony here. To build the Land-Bridge requires machine tools and the machine-tool design principle, which is being destroyed. But were the Land-Bridge policy to be adopted by the West (as well as by China and other nations of the region, which are already forging ahead with it on their own), through the courage of a few far-sighted leaders, it would be the critical missing ingredient for the revival of the machine-tool design principle. We cannot allow the destruction of the design principle which is the well-spring for the long wave of economic survival.

FIGURE 25

China's Three Gorges Dam Project





The construction of the Gezhou Dam in China.

Out-of-work Americans apply for unemployment benefits in Front Royal, Va.

China plans 10,000 major infrastructure projects in the next decade.



Will the United States adopt this approach to make its way out of the new Great Depression?

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British vow to rip apart the world's nation-states

by Jeffrey Steinberg

Lyndon LaRouche, one of three leading pre-candidates for the Democratic Party Presidential nomination, has issued a stinging warning that the latest Clinton administration folly, of blindly backing a British-orchestrated new strategic destabilization in the Asia-Pacific region, brings us one step closer to a World War III that could see the use of nuclear weapons.

LaRouche's Sept. 17 statement was corroborated, one day earlier, by a senior aide to the British Royal Consort, Prince Philip, who boasted to an American journalist that British Foreign Office policy was to bust up Russia, China, and Indonesia, in a replay of Britain's 19th-century imperialist dogma of "divide and conquer"—just the policy that brought on World War I.

LaRouche wrote: "Once again, as in launching the 1964-1975 Indo-China war, the U.S. government has foolishly ignored General of the Armies Douglas MacArthur's warnings against wading into 'a land war in Asia.'

"For those leading military and political circles who are still capable of clear thinking, this ill-conceived, hypocritical, East Timor caper of the UNO could spread quickly into becoming one of the worst strategic catastrophes of the presently closing century. Only the British monarchy's terrorist operations in Transcaucasia and Central Asia, represent a more likely cause for the eruption of something akin to 'World War III' before the end of this century.

"Bringing the British monarchy, whose Queen is the head of state of Australia, into the command of the intervention into East Timor, will have no effect but to turn an already terrible situation in Indonesia into the detonator of a potential political 'Krakatoa explosion' for the United States and others viewed as authors of this latest piece of strategic folly.

"Three of the simpler and clearer aspects of this complex situation in Indonesia are notable.

"First, the entire operation run in Timor and its vicinity, since 1975, has been the fruit of a continuing operation by the historic colonial powers operating in the region since the original colonialization by the Portuguese colonialists. Australia, whose ruler is the Queen of England, has been the base of operations for continuing operations of the British Empire in progress since London moved into the position of the leading colonial power of the Indian Ocean and western Pacific region beginning 1763. It was the British and Dutch imperial interests who attempted to reconquer Indonesia for Netherlands at the close of World War II.

"Second, the leading interest of the British monarchy in the East Timor region is two-fold. It is both a major oil-and-gas steal by London-based petroleum interests, and a part of the British monarchy's present policy of breaking up Indonesia as a whole into a group of helpless, and looted, micro-states. One recalls the long war between Bolivia and Paraguay, a war fought chiefly as a London and Wall Street contest for control of petroleum deposits in that region.

"Third, the current, British-led (e.g., Australia, Robin Cook, et al.) targetting of Indonesia and its oil-gas reserves, through the East Timor mess, is, in reality, a part of the British monarchy's stated intent to bring about a form of world government based upon a combination of supranational authorities and the reduction of existing nation-states to micro-states. Even the U.S.A. itself is the declared target for such chopping of existing sovereign nations into pathetic little parts.

"All of this policy is being conducted under the umbrella of the doctrine set forth by Britain's Prime Minister Tony Blair, in Chicago, and elsewhere, during the period of the recent Washington, D.C. NATO summit.

"It should also be noted, that the present NATO after-action reports on the recent war against Yugoslavia, show that

the entire NATO action has turned out to be one of the worst pieces of hypocrisy and incompetence in modern European history. Unfortunately, the hypocritical moralizing which was used to motivate both the recent Balkans war and the present adventure in Indonesia, reflects the degeneration of the financial and political classes of most of the world's leading nations to a level of decadence unimaginable, prior to the folly of Richard Nixon's August 1971 launching of that lunatic 'floating exchange-rate monetary system' which has brought the entire world now to the brink of the worst and biggest, global financial collapse in the history of either European civilization, or even the known history of the world at large.

"All of this should remind us, that now is the time for a sweeping, and immediate change in the political and economic leadership of most of the world's nations, including our own."

Prince Philip's aide spills the beans

One day before LaRouche issued that warning, Martin Palmer, adviser on "religious and cultural affairs" to Britain's self-avowed genocidalist Prince Philip, confirmed that British policy today is aimed at the breakup of the nation-state system and provoking war and chaos on a global scale.

Palmer declared that "the current global political situation can only be likened to the movements of continental plates, in a geological sense. We are experiencing tectonic changes. We are now seeing the final *denouement* of the processes unleashed in 1914. It is a process of the breakup of huge empires. Russia is breaking up, and we see the dying gasps of the old tsarist control of Central Asia, with the sudden emergence of nationalities that no one heard of for centuries. In Indonesia, East Timor is a fault line. If East Timor goes, then Aceh will go the same way, and then, what about the other islands? The fact is, Indonesia has no logic for existence. It is an empire that was formed in the process of combat against another empire. We are seeing the collapse of empires, like the Soviet empire was, that were formed in fights against other empires."

As a consequence of this, Palmer continued, "new small nations are emerging. Don't only look at the growing autonomy of Scotland and Wales. Look at Central Asia, where we see the assertion of tiny little Khanates that have not been heard of for 500 years. For that matter, look at Dagestan, or at the sub-sections emerging in Georgia. The huge, tectonic plates of empires are shifting."

Palmer confirmed that it is "absolutely fundamental to British policy" to encourage the process of "breakup of empires." "British foreign policy, for the last 200 years, has been based on one central idea, the breakup of other empires. The idea of sowing divisions among the Arab states, is axiomatic to the British Foreign Office. The Foreign Office is obsessed with breaking up the hold that Russia has on Central Asia. Look at the popularity of the books of Peter Hopkirk [the semi-official chronicler for the Foreign Office on the recent

history of Eurasia, whose book *The Great Game* was reviewed in *EIR*, Sept. 28, 1990—ed.]. There is a deep fascination with these matters in Britain. Any encroachment toward India or Turkey is regarded as antithetical to British interests."

Palmer concluded, with a chuckle: "Perfidious Albion is alive and kicking. The British Foreign Office has a certain agenda, which is continued divide and rule."

That such policies are at odds with everything that the United States ought to stand for in the diplomatic arena, is obvious. Yet, President Clinton's failure, to date, to stick with his better political judgment and make a decisive, irreversible break with Tony Blair and those in the British Establishment who have put him forward as the new Ramsey McDonald, fuels British dreams of pitting "British brain and American brawn" against the rest of the world.

NATO's Kosovo fiasco

As LaRouche noted, after-action reports are beginning to surface, on the war against Yugoslavia. And the conclusions coming out of the official Pentagon and NATO reviews are in line with *EIR*'s own earlier assessment, that the air war was a fiasco from beginning to end, and that the entire NATO war-fighting doctrine for the post-Cold War world is the worst form of utopian insanity.

According to the Sept. 20 issue of *U.S. News & World Report*, Pentagon planners have concluded that NATO SA-CEUR Gen. Wesley Clark's strategy of deploying fighter jets against mobile Serb units inside Kosovo was a colossal failure. "The campaign against mobile targets was a near failure," one senior NATO official told the magazine.

According to the story, a review of the Kosovo war, presented by Adm. James Ellis, Clark's second-in-command, concluded that "we called this one absolutely wrong." NATO planners originally forecast that Yugoslav President Milošević would back down after two to four days of bombing. And, six weeks into the war, NATO had totally failed to anticipate the Serbian genocide against the Kosovar Albanians. "The end result was thousands of dead and over 1.5 million refugees," according to a study prepared by Anthony Cordesman for the U.S. Air Force.

Within weeks of the outbreak of the war, according to *U.S. News*, a rift developed between Clark and Gen. Michael Short, the head of the NATO air command. Clark insisted that high-altitude bombers be sent after Serbian troops engaging in the ethnic cleansing campaign inside Kosovo, a feat that Short insisted was nearly impossible. Clark prevailed, and the NATO campaign largely consisted of dumping tons of ordnance on empty spaces and civilian targets. After NATO teams visited 900 bombing sites in Kosovo, they found that only 26 Yugoslav tanks had been hit! *U.S. News* noted, "Some NATO analysts think pilots hit many more decoys than at first thought—including some that were inflatable—and that the Serbs may have set damaged tanks out to be struck over and over."

The geopolitical Great Game and Russia's 'Pinochet' option

by Konstantin George

The city of Moscow and all Russia are in a state of shock, sorrow, and anger following two deadly bombings of eight-story apartment buildings in the capital, on Sept. 9 and Sept. 13, resulting in at least 215 deaths. The first blast reportedly killed 94 persons, and the second 121. These horrors were immediately followed by a further escalation, as the terror wave rolled into the Russian provinces. In the early morning of Sept. 16, a car bomb exploded outside a residential building in the southern Russian city of Volgograd, killing at least 17 people.

The scale of the terrorism and its nature—random mass killings of civilians in their homes—have effected a profound phase-change in Russia, which will have a great impact on the global strategic situation. A favorite theme of London geo-strategists and associates of the “Bush league” International Republican Institute (IRI), namely, that Russia needs a dictator strongman to restore order and enforce delivery on its obligations to international financial institutions, has reared its head again.

Before the Moscow bombings, the Russian media and many Western outlets had been jammed with articles predicting that President Boris Yeltsin and his faction would stage provocations to provide the pretext to declare a state of emergency, cancel the December elections for the Duma, and thereby postpone next year's Presidential election. Equally visible now is the Russian tradition of “standing together” in the face of an external enemy, as during World War II. Moscow sources even suggested Yeltsin might contemplate coming to terms with the Fatherland-All Russia opposition bloc, led by former Premier Yevgeni Primakov and Moscow Mayor Yuri Luzhkov. The State Duma on Sept. 13 voted its unanimous support for the government's anti-terror searches and related measures.

The bombings occurred in the strategic context of the destabilization of the entire Caucasus and Central Asian southern rim of Russia, whose players include major factions of British intelligence and allied figures in the United States, including former National Security Adviser Zbigniew Brzezinski and Secretary of State Madeleine Albright. At lower, operational levels are British-run or -corrupted sections of Pakistan's Inter-Services Intelligence (ISI), Saudi Arabian circles that generously fund “Islamist” insurrections in the Caucasus-Central Asian “arc of crisis,” and British-Pakistani-

allied networks from the United Arab Emirates.

A model for the barrage of blind terrorism against Russia, was the strategy of tension aimed at Italy in the late 1970s, which culminated in the August 1980 Bologna train station bombing. This atrocity came simultaneously with the first great escalation along the Eurasian “arc of crisis” against Russia. The Soviet Union had been lured into Afghanistan, where it found itself in the beginnings of a ten-year war against “Islamist” guerrillas, liberally funded and armed by Britain, the United States, Pakistan, and Saudi Arabia. In September 1980, the second major war in the arc of crisis was initiated when Saddam Hussein was emboldened to attack Iran, commencing a mass slaughter that ended only in 1988.

The Russian leadership is aware that the source of the blind terror against its people is a strategic threat coming from outside the country. Prime Minister Vladimir Putin told a meeting of Commonwealth of Independent States defense ministers in Moscow on Sept. 15, that the CIS is threatened by international extremists, seeking control of the southern rim of the former Soviet Union: “We are dealing with well-trained international provocateurs who are sheltering behind religious Islamic slogans and trying to establish a so-called ‘new world order,’ ” he said. The reference is to the slogan of former British Prime Minister Margaret Thatcher and former U.S. President George Bush after the collapse of the U.S.S.R. and East bloc. Putin added: “They [the rebels] have impudently and shamelessly declared their zone of aggressive interests to stretch from the North Caucasus to the Pamirs. We are not fighting rebels, we are fighting terrorists.”

The multi-front destabilization

Timed with the start of the British-sponsored NATO war against Yugoslavia, a destabilization of Russia in the spirit of the 19th-century British “Great Game” went into a heightened mode. In the 19th century, the “Great Game” bogged Russia down in endless wars against British-backed Muslim Caucasus tribes, wars centered in the mountainous areas of what is now Chechnya and Dagestan. Simultaneously, Britain played Persia (modern Iran) against Russia in wars for control of the Caucasus and Central Asia. The third arena of combat, scene of the Russo-Turkish Wars, was the Balkans.

The main purpose of these wars and revolts was to consolidate an “autocratic model” in Russia, in that case, the long

reign of Nicholas I, 1825-55. Behind the autocratic facade, Russia was, in reality, becoming fundamentally weaker, as was exposed before the whole world in the 1854-56 Crimean War humiliation.

Since 1996, *EIR* has been covering the role of British factions and allied Bush circles in the United States, operating through the International Republican Institute, in promoting for Russia the “strongman” or “Pinochet model” (after Chile’s former dictator). This means recasting the rule of the International Monetary Fund-allied comprador caste as a Bonapartist dictatorship, to keep a system of austerity enforcement going. Now, through the interplay of the protracted Dagestan war, the bombing terror outrages, and popular shock and anger, the climate has been created for a “Pinochet model.”

In this scenario projected by British intelligence and its allied IRI circles, both the Yeltsin faction and the opposition bloc centered on Primakov and Mayor Luzhkov, would be swept aside. On Sept. 9, just as the bombed Moscow apartment building was crumbling to dust, one possible Russian “Pinochet” option became official. Krasnoyarsk Gov. Gen. Aleksandr Lebed (ret.) announced his intention to run for President. He was speaking to French journalists in the context of his meeting with former French Interior Minister Charles Pasqua. France’s *Le Monde* reported on Sept. 11 that Lebed compared himself to Charles de Gaulle, who had “established himself in world history by proving that a general could lead a state. In Russia a general can do it and must do it.”

Pasqua, who represents the seamier side of French politics, commented: “Lebed is, in his way, a Gaullist. I am seduced by the personality of the general,” and convinced that “one day or another, the general will have a determining role to play in this country.”

Whether or not Lebed emerges as the “Pinochet” (he certainly is no de Gaulle), is uncertain. But, with the Pasqua visit, the theme that Russia “needs a strongman” was sounded in the West.

Strategy of tension

Since Aug. 7, Russia has been hit by a so-called Islamist revolt in the Caucasus republic of Dagestan. The “Islamists” in question are mercenaries of the Wahhabi sect, which was created by Britain in the 18th century and used in British-run revolts against Russia during the 19th century. The biographies of many of these mercenaries read like a timeline of modern-day British Great Game operations in the Caucasus and Central Asian theaters.

For instance, Field Commander Khattab, a leader of the Wahhabi revolt in Dagestan, is often described as a Jordanian of Chechen extraction, but is reliably reported to hold Saudi citizenship. His profile shows him to be part of the “Afghan mujahideen” mercenaries, created by the British-American-Commonwealth nexus in the 1980s. In 1984, Khattab was recruited in the United States to fight in Afghanistan. He was then active in British-sponsored military operations against

FIGURE 1
The Caucasus chessboard



the southern “soft underbelly” of the former Soviet Union during the 1990s. He fought with “Islamic” rebels in Tajikistan against the republic’s pro-Russian government, in the 1992 civil war there. In 1995-96, he showed up fighting in the Chechen war against Russia.

Another such figure is Salman Raduyev, an ethnic Chechen, responsible for numerous terror acts in the North Caucasus and Southern Russia in the 1990s. Raduyev’s exact whereabouts are not known, nor is his real identity: “Salman Raduyev” resurfaced after being reportedly killed during the Chechen war. Today, he is said to be in the Russian Federation, having recently returned from Pakistan, in a “pre-mission” sojourn to coordinate operations with the Pakistani ISI faction working with British intelligence. Raduyev is on record vowing to spread terrorism to the Russian heartland.

There are British assets at other levels of the terrorist drive. *Izvestia* of Sept. 15 cited Khojakhmed Nukhayevev as “chief architect” of the underground Chechen financial system, exerting such great influence that Azerbaijani Army fighters are deployed under his orders. As *EIR* has reported, (“Russia’s North Caucasus Republics: Flashpoint For War,” Sept. 10, 1999), Nukhayevev is a close friend of Britain’s Alistair McAlpine, initiator of the “Caucasus Common Market.” In April, *Nezavisimaya Gazeta* carried a picture of Baroness Thatcher flanked by Nukhayevev and Chechen President Aslan Maskhadov, during their visit to London in 1998.

Nukhayevev and the Wahhabites are also known to operate from and use Azerbaijan territory to funnel men and supplies

into Chechnya and the Dagestan war zones. The Azerbaijani government of President Heidar Aliyev has recently urged the increased involvement of NATO as its ally in the region.

At the lowest, throwaway level, a terrorist "Dagestan Liberation Army" has emerged, and in a communication to Itar-Tass "took responsibility" for the Moscow bombings as "revenge" for Russian Air Force bombings of Chechen villages.

The Wahhabi sect also includes many expendable bomb-carriers, terrorists who conducted the Moscow bombings. Three have been arrested and two others are being sought. The two Moscow apartment bombings are the most dramatic in the escalating blind terror:

March 19: Bombing of the central marketplace in the city of Vladikavkaz, capital of North Ossetia in the North Caucasus. This bombing killed 52 people and was timed with the onset of the NATO war in the Balkans and preparations for new war in the Caucasus.

April 26: Bombing of a hotel and office building near the Kremlin, wounding 11.

Aug. 31: Bombing of the Manege underground shopping center near the Kremlin, killing one and wounding over 40.

Sept. 4: Bombing of housing for military and dependents in Buinaksk, Dagestan, killing 64 people.

Heavy security deployment

The "strategy of tension" employs blind terror to instill fear in the population, such that it will seek any way to end that terror—even dictatorship. So far, the Russian government has taken strenuous security measures to end the terror through law enforcement. Since the Sept. 13 bombing, in Moscow alone intensive police searches have turned up 3,800 kilos of explosives in apartment building cellars and one case (in the south of Moscow at Borisovskiye Prudy 16/2) found 42 sacks of the type of explosive used to blow up the buildings on Sept. 9 and 13.

Major Russian cities are in an effective state of emergency: Moscow is being patrolled by 80,000 police, Federal Security Service (FSB) units, Interior Ministry special units, Interior Troops, and the 7,000 men of the FSB's elite Feliks Dzerzhinsky Division. In St. Petersburg, as in Moscow, there are rush searches of as many apartment blocks per day as possible, coupled with passport and ID control points set up in the streets and train stations. Defense Minister Igor Sergeev announced on Sept. 14 that the Army stood ready to help the Interior Ministry and FSB in carrying out patrols and searches.

Responding to the first bombing, Prime Minister Putin said on national television, on Sept. 10, "Sorrow always unites people. . . . The Russian Federation will do everything . . . to ensure discipline and order." Appearing Sept. 14 on the NTV program, "Hero of the Day," Putin said: "One can act without a [formal] state of emergency—although there do exist other standpoints." This theme took the form of "unity" among factions, when the government and Kremlin supported the

announcement by opposition Presidential candidate Mayor Luzhkov, that he had placed Moscow under a "special regime." Luzhkov declared that all identification papers of non-Muscovites will be checked; those without valid residence permits will be expelled from the capital. It can be expected that those who do not look Russian or Slavic, namely, people from the Caucasus and Central Asia, will become the object of police dragnets. The same theme was sounded outside the cities, as Saratov Gov. Dmitri Ayatskov declared Sept. 14: "This is still not a state of emergency, but tough and even extraordinary measures will be carried out."

The Duma (lower house of Parliament) endorsed the police-state measures. Duma Speaker Gennadi Seleznyov spoke out on Sept. 14: "The authorities must ensure order and tranquility in the country, deputies stand for a severe rebuff to militant terrorists who have encroached on the territorial integrity of the Russian Federation."

As one observer put it, the people of Moscow and other cities are welcoming the troop deployment on the streets. Aman Tuleyev, Governor of the Kemerovo region in Central Siberia, summed up popular reaction to the bombings: "One more series of bombings in Moscow and the people themselves will demand a state of emergency. It will be introduced and then some kind of a Defense Council will be created, as it was under Stalin."

It remains to be seen whether Bush's IRI will succeed in imposing the pro-IMF Pinochet option, or whether the strategy of tension will bring forth a government of national resistance. One danger lies in the potential for Russian anger to be misdirected against neighboring Islamic countries—rather than the British controllers of the Great Game. Prime Minister Putin himself made a false move in this direction, when on Sept. 14, he told U.S. FBI Director Louis J. Freeh that Osama bin Laden was behind the Dagestan offensives, and was the "initiator and inspiration." The highly publicized bin Laden has been the center of the media propaganda put out to obscure the British-American-Commonwealth faction's strategic deployment of international terrorism.

There is also the danger that in this heightened atmosphere, there will be a general war in the Caucasus. Even before the Moscow bombings, Putin had said on Sept. 7 that the Chechen authorities are no longer in control of the republic and all agreements reached with them are worthless. This seemed to have undercut any chance to cooperate with moderate Chechen President Aslan Maskhadov against the rebel extremists. Then, over the weekend, Sept. 11-12, came a Chechen escalation, when President Aslan Maskhadov proclaimed a full national mobilization. Both sides are perilously close to the outbreak of a second Chechen war, which now would spread throughout the Caucasus. Russian military sources reported on Sept. 15 two concentrations of Wahhabite rebels along the Chechen-Dagestan border, one of 1,500 men in the Khasavyurt District and one of 1,000 in the Babayurt District.

Australia acts as British stooge in the East Timor crisis

by Allen Douglas

In the rapidly unfolding crisis in the East Timor province of Indonesia, the Australian political elite has invented a new variant of an old aphorism: “Bluster loudly, and carry a little stick.” Like the hollowed-out forces of NATO, which were incapable of fighting an actual war in Kosovo, the Australian 4,500-man military contingent which the United Nations Security Council authorized on Sept. 15 to lead its 9,000-man peacekeeping force in East Timor, is a *papier-maché* force which will strain Australia’s tiny, 25,200-man Army to the utmost, if kept in place for more than a few weeks. It is less a serious force for “peacekeeping,” than a tripwire to further explode the situation.

The East Timor crisis, which threatens to unleash a chain reaction of insurgencies in Aceh, Irian Jaya, Ambon, and elsewhere, leading to the disintegration of the 200-million-person nation of Indonesia, was provoked in large measure by Australia. In January 1999, Prime Minister John Howard wrote an infamous letter to Indonesian President B.J. Habibie in January 1999, to bully him into agreeing to hold the recent independence referendum in East Timor. Even the East Timor independence leader Xanana Gusmao had urged a 10-year “cooling-off period” (later reduced to five years) before such an explosive referendum should take place.

But even though Howard, together with his Australian Labor Party (ALP) opposites, the anti-Indonesian ideologues ALP leader Kim Beazley and shadow Foreign Affairs Minister Laurie Brereton, may look like a bunch of juvenile delinquents with their baseball caps on backwards, playing with matches in the middle of a fuel dump, there is something more sinister afoot: They are witting tools of the British monarchy and the City of London financial oligarchy, which wants to blow up Russia, China, India, Indonesia, and any other nation-state which might help construct the New Bretton Woods financial system proposed by American statesman Lyndon LaRouche. Such a New Bretton Woods would replace the hopelessly bankrupt, London-dominated “globalist” system now careening toward the greatest financial crash in centuries.

Both Howard, who, as Australia’s Prime Minister, is a member of Her Majesty’s Privy Council, and Beazley, a member of London’s International Institute of Strategic Studies (IISS), are intimately aware of LaRouche’s proposal. Howard bitterly denounced the LaRouche plan in public last year. Meanwhile, Australia’s Reserve Bank, just like the U.S. Fed-

eral Reserve and the Bank of England, is printing money at the speed of light, to prepare for the coming collapse — or, in the words of Reserve Bank Governor Ian Macfarlane on Sept. 4, “to meet any conceivable demand,” or any “doomsday scenarios.”

Given the growing bitterness in Indonesia toward Australia for its role in fostering the referendum, one could not pick a worse candidate to implement the *British-sponsored* UN resolution that set up the “peacekeeping” force. That the British, who will contribute only some 250 Gurkhas to the East Timor UN force, would nonetheless sponsor that resolution (and shove their Australian colony forward as a tar baby), is no surprise: As *EIR* has documented, “independence for East Timor” has always been a British plot, with the help of Britain’s Portuguese colonialist junior partners. (See “Attacks on Indonesia Aim to Dismantle Its Nationalist Development Policies,” *EIR*, Nov. 8, 1996, and “Great Britain’s Colonial Guns Turn Against Indonesia,” March 21, 1997.)

Just as British Prime Minister Tony Blair relentlessly badgered U.S. President Bill Clinton to launch the recent Kosovo war — which has gravely damaged U.S. relations with China and Russia, two key nations for a New Bretton Woods — Privy Councillor John Howard spent much of the week before the Sept. 15 UN resolution hectoring Clinton to put U.S. “boots on the ground” in East Timor — an action which would have earned the United States further enmity in Asia. Clinton declined to supply anything but logistical and intelligence backup. As even one source at the U.S. State Department — itself generally an Anglophile bastion — wryly told the *Australian Financial Review* of Sept. 4-5, “The Howard letter provoked the whole thing. Now Australia has the responsibility to follow through.”

Although this Australian-led assault on Indonesia will fly the flag of “human rights,” an included purpose will be to steal some of the world’s richest gas and oil deposits, in the Timor Sea off East Timor — just as is planned for another strategic area being destabilized by the British monarchy, the Caucasus-Central Asia region.

London’s paper tiger

Queen Elizabeth II is the official head of state of Australia, and also heads the 53-nation Commonwealth (in which Australia plays a key role). This is the greatest combination of

FIGURE 1

British target Indonesia for breakup



political and financial power on Earth, as *EIR* has abundantly documented (see *EIR Special Report*, “The True Story Behind the Fall of the House of Windsor,” September 1997). Ever since Britain dumped its first batch of political prisoners at Botany Bay near Sydney in 1788, the Crown has dictated most of Australia’s crucial foreign and domestic policy, with the notable exception of Prime Minister John Curtin’s World War II break with Winston Churchill, and Curtin’s alliance with Gen. Douglas MacArthur and President Franklin Roosevelt to win the war in the Pacific. When ALP Prime Minister Gough Whitlam, for instance, in the early 1970s attempted to reassert sovereignty over Australia’s vast raw materials wealth, and to engage in a program of large-scale industrialization, he was summarily sacked by the Queen’s governor general in 1975.

By contrast, when the present, Liberal/National party coalition government of John Howard came to power in March 1996, Lord Harris of High Cross exulted in an interview with Australia’s *New Citizen* newspaper, “Yippee! I was pleased about that.” Harris is the longtime Mont Pelerin Society

leader, whose organization had designed all of Margaret Thatcher’s “free market” policies, and which had trained the entire “reform” government which took power under President Boris Yeltsin in Russia in 1992 (see *EIR*, Sept. 3). He had good reason to be: Six senior cabinet ministers, including Howard himself, were members or associates of Mont Pelerin-affiliated think-tanks in Australia.

Harris’s Mont Pelerin cronies lost no time in destroying Australia’s Armed Forces, creating the hollow shell which they now propose to send on a possible suicide mission into East Timor.

In 1997, the Howard government set up the Defense Efficiency Review (DER), under the direction of Minister of Defense Ian MacLachlan, a co-founder of the H.R. Nicholls Society, the most fanatical of Mont Pelerin’s Australian think-tanks, and a member of the largest land-owning family in Australia. To head the study, MacLachlan brought in Sir Malcolm McIntosh, who had just retired as head of procurement for all of Britain’s armed forces from 1991-96, for which service he was knighted by the Queen.

After a mere three years of budget-slashing “reform,” Australia’s Armed Forces today are a “Potemkin village,” in the words of one of Australia’s leading defense analysts. Consider the following indicators of impotence and demoralization:

- The total strength of the Armed Forces of Australia (Army, Navy, Air Force), a nation of 19 million, is now only 50,000. Due to the DER, some 6,000 senior officers — Australia’s most experienced personnel — have been made “redundant,” leading to the worst demoralization in decades: Some 10.2% of all naval officers left from October 1998 to October 1999, on top of 7.2% the year before, while 9.2% of all Army officers quit last year, on top of 7.7% the previous year. Combat pilots have been quitting Australia’s Air Force at such a rate, that there are only 53 left to fly Australia’s fleet of 71 F/A-18 Hornet fighters, while only four “top gun” (elite) Category A Hornet pilots remain. Since July 1, nineteen combat jet fighter pilots, who cost \$6 million each to train, have quit. The Armed Forces Federation announced in July that hundreds more senior officers will soon quit, both because of “poor career prospects” and because “they cannot afford to live” under new government tax rules regarding military housing subsidies and related items.

- At the end of August, Army chief Lt. Gen. Frank Hickling told a parliamentary inquiry into the Army’s suitability for peacekeeping, and for war, that “Australia’s Army would be hard-pressed to sustain fighting in close combat on a modern battlefield, and had major equipment shortages,” according to a summary in the Sept. 3 *Melbourne Age*. Hickling said the Army could field only a brigade-sized contingent (3,000 men) to fight a war alongside an ally such as the United States, and “only at considerable risk.”

- Australia has only one seaworthy submarine (of the aging Oberon class), while construction of six new Collins class subs is years behind schedule, and they have such horrific problems that McIntosh told a parliamentary inquiry in April, “It’s barely enough for the submarines to go to sea safely, and you certainly couldn’t possibly go to war in it.”

- The Howard government just privatized Australian Defense Industries (ADI), the government’s main defense contractor, and sold it for a pitiful \$200 million to a consortium *dominated by a foreign company* (the French firm, Thomson). Much of the non-combat services of the military (cooking, etc.) has also been privatized, leading one to ask how many “private contractors” will want to go to East Timor, or other potential combat zones.

In addition, because of the savage cutbacks, it is universally recognized that Australia will be stretched to the extreme to sustain even one brigade for three months, because of the need to rotate other troops in and out, and because of the logistical support necessary to maintain a brigade in the field.

Indonesian anger, Australian body bags

Since the Indonesian Army moved into the chaotic vac-

uum left by Portugal’s abrupt pull-out of East Timor in 1975, Australia had been, until early this year, the only “Western” power to acknowledge East Timor as part of Indonesia. Furthermore, in 1995, Australia and Indonesia had signed a security treaty. In the eyes of most Indonesians, therefore, Australia’s current drive for East Timor independence is a particularly galling stab in the back. Sending in an *Australian*-led contingent for “peacekeeping,” pours gasoline on the flames, as the following recent statements and events indicate:

- On Sept. 10, leaders of all of Indonesia’s major political parties, including Megawati Sukarnoputri’s PDI-P, President Habibie’s Golkar Party, and Amien Rais’s PAN party, unanimously condemned Australia for “spreading terror” by its demand for a peacekeeping force. Dimiyati Haryono, deputy chairman of the PDI-P, said Indonesia should break relations with Australia. A PAN spokesman said, “Never let Australia terrorize us. We’re a big nation whose pride is now at stake.” The chairman of the 25-million-member Muhammadiyah said, “Australia and the United States in particular, have not yet lost their imperialistic nature.” Party factions in the national parliament’s commission on foreign affairs, defense, and security issued a statement Sept. 13, urging the government to reject participation of Australia, New Zealand, and Portugal, saying, “The presence of troops from the three countries will only raise new chaos, because they have obviously not been neutral.” The head of the ruling Golkar Party, Akbar Tanjung, warned, “Involvement of non-neutral troops will only further provoke people’s emotion.” The chairwoman of the parliamentary commission on foreign affairs, Mrs. Aisyah Aminy, said, “If Australian troops are involved now, they will prolong the Timor problem.”

- The trade office of the state of Western Australia in Jakarta was vandalized on Sept. 13, and Australian Prime Minister John Howard was burned in effigy outside the Australian Embassy, with demonstrators waving placards “War — Indonesia versus Australia.” The following day, hundreds of angry Indonesian students demonstrated outside the Australian Embassy, and then marched through Jakarta shouting “Go to hell, Aussie!” The front page of the English-language *Jakarta Post* carried the headline, “Indonesia Wants Australia Kept Off UN Force.”

As the anger rises against Australian “peacekeepers,” John Howard warned Australians on national radio on Sept. 14 to prepare for the possibility of soldiers coming home in body bags: “There will be a danger, there could be casualties, and the Australian public should understand that.” Meanwhile, his British public school-educated Foreign Minister, Alexander Downer, has demanded that the UN grant the Australian troops the right to “shoot to kill,” which it did. The blue-blood Downer is otherwise best known for wearing black fishnet stockings in public; he has proclaimed his “favorite clothing” to be “plastic bags and stockings,” in keeping with the degenerate auto-erotic habits of the British oligarchy.

A witting Australian role?

Reviewing Australia's intelligence capabilities vis-à-vis Indonesia, as well as the changes it has made to its force structure and military preparedness over the last year, it is almost impossible to avoid the conclusion that Australia knew very well, that mayhem in East Timor would necessarily follow a referendum there. After all, the two countries are less than 100 miles apart, and, for decades, the Indonesian section of Australia's Defense Signals Directorate has carried out extensive electronic intercepts of virtually all Indonesian communications, bolstered by equally extensive "human intelligence" sources, whether by the Australian Secret Intelligence Service (ASIS), the Australian academic community, or by the extraordinary contacts which the Australian military has built up with its Indonesian counterparts, through training programs, social visits, etc. As one Australian defense source recently boasted to this news service, "When [President] Habibie can't get [Chief of Staff] Wiranto on the phone, we can." Thousands of Indonesian servicemen have been trained in such institutions as Duntroon Military College (Australia's West Point) and the Canungra Land Warfare Center.

Those military ties are particularly close between Australia's two Special Air Services (SAS) regiments, a subset of the notorious British SAS, and Indonesia's elite Kopassus unit. If the widespread reports that Kopassus units trained the anti-independence East Timor militias be true, it would not be surprising: The British SAS specializes in precisely such insurgency-counterinsurgency training, as when it was caught training *both* Muslim and Serb forces during the early 1990s war in Bosnia, the better to stoke a bloody civil war. Kopassus personnel have also been trained by the British SAS directly, as well as by U.S. Special Forces, including, according to the Sept. 12 *Australian Financial Review*, in "how to create terror." Faced with losing East Timor, which the Indonesian Army believes—with good reason—would be the prelude to the disintegration of their nation-state, it is entirely predictable that such training would be put to work.

At all events, the Australian SAS has been deeply involved in East Timor for months, at least. The July 20 *Melbourne Age* reported that the SAS had "already been involved in on-ground reconnaissance in East Timor to judge the service's access to specific sections of the province in the event of emergency," while military intelligence had given the SAS a series of briefings at its Perth, Western Australia headquarters, on "details of strongholds, communications, transport, and weapons capabilities of the militias, as well as profiles of their leaders and the nature of their links to the Indonesian Army." Beginning early this year, a number of key SAS personnel have also been moved to Darwin, "on stand-by."

But it is not only the SAS which has been preparing. Early in 1999, simultaneous with Howard's letter to President Habibie demanding a referendum, Australia initiated a radical shift in its Army force structure, and upgraded its military

readiness, such that 11,000 troops are ready to deploy within 28 days—the highest readiness of the Australian Armed Forces since the Vietnam War. This new force cost \$300 million to set up, and will cost \$100 million per year to maintain—a major expenditure for a government which has slashed health care and other social services left and right. Indeed, the government has already indicated that it will slash much more, in order to maintain these forces. What all this readiness was for, became clear when a second ready response force was created, and was deployed to join the existing First Brigade in Darwin on the northern coast of Australia, just across the Timor Sea from East Timor. These are the forces which were conveniently already in place, when the UN on Sept. 15 authorized Australia to lead the "peacekeeping" in East Timor. The Australian government has also announced that this upgraded readiness will allow it to evacuate 20,000 Australians from all of Indonesia, on short notice.

The politics of oil and gas

The Australian government has continually proclaimed its intent to "save lives," "protect human rights," and "secure justice" for the East Timorese. In fact, it seems much more interested in "securing justice" for British and affiliated multinational oil companies which plan to grab the vast hydrocarbon deposits in the waters off East Timor. As a senior City of London insider pointed out to *EIR* on Sept. 14, "A major part of the 'Blair Project' involves deploying a reorganized British oil geopolitical power. In foreign policy, this means shifting intelligence assets into new hotspot areas where the Blair people want to make trouble. First we saw it in the Balkans, and now it is East Timor.

"Informed geologists tell me," the source continued, "there are believed to be huge untapped oil deposits in the Timor Sea between East Timor and Australia. As long as East Timor remains in firm Indonesian hands, the oil will be controlled by the Indonesian state oil company, Pertamina. If, on the other hand, East Timor becomes independent, BP and Royal Dutch Shell will be able to come in. The British are using Australia as a stalking horse for this. Overall, oil is again becoming a major geopolitical power theme for British interests again, after a long hiatus. Over the last year, there has been a huge consolidation of oil assets into British hands, with BP becoming number two in the world after Exxon-Mobil, and Shell number three. If British oil wins East Timor, along with their present dominating role in the Caspian Sea region and North Sea, as well as Alaska and Nigeria, they will be in a commanding power position globally to dictate oil policy."

The vast oil and gas deposits underneath the Timor Sea have been proven, as noted by the Sept. 3 *Australian Financial Review*: "Oil companies have spent \$700 million exploring the Timor Gap [off the island of Timor] so far. There have been 41 wells drilled in those tropical waters, and all but seven have discovered hydrocarbons." The "Timor Gap Treaty" be-

tween Australia and Indonesia presently divides the area between the offshore shelves of Australia (which extends some 200 kilometers into the Timor Sea) and that of Timor (which drops off sharply), into three zones, A, B, and C, with various degrees of Indonesian and Australian control in each. But, notes the *Review*, were East Timor to become independent, the whole treaty would have to be renegotiated, this time with East Timor, and not Indonesia, controlling the oil. And, as sources at Pertamina told *EIR* already some years ago, although tests had demonstrated huge reserves in Zone C, which is 90% Indonesian-controlled, Pertamina has never been able to develop those reserves because of the unrest in East Timor.

Whipping up Australians

As a result of the Australian government's propaganda, supplemented by the ceaseless pro-independence drum-beating by Australia's Anglophile press barons, multibillionaires Kerry Packer and Rupert Murdoch, many Australians have been whipped into a fever for intervention into East Timor. Rallies around Australia, some numbering 15,000-20,000 people, have called for UN intervention, while Australia's trade union movement has begun a boycott of anything having to do with Indonesia, including air freight and air travel in or out of the country, and postal and phone services to Indonesian businesses and to the Indonesian Embassy in Australia. The Maritime Union of Australia has placed bans on 80,000 tons of wheat bound for Indonesia out of 10 Australian ports. The Australian Council of Trade Unions has called for the International Monetary Fund and World Bank to cut off all assistance to Indonesia.

The sole political force in Australia to speak out forcefully against this madness, akin to that which swept the United States during George Bush's Desert Storm attack against Iraq in 1991, has been Lyndon LaRouche's associates in the Citizens Electoral Council, a federal political party. CEC National Secretary Craig Isherwood told *EIR*, "This is a classic example of what Lyndon LaRouche has denounced as 'morality in the small,' which, actually, is gross *immorality*, because people refuse to look at the big picture: the onrushing global financial collapse, and the Crown's plot to crush nation-states, so that no resistance can be mounted to British imperial rule. *That*, together with a good old-fashioned neocolonialist grab for raw materials, is what is behind this East Timor crisis. One would think that Australians, in particular, might have learned something by now, about fighting and dying in British-provoked wars. After all, this was a *British* UN resolution, and British Foreign Secretary Robin Cook led the charge for this engagement, just as he did in the Balkans, with Alexander Downer bringing up the rear. As for the trade unions, perhaps they should stop hyperventilating for a moment, and ask why they suddenly find themselves in bed with that same Mont Pelerin Society Howard government, which has sworn to destroy them."

Blair's 'Third Way' defeated in Germany

by Rainer Apel

With the defeats in state parliament elections in Saarland and Brandenburg on Sept. 5 having been already sufficiently bitter for Germany's Social Democrats (SPD), the two elections a week later, on Sept. 12, for state parliament in Thuringia and for municipal councils in North Rhine-Westphalia, brought real disaster. In Thuringia, voter turnout dropped by 15% (from 74.8% to 59.8%), and the SPD lost 11% of the votes tallied, as compared to the last elections in 1994. Worse still: The SPD fell behind the post-communist PDS, which outstripped the Social Democrats by a margin of almost 3%. The Christian Democrats (CDU), the SPD's major coalition partner in the state government of Thuringia since 1994, received 51% of the vote and will run the state alone for the next five years.

All in all, the Thuringian SPD, which in 1994 was getting 29.6% of the vote, lost more than one-third of the vote on Sept. 12, and the voter abstention was mostly due to SPD supporters turning their backs on the party.

The disaster was far worse, though, in North Rhine-Westphalia, with its 18 million inhabitants Germany's biggest state, home to 20% of the national electorate. There, after the 1994 elections, 20 of the 23 biggest municipalities were run by SPD mayors, and many of the cities had been solid Social Democratic territory for decades. In the case of Dortmund, SPD rule had lasted for 53 years! On Sunday, Sept. 12, this era came to an end: Seven cities were taken by the Christian Democrats right away, with another seven expected to fall to the CDU in a second round of voting on Sept. 26. The massive loss of SPD votes, which was between 10 and 12% across the board—in some cities even above 14%—was a profound reality shock for the German Social Democrats. An even greater shock was the fact that in many districts, more SPD supporters stayed home from the polls, than went to vote. In the northern districts of Dortmund, traditionally "deep-red" labor voting territory, voter turnout dropped below 30%—the lowest level in the entire postwar period. Apparently, labor voters did not like the SPD and its "modernist" service-sector outlook, borrowed from Tony Blair's "New Labour" and its "Third Way." (Interestingly, British voters seem not to like Blair's "Third Way" much either, recently. On June 13, on the occasion of the elections for the new European Parliament, they handed Blair's party

a big defeat: “New Labour” lost more than half of its seats in the European Parliament.)

An evil omen for the ‘red-green’ coalition

For the SPD of North Rhine-Westphalia, which is scheduled to hold elections for state parliament in May next year, the election results of Sept. 12 are an evil omen: The SPD-led “red-green” coalition will be voted out, and voted out in a landslide, just as the cities fell to the opposition CDU this time. This, at least, is what the CDU hopes will happen next spring. There may also be surprises in store for the CDU next time, because there are shifts occurring in the electorate that have no precedent in the last 50 years of Germany’s postwar existence.

If one looks more closely at the votes cast Sept. 12, one may find that the CDU did not really gain votes, it only came off better (far better) than the SPD, which *lost* 40-50% of its voter support. Many, maybe most, of the voters who turned away in rage from the CDU and the Kohl government in the national elections just a year ago—September 1998—and who voted for the SPD at that time, have not simply returned to the CDU this time. Instead, they decided to vote for neither of the two big parties, neither SPD nor CDU. With a voter turnout of 55% in North Rhine-Westphalia, the country is heading for the time when, whichever party emerges as the winner of elections, will have the actual backing of only 25-30% of the electorate. At a time of profound economic-financial depression, this is a base far too small for any democratic government to be able to take bold decisions of a kind that can overcome the crisis. Moreover, for the SPD, a party that depends on labor votes to be able to govern, because the CDU has its foothold in the middle classes, the events of Sept. 12 pose the question: Who lost labor?

Axel Horstmann, chairman of the Ostwestfalen-Lippe SPD party district of North Rhine-Westphalia, put the answer to that question into plain words Sept. 14: “We need another platform than the Schröder-Blair paper.” The reference is to the paper which Germany’s SPD Chancellor Gerhard Schröder and British Prime Minister Tony Blair jointly presented to the public at a London press conference June 8, in what was meant as a clarion call for the “new Left” in the 21st century. Ever since then, this “Third Way” paper, which runs counter to the most basic positions of the German Social Democracy, has sparked a heated debate inside the SPD—not a profound debate, but one intense enough to alienate the party base from its pro-Blair leadership. SPD supporters may not have the patience to read through all those academic phrases of the Schröder-Blair paper, but they have the capability to smell that “this is not my party.” After all, the advancing of pro-Blair views at the top of the SPD goes along with the proposal for a four-year austerity budget by the Schroeder government, which plans to cut 160 billion deutschemarks from the budget—mostly in the areas of

spending on the social welfare, labor market, and pensions budgets.

This is the reason that longtime SPD voters boycotted the polls in traditional Social Democratic voting districts like those in northern Dortmund, on Sept. 12. No leading Social Democrat will be able to pull them back to the voting booth, unless he denounces the present SPD policy; nor will any of the prominent leftists in the party be able to achieve that. Richard Dewes, SPD state chairman of Thuringia, is such a leftist—he even conducted his campaign with a call for an alliance with the post-communist PDS, with which he wanted to form the government, after the elections of Sept. 12. The SPD constituency was not enthusiastic about this perspective: Shortly before election day, an opinion poll found that 40% of them would rather vote for Bernhard Vogel, the incumbent State Governor and lead candidate of the CDU, than for Dewes.

End of an era

The elections of this autumn mark the end of an era: The SPD cannot return to a better identity and win back votes, because there is no such better identity. Traditional Social Democratic outlooks have been destroyed by the advance of radical ecologism over the last 20 years, at the expense of the formerly close relations between the party and organized labor. The left wing of the party has gone along with this environmentalism consistently, thereby pretty thoroughly discredited itself among labor voters.

The only way out for well-meaning and committed Social Democrats who want to rebuild the alliance with labor is a policy that does address the economic reality of the ongoing depression, that offers a convincing perspective for workers to keep their jobs, and for the highly qualified jobless to get new jobs. The policy that offers such a perspective is there: It is the program of the LaRouche movement, and many SPD members have become familiar with it over the years. The SPD leadership, though, has been able to suppress debate about the LaRouche proposals, with means similar to those employed by leaders of the Democratic Party of the United States, to contain Lyndon LaRouche’s impact there.

The same SPD leadership has been able to pretend, in the past, that its way of practicing politics would always attract a majority of voters: Now, however, that era is over, because that same SPD leadership is driving away more and more voters, with every election. In the wake of the humiliating election defeats, ferment to elect a new leadership is building inside an enraged SPD party base. But the party also needs a new policy; without one, it will be voted out of government, and it will not be able to survive as a decisive power factor in Germany’s political landscape. The expected defeat in the state parliament elections in Saxony on Sept. 19 will underline that, once again.

French coverup of Princess Diana's death is already unravelling

by Jeffrey Steinberg

Within hours of French magistrates Hervé Stephan and Marie Devidal signing off on the Paris prosecutors' coverup of the wrongful deaths of Princess Diana, Dodi Fayed, and Henri Paul, millions of Britons were already being provided with ample evidence of the French perfidy. On Sept. 3, ITV, one of two national independent television networks in Britain aired a documentary exposing several of the most glaring lies in the French government's "Final Report" on the Aug. 31, 1997 Paris car crash that claimed the life of the "People's Princess," her boyfriend, and their driver.

The ITV broadcast, produced by the same individual who did a June 1998 show presenting evidence of a possible professional assassination of Diana and Dodi, documented some of the glaring holes in the French probe. But the magnitude of the coverup went far beyond the specific "errors" revealed by Nicholas Owen in his exposé.

While the French report, which rejected any criminal action against ten paparazzi who stalked Princess Diana and Dodi Fayed throughout their fateful final visit to Paris, may have caused momentary sighs of relief at Buckingham Palace and at the French ministries, the reality is that the French coverup is sure to trigger a new firestorm of protests, as the full extent of the French police abomination sinks in, and as more suppressed evidence continues to surface.

Mohamed Al Fayed, the father of the late Dodi Fayed, recently told *Talk* magazine that he believes that the British Royal Consort, Prince Philip, personally ordered the execution of his son and Princess Diana. Through his lawyers, Al Fayed has already filed an appeal of the decision by magistrates Stephan and Devidal in the French courts. This is one ticking time-bomb.

He has also filed requests in Britain to be a civil party to the English coroner's inquest, which is scheduled to begin shortly, into the circumstances of the deaths of Diana and Dodi. The Royal Coroner, Dr. John Burton, has granted Al Fayed permission to attend the inquest into his son's death, but has refused to grant him legal standing in the inquest into the causes of Princess Diana's death. Al Fayed has appealed to the High Court for judicial review of Dr. Burton's decision, and this has already caused a stir in Britain—a second ticking time-bomb.

The Final Report

On Sept. 1, the Paris prosecutor's office issued a 28-page "Final Report," dropping all pending charges of manslaughter and failure to assist at the scene of an accident, against ten paparazzi. The prosecutors' document, which was endorsed two days later, in a terse one-page statement by magistrates Stephan and Devidal, placed the entire blame for the crash on driver Henri Paul, based on contaminated blood samples that purportedly showed him to have been drunk and under the influence of two prescription drugs; and on a carefully selected series of eyewitness accounts, mostly provided by the paparazzi themselves.

By dropping the charges against the ten paparazzi, the French authorities, for the time being, blocked public release of the 6,000-page documentary report, prepared by magistrate Stephan, based on his two-year probe. Sources familiar with the contents of the full document have told *EIR* that much of the material directly contradicts the conclusions reached by the Paris prosecutors, and demonstrates that the French police badly bungled the probe—to put it mildly.

Indeed, on the first anniversary of the crash, Stephan had released an interim report which had admitted that there were several gaping holes in the investigation to date. The Aug. 31, 1998 document acknowledged that there were perplexing problems with the autopsy blood tests done on Henri Paul. The same tests that showed high alcohol levels and traces of two prescription drugs, *also showed near-fatal doses of carbon monoxide in Paul's blood.*

As both the June 1998 and Sept. 3, 1999 ITV documentaries also argued, with estimated carbon monoxide levels of near 30% in the hours before the crash, Paul would have been unable to carry on a conversation, walk, or drive a car! He would have been overcome with violent pains in his temple. Yet, nearly two hours of video camera footage of Paul, taken between 10:07 p.m. on Aug. 30, 1997—when he arrived back at the Ritz Hotel after being off-duty for three hours—and the midnight departure from the rear of the Ritz Hotel, showed no signs of carbon monoxide poisoning, according to several world-renowned experts. Even the final French report acknowledged that almost every eyewitness who spoke with Paul at the Ritz Hotel that night detected nothing unusual in

his behavior. He did not appear to be drunk, and he certainly did not exhibit any of the symptoms of someone with near-lethal levels of carbon monoxide.

When the French prosecutors issued their Final Report, there was no mention of the carbon monoxide presence in Paul's blood samples—a flagrant coverup of an important piece of evidence that magistrate Stephan had highlighted one year earlier!

The Fiat Uno

The Final Report did acknowledge that the Mercedes carrying Princess Diana and Dodi Fayed had collided with a white Fiat Uno, seconds before crashing into one of the pillars of the Place de l'Alma tunnel. Yet, incredibly, the Final Report stated, "the experts' reports have underlined that, in every hypothesis, its role could only have been a passive one."

Murray Mackay, a Birmingham University forensic expert on automobile crashes, had a very different story, which he presented on the Sept. 3 ITV documentary. Mackay's detailed computer simulation of the crash proved that the Fiat Uno had moved toward the center of the tunnel, causing the collision with the Mercedes. According to eight eyewitnesses, interviewed by ITV's Anthony Scrivener, who is Queen's Counsel and former head of the English bar association, at the same time that the Fiat was cutting off the fast-moving Mercedes, a powerful motorcycle had sped past the car carrying Princess Diana and Dodi Fayed, and cut in front of them.

While one eyewitness, Francois Levistre, told police that he had seen a bright flash of light from the back of the motorcycle just before the crash, a number of other eyewitnesses confirmed to police that the Fiat and the motorcycle had sped out of the tunnel and disappeared.

The French prosecutors' report made only passing mention of the motorcycle in the tunnel that was chasing the Mercedes at close range. An eyewitness, Jean-Louis Bonnin, had told police that he had been driving along the highway leading into the tunnel, when he was passed by a motorcycle travelling at very high speed. Bonnin stated that there were two people on the cycle, and the license plate included the number "91." The prosecutors' report dismissed the Bonnin account, because his description of the cycle and the passenger did not correspond to that of paparazzi Nikola Arsov. No further mention was made of the possibility that the cycle was not carrying paparazzi, but might have been involved in a vehicular attack on the Mercedes.

The circumstances surrounding Diana's death

Bonnin was interviewed on the ITV show, and he complained bitterly that French police had refused to follow up on the leads he had provided, and had, effectively, blown a chance to find the owner of the motorcycle, which he and a half-dozen other witnesses saw chasing after the Mercedes near the tunnel entrance. That was the motorcycle which, along with the Fiat Uno, apparently disappeared from the face

of the earth, moments after the crash.

At the conclusion of the ITV broadcast, Scrivener declared that the still-unidentified motorcyclists should have been indicted for manslaughter.

The French prosecutors' report also flagrantly lied about the circumstances of Princess Diana's death. Although emergency rescue personnel arrived on the scene within six minutes of the crash, at 12:32 a.m., Princess Diana did not arrive at the Pitié Salpêtrière Hospital until 2:06 a.m.—a gap of over one-and-a-half hours! Medical experts on the scene immediately had diagnosed the Princess as suffering from internal bleeding, which warranted immediate surgery to repair the wounds, surgery that could only be conducted in a hospital operating room. Yet, the Final Report concluded that "no other surgical, anaesthetic or resuscitation strategy could have prevented deterioration in the condition of the patient"—a patent lie, which scores of French, English, and American medical experts have publicly countered.

Secret files still withheld

A third ticking time-bomb is secret file material in the hands of several U.S. government intelligence and law enforcement agencies. The U.S. National Security Agency has admitted that it has 39 documents on Princess Diana, which it is attempting to protect from public disclosure. All told, between the NSA, the Central Intelligence Agency, and the Defense Intelligence Agency, there are over 1,000 pages of classified surveillance files on the Princess. Under longstanding U.S.-U.K. treaties, most NSA data is shared with GCHQ, Britain's electronic spy agency.

Despite the U.S. government efforts to keep the files from falling into the hands of Mohamed Al Fayed's lawyers, in the September 1999 issue of *Talk* magazine, author Gerald Posner boasted that he had been given access to one of the NSA tapes of a conversation between the Princess and her friend Lucia Flecha de Lima, the wife of the former Brazilian Ambassador in Washington. "The recording was made available by an active U.S. intelligence asset, who says it was one of several collected by the National Security Agency," Posner wrote.

In the same article, Posner reported that "according to an American law enforcement official and an American intelligence agent, Henri Paul spent the last several hours before the crash with a security officer from the DGSE" (the French equivalent of the CIA). The officer paid Paul 12,560 francs (roughly \$2,300), which money was found in Paul's pocket following the crash.

Posner is well known as a "cooperating" journalist for American intelligence agencies, who has written a number of coverup accounts of the John F. Kennedy assassination and other events. But the fact that he was given access to secret NSA tapes and other vital information about the Paris crash, should cause consternation in Paris and London: Vital evidence that the crash was anything but a drunk driving traffic accident is out there, and sooner or later, it will come to light.

India, Pakistan head toward a showdown

by Ramtanu Maitra

The “goodwill” exhibited last February by India and Pakistan during the time of the “bus diplomacy” of Indian Prime Minister A.B. Vajpayee and Pakistani Prime Minister Nawaz Sharif, which culminated in the Lahore Declaration of the two countries, has all but vanished. Emphasis on “the importance of mutually agreed confidence-building measures,” spelled out in the Lahore Declaration, no longer seems valid, and the statements that are issued and policies defined daily from both Islamabad and New Delhi indicate that India and Pakistan have no other common ground but to meet on the battlefield.

India and Pakistan have now developed the capability to inflict upon each other mass destruction with the help of nuclear weapons. However crude these weapons are, that danger is real, and consequences are grave.

In her address to a conference of the Schiller Institute in the United States Sept. 5, Helga Zepp-LaRouche identified the crisis between India and Pakistan as one of three theaters in which the Anglo-American faction grouped around the British Commonwealth are working to detonate a nuclear war, for the purposes of destroying nation-states—particularly Russia, India, and China. It is those three countries, in concert with others, that could provide the impetus and power for the creation of a new monetary system as well as the construction of the Eurasian Land-Bridge, as the engine for the globe’s economic recovery. The Anglo-American instigation of escalating tensions between Taiwan and China, and the crises in the Balkans and Dagestan on Russia’s flanks, fall into the same category.

In the case of India and Pakistan, the Anglo-Americans are taking advantage of many problems between the two countries. Interventions in Pakistan orchestrated by outside forces over the last four decades, and a lack of will on the part of both India and Pakistan to resolve their disputes bilaterally, stand out. Among the many sources of embitterment of relations between India and Pakistan, the following overview may be considered as crucial.

Pakistan as a nation has been damaged by the geopolitical manipulations in the region. Whether the military or the politicians should be blamed for this calamity, is for the Pakistanis to discuss and decide. The fact remains that Pakistan was “used” during the Cold War days by some of the dirtiest geopoliticians of the Anglo-American nexus. They exploited and weakened Pakistan with the calculating mind of the Brit-

ish colonials who had ruled this vast subcontinent for almost 200 years, using the maxim of “divide and rule.” These geopoliticians include, to name a few, people such as John Foster Dulles and Henry Kissinger, and their British counterparts. Another major contributor to Pakistan’s downhill slide came from the former National Security Adviser Zbigniew Brzezinski, who immortalized himself in a photo-frame in 1980, lying prone somewhere near the Khyber Pass and pointing a Kalashnikov automatic towards Soviet-invaded Afghanistan. That intervention by the Carter administration (1977-81) to turn Pakistan into a drug-and-guns shopping center, following the Soviet Union’s invasion of Afghanistan, was perhaps the worst thing that could have happened to Pakistan.

Corruption of Pakistan by this Anglo-American bloc was done ostensibly to extract “benefits” for the West, at first against both the Soviet Union and China, and later against only the Soviet Union. In the process, the “ally” Pakistan’s social, economic, and political systems were either not allowed to mature to the desired levels, or were torn apart when such potentials emerged. A hands-on tinkering by these geopoliticians in Pakistan’s political system, ostensibly to serve the “West’s interest,” brought to the fore and to power a slew of army generals. These army generals, not unlike their mentors and backers in the country’s feudal landowning class, considered East Pakistan their colony and thus created the basis for the break-up of Pakistan and the formation of Bangladesh. India, under her then Prime Minister, Mrs. Indira Gandhi, no doubt hastened the break-up, but every student of history understands that while the Indian intervention was the *coup de grâce*, the die had been cast years before.

Divide and rule

The Anglo-Americans damaged Pakistan’s political system by first promoting, and then turning against, such politicians as Mrs. Benazir Bhutto Zardari and Mian Nawaz Sharif. But they have done worse by destroying Pakistan’s economy. Possessing vast fertile lands and an irrigation system which made the Pakistani part of Punjab the most productive wheat and cotton-growing area in the entire Indian subcontinent, Pakistan’s feudal landlords yet remain the single most dominating social force in Pakistan. However, these feudals were courted and corrupted with absolute power by their Western counterparts in Britain and elsewhere. As a result, Pakistan’s industry was deliberately neglected and left underdeveloped. Virtually all finished products—manufactured and consumer—continue to be imported. Pakistan’s exports are still dominated by cotton and cotton-related products controlled by the feudals.

The vagaries of international trade, coupled with the deliberate depression of raw material prices by the cut-throat international cartels, and periodic misfortunes caused by irregular weather in the subcontinent, made Pakistan fully dependent on borrowed foreign exchange. This provided a perfect entry point into Pakistan for the International Monetary

Fund and the World Bank. Once the IMF took over the “financial engineering,” unemployment and illiteracy became Pakistan’s fastest-growing sectors. Having handed over the country’s economy to the IMF, Washington and London began to build up Pakistan militarily.

Meanwhile, New Delhi’s growing friendship with Moscow throughout the 1960s and 1970s, and the buying of arms from the West’s Cold War enemy, presented the opportunity for the Western geopoliticians to build up Pakistan as the bulwark against the eastward expansion of the communist Russia. The points of entry for this strategy were many. First, India and Pakistan were fighting over Kashmir. India, being a much larger nation and a beneficiary of “enemy” Moscow’s low-cost arms deals, was projected by the Anglo-American bloc as a mortal threat. India, in return, played its projected role to a tee and did little to change the geopolitical configuration into which the two countries were being locked.

Then, the Pakistani military, built up to have strong links to Sandhurst and the Pentagon, was chosen to be the master of Pakistan as a part of the Anglo-American bloc design. The latest, most sophisticated arms gave power to the military, made it look stronger, and put it in political control. This also put the fear of God into the minds of “Hindu India”—at least, that is what was preached in Pakistan. All those factors led to the massive intellectual corruption of Pakistan’s gentry.

But the “parting kick” the Anglo-Americans delivered to Pakistan in the 1980s was lethal—not only for Pakistan but also for the region as a whole, including India.

The 1979 invasion of Afghanistan by the Soviet Union—a blunder whose full implications and ramifications Moscow never understood before the Soviet state vaporized like a slab of camphor in open air—provided the opportunity for the worst and the dirtiest from the Anglo-American geopolitical camps to dismantle Pakistan’s establishment almost completely. The worst and the dirtiest included showed them the importance of mass cultivation of opium, and how to develop the value-added heroin to meet the monetary requirements for arms and support to the anti-Soviet mujahideen. Pakistani drug-growers and drug-handlers became linked up to the international narcotics cartel, which showed them how to make “big money” by selling the product to the West. The worst and the dirtiest also brought in the criminals and the outlaws from various Muslim nations and trained them with arms—and, through the Western media, hailed them as “jihadis” against “godless communists.” They also strengthened the Pakistan Inter-Services Intelligence (ISI) financially and brought the outfit under the top-down control of the MI6, CIA, the Mossad, SIS, and others seeking “action” in this strategically important area.

After that “parting kick” was delivered, it became a downhill journey for Pakistan. Although the Soviet Union left Afghanistan and soon afterwards itself got disintegrated, the “jihad” continued. What was set up in Afghanistan to fight the “godless communists” has now spread to Chechnya,

Dagestan, Pakistan, Kashmir, and Xinjiang in China, to weaken the sovereign nation-states.

If Islamabad wants to take care of the country’s economy and its abysmal social sector, a new prime minister will be brought in to replace the present one. It happened before, when the Washington-based Dr. Moeen Qureshi, a World Bank vice president, was flown in from Singapore to take charge of a caretaker cabinet in Pakistan in the early 1990s. Now, Mrs. Benazir Bhutto Zardari is waiting impatiently in London for a signal from the IMF to take over. A new entrant in the anti-Nawaz Sharif protest demonstrations is the British Intelligence-linked son-in-law of the late Jimmy Goldsmith: the political nonentity, Imran Khan.

India’s failure

Most of the problems that plague Pakistan and make it act unlike a nation, particularly at a time of crisis, do not dominate the Indian scene. But India has other problems that are serious and deep-rooted.

Following its failure to make the Non-Aligned Movement a success in the face of strong opposition from both of the Cold War proponents, India has become an inward-looking nation. It has remained so since the early 1980s. A series of wars with Pakistan, humiliating defeat at the hands of the Chinese in a border skirmish in 1962, and the courting of both Pakistan and China by the Anglo-Americans against India and India’s departed friend, the Soviet Union, weakened India’s will and determination. India, with a billion people, has become an “also-ran” in a race where the leadership of the world has been handed over to international mess-makers.

Having withdrawn into its shell, suffering from a weak economy, India muddled along. The collapse of the Soviet Union put India into a still more awkward situation politically and economically. Nonetheless, India was more careful than most developing nations in opening up its domestic economy to the forces of globalization. The process allowed India to develop a sense of confidence.

But its obsession with Pakistan remained as strong as ever, and set the country back further. India’s foreign policy machine has a hopper where the statements on Kashmir of various nations are fed. The machine then separates out, on the basis of whether the statement can be construed as pro-Pakistan or anti-Pakistan, India’s “friends” and “enemies.” The process has not only distorted India’s foreign policy, but its many institutions as well.

This pattern was finally broken through, when Prime Minister A.B. Vajpayee launched his bus diplomacy with Pakistan in February 1999.

The potential for redefining Indian-Pakistani relations and resolving the Kashmir dispute bilaterally, was immense. For this reason, a series of destabilizing interventions was organized from outside India, to sabotage the possible *rapprochement*, and peace. On April 20, the coalition government, led by Vajpayee’s Bharatiya Janata Party (BJP), was brought

down in a no-confidence motion carried by only one vote. In June, Indian intelligence identified a conspiracy hatched in May for an assassination attempt on Sonia Gandhi, by the Liberation Tigers of Tamil Eelam, known to be linked to both British and Israeli intelligence.

Also in mid-May, Prime Minister Nawaz Sharif exposed efforts to destabilize Pakistan, centered around a two-part lying documentary on his government released by the British Broadcasting Corporation.

While political tremors were shaking both New Delhi and Islamabad, the insurgency in Kashmir was turned on again, with Pakistani-backed “intruders” crossing over into India.

New Delhi, under the present BJP-led government, has come to the conclusion that it is impossible to develop friendly relations with Pakistan. This is true as far as it goes. Pakistan has trampled upon both the Lahore Declaration of 1999 and the Shimla Agreement of 1972, and was deploying Pakistani regulars in mujahideen garb inside the Indian part of Kashmir when the Declaration was being signed. The Pakistani Prime Minister was quoting a poem written by the Indian Prime Minister which called for peace for all, while his country was preparing for a war with India.

Efforts went abegging

Since 1980, Lyndon H. LaRouche and his colleagues have been involved in trying to untie the Gordian Knot that has brought India and Pakistan to the edge of nuclear conflict. With more than a billion people living in these two countries, both India and Pakistan woefully lack infrastructure — power, water, mass transportation, communication, and mass primary education.

In 1980 a document was prepared under the guidance of LaRouche for the development of India over a 40-year period. The document called for building the base for an agro-industrial development, the potential of which is vast and the exploitation of which, almost 20 years since, remains largely untapped. This document was circulated at the highest level in India, but the indirect control of international financial institutions over India’s finance authorities and “babus,” and assassinations of two Prime Ministers — Indira Gandhi and Rajiv Gandhi — did not allow development to take place.

Similar proposals for Pakistan’s railroad, water, and agro-industrial development also appeared in the *EIR* in the 1980s and 1990s. But, by then, Pakistan was deeply in control of the international drug-gun-smuggling intelligence networks. Moreover, the looting of Pakistan by the country’s feudal masters, with or without uniform, had allowed the IMF to gain full control of the country’s economy, dictating to Pakistan’s Washington-trained economists where to spend and where not to spend, and what to privatize.

Naturally, the railroads were put up for privatization, while the lack of investment in the water distribution and growing dependence on monsoon rain caused agricultural production to drop over the years, turning Pakistan from a

wheat-exporting to a wheat-importing nation. And the country, thanks to IMF diktats and the leadership’s inability to differentiate between a long-term developmental process and a short-term money-making process, was put into the strait-jacket of a huge and unpayable foreign debt. Now, economic decisions in Pakistan are dictated by the requirements of the IMF and debt repayment, not the development of its economy.

The last hope is the Eurasian Land-Bridge. That hope is still very much alive, because China has taken a real interest in its development. For India and Pakistan, as the *EIR* has pointed out in its special report, *The Eurasian Land-Bridge: The ‘New Silk Road’ — Locomotive for Worldwide Economic Development*, published in January 1997, the way to resolve the bilateral conflict and take responsibility for the development of the region — and not start a nuclear war of mass destruction — is through jointly building the southern Eurasian Land-Bridge connecting Southeast Asia to Central Asia and Europe through the Indian subcontinent. However, the brushing aside of the promises in the Lahore Declaration, and the conflict across Kashmir’s borders this summer, have set the clock back.

The situation is heating up

This summer, the pressures on Pakistan in particular caused the setting aside of the Lahore Declaration of February, and the outbreak of war this summer between India and Pakistan in the inaccessible hills of Kashmir, now called the Kargil War. Since then, India has refused to sit down for talks with Pakistan. Islamabad, in a state of desperation, is reacting to whatever India says. At the same time both are hardening their positions. Both the Indian and Pakistani military are buying arms. Although the arms procurements may only be to “strengthen” their armies, it could also mean a perception on both sides that the threat of war has increased and both armies are preparing for it.

During the Kargil War, the Pakistanis shot down an Indian MiG-21 and also a Mi-17 helicopter. On Aug. 10, days after the Kargil War had officially come to an end, the Indians shot down a Pakistani maritime surveillance aircraft which, the Indians claimed, had entered Indian airspace. Indians published the radar tracks of the intruding surveillance aircraft, although Pakistan continued to deny the airspace violation. There is no question that India has heated up the situation, although, at the same time, it justifies its action by claiming that the aircraft had violated the 1991 agreement between the two countries to avoid overflights across the border.

All three wars that India and Pakistan have fought so far have been confined mostly to the border areas, and none lasted long. It is evident that because of their force structure and the terrain, neither India nor Pakistan can occupy large chunks of other’s country without a long campaign. The economic weaknesses of both the countries will continue to act as a damper against a prolonged no-win conventional war.

Geographically contained, Pakistan remains vulnerable.

All its fuel comes through one port—Karachi, which can be sealed off by the Indian Navy in no time. India's large Army and a proven and well-supplied Air Force can cause immense damage to the Pakistani Army. This is a scenario Pakistan is afraid of.

In India, the sense of betrayal has made a large section of the population angry. This is also reflected in the policy now adopted by New Delhi. On the other hand, New Delhi is less worried about the Pakistani Army's capability to inflict heavy damage through conventional warfare. What New Delhi is concerned about is its inability to stop the Pakistan ISI-conducted irregular warfare which has kept the Kashmir pot boiling. The ISI has also spread its tentacles all along India's northeast, and even within Punjab. Some Indians are of the view that to defeat this irregular warfare is well-nigh impossible, and the only way this can be dealt with is by hitting Pakistan very hard. There are even talks, at the non-official level as of now, of severing diplomatic relations with Pakistan.

On the other side, the Pakistani establishment fears that India will carve up Pakistan yet again, as it did with its support for the creation of independent Bangladesh, formerly East Pakistan, in 1971.

Pakistan hopes that financial constraints will prevent India from carrying out a long-drawn-out conventional war. A short conventional war will only help one side or the other to capture some strategic positions along the Line of Control in Kashmir. This, however, does not pose an immediate threat to the people in general.

But both nations are now nuclear powers. Recently, India's National Security Adviser, Brajesh Mishra, claimed that the open nuclearization of both India and Pakistan prevented an escalation in Kargil. In other words, Mishra is trying to project nuclearization as a deterrent against a widespread war.

The same theme was sounded in the nuclear doctrine which India put forward for public debate in mid-August. Although the doctrine spells out at the outset the motto of the second strike/no-first-use, it suggests taking "punitive retaliation" against an adversary that dares to attack India. At the same time, the doctrine prepared by the National Security Advisory Board visualizes full-scale nuclear weaponization. The arsenal will contain a triad of aircraft, land-based missiles, and nuclear-powered submarines, all equipped to deliver nuclear bombs.

The concept of nuclear weapons as a deterrent has always been suspect, used to perpetrate a build-up of nuclear weapons by a handful of nations during the Cold War days. It is even more dangerous in the context of the subcontinent today. In an environment of escalating tensions fuelled from outside the region, the question will be whether Pakistan will be able to stand by and follow its no-first-use or second-strike dictum, even if it has one.

On the Indian side, a similar argument holds. If the irregular warfare by the ISI is to be prevented through regular war

by inflicting on Pakistan a mortal injury, it must be done via nuclear weapons. Over the years, conventional wars have become more and more time- and money-consuming. It has become very difficult to win a conventional war in case the other side is well-equipped. Pakistan is no doubt well-stocked with weapons and with well-trained Army regulars.

In short, if India or Pakistan should decide to settle their differences through war, such a war will tend now, under these conditions, to be a nuclear war. Such a war will have catastrophic impact on the populations of the two countries, and the rest of the world.

This is the danger posed. On the other side, avoidance of war has thus become of paramount importance. Within both countries, there are leaders who view the India-Pakistan crisis as a diversion fomented by those allied with the British-American-Commonwealth crowd, away from the proposals for a strategic alliance of Russia, China, and India, with Pakistan for security for Eurasia and the development of the Eurasian Land-Bridge. This was the subject, for instance, of a two-day conference in New Delhi attended by Prime Minister Vajpayee July 28-29 (see *EIR* Aug. 20, 1999), and has been the topic of discussions among the FRIENDS think tank in Islamabad under former Army Chief of Staff Aslam Beg. Thus, an alternative to war is at hand. This is the policy for war-avoidance, not nuclear deterrence and build-up.

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Who manufactured the crisis over the Taiwan Strait, and why

by Our Special Correspondent

A new front has been opened up in the campaign to destroy any potential for an American strategic partnership with China. Ever since President Clinton stated his policy goal of seeking full and mutually beneficial relations with Beijing, the same British-backed gaggle of Republicans on Capitol Hill, and their friends in the media who waged the assault against the Presidency in seeking the President's impeachment, have been working to create a crisis in U.S.-China relations, centering around the charges that Beijing was involved in nuclear espionage against the United States. These charges were put forward by the House Select Committee on U.S. National Security and Military/Commercial Concerns with the People's Republic of China, chaired by Rep. Chris Cox (R-Calif.). But by the end of August, the charges contained in the 700-page report were no longer taken seriously, and by Aug. 23, Notra Trulock, the intelligence official at the Department of Energy who led the espionage crusade, was forced to resign.

As the Cox Committee assault began to flag, a new, more dangerous tack was taken: the creation of a crisis between mainland China and Taiwan. Now the drums are beating, with predictions that Beijing will militarily attack Taiwan, with one goal being Congressional passage of the Taiwan Security Enhancement Act (S. 693) introduced by Cold War crusader Sen. Jesse Helms (R-N.C.), which calls for a Theater Missile Defense System (TMD) covering Japan, Taiwan, and South Korea. As will be shown in the chronology (see below), the crisis has been fomented and used to carry out an "end run" against the Clinton administration's China policy.

Who benefits from the current crisis over the Taiwan Strait? Taiwan? Mainland China? Japan? The United States? Asia as a whole? In fact, none of the above. The crisis has been fomented as part of a British geopolitical game-plan to destroy China, along with India and Russia, and to destroy the potential of the United States to link up with these Eurasian powers, as has been proposed by American Presidential candidate Lyndon LaRouche, for the purposes of creating a new monetary system, that would put the oligarchical game-masters of London and their allies out of business. This is the general context for the build-up of the "cross straits" crisis now building between Beijing and Taipei, eagerly being cheered on by Republicans on Capitol Hill.

Conjuring a crisis

The crisis surfaced on July 9, when Taiwan's President Lee Teng-hui suddenly redefined the cross-Taiwan Strait relations from being "one country, two systems" to a "special state-to-state relationship." The venue was an interview on Germany's national radio, Deutsche Welle. The majority of nations in the world regard Taiwan as being part of China, albeit with a different system, and recognize mainland China as representing China as a whole under the formula, "one country, two systems." For years, this formulation has been the accepted basis for both Taiwan and mainland China in negotiations with each other, and as the basis for future, peaceful reunification. In redefining the relationship as being a "special state-to-state relationship," Lee Teng-hui was officially stating opposition to Taiwan's being a part of China, and was opening the door for its future independence.

Beijing's response—as could be calculated—was immediate and strong. China's largest-circulation weekly magazine *Global News Digest* warned the United States not to interfere, and placed the blame for tensions with Taiwan on U.S. "long-term interference into China's internal affairs," and on the support for Taiwan independence in both the U.S. Congress and among Republican candidates for the Presidency. "Lee Teng-hui is being pumped up, like a drug addict taking stimulants, carrying out bragging and wild provocations," said the *Digest*. *China Daily* and other Chinese media echoed similar warnings. (See *EIR*, Sept. 17.)

The imbroglio unleashed by Teng's announcement is a replay of the creation of the tensions between the Beijing and Taipei by the same individuals and institutions in 1995, when Lee Teng-hui visited Cornell University, and in 1996, with the crisis of the Diaoyudai islands. This time, however, the tensions are being built up in the context of a British-American-Commonwealth deployment to create nuclear hot spots at various points of the globe, a new NATO doctrine for out-of-area rapid response, the NATO bombing of the Chinese Embassy in Belgrade, and a campaign of unjustified attacks on Beijing in the United States and allied media. In short, the current strategic crisis makes the diplomatic confrontation between mainland China and Taiwan far more dangerous.

The British objectives in this crisis are more dangerous still: destroy the strategic partnership between Beijing and

Washington, destroy collaboration between Tokyo and Beijing, destroy collaboration between Beijing and Taiwan, and create the environment for the establishment of a new Nuclear Missile Defense bloc under a U.S. umbrella consisting of Japan, South Korea, Taiwan, and maybe the Philippines. The target is China.

Inside the United States, the crisis is being used to build support for the Taiwan Security Enhancement Act proposed by Senators Jesse Helms and Robert Torricelli (D-N.J.). This bill lifts restrictions on the sale of defensive weapons to Taiwan, and authorizes sales of key weapons systems, including theater missile defenses. Further, the bill overrides the Aug. 17, 1982, Communiqué with China, the which states, that the United States will eventually end arms sales to Taiwan. The bill also opens up the possibility of a future military intervention from the United States on the side of Taiwan.

Following Lee Teng-hui's July 9 formulation of a "special state-to-state relationship," visits by Republican representatives to Taiwan were organized. The commentaries by the Republicans visiting Taiwan were covered in the Taiwan and U.S. press, and were recycled back and forth for maximum effect (see *Chronology*).

In direct contrast to the policy implied by Lee Teng-hui's July 9 announcement, last year, in Shanghai, President Clinton affirmed American support for Beijing's "three no's": no declaration of independence by Taiwan; no statements declaring "one China, one Taiwan;" and no membership for Taiwan in international organizations that require statehood status.

At a joint press conference on Sept. 11 in Auckland, New Zealand, after a one-hour discussion with China's President Jiang Zemin, President Clinton affirmed, with Jiang at his side, that "Our messages are that our policy has not, and will not change. We favor the one-China policy. We favor a peaceful approach to working out our differences. We favor cross-strait dialogue." When asked whether mainland China would use force against Taiwan, Jiang said, "Our policy on Taiwan is consistent—that is one of peaceful reunification and 'one-country, two systems.'" In the current context, Jiang pointedly added: "However, if there were to be a foreign intervention, or if they were to declare Taiwan independence, we will not undertake to renounce the use of force."

Why now?

Although the 1995 crisis sparked by President Lee's statements at Cornell University interrupted the official dialogue across the Taiwan Strait, the actual relations between mainland China and Taiwan have changed dramatically. Despite Lee Teng-hui's ban on direct cross-strait transportation, commercial and postal services links, and his "no haste, be patient" policy, which seriously restricts Taiwan business investment in mainland China, reality demonstrates an ever-increasing interdependence.

According to the 1999-2000 White Paper issued by the

American Chamber of Commerce in Taipei on Sept. 4, Taiwan is now mainland China's fifth-largest trading partner, its second-largest source of imports, and its ninth-largest export market. Taiwan is also the second-largest source of overseas capital, following only Hong Kong. In 1998, 43% of Taiwan's foreign investment went to mainland China, with the total amount of investment exceeding \$30 billion, involving close to 34,000 Taiwanese companies. At any given time, at least 400,000 Taiwan businessmen are in mainland China; at least 200,000 Taiwanese businessmen have taken residence there, resulting in thousands of personal friendships and marriages. Under current regulations, mainland Chinese who have been married to Taiwan nationals for two years and have children, can apply to settle in Taiwan. Taiwan has an annual quota of 3,600 Chinese spouses—a quota which fails to meet the rapidly rising demand.

Repeatedly, leading Taiwan businessmen, such as Kao Chin-yen, chairman of Chinese National Federation of Industries and president of Taiwan's largest food processing company, the President Group, have urged the government to lift restrictions on Taiwan investment in mainland China.

A parallel, rapid increase in scientific and cultural collaboration has taken place. Hundreds of Taiwanese scholars from all fields are visiting mainland China each year, giving guest lectures and participating in seminars and conferences, and the number of university students from Taiwan studying in mainland China is also on the rise. Exemplary of the cultural exchanges is the celebration of the 130th anniversary of Dr. Sun Yat-sen, which took place in 1996. Among the many joint activities, a sculptor from mainland China gave Taiwan a beautiful sculpture depicting Sun Yat-sen teaching two students. It was placed in front of Dr. Sun Yat-sen's Memorial Hall in Taipei, and the same Sun Yat-sen Memorial Hall is issuing a CD with a symphonic poem, dedicated to all those who revere Dr. Sun. The symphonic poem, called "Dr. Sun Yat-sen, Father of Modern China," was composed by Lu Qiming from mainland China, and was performed by the Shanghai Dynasty Orchestra.

The financial speculators' assault against Asia in 1997 was a wake-up call to both Taipei and Beijing, indicating that they must join together to stem the assault of "hot money" on their national economies. When the vice governor of Fujian province, Zhang Jiakun, last year visited Taiwan for 12 days, he made a public appeal for the two sides to closely work together to tackle the "Asian" financial crisis.

Soon after Malaysian Prime Minister Mahathir bin Mohamed had attacked mega-speculator George Soros in Hong Kong in September 1997, Taiwan, in close collaboration with Hong Kong, banned all of Soros's Quota and Quantum family of funds, and the Securities and Futures Commission (SFC) launched an official investigation to see if any local firms were helping Soros to gain access to the local stock market. When Soros said at a conference in Washington last autumn, that "Taiwan has not yet escaped the crisis," and that "the

Asian nations have adopted incorrect policies to tackle the crisis," the Taiwanese media carried front-page attacks on Soros, and recounted Mahathir's attacks. The mood is best expressed by remarks made by the chairman of China Development Corporation and financial manager of the ruling Kuomintang party (KMT), Liu Tai-ying. This elder, conservative gentleman called Soros a "cold-blooded speculator" and a "pig"—the Mandarin equivalent of "idiot."

Repeatedly, both in the press as well as at private meetings, Mahathir's actions of currency and capital controls have been praised as both bold and necessary. Last October, Paul Tso, Taiwan's representative to Malaysia, praised Mahathir's actions, asserting that the currency controls imposed by Kuala Lumpur were a great help to export-oriented Taiwan businesses and their operations: In the first seven months of 1998, Taiwan investment in Malaysia increased by 89% compared to 1997, a continuing trend.

There have been efforts to reopen the formal discussions between the two sides of the Taiwan Strait, which broke down with Lee's trip to Cornell in 1995. Exemplary is the work of "Taiwan Strait Peaceful Reunification Association" (TSPRA), whose president is the former Speaker of Parliament, Liang Su-rung. Thanks to this group's efforts, formal discussions were resumed last autumn, when an official delegation from Taiwan visited Beijing. The TSPRA held a conference in Hong Kong on July 9-11, 1999, entitled "Symposium on the Peaceful Reunification of China," with leaders from Beijing, Taiwan, Hong Kong, Europe, and the United States. As one conference participant told *EIR*, "Everyone who was there was surprised at how peaceful, constructive, and positive the discussions went, even though the participants belonged to quite different factions."

It is hoped that a Chinese mainland delegation will return the visit this fall. Chinese President Jiang Zemin has put two conditions on the meeting: Lee Teng-hui must retract his "state-to-state" formulation, and Lee must meet with the Beijing delegation in his capacity as chairman of the KMT, and not as President of Taiwan. It is therefore unlikely that this meeting will take place.

Presidential elections in March 2000

The political scene in Taiwan has dramatically changed as well: President Lee Teng-hui no longer enjoys the power he had previously. He has tried in vain to squelch the voices of his critics, by monopolizing the electronic media and the three main television networks, throwing opponents out of the KMT, and firing leaders of think tanks and other institutions that would not kowtow to him. In six months, Presidential elections will take place in Taiwan, and with no interference from outside, it is clear that Lee Teng-hui and the small circle around him will lose their influence for good.

Quite a number of individuals have declared their candidacy for this election, but the three major contenders are:

Lian Chan. Lee Teng-hui's choice for KMT's Presiden-

tial candidate, Lian Chan is currently Vice President, and one of the richest men in Taiwan. He is out of touch with the population, and is frequently compared to the uncharismatic Al Gore in the United States. Lian was involved in a major scandal last year, when it was revealed that he had given a major sum of his private money to a KMT candidate without reporting it. Lian now polls at between 11-17% of the vote. Although he does not say so publicly, it is believed that Lian favors Taiwan independence. He has repeatedly endorsed Lee's "special state-to-state relationship" formulation. Without vote fraud and other foul play, Lian's chances for winning the Presidential election are miniscule.

Chen Shui-bian. Presidential candidate for the largest opposition party, the Democratic Progressive Party (DDP), and former mayor of Taipei, Chen is an outspoken proponent of Taiwan independence. Endorsing Lee's "special state-to-state relationship" diplomacy, Chen has said that he sees no major policy differences between his party and the ruling KMT toward mainland China. In July, the caucuses of the KMT and the DDP at the national assembly agreed upon principles of constitutional reform, principles that would pave the way for Taiwan's independence: the introduction of referendums on matters of major public policy, opening the door for a future referendum on independence, and redefining Taipei-Beijing ties as a "state-to-state relationship." In mid-September, a group of DDP legislators will visit the United States to express their support for the Taiwan Security Enhancement Act. They will meet a number of U.S. congressmen and senators, as well as U.S. think tanks such as the American Enterprise Institute and the U.S. news media. According to reliable sources in Taipei, Chen enjoys support from leading politicians in Japan. In the polls, Chen is receiving 20-25% of the vote.

James Soong. Former elected governor of Taiwan, Soong is by far the most popular candidate, and is the consistent front-runner, according to every published poll. He is a leading member of the KMT, but since he is not endorsed by the party, he is running as an independent, and is likely to be ousted from the KMT soon, because of his "disobedience" to the party. Lee Teng-hui tried in vain to block Soong's candidacy, offering him various posts. Soong opposes Theater Missile Defense, and said in a July interview that if he becomes President, Taiwan will open three links with China—direct travel, direct trade, and direct communication. As a governor, Soong won the love and respect of all ethnic groups in Taiwan. Soong is known for his incorruptibility—an important trait in Taiwan, where money and the mafia have corrupted politics. He was one of the late President Chiang Ching-kuo's personal secretaries, and is said to use Chiang as a model for personal conduct. To this day, Chiang Ching-kuo is respected and loved by most Taiwanese.

There are some indications that the crisis fostered by Lee with Beijing could endanger the Presidential elections. On July 17, however, over 100 scholars in Taiwan signed a state-



James Soong, the former governor of Taiwan, is the front-running candidate in the next Presidential election. If elected, he has pledged to improve ties with the mainland.

ment urging Lee to drop the “two states theory” for the sake of national security and stable relations between the two sides of the Taiwan Strait, warning: “If the tension sparked by Lee Teng-hui’s remarks regarding cross-relations strengthens, it could result in the reinstatement of martial law in Taiwan, the suspension of next year’s Presidential election, and the extension of Lee’s tenure as President.” On Aug. 30, the KMT included the “special state-to-state relationship” theory in the resolution passed by its National Congress.

Throwing out the Sun Yat-sen legacy

In a passionate “wake-up” document issued in 1995 called “The Orthodox Kuomintang: Where Do We Go From Here?” Chiang Kai-shek’s son, the late Gen. Chiang Wei-kuo, accused Lee Teng-hui of abandoning the Kuomintang heritage, by abandoning Dr. Sun’s principle “To pursue freedom and equality for all of China,” and Dr. Sun’s Three Principles of the People: national sovereignty, individual sovereignty, and prosperity.

Chiang cited Lee’s book *Managing Greater Taiwan*, in which Lee expressed his desire to convert the Kuomintang into a *Taiwanese* Kuomintang. Lee called the Kuomintang a “two-year-old party,” and further compared himself to Moses: “Moses has already begun leading the people on their journey”—away from Beijing.

In “The Orthodox Kuomintang,” Chiang writes: “It is clear that the two-year-old party idea agrees with the DDP’s Taiwan independence platform, so that both are working—one overtly and the other covertly—to foster Taiwan independence. . . . And the two-year-old party and the DDP are but two sides of the same coin. These pitiful Taiwan independence advocates are being used by outsiders, and they don’t even know it!”

Chiang challenged further: “We are just now at a time

when cooperation between Taiwan and mainland China is building a new China, with a revival of the great Chinese tradition. So, how can some people be creating opportunities for foreign hegemonists, and leaving to their descendants an untenable strategic position that is bound to bring disaster?”

Interference from Japan

It is noteworthy that Lee’s latest book, *With the People Always in My Heart*, is based on a series of interviews with Lee by Katsuhiko Eguchi, a deputy director of a Japanese think tank. As was the case in the 1995 crisis, certain circles in Japan, centered around former President George Bush’s brother, Prescott Bush, in Tokyo, are actively boosting Lee.

In his book, Lee called for dividing China up into seven parts—the scheme put forward in the mid-1990s by Gerald Segal of the Royal Institute of International Affairs of Britain. Lee further argues that the U.S.-Japan mutual defense treaty is indispensable, and that it contributes to the security of East Asia, and again voices his opposition to “one country, two systems.”

Lee’s most notorious backer in Japan is Mineo Nakashima, president of the National Foreign Languages University of Tokyo, who has repeatedly called for the break-up of China. According to reliable sources in Taipei, Nakashima is Lee’s close friend and one of his top policy advisers. On invitation from Lee, on several occasions Nakashima has toured Taiwan universities, giving speeches on his views on China. Lee’s contention that Taiwan is an independent sovereign country is substantiated by the fact that Beijing’s “state function” does not extend to Taiwan, wrote Nakashima in the July 23 *Sankei Shimbun*. Nakashima praised Lee’s book *With the People Always in My Heart* as being beneficial for Japan’s readers.

A reception of more than 1,000 people was held in Tokyo for the launching of the Japanese edition of Lee’s book, and it was decided to form an association to pave the way for Lee Teng-hui to visit Japan.

There are other Japanese endorsers of Lee’s high-wire diplomacy. A member of Japan’s Diet (parliament), Eisei Ito, while in Taipei on Aug. 9, stated his agreement with Lee’s “special state-to-state” theory, and averred that Beijing’s hegemony has caused anxiety and instability in the Asia-Pacific region. In Taipei on Sept. 5, Prof. Akihito Tanaka of the Oriental Culture Institute supported Lee’s “special state-to-state relationship,” because it completely reflected the existing reality of Taipei-Beijing relations. He added that Beijing may resort to military action to intimidate Taiwan.

How are Taiwan’s people responding to this crisis? A poll conducted on Aug. 12-14 showed the following: Asked whether they worry about an eruption of military conflict between the two sides of the Taiwan Strait due to President Lee’s “special state-to-state” definition, 60% of the female, and 70% of the male respondents, said they did not worry.

Asked about how to resolve the cross-strait dispute over the “special state-to-state” theory, the majority of respondents, regardless of gender, supported a peaceful resolution through consultations and exchanges. Only 2.4% opted for the use of force.

Polls or not, the ongoing relationship between Taiwan and mainland China has been dramatically improving, and without external interference, peaceful and fruitful development between the two sides would be the natural outcome.

Chronology

How the crisis was created for Clinton

Last week of July: The *Weekly Standard* editorial titled “Pressuring Taiwan, Appeasing Beijing” calls for the Clinton administration to dispatch an aircraft carrier or two to the Eastern Pacific as a sign of its commitment to a “peaceful” resolution of the diplomatic crisis between mainland China and Taiwan. The editorial refers to the “Taiwan Security Enhancement Act” introduced by Sen. Jesse Helms, which calls for the United States to strengthen security ties with Taiwan and provide a “much-needed” defensive weapons systems to the Taiwanese.

Aug. 3: *National Review* article by Mark P. Lagon, Council on Foreign Relations fellow at the Project for the New American Century, titled “Taiwan Gets Bold.” Lagon writes that to bolster regional stability, the U.S. should stop criticizing Taiwan for being provocative, and instead, upgrade cooperation with Japan, South Korea, and perhaps India. Further, he writes, “[P]utting ceilings on levels of consultation with a democracy is simply wrong. Higher-level contacts, arms sales, and theater-missile-defense cooperation will likely deter a P.R.C. attempt at reunification by force.” The article endorses the Helms-Torricelli “Taiwan Security Enhancement Act.” Lagon calls for Taiwan to be treated as a state.

Aug. 3: *Australian Financial Review* article, “Taiwan, Like Australia, Has a Claim to Independence,” by Brian Toohey, states that the Australian republican movement should recognize a soulmate in Taiwan’s Lee Teng-hui.

Aug. 4: The *Weekly Standard* prints an article by John R. Bolton, senior vice-president of the American Enterprise Institute and former Assistant Secretary of State in the Bush administration; Bolton calls for full diplomatic recognition of Taiwan and says it is time for the United States to adopt

a two-China policy. Full diplomatic recognition of Taiwan “would advance key American interests by ratifying the self-evident reality of the island, and by shattering the Clinton policy of deference toward Beijing.”

Aug. 5: At a press conference in Taipei, Chen Shui-bien, former mayor of Taipei and Presidential candidate for the Democratic Progressive Party (DDP), states that it is “unquestionable” that Taiwan is an independent sovereign country, and that it is imperative that Taiwan not give in first. In answer to the U.S. State Department’s opposition to the “Taiwan Security Enhancement Act,” Chen says that Senator Helms represents the “voice of the U.S. private sector.”

Aug. 6: Twenty-six U.S. Senators send a letter to President William Clinton expressing their support for Taiwan’s cause. It is announced by Taiwan’s Ministry of Foreign Affairs (MOFA), that three or four U.S. Congressional groups will visit Taiwan over the next two weeks to show their concern over Taiwan Strait security. Kao Shou-tai, deputy director of MOFA’s North American Affairs Department, states that the upcoming visits are also aimed at expressing U.S. Congressional support for Lee Teng-hui’s “special state-to-state relationship” theory.

Aug. 8: Rep. Benjamin Gilman (R-N.Y.), chairman of the House International Relations Committee, arrives with a delegation in Taiwan to meet with President Lee Teng-hui and other government officials.

Aug. 9: The *Weekly Standard* editorial “Peace Through Strength” states: “The current Chinese military activities may not be mere gestures designed to intimidate Taiwan (and us). They may be the opening phase of a serious military confrontation, one that could culminate in the coming weeks or months in some form of attack—probably not on Taiwan itself but against the tiny islands of Matsu or Kinmen.” The editorial says that a blockade of Matsu or Kinmen would present the Clinton administration with this choice: Either send the Seventh Fleet to break the blockade, or acquiesce to Chinese aggression against Taiwan and accept the consequences of allowing Beijing to set such a precedent. Editorial calls for a “firm policy of deterrent” in order “to avoid the Hobson’s choice a Chinese blockade or attack on Matsu or Kinmen might present.”

Aug. 10: Six Republican Congressmen (Sam Johnson, Tex.; Charles Canady, Fla.; Ernest Istook, Okla.; Van Hilleary, Tenn.; Joseph Pitts, Pa.; and Bill Barnett, Neb.) arrive at Taipei’s international airport, where they are greeted at the airport by officials from MOFA and by Edwin J. Feulner, Jr., president of the Heritage Foundation, who arranged the visit.

Aug. 10: *Kanwa News* article by a “Toronto-based military expert” named Pinkov states that mainland China may have changed its theory of nuclear deterrence so significantly that a nuclear war between Taiwan and China can no longer be thought of as pure fiction, and that Western military observers

generally believe that mainland China's announcement of possessing the technology to make neutron bombs and small tactical nuclear weapons at an appropriate time implies a deterrent to Taiwan.

Aug. 11: *Washington Times* runs an article by Amos Perlmutter, editor of the *American Journal of Strategic Studies* and professor of Political Science at American University, entitled "Taiwan Cliffhanger Closer to the Edge?" Perlmutter writes that the Clinton administration's unwillingness, and thus its failure, to abandon its predecessors' policy of partnership with China will never succeed in deterring expansionist dictatorships, as the West failed to deter Adolf Hitler's Germany. Perlmutter accuses the Clinton administration of kowtowing to the world's chief violator of human rights, the P.R.C., while the United States conducted a "humanitarian war" in Kosovo.

Aug. 13: Rep. Bob Barr (R-Ga.) issues a statement comparing Clinton's China policy to the appeasement of Hitler. Barr claims that China is threatening Japan, Taiwan, and the Philippines, and accuses Beijing of directly interfering in the U.S. electoral process, and of espionage to acquire U.S. nuclear secrets.

Aug. 14: Three Republican members of the House Armed Forces Committee arrive in Taiwan for a two-day visit. "We are here to learn about the military situation in Taiwan and find out if the United States can do anything to meet Taiwan's military needs," stated Lindsey Graham (R-S.C.). Solomon Ortiz (R-Tex.) and Jerry Weller (R-Ill.) are part of the delegation. The group was to meet with President Lee Teng-hui and top military officials, and was accompanied by Jim Walker, a military officer.

Aug. 17: The *Weekly Standard* editorial, "The Present Danger," expresses disagreement with those China experts who say that mainland China will not escalate the conflict across the Taiwan Strait until after Beijing celebrates its 50th anniversary on Oct. 1. "We are not so sure. If the Chinese are going to carry out some form of aggression against Taiwan, it makes a lot of sense to do it in the next few weeks. First of all, the United States is now unprepared to respond quickly. From what we gather, the Clinton administration has gone out of its way to avoid 'provoking' the Chinese by stepping up our military presence in the region." The editorial compares its prediction of an attack by China on Taiwan to Saddam Hussein's invasion of Kuwait.

Aug. 18: *Foreign Affairs*, magazine of the New York Council on Foreign Relations, runs an article by Gerald Segal, director of Asian Studies at the International Institute for Strategic Studies in London, titled "Does China Matter?" Segal, who advocated the break-up of China in the early 1990s, writes that "China is less like the Soviet Union in the 1950s than like Iran in the 1990s: a regional threat to Western interests, not a global ideological rival. Such regional threats can be constrained." Segal writes that a strategy of "containment"

would lead to a new and very different Western approach to mainland China, and concludes that until communist China is treated more like a Brazil or an India, the West stands little chance of sustaining a coherent and long-term policy toward it. Segal retails the now-discredited "Cox Report" on alleged Chinese nuclear espionage.

Aug. 20: The *Weekly Standard* article by Ross Terrill, research associate at Harvard's Fairbank Center, calls for President Clinton to repeat to President Jiang Zemin President Ronald Reagan's earlier warning to China that any attack on Taiwan would damage U.S.-mainland Chinese relations "beyond repair," and that, in a world without the Soviet Union, we do not lack the power to hold China in balance—and keep the peace in the Taiwan Strait.

Aug. 21: Harvey J. Feldman, senior fellow at the Asian Studies Center at the Heritage Foundation, calls upon the Clinton administration to warn Beijing that any military action against Taiwan will be resisted by U.S. armed forces in the region. Feldman asserts, that because of Clinton's support of the "three no's" statement in Shanghai last year (see article above), President Lee Teng-hui was compelled to clarify Taiwan's position with his "state-to-state relationship" policy.

Aug. 24: Heritage Foundation and Project for the New American Century call for defense of Taiwan against threatened military action by Beijing aimed at the democratically elected government of Taiwan over the "special state-to-state" stance. "It has therefore become essential that the United States make every effort to deter any form of [mainland] Chinese intimidation of the Republic of China on Taiwan and declare unambiguously that it will come to Taiwan's defense in the event of an attack or a blockade against Taiwan, including against the offshore islands of Matsu and Kinmen." The statement is signed by 23 co-thinkers, including William Kristol, president of the Project for the New American Century; former U.S. Secretary of Defense Caspar Weinberger; former Assistant Secretary of State Paul Wolfowitz; former Assistant Secretary of Defense Richard L. Armitage; former Ambassador to the UN Jeane J. Kirkpatrick; and former CIA director James Woolsey.

Aug. 25: *Arkansas Democrat-Gazette* editorial, "Chinese Puzzle: What Would Ronald Reagan Do?" argues that not since Dean Acheson put South Korea outside the American "defensive perimeter" has the State Department given a potential aggressor so clear an invitation, as the Clinton administration has given to China. The editorial demands that Clinton warn Beijing strongly against any military action.

Aug. 26: Rep. Vito Fossella (R-N.Y.) calls for U.S. support for Taiwan, warning that it was the sending of unclear signals to invaders which caused the First and Second World Wars and the Korean War.

Aug. 27: *Forbes* article by the magazine's chairman Caspar Weinberger, former U.S. Defense Secretary, "Taiwan

Is the Victim—Not the Villain”: “After Britain and France sold out Czechoslovakia to secure the infamous Munich Pact with Hitler and Mussolini in 1938, some Czech leaders were incautious enough to protest their loss of freedom and the dismemberment of their country. . . . The U.S. response has been to blame Taiwan—as Czechoslovakia was blamed in 1938—and demand that President Lee Teng-hui retract his statements. . . . Some of our top military seem intent on currying favor with Mr. Clinton. There is no other explanation for the recent, inexcusable remarks of Adm. Dennis Blair, Commander of the Pacific Fleet. After crude references to Taiwan, he said the U.S. should not defend Taiwan, if it declared independence from China. In an earlier administration, Admiral Blair would have been cashiered promptly, or offered a naval attaché post in Ulan Bator.” Weinberger endorses the Taiwan Security Enhancement Act and concludes with: “One thing should be made absolutely clear to China: We are absolutely committed to the defense of Taiwan and will not permit it to be overrun.”

Aug. 31: *Australian Financial Review* interview with Richard Armitage, adviser to U.S. Presidential candidate George Bush. Former Assistant Secretary of Defense Armitage claims there is a danger that the ongoing crisis in the Taiwan Strait could lead to war between the United States

and China, and that Washington would expect Australia to contribute to “the dirty, hard and dangerous work.” And further, “If Australia does not rally round the defense of Taiwan, it would be the greatest breach of the relationship since World War II.”

Aug. 31: Voice of America talk show on “The Taiwan Dilemma.” Heritage Foundation’s Stephen Yates says the United States must state that if force is used against Taiwan it will be met by force, and contends that “special state-to-state relations” is the only path toward reunification.

Sept. 6: In remarks during a seminar sponsored by a U.S.-based mainland Chinese Scholars Association, Susan Shirk, U.S. Deputy Assistant Secretary of State, opposes President Clinton’s foreign policy and attacks the “three no’s” policy. Shirk describes Beijing as attempting to squeeze Taiwan’s “international space.” China has blundered by castigating Lee Teng-hui for his declaration that cross-strait ties should be on a “special state-to-state basis.” She “advises Beijing to discontinue advocating the so-called ‘one country, two systems’ as a formula for unification with Taiwan,” and warns that any military action taken by mainland China against Taiwan will draw immediate U.S. response, including strengthened support for the Taiwan Security Enhancement Act.

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EIR's Jeffrey Steinberg (left) and Gail Billington interview Cambodian Ambassador Var Houth.

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GOPers say Bush is 'demented'; Dems desert Gore's sinking ship

by Michele Steinberg

Anyone who thinks he or she can predict the outcome of the primary contest, much less the general election, in the U.S. Presidential elections at this point, should be certified as insane. A look at the turmoil within the Republican Party, the abstention by the core constituencies of the Democratic Party, and the rise of Third Party operations, shows a splintering of political institutions that means a wide-open situation. And this is *before* the full brunt of the financial breakdown crisis has hit the United States.

The only candidate speaking to that situation right now, is the "third" Democratic candidate, Lyndon LaRouche, whom the establishment media are determined to suppress. But the dramatic upheaval that can be expected in the immediate months ahead in the political realm, is beginning to emerge. The controls that seems solid today, are about to disappear tomorrow.

Trashing George W.

George W. Bush is "crude," "cruel," has "beady eyes," gets a "demented look" about him on the campaign trail, and uses the "f—" term frequently (though much "less than before") in dealing with reporters and staff members, especially when he is angry. Are these the slanders from critics? Not exactly, at least not from Democratic Party critics. These are quotes from long-term insiders in the Republican Party, and reports from an interview in *Talk* magazine done with reporter Tucker Carlson, who fawns all over "Dubya," in the piece done for the magazine, which premiered in September.

Ask Bush a direct question about his wild younger days, as Tucker Carlson did, and you will get a string of paranoid profanities. For example, the question about the photos of George W. dancing naked on top of a bar:

Carlson writes: "Bush stops grinning. His eyes narrow . . . he thrusts his face toward mine. 'People are spreading this garbage,' he says angrily. 'They think its like a high school election, where if you beat up your opponent enough you can win. They've lost their f—ing minds.' "

Who are "they"?

Every other Presidential candidate, answers Bush.

Then, in a nasty essay called "Boy Bush—Another Perpetual Adolescent," which appears in the Sept. 13 issue of the old-line conservative Republican magazine *National Review*, Bush is described as the kind of kid who might have tortured small creatures. Author Richard Brookhiser implies that he's not the kind of man who you would want with his hand on the nuclear trigger.

To illustrate the point, Brookhiser says, take the example of Bush's mocking imitation of Karla Faye Tucker, the death row inmate in Texas, whom Governor Bush killed last year after she appealed to him for clemency. According to *Talk* magazine, " 'Please,' Bush whimpers, his lips pursed in mock desperation, 'don't kill me.' " The reporter says that Bush was getting even with the dead woman, executed when he rejected the clemency, because she had suggested that he was succumbing to election-year pressure from the pro-death penalty lobby.

And in the *Times* of London on Sept. 13, columnist Lord William Rees-Mogg, one of the most avid of the British Clinton-bashers, writes, "There are some reasons for thinking that George Bush could conceivably be beaten. He, like Michael Portillo (former British Defense Minister, who recently confessed to homosexual encounters), has faced the delicate task of confessing to youthful indiscretions. He has not quite admitted, as yet, to using cocaine, but his denials are so qualified

in terms of time *as to amount to an admission*. . . . In Texas, drug users are locked up for a first offense” (emphasis added). Lord Rees-Mogg points out that Portillo would be in much worse trouble politically if he had thrown first offenders in jail for homosexual acts, while covering up his own affairs. Such political trouble could be in store for George W., since Americans “are deeply concerned about drugs.” George W. has a real problem “whether to admit to his own cocaine use,” repeats Rees-Mogg, with an air of certainty.

A monster with two heads

From London, to New York, to Washington, the word is beginning to seep out that even with the \$50 million in campaign funds lined up by Daddy Bush’s friends, George W. could be losing it. According to insider Republican circles, Bush is derisively known as “the Anointed One,” and while he might still be capable of buying the Republican nomination, he’s facing serious obstacles.

First of all, George W.’s lie that he is “independent” from his father’s administration and record is a joke, and the attempt by the Bush circle to use the “Russian” corruption scandal against President Clinton (and tangentially against Al Gore) is about to backfire (see article in this issue on George W.’s foreign policy advisers, p. 75).

Secondly, the Republican leadership is desperately attempting to avoid a strong “third party” candidacy that would split the Republican Party by drawing away the conservative vote. Recent reports reveal that in 1992, when President Bush sought reelection, an informal coalescing of the Patrick Buchanan forces inside the Republican Party, and the supporters of the independent candidacy of H. Ross Perot, sunk the older Bush in November.

But this time, there is a serious process of discussion under way, in which top officials of Perot’s Reform Party, such as Pat Choate, Perot’s 1996 Vice Presidential candidate, are anxious to formally sign up Buchanan as the Reform Party’s 2000 Presidential candidate.

On Sept. 14, *Washington Post* reporter David S. Broder takes up Buchanan’s potential as a threat to Bush, in an op-ed titled “Patrick Buchanan: Third Force?” Broder doesn’t like Buchanan’s politics, but says, “My gut tells me that . . . the opening for a third party candidate is large, and likely to grow larger.” Broder says that he doesn’t believe the *Washington Post*-ABC polls purporting to show that “62 percent of the people surveyed would be satisfied” with a choice between Gore and George W. Bush.

British observer Rees-Mogg reports a similar hunch—that American voters aren’t such a happy lot. There is an “anti-establishment” current brewing. He says, “Hollywood and the Internet tell Americans that there is really only one establishment, a monster with two heads, one Democrat and one Republican.”

Indeed, the biggest trouble for George W. comes from the fact that he *needs* Al Gore, Jr. to have any serious chance at

the White House. Bush depends on Gore, the Democrats’ own “Anointed One”—at least until recently—to silence any opposition in the Democratic Party.

Over Labor Day weekend, the Democratic Party’s third candidate, Lyndon H. LaRouche, Jr., fielded questions from about 1,000 attendees at a conference organized by the Schiller Institute and International Caucus of Labor Committees (see last week’s issue). LaRouche highlighted the paradox confronting voters, especially in the African-American community, who have to stand up to Gore’s bully tactics, or face the reality that Gore getting the Democratic nomination means that Bush will win the White House. The Democratic Party regulars are being driven by “public opinion,” said LaRouche, the disease by which the American people destroyed themselves. Going against such majority “public opinion,” and going with the truth, in true self-interest and true national interest, means defeating Al Gore and George W. Bush. In Bush’s case, he will be defeated by the “sins of the father,” said LaRouche. Ironically, the same fate can befall Al Gore, Jr.

At the same conference, LaRouche collaborator Dennis Speed detailed the overt lies told by Gore about his father, Sen. Al Gore, Sr.’s, civil rights record, in an effort to gain support from the NAACP and African Americans. Speed, a prominent African-American leader, exposed how Gore’s father had, in fact, voted *against* the 1964 Civil Rights Act, which was written to hasten the end of segregation (see *EIR*, Sept. 10).

A turning point

Earlier this year, LaRouche forecast that by September, Gore’s nomination would be in question, if not out the window. The anti-Gore bandwagon is getting bigger, as more top Wall Street figures defect; Edgar Bronfman, a chieftain of the Zionist Lobby, is leading a fundraiser for Bush in New York next month. Earlier, Maurice Greenberg, head of the AIG insurance group, and one of Gore’s earliest Wall St. backers, moved over to Bush.

The voters are getting the message. The first week in September, for the first time, Democratic Party challenger Bill Bradley was closing in to a few percentage points of Gore’s voters in New Hampshire, according to a WMUR/CNN poll. This poll has Gore with 46%, against Bradley’s 41% (with a large part of the remaining voters supporting unidentified “other candidates”). Last May, Bradley only had 23% in a poll by the same organization.

And one of the biggest setbacks for Gore is major opposition from the labor movement. According to Democratic Party insiders, Gore desperately needs an early endorsement from the AFL-CIO, which is holding its national convention in October in Los Angeles. But three of the major industrial/manufacturing unions won’t touch Gore because of his policy of free trade, and specifically his forcing through of the North American Free Trade Agreement.

DOJ bureaucracy cans Waco 'whistleblower'

by Edward Spannaus

The Federal prosecutor in Texas who warned Attorney General Janet Reno that information on the Waco case was being withheld from her, was abruptly removed from any involvement in the Waco case on Sept. 10 by top officials in the Justice Department's permanent bureaucracy.

Assistant U.S. Attorney Bill Johnston, who has been involved in the Waco case since 1993, wrote to Janet Reno on Aug. 30, warning her that "facts may have been kept from you—and quite possibly are being kept from you even now, by components of the Department."

It was Johnston who originally asked the Texas Department of Public Safety (DPS, popularly known as the "Texas Rangers") to investigate the circumstances of the Feb. 28, 1993 shootout triggered by agents of the Federal Bureau of Alcohol, Tobacco and Firearms (ATF).

Johnston, in consultation with the DOJ Public Affairs office, allowed film-maker Mike McNulty to view the Waco evidence under the supervision of the Rangers who had custody of it. Johnston told Reno in his letter: "McNulty began to believe that evidence existed that the FBI had fired some sort of 40 millimeter projectile which could have started the fire on April 19, 1993." McNulty then sent a letter to the DOJ about this, Johnston says, and later, Johnston got a telephone call at his home from DOJ Torts Branch lawyer Marie Hagen, who "was extremely upset with me."

"She demanded to know whether or not I had allowed Mike McNulty to view the Davidian evidence," Johnston's letter continued. "I responded that I had. Ms. Hagen asked me what I thought I was doing, and inquired if I had received permission from the Criminal Division. I responded as to both demands that the permission to do so had come from the Chief of Public Affairs. . . . She ended the conversation unquenched in her anger. I think that I now know why."

Johnston also describes in the letter how he worked with the Rangers on the evidence involving flammable tear gas cannisters, and how he had kept his boss, the local U.S. Attorney Bill Blagg, informed of what was going on. When suspicions that the FBI had fired a pyrotechnic tear gas round made their way to the media via statements by DPS Chairman Jim Francis, Johnston said, "I was astounded to see the Department's response was that this was 'more nonsense.' My surprise was based upon the fact that I had been updating my U.S. Attorney for weeks about this evidence."

Johnston also told Reno about certain documents being

recently faxed to him from the Torts Branch at DOJ headquarters, suggesting that he had been told in 1993 about the military tear gas cannisters. "It has been suggested to me that these documents were sent to me to 'hang over my head,' or to say that I'd better look out stirring this matter up, as I may have to explain this paralegal's memo. So long as it is the truth 'hanging over my head,' I am not afraid. I will not be intimidated by anyone with the Department of Justice. I will assist the Congress or any other body who seeks the truth in this case."

Gore linked to coverup

The ongoing coverup inside the DOJ involves both the DOJ permanent bureaucracy and is linked to a former Justice Department official whom Al Gore describes as "my closest friend." (And the coverup is only made possible because of the complicity of Republicans in Congress like Rep. Dan Burton of Indiana, who insists on targetting Reno, while ignoring the thugs in the DOJ permanent bureaucracy who are responsible for Waco, Ruby Ridge, and many other Justice Department atrocities.)

Attorney General Reno said on Sept. 16 that recusal decisions are made by "career" lawyers in the Deputy Attorney General's office. Deputy Attorney General Eric Holder himself said that the matter was handled by a "senior" DOJ official, David Margolis.

Margolis, who joined the Justice Department in 1965, is the "third man" in the Jack Keeney/Mark Richard clique, which forms the core of the DOJ permanent bureaucracy. For many years Margolis headed the Organized Crime and Racketeering Section in the Criminal Division. (See *EIR*, Sept. 17, 1999 on the role of Keeney and Richard; see *EIR*, April 25, 1997, p. 24, on Margolis and the permanent bureaucracy.)

The DOJ official in charge of the Civil Division's Torts Branch, and in charge of defending the Federal government in the civil suits around the Waco and Ruby Ridge cases, is 32-year-old Donald Remy, who was brought into the DOJ personally by Al Gore's brother-in-law, Frank Hunger. In his acceptance speech at the 1996 Democratic Convention, Gore described Hunger as "my closest friend."

Until early this year, Hunger was the overall head of the Justice Department's Civil Division, and he brought Remy in about two years ago. Despite his relatively young age, Remy now supervises about 140 lawyers in the Torts Section, and he is also temporarily in charge of the Civil Division's Federal Programs Section—an elite unit which handles many sensitive cases.

It was attorneys from the Torts Branch Section who were cited in Johnston's letter to Reno. Frank Hunger was known for obstructing the civil cases involving the FBI crime laboratory. Some sources expect that, in the unlikely event that Gore were to become President, he would name Hunger as his Attorney General.

Condoleezza Rice and the team behind George W. Bush's campaign

by Scott Thompson

Backers of G.W. Bush are constantly insisting that the Texas Governor, if elected President, would *not* preside over a warmed-over version of his father's failed administration. This is good politics, given that President George Bush was driven from office and his much-heralded "new world order" was proven to be a sick joke. Furthermore, George Sr. was the "crack cocaine kingpin" of the 1980s, via his role as chief of the "secret parallel government" of Ollie North, Iran-Contra, Afghanistan, etc.¹

But, if the truth be told, G.W. Bush is a rotten apple that has fallen close to the rotten tree.

When G.W. first introduced his policy "dream team" at an Austin press conference last spring, not only was Reagan-Bush era stalwart George Shultz trotted out as the guru of the squad. Standing beside him was G.W.'s chief foreign policy adviser, the woman now hailed as his future Secretary of State, Condoleezza Rice. The Bush-league media have launched a campaign to build Rice's image as a "new star" on the foreign policy horizon, a young African-American scholar, who personifies G.W.'s favorite buzz-word, "compassionate conservatism" — *and who was not from the shopworn Bush-league stable.*

But a closer look reveals that Rice is drawn from precisely the same stable as Brent Scowcroft, Lawrence Eagleburger, the "Prince of Thieves" Robert Strauss (see p. 6), and the entire cast of characters that brought you the Panama invasion, Desert Storm, and all the other Bush administration atrocities.

Rice's uninterrupted ties to the Bush league are best seen in her role in the Forum for International Policy (FFIP), a Washington, D.C. think-tank populated by a "Who's Who" of the senior George Bush administration (see below).

Who is 'Condi' Rice?

Condoleezza "Condi" Rice served on the National Security Council (NSC) staff as the principal Soviet specialist begin-

ning in February 1989. She became senior director for Soviet affairs in May 1990. Having played a major role in the ensuing U.S.-Soviet summit, she was promoted on Aug. 9, 1990 to the position of Special Assistant to the President.

Rice was there at the beginning of the shock therapy looting of Russia, which was the hallmark of President George Bush and Prime Minister Margaret Thatcher. Her background would seem to make her ill-suited for this rapine effort to transform the Soviet Union, and then Russia and the other newly emergent states of the former Soviet bloc into the equivalent of Third World nations.

Born in Birmingham, Alabama, the daughter of an African-American Presbyterian minister, Rice's family moved to Denver when she was young. She credits her father with the success she has attained. "You may not be able to go into that restaurant," she quoted her father as saying, "but you can be President of the United States."

At Denver, she attended a private school (St. Mary's Academy), then earned a bachelor of arts degree in political science at the University of Denver. She earned her master's degree from Notre Dame University before returning to Denver to get her doctorate from the Graduate School of International Studies at Denver University.

After graduation, in 1981, her first job was as an assistant professor of political science at Stanford University, where, with the support of former Reagan-Bush Intelligence Oversight Board chairman Glen Campbell, she became a fellow of the anti-communist Hoover Institution on War, Peace, and Revolution.

At Stanford, she became a leading Soviet scholar; then, after a brief stint in academia, she was brought in to Washington, first as a Soviet nuclear weapons policy adviser to the Joint Chiefs of Staff (1985-86), and next, as the leading Sovietologist in the Bush administration. From that point forward, the current president of the FFIP, Bush National Security Adviser Gen. Brent Scowcroft, appears to have taken her under his wing. Sir Brent Scowcroft and Sir George Bush praise Rice in the introduction to their latest book, *A World Transformed*, for having provided one of the seminal works

1. See *Would a President Bob Dole Prosecute Drug Super-Kingpin George Bush?*, *EIR Special Report*, September 1996.

The 'Shrub' team

Here are some of the leading lights of George W. Bush's "campaign brain trust." Their profiles show the utter falseness of the idea that G.W. has cast off the baggage of his father's foreign and national security policy.

George Shultz, former U.S. Secretary of State, Reagan administration. Since leaving office to become a senior fellow at the Hoover Institution at Stanford University, Shultz has devoted much of his time, money, and writings, to pushing British "Golem" George Soros's heavily bankrolled campaign to decriminalize all Schedule I dangerous drugs, ranging from marijuana to heroin to cocaine. The idea of a "Shrub" Bush administration adopting the Shultz-Soros legalization agenda is a *bigger* drug scandal than G.W.'s artful dodging of the issue of his personal cocaine use when he was an "impressible young man" of 40 years of age.

When G.W. formally announced his run for the GOP Presidential nomination in 2000, his exploratory advisory team was replaced by the campaign policy group now headed by Condoleezza Rice. According to a Bush campaign press spokesman, Rice has three principal underlings. All are veterans of the Reagan-Bush era, with particularly unsavory credentials:

Paul Wolfowitz. Apparently a favorite of "Shrub," Wolfowitz is a leader of the Zionist lobby. He served in the Reagan-Bush administrations as Assistant Secretary of State and Undersecretary of Defense. He is now dean of the Paul Nitze School for Advanced International Studies at Johns Hopkins University in Baltimore.

In the February 1999 issue of the Council on Foreign

Relations' journal, *Foreign Affairs*, Wolfowitz demanded a ground invasion of Iraq by the U.S. military, to get rid of Saddam Hussein.

Wolfowitz has ties to many supranational, private institutions. He was the organizer for the 25th Anniversary of the Trilateral Commission; he is a member of the New Atlantic Initiative (NAI), which is touted as the post-Cold War Bilderberg Society, whose International Advisory Board is chaired by Sir Henry Kissinger, and whose chief patron is former British Prime Minister, Lady Margaret Thatcher. Together with Richard Perle, Wolfowitz chaired a panel at the May 1997 NAI Congress in Phoenix, Arizona, which beat the drums for war with Iraq.

Richard Perle was the Reagan administration's Assistant Secretary of Defense. Since leaving the Pentagon, Perle has been promoted to the upper echelons of the British-American-Commonwealth (BAC) cabal, as a member the International Advisory Board of Hollinger International, Inc., whose senior advisers also include Kissinger and Thatcher. Perle is the director of the electronic publishing arm of Conrad Black's Hollinger empire.

Perle was a suspected member of the "X Committee," which steered the Soviet-Israeli espionage activities of convicted spy Jonathan Jay Pollard. Perle also recently picked up the CIA castoff, Ahmed Chalabi, head of the Iraqi National Congress, whose efforts to obtain funding for a puppet Iraqi "government-in-exile" under the Iraqi Liberation Act of 1998 have subsequently crumbled.

Robert Zoellick. He is president and CEO of the Center for Strategic and International Studies (CSIS) at Georgetown University, in Washington. Zoellick served in the Bush administration as Undersecretary of State for Economics, and Counsellor to the State Department, before becoming Deputy White House Chief of Staff.

Zoellick is a member of the International Advisory Board of Lady Thatcher's New Atlantic Initiative.

on the Gorbachov transition in the Soviet Union, namely *Germany Unified and Europe Transformed*, which Rice wrote in 1995 with fellow former NSC official Philip Zelikow. Scowcroft and Bush are extremely effusive about Rice in their book.

According to the Scowcroft-Bush memoirs, two cornerstones of Rice's brief tenure at NSC were the luring of the Soviet Union and its eastern European satraps into what they pretended was "democracy" and the British system of free trade; and the reunification of East and West Germany, inside NATO.

After only a two-year stint at the NSC, Rice returned to Stanford, where in 1993 she was appointed to the number-

two position of Provost of the University. According to the *New York Times* of June 23, 1993, Rice was appointed as a conservative, Afro-American token who could implement new policies of "politically correct" multiculturalism. "What's the opposite of multiculturalism?" asked Rice. "There's no place in the world for monoculturalism. I would like to think a student leaving Stanford appreciates Duke Ellington and Beethoven with the same fervor. I don't see culture as a prison where you are born and have to stay."

Cashing in

After her return to academia, Condoleezza Rice cashed in on her White House experience, receiving several major

corporate board positions, which often pay as high as \$25,000 a year, plus \$1,000 for each board or committee meeting, plus expenses. She also became a “talking head” for ABC News, and a member of the Council on Foreign Relations, as well as, once again, a senior fellow at the Hoover Institution, and a board member of the RAND Corp.

Her first major board membership was her May 7, 1991 election to the board of Chevron Corp.

Other corporate boards that drafted Rice include: the Transamerica Corp., which wanted her assistance in developing its container-leasing operations in eastern Europe; J.P. Morgan & Co.’s international advisory board; and the Charles Schwab Corp. Rice remained at Stanford until spring, 1999.

Who’s who at the Forum

Rice has been on the board of the Forum for International Policy since it was formed, shortly after Sir George Bush failed to win re-election in 1992, and the Forum has become a safe-haven for major and minor players in the Bush league.

Here are some of the other board members:

FFIP board chairman **Sir Lawrence Eagleburger**. Sir Lawrence had entered the administration as Undersecretary of State, becoming Secretary of State in the latter part of the Bush administration. He began his career in the foreign service, which included a stint in the Balkans that culminated with President Jimmy Carter appointing him Ambassador to Yugoslavia, Sir Lawrence quit the foreign service and became president of Kissinger Associates, Inc. Among the financial contacts that he brought with him to Kissinger Associates were Slobodan Milosevic, who, as head of Beo Banka, had helped Eagleburger launch Global Motors, which produced the Yugo car.

As German journalist Hans Peter Rullman wrote in the 1989 book, *Kriseherd Balkan*, Eagleburger had promised Yugoslavia “economic miracles” with the Yugo, but in the end, Kissinger Associates was “probably the only one making a profit out of a business that had been hopeless from the beginning.”

Not only was Eagleburger on the board of Global Motors, but Kissinger Associates became the firm’s leading consultants. According to the *Right Guide* of 1993, since leaving office, both Scowcroft and Eagleburger are now back in Sir Henry’s employ as officers of Henry A. Kissinger Consulting.

FFIP president and board member **Gen. Sir Brent Scowcroft**. Before becoming National Security Adviser to George Bush, Scowcroft had served as deputy to Sir Henry Kissinger in the Nixon National Security Council, and as President Ford’s National Security Adviser, when Kissinger became Secretary of State. Like Eagleburger, Sir Brent went on to become vice chairman of Kissinger Associates, Inc., and also head of his own consulting firm, International Six, Ltd.

According to the *Right Guide*, he has been back in Sir Henry’s employ, since the demise of the Bush administration. Sir Brent has subsequently functioned as a one-man “brain trust” for Sir George Bush, including co-authoring *A World Transformed* with the former President. Scowcroft runs the day-to-day functioning of the FFIP.

FFIP board member **Dwayne O. Andreas**. This former chairman of the Archer Daniels Midland (ADM), which ran into major legal problems for price-fixing, has long been a consultant to Presidents and Cabinet officers on Russian grain sales. Andreas is a member of the International Advisory Board of the Hollinger/Argus Corp., placing him at the center of the British-American-Commonwealth (BAC) oligarchic apparatus. Andreas had been particularly close to the organized crime-tainted money machine of former Vice President Hubert H. Humphrey, in whose memory he donated \$1 million to the Anti-Defamation League of B’nai B’rith, an organization that had close ties to the Meyer Lansky syndicate.

FFIP board member **John M. Deutch**. This national security expert, who held various positions at the Pentagon, was briefly Director of Central Intelligence starting in 1995 during the Clinton-Gore administration. It is notable, that while defending the CIA from the Iran-Contra “crack scandal,” Deutch, who had promised to get to the bottom of the affair, also covered up for the real godfather of Iran-Contra drug trafficking, George Bush.

FFIP board member **Gen. Sir Colin Powell**. He was awarded a knighthood by Queen Elizabeth II for his role as chairman of the Joint Chiefs of Staff during “Operation Desert Storm,” as had been Gen. Sir Brent Scowcroft and Sir Lawrence Eagleburger. As Lady Thatcher still likes to boast, it was the British who “gave some spine” to President Bush to destroy Iraq.

A knighthood, which the British Foreign and Commonwealth Honours Committee head told *EIR* investigators “was a rare coinage,” was given to almost all the leading members of the Bush administration for their service in the Gulf War. This status of knighthood is viewed by the head of the Honours Committee as a reward for “a lifetime of support for the British Empire or extraordinary service on behalf of the special relationship.”

FFIP board member **Robert S. Strauss**. Former Democratic National Committee treasurer and chairman, Texan Robert S. Strauss was dubbed by Lyndon H. LaRouche, Jr. the “Prince of Thieves . . . who taught the KGB how to steal,” when Bush appointed him to be Ambassador to Moscow in 1991. Strauss had been a board member of Dwayne Andreas’s ADM, although he seems to have been spared investigation for ADM’s price-fixing operations. For more on Strauss, see also Jeffrey Steinberg, “How Gore Went to Bed with Bush, Sr. and Wound Up with Natasha Kagalovsky,” *EIR*, Sept. 10, 1999.

Republicans give up on tax cut bill

The Congressional Republican leadership all but admitted that its four-week lobbying campaign, conducted during the August recess, failed to create the groundswell necessary to force President Clinton to sign the \$792-billion tax-cut bill that was passed at the beginning of August. Senate Majority Leader Trent Lott (R-Miss.) told reporters on Sept. 8 that the GOP priority will be to set aside the money that would have gone into the tax cut for Social Security, instead. He complained that the President "doesn't want a fair tax relief package; it's obvious that he wants to spend more money, and it's obvious that he wants to break the caps and spend Social Security money for other programs."

Both Lott and House Majority Leader Dick Armey (R-Tex.) indicated little likelihood of a compromise with the White House on the issue.

Not surprisingly, Democrats were gleeful at the news. Senate Minority Leader Tom Daschle (D-S.D.) said, "It is really quite remarkable that the Republican tax cut is as big a bomb as it appears to be." House Minority Leader Dick Gephardt (D-Mo.) added on Sept. 9 that the Republicans had gone for too large a tax cut, and one focused largely on corporations and the wealthiest Americans. He suggested the GOP "get back to" a smaller middle-class tax cut, and focus on other priorities, including paying down debt, funding Social Security and Medicare, and education.

Gephardt added that the problems with the appropriations bills all go back to the budget resolution passed last spring. The GOP "passed their budget," he said. "It's now their responsibility to implement their budget. If we had had a compromise on the budget at the beginning, a blueprint

we could all agree on . . . maybe we'd have a different situation going on."

However, while the appropriators call for lifting the budget caps imposed by the 1997 Balanced Budget Act, the leaders in both parties say that won't happen. Republicans insist the President's budget busts the caps, and Democrats insist it does not; they refuse to support appropriations bills which come in below the caps, but severely cut programs the President supports.

Senate panel holds hearings on Marianas immigration

The Senate Energy and Commerce Committee held a hearing Sept. 14 on a bill to apply federal immigration laws to the Commonwealth of the Northern Marianas Islands. Both Committee chairman Frank Murkowski (R-Ak.) and ranking Democrat Daniel Akaka of Hawaii expressed a desire to avoid the partisan rhetoric that has characterized discussion of the CNMI in other forums, and so the hearing was low-key and focussed only on immigration issues. (The CNMI has become notorious for the labor conditions prevailing there: tantamount to indentured servitude.)

In opening remarks, Murkowski and Akaka both made the point that the CNMI is U.S. territory and that federal laws should apply there as elsewhere in the U.S., especially immigration laws. Akaka, underlining that immigration was the only subject of the hearing, emphasized that the immigration situation in the CNMI has become an international embarrassment to the U.S., with numerous countries complaining of the treatment of their nationals working there.

The first witness, CNMI Governor Pedro Tenorio, cavilled that the bill at issue would give the administration

sole power to set immigration standards, without any input from the CNMI. He added that the bill would not require the Justice Department to take into account the impact federal immigration standards would have on the CNMI's economy, which depends heavily on imported contract laborers, especially in the garment and tourism industries, the latter of which has been hit hard by the financial crisis in Asia. He also complained that the bill ignores his administration's reform efforts. However, when Murkowski and Akaka pressed him to submit legislative recommendations that would bring the bill closer to addressing the concerns of both Congress and the CNMI administration, all he could say was, "We're not yet ready to give you our recommendations."

Congress finds plate full with crowded agenda

Members of Congress returning from the summer recess were presented with a crowded agenda for the rest of the year. Besides trying to finish work on appropriations bills, Senate Majority Leader Trent Lott told reporters Sept. 8 he plans to take up bankruptcy reform and a nuclear waste bill, both before the end of September. He also named the Social Security "lockbox" and the reform of Medicare and Medicaid as issues to be dealt with before year's end.

Democrats added to that list public debt reduction, education, aid to agriculture, and the passage of a "meaningful" patients' bill of rights. Other issues the Democrats plan to insist on include campaign finance reform, raising the minimum wage, and ratification of the Comprehensive Test Ban Treaty. Senate Minority Leader Tom Daschle declared that "we will fight

and we will aggressively pursue this agenda and use whatever vehicles we have available to us to make sure that the Senate debates them in due course." House Majority Leader Dick Armey indicated on the floor of the House Sept. 9 that a minimum wage bill probably will be considered in that body before the end of the year.

Already causing heartburn is the Comprehensive Test Ban Treaty, which has been before the Senate for almost two years, without even a hearing having been held on it. An irritated Lott asserted, in response to questioning from Sen. Byron Dorgan (D-N.D.), that, because of problems with Russia, and fears of Iranian and North Korean acquisition of nuclear weapons, the difficulty with the treaty is that it is "unilateral nuclear disarmament." He also tied action on the treaty to changes on the ABM Treaty and ratification of the Kyoto climate change treaty, to which Dorgan took exception. Lott did assure Dorgan, however, that the Senate Foreign Relations Committee would hold hearings on the CTBT at some point in the near future.

Appropriations for D.C. head toward veto

On Sept. 9, the House passed the conference report on the District of Columbia appropriations bill, which provides a \$429-million federal payment to the District and approves its \$6.8-billion budget with changes to the city's tax code. However, the bill passed by a razor-thin margin of 208 to 206, and faces a veto threat from the White House—not over amounts appropriated in the bill, on which no one disagrees, but over legislative riders attached to the bill which would change D.C. law. D.C. Appropriations subcommittee chairman Ernest Istook

(R-Okla.) explained that the Constitution gives Congress the right to ensure that the laws of the District of Columbia "stay in tune with the laws of the United States" regarding drug legalization and other issues.

Democrats took exception to Istook's view, especially D.C. Delegate Eleanor Holmes Norton. She had urged her colleagues to support the original bill in July, but changed her mind when the conference report came out. "The bill has grown worse in conference," she said, "as the Senate simply piled on with unrelated additions, and the House made no improvements and kept no promises." Representative James Moran (D-Va.) added: "We would not impose the kinds of restrictions on any of our local jurisdictions that are imposed on the District of Columbia." These include barring the District from counting the votes in a 1996 referendum on drug legalization, and blocking a needle exchange program.

Istook reacted by accusing Moran of wanting to legalize drugs, which the latter did not deny. Under Moran's rationale, Istook argued, "It would be fine if the District legalized anything whatsoever, disregarding the laws of the country, disregarding the Constitution. If you legalize marijuana, what is next? Cocaine? Heroin? Where do you draw the line?"

Spending bills sputter along

A flurry of activity in the first few days after Congress's return from the summer recess lent an illusion of progress to the appropriations process. However, so many obstacles stand in the way of final passage of several of the 13 bills that even GOP leaders have conceded that, at the very least, one

or more continuing resolutions will be needed to keep parts of the government from shutting down after the fiscal year ends Sept. 30.

Two bills are facing filibusters in the Senate, both from California Democrats. The Interior Department bill is being held up by Barbara Boxer, who objects to an amendment sponsored by Kay Bailey Hutchison (R-Tex.) that would extend a moratorium on the collection of royalties on oil and gas drawn from federal lands. A cloture vote on Sept. 13 failed, 55 to 40. The transportation appropriations bill is being held up by Boxer's fellow California Democrat, Sen. Dianne Feinstein, on behalf of California and New York. Both of those states object to a provision sponsored by Richard Shelby (R-Ala.) that would place a 12.5% cap on the distribution of federal transit funds to any one state. Only California and New York would be affected; Feinstein says the provision would cost New York \$160 million and California \$117 million.

Besides the D.C. appropriations bill (see below), the House managed to pass the Veterans Affairs/Housing and Urban Development and Independent Agencies bill on Sept. 9, but that faces a veto threat. The bill increases veterans' medical care by \$1.7 billion over 1998, but cuts housing programs and the NASA budget by about \$1 billion each. Both cuts are opposed by the administration.

Four other appropriations bills went into conference during the week, those for the Commerce, Justice, and State Departments and the Judiciary; for Agriculture; for Defense; and for Energy and Water Development. Only two have been signed into law, the military construction bill and legislative branch appropriations. The Labor/Health and Human Services bill has yet to move out of subcommittee.

Editorial

Either/or

Either we do something to change the course of events, or we're in World War III. It was this conviction that brought *EIR* founding editor Lyndon LaRouche to commission the emergency production of an *EIR* Video Special Report, featuring himself as narrator and as host to various specialists, to begin:

"What could possibly turn out to be nuclear World War III, has erupted in Central Asia. [Map with hot-spots marked as named by host.] The hot-spots include the North Caucasus region of the former Soviet Union [cut to action from recent fighting in Dagestan], extend to the Kashmir border between nuclear powers Pakistan and India [cut to shot of action in that area], and include the entire region of Central Asia [cut to political map of states of Transcaucasus/Central Asia] bordering China, India, Pakistan, Iran, and Russia.

"During the weeks since the end of the NATO bombing of Yugoslavia, the spread of military actions in this Central Asia theater has come near to the threshold level at which nuclear arsenals might begin to fly. This threshold was touched by a series of terrorist bombings in Moscow itself [film clips]. . . ."

You must first understand, that this massive blind terrorism against Russia is *not* a plot by the Yeltsin circles. This is a British/NATO operation, which has been under way since spring of this year, or earlier. The primary goal is the "Russian Pinochet" option, sweeping aside both the Yeltsin crowd and the patriotic opposition (e.g., former Prime Minister Primakov), to bring a "strong man" to power. The links are British/Bush (the International Republican Institute).

We have referred to this option earlier. The British operation which duped the U.S.A. government into the war against Yugoslavia, was intended, no later than last spring, to be the preliminary step to "new NATO" warfare against both Middle East and Transcaucasus/Central Asia targets. The British "Wahhabite" sect, with its Saudi, Pakistan-military, and Bush League backing, is behind the present phase of the operations in Transcaucasus and Central Asia. The U.S. Congressional campaign against China, with AFL-CIO and

other backing, is complementary to the perspective of the "Pinochet Option" for Russia.

All of this presently converges on the smell of something like what LaRouche recognized on Jan. 1, 1974, when he warned his associates that a military coup was in progress in the U.K. (witness the militarization of Heathrow Airport at that time). There is a strong smell of a real upheaval in the U.K., coinciding with the current activation of the long-prepared "Pinochet Option" for Russia. The U.S. government and its establishment are turning out to be a bunch of silly children: The strength of their convictions on strategic matters is in proportion to their ignorance (sometimes willful) of the matters on which they express their firm opinions. Among other things, there has to be a dirty operation against Clinton ongoing within the National Security Council, as well as other places.

EIR has spoken with European military officers who are extremely upset about the Russia crisis, saying that ten years have been lost, and that no one in Germany or France knows what to do. They say that idiots are in power. This is true, and it is very dangerous. But we at *EIR* do know what to do. You must understand the task, and help us accomplish it.

We must change the attitude and the understanding in the United States and its Presidency, in Russia, and in China. These are three focal points which we can influence, and must influence.

We're fighting a war. We must know what we're doing, fight it through, and do it right: Communicate a concept to people which shows how they have let the British bring the world to this point, what the solution is, and how they themselves must *change* fundamentally. Then, and only then, can we climb back out of disaster.

The interview with Martin Palmer, Prince Philip's "spiritual adviser," reported in this issue, underscores the fact that it is the *British* who are behind the worldwide wave of attacks on the existence of nations. Thus far, only LaRouche and *EIR* have had the honesty and courage to say that.

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CALIFORNIA

- BEVERLY HILLS*
Century Cable Ch. 37
- BREA*
Century Cable Ch. 17
- CHATSWORTH
Time Warner—Ch. 27/34
Wednesdays—5:30 p.m.
- CONCORD—Ch. 25
Thursdays—9:30 p.m.
- COSTA MESA—Ch. 61
Mon.—6 pm; Wed.—3 pm
Thursdays—2 p.m.
- CULVER CITY*
MediaOne Ch. 43
- E. LOS ANGELES
BuenaVision—Ch. 6
Fridays—12 Noon
- HOLLYWOOD*
MediaOne Ch. 43
- LANCASTER/PALMDALE
Jones Ch. 16
Sundays—9 p.m.
- MARINA DEL REY
Century Cable Ch. 3*
MediaOne Ch. 43*
- MID-WILSHIRE*
MediaOne Ch. 43
- MODESTO—Access Ch. 8
Mondays—2:30 p.m.
- SAN DIEGO—T/W Ch. 16
Saturdays—10 p.m.
- SAN FRANCISCO—Ch. 53
2nd & 4th Tue.—5 p.m.
- SANTA ANA—Ch. 53
Tuesdays—6:30 p.m.
- SANTA CLARITA
MediaOne/T-W Ch. 20
Fridays—3 p.m.

- SANTA MONICA*
Century Cable Ch. 77
- TUJUNGA—Ch. 19
Fridays—5 p.m.
- VENICE*
MediaOne Ch. 43
- WEST HOLLYWOOD*
Century Cable Ch. 3

COLORADO

- DENVER—DCTV Ch. 57
Sat.-1 p.m.; Tue.-7 p.m.

CONNECTICUT

- BRANFORD—TCI Ch. 21
Thursdays—9 p.m.
- GROTON—Comcast Ch. 33
Mondays—10 p.m.
- NEW HAVEN
Comcast Ch. 28
Sundays—10 p.m.
- NEWTOWN/NEW MILFORD
Charter Ch. 21
Thursdays—9:30 p.m.

DIST. OF COLUMBIA

- WASHINGTON—DCTV Ch. 25
Sundays—3:30 p.m.

ILLINOIS

- CHICAGO—CAN Ch. 21
*The LaRouche Connection**
Schiller Hotline-21
Fri., Sep. 17: 6:30 p.m.
- SPRINGFIELD—Ch. 4
Wednesdays—5:30 p.m.

IOWA

- DES MOINES—TCI Ch. 15
1st Wednesdays—8:30 p.m.
Following Sat.—3 p.m.
- WATERLOO—TCI Ch. 15
Tuesdays—5 p.m.

KANSAS

- SALINA—CATV Ch. 6*

KENTUCKY

- LATONIA
Intermedia Ch. 21
Mon.-8 p.m.; Sat.-6 p.m.
- LOUISVILLE—Ch. 70/18
Fridays—2 p.m.

LOUISIANA

- ORLEANS—Cox Ch. 6
Mon. & Fri.—12 Midnite

MARYLAND

- ANNE ARUNDEL—Ch. 20
Fri. & Sat.—11 p.m.
- BALTIMORE—BCAC Ch. 5
Wednesdays—4 p.m. & 8 p.m.
- MONTGOMERY—MCTV Ch. 49
Fridays—7 p.m.
- PRINCE GEORGES—Ch. 15
Mondays—10:30 p.m.
- W. HOWARD COUNTY—Ch. 6
Monday thru Sunday—
1:30 a.m., 11:30 a.m.,
4 p.m., 8:30 p.m.

MASSACHUSETTS

- AMHERST—ACTV Ch. 10*

- BOSTON—BNN Ch. 3
Saturdays—12 Noon
- WORCESTER—WCCA Ch. 13
Wednesdays—6 p.m.

MICHIGAN

- CANTON TOWNSHIP
MediaOne Ch. 18: Thu.—6 p.m.
- DEARBORN HEIGHTS
MediaOne Ch. 18: Thu.—6 p.m.
- GRAND RAPIDS—GRTV Ch. 25
Fridays—1:30 p.m.
- PLYMOUTH
MediaOne Ch. 18: Thu.—6 p.m.

MINNESOTA

- ANOKA—QCTV Ch. 15
Thu.—11 a.m., 5 p.m.,
12 Midnight
- COLUMBIA HEIGHTS
Community TV—Ch. 15
Wednesdays—8 p.m.
- DULUTH—PACT Ch. 24
Thu.—10 p.m.; Sat.—12 Noon
- MINNEAPOLIS—MTN Ch. 32
Wednesdays—8:30 p.m.
- NEW ULM—Paragon Ch. 12
Fridays—7 p.m.
- PROCTOR/HERMAN—Ch. 12
Tue.: between 5 pm & 1 am
Friday through Monday
3 p.m., 11 p.m., 7 a.m.
- ST. PAUL—Ch. 33
Sundays—10 p.m.
- ST. PAUL (NE burbs)*
Suburban Community Ch. 15

MISSOURI

- ST. LOUIS—Ch. 22
Wed.—5 p.m.; Thu.—Noon

MONTANA

- MISSOULA—TCI Ch. 13/8
Sun.—9 pm; Tue.—4:30 pm

NEVADA

- CARSON CITY—Ch. 10
Sun.—2:30 pm; Wed.—7 pm
Saturdays—3 p.m.

NEW JERSEY

- MONTVALE/MAHWAH—Ch. 27
Wednesdays—5:30 p.m.

NEW YORK

- AMSTERDAM—TCI Ch. 16
Fridays—7 p.m.
- BROOKHAVEN (E. Suffolk)
Cablevision Ch. 1/99
Wednesdays—9:30 p.m.
- BROOKLYN—BCAT
Time/Warner Ch. 35
Cablevision Ch. 68
Sundays—9 a.m.
- BUFFALO
Adelphia Ch. 18
Saturdays—2 p.m.
- CORTLANDT/PEEKSKILL
MediaOne Ch. 32/6
Wednesdays—3 p.m.
- HORSEHEADS—T/W Ch. 1
Mon. & Fri.—4:30 p.m.

- HUDSON VALLEY—Ch. 6
2nd & 3rd Sun.—1:30 p.m.
- ILION—T/W Ch. 10
Saturdays—12:30 p.m.
- IRONDEQUOIT—Ch. 15
Mon. & Thurs.—7 p.m.
- ITHACA—Pegasis Ch. 78
Mon.—8 pm; Thu.—9:30 pm
Saturdays—7 p.m.
- JOHNSTOWN—Ch. 7
Tuesdays—4 p.m.
- MANHATTAN—MNN
T/W Ch. 34; RCN Ch. 109
Sun., Sep. 19: 9 a.m.
- SUN., Oct. 3, 17, 31: 9 a.m.
- N. CHAUTAUQUA COUNTY
Gateway Access Ch. 12
Fridays—7:30 p.m.
- ONEIDA—PAC Ch. 10
Thursdays—10 p.m.
- OSSINING—Ch. 19/16
Wednesdays—3 p.m.
- PENFIELD—Ch. 12
Penfield Community TV*
- POUGHKEEPSIE—Ch. 28
1st & 2nd Fridays—4 p.m.
- QUEENSBURY
Harron Cable Ch. 71
Thursdays—7 p.m.
- RIVERHEAD—Peconic Ch. 27
Thursdays—12 Midnight
- ROCHESTER—GRC Ch. 15
Fri.—11 p.m.; Sun.—11 a.m.
- ROCKLAND—T/W Ch. 27
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- SCHENECTADY—SACC Ch. 16
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- UTICA—Harron Ch. 3
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- WEBSTER—WCA-TV Ch. 12
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- WESTFIELD—Ch. 21
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- YONKERS—Ch. 37
Saturdays—3:30 p.m.
- YORKTOWN—Ch. 34
Thursdays—3 p.m.

NORTH DAKOTA

- BISMARCK—Ch. 12
Thursdays—6 p.m.

OHIO

- COLUMBUS—Ch. 21
Sun., Sep. 19: 6 p.m.
Tue., Sep. 21: 1 p.m.

- OBERLIN—Ch. 9
Tuesdays—7 p.m.

OREGON

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

RHODE ISLAND

- E. PROVIDENCE—Cox Ch. 18
Sundays—12 Noon

TEXAS

- AUSTIN—ACT Ch. 10/16*
- EL PASO—Paragon Ch. 15
Wednesdays—5 p.m.
- HOUSTON—Access Houston*

UTAH

- GLENWOOD, Etc.—SCAT-TV
Channels 26, 29, 37, 38, 98
Sundays—about 9 p.m.

VIRGINIA

- ALEXANDRIA—Jones Ch. 10*
- ARLINGTON—ACT Ch. 33
Sun.—1 pm; Mon.—6:30 pm
Wednesdays—12 Noon
- CHESTERFIELD—Ch. 6
Thursdays—7 p.m.
- FAIRFAX—FCAC Ch. 10
Thursdays—12 Noon
Sundays—7 p.m.
- LOUDOUN—Cablevision Ch. 59
Thu.—7:30 p.m. & 10 p.m.
- P.W. COUNTY—Jones Ch. 3
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- ROANOKE COUNTY—Cox Ch. 9
Thursdays—2 p.m.
- SALEM—Adelphia Ch. 13
Thursdays—2 p.m.

WASHINGTON

- KING COUNTY—Ch. 29
Mondays—11:30 a.m.
- SPOKANE—Cox Ch. 25
Wednesdays—6 p.m.
- TRI-CITIES—TCI Ch. 13
Mon.—12 Noon; Wed.—6 p.m.
Thursdays—8:30 p.m.
- WHATCOM COUNTY
TCI Ch. 10
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WISCONSIN

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- OSHKOSH—Ch. 10
Fridays—11:00 p.m.
- WAUSAU—Marcus Ch. 10
Fri.—10 p.m.; Sat.—5:30 p.m.

WYOMING

- GILLETTE—Ch. 36
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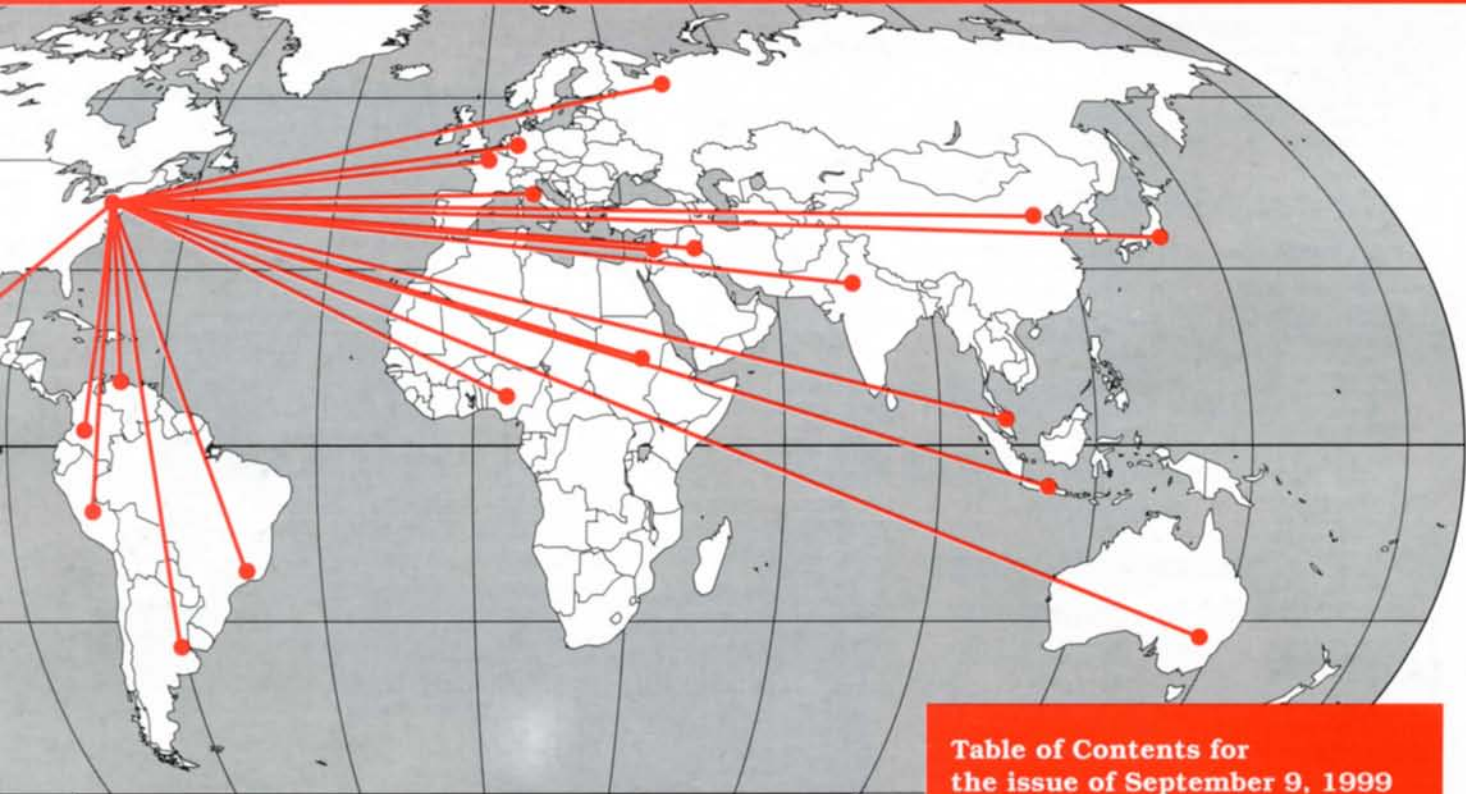
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