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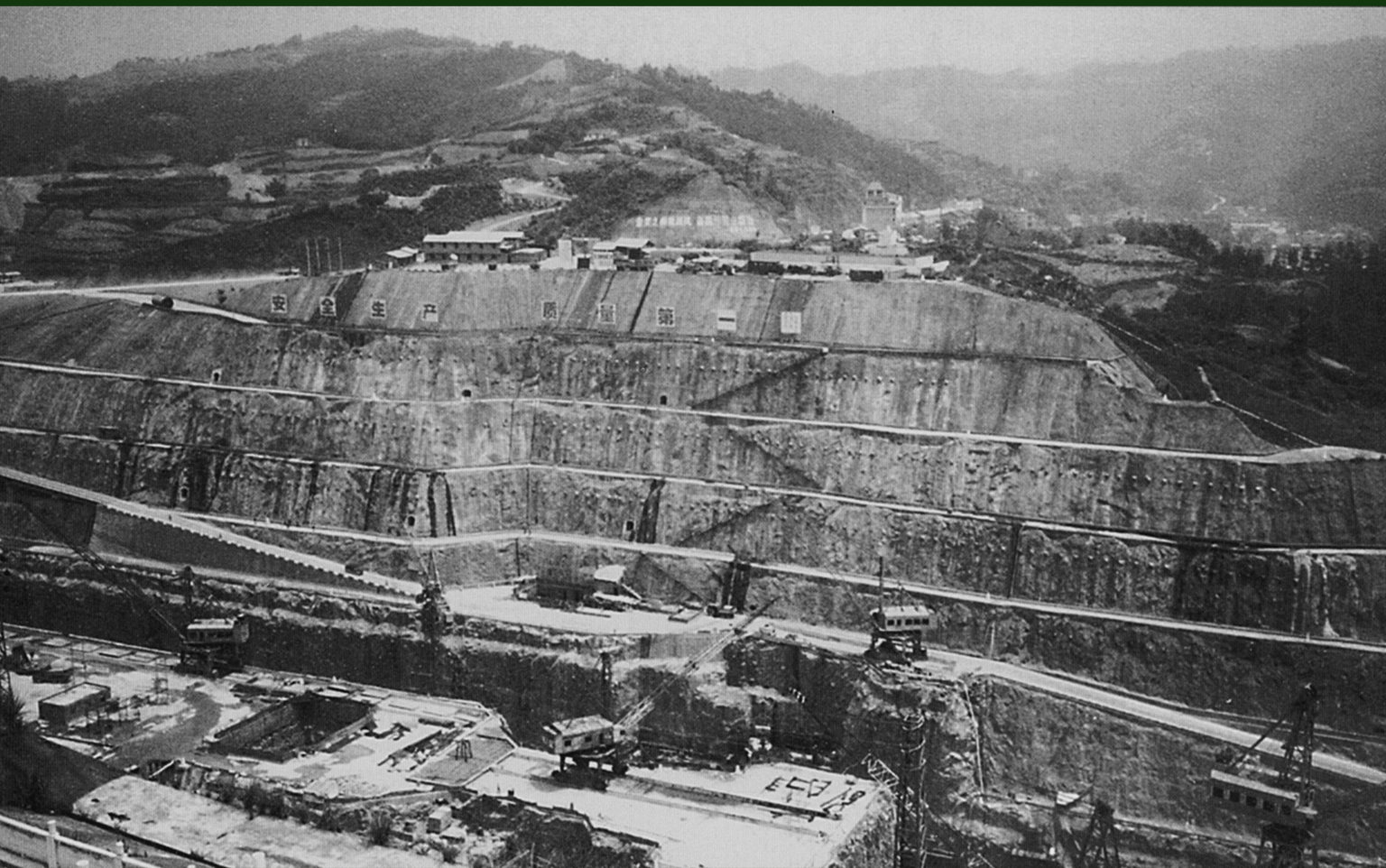
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From the Associate Editor

We have so many breakthroughs to report this week, that the editors have been hard-pressed to squeeze them all into the issue!

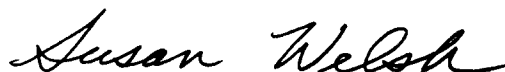
First, take the Russian announcement of the creation of a Eurasian Transport Union. This plan directly reflects the ideas put forward at the Schiller Institute's May 4-6 conference in Bad Schwalbach, Germany, on the theme of "The Ecumenical Battle for the Common Good." (As one Russian influential put it, "We are working hand-in-hand with LaRouche.") Our *Feature* includes the transcript of the conference panel on Eurasian development, with contributions from dignitaries from Russia, China, India, and Egypt, each discussing how LaRouche's conception of physical economy must be applied to his part of the world, in order to reverse the crisis into which the world is plunging.

LaRouche's assessment is that the announcement from Moscow "matches exactly" the strategic priorities he has placed upon re-regulation of energy production and distribution, and revival of the Hill-Burton tradition in health care inside the United States.

On the energy front, see *Economics* and *National* for our reports on the "war" which California Gov. Gray Davis and others now say they are waging against the energy cartel—G.W. Bush's financial angels. Nobody is going to swallow the Bush-Cheney energy plan. So, it's time to go with LaRouche, and re-regulation.

And in health care, the battle to save D.C. General Hospital has achieved important victories, as the pressure generated upon Congress by the LaRouche movement begins to have the intended results. The key to success is to fight from the global, strategic perspective, as discussed at Bad Schwalbach—not to allow oneself to think in terms of this or that "issue" or "good cause."

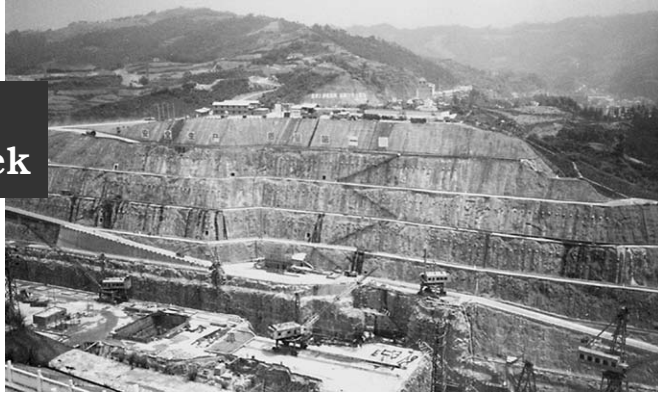
Despite the growth of our political influence, our mailing of *EIR* has been progressively delayed by lack of funds. This magazine is vital to you and your friends and associates, so that you might know how you must act, in order to turn around the onrushing economic, financial, and strategic crisis. The best thing you can do, is to send funds to get our prompt mailing back on track. Renew your subscription early; buy subs for others; organize friends to subscribe on their own. We count on your support, to succeed in the mission that will determine the future of us all.



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Ken Riley is president of International Longshoremen's Association Local 1422, with 850 members in Charleston, South Carolina.

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Bush-Moynihan Commission Would Loot Social Security

by Richard Freeman

On May 2, President George W. Bush appointed a 16-member Social Security Commission “to study Social Security reform and report back in the Autumn with recommendations for legislative action.” In reality, the commission, which is co-chaired by former New York Sen. Daniel Patrick Moynihan and AOL Time Warner Chief Operating Officer Richard D. Parsons, is composed of people who are firmly committed to only one type of “reform”: the “privatization of Social Security.”

This is a looting policy. Under privatization, Wall Street would siphon trillions of dollars out of Social Security, via “personal retirement accounts,” and would try to use the funds to save its speculative financial bubble.

The ensuing and inevitable bursting of that bubble would wipe out the funds that tens of millions of elderly count on, thus impoverishing them.

The privatizers plan to intentionally attack and undermine the purpose for which Franklin D. Roosevelt and other patriots established the Social Security system in 1935: to provide a dependable income stream to those who have retired from active work, enabling them to live in economic security, with dignity.

President Bush ensured that there would be no fundamental debate on the commission, by selecting 16 members who already support privatization to one degree or another. But the hideous and dangerous character of the commission is most succinctly expressed in the person of its chairman, Daniel Patrick Moynihan.

In the 1960s, Moynihan developed his own version of Malthusian racism, which he called “benign neglect.” In the 1970s, Moynihan helped devise and implement two of the most notorious parts of the Nixon “Southern Strategy”: the creation of the health maintenance organizations (HMOs), and the slave-labor program for welfare recipients, called “workfare.” Now with him, and a group of Wall Street sharks and lunatic “free-marketers,” at the helm, the Social Security

system which has served America well for 65 years, is at severe risk.

The Social Security System

What is called the Social Security system is officially two trust funds: one, the Old Age and Survivors Insurance fund and the other, the Disability Insurance Fund. Combined, they are called the Old Age and Survivors and Disability Insurance funds, or OASDI. In 1999, there were 44.6 million elderly and/or disabled Americans who received Social Security. For the retired person, the average monthly benefit was \$804. Though the privatizers disparage the benefit of Social Security, for 65% of Americans 65 years or older, the Social Security benefits provide between 50% and 100% of their annual income. In fact, for one out of five Americans 65 years or older, Social Security benefits provide 100% of their annual income.

The privatizers, who are funded by, or work for, the large brokerage houses, commercial banks, mutual funds and insurance companies, alternate between two types of lie, which they use to peddle privatization. But ultimately, all they are interested in, is getting their hands on the Social Security system’s enormous accumulated funds.

The first lie consists of saying that by putting Social Security money into the stock market, the individual worker could make much more money. Under the current Social Security system, the worker pays a tax equal to 6.2% of his wage into the OASDI trust fund, and the employer matches that, so that an amount equal to 12.4% of the worker’s wage is put into the Social Security trust fund. The privatizers say that an amount in the range of between 2% and 10% of the worker’s wage, should not be put into the OASDI trust fund, but instead, the worker should be “allowed” to put that into a “Personal Retirement Account” (PRA), which would be invested in the stock market. The more extreme privatizers want an amount equal to 10% of the worker’s wage (i.e., most of

what would go toward Social Security taxes), to be invested in Individual Retirement Accounts (IRAs), and thus in the stock market. They call this “the freedom of the worker to choose.”

The privatizers claim that the worker can earn 10% to 15% per year by having his money invested in the stock market, which is more than the worker can earn by having his tax money in the Social Security trust fund. The latter earns between 4.5% and 6% per year, because by law, the Social Security Trust Fund can only invest its money in a special kind of non-marketable U.S. Treasury bond. The privatizers omit any mention of such things as the fact that the value of the Nasdaq stock average has fallen 56% since March 10, 2000, enough to wipe out much of any worker’s retirement fund. Historically, there have been periods of five to ten years when the stock market either earned very little, or lost money. Moreover, under the current worldwide financial disintegration, stock values will fall between 75% and 90% further, thereby destroying a retired worker’s social security, leaving him completely impoverished.

The Second Lie

But while dangling this fool’s gold in front of the worker, the privatizers also hand out a bigger lie: that the Social Security system is about to go bankrupt, and therefore, as an emergency measure, money should instead be put into the stock market.

There is, indeed, a serious problem in the Social Security system, but privatization would only make it worse.

First, let us look at the statement that the Social Security system is about to imminently go bust. It is this fiction that Bush trumpeted on May 2, when he introduced his Social Security Commission. Bush said, “Yet it has been apparent for many years that Social Security itself is becoming insecure. . . . The threat to the stability of Social Security has been apparent for decades. For years, political leaders have agreed that something must be done, but nothing has been done.”

But while Bush, the banks, insurance companies, etc., put out the story that Social Security is running out of money, the opposite is happening. Around 1990, the OASDI Board of Trustees reported that the Social Security Trust Fund would “be depleted,” i.e., run out of money, as early as 2025. In 1995, the OASDI Board of Trustees reported that the OASDI trust fund would be depleted by 2030. In 2000, the OASDI Board of Trustees reported that the OASDI trust fund would be depleted by 2037.

The Real Problem, the Real Solution

The Social Security system does have a potential serious problem, but if one understands real physical economy, there is a way to solve it.

As a result of changes made in 1983, a surplus is being built up in the Social Security Trust Fund. According to the “intermediate assumptions” reported in the Y2000 Annual Report of the OASDI Board of Trustees, by the year 2024,

the Social Security Trust Fund would have a \$6.048 trillion surplus. Starting in 2025, the annual level of outflows to beneficiaries, would exceed the annual level of inflows into the OASDI fund. The annual inflows into Social Security come from taxes paid by workers and employers, and from the earnings that the Social Security Trust Fund receives from its holdings of U.S. Treasury securities. From the point that outflows exceed inflows in 2025, the \$6.048 trillion surplus will be drawn down, until, by the year 2037, the Social Security Trust Fund is supposed to run out of money.

For nearly four decades, then, the Social Security fund is expected to remain solvent. The solvency problem of the fund in the year 2037, is not, as the privatizers claim, a product of accounting, but of the domination of the incompetent post-industrial policies. First, the number of new workers who enter the workforce each year has fallen, due to the demographic collapse of families (itself a result of the *economic* collapse of families). This reduces the number of new workers whose taxes are needed, in part, for the benefits of those who are retired. Second, the decline in living standards of those who are already working, and also the contraction of physical output, have together reduced the level of taxes available to be paid into the Social Security Trust Fund.

Were the great infrastructure project-pivoted New Bretton Woods policy of Lyndon LaRouche to be implemented now, then long before the year 2037, the non-linear economic growth would provide solvency to the Social Security fund, on a permanent, long-term basis.

So, while the Wall Street privatizer-looters scream about the imminent insolvency of the Social Security Trust Fund, they are not really interested in solving the potentially serious, deeper problem, because that would mean junking the disastrous post-industrial society policy, which they all support. Instead, what they are truly and strictly concerned about, is to siphon off the huge flows of funds that go into Social Security. Over the next few years, it is projected that workers and employers will pay, in earmarked taxes, the following sums into the Social Security Trust Fund: over the next three years, \$1.58 trillion; over the next decade, \$6.27 trillion; over the next 25 years, \$25.30 trillion. To get their hands on this, is the looters’ objective.

Moynihan, Originator of HMOs

Some will say that the selection of Daniel Patrick Moynihan as the new Social Security commission’s co-chairman represents a slick move by George Bush to choose a Democrat, in the spirit of bipartisanship. But it actually forewarns that there will be no concern about the value of human life—in this case, the lives of the elderly.

In 1969, then President Richard Nixon hired Moynihan, a right-wing social democrat, who had worked at the International Rescue Committee under intelligence spook Leo Cherne, to be his Presidential counselor, and head his newly created Council on Urban Affairs. On Jan 3, 1969, Moynihan had written a memorandum aimed at wiping out the black

“underclass”: “The Negro lower class must be dissolved. . . . It is the existence of this lower class, with its high rates of crime, dependency, and general disorderliness, that causes nearby whites to fear Negroes and to seek by various ways to avoid and constrain them.” The way to accomplish this was *not* to provide blacks with essential services and programs. Rather, Moynihan proposed to treat them with a policy he called “benign neglect.”

During July 1969, Moynihan wrote a memo to President Nixon, which attacked any increase in spending for Medicaid and Medicare—the programs of medical assistance to the poor, and the elderly and disabled—as “money down the drain.” This was the opening salvo, in coordination with Nixon’s Health, Education and Welfare Secretary Elliot Richardson and Office of Management and Budget Director Caspar Weinberger to push for cost containment and the Nazification of U.S. medicine, through health maintenance organizations. This culminated in the formulation and passage in 1973 of the Health Maintenance Act.

It was also Moynihan who formulated and drafted the 1971 “Family Assistance Plan,” which would have compelled welfare recipients to work at slave-labor jobs. Largely as a result of the fierce opposition led by the LaRouche movement, that legislation failed. But with a slight makeover, it became the Welfare Reform Act, which Vice President Al Gore rammed through Congress in August 1996.

Co-chairing the Bush Social Security Commission is Richard Parsons, of largest U.S. media empire, AOL Time Warner, who was a former aide to the genocidalist New York Gov. Nelson Rockefeller during the 1970s.

But the dangerous nature of the 16 person commission does not stop there. Wall Street’s command center for privatization is the “Social Security Privatization Project” of the lunatic Cato Institute of admirers of Friedrich von Hayek. The Cato Institute receives funding from Citigroup, Chase Manhattan Bank, Fidelity Investment, American Express, and arch-speculator George Soros, all vultures eagerly eyeing Social Security money. Five commission members are attached to, or collaborate with the Cato Institute’s Privatization Project. Two commission members, Sam Beard and former Rep. Timothy Penny, serve on the Privatization Project’s speakers bureau. A third, Carolyn Weaver of the American Enterprise Institute, was described by a Social Security expert at Cato as “the key person around the White House pushing full privatization”: She is Bush’s senior adviser on Social Security.

Richard Pozen, vice chairman of Fidelity Investment, the world’s largest mutual fund, and a fervent proponent of privatization, is also a member.

The privatization proposal of the Bush commission is a gigantic looting swindle, and the same outlook that created the HMOs and slave-labor welfare reform, would now be applied to the elderly. But if they succeed in grabbing their loot, everyone will lose, as a stock market crash wipes out Social Security, and their loot as well.

Interview: Sergei Glazyev

How Can the World Get Out of This Crisis?

Dr. Sergei Glazyev is a Corresponding Member of the Russian Academy of Sciences, and Chairman of the Committee on Economic Policy and Business of the Russian State Duma (lower house of Parliament). He was interviewed by Rachel Douglas of EIR and Gabriele Liebig, editor-in-chief of the German weekly Neue Solidarität, on May 5, in Bad Schwalbach, Germany, where he had spoken the previous evening, together with Lyndon H. LaRouche, Jr., on the opening panel of the Schiller Institute’s international conference. (See last week’s EIR for the proceedings of that panel.)

EIR: The name of our conference, Sergei Yuryevich, is “The Ecumenical Battle for the Common Good.” In your speech last night, you said that you thought that this conference was particularly timely. Can you tell us why you think so?

Glazyev: Well, yes, I think that this conference is a very important one, and it takes place just in time. Because, at the moment when the world financial system is going through a turbulent crisis, which becomes deeper and deeper, we should think about what will be the possible way out of this crisis, and what could be done, in order to avoid financial catastrophe, together with economic catastrophe, which would split the entire world into separate regions, and everybody will survive for himself. Here, at this conference, we not only learned from worldwide experience what happens in different parts of the world, in this very complicated and difficult situation, but also we are elaborating possible scenarios for overcoming the financial troubles and switching to a worldwide development process, which will be based not on financial bubbles and financial speculation—on virtual economic activity—but will be based on the improvement of the real life of the people, in terms of growth of real production, of growth in GDP per capita, of improving technologies and increasing the quality of life.

EIR: Mr. LaRouche spoke about what he calls “the Vernadsky strategy,” and said that the special role of Russia in this process can be based on its technological, scientific traditions and the idea of great infrastructure projects in all Eurasia. How do you view, how do others in Russia view the infrastructure proposals of the Schiller Institute and Mr. LaRouche on the Eurasian Land-Bridge?

Glazyev: I think that Russia really could and should play a very important role in the establishment of the new world



Dr. Glazyev, author of Genocide, the most thorough work damning the 1990s "privatization" looting of Russia, speaking at the Schiller Institute's Eurasian Development conference on May 4.

architecture. And, insofar as we are speaking not about virtual economic activity, but about real economic growth, we should think about how economic development could be promoted, not only in Russia or in other countries, but for the whole world; because at the moment, the whole world financial system is going into trouble. A lot of countries now lack capital. They could not find access to the capital markets, they do not have credits to develop their infrastructure, and develop their products. And for this reason, at this conference, and especially in the work conducted by the Schiller Institute and Mr. LaRouche, we see very fruitful—to my mind—ideas concerning the promotion of economic growth in the new economic situation.

Here, I should say that one of those ideas, the establishment of large infrastructure projects, is one of the most actively discussed in Russia at the moment. We are speaking about a new stage of life of the Trans-Siberian Railroad, which could connect the Far East with Western Europe.

EIR: And also the BAM, the famous Baikal-Amur Mainline.

Glazyev: Yes, the Baikal-Amur Mainline is a part of this Trans-Siberian corridor. It's finished now. Maybe few people know it, but just a few months ago, the last important tunnel was built. At the moment, we are ready to put this railroad into full-scale operation. It means that various goods could be delivered from the Far East to Western Europe, and vice versa, in two weeks.

Another very important infrastructure project, which is being considered in Russia at the moment, is the modernization of the Northern Sea Route. The Northern Sea Route is

another opportunity to connect the Far East with Western Europe. It also takes about two weeks by ship, to get goods from Japan to, let's say, the Netherlands.

EIR: And this is navigable for how many months during the year, with the ice in the Arctic?

Glazyev: In fact, theoretically, it could be used year-round, using modern nuclear icebreakers. But, of course, usually it operates for half the year, starting in June or May, and finishing in October-November. In any case, using new technologies—constructing not only nuclear icebreakers, but also opportunities to use underwater transportation, and so forth—we can push this sea route to operate the whole year.

EIR: So, there are many possibilities!

Glazyev: Yes, and, finally, I should say that we should speak also not only about the connections between the Far East and Western Europe, in Eurasia, but also we must think about how to improve communications between South and North. Here, I'd like to say that we have already made some important decisions in Russia. For instance, we opened the air route over the North Pole, so now airplanes from India can reach North America over the North Pole, which is about two times less distance than the usual one. I'm sure that this new air route will also be very important for further economic development.

Recently, during the visit of the President of Iran to Russia, we agreed to open another very important communications and development channel, from South to North, from Iran through the Caspian Sea and the Volga River, to the

northern part of Russia and the Baltic Sea.

EIR: And, I understand, Iran has negotiated also with India on the completion of this North-South route.

Glazyev: Yes, and on this route, you can use already-existing water channels, which connect the Caspian Sea with the Baltic Sea. It makes easier and cheaper the transportation of goods in large quantities, through these transnational routes.

EIR: Many people don't know that the inland waterways in Russia have a very long history.

Glazyev: Yes, from Peter the Great. We have connections through river channels, between all the seas in the European part of Russia: the Black Sea, Caspian Sea, Baltic Sea, and the Northern [Arctic] Ocean.

So, the formation of these development corridors, which will be based on modern transportation technologies, is a very important device to stimulate economic growth and economic development.

But I'd like also to stress that, at this conference, which is very important, we think about how to combine the comparative advantages of various countries in this very large region, to push them into mutually beneficial cooperation, and how to combine efforts in order to achieve high rates of economic growth.

The point is, that economic growth is not an even process. Each time, you can see growing industries and declining industries. You can see the emerging opportunities, and the closing of this or that sector of economic activity. The theory of long-wave economic development, which was elaborated by the Russian scientist Kondratieff and then by a lot of followers, all over the world, who now have established the long-wave theory, gives a very good chance to forecast what will be the future locomotives of economic growth, and to concentrate the efforts of those countries in taking those opportunities, together, using their comparative advantages, and trying to establish locomotives for growth for the new long-wave economic development period.

And here, from the Russian side, we can see such technologies as nuclear energy, natural gas recycling technologies, aviation, airspace, telecommunications — also biotechnologies: those industries which are growing [at rates of] from 20% to 100% per year, at the moment, and which really could give us new opportunities for growth.

EIR: New horizons. I think we see why, in your book, *Genocide* — which *EIR* had the honor of publishing in English — which presents a very stark picture of developments in Russia, readers of this book have been struck by the tremendous optimism in your concluding chapters, and I think you have given us a very good idea of the scientific basis for this optimism. When we talk about new technologies, in Russia economists like Dr. Glazyev are talking in terms of the *real* economy, not just the Internet and personal computers.

Glazyev: You are right. If we concentrate economic policy

on the stimulation of investment and innovation activity, on the promotion of economic growth, based on new technologies, we could achieve fast and sustainable growth at a rate of up to 10% GDP annually. Russia has a huge capital stock (half of which doesn't work, due to the bad macroeconomic climate), an educated population, and a highly developed R&D sector. Using even just the existing savings, through a modernized banking sector, investment activity could be doubled. We lack appropriate institutions and mechanisms — both market, and government ones. The latter should work thoroughly, to start the market mechanisms.

EIR: I have a question about the Asian dimension of Russia's policy. When President Vladimir Putin was in Brunei last November, it was precisely there, with an Asian audience, that he — I think maybe for the first time in his speeches — brought up the question of closing the North-South development gap. He even used the term “the golden billion” [the privileged portion of the world's population], which is referenced in your book. My question is, what is the attitude in the Russian leading circles, to the Association of Southeast Asian Nations' (ASEAN)-Plus-3 [China, Japan, and South Korea] financial stabilization attempts — the mutual defense against speculators, and the kind of great physical economic projects that we talked about here?

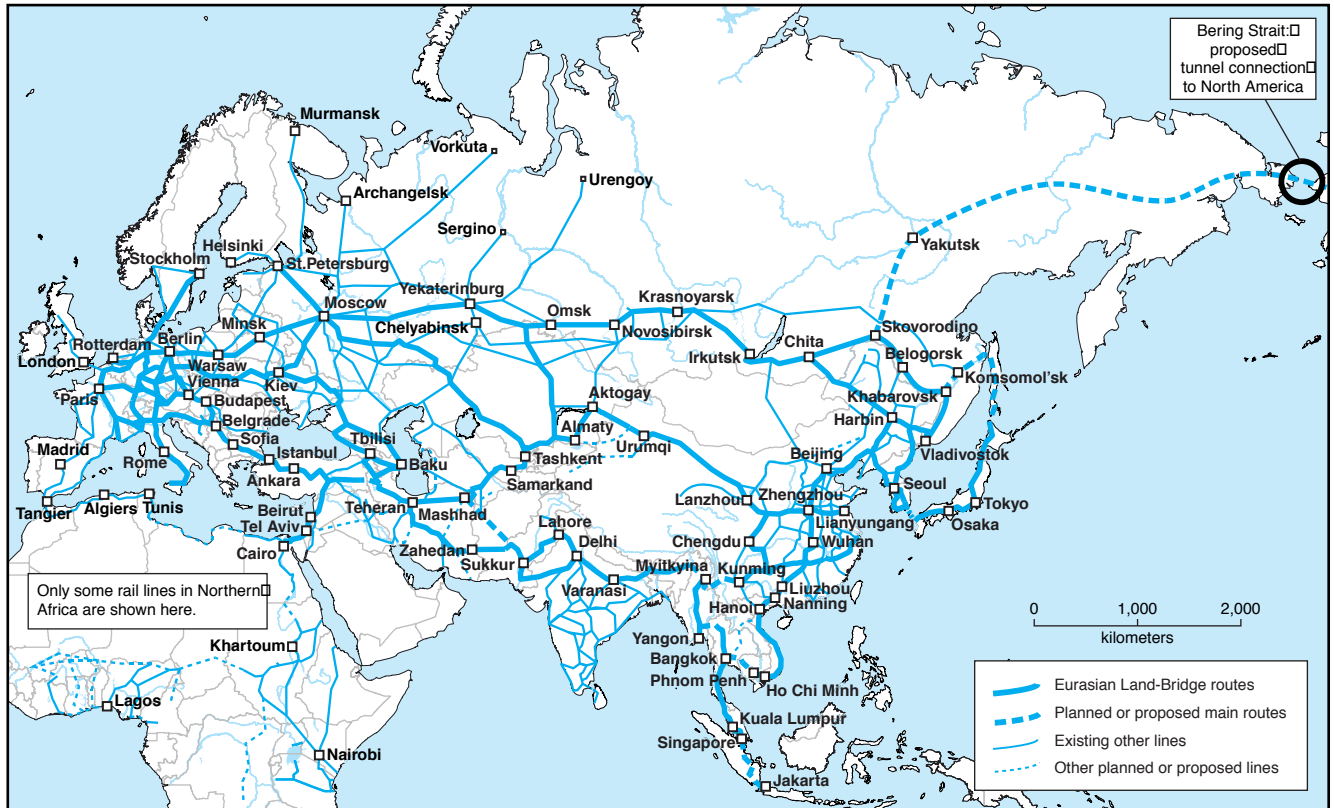
Glazyev: I think that it is obvious now, that the growth of financial speculation (which already led to the destruction of the Russian economy in 1998, during which Russia lost about \$20-30 billion and the banking system almost collapsed, and we see this from the experience of other countries as well, in Asia) is the major threat to the development of national economies all over the world. Even large countries couldn't really do anything, if various mega-speculators try to attack their financial system, in order to create instability and take huge profits from the disequilibrium situation which emerged.

For instance, if you take Russia's example, the financial speculators who invested \$1 in financial speculation in Russia in 1993, got about \$30 in profits in 1998, before the financial crash happened. This money, “earned” due to the redistribution of national income and natural wealth from the real sector, and from the savings of the population, moved through the financial pyramids into the pockets of the financial oligarchs, who took it abroad, together with the currency reserves of the Russian Central Bank.

In order to avoid shocks, coming from the financial speculators' activity, I think that all the countries that are interested in prosperity and development, should introduce in their economic systems some kind of filters, which will prevent speculative capital from having access to the internal market. Here, the lessons given by Malaysia are very interesting, because they show that relatively simple measures, in fact, could help to overcome the difficulties, which each country faces on the worldwide financial market. We need direct investments, and we should avoid speculative investments, the only goal of

FIGURE 10

Eurasia: Main Routes and Selected Secondary Routes of the Eurasian Land-Bridge



which is to make disturbances in the market and create fluctuations.

I think that Russia also should implement, at least, so-called time-filters, which means that the currency regulation procedure should include the requirement for all investors who want to take money out of the country, to declare this intention at least half a year beforehand. This will help to separate the real investments from the speculation.

Another problem, is that in order to finance economic growth, especially in relatively small countries, you need credit facilities, which will provide long-term credits, with an interest rate that should be less than the rate of their growth. Otherwise, they will get into a debt trap. In order to organize credit facilities with such low interest rates and long-term schedules [of repayment], we need to establish new international financial institutions that will really help countries to develop themselves.

EIR: May I ask, in this context, about your work within, and the aftermath of the Ishayev working group? Readers of *EIR* know that you were a leading figure in the drafting of the Ishayev Report, which was presented to the State Council. Then, more recently, both you and Academician Lvov took part in the cabinet session of March 22, and presented this

perspective for the long-term development of the real economy of Russia. That, of course, includes many concrete ideas on the ability to generate credit internally, through the Development Bank institutions, and so on. Then, after the President's message to the Federal Assembly, you convened hearings in your committee, on exactly these questions, and you spoke very strongly, in public, when you said that the government was completely ignoring his instructions to go in the direction of technological development and the promotion of real investment. My question is, do you see that, under the force of the pressure of the reality of the world collapse, this thinking can change?

Glazyev: I think that it should change, in any case, because if the world financial system collapses, there will be no other chance to grow, than to create your own domestic development institutions, to channel financial flows into the real sector, to stimulate innovation activity and investment in new technologies — by means of various kinds of government economic policy instruments, which are known worldwide and which are successfully applied now in China and India, in Japan still now, and in other countries. So, in the event the financial collapse takes place, the only way to survive will be to develop the kind of financial system, which will bring together the banking sector with the real sector, and the sav-

ings of the population with investments, and which will stimulate economic growth by means of various kinds of development institutions.

Even if the financial collapse did not take place just tomorrow, and the financial system still continued under a turbulent regime of permanent crisis for, let's say, several years, in my mind Russia still has no other choice. Because, if we continue the narrow-minded Washington Consensus policy, removing the government from responsibility for what happens in the economy—even if we displaced the financial speculators and oligarchs, who now control the Russian raw materials, energy, and financial sectors—then the maximum rates of growth we could expect, in this situation, are not more than 2% per year. This is exactly the rate of growth, which is determined by the growth of the demand from abroad, for Russian raw materials, because, in the present situation, the manufacturing industries, agriculture, and other real branches of the economy have no chance to survive. Why? First of all, because the scarcity of financial resources, the absence of credit facilities, and the lack of monetary institutions create a huge barrier between the financial sector and the real sector. So, the companies in the real sector cannot get access to credit.

Another problem is that raw materials exporters are too interested in shifting to world prices in the energy sector, which just means bankruptcy for the majority of Russian manufacturing companies, because they would need to adjust to the new price situation. So, in order to push economic growth, to push existing capacities to grow, to implement new technologies, we need a development policy—an industrial policy: the active government stimulation of investments, and government control over financial flows, which will guarantee that the banking system and financial system work to promote investment activity and economic growth.

Neue Solidarität: Mr. LaRouche said that the Eurasian development is a precondition for any future for the African continent. I wanted to ask you your thoughts about that.

Glazyev: To answer this question, we should look at the whole global economic system at the moment. In the globalization process, which has been taking place during the last several decades, we see unequal economic development. In spite of the fact that, from the first point of view, the global market becomes united, and barriers between countries are disappearing, and the flow of goods, capital, and labor is rather free at the moment, among the majority of nations—at the same time, we see the growth of inequality in living standards, in economic development, and we see that the so-called global market, or global economy, is splitting into at least three types of countries.

The first one, which includes the G-7 countries and other highly developed economies, constitutes a core of the global economic system, which concentrates the intellectual and financial potential. This means that they create opportunity for

their companies to benefit from unequal economic exchange, because of taking intellectual rent and financial rent from worldwide exchange. Intellectual rent is the well-known phenomenon of the production of new goods, using new technologies. Those countries and companies, which can produce something new for the market, something more efficient, have so-called intellectual rent, which are the superprofits they take, because of their superiority in technology. The amount of such technological rent in present science-intensive products, could be more than half of the price. For instance, in the semiconductor industry, in information technologies, in telecommunications, in aviation, we see that the share of intellectual rent, embodied in these products, is between 20% and 60%.

This means that other countries, which must sell for export their labor-intensive products or natural resources, in fact pay for this intellectual rent, subsidizing the economic growth, the growth of technological progress in the developed countries. This inequality intensifies, with the economic development during the last decades.

The second source of inequality, financial rent, is taken by the highly developed countries, because they use their access to capital at low interest rates, and use their opportunities to extend credits to the rest of the world, at interest rates that are much higher than economic growth.

Bearing in mind that since 1971, the Federal Reserve System printed American dollars as a worldwide currency without any backing in gold reserves or other currency reserves, it means that it privatized the global currency and the right of money-creation. This means that the Federal Reserve System, together with financial companies linked with it, are getting so-called seigniorage from the whole world—superprofits, from creating money. This gives the opportunity to the financial monopolies, to get access to unlimited financial resources, which gives them the possibility to undermine, by financial speculation, the financial system of any nation in the world. Undermining the national financial system, they create opportunities to take huge superprofits through destabilizing the national financial system, creating a situation of disequilibrium, and getting huge profits, due to these distortions.

Neue Solidarität: How do you understand the connection with Africa, and the political side? Because if we don't manage to get this Eurasian development—

Glazyev: You see, it is a vicious circle. Somebody has to break it. These Eurasian development programs, which are discussed here, and the Eurasian integration perspectives, are a challenge. It changes the situation. It creates new opportunities, new facilities for credit to finance economic growth—much more just, and much more efficient.

So, insofar as the Eurasian countries could develop their own financial system and finance their own trade, their own mutual infrastructure projects, it would mean for Africa access to quite another source of capital and of technologies and

ideas. In order to ruin the vicious circle Africa is in now, it needs a new opportunity, and the Eurasian economic growth plans, which we are discussing here, could create such opportunities.

Neue Solidarität: I have one more question, on the concept of "Peace Through Development." When Professor Selim, from Egypt, was speaking, I thought about the backdrop of this Mideast war situation, against which he was speaking about this development project, of the Eurasian Land-Bridge extended into Africa through the Middle East regions, and so forth. I thought again that the motivation for why wars are being instigated actually is to prevent development. On the other hand, for decades already we have organized people around the concept of "Peace Through Development." I would like to ask about the application of this principle in the Russian Federation, and around the former Soviet Union where there are conflicts, especially in Central Asia.

Glazyev: I think that, in the present world, development could be only peaceful, since both political and economic stability are necessary for investment activity, for innovation activity. In order to reach sustainable growth, we should avoid various kinds of conflicts, especially larger conflicts, which create huge instabilities and disasters.

Neue Solidarität: I just wanted to mention the development dimension in Chechnya, in order to solve the Chechen problem.

Glazyev: Who financed the Chechnya War? We know very well that the mafia financed it, first, which in Russia, to a large extent, is based on the same people who were participating in this war. It involves the same people and the same mechanisms. Chechnya becomes a so-called terrorist state, which creates huge opportunities not only for terrorism, but for the mafia, as well. There were huge profits in the Chechnya War. And, I know that a large portion of the financing for the Chechen terrorists, comes from the West.

Neue Solidarität: Of course you need peace, for development. But Mr. LaRouche's idea has always been, that you can achieve "Peace Through Development." Are there reconstruction programs for Chechnya?

Glazyev: Of course, we very well understand that in order to reach peace in this region, you need to give people opportunities. You should create jobs there, you should create opportunities to be in business, to get salaries. During this whole period of the Chechnya War, the Russian Federation allocated billions of rubles, to invest in the Chechnya economy, to reconstruct it. We still continue to do this, in spite of the fact that a large portion of this money disappeared. Some plants were reconstructed, and then they were again destroyed. But, nevertheless, we understand very well that without huge investments in the reconstruction of the economy of Chechnya, there could not be peace there.

Neue Solidarität: What are the abilities of your Duma committee, as a whole, to promote the idea of the Eurasian Land-Bridge?

Glazyev: According to the Russian Constitution, the State Duma, the lower chamber of the Russian Parliament, in fact has very limited opportunities to influence real policy. I think this is one of the main mistakes in the present Russian Constitution, which leads to a huge concentration of power, without any responsibility, in the Executive Branch. The Executive Branch, without proper control from the Parliament, usually failed to elaborate the proper economic program, because it's under the influence of certain private interests.

But, nevertheless, the Russian Parliament has at least two opportunities for influence. The first one is the elaboration of new legislation, the creation of legislation. The second is the appointment of the head of government. This makes the State Duma an important place, where various projects are discussed. Maybe it is not as influential as a source of power, but it is rather influential in terms of intellectual influence, a source of ideas, and so forth.

Of course, the ideas about Eurasian development, which are presented at this conference, I'm sure will be very interesting for Russia. It will be also part of the economic strategy discussion, which we held, and which continues.

GENOCIDE RUSSIA AND THE NEW WORLD ORDER

Russia in the 1990s: "The rate of annual population loss has been more than double the rate of loss during the period of Stalinist repression and mass famine in the first half of the 1930s . . . There has been nothing like this in the thousand-year history of Russia."
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Agenda for National Energy Emergency Action

I. Blacked Out: Residential Utility

Shutoffs Creating 'Overnight Okies'

As of May, household power disconnects for electric, natural gas, and/or propane, are under way in dozens of states on a mass scale. Months of hyperinflated Winter bills, have caused unpayable past-due charges, with few policy interventions on behalf of the public good.

In April, a nationwide survey by the National Energy Assistance Directors' Association documented that 3.6 million families in 18 states and the District of Columbia, were at risk of cut-off, affecting potentially at least 5 to 7 million people (www.neada.org).

As of May, in many states, hundreds of thousands are facing having power disconnected and being thrown into immediate crisis — "overnight Okies."

For political reasons, there is an intense news blackout of the scope of this. The obvious reason is that coverage would feed the fury over energy hyperinflation, and Bush's "markets-at-all-costs" policy, especially this week, as the National Energy Policy is released May 17.

The following are indicative reports gathered by EIR News Service from first-hand accounts, and local media coverage. EIR will release national updates on this, beginning this week (www.larouchepub.com).

■ Iowa — Kossuth County

Statewide, as of April, Iowa had 80,000 households requesting energy assistance, an increase of 29% over the year before. Overall, the state reported that there were some 180,000 families with more than \$34.5 million in overdue bills—more than double the year earlier. The state extended

a cut-off moratorium to May 1, then the disconnects proceeded. The major electric and gas company in Iowa is Warren Buffett's Mid-America Energy.

In Kossuth County, cut-offs of electricity, propane, and natural gas are causing overnight housing crises for families. One family of four, cut off from utilities in April, has moved into a tent in a county park. As "campers," they hope to have access to electrical hook-up and a public water source. Two school-aged children of another family whose power was cut off, were found to have rigged up a dangerous heating source for the evenings, to stay warm and have light for the children to

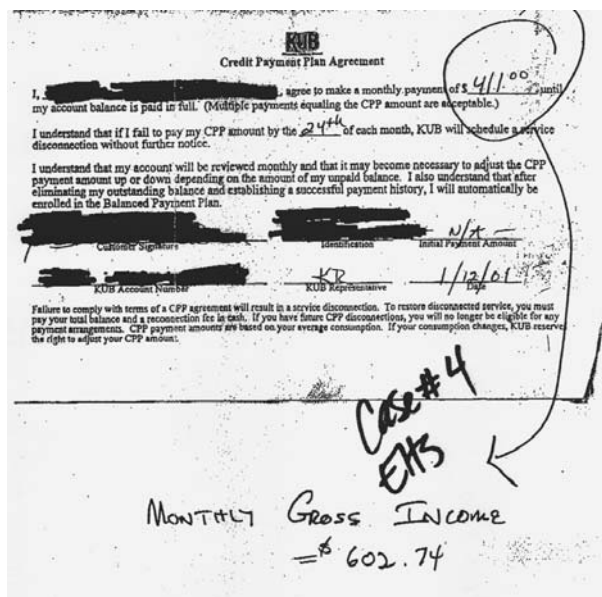
do homework: Under the kitchen table, they used a small charcoal burner, set atop a slab of concrete they scavenged. Thinking they would cut risk of fire, they stapled tin foil onto the underside of the table.

Child assistance workers report many other instances, adding that marital abuse has risen dramatically, directly connected to unpayable energy bills.

■ Mississippi—Hinds County

Statewide, as of April, there were 39,750 households requesting energy assistance, a 50% increase from the year before. As of May, cut-offs of electricity, natural gas, and water were under way in a more "extreme" way than ever before, in the estimation of local relief agencies.

In Hinds County, in Jackson, a mother of four children, ages 12 and under, had gas, light, and water all turned off in mid-May. The mother had been regularly paying \$50 to \$75 a month toward her gas bill, for example, but Mississippi Valley



This redacted Credit Payment Plan Agreement was required of a Knoxville, Tennessee resident whose service had been cut off by the Knoxville Utility Board, the area's municipal utility provider. The Economic Opportunity Studies organization reports that the demanded payment represented 68% of this resident's monthly income!

Gas cut the household off anyway. January's gas bill for the household was \$1,399, for which the County Human Resources paid \$540 to defray. But the high bills continued. The March bill gas bill was \$1,096; and in May the turn-off came. At the same time, Jackson authorities turned off the water, and Mississippi Entergy turned off the lights.

■ Louisiana — Tensas Parish

Statewide, as of April, Louisiana had 92,100 households appealing for energy assistance, a 91.9% increase over the previous year. In the New Orleans area, served by Entergy, household arrearages in April stood at \$32.9 million, up from \$14 million last year. After granting a

week's delay, Entergy is proceeding with disconnections.

In early May, local TV reports showed households in and around St. Josephs and Waterproof, Tensas Parish (northern Louisiana), hit by shut-offs of water, or power, or both, for non-payment of bills. Several mothers were interviewed, saying they cannot now wash clothes, cook, and care for their children. The mayor of Waterproof was shown, insisting that people must pay their water bills, or the city would have no revenue to pay the high energy costs for keeping the town's waterworks going.

■ Tennessee — Knox County

Statewide, as of April, 95,630 house-

holds had appealed for energy assistance, 47% above the year before.

In Knox County, in Knoxville, the situation of one mother with children, is typical of what many customers of municipal utility companies face. The woman is offered a payments plan she cannot meet, to keep the gas on. (Shown, is a reproduction of the offer). As of mid-January 2001, with Winter cold having arrived early, the household had accumulated significant arrears on the utility bill, and service was cut. To get the services restored required an agreement to pay \$411 per month, or 68% of a gross monthly household income of \$602!

II. Many Calls for Energy 'Price Control'

There is a blackout of the many calls for Federal and state emergency intervention to re-establish cost-of-production-based energy prices, or price control of any kind. The following are some of the recent statements of Congressmen and representatives of leading constituency organizations.

Organizations, Officials

■ **AARP.** James Parkel, President-elect of the American Association of Retired Persons, testified May 15, to a House Energy Subcommittee hearing, that "cost-based" energy pricing is essential. AARP had opposed power deregulation, and is calling for the Federal Energy Regulatory Commission (FERC) to use its standing authority to impose cost-based pricing immediately.

■ **Tennessee Energy Acquisition Corporation.** This non-profit firm purchases natural gas for use by member-municipal gas works in the state, to, in turn, supply local customers. President Mark McCutcheon testified May 15 to the House Energy Subcommittee, that the economic impact is "devastating," because the natural gas wholesale price has quadrupled. He said there is no supply-and-demand problem involved; instead, "across the nation, billions are going into coffers of the few supplier companies," such as El Paso Gas. Pointing to the speculation on the New York Mercantile Exchange, energy futures trading, and other factors, he said

Congress must face whether our national energy policy should include "re-regulation."

■ **South Dakota Regulatory Commissioner Pam Nelson** told the *Billing Gazette* for May 3, that "the solution is to re-regulate the power companies, determine the cost of service and reasonable rate of return and set the rates as they were before."

Congress

■ **Rep. Henry Waxman** (D-Calif.), sponsor of an amendment calling for electricity price controls in the Western states (voted down May 10, in the House Energy Subcommittee), made statements May 1 and May 10, that the first thing needed is "restraints on gouging," and "limits on wholesale prices. . . . We're being taken advantage of." He said that the chief problem is "runaway wholesale electric prices." He stressed that without price controls, the "incentive is to withhold electricity" to artificially drive up the price.

■ **Rep. Rick Boucher** (D-Va.), at the May 1 hearing, said that Federal legislation should offer measures for "wholesale price protection." He criticized an April FERC action as a "deficient order," because it does not act to ensure that wholesale energy prices are "just and reasonable."

■ **Rep. John Dingell** (D-Mich.), at the May 1 Energy Subcommittee hearing, read directly from the 1935 Federal Power Act,

on the mandate for "just and reasonable" energy prices. He said the "FERC should carry out its statutory and mandated" task of assuring "just and reasonable" prices for energy" today. "We need to hear why FERC has *not* carried out its mandate in the Northwest and West." He pointed out that there was a witness before the committee, from wholesaler Reliant, which has "prospered mightily" on the spot market, not on the regulated market. "FERC has been resting tranquilly beside their statutory responsibilities." As for the Barton "Electricity Emergency Relief Act," suspending state and environmental laws, and turning over power to the FERC to grant rights for transmission line routes, "Will we get transmission lines on the Mall, or in the Grand Canyon? There is monstrous sawing of the air going on, when the problem is clear."

■ **Rep. Dick Gephardt** (D-Mo.), on May 15, at a press conference at a District of Columbia Exxon gas station announcing his release of the Democratic Energy Plan: "We are very interested in the Federal Energy Regulatory Commission beginning right away to do something that we think they have the power already to do, and that's to bring some price caps on electricity at the wholesale level on the West Coast."

■ **Rep. Jay Inslee** (D-Wash.), speaking right after Gephardt, said that it is a myth that supply and demand are the problems: "Demand has gone down. And yet, whereas California, as an example, was paying about \$7 billion two years ago for electricity, next year it will spend \$70 billion for electricity. That doesn't have any-

thing to do with bottlenecks. That doesn't have anything to do with transmission. What it has to do with, is the generating

community having a stranglehold on the Bush Administration and putting their foot on FERC to prevent the Federal Energy

Regulatory Commission from doing their job. Their job is to ensure that we have reasonably priced electricity."

III. Energy Crisis Means Farming Crisis:

Fertilizer, Water, Power

Recent reports from farm organization representatives and agriculture inputs suppliers in Washington, D.C. document the worsening impact of the energy crisis on the food supply chain.

■ **Fertilizer.** On May 15, Glen Buckley, Chief Economist and Director of Agribusiness for CF Industries, Inc., one of the largest producers and marketers of nitrogen fertilizer in North America, gave testimony to the House Subcommittee on Energy, of the Committee on Energy and Commerce. Buckley presented graphics to document that nitrogen fertilizer plants, whose principal feedstock is natural gas, ran at an operating rate of 92% during all of the 1990s, but that during 2000, when gas prices soared, the operating rate fell, reaching a record low of 47% in January this year. CF Industries itself idled seven of its 12 plants in Louisiana.

The cost for a typical Louisiana producer of anhydrous ammonia (nitrogen fertilizer), went from about \$100 a ton in January 2000, to \$300 a ton in January

2001. In turn, this "also had a dramatic impact on fertilizer prices throughout the marketing chain, and in particular, at the farm level."

CF alone has typically supplied one-third of the anhydrous ammonia used in the Midwest farm belt, and one-fourth of the nitrogen fertilizer used in the United States. Thus, a "domino effect" from natural gas prices is occurring on the farm level.

Industrial capacity is shutting down permanently. "Of the 19 million tons of capacity in the U.S., approximately 1 million tons has already been permanently closed." Five million tons more could close within the next two years.

■ **California Farm Bureau Federation Representatives** gave a Washington, D.C. briefing May 7, to release a report prepared by their CFBF Farm Crisis Task Force, formed this past January. Calling the situation a "terrible crisis," spokesmen discussed the combined impact of energy costs and unreliability, severe water prob-

lems, and low prices for farm commodities.

They spoke of "skyrocketing energy costs," stressing in the first sentence of their 18-page report, that "Agriculture is energy-intensive." On electricity costs, they warned, "Accounting for announced rate increases, it is estimated agriculture's rates will be at least 30% higher this year than last, ranging anywhere between 13¢ and 24¢ per kilowatt-hour. These increases do not yet account for costs of procurement that must be repaid to the state." (These latter rate hikes were subsequently announced on May 15.)

The first chart in the CFBF's report showed that California's wholesale electricity prices went from \$7 billion in 1999, to \$32 billion in 2000, to an expected \$65 billion anticipated in 2001. The report also documents hyperinflation in natural gas, and in diesel and gasoline prices.

In comments to reporters present, the CFBF leaders said that in view of today's extreme crisis, the California Farm Bureau is "not necessarily" in favor of an hemispheric free trade zone, even though in the past the Farm Bureau supported the North American Free Trade Agreement. This straightforward policy shift shows the political changes now under way amidst emergency conditions.

The 'Anti-Globalization' Zapatistas' New Globalism

by Rubén Cota Meza

The Zapatista National Liberation Army (EZLN) erupted onto the national political scene in Mexico in January 1994, with their declaration of war against the national government and Armed Forces, their proclamation against the North American Free Trade Agreement (NAFTA), and their proposal to create autonomous Indian territories. That same month and year, also (supposedly) against NAFTA and for the autonomy of the "Indian peoples," the International Forum on Globalization (IFG) was founded in San Francisco, Cali-

fornia.

The simultaneous appearance of these two movements is no accident; they are closely linked. Indeed, the appearance and development of the EZLN is an outgrowth of the global network of radical terrorist and pro-terrorist movements included under the rubric of "globophobes."

But their connections can be seen more clearly, when one compares the IFG's declared statement of its "mission," with the structure of globalized economy into which the EZLN has inserted itself.

The founding of the IFG was financed by the Goldsmith Foundation of that Franco-British magnate of international ecology, Teddy Goldsmith, and by the U.S. multimillionaire banker and fanatic "deep ecology" activist, Douglas Tompkins. In the description of its "mission," the IFG asserts that its commitment is to achieve "equitable, democratic and ecologically sustainable economies," which are "based in locally controlled and much more diversified communities," through "the development of autonomous, regional and local

cycles of production and consumption based on renewable resources of energy and raw materials.” They pledge to promote “the abandonment of the paradigm of unlimited economic growth which is blind to ecological limits,” and “the recognition of the rights and sovereignty of indigenous peoples.”

The mission of such global organizations is nothing more than a transcription of the ideas and proposals laid out in Teddy Goldsmith’s 1972 book, *The Blueprint for Survival*, and *The Trap* by his late brother Sir Jimmy.

A New East India Company?

Beyond all the verbiage of Goldsmith’s mouthpieces about autonomous regions in harmony with nature, and other such quackery, his far-flung network of non-governmental organizations (NGOs) has been rapidly weaving its own “new globalism”: that of radical pluri-cultural ecologism, with its own productive apparatus, land holdings, financing mechanisms, and trading network. Mexican Zapatismo is one of the most recent fronts of this “global” economic structure, that has just begun to be identified.

In 1988, the Max Havelaar firm was created in Holland as a coffee-marketing channel for the Indian communities in Chiapas, Mexico. After 12 years, Max Havelaar now operates in 17 northern countries. Currently, 18% of the coffee marketed by Max Havelaar comes from Chiapas. The multinational also markets bananas, cocoa, tea, sugar, orange juice, and honey. “It all began with a 1986 call by the small coffee producers in Chiapas, to the European NGOs,” in which they proposed that “receiving yearly donations [from the NGOs] would permit us to stay afloat. But to help us in a truly effective way, it would be more valuable to pay us a just price for the coffee we produce,” said Víctor Pereira, director of Max Havelaar in France, in an interview with the Mexican magazine *Proceso* of April 22.

In order to participate in the marketing network, the producers “must accept that Max Havelaar experts will regularly control the finances, structures and organization of their cooperations, and apply cultivation methods that do not use fertilizers,” Pereira revealed. In exchange, the marketing network guarantees them a minimum purchase price and “pre-financing” of their harvests, which could reach up to seventy percent of its cost.

Max Havelaar is only one of a dozen such European marketing NGOs of Trade Certifiers which, in the Spring of 1997, founded the International Organization of Just Trade Certifiers, according to the Max Havelaar/Sweden website.

Another marketer of “organic products” from Chiapas and other parts of the world is Transfair, which operates from Holland. In order to get consumers, they use terrorist-like methods of pressure and blackmail. The newspaper *La Jornada* of April 11, reports that “just trade” activists from the United States launched a campaign to “persuade” grain importers to increase their prices to producer cooperatives

from Mexico and other exporting countries. As a result, coffee exports from Mexican small producers went from 1.7 million pounds in 1999, to 4 million pounds in 2000.

Global Exchange, one of the organizations that participates in these campaigns, deploys on more than 50 universities and in various cities, to “pressure” coffee marketing companies. In March, Jorge Cuevas of the Rainforest Trading Company headquartered in Oaxaca, Mexico, went on tour with the backing of Global Exchange, to various universities, to “urge” students to “pressure” their academic institutions to sell organic coffee. Deborah James, director of Global Exchange’s “just trade” project, commented that students from various U.S. universities “have obliged” these institutions to offer organic coffee. To date, their most important contract is with Starbucks, to sell Chiapas coffee in their 2,200 stores and cafés throughout the country, in addition to another 80 U.S. companies that offer the product.

However, Global Exchange not only certifies coffee that goes from South to North, but also “international observers” who go from North to South, to testify to the “liberation of territories” from military presence. The National Migration Institute reports that Ernesto Ledezma Arronte, representative of Global Exchange in Chiapas, was authorized to bring four Americans, two Canadians, and a Swede to establish themselves in the so-called “conflict zone,” where the Mexican Army was dislodged from the military bases of Guadalupe Tepeyac and Río Useba last April.

‘Chiapas Is A Mine’: Marcos

In a letter to José Saramago, in December 1999, “subcommander Marcos” wrote that “the land here [Chiapas] is a ‘mine’. . . . In the case of the Indian lands in Chiapas, the ‘mine’ contains oil. . . . In the area of Marqués de Comillas, in the Lacandona Jungle, reserves are estimated at 1.498 billion barrels of crude, in a 2,500 square kilometer area. And in the area of Ocosingo, it is believed there are potential reserves of 2.178 billion barrels, in an area of 5,550 square kilometers. In the early ’90s, Petróleos Mexicanos (Pemex) was planning investments in the Ocosingo-Lacantún Exploratory Macro-Project, which includes Ocosingo and Marqués de Comillas, of 2.7 trillion pesos, at 1991 rate, which today is the equivalent of approximately \$1 billion.

“Thus, this ‘mine’ would have, at least, 3.5 billion barrels of oil. At current prices, these barrels are worth \$80 billion—that is, some 80 times greater than what was ‘invested.’ But the government’s project is not to exploit these deposits, but to sell the whole of this territory to foreign hands.”

So, it is to be assumed, that upon obtaining territorial “autonomy” and the right to enjoy the natural resources falling within those territories, through the reform of the national Constitution, or through a new Constitution, “Marcos” could become an oil magnate equal to George Bush. It is no mistake that President Vicente Fox calls Bush “my partner,” and Marcos “my friend from *las cañadas*.”

Sweeping Health-Care Reform Proposed by Top U.S. Physicians

by Linda Everett

On May 1, a group of nearly two dozen nationally prominent physicians, representing a broad spectrum of the nation's medical professional organizations, testified before Congress that only sweeping reform of America's ailing health-care system will address the nation's health-care crisis. The hearing, sponsored by the Congressional Black Caucus, the Congressional Progressive Caucus, and the Congressional Hispanic Caucus, included testimony from Dr. Marcia Angell, former editor of the *New England Journal of Medicine* and spokesperson for the Physicians' Working Group on Single Payer National Health Insurance, an ad hoc group of 18 physicians who believe that a national health program is needed to improve the quality of the U.S. health system—which recently was ranked 37th by the World Health Organization. The proposal by the Physicians' Working Group for universal health-care insurance—essentially Medicare for all—begins with a quote from the late Cardinal Joseph Bernardin of Chicago: "Health care is an essential safeguard of human life and dignity and there is an obligation for society to ensure that every person be able to realize this right."

The Physicians' Working Group includes Dr. Angell; Dr. Rodney Hood, president of the National Medical Association which represents African-American physicians; Dr. Elinor Christiansen, president of the American Medical Women's Association; Dr. Merlin DuVal, Assistant Secretary for Health in the Nixon Administration; Drs. Christine Cassel and Gerald Thompson, past presidents of the American College of Physicians; and Dr. Sindhu Srinivas, president of the American Medical Students Association. Also in the working group is Dr. David Himmelstein, co-founder of Physicians for a National Health Program (PNHP), a 15-year-old Chicago-based organization with more than 9,000 members across the United States; and Steffie Woolhandler, MD, MPH Co-Director, Center for National Health Program Studies, the Cambridge Hospital/Harvard Medical School.

A 'Failed Experiment'

"We've engaged in a massive and failed experiment in market-based medicine in the U.S.," Dr. Angell said. "Rhetoric about the benefits of competition and profit-driven health care can no longer hide the reality: Our health system is in shambles. Despite spending twice as much on average on health care per person as Sweden, Norway, Denmark, Canada, Australia, Japan, and every other developed country,

more than 42 million Americans have no health-care insurance at all, and tens of millions more are not covered for all their medical needs. The recession we all fear could easily push the number of uninsured to 60 million."

Dr. Angell explained that their proposal for a national health insurance (NHI) program would be an expanded and improved version of Medicare, the Federal health insurance program that now covers older and disabled Americans. While most hospitals and clinics would remain privately owned and operated, they would receive a budget from the NHI to cover all operating expenses. Physicians could continue to practice on a fee-for-service basis or receive salaries from group practices. At least \$150 billion would be saved annually by eliminating the high overhead and profits of the private insurance investor-owned sector, and reducing spending on marketing. Doctors and hospitals would be free from concomitant burdens and expenses of paperwork created by having to deal with multiple insurers with different rules, rules often designed to avoid payment. "In our market-driven system, investor-owned firms compete, not so much by increasing quality or lowering costs, but by avoiding unprofitable patients and shifting costs back to patients or to other payers," said Dr. Angell.

Tax credits, vouchers, and medical savings accounts are failed strategies for reform, according to the Physicians' Working Group. They would mostly benefit healthy and well-off Americans. "We don't need any more piecemeal strategies that are, in effect, tactics by the drug and insurance industries to delay real reform," said Dr. Quentin Young, PNHP National Coordinator and a past president of the American Public Health Association. "We need a system in which we have 'everybody in, nobody out.' . . . With national health insurance we could reclaim the 25% of all health spending we currently squander on paperwork and use it to cover the uninsured."

The hearing comes as the LaRouche political movement battles internationally for the general welfare with the saving of D.C. General Hospital in Washington, D.C., and as Pope John Paul II, in his recent pilgrimage to Greece and Syria, adopts a campaign on behalf of all mankind.

Among those who also testified was Dr. Abdul Alim Muhammad, a leader of the Coalition to Save D.C. General Hospital, who said that saving D.C. General is important for every American and has international dimensions as well. "How

can we say to the entire world that we are a democratic society concerned with the general welfare, when we see the general welfare being torn into tatters in the nation's capital?" he asked. "We must stand up for these principles."

Among the dozen members of the U.S. Congress contributing to the hearing were Reps. Dennis Kucinich (D-Ohio), John Conyers (D-Mich.), Donna Christian-Christensen (D-V.I.), Jesse Jackson, Jr. (D-Ill.), Ciro D. Rodriguez (D-Tex.), and John Tierney (D-Mass.). They, along with representatives of state organizations, presented a plethora of Federal and state bills for a single-payer health-care system or for some form of expanded health-care coverage for the country's estimated 79 million uninsured or underinsured people. As *EIR* has documented, uninsured Americans suffer higher rates of death and disease, and even brief gaps in insurance coverage are harmful, especially for children. Some 40-50% of personal bankruptcies, amounting to about 600,000 a year, are due to the costs of serious illness or medical debts among those who are uninsured, underinsured, or whose managed care plans deny them needed medical treatment.

Highlights of the Testimony

Representative Kucinich opened the Universal Health Care Briefing, saying that 75% of uninsured people live in families where at least one person is working full time, and 20% of the uninsured are in families where two people work full time. "Most uninsured adults say the main reason they don't have insurance is because they cannot afford the premiums. Today, in America, health insurance is rationed according to one's ability to pay. . . . As Chair of the Progressive Caucus, I'm here to say that we have a moral obligation to restore health to our health-care system."

Robert Reich, Secretary of Labor under President Bill Clinton, told the hearing that in 1993, some 37 million Americans did not have health insurance. Now, there is "a groundswell of support for universal health care." A recent ABC poll shows "more Americans wanted universal health care than wanted a tax cut. . . . Survey after survey shows that Americans with health insurance can barely afford it. They're doing without, because the co-payments are going up, the deductibles are going up, and the premiums are going up. . . . If this economy continues to slow, if a lot of people lose their jobs and that health insurance is connected to their job, that 44 million Americans without health insurance is going to increase, and it's going to increase faster than it increased between 1993 and today."

Representative Christian-Christensen, Chair of the Congressional Black Caucus's Health Brain Trust, called for making health care the civil rights issue of the 21st Century. She reminded listeners of the words of Dr. Martin Luther King: "Of all the forms of inequity, injustice in health care is the most shocking and inhumane."

"More than 60 years ago, the National Medical Association (NMA) was the only physician organization that supported single-payer, national health insurance," said Dr.

Rodney King, president of the NMA. "In a diverse country such as ours, full of resources and ingenuity to unravel the mysteries of the human genome, there is no acceptable reason for Americans of any race, ethnicity, or economic background to be barred from accessing the health-care services they need. It is clear that Americans want health coverage that is affordable, accountable, and equitable."

Leaders from the National Black Nurses Association, the American Psychological Association, the Massachusetts Nurses Association, the Sickle Cell Diseases Association of America, among others, detailed the daily crisis encountered in which human life is endangered because of a system-wide breakdown of the hospital and health-care system.

However laudatory the above proposals may be, they can only work within a framework that completely reverses the post-industrial economic policies that have plagued the nation and world for the past 35 years—and which drove this genocidal "free-market" health-care debacle. The second critical component of any health-care-for-all program is a massive buildup of the nation's health-care infrastructure, from building more hospitals to increasing the number of registered nurses per hospital patient. *EIR* has repeatedly asked health-care professionals of all levels the simple question: If we, as a nation, could overnight fiscally provide all the health care, all the treatment for tuberculosis, AIDS, and other diseases that the country needs, would we have enough hospital beds, medical staff, doctors, nurses, rehabilitation therapists, or home-care workers? For more than 15 years, the answers have always been the same: "No, no, no, and no."

Worst Nursing Shortage Threatens Hospitals

by Linda Everett

If recent surveys and reports of U.S. nurses are any indication, the nation's hospital system is about to collapse, as thousands of nurses leave the worsening working conditions in America's hospitals—conditions proven so dangerous, that they threaten the lives and safety of tens of thousands of hospital patients daily.

Like the canaries in the mineshaft, the nation's nurses are the front-end witnesses to the complete degradation of our hospital and health-care system. They are now warning in every conceivable way that the nation's hospital system can no longer continue to function under predatory "free-market" managed health care. This system of unregulated health care is decimating the most basic protections of vulnerable patients, and is a betrayal of the fundamental principle of providing for the general welfare.

The nursing crisis stems both from years of looting by



Nurses on strike in Worcester, Massachusetts, against Tenet Healthcare Corp., April 2000.

managed care companies, which forced hospitals to accept low reimbursement rates, and from the government's austerity policy, enforced by the Balanced Budget Act of 1997, which deeply slashed Federal payments to hospitals for Medicaid and Medicare. As wave after wave of these combined policies hit, hospitals responded by driving out highly skilled, highly paid nurses and slashing other staff, while forcing remaining nurses to take on other custodial duties. Now, with fewer registered nurses available to care for many more, and sicker patients, hospitals are routinely ordering nurses to do the job of two or three.

On May 1, Dr. Hilda Richards, EdD, RN, FAAN, President of the National Black Nurses Association, which represents 105,00 African-American nurses, testified before Congress that employers are now requiring nurses to work 16-hour shifts, and many employers are trying to enforce triple time—24 hours.

Under such conditions, it is hardly surprising that nursing morale is collapsing nationwide. The May-June issue of *Health Affairs* reports a new survey by the Center for Health Outcomes and Policy Research of the University of Pennsylvania School of Nursing. It found that one of every three U.S. nurses under 30 years old, plans to leave the job within the next year; and 44.8% of the nurses in the United States report that the quality of care at their hospitals has deteriorated over the last year alone.

The survey, which queried 13,471 acute care nurses in the United States (nurses in all hospitals in Pennsylvania were surveyed) also found that 41% of nurses are dissatisfied with their jobs, and many reported that they bear the brunt of "ward rage," because they are the only professionals there around the clock. While 83.2% of the Pennsylvania nurses report an increase in the number of patients assigned to them, 40% say they must do such tasks as food delivery and transport of

patients, while being forced to forgo necessary nursing tasks—all due to widespread staffing shortages.

Hospitals in Bankrupt State

The crisis is typical of today's hospitals. Three out of four hospitals in Pennsylvania, for example, are losing money, according to the Pennsylvania Hospital and Healthsystem Association reports. This is due to low reimbursements from insurance companies, managed care organizations, and HMOs, and to reduced hospital payments from Medicare (the federal insurance program for older and disabled Americans) and Medicaid (the federal-state insurance health program for the indigent and disabled).

On May 3, the American Federation of Teachers, which represents 55,000 nurses, released yet another survey that found that one in five U.S. nurses plans to leave the profession because of increasingly intolerable working conditions that threaten patient lives and safety. Again, nurses specify understaffing, and mandatory overtime, such as working two or three consecutive eight-hour shifts. The study also found that half of current nurses under age 39 have thought about leaving the profession.

Consider also, the newly released U.S. government National Sample Survey of Registered Nurses, which found that one-third of the current workforce will be retiring in the next 10 to 14 years.

If any one of these surveys is borne out, there will be a cataclysmic impact on hospital care, given the already serious national (and worldwide) nursing shortage. For instance, in California, the most managed care-saturated state in the nation, 470 hospitals there already average a 20% vacancy rate for nursing positions. In upstate New York, the Winchester Medical Center in Valhalla, the largest and busiest hospital between New York City and Albany, needs over 200 regis-

tered nurses. It lacks 25% of nurse positions in its operating room. When new nurses are found, it takes months to train them. As one nurse explained, you have to do their job and yours: “You’re up to your elbows in hepatitis blood and AIDS blood. It’s dangerous.”

Indeed, both doctors and nurses report that they are increasingly witnessing medical mistakes by harried staff trying to do the work of several people. While past studies prove that having too few registered nurses has a dangerous impact on patients, a new study published in *Modern Healthcare* (April 24) reports that having a higher number of registered nurses, and having higher ratio of nurses to patients, are both strongly linked to lower mortality rates from pneumonia, sepsis (infection), shock, upper gastrointestinal bleeding, and urinary tract infections among medical and major surgery patients. The study analyzed 1997 data from more than 5 million patient discharges from 799 hospitals in 11 states.

National Political Battle

Some 15 states are weighing bills that would prohibit forced overtime for nurses as dangerous. From coast to coast, nurses were out in force throughout Nurses Week (May 6-12), in order to gain nationwide political support to reverse the crisis. On May 8, some 250 front-line nurses in the Service Employees International Union from across the United States rallied on Capitol Hill, to call upon Congress to take immediate action to tackle the problem. In visits to Congressional offices, the SEIU Nurse Alliance called on lawmakers to pass legislation that would establish safe staffing standards and ban mandatory overtime. Among the other legislators present at the rally, Senators Ted Kennedy (D-Mass.) and John Kerry (D-Mass.) announced their proposals to ban mandatory overtime.

On May 5, over 200 nurses rallied on the capitol steps in Harrisburg, Pennsylvania to demand an end to mandatory overtime requirements. Fred Hyde, CEO of Aliquippa Community Hospital (recently saved from privatization on the initiative of the Coalition to Save D.C. General Hospital in Washington), told protesters that Aliquippa was one of the first hospitals to outlaw mandatory overtime, a practice he called “involuntary servitude.” State Rep. Dan Surra (D-Clearfield), who introduced a bill to ban the practice, said, “Truckers, pilots, and flight attendants have limits on the number of hours they can work, but people who work with the most vulnerable do not.”

SEIU leader Eileen Connolly, representing 15,000 health-care workers in the state, said that hospital administrations routinely require nurses to work overtime, and noted that forced overtime does not solve the real problem—the severe nursing shortage. Rather, she said, this requirement is worsening the manpower problem in a self-feeding manner, by contributing to nurses’ decision to “leave the profession. The cycle must stop.”

Interview: Jan Kregel

The World Economy Is Staring into a Precipice

Dr. Kregel is an economist with the United Nations Conference on Trade and Development (UNCTAD), headquartered in New York and headed by senior Brazilian diplomat Rubens Ricupero; and is one of the authors of the UNCTAD report, “International Trade and Development, 2001,” issued in late April.

The report’s covering press release states that “the international economy is staring into a dangerous precipice,” and recommends urgent changes in the international monetary and financial system to provide for international bankruptcy protection of unpayable debts.

The interview which is excerpted below, was conducted by Paul Gallagher on May 9.

EIR: In the report, you talked about the use of international bankruptcy procedures in order to protect debtor countries which have this unpayable debt. This is something which has been called for by Lyndon LaRouche and by *EIR* for years—for the advanced sector as well. Can you elaborate more, what the requirement for bankruptcy procedures is, as UNCTAD sees it now.

Kregel: Basically, this is linked to our attempt to introduce some sort of acceptable regulation for “debt standstills.” If you look at the financial crises which have occurred, say, over the last 20 years, in particular the Asian financial crisis: Korea provides a very good example of this process at work. Korea had a position in which its outstanding short-term obligations, were in excess of its ability to pay out of its reserve position. Now, the question was—since these were short-term debts—did it mean that Korea was insolvent, in the sense that it could never pay?

Well, if we look back [over 1998 and 1999—ed.], we discover that Korea, in the space of something less than 18 months to June of 1999, managed to generate \$60.4 billion in net export earnings. The short-term exposure that they had was in the range—if memory serves me right—of around \$26-27 billion. So quite clearly, Korea was not insolvent. This was debt that Korea *could* pay. The problem was, it couldn’t pay in terms of the [debt] maturity structure that existed.

Now, this is simply a problem of inter-temporal allocation of payment flows. Efficient markets are supposed to bring about an equilibrium in terms of these payments flows. The

problem is, that the way capital markets are currently set up, they don't. So, what happens? The creditors come in and say, "We want to be paid, now." If they can't be paid now, then you have default. When you have default—default of the banking system—the exchange rate collapses, and as a result, you end up with tremendous losses.

Korea suffered something like a 50% decline in the equity wealth of its productive sector. Now, this is extremely wasteful, because it was quite clear that Korea could pay the money back. The only problem was, it couldn't pay the money back within the space of the six- to nine-month maturities that were on the outstanding short-term debt. So, eventually, international debtors and creditors got together. The crisis broke out in November [1998]. By the end of March, they had reached an agreement for rolling over the debt. And by the end of the next year, Korea had paid it all off.

Now, the question was, was it sensible to allow the market to act in such a way as to bring about the destruction of 50% of the outstanding equity of Korean firms? And the answer is, No. It was obviously nonsensical.

So, how can we "help the market along" with this? Well, one of the ways you do this, is by introducing a "standstill." Had the IMF gone in, instantly in November [1998], called all the creditors together, and said, "Look. This is Korea. We know Korea is an engine to produce exports. We know that if they introduce the appropriate policies, they're going to be able to produce more than enough net foreign exchange earnings to repay. They obviously cannot repay you now. They'll be able to pay you in a year. On what terms are you willing to roll over for one year?" Now those terms are going to be a lot less than the losses that actually occurred.

So, what you want is some sort of organized procedure, institutionalized within the international financial architecture, which says that it should be normal for countries in this sort of position, to do this.

Now, one of the ways of doing that, is introducing some sort of formal bankruptcy procedure; because a bankruptcy procedure does not say that you are, in fact, bankrupt; it just says, "for the moment, I need to restructure my debts in order to be able to reorganize my assets, in such a way that I can meet my obligations."

And this is the sense in which we are supporting *any sort* of international bankruptcy court, or standstill procedure: something which allows debtors and creditors [nations] to come together, and to assess the situation, in much the same way that you have trading suspensions on the stock markets. This is basically the reason that you have a trading suspension. It says, "Okay, let's all now sit down, and recognize that if we all continue to try to sell, we're going to absolutely destroy our entire wealth. If, on the other hand, we take a reasoned assessment of the ability of our debtors to repay, we can assess what the likely repayment possibility is going to be, and act in a more coherent manner."

So, the standstill is exactly that same sort of idea. The equivalent for firms is the bankruptcy procedure. So that's the reason we are pushing this—to try and avoid what, in common parlance, are called "the asset grabs," that creditors may be encouraged to undertake.

EIR: Now, if we could come from what you just said about Korea, to the proposal that LaRouche has made for a New Bretton Woods international monetary reorganization, which—I think you know something about that?

Kregel: Yes.

EIR: Let us move from Korea to Japan. Is it not the case that in Japan, *internally*, as well as in its external investments, you have a problem of non-payable debts considerably bigger than the one that Korea faced and is facing?

Kregel: Considerably bigger.

EIR: And that, therefore, Japan represents the need of the advanced industrial countries to export *their* way—by exporting capital goods to the underdeveloped countries—out from under a tremendous volume of unpayable debt.

Kregel: Yes, in Japan you have two problems. If you go back far enough, the problem that Japan currently is facing, is the problem that the U.S. was facing in the late 1970s and early '80s. This was the problem of the appropriate way to treat the adjustment of exchange rates within the Bretton Woods system.

Effectively, the breakdown in the system meant that there was no recognized adjustment procedure. This is one of our basic criticisms, currently, of the International Monetary Fund (IMF), is that after the 1976 Jamaica Agreements, there was supposed to have been a substitution for the former Bretton Woods fixed-exchange-rate regime, in which all countries took some sort of responsibility for contributing to stability in international exchange rates. Well, in fact, no one has done this. And the major currencies—the yen, the euro, and the dollar—simply fluctuate without anybody worrying much about them, except when they get extreme cases, and then you get random interventions. But there is no sense that the fluctuations in a country's currency are responsible for anything else in the rest of the world.

In particular, if you look at the dollar-yen exchange rate, there is one school of thought which says that sharp movements in the dollar-yen exchange rate, in May 1997, was the trigger which, in fact, set off the sharp capital flows out of Thailand, and initiated the crisis in East Asia.

So, this is the first point. We have the problem of how the international financial system is going to produce the kind of exchange-rate stability which is required, in order to allow countries to participate in increasing their integration into the international trading system.

Now, that being said, what happened was, that after the

experience of the dollar in the early 1980s, the Japanese were, in a sense, pushed and convinced into what, for them, was an extremely expansionary monetary policy—real interest rates were driven down below zero for a substantial period of time—simply because this was necessary to support expansion in the U.S., and without any sort of major adjustment in the way exchange rates were determined.

So, the Japanese went through a period in which they built up massive excess productive capacity, in a world which at that time, was still working on what we would call international trade expansion through economies of scale. If you look at Japan, the trading sector in Japan is a relatively small proportion of its GDP—smaller than it is in the U.S., and much smaller than it is in Europe—so that, in effect, Japan really doesn't depend substantially on its trading. However, what Japan does depend on, is the international market, to push it sufficiently down a downward-sloping cost curve, to make Japanese production competitive, as the yen exchange rate has continued to appreciate over time.

So, it's not so much that Japan needs the foreign markets to export in order to survive in terms of its GDP; what it does need, however, is the foreign market in order to get its levels of production and sales up to a sufficiently high volume, so that they can take advantage of these very substantial economies of scale, to reduce their costs and allow them to continue to compete.

EIR: You have the calls which have been made on Japan, several times, by Prime Minister Dr. Mahathir bin Mohamad of Malaysia, that in Japan's proposed participation in an Asian Monetary Fund, Japan has to export, to Southeast Asia, machine tools and other capital goods for development—

Kregel: Right.

EIR: —rather than exporting its financial capital there; that it should be exporting its capital goods means of development in order to make those countries grow. This would also give Japan the basis to finally write off the tremendous volumes of unpayable, real-estate-based debt in their banking system, because they would be issuing credits in another direction, and those credits would be coming directly back as orders for their own capital goods production.

Kregel: Yes, this is quite clear. But this is a constellation of flows that we saw already in the late 1980s and the early '90s. If you look at Japanese firms' foreign direct investment in Asia, it goes up dramatically. This is what used to be called the "hollowing out" of Japanese industry. It was basically the shifting of productive capacity from Japan into Asia. The reason for this was . . . that Japan got into a position in which it could no longer offset the appreciation of the yen through the reduction in costs by increasing sales. So, what it did, was to shift production into lower-cost areas, which was, effectively, Southeast Asia.

Now, here we are, back to the currency problem again. This meant that Southeast Asia was importing capital goods and creating indebtedness, denominated in yen. But it was serving as an export platform, basically, to U.S. dollar-denominated markets. . . . So that you had Asia caught between Scylla and Charybdis: On the one hand, their debts were denominated in yen. On the other hand, their earnings were denominated in dollars, and they were selling, primarily, exports into the U.S. market. Now the reason for this, as I've already mentioned, is that Japan has a relatively small share of its GDP in trade. So that the market in which the economies of scale exist, is the U.S. market.

So, again, you had this problem. As long as exchange rates remained stable between the dollar and the yen, this was fine. But as soon as you got these very sharp fluctuations—the yen went from, in mid-1995, from a peak of 87-88 [yen to the dollar], to four years later, a potential 150. . . .

So what is necessary, is getting some sort of stability in the yen exchange rate, relative to the dollar. Because the simple fact is, that Japan is not a sufficiently large market to substitute for the U.S., in the production that Asia is going to create, as a result of the investments in real capital goods that Mahathir is calling on the Japanese to make.

EIR: Should this be done by countries imitating what Malaysia has done, and reinstating capital controls and exchange controls?

Kregel: Well, if you look at the [UNCTAD] report for 2000, you will find there a box, in which we argue very strongly in favor, again, of making part of the institutional infrastructure, the right of countries to do precisely what Malaysia did.

In fact, in our analysis, Malaysia did not do anything that was wrong. They continued to abide by all of their international obligations. The only thing that they did do, was to ensure that there was no ringgit [Malaysia's currency] trading outside of Malaysia. Every country has the right to do that—the sovereign issue of their own currency.

And Malaysia has consistently been a country that has tried to balance the impact of foreign direct investment inflows, with the assurance that they do generate a sufficient amount of exports to provide the servicing for those inflows. So this is a model which we support extremely strongly.

In fact, what we have recommended—Malaysia did have much more stringent conditions on foreign investors in the period before 1994, in which foreign direct investors that came in, effectively had to guarantee that they were going to generate a sufficient amount of net exports, to be able to meet the potential servicing of profit repatriation, and eventual principal repatriation, of foreign direct investments into the country.

This was one of the reasons that Malaysia was able to resist the strong calls for taking on an IMF adjustment pack-

age, in response to the crisis. If you look at the relative performance of Malaysia, compared to those countries that did take IMF adjustment packages, Malaysia managed to recover with a much lower loss of wealth and output, than those other countries.

EIR: If the UNCTAD recommendations about bankruptcy protection for debtor nations are to be implemented, should the IMF have any role in this, or is this rather something to be done by the nations themselves?

Kregel: Well, we have, in a sense, an ambivalent position on this. There is a reading of Article Six [of the Articles of Agreement of the IMF] which basically gives countries the right to introduce capital controls. There is also a way of interpreting those articles, which says that a country, unilaterally, might be able to impose a standstill [sovereign debt moratorium—ed.].

On the other hand, it would probably be much more convenient for the IMF to operate such a procedure. The only difficulty is, that the Fund is very different from what it was in the 1950s or 1960s: that is, a group of countries that were dominated by Europe and the U.S., in which all countries had more or less similar foreign exchange exposures and external account exposures. So, if you were the U.K., you could expect to have to borrow from the Fund one year; France might have to borrow the next year; so there was a good probability that you'd find yourself on the creditors' side or the debtors' side from one year to another.

This is no longer the case. The developed countries have not borrowed from the Fund, if memory serves me, since the mid-1970s. So, effectively, the Fund has become a group of creditor countries, and a group of debtor countries. Now, there's some "moral hazard," or explicit interest, which says that if you're a debtor, you probably don't want to go to a facility which is operated by your creditors. This is, in fact, why we have independent bankruptcy courts that handle these things, and the presumption is that the bankruptcy court is supposed to interpret the law in an even-handed manner, relative to the interests of debtors and creditors.

Will the IMF be able to do that, given that it has a predominance of creditors in a position to command a majority in the institution?

So, this is why we're ambivalent about having the IMF do it. It would be perfectly plausible to have something similar to the International Court of Arbitration, which arbitrates contracts among firms, which is independent and outside the judicial system of any particular country. There doesn't seem to be any reason why you could not do this in the same way. All sorts of business firms write, in their international contracts, that they will be subject to the International Court of Arbitration, rather than any local court. So, presumably, financial contracts could also be written in a way which says that they would be subject to some independent international arbitration or bankruptcy court.

EIR: On the Asian Monetary Fund, where the debate is going on among those countries, whether the AMF should be part of the IMF or not: Does UNCTAD have a view on that?

Kregel: Well, we were a bit disappointed—we've been involved in providing technical support to ASEAN [Association of Southeast Asian Nations] in the creation of these swap and surveillance arrangements.

The official position on this, is that this [IMF involvement] is what was required to get international acceptance; but we feel that it would have been much more effective, had it not accepted IMF conditionality as part of the arrangements.

EIR: In LaRouche's proposal for a New Bretton Woods, the heart of it is that the creditor countries, in international terms, not only put under bankruptcy protection the debt of the developing countries, but that they organize monetary arrangements whose purpose is to allow them to invest large volumes of credits in infrastructure development in the underdeveloped countries—in what are, in these terms, protected debtor countries. What is your view of that?

Kregel: This again goes back to the question of the change in the mandates of the Bretton Woods institutions. We used to have an institution that was supposed to do that. It was called the International Bank for Reconstruction and Development. Unfortunately, it has turned itself into a "poverty reduction organization," or a local social officer, rather than somebody that looks after the efficiency of the production platform of the country. The original idea was that project financing was supposed to provide precisely that sort of infrastructure that a country did not have the independent resources to pay for, and could not support, because it did not yet have sufficient international earnings. It [the Bank] was absolutely crucial in providing the infrastructure which was required to produce *a level of per-capita income growth* which would allow them to repay.

Now, it's simply not in that business anymore. And there is nobody else in that business. And it is quite clear that the problem still remains: That is, that the countries, on their own, do not have the wherewithal to provide the sort of infrastructure investments that are required. And somebody has to do it. So, this would be a very useful way of carrying out that mandate.

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Central Asia's Great Potential

German politicians have begun to discover the importance of a Eurasian perspective for great projects.

So far, Germany's political elite has neglected serious work on the broader perspective of Eurasian economic and political development. At the Asian end of the Eurasian Land-Bridge, in China, German politics did invest remarkable efforts, over recent years. But the expanse between China and Europe still is a huge blank on the German foreign policy map. Two exceptions are India and Iran, where Germany has cultivated relations continuously, but never envisaging both nations as an integral part of the Eurasian Land-Bridge; nor do most German foreign policy experts pay attention to the fact that the Central Asian nations, along with India, Iran, Russia, and China, maintain very intense diplomatic activity among them.

Fortunately, this is slowly beginning to change: In early April, Berlin announced a special new program to modernize power generation and transmission, and to upgrade medical care in the three Caucasian republics of Georgia, Armenia, and Azerbaijan, with 100 million deutschmarks in funding, to be handled, predominantly, through the German state-owned Reconstruction Bank (KfW, in Frankfurt). And, on May 20-25, Foreign Minister Joschka Fischer will undertake a six-day tour of Azerbaijan, Uzbekistan, Kazakstan, and China.

In preparation for his tour, the Foreign Ministry planning staff, under its chairman Achim Schmillen, issued a memorandum on the importance of Central Asia for German foreign policy, which was published on May 15, in the *Frankfurter Allgemeine Zeitung*, the government's semi-official mouthpiece. The memo re-

flects recent warnings from the foreign intelligence agency BND, regarding the threat of the spreading drug trafficking and terrorism, and of organized crime in general, in Central Asia, and its implications for stability in the entire region.

The Schmillen report begins with a worried look at what Central Asia would look like by 2015, if Europe and Germany only focus their political energies on internal European affairs: The Taliban regime in Afghanistan would establish military control of the strategic Ferghana Valley, and hold Europe's interests in Central Asia oil and gas supplies hostage to this "new Great Game."

Schmillen continues that Central Asia has "enormous importance for international security in the 21st Century," not least because of its vast reserves in oil and gas, and hence, deserves more attention. Stability and the fight against Afghanistan's Taliban-controlled poppy production are also in the interest of Russia and China, meaning that only international cooperation can secure the transport and trade routes. Against a new destabilizing "Great Game," this cooperative approach, with substantial European economic involvement, is the only viable alternative. Cautiously criticizing the American (actually, the Anglo-American) role, the memorandum refers to U.S. policy over the past years as "diffuse," and being neither beneficial to the region, nor to long-term American economic interests. The Europeans "should encourage companies that are active in the region, to build up a future-oriented gas and oil industry as well as a multipolar

pipeline system, and to include Russian companies," the report states, adding that in addition to Russia, China and, ultimately, the United States have to be won over to a cooperative approach to Central Asia.

This is a useful memorandum, although it only represents a timid first step toward what could, and should be done. Somehow, miraculously, the memorandum makes no mention of the role that Iran could play in such a broader cooperation—although the Iranians are the crucial southern connection, between the Caucasus and Central Asia. This seems to reflect the fact that German foreign policy designers still have no fully coherent view on the inter-connection of developments along the entire range of Eurasia.

Furthermore, economic stability can not and must not rest exclusively on the development of gas and oil for export: Central Asia needs huge investments in its transport infrastructure, in its own power supplies, and in an industrial production of its own. Kazakstan's ailing railway grid for example, was a topic of discussions at an international congress in the capital city of Almaty, on April 25-27. It was mentioned that although a rail route from China to Europe would be the shortest, therefore more cost-efficient, the route through Kazakstan is problematic, because its rail tracks are in such poor shape that freight trains can go no faster than 60 kilometers per hour. By comparison, the longer route, via Russia's Trans-Siberian Railroad, permits speeds of 120 kph. However, without great improvements in transport infrastructure (and especially deploying German technology in magnetic levitation), a sound economic development of the Central Asian countries, radiating from the transport corridors into the vast inland, is not possible.

Can Bush Menace Be Stopped By the Eurasian Nations?

The Bad Schwalbach Conference

By early May, the combination of the Bush Administration's doggedly insane domestic privatization and looting policies, tearing up the United States' physical economy, and the White House strategic and military policies, including its enthusiastic green light to Ariel Sharon's Mideast warmongering, were becoming cause for alarm for many of the nations of Eurasia, and most certainly for Pope John Paul II's Vatican. Signs appeared, notably in the extremely blunt rebukes delivered to the United States at the UN, of moves to attempt to stop Bush's course toward disaster. But most important in this regard, as Lyndon H. LaRouche, Jr. identified it in his latest international initiative, is the potential for a new *Eurasian alliance* of actions toward a new international monetary system, and also toward the urgent development of Africa.

This was the subject of an extraordinary panel of the historic conference, "The Ecumenical Battle for the Common Good," held in Bad Schwalbach, Germany on May 4-6 with LaRouche as its designer and keynote speaker. The May 5 conference panel on "A Twenty-Five-Year Development Perspective for Eurasia" featured speakers representing Russia—Yuri Gromyko of the Moscow Academy for Culture and Educational Development; China—Dr. Wen Tiejun of the China Society for Restructuring the Economic System; India—Prof. Sujit Dutta of the New Delhi Institute for Defense Studies and Analysis; Egypt—Dr. Mohammad Al-Sayed Selim of the Center for Asian Studies at Cairo University; as well as *EIR* experts Lothar Komp and Ramtanu Maitra.

A Eurasian Transport Union

In their speeches, which we present in this section, can be seen the influential ideas necessary to move the Eurasian combination of nations—precisely that Eurasia which the Bush-league neo-conservatives claim and hope "does not exist"—to create a New Bretton Woods system, as LaRouche

outlines it.

The power of these ideas, led by LaRouche's formulations, shone forth dramatically only ten days later, when on May 16, Russian Transport Minister Sergei Frank announced in Moscow that Russia has created the "Eurasian Transport Union." Frank stressed that this Union had the support, at various levels, of 40 Asian and European countries, and had been formally joined by India and Iran, among others. Russia first put forward this proposal at a conference in St. Petersburg last year.

The Union's main goal, said Frank, is *the creation of international transport corridors leading from Europe to Asia via Russian territory*, including a new North-South transport corridor starting at the Indian port of Calcutta, and linking it with North European countries through the territories of Iran and Russia.

In his keynote at Bad Schwalbach May 4 (*EIR*, May 18, 2001), LaRouche had outlined the significance of development of transcontinental Eurasian high-speed transport, "Rotterdam to Tokyo," in precisely this way. "Through the mediation of Russia . . . it is possible for Europe to unite with Russia and nations in Asia to set up a long-term system, under which, instead of consumer goods markets and investments for these countries, you set up long-term development of the productive powers of labor in these nations. . . . In order to make this work, as has been understood for almost a century and a half, develop a system of infrastructural development which could effectively link the Atlantic Ocean to the Pacific Ocean across Eurasia."

(Readers note, that Lothar Komp's overview of the scope and depth of the global economic collapse began this panel, to document the crisis whose solution was being addressed. Here, Mr. Komp's speech appears after those of the other panelists.)

China's Experience in Building Its Economy

Dr. Wen is the Executive Secretary General of the China Society for Restructuring the Economic System, of Beijing. The full title of his speech is "The Experience of Constructing Infrastructure in China and the Third Land Bridge."

I hesitate to tell you, how China has gained high economic growth, because nowadays, a lot of overseas scholars in China have decided that there is a kind of "China miracle." They want to rank China among the "top seven" [economies], and, considering its economic-financial capacity, they want to rank China among the "top three." This is not good. We want to rank our Chinese economy, as the 38th by per-capita GDP, because we are not far enough [developed]. We do not want to be any kind of competitor to any country.

China, in the Chinese language, is the "Middle Country." We have not [developed] far enough, we have not grown enough. I want to say that I am here to learn from you, from all the conference participants from so many countries.

You have discussed the financial crisis taking place in Western countries; I will give you some more information. In the first quarter of this year, foreign direct investment (FDI) has flowed into China very fast. The total amount of the added volume of FDI in China, is \$1.4 billion, almost the same amount as the total for 2000. Last year, we had \$1.9 billion as foreign currency reserves, making China the second-largest foreign currency reserve-holding country in the world.

But how did we gain such an amount of foreign direct investment? By hard labor. As Lyndon LaRouche has mentioned, we gave our best labor, for the cheapest price. We gave our best natural resources for the cheapest prices. We sell our basic goods to Western countries. For what? For these currency papers. Now, because of the "electronic-money" economy, we do not even have paper; we just have data, recorded on computers. It is basically nothing. When the financial crisis takes place, when the U.S. dollar and deutsche-mark are downgraded in value, what then of our hard currency

foreign reserves? We paid our best labor, we paid our limited resources, and we have just such paper, just data. When these are devalued, we are also destroyed. So, what is Chinese economic growth? We worry about this.

The Lessons of the Past 100 Years

In comparison to our current situation, look at China 100 years ago. A century ago, China was, like most nations of Africa are now, separated into many parts, ruled by war-lords. Behind the war-lords, were the "big power" countries, the so-called imperialists. They sponsored and armed these war-lords, and they occupied different parts of China. They started war, they killed people: Everywhere, were massacres, famine, disease, people dying — like Africa now.

China fought for almost half a century. In the end, in 1949, we gained independence. But what was independence? It was just a word, a concept: We had almost nothing. We had just a few thousand kilometers of railroads; in the interior there were no highways, not even one kilometer: outside the very big cities, there were not even paved roads — most people had to travel by walking on footpaths. We had no industry.

In the second half of the Twenty-First Century, we just finished a period of primary accumulation for industrialization by the state. Some of the foreign scholars call us a communist country, or a socialist country. We respond: We are not any "ism" country; we are China, we are the Middle Country.

We have just completed the period of primary accumulation of state capital for industrializing. This did not produce a booming economy, it was just the first stage. Most of the Western countries took 100-200 years for this period; we took 50 years.

How did we do this? By exploiting ourselves. We had no colonies or imperialism at the expense of other countries; we based our economy on our limited resources and labor inside China. We did not learn, like our Japanese friends did: They wanted to learn from Western countries, and then attacked Asian countries, including China, and then were defeated. But we did not do this; we just worked inside China.

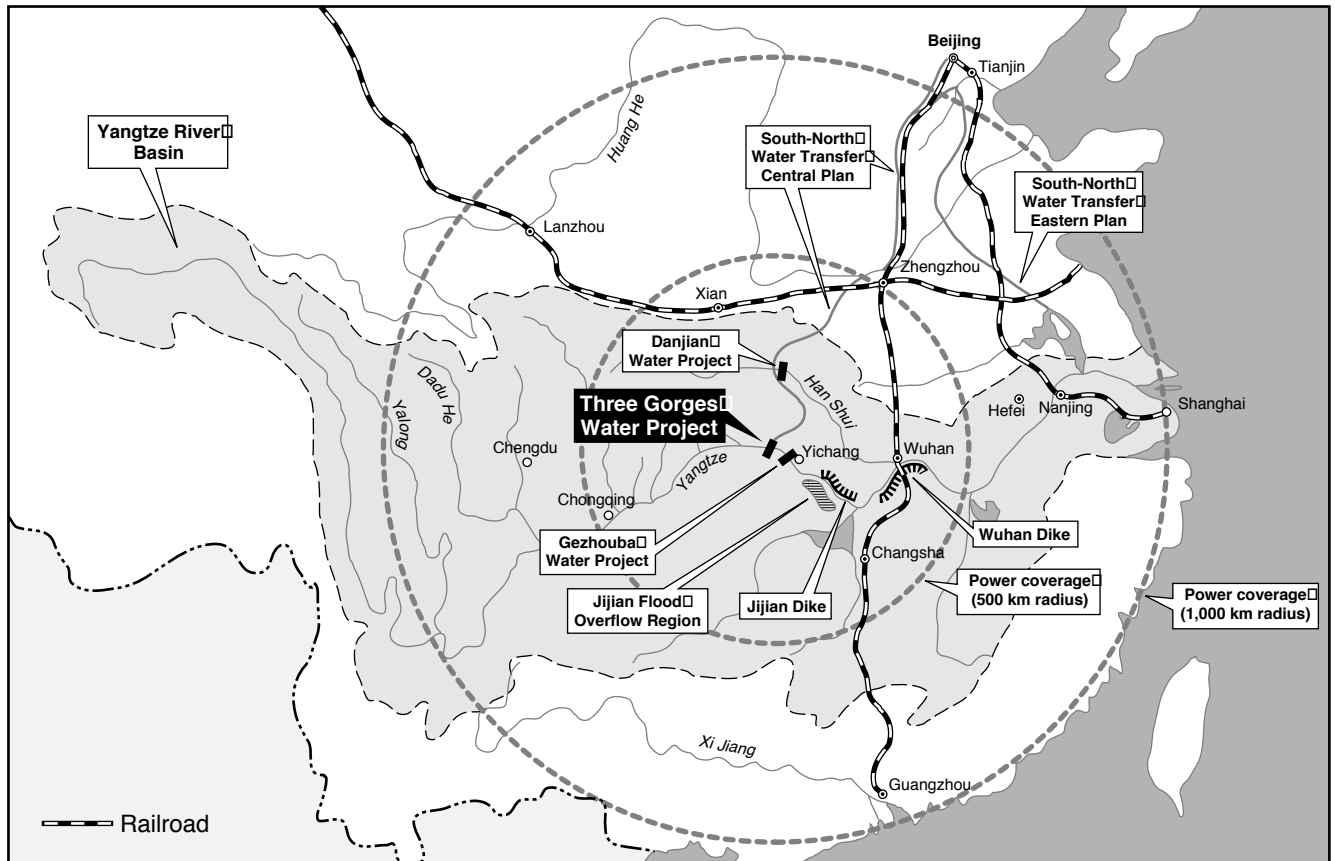
When we finished this period, we learned from our Russian brothers. We called them our "big brother," because when they had finished their primary accumulation for industrialization, they opened to the world, in 1956. Our big brother in Russia, wanted to force China to follow them, but in the 1950s, we had not finished the primary accumulation for industrialization, so we could not follow. This was the debate — the first debate between the two [Communist] parties, and then the two countries. The relationship between China and Russia became worse. It was not that we were not willing to follow Russia; it was that we had no economic base to do so, and we could not follow. Then, forced by military pressure, China thought to communicate with the United States, Japan, and other Western countries, and tried to open to overseas [in the early 1970s].

During the [following] 20 years, China had economic



FIGURE 10

How the Three Gorges Dam Works with China's Water and Rail, and Power Infrastructure



This map, published by EIR, illustrates some of the areas of development discussed by Dr. Wen. China is now seeking to promote high-speed growth in the western part of the country, as it has already done in the east.

growth, but we also found a complicated situation. We learned a lot from Western countries, especially in the 1990s.

Experience and Lessons

To now focus on the 1990s: This was a very complicated situation, in which we learned a lot from overseas. We not only gained experience, but also learned lessons—good and bad.

In the years 1992-95, China learned from Western countries to set up three markets: the stock market, the real estate market, and the futures market. These were opened to general investment. The real estate market was open to foreign investment, but the others were just for Chinese. These three became very high-risk markets. A large amount of investment flowed in, totalling, by 1995, about RMB 1 trillion [about \$1.2 billion]. One result was a big rise in bad loans held by the Chinese banks already by 1996.

This caused serious a financial crisis in China. In 1994, the Chinese currency was devalued by 50%. In 1996, inflation began to rise very fast, to 21%. The consumer price index

had risen 24.8%. With the currency devaluation, this became a crisis.

In 1995-97, China took steps. Fortunately, China has still not opened its money market to foreign investors, and all of the banks are owned by the state, so the government has maintained strict control. We were able to achieve a “soft landing” in these three years. So far, there have been no bankrupt banks. Although a large amount of foreign investment has flowed into China, it has gone into enterprises or real estate. Some has flowed indirectly into the markets, but not into the stock market. Currency convertibility, exchange rate, and interest rates are all controlled by the government, so the currency is stable, and remains the most stable in all Asia. This is a key difference between China and other East Asian countries.

China also has a very strong central government. Since 1995, the government has adopted a very special policy to emphasize the physical economy. The years 1995-97, we call the “soft landing,” from the crisis which was developing during the 1992-95 bubble economy.

Meeting with LaRouche

In 1994, I had the opportunity to meet and speak with Mr. Lyndon LaRouche for six hours, and he taught me a lot. First, he explained what “physical economy” is. This is a very important concept. He also gave us a warning, about the global financial crisis. We talked about the bubble economy in both China and the Western countries, and he gave some very important suggestions for China, especially about infrastructure, and local development within China. I published this dialogue with Lyndon LaRouche in a Chinese magazine in November 1994, and this was the earliest publication to warn Chinese scholars and politicians about the world financial crisis. LaRouche’s forecasts have proven true, year by year—not only about the Chinese economy, but also about the world economy. He was the first to warn China to pay attention to the financial crisis. This was a great lesson for us.

Not only did he warn China to pay more attention to the financial crisis, but he also emphasized the physical economy. He emphasized infrastructure. Fortunately, our government adopted this kind of suggestion. Since 1997, we have put more emphasis on infrastructure in China, even amidst very serious deflation. The central government started a new policy for physical investment. Every year, the government invests 150 billion yuan for infrastructure development. In these years, we have completed a lot of projects in China.

I also discussed with LaRouche, how China was developing its land-bridge to Southeast and South Asia. Currently, this land-bridge has become even more practical, because we have designed an economic strategy for the new century, in which the development of western China is especially important.

We have built a whole new national railroad net: three main vertical and three main horizontal lines across China. This is in addition to the two existing Eurasian land-bridges, which are very effective. There is a booming area in southern China, along the region around Hong Kong and the Pearl River Delta. We have built a railroad from Hong Kong to Guangdong to Guang Xi and Yunnan. We have also built a new, modern railroad from Beijing to Hong Kong. These two form a “big cross,” and the construction was just completed in 1998. This railroad links eastern and southern China in one economic area, making communication and transportation much easier. Along the coast, and inside southern China, there are many very rugged mountains, and many big rivers and lakes, so geography is a big challenge, and the building of this infrastructure is essential for economic development. The focus on the physical economy in the 1990s, has been the basis of its rapid development.

Physical Economy

We are trying to create a new concept. Many people think that population is a “burden.” Just in the coastal area of China, there are very little land resources, but a large population. But this is not a burden; these people need to improve their lives. There is a very large economic demand, and if the government

and enterprises try to provide them with basic goods, and fulfill their demands, the economy should be very healthy. This is physical economy.

However, the focus was only on half of China: The other half, the huge western internal part, still has to be developed. We are now in the new Tenth Five-Year Plan, 2001-05. One very important part of this plan, is to “Accelerate the Western Development,” through water projects, and railroad and highway construction. What has been done in eastern China, for preventing a financial crisis, and to encourage high-speed growth, now must be done in western China.

LaRouche’s forecasts have proven true, year by year—not only about the Chinese economy, but also about the world economy. He was the first to warn China to pay attention to the financial crisis. This was a great lesson for us.

China, like Vietnam, India, and Egypt, has a huge “surplus labor” force: some 200 million people just in China. These people need to be employed, and building such projects can give them this opportunity. Agriculture in China is not enough to support the 900 million people now in this sector: The labor needs to go into other sectors. Chinese people have enough food and basic necessities; this has been achieved since 1949. But still now, especially in agriculture, they cannot earn enough to pay for education, medical care, and other essential needs for developing the next generation.

In the 1990s, almost 200 million people left the agriculture sector, and went to construct railroads, cities and towns, and highways. Their lives have become better. They have also sent large amounts of money back to their families in the countryside. This year, the government will take steps, to help these migrant workers to settle permanently in the smaller cities and towns.

In the 1990s, China had a successful experience in which, by the construction of infrastructure, we have been able to transfer surplus labor to new sectors. Also, along these railroads and highways, many new small towns and cities have grown up, whose economies have developed together with the transport system.

Developing Relations with Southeast Asia and India

In the last century, China cooperated with European nations, including Russia, and set up the two big land-bridges in the north: the Trans-Siberian Land-Bridge, and the Euro-Asian Continental Land-Bridge through Central Asian na-

tions.

Now, in this century, we will try to develop the third land-bridge, the Afro-Asian Land-Bridge. This has not yet been developed, but we must prepare the research for this project. This must be more effective economically, than the two others. Siberia has huge areas which have very few people, and little infrastructure. This is also true for Central Asia, where there are vast unpopulated areas and deserts. There is little population or economic demand.

The third, Afro-Asian Land-Bridge, would go from Egypt to Hong Kong. From eastern China, with a very large population and booming economy, the whole Afro-Asian Land-Bridge would go through areas which are booming with people and life. This includes Vietnam, Myanmar, Bangladesh, India, Pakistan, Iran, Saudi Arabia, Iraq, and then Egypt in North Africa, and from there to the rest of Africa. This whole area has a huge and very dense population, and they need to improve their lives. The area also urgently needs infrastructure construction. Meeting the needs, to improve the lives of the population, is the energy of economic growth.

Population is real capital, which can be used to develop the economy. The density of the population is a big advantage: It means that every project benefits a concentrated population, and contributes to building the peoples' economy more efficiently.

The Strategic Triangle

We are discussing in this conference today, the "strategic triangle" Russia-China-India. As one of our colleagues from Russia has stated, there are good and growing economic and political relations between Russia and China, and there are projects which benefit both sides; there are also good and growing economic and political relations between Russia and India. But what about China and India? There is very little trade, and little economic relations. But what if we can cooperate to build the third, southern land-bridge, from Egypt to Hong Kong? There are just some hundreds of kilometers of railroad that need to be built, between India and China. We have built up a railroad from Hong Kong to Yunnan. From Yunnan to Laos can be built. South China has large industrial facilities. It has a lot of know-how for construction of railroads, especially in very rugged areas, which is very useful for this whole southern land-bridge region.

India has its own railroad net. But Myanmar, Laos, and northern Thailand have no railroads. If we can do our research to build these projects, we will build our cooperation on this basis. Then, we will have the basis to complete the third side of the triangle, China-India, for the benefit of many nations along this railroad.

In Europe, there is very good know-how and technology, and also large investment capacity. If the European Union could cooperate with China and India, to build the southern land-bridge, this would be very beneficial for both sides. This would not only solve the problem of China-India, but also solve the problems faced by the European countries.

Let me give an example. Yesterday, Dr. Glazyev¹ mentioned that China and Russia's entire trade is calculated in dollars, which means that we help to support the dollar. If we calculated our trade in deutschemarks, immediately this would support the deutschemark; if we calculated in Japanese yen, it would be the same. Who supports the American dollar? Our developing countries, our producers. We give the United States all of these basic goods, and then we get in return—paper! It is true.

Once I discussed this idea with an American professor, a very good friend. I said, that if China sold \$10 billion, in the U.S. money market, what would happen? It would devalue the U.S. dollar immediately. If China sells these dollars, who will follow? South Korea, Taiwan, Hong Kong, Singapore, all of these East Asian countries, because they all own dollars. If China sells, it would devalue the dollar, and if other countries sell, it would destroy the dollar. We cannot do that, because we hold such large numbers of dollars. So, this is a kind of contradiction: Whoever can solve it, will win the Nobel Prize.

As LaRouche mentioned, we need a new world financial order, a new world financial institution. Who will create this? Perhaps, the "strategic triangle"—perhaps we can set up an international, alternative credit system, not based on the dollar, not on the deutschemark. Anyone who wanted to join, can join and benefit. Anyone who wants to object, would not benefit. Money can only profit from the physical economy, and where is the important physical economy area? It is the strategic triangle.

Thank you.

Sujit Dutta

India and the Eurasian Development Perspective

Professor Sujit Dutta is a Senior Fellow at the Institute for Defence Studies and Analysis in New Delhi.

The Schiller Institute's ideas and the kind of conference you have held in the past two days, is clearly an important step in the global struggle over ideas, which is the most important in



1. Dr. Sergei Glazyev's speech was printed in last week's *EIR*. An interview with him appears in the *Economics* section of this week's issue.



The 1955 Bandung Conference in Indonesia, one of the crucial attempts at an economic development strategy linking Eurasia and Africa. Professor Dutta refers to the initiating role India has played in the past in that spirit, and which it could now play again.

the current stage of the international system.

It is now well-recognized that the world is at a turning point in the realm of political and economic ideas. It has been so since the end of the Cold War. Large structures and ideas which underpinned Cold War era institutions, and the politics and economics of that era, have died with the end of bipolarity, Soviet disintegration, and the decline of state socialism, on the one side, and the opening up of new states and political areas.

But also, in the capitalist domain, the old institutions are not working, and are no more suitable to the kind of international challenges which have emerged since the end of the Cold War. The efforts of classical economics, underpinned by “structural realism” and neo-liberal ideas in the international relations arena, are clearly not adequate to deal with the kind of cooperative ventures which the international system—as described at this conference—currently requires. The ideas, structures, and perceptions that shaped the post-1945 world order have struggled to cope with the radical and ongoing changes.

What we clearly need, is “globalization” of a different kind. We need global integration; we need dominant international ideas, that will link and make possible the kind of corridors and new institutional relations; but we need to move away from the current debate on globalization, to make that possible. It is not going to happen, unless there is a victory in the realm of new institutional thinking: In the concept and strategy of new ideas, that will link independent, national developmental strategies, with regional and global strategies.

The Struggle Over Ideas

I am extremely happy, that all of you are engaged in creating these new ideas. What is critically important, is the move

away from the dominance of Cold War ideas, towards a new international structure, conducive to the current era.

The Cold War-era ideas are increasingly inadequate to deal with the very different challenges that the world now faces: the emerging tensions in America’s relations with China; the huge economic uncertainties in the advanced capitalist economies of Japan, the United States, and Europe; the financial meltdowns that have hit many of the new industrial economies such as that in East Asia in 1997; the internal conflicts that are ravaging states such as Indonesia, Afghanistan, Pakistan, or parts of Africa; the rise of fundamentalist political movements; and the myriad challenges of economic reform facing the large developing economies—Russia, China, India, Mexico. This is a historical point from where the international system could take several directions, depending on the kind of political forces and ideas that emerge as the dominant vision of the era.

This struggle over ideas to reconceptualize and reconfigure the international system—and the political, economic, and security institutions that are critically important for its stability and well-being—has been a defining feature of the new era. While globalization, unipolarity or multipolarity, clash or cooperation of civilizations, end of history, Asian values or general human rights, etc., have been among the more prominent issues in this debate, the fundamental issue has been to find the principles that will ensure a peaceful, stable, secure, and increasingly prosperous global community of peoples and states.

The Role of India

India is in many ways at the center of this struggle for the shaping of the structures and dominant ideas of the emerging

global order. This is not normally understood in many countries. From the very beginning, the kind of ideas that the Schiller Institute is discussing and proposing, have had a strong resonance in India. They have been there since the 1950s, and the combination of a developmental strategy linked to Non-Alignment and castigation of the Cold War, meant that India has produced some of the very interesting ideas and movements internationally. The Group of 77, the struggle for a new international economic and political order: Many of these, were movements which were born in India, and had strong resonance through Africa, Latin America, and Asia.

These ideas did not succeed, because the global institutions and the major powers, did not back them. These ideas cannot come to fruition, without solid backing of Europe, Japan, and the United States, and other countries which dominate institutions.

However, the fact is that today, as these institutions face a crisis, there is a possibility that the ideas that are discussed here, can succeed. Therefore, what is absolutely important, is pragmatic notions of building this alternative model of globalization, on structural linkages, infrastructure, and new ideas of economic development.

The largest state, along with China, in terms of population, India has been organized by its post-independence nationalist leadership as a democratic, secular, federal republic. With its heterogeneous linguistic, caste, and religious composition, and the complex identity-formation of its people over 4,000 years, the notions of secular values, cooperation and coexistence among cultures, and rule of law, are crucial to its statehood and form the core of its Constitution.

India's worldview is therefore rooted in universal political values that are increasingly shaping a united Europe in particular.

For some 40 years after Independence, India followed an inward-oriented industrialization policy and a non-aligned foreign policy that abjured the power politics of the Cold War. This achieved great success. Like China, we started off from scratch—the British had built some things, but the country was left with a huge, extremely challenging economic situation. Levels of illiteracy and poverty were huge, infrastructure was poor, the educational system was poor. All that had to be developed.

In collaboration with the Soviet Union and some other European countries, and even with the United States in the agriculture sector, we built a very diversified and extensive economy over the past 50 years.

It is critical to understand, that this was a policy that enabled India to build a large industrial and scientific base covering all areas—steel, machine tools, nuclear energy, aerospace technology, chemicals and pharmaceuticals, metallurgy, telecommunications, shipbuilding, railways, automobiles, textiles, fertilizers, cement, computer software and hardware, electronics. Today, the world software industry heavily relies on India for its well-being, and India has been very badly hit by the crisis in the software industry.

International Involvement

Since the 1980s and especially from 1991, the inward-oriented strategy has been gradually given up, as India has sought to speed up its growth rate, enhance investments in infrastructure, and modernize its industrial, technological, educational, and agricultural sectors.

This is combined with a new international involvement in international affairs, made possible by the end of the Cold War. The last era of our international involvement, was largely focussed on moving away from the Cold War, and keeping co-existence. Now, it's possible to build new linkages with Europe, Japan, and the United States, which earlier had been prevented. In this new situation, Indian policymakers have been deeply divided over the issues of globalization, and what kinds of policies are exactly beneficial for maintaining rapid economic growth.

India has been the fastest growing economy outside East Asia through the past two decades. It grew at 5.5% in the 1980s and 6.5% through the 1990s. Unlike East Asia—which grew at very fast rates largely on the basis of globalization, linked to integration into the global economy, and foreign trade- and investment-led labor-intensive exports going to the U.S. market—India has not had that integration. Until 1990, India's economy was essentially internally led.

As we have opened up, we find that the world economy is also going through a critical stage. Therefore, it is of great significance that these new ideas coincide with India's search for a globalization model: a model of economic development in an increasingly integrated international system.

These ideas of physical economy, of the Eurasian corridors, and restructuring the international economic and financial institutions, are critically important from our perspective. We have made repeated efforts in international institutions, the IMF and so on, to come forward with alternative views, of keeping alive global cooperation, and keeping a different orientation from that normally supported by the IMF and World Bank.

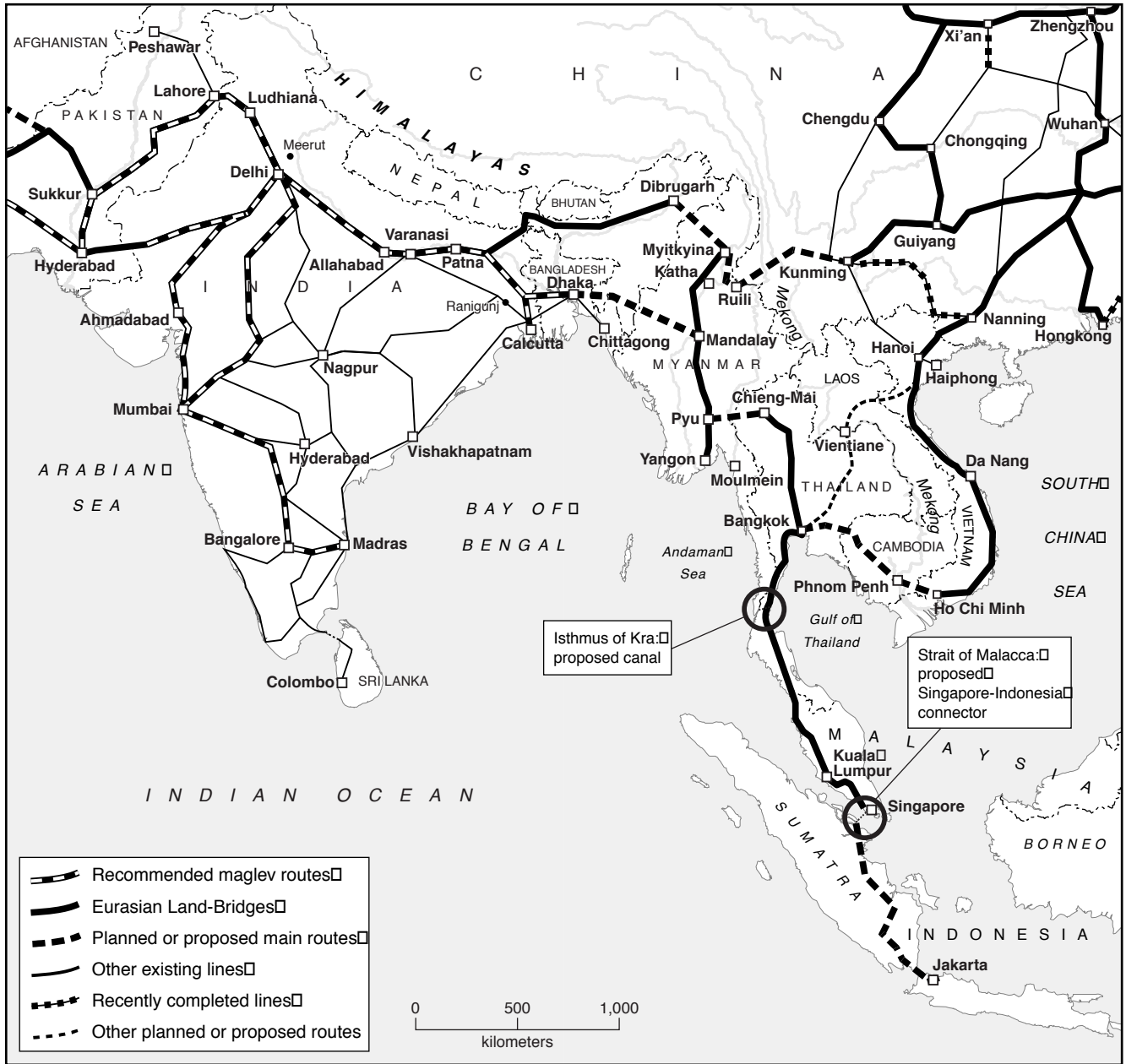
The national goal is to grow at 8-9% over the next 25 years, in order to eliminate poverty, create enough jobs for a growing labor force, reconstruct cities, and emerge as a global economic and political force. In fact, much of the world's growth in the coming decades will depend on the rapid modernization and expansion of the Indian and Chinese economies.

If India is to attain its economic and political goals, it needs to develop three key strategies. One, an internal strategy that will create large agro-industrial bases throughout the country, interlinked through a network of modern highways, railways and airways, and telecommunications. It will also need large investments in power, ports, and education.

India urgently needs an expansion of infrastructure, and the government is very concerned about this. We are rapidly expanding a network of national highways and railroads, and airports. This will integrate central India into the coastal and other zones.

FIGURE 10

Southern Eurasian Land-Bridge, with Emphasis on High-Speed Corridors



Source: *EIR* Special Report, "The Eurasian Land-Bridge: The 'New Silk Road'—Locomotive for Worldwide Economic Development," January 1997.

□

Two, we will need an international strategy of technological, trade, and investment ties with the advanced techno-industrial states—Europe, the United States, Japan, and Russia—to accomplish modernization.

Three, India will be heavily energy-import dependent, especially on the Gulf and Central Asia. It is therefore concentrating on nuclear energy, as well as developing thermal, hydro, and solar power internally, and externally to develop

access through pipelines to natural gas from Iran, Central Asia, Bangladesh, Myanmar, and perhaps Indonesia. As we move towards an integrated, globally oriented strategy, the ideals of building energy and road and rail-network corridors, become extremely important for the success of the Indian economy. To interlink energy routes and energy supplies, with modern transportation corridors, this overall developmental approach is a very important one.

The Southeast Asia linkage, as well as the Iran linkage, are critically important. The kind of Eurasian rail network being proposed, has three dimensions. From our perspective, the southern Asian dimension is a vital area, to link Southeast Asia to India, and then to Iran, and then move on to Central Asia, Russia, and Europe. This will go through the bulk of the population of Asia.

The link to China is already a proposal: the Kunming to Calcutta route, to link eastern India to southern China, via Bangladesh, Myanmar, and Thailand. On the Indian side, this route already exists. We are building some of the routes in Myanmar. The Chinese have also built up to Yunnan, so it is possible, in the coming years, to complete this route.

The rapid development of India is increasingly tied to a stable, secure, and increasingly cooperative global and regional order. Creation of strategic transportation and energy corridors in Eurasia and Southern Asia are of immense significance to India. In terms of ideas, these at once address the issues of peace, stability, economic, and security cooperation across Eurasia.

However, current efforts to create these corridors face significant obstacles: political instability and conflict in regions such as the Talibanized Afghanistan-Pakistan belt, that threaten to spread into Central Asia; the lack of requisite backing from Europe and Japan; and absence of strong ties among key Asian states — India, China, Iran, Indonesia.

It is critically important in Asia, to build inter-state relations that move away from conflicts, and to expend efforts to build confidence and understanding. Nations must realize the necessity for such projects and such cooperation, in order for their own states to survive: that it is in their own self-interests, to build larger cooperative ventures and political stabilization in this area. There are big problems: Indonesia is going through a major crisis; Burma is not yet ready for many of these efforts; the Gulf area internally remains in tensions; the Pakistan-Afghanistan area has gone into absolutely backward civil war conditions; and fundamentalist Islamic trends are of deep concern, and are affecting India very badly.

Second, there is a need for Europe, Japan, and the United States to support this process. I am given to understand here, that the Maastricht process [in Europe] and others, really are a problem, in terms of providing the kind of state backing from Europe and elsewhere, which would make low-[interest] credit-driven new ideas to fund this kind of infrastructure construction. It is very important, that the U.S., Japan, and Europe, are strongly committed to develop these kinds of new ideas, and move away from the other globalization model.

This can only take place, if these ideas win out in European governments, and Germany, France, and other leading countries here, support and bring forward, new, innovative ideas for funding and financing and providing credits for these kinds of processes.

The second element, is the global cooperative policymaking changes, in the institutions of Europe, Japan, and the U.S.,

that can bring about this large-scale structural change in the globalization model.

Finally, there is an absolutely important demand, for the countries of Asia, for India and China, for Indonesia and Iran, and Russia and Japan, to work together to build a more stable, peaceful Asia. What is needed is much greater cooperation in terms of leadership exchanges, economic ideas, and cooperative stability and security models, to bring this about.

India is deeply interested in this. Its own proposals, for a united Asia, and an Asian relations conference, go back to 1946. The Afro-Asian movement was triggered in Delhi. These kinds of ideas have a great sympathy in India, and we expect, as we move into our own development in the coming years, to play an important role in bringing about, in cooperation with all of you, the successful change in strategy in globalization.

It is important, therefore, that key Eurasian countries focus on the political, economic, security, and technological factors that would make possible a unified developmental strategy. India has great interest in such an outcome, and would play an active role in bringing this about.

Thank you.

Prof. Dr. Mohammed Al-Sayed Selim

Egypt and the Project Of the 21st Century

Dr. Mohammed Al-Sayed Selim is the Director of the Center for Asian Studies in the Faculty of Economics and Political Science in Cairo University, Egypt. Subheads have been added.



It is very difficult to speak at this late hour of the session, after four elaborated, marvelous presentations. So, it's a tremendous challenge for me to keep you interested in my presentation.

I would like to start by thanking the Schiller Institute for inviting me to this seminar, especially Muriel [Mirak-Weissbach]. She has done a lot to make sure, that I am here. I met her for the first time in Turkmenistan in 1996. And this was the first time to hear about the notion of the "Eurasian Land-Bridge," although at that time I was the director of the

Center for Asian Studies — which I still am. But it was a very interesting idea for me, and we developed in the Center an interest in this idea. And we held a conference on the Eurasian Land-Bridge in Port Said on the Mediterranean last year, the proceedings of which will be published very soon. So I thank Muriel for alerting us to this notion in 1996, and for all the literature that she has been sending us since then.

My presentation is related to Egypt and how Egypt can serve as a link between the Eurasian Land-Bridge and Africa. I don't want to speak on Africa itself, my Sudanese colleagues will deal with that, but I going to deal with the notion of Egypt and how Egypt is planning to connect with the Eurasian Land-Bridge. So, I am dividing my presentation into four parts.

The first part will review briefly the development projects on the Eurasian landmass, using the various transportation concepts and evaluating them from the prospect of Mr. LaRouche's vision of the Eurasian Land-Bridge. Number two is to review briefly the Egyptian projects to connect with the Eurasian Land-Bridge. Number three is to assess the impact of the Eurasian Land-Bridge and the Egyptian connection with it on the Egyptian economy — Will it have a positive or negative impact? And finally, how Egypt could be a link between the Eurasian Land-Bridge and Africa — leaving the rest of Africa to the next session.

The transportation projects on the Eurasian landmass can be divided into two major components: those which were established during the Cold War, and those which were established mainly after the end of the Cold War — or were begun shortly before and are still continuing.

Projects on the Eurasian Landmass

Those which began during the Cold War are mainly the Trans-Asian Railway and the Trans-Siberian Railway, or what is called sometimes the “first Eurasian Land-Bridge.” Those which began after the Cold War are mainly the “second Eurasian Land-Bridge,” that is a Chinese project; the TRANSECA project, which is [a link] between the European Union, the Caucasus states, and the Central Asian states; the pipeline transportation systems, which are mainly conducted by the transnational projects; and the trans-Eurasian fiber-optic cable system projects.

The Trans-Siberian Eurasian continental bridge is the oldest of them. It is still functioning, as has been reviewed by my Chinese colleagues. It is functioning below capacity. But there is an increasing interest in that project at the moment, and I have noticed that the Russians have visited Korea recently, in order to connect Korea with the Eurasian Land-Bridge, and that [Russian President Mr. Vladimir] Putin and [South Korean President] Mr. Kim Dae-jung have met in the United Nations. And they agreed to connect North and South Korea — through the railway link, which is still missing so far — with the Eurasian Land-Bridge.

The Trans-Asian Railway started in the 1960s under the

United Nations Commission for Economic and Social Development of the Asia-Pacific, connecting Istanbul and Singapore. Most of it was built, except a few parts — between Iran and Pakistan, Bangladesh, and Burma. But recently I have noticed that in the East Asian Forum that was held in Singapore last November, there was a decision by the ASEAN [Association of Southeast Asian Nations] countries, that these nations, in addition to Japan, China, and South Korea, are reviving the Trans-Asian Railway. They took the decision to complete the Trans-Asian Railway within six years — that is the deadline set in November 2000 in the East Asia Forum, to extend it to Vietnam, to southern China, to Korea, and to be connected to the Chinese railway system, with another extension to Indonesia.

The conclusion from this is, there is a tremendous interest in these older projects, to revive these projects, whether the first Eurasian Land-Bridge or the Trans-Asian Railway. Those projects which started after the end of the Cold War, such as the “second Eurasian Land-Bridge” connecting eastern China to Europe, which is mainly a Chinese proposal, suggested to extend the rail networks from eastern China to Rotterdam, with a total extension of something like 11,000 kilometers, through Central Asia. Already this line crossed the Alatau Pass from Kazakstan to Central Asia. The Iranians have also built the Mashhad-Tejan link, and there is a project going on now to connect the Iranian proposal with the Chinese proposal. This would be a great step in the second Eurasian Land-Bridge.

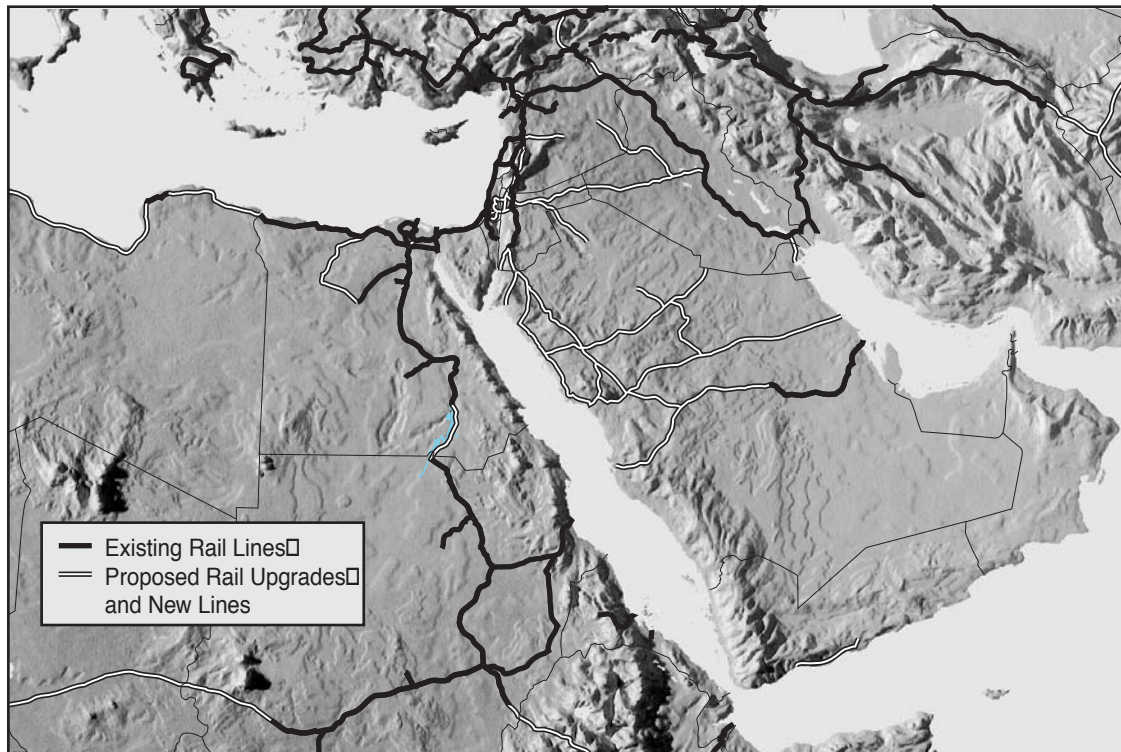
The idea is to have three connections: north-bound, south-bound, and a connection in the middle, linking this project to Russia, Belarus, Ukraine, and Eastern and Western Europe. As I said, the Chinese railway network crossed the Alatau Pass in 1992 to Kazakstan. And in 1996, the Chinese held a conference in Beijing, where they promoted this project, and which really created tremendous interest in linking this project with the Chinese project, to develop the inner parts of China.

The other project which we have to be alert to, is the TRANSECA project, which is not only a rail network project, it is a project comprising now 11 states — five Central Asian states, three Caucasus states, and Ukraine, Mongolia, and Moldova — done in cooperation with the European Union. It is not restricted to rail networks, but includes roads, maritime transport, and facilitation of trade. It does not include building new railways; it focusses mainly on renovating the present railway network and connecting the railway networks of these countries with the Trans-European network, with an idea to connect them with Europe, mainly.

This project is the only project with an institution supervising its implementation. They established the criteria in Azerbaijan recently, and it's done basically under the European Union — in addition to the other projects which I indicated, such as the oil pipeline projects and the fiber optic projects, etc.

FIGURE 10

Greater Middle East, Existing and Proposed Rail Development (Arab League) □



Selected routes and proposed routes, from the Arab League's "Guidelines for Railroad Projects in the Middle East" and 1994 Palestinian and Jordanian proposals.

All these projects, in my judgment, fall short of the proposal submitted by Mr. LaRouche. When I looked at these projects, and I am quite sure that you are all aware of the components, they fall short of the Eurasian Land-Bridge proposal, which mainly focusses on building railway networks with the idea of building development corridors. It is not only building railways, but also building development corridors around the railways, with the idea of expanding the development process. And he views this as the major strategy to prevent a global economic collapse, and I agree with that completely.

Furthermore, are these projects not part of a “grand strategy” to prevent that global collapse, or a grand strategy for development? So what we need, is to assess the complementarities between these projects: How can we coordinate them as well as possible? We need also to move a little step ahead and to assess only the feasibility of these projects and to conduct feasibility studies of the Eurasian Land-Bridge, so as to convince various countries of the viability and feasibility of these projects. Some parts of this Eurasian Land-Bridge are just desert. How can you build this in a desert? It is a very important idea, but what we will need to do now, is to step ahead towards the submission of feasibility studies.

Egypt's Connection to the Land-Bridge

Now to Egypt: This is the second part of my presentation. Egypt is planning to connect with this Eurasian Land-Bridge through three main strategies: the connection through 1) railways, 2) natural gas pipelines, and 3) electricity grids.

Let me take them one by one. The first step is the connection through the railway networks. At the moment, Egypt is building a rail line, which is called in Egypt the “Orient Express.” This begins—I am sorry that I don't have a detailed map of the Suez Canal—from the western bank of the Suez Canal, at a city called Verdem, crossing the Suez Canal on a bridge, and the bridge has been already built. As a matter of fact, I was coming on Egypt Air from Cairo—this is the Egyptian newspaper *Al Akhbar*, there is a picture of the bridge, which was established already on the Suez Canal to enable the trains to move to Sinai, and it will go north-bound something like 50 kilometers, and then will turn to the east, parallel to the Mediterranean Sea until the city of Raffah. Raffah is the city which is divided between Egypt and Israel. The total length of this railway will be 225 km. There will be a link between this line and the city of Port Said on the Mediterranean, because they are building there a development zone on the east of Port Said, called in Arabic “*Sharkh*,” or eastern branch of the Suez Canal. So, it will be connected

with the development projects of Port Said.

This project has now reached the city of Varish, which is in the middle of the line, and they are now building the second part of it to the city of Raffah. I was in Sinai last week and I had the chance to see this project being implemented. The idea is to connect this railway network with the Arab east railway network, when the peace process is completed. And this is a very important condition, that Egypt cannot continue extending this line to Israel, and from there to Jordan, Syria, and Turkey and other Arab countries, unless the peace process is completed. Which leads us to a main conclusion: that the completion of the peace process is a crucial step, if we are to move ahead with this network.

There is another movement in the Arab Orient to revive the old railway network. There is an agreement between Syria and Turkey to revive their railway network, an agreement between Syria and Jordan, and between Syria and Turkey as well, to revive the old railway, which used to connect Istanbul to Medina in Saudi Arabia. Egypt hopes, that when the peace process is completed, it will be connected with these proposals through Israel. Of course, Egypt can go through Aqaba, can avoid the Israeli route by going through Aqaba, through the Sinai, but the cost will be tremendous, even prohibitive for Egypt.

Natural Gas Pipelines and Electricity

The second strategy is the connection through the natural gas pipelines. This project has already begun, and the idea is to build a natural gas pipeline with a total length of 950 km, beginning at the city of Varish on the Mediterranean in the Sinai, to the city of Tabaa, and from there under the sea to the city of Aqaba in Jordan, then to Amman in Jordan, then to Damascus, Tripoli in Lebanon, and to Turkey, then to Europe. It will pump something like 4-6 billion cubic meters of natural gas a day. And the idea is to expand that network later on. This project is already in progress, and an agreement has been signed among these countries.

When the idea first appeared to establish this natural gas line through the Mediterranean, Egypt found that the total cost would be high, something like \$1 billion, compared to the cost of building it via Jordan-Syria and Turkey, which would cost only \$700 million.

This project is already in progress, and it is not connected to the peace process; however, Egypt has decided to give Israel a link, which would be separate from the Arab link to the natural gas pipeline. But, of course, these links could be connected together later on, when the peace process is completed.

The third strategy is to connect the electricity grids, and this has already been completed. The electricity grids in Egypt, Jordan, Syria, and Lebanon are already connected, so whenever electricity is not available in Jordan, then Egypt can compensate Jordan for that. The idea is to expand that to later include Iraq and Turkey.

Of course, this all depends as well on the continuation of the present state of no peace. If war erupted in the Middle East, then all these projects—of connecting the electricity grids, national gas pipelines, and the rail lines—will collapse.

Economic Integration Comes First

This brings me back to my original contention that there is an organic link between the political dimension of the situation in the Middle East and the economic dimension of that situation. The situation in the Middle East right now is full with tremendous, ominous potentiality of eruption of conflict and war, which would have tremendous implications for these connections.

The projects, that I have referred to, have certain conceptual and pragmatic components.

These projects reflect an alertness in Arab countries and Egypt, that we have to establish a sort of integration in the Arab Orient, and by Arab Orient I mean Jordan, Syria, Lebanon, and Iraq. This political and economic integration could only be done through joint projects, through development, through physical economy, which is different from the old Arab perception in the 1960s, which focussed on economic integration not through the development process, but through political decisions. We would take a political decision for integration, and take then economic considerations. This notion proved to be a wrong notion, and Arabs have moved toward the notion of establishing this economic integration through joint ventures in the physical economy. Economic integration is the introduction to political integration and not vice versa.

Also, these projects transcend the Israeli concept of the new Middle East, which effectively collapsed when [Benjamin] Netanyahu came to power in 1996. The Israeli Prime Minister was not interested in this, and 1996 was a watershed in this concept. So, a new concept emerged, that is, a concept of a new Arab East, which focusses primarily on the integration among these countries, with the view of giving momentum to the peace process, that is, to give Israel the opportunity to link with the new Arab Orient if the peace process is continued. For example, if Israel takes a natural gas line for itself, which is separate from the Arab network, it could be reconnected together, if the peace process is completed.

So, the concept of the new Arab East provides momentum to the peace process, not vice versa.

The Impact on Egyptian Interests

Will the new Eurasian Land-Bridge, the Egyptian connections to the Eurasian Land-Bridge, influence Egyptian interests?

In April 2000 we held a conference in the Center for National Studies in the city of Port Said to address this question. Will it influence our interests, and in what direction? We engaged a lot of policymakers in this conference: the Govern-

nor of Port Said, the director of the Planning Department of the Suez Canal Authority, various academicians attended, etc. The conclusion of our deliberations was that this would benefit Egypt certainly, in many respects.

I have not enough time to tell you all the positive effects on the Egyptian economy that it will generate, but, very briefly, it was concluded that it will have a positive impact on Egypt from six different angles.

This project will lead to an increase in total global trade, and Egypt would certainly benefit from the creation of new

All these projects fall short of the proposal submitted by Mr. LaRouche. His Eurasian Land-Bridge proposal is not only building railways, but also building development corridors around the railways, with the idea of expanding the development process. And he views this as the major strategy to prevent a global economic collapse, and I agree with that completely.

global trade. Some part of this trade would certainly go to Egypt, through the Suez Canal in particular. Also, it will enhance Egypt's strategic position as a link between Africa and Asia, because, as I would say now, the Eurasian Land-Bridge will only be able to cross to Africa through Egypt. So, it will boost Egyptian strategic interests, and certainly will benefit the Egyptian economy.

It will also create a link between Egypt and Central Asia for the first time. Egypt lacks a geographic link to Central Asia, and this is one of our main problems when dealing with these countries. So, by connecting to the Eurasian Land-Bridge, Egypt will have, for the first time, direct land access to the Central Asian countries.

It was also concluded that it will not negatively influence the Suez Canal revenues—because that was a major concern. Will the establishment of the Eurasian Land-Bridge take part of the commodities shipping in the Suez Canal north-bound or south-bound? Without going into the technicalities (which I have in my paper), it was concluded by the Suez Canal Authority itself, saying no, it will not influence us. It was found, that to the contrary, it may even increase the revenues of the Suez Canal in various respects.

Of course, it will have a positive impact on the Port Said development project, by connecting this project to the Arab

Orient, to the Trans-Caucasian and Central Asian states, but will also have a positive impact on Sinai by establishing new development projects, which is a major security consideration for Egypt.

The conclusion was that the Egyptian connection with the Eurasian Land-Bridge will have a positive impact in all respects on Sinai, on Port Said, on the Egyptian economy, on the strategic location, etc.

The final question is: How can Egypt be a link between the Eurasian Land-Bridge and Africa? I am not an Africanist, and I will leave the question, of what will happen in Africa, to the Africans, but I will talk about how Egypt can be a link. Egypt is the only Afro-Asian country in the world. If you look at the map: Part of Egypt is in Asia, and the other part is in Africa. The Sinai, which represents almost 17% of the total area of Egypt, is in Asia, and the rest of Egypt is in Africa. . . .

We have the connection between the Eurasian Land-Bridge, Egypt, and Sudan, and the connection between the Eurasian Land-Bridge, Egypt, and Libya. The first connection is, that if Egypt is connected with the Eurasian Land-Bridge, then it will be connected south to Sudan and west to Libya.

Now let me take them one by one: The Egyptian railway network has at the present no connection to Sudan. It stops at the city of Wadi Halfa south of Aswan near the Sudanese border, and is not connected to the Sudanese railway network. The problem is, that the Sudanese and Egyptian railway systems were built by Britain, and were built with different gauge systems, so they would not be connected together. The Egyptian gauge system is the standard gauge of 1,455 millimeters, the Sudanese gauge is 1,076 mm—How could you connect these two systems together? It would take tremendous work indeed, and one of them must change.

I am a little bit sensitive in assessing which one should be changed, but in one of the issues of *EIR*, I was surprised to learn that the Sudanese colleague has suggested—and I agree with him on this—that Sudan should change its gauge system to the Egyptian standard. This would cost something like \$19 million. It's not a huge amount of money, it could be done. Especially as the Egyptian standard gauge is now more or less the standard gauge in North Africa and other parts.

From Sudan, if Egypt and Sudan are connected—and I said, the costs are not high—then Sudan could be a hub to establish different connections in Africa: connections from Sudan to Central Africa and from there across the great desert to Dakar, Senegal, a connection from Sudan to Chad, from there to Congo; a connection from Sudan to Ethiopia, to Eritrea; a connection from Sudan south to Uganda, and from there to Cape Town. And, in this respect, Sudan will be a hub for different connections to various African countries.

The second strategy is connecting the Eurasian Land-Bridge to North Africa via Egypt and Libya. The Egyptian railway network stops at the city of Salum, which is close to the Egyptian-Libyan border. There is a project to extend that

railway to Libya—and this project has been in the cards for the last 20 years and has not been implemented so far, because of the political dimension of the Egyptian-Libyan relations. I once wrote a paper on this project in 1991, and I read the archives of *Al Akhram* newspaper, which is our national newspaper, about Egyptian-Libyan relations. And I found that this project has been on the cards at least since the last 20 years. “We are going to do it next year . . .,” but then something happened in the Egyptian-Libyan relations, so the project stopped, and there are no promises so far, that this connection between Egypt and Libya will be established. It will not be a connection, but it will be an extension of the Egyptian railway to Libya, because Libya does not have an elaborated network so far. From there it can be connected with Tunisia, Algeria, and Morocco. And the job here will be easy, because the standard gauge of these four countries is compatible with the Egyptian standard gauge.

There are two problems here for the Egyptian-Sudanese link and the Egyptian-Libyan link: The first problem is a problem of finance. It’s a main problem in the Egyptian-Sudanese case—of course \$19 million is not much, but given the Egyptian and the Sudanese economies, it could be a lot of money. The second problem is a political problem, it’s a problem concerning inter-African relations, which has been the case in Egyptian-Sudanese, or Egyptian-Libyan relations. And in inter-African relations in general, there are various conflicts, and most importantly, in my judgment, is the impact of foreign interventions in Africa—the role of the foreign powers in Africa. As I have said earlier, the Egyptian and Sudanese railway networks were established on different gauges by Britain. So far, in my judgment, the role of foreign powers in preventing the construction of these railway networks has been quite instrumental, especially in the case of Sudan. The foreign intervention in Sudan is tremendous; one of the major factors of the continuation of the Civil War in Sudan is foreign intervention, especially American intervention in the domestic affairs of Sudan.

Today I was listening to CNN, I heard the spokesman of the American State Department, who was astonished, how come the United States was not voted into the UN Human Rights Commission, and Sudan was voted into that commission. I said, my God, this is democracy in international relations! That’s democracy, isn’t it? Sudan did not come to this commission just by chance, it’s democracy in the international relations—that is a democratic decision! But the man was so astonished, so surprised, as if America would put a veto on Sudan, that Sudan should not be in this world.

I think this problem should be dealt with and tackled. The potentialities are tremendous, but we have to deal with the political issues: First, I believe, if these issues are dealt with in a fair way, I think that the idea of establishing the railway network of the Eurasian landmass and linking it with Africa could be one of the major innovations and development ideas of the 21st Century.

Thank you very much.

Yuri Gromyko

Russia Faces Necessity To Define Its Mission

Prof. Yuri Gromyko represents the Moscow Academy of Culture and Educational Development.

Dear friends, dear colleagues! It is a real honor for me to speak from the podium of this conference, which, according to the program, is devoted in part to these two great names in human world history: Nicolaus of Cusa and Vladimir Vernadsky. It is possible to say, that these two names are sacred names for the Moscow methodological circle that I represent in this hall. This circle is connected with the name of Shchedrovitsky and, more broadly, with the Russian philosopher Ilyenkov and with Pobisk Kuznetsov, the brilliant scholar and initiator of the Russian version of physical economy.¹



It is cause for happiness, and our real advantage, that Mr. LaRouche is not only an economist, but also a social philosopher of the Socratic-Platonic type, because for rather many people in Russia, it is clear that monodisciplinary economic science—limited to the single discipline of “economics,” as such—is a plague on our existing statecraft. Of course, it is possible to talk about there being a good discipline of economics and a bad one, but, on the other hand, it is clear that the phenomenon of monodisciplinary economic science, by its nature, violates the very possibility of thinking about Russia’s future.

Most important in the legacy of Nicolaus of Cusa is his idea of *docta ignorantia* (learned ignorance), the idea of knowledge about non-knowledge, the idea of reflexive knowledge. This suggests a way of shaping programs to con-

1. Georgi P. Shchedrovskitsky (1949-94) was a Russian philosopher, semiotician, mathematician and teacher, who developed a great number of approaches to the reform of scientific research and practice. His work is continued by many groups, known collectively as “the methodological movement.” The Russian philosopher Evald V. Ilyenkov (1924-79) wrote on dialectics and the structure of thought, as well as his own conception of the ideal. He and his fellow pedagogue Meshcheryakov developed an original method for teaching blind-deaf-mute children. Pobisk G. Kuznetsov (1924-2000), scientist and brilliant industrial management expert, was known as a leading proponent of the ideas of “physical economy” in Russia.

struct, to explore, and to investigate new knowledge, and the possibility, on the basis of already-assimilated knowledge, to elaborate new visions and to form new knowledge. The most important and the most interesting, intriguing thing, is to understand how it is possible to develop programs for the elaboration of new knowledge.

For many people, it is not evident that the lack of sound policies in Russia is linked with the absence of knowledge, and the necessity of elaborating knowledge. For example, so far we have no concrete vision of Russia's mission in a new, changing world, nor, of course, of ways of acting in accord with such a mission.

The reason for this, is not only that we lack finances or that we don't understand the investment process correctly; we ourselves have a good understanding, but there are some people who don't understand it correctly. For them, it is possible to say that one need simply change the members of the government, and that it is a question of political will. I don't think so. We lack the most important knowledge right now, and we lack the projects, without which policy-making is simply social maneuvering. To change even only the investment process, it is necessary to have new, very concrete projects, which can become the motive force for an innovative economy of a very different type, on a grass-roots level. These must be long-term projects, by means of which we can stabilize the consciousness of the population, because when such long-term goals are set, there will be strategic forms of employment for the population.

From Post-Industrial to Neo-Industrial

What is not clear just at this moment, and what is very important to investigate, is what the new structure of a new, industrial, post-Soviet system in Russia, with strategic forms of employment, should be, and what will be the new structure of the full-fledged, full-scale productive forces, including educational systems, with all their possibilities, and scientific research institutions with new instrumentalities. Some ideas about these full-fledged, full-scale productive forces, from the economic and technological side, are elaborated in the works of Mark Dvortsin and his group.²

In order to elaborate a new vision of a "neo-industrial" system (I have introduced this term, as distinct from the so-called "post-industrial"), it must be seen to differ both from our contemporary, destroyed productive system, and from the Soviet system.

In this situation, people take different positions, for there is a specific positional geometry involved. The first position, is the position of the old and new liberals (who are the same people): namely, that only through monetary manipulation is

it possible to do something in Russia. They recognize that we are currently experiencing huge losses — losses of population, and of institutions in education, scientific research, and industry. This is exactly what Sergei Glazyev called "Genocide," in his book, but they — the authors of the genocidal policy — assert that these losses are inevitable events during a transition. For all patriots of Russia, however, it is clear that continuing these reforms is a kind of cannibalism.

The second position is connected with the elaboration of new programs, which oppose the liberal reforms, but fail to answer the very concrete question of how future post-Soviet industrial systems must be organized. For us, this position is a purely ideological one. Its main motto is: We understand, in general, what is to be done, but it is necessary to have real political power, the wheels of political power in our hands in order to implement these ideas and programs. The representatives of this position don't notice that what they want, at best, is to return to the Soviet industrial system, which was already dilapidated and technologically obsolete in the Soviet period, and to have only islets of high-level technological organization. Moreover, that industrial system doesn't even exist any more. They don't notice, that in our situation, the Russian population needs a more specific, and simultaneously more general, understanding of what Russia's mission can be, and of what might be the specific forms of work in new industrial systems, interlinked with educational and scientific research institutions.

The third position is technological in outlook. It is represented by the economic works of Mark Dvortsin and his group. It consists in the idea that the modern industrial complex, interconnected with the two other systems — education, and scientific research — cannot be arbitrarily changed. That complex is the result of a historical, technological evolution and of the mutual penetration of different sectors of industry, with their respective technological and managerial standards, educational and training technologies, and different types of know-how. The very existence of such an industrial-educational-scientific research complex is determined by the interconnections, agreements, and the "fit" between the huge number of intermediate products and components, produced by different manufacturing sectors, with their various standards, know-how, and patterns of doing things that are specific to a given sector.

Innovation in Science and Technology

All of these elements, melded together in real practice, form interconnections (or, the lack of appropriate such interconnections), which are precisely what determine the level of technological organization in an industrial system. It is impossible to tear one fragment out of this complex, and begin a technological upgrade of this component. There is only one thing to be done with such a complex, and that is to organize its evolutionary process as a single unit, as a whole.

The fourth position is connected with the idea of organiz-

2. The economist Mark Dvortsin was Deputy Minister of Industry in the first Yeltsin government, until his dismissal at the instigation of Yegor Gaidar and Anatoli Chubais. He has developed the school of "technodynamics," and currently heads a department at the Plekhanov Economics Academy.

ing the real process of innovation in science, education, and industry. Here, we need simultaneously to upgrade the level of technological organization of industrial processes, in order to answer the question of what is the new substance of industrial labor in Russia at this time, just what is the new industrialism, and how this labor can be organized; and, to reproduce the structure of full-fledged productive forces, as the totality of interconnections among the neo-industrial, educational, and scientific research institutions.

This is precisely the problem of an innovation economy and of innovation in industry. For it is incorrect, to think that an “innovation economy” means simply high-tech, or computers. After it has been demonstrated that “the information society” is a fraud, it is clear what the challenge is before us. The real challenge is: How is it possible to connect information technology with machine tools, and other new kinds of machinery? This is precisely the problem of organizing advanced manufacturing systems. It is a real challenge, to understand how these things can be put together. On the other hand, it is also clear that innovative technology is not merely the implementation and realization of new, fundamental scientific ideas; rather, it is extremely necessary to change the technological forms of organization of industrial complexes, with corresponding changes in the structure of labor—what professions are required. To organize this requires having very concrete technological projects for the new kind of industrial organization.

Mutual Development of Industry

We must have three different types of projects.

1) The first type of project is connected with the idea of organizing, on the basis of traditional industries (say, the lumber industry, or the cultivation of flax), locomotives of development. Such locomotives stimulate certain effects, when a specific branch of industry, as a result of its progress through certain phases of development, can transform other industries. The lumber industry, for example, can transform the specialized machinery sector, or the specialized machinery industry can transform the machine-tool sector and instrument-making, and so on. The same goes for the production of flax, the development of which presumes the improvement of flax-processing machinery, the development of special machine-tools for this purpose, the development of the textile industry, the development of machine-building for the textile industry, and the development of clothing and footwear design. All of these connections are well known, but the problem is how to organize them in practice.

2) It is envisioned that the second type of project, should be connected with the possibility of creating new types of industry, which do not now exist, or are only coming into existence: for example, the optoelectronics, laser, or crystal-growing industries. These new sectors all exist in implicit, embryonic form, as fragments of technologies in laboratories or experimental shops.

3) Also, it is good and important to have a project for meta-industry, which is a special structure for organizing the very process of transformation and transition from the old structure of industry to the new. This meta-industry must be connected with the cycles of innovation. It subsumes such special organizations as, for example, units for accelerated prototype development, corporate universities, and so on. The main idea of meta-industry, is to identify and differentiate the various layers within the Soviet complex industrial system and to prepare a large number of points and elements within it,

The most intensive forms of technological and social-cultural evolution can be organized under extreme conditions of life, such as in the Arctic north. At the present time, when we have a real flight of the population from Russia's northern territories, which is forced by the genocidal economic reforms, it is very important to prepare new programs for mastering and developing life in these barren, extreme northern territories.

to become the sites from which actual comprehensive, multi-level technological innovation will take off.

It is very important to organize an industry that can produce a vast array of instruments, equipment, and specific technological methods, which can be used to transform the existing industrial-technological institutions. The main purpose of such a meta-industry is not merely to replace obsolete technologies and instruments, as such, with new ones, but to organize the evolution of technology and to increase the level of technological organization in industry. It involves, first and foremost, the problem of technologies from the humanities—having to do with thinking, understanding, education, organization, and so forth. It addresses the pivotal point of differentiating, or dividing into layers, the old industrial system—using only the criteria of physical economy, to determine the potential points where energy flux-density and the density of product-flows through the industrial system may be increased.

Breakthroughs under Extreme Conditions

Returning to Nicolaus of Cusa, it is high time to ask once again: What kind of knowledge do we need? In my opinion, we do not so much need the abstract mathematical knowledge

of forecasting through a mathematical extrapolation procedure, which automatically prescribes what is to be done, as we need knowledge that is connected with a live vision of the future possibilities to achieve new results. This is the knowledge of foresight, obtained by positioning yourself in a real process of change. It is always connected with the real positions that we occupy in particular situations. And such knowledge has to be the anticipatory knowledge of a project-designer, which provides orientation for the development of an entire system, and which can be obtained only through taking up a position for real action.

It is also my opinion, that the most intensive forms of technological and social-cultural evolution, can be organized under extreme conditions of life, such as in the Arctic north. At the present time, when we have a situation of mass out-migration, a real flight of the population from Russia's northern territories, which is forced by the genocidal economic reforms, it is very important to prepare new programs for mastering and developing life in these barren, extreme northern territories.

In this area, we can see the connection between space flight, and life under very difficult, even terrible conditions; and, how both are oriented against monetarist policies. Pobisk Kuznetsov recalled how, when he was working at a classified company on the project "Functioning of the Supreme Commander-in-Chief's Headquarters in the Event of a Third World War," he explained to members of the Politburo of the CC CPSU, that it is not necessary to take paper money with you on a space flight; paper money has no life-support function on a space flight. Pobisk Kuznetsov, that brilliant Russian scientist, named the work in this area, "Designing Life-Support Systems."

Russia deserves to be characterized as a northern civilization. So, it is impossible even to imagine Russia without a new program to cultivate and promote life under conditions of the Far North. A very important feature of such cultivation and promotion of life above the Arctic Circle, is the idea of development corridors, elaborated by LaRouche and his group, as well as the ideas of "technopolis" and "technopedia-polis" (a technology-oriented city with an emphasis on teaching and training). Under such conditions, it is very important to act on the main idea of Vernadsky about the construction of new materials and new types of energy exchange, in order to provide population density in such territories. The very possibility of increasing the density of habitation in such territories, and of organizing modern settlements in certain delimited areas there, demonstrates the expanding scale, on which the space of our planet may be reorganized.

At present, the Center for Strategic Projects and Analysis, in the Northwest district among the seven national districts (each with its Presidential representative), is organizing the preparation of a new program for redeveloping and mastering the territories above the Arctic Circle. It goes without saying, that Vernadsky's distinction between living and non-living

systems is most intriguing in this context, as it relates not only to the fate of living matter in the universe, but also to the problems of artificially created entities and their naturalization, as well as the naturalization of artificial quasi-living products, created by sophisticated human efforts.

The main problem of our political life in Russia, at present, is where, and exactly how, it will be possible to organize real change through action. In my opinion, we have only one such possibility. We can do this on the level of the regions, the seven districts established under the plenipotentiary representatives of the President. At the level of federal policy, we have a continuation of Yeltsinism and a total deadlock, because all of our important policies have been totally destroyed. We have no industrial policy, no policy for the development of fundamental research, and no education policy. One might say that, on this level, too, we have the problem of distinguishing between living and non-living systems, which was so important for Vernadsky—but, in a different sense, in the sense of the Christ's words, "Let the dead bury the dead."

The elaboration of concrete projects is currently possible only at the regional district level. Precisely here, there is a possibility to have live contact with the country as a whole, and with its territories, and not to be encapsulated in the ivory tower of federal policy. On the district level, it is very important to find the social and cultural, and simultaneously the technological answer to the question of how the country as a whole will and should develop.

There have been some interesting and inspiring initiatives. For example, in the Volga District a commission has been organized for the development of the entire space of this region, and this commission was explicitly modelled on the legacy of Vernadsky's commission, which worked on the siting of productive forces in the whole country. On the federal level, so far, we have done nothing but destroy the country's political and information space.

In order to bring these programs and projects to life, we need a new, different kind of education and a new, different professional structure. The real challenge here, is to bring about a professional revolution—a transition from the pseudo-industrial type of employment, which was partially the heritage of the Gulag, to an innovative type of employment. Thus means developing not a narrow specialist with his "one-track mind," but a broadly-oriented, multidirectional mind and personality. In order to achieve this, we must restore and develop the education of engineers, medical personnel, teachers, and scientific researchers. The pivot of a professional revolution will be to design a paradigm of thinking and project-making, which incorporates the ability to work with the future. In order to organize such a professional revolution in education, it is very important to answer an old question, which is also a new one: What should be the strategic forms of employment for new undertakings in Russia, especially for young people, wherein the term of each project is not less than 25 years?

'New Deal' for Russia

In Russian, this idea of “*novoye delo*”—a new cause, new enterprise, or new mission—expressly resonates with Roosevelt’s “New Deal” (the linguistic root is the same). It must be determined collectively, what Russia’s own, national new cause is to be, and it is very important to characterize such an undertaking, by identifying its seven most important facets.

- The mission, seen through the prism of the efforts expended and capabilities developed; in other words, *experience*.
- The mission, seen through the prism of personal development, education, and training; this means a *profession*.
- The mission, seen through the prism of others’ utilization of the results and products, accomplished by an individual person; this is *labor*.
- The mission, seen through the prism of resources, methods, approaches, instruments, and technologies; or, *activity*.
- The mission, seen through the prism of project-drafting, conceptualization and planning of the future (future actions); this is *thought*.
- The mission, seen through the prism of a person’s confidence that tomorrow will come, and that he will enjoy social protection; that means *employment*.
- The mission, seen through the prism of trade, commerce, and exchange; or, *business*.

There are very important political changes taking place in post-Yeltsin Russia. It is now clear to a rather large number of people, that Russia cannot adopt or borrow ways of life from outside. Russia cannot imitate or replicate another country’s pattern of action; there is no such pattern. Therefore, the people of Russia must set their own goals, and determine the mission of Russia. It is impossible to formally deduce these goals and aims. The mission of Russia consists in launching a new civilization, together with the other countries of Eurasia. Perhaps one should say “a multicivilization,” because Eurasia itself is an eternal dialogue between different civilizations.

The main idea of this new multicivilization lies in the cultivation of new ways of life, and in mastering space and time across the vast territories of Eurasia. The northern territories, the ocean floor, marine resources, geological prospecting by satellite, resource- and energy-saving technologies, new kinds of nutrition and food, new kinds of engines, new types of transportation, new energy sources, new technologies in education, and a new style of life—all these things can become reality, within an innovative economy in the center of Eurasia. There is a huge demand for all of these things in Eurasia, and they all exist in embryo, in the not-yet-developed innovation economy. As of yet, however, we have not officially declared the mission of Russia. Real goals, not just for how, are lacking. Thus, I can say that it is very difficult to do something with Russia, if it is viewed only as if it were a bureaucratic corporation.

Ramtanu Maitra

Central Asia’s Role In the Land-Bridge

Ramtanu Maitra is an Indian engineer who headed EIR’s bureau in New Delhi during the 1990s, and currently writes on Asian economics and politics for EIR from the United States. His detailed discussion of the problem of water management in the Central Asian Republics, is excerpted here.

The Second Eurasian Land-Bridge, which starts off from the east coast of China and connects Europe through Iran and Turkey, passes through the volatile and impoverished nations of Central Asia. The Land-Bridge, at this point nothing more than a long railroad carrying passengers and goods from point to point, passes through Central Asia without making any significant contribution to its economy. But in the future, Central Asia could become a developmental hub. The region’s advantages are its natural reserves, toward which the entire developed and semi-developed world is looking with great expectation. With the oilmen in charge of Washington now, Central Asia will be very much in focus for oil and gas—the energy sources to which the world still remains very much attached.

While sparsely populated Central Asia, with about 30 million people, is a prime candidate for development and future prosperity, it is also a dangerous territory, and is becoming more so every day. Exploited by the erstwhile Soviet Union for decades for its resources and fertile, though small, agricultural land to raise cotton, the area has remained impoverished. Its water resources have been damaged almost beyond repair; land has been eroded; and, manpower remains virtually unskilled. While the area produces an enormous amount of poppies and water-thirsty cotton, it produces much less food grain than its population needs. . . .

What Ails Central Asia

The Central Asian nations have problems which are unlike those of many African nations with which they are often grouped as so-called newly independent states. Only a little more than a decade ago, the area was under the now-defunct Soviet Union. The rivers belonged to one entity. With its



breakup, and the formation of the Central Asian nations—Kazakstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan—the river system was fragmented. The riparian rivers have a different role to play for each nation. During the Soviet days, water was exploited to produce the cash crop, cotton. Water has been diverted from rivers to irrigate the Ferghana Valley and grow more and more cotton. As a result, the Aral Sea, where the two major Central Asian rivers, Amu Darya and Syr Darya, discharge their surplus water, is receiving less and less water. Helped by large evaporation, the Aral Sea is drying up, creating an environmental hazard for the future.

The lack of irrigation water and the countries' inability to shift quickly from collectivized farming to private land ownership, have resulted in food shortages. With the drying up of the Aral Sea, the microclimate of the area has been changed, and it is almost a certainty that the Aral Sea basin will be receiving less and less rainfall in the decades to come. The shortfall of food grain has shown up in Uzbekistan and Tajikistan, most prominently. Tajikistan has a 50% shortage and Uzbekistan an almost 25% shortage. These shortages will grow if well-thought-out measures are not taken immediately.

In addition, the lack of food sufficiency will make the Central Asian nations dependent on the West and vulnerable to the economic globalization and liberalization trap. . . . As the Indian experience teaches, the Central Asian nations, in order to protect their sovereignty, must immediately put in place plans to make the countries self-sufficient in the coming decade. Such measures would instill a sense of confidence within the desperate population.

The water shortage has also given rise to increasing hostility between the Central Asian nations over water usage. Cotton was already being cultivated in the basin of the Syr Darya and Amu Darya Rivers before Russia took control over the area (1860s). In the 20th Century, the Soviet Union decided that the cotton sector had to be extensively developed to foster growth in the region. Water conservation was not a component of the program. This resulted in the drastic depletion of river flows and ground water reserves, and even to the dessication of the Aral Sea. This Sea is indeed, on the verge of disappearing, having already lost three quarters of its volume and shrunk in size by 56%. Out of 120-127 cubic kilometers per year of water supposedly arriving to the Sea, about 90 is used for irrigation, with 60-65 for the cotton industry. In some dry years, the Aral Sea was partially or totally left without inflow. The situation creates tensions between the new republics of the basin. . .

The Ferghana Valley, with 45% of the irrigation area in the Syr Darya basin, is one of the most ethnically mixed regions of Central Asia. All countries making up parts of the valley have territorial claims against each other, mainly because of large minorities living in districts bordering their own republic. As far as the most populous republic is concerned, around 90% of the Uzbek foreign community lives in

districts bordering Uzbekistan. Uzbeks living in Kyrgyzstan resides mainly in the Osh district bordering the Uzbek part of the Ferghana Valley.

The Water Issue

Central Asia makes up part of the arid and semi-arid vegetation zones of the globe. Precipitation and usable groundwater resources are insufficient to meet the demands of agriculture and habitation. The majority of water comes from the runoff of the high mountain ranges of Pamir and Tien Shan, in the eastern parts of Central Asia. Most of this runoff feeds the two main rivers of the region, Amu Darya and Syr Darya, which flow west and north toward the Aral Sea.

Much of the Central Asian landscape is arid desert, with pockets of rich oases of agricultural land and settlements along the main river systems in the republics. Sources of water are unevenly distributed in the region, with four-fifths of Central Asia's water network concentrated in the smaller republics of Uzbekistan and Tajikistan; whereas the larger, cotton-growing republics of Uzbekistan and Turkmenistan can count on only one-fifth of the region's natural water network.

Much of the agriculture is possible only by irrigation, demanding sophisticated water distribution systems. The allocation of this precious water could only be realized by developing the so-called "hydraulic societies" that have an ancient tradition in Central Asia, especially in the regions of Khiva, Samarkand, and Ferghana. The "Mesopotamia" of Central Asia, the fertile irrigated land between the two legendary rivers of Oxus (Amu Darya) and Jaxartes (Syr Darya), is an ancient settlement area with a history of approximately 3,500 years. Archaeological research has revealed sophisticated irrigation systems that provided water for millions of hectares.

At the end of the Nineteenth Century, after the Russians had conquered the Khanates of Turkestan, new irrigation technologies were introduced and cotton was cultivated on a larger scale. With the consolidation of Soviet power in the early 1920s, the irrigated area was extensively developed due to the Soviet Union's most favorable thermal and soil conditions in an arid region with then abundant water resources.

However, the traditional appreciation of the once-inexhaustible water resources in Central Asia has diminished since the sovietization of the region. Since 1960, the region has witnessed a dramatic increase in the demand for water resources. Water withdrawals for irrigation are enormous. Depletion of river flows and groundwater reserves, as well as degradation of water and soil qualities, have become widespread. The consumption of water has tripled, mainly due to significant extension of irrigated agricultural land and to the rapid population growth.

The region's productive forces have been focussed exclusively on the production of cotton. A big rural labor surplus and the intention of the Soviet central planning authorities to become independent of cotton imports, led to a concentration of cotton cultivation. Since 1960, cotton production has dou-

bled, and now accounts for almost half of the irrigated sown area. Irrigated arable land has increased by 60% in the last 40 years. Cotton monoculture is regarded as the main reason for the depletion of soil and water resources in the Central Asian Republics. Cotton cultivation is responsible for the exhaustion of nutrients, soil compression, and a massive application of herbicides, pesticides, mineral fertilizers, and defoliants to ease harvesting. Drainage water from the irrigation fields discharges these toxic substances into the main rivers. Poor water management in the Aral Sea basin is responsible for the decline in agricultural production, and due to salinity, has already taken out of production an area larger than Belgium.

Water for Agriculture

The desiccation of the Aral Sea is one of the major man-made ecological catastrophes in the world. By 1982, the extreme specialization of cotton monoculture and its irrigation practices, had led to an almost total extraction of the runoff originally reaching the Aral Sea, which has already lost 75% of its volume since 1960. The blowing away of toxic salt and dust due to the exposed sea bottom, leads to soil infertility in the once-fertile Amu Darya delta. Furthermore, the falling sea level has caused a microclimate change and a rapid decline in fish productivity [and a shortening of the growing season]. Experts expect that the Aral Sea will evaporate further in the foreseeable future.

Huge dust storms blow salt and toxic sediment far across the Sea's littoral republics—Uzbekistan and southern Kazakhstan—adding to the already chronic health conditions in the region. . . .

The Amu Darya River now feeds into the Kara Kum canal, which carries water along an earthen channel to cotton-growing areas far inside the interior of Turkmenistan. The river is also tapped by Uzbekistan for its cotton fields. Since the Kara Kum canal is really nothing more than a long, open ditch dug out of the earth, much of its water is lost, either through seepage into the earth or through evaporation as the river water traverses hundreds of miles of arid expanse.

At the cotton fields, the water saturates the land through large-scale flooding. Much of the water evaporates in the field, and what is not captured by the soil runs off into small reservoirs or back into the Amu Darya. Beginning in 1982, when water scarcity caused strict limits on the republics' water consumption, improvements in irrigation efficiency and water management in Central Asia were given top priority. The program was given added emphasis by Gorbachov. . . .

By and large, these measures have shown some success in curbing the profligate use of scarce water resources; but no one can say with any degree of certainty whether these measures by themselves can stop the gradual desiccation of the Aral Sea. One of the more controversial proposals to provide the region with more water, would divert northward-flowing rivers feeding the Siberian steppe, back into the Central Asian Republics through an extensive network of canals.

Lothar Komp

The Current Financial System Is Finished

Mr. Komp is an economist with EIR's bureau in Wiesbaden, Germany.

Last weekend, the central bankers and finance ministers of the G-7 countries met in Washington, followed up by the Spring gathering of the International Monetary Fund at the same place the day after. And if we believe the utterings of these so-called leaders of world finance, then everything is still under control—as long as central bankers just keep up printing money to bail out the speculators.



In his address to the German Parliament's Financial Committee in Berlin in early April, IMF Managing Director Horst Köhler stated: "We are not at the brink of collapse," and he urged people not to plunge into "gloomy pessimism" (in German: "*dumpfe Schwarzmalerei*"). If Köhler feels the need to use such words, some real panic must be out there.

And there is a lot of reason for this. If we look around the globe today, we are witnessing a worldwide picture of horror in financial and economic terms.

We will start our *tour d'horizon* with the biggest economy in the world.

The U.S. Economic Collapse

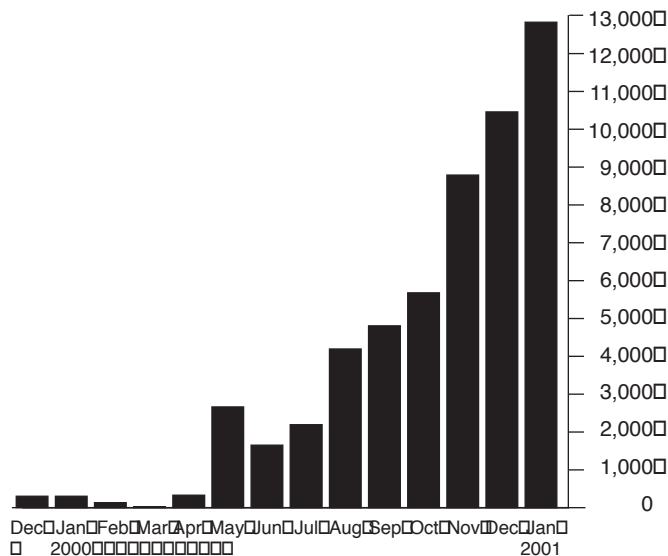
There never was a "U.S. economic boom" during the 1990s, as *EIR* has documented in detail in the past. Instead, there has been the emergence of the biggest speculative bubble in history, built on a "boom of illusions" and cheap credits for consumers and stock market investors, as well as corporate takeovers. At the same time, U.S. strength in key economic sectors, including machine building and aerospace, as well as key infrastructure, from the health system to the energy sector, has been ruined due to insane policies.

Now, since March of last year, the bubbles and the illusions are collapsing. First on the stock market. And immediately after the U.S. Presidential election, also concerning the real economy.

Layoffs. The U.S. Internet sector was the first to face a

FIGURE 10

Internet Sector Layoffs in U.S., December 1999–January 2001



Source: Challenger, Gray & Christmas.

TABLE 1

Announcement of Mass Layoffs in the U.S., January and February, 2001

DaimlerChrysler (automobile)	26,000
Motorola (mobile phones, chips)	6,500
J.C. Penney (retail)	5,600
Lucent Technologies (telecom)	16,000
AOL Time Warner (media)	2,400
WorldCom (telecom)	11,500
Hewlett-Packard (printers)	1,700
Xerox (copy machines)	4,000
General Electric (various products)	50,000
Amazon.com (internet)	1,300
ShopKo Stores (retail)	2,500
Fed. Dep. Stores (retail)	2,600
Goodyear Tire & Rubber (wheels)	7,200
Nortel (telecom)	10,000
Dell (computer)	1,700
Verizon (computer)	10,000
Gateway (computer)	3,000
Sara Lee (various products)	7,000
3Com (telecom)	1,200
SCI Systems (electronics)	3,000
JDS Uniphase (telecom)	3,000

big bankruptcy wave last year, resulting in an unprecedented amount of layoffs in this key area of the “new economy” (Figure 1). The number of layoffs in the U.S. Internet sector in the second half of 2000, rose 600% compared to the first half. In December, layoffs, compared to the previous month, rose 19%. In the year 2000 as a whole, 210 Internet firms, with a total of 15,000 employees, went under.

In December 2000, the large automobile and retail sectors were joining the club. The U.S. lost 133,713 jobs, the highest number in any month for eight years.

But in January 2001, the figure rose further to 142,208. The hardest hit was the manufacturing sector, which lost about 65,000 jobs. (See Table 1.)

The international outplacement firm Challenger, Gray & Christmas, reported that U.S. firms had announced 166,000 layoffs in April, the highest number ever since recording started in 1993, and four times higher than one year ago. Total job cuts in the first four months of this year thereby amount to 572,000, about 200% above the level of last year.

In March 2001, payrolls declined by the highest speed (86,000 per month) since November 1991. In April, the number further increased to 223,000.

U.S. weekly jobless claims in the week ending April 28 shot up to 421,000, the highest level in five years.

Earnings. Quarterly reports by top U.S. companies were worse in the first quarter of 2001 than they have been in ten years. Profits were melting down due to falling demand, rising producer prices, and crashing stock markets for both the “new

economy” and the “old economy” enterprises.

Large companies, like the world’s biggest PC chip producer Intel and the biggest automobile producer General Motors, were reporting an 80% to 90% crash of their quarterly profits. Others, even had to present shocking quarterly losses: \$3.7 billion in the case of Lucent Technologies, or \$3.3 billion at DaimlerChrysler.

And those high-tech companies that were already operating at a loss, doubled or tripled their losses this time, compared to one year ago. JDS Uniphase, the largest producer of fiber-optics equipment, even reported a fivefold increase of losses for the first quarter.

While more and more companies are being forced to put out quite ugly profit figures, there is a clear trend towards trying to mask the full extent of the problem, by putting large emphasis on the so-called “EBITDA” (Earnings Before Interest, Taxation, Depreciation, and Amortization). And—believe it or not—once all these costs are subtracted, including all the costs for takeovers and debt service, the companies actually appear to make profits. As an example, AOL Time Warner made a first quarter 2001 EBITDA of \$2.1 billion, causing enthusiastic remarks by chief executive Gerald Levin, “We couldn’t be pleased more,” and frenetic applause by Wall Street analysts. Who cares, that the firm actually lost \$1.4 billion.

But why stop in the middle of the road, and still take into account labor and material costs? I want to propose a more rigorous “earnings concept,” which is called “EBITDA-

LOM” (Earnings Before Interest, Taxation, Depreciation, Amortization, Labor Costs, Other Costs, and Material Costs) and which by definition rejects all costs whatsoever! Once we introduce this earnings concept, every single company in the world will finally prove to be profitable!

Economic indicators. The beginning of 2001 saw most of the leading business and consumer climate indices in the U.S. suddenly falling to their lowest level in a decade or more. The Business Climate Index of the Federal Reserve of Philadelphia fell to the lowest level since December 1990, while the index for American industrial activity of the National Association of Purchasing Managers fell to the lowest level since March 1991. The NAPM index for industrial orders sank to the lowest level since November 1981. For the first time since 1973, the NAPM business index fell for five months in a row.

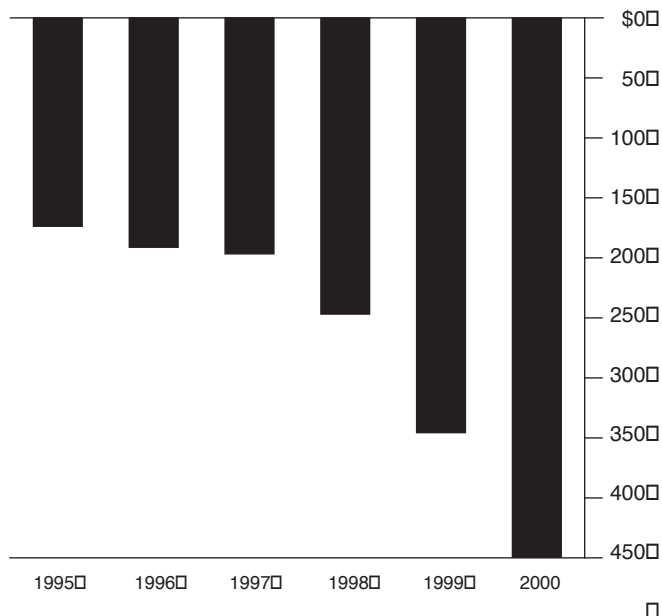
In April, 38% of industrial managers participating in the NAPM survey said they were “worried or pessimistic” about business over the coming year. This is not only a sevenfold increase compared to the previous quarter, but the highest ever since the NAPM records started in 1962. The business climate index for the Chicago area fell to the lowest level since March 1982. The Consumer Confidence Index of the Conference Board fell to the lowest level since December 1996, and suffered its most abrupt fall since October 1990. The Consumer Climate Index of the University of Michigan fell to the lowest level since November 1993.

On Feb. 18, the chairman of the Board of Nortel Networks, John Roth, gave a presentation at the Canadian Club in Toronto, after Nortel, the leading producer of fiber-optics in the world, had shocked the markets with their admission of their fourth-quarter results. Roth, who was accompanied by numerous bodyguards, said: “This is the most abrupt downturn that the U.S. has ever experienced. It’s becoming very clear that all our customers are starting to adjust their budgets to take account of the realities of the very sharp and severe downturn that the U.S. is experiencing.” On Feb. 17, John Chambers, the CEO of the biggest producer of Internet services, Cisco, said, in an interview with the Swedish economic newspaper *Finanstidningen*: “It makes no difference what the Federal Reserve or the latest statistics say. What we see now is absolutely not a soft landing. Ask anyone in the American manufacturing industry and he will say that we are in a recession. . . . If the situation does not change before the half-year point, there is a risk of a domino effect whereby the rest of the world will be imminently affected.” Chambers on April 16 compared the present economic contraction with a “100-year-flood” hitting the tech sector: “Not only did it occur in our lifetimes, but the magnitude was about five times what we thought possible. . . . We never built models to anticipate something of this magnitude. . . . This may be the fastest any industry our size has ever decelerated.”

Texas Instruments Chief Financial Officer Bill Aylesworth, after reporting a 37% decline in first-quarter orders,

FIGURE 2□
U.S. Foreign Trade Deficit□

Physical Goods Only (in Billions \$)



Source: Commerce Department.

noted April 17: “This is the sharpest deceleration that the semiconductor industry has ever experienced.”

And, at the World Congress for Mobile Phone Techniques in Cannes, France on Feb. 23, the vice president of chip producer Intel, Hans Geyer, spoke about the impending bankruptcy of the telecom sector. With regard to the hundreds of billions of expenditures by telecom firms just to buy new licenses, Geyer said: “We are facing a situation where the industry is headed for bankruptcy, even before the first UMTS [next generation mobile phone] call will have been made.” Already on Feb. 1, the chief of Apple Computer, Steve Jobs, speaking to a group of financial analysts at Apple headquarters in Cupertino, California, said laconically, “I believe the economy is going through a nuclear meltdown.”

Consequences for the rest of the world. In the past years, the U.S. economy has managed to absorb the products of the rest of the world’s economies, thanks, on the one hand, to the credit-financed consumer boom of American households, but also, on the other hand, because the American economy was becoming ever less capable of itself producing the relevant industrial products. In the process, the U.S. economy became the “importer of last resort” for the entire world economy. Last year’s trade deficit in goods and services had reached a record high of \$369.9 billion. If you look at only goods, without services, then the deficit in 2000 was \$449.5 billion, almost a doubling in just two years (Figure 2). In order to pay for this extreme imbalance of imports over exports, the U.S.

economy had to simultaneously become a vacuum cleaner for all the investment capital available in the world, so that after the financial and economic disruptions in Asia and Ibero-America in 1997-99, about 80% of the entire current account surplus generated by all surplus countries worldwide was transmitted into the United States. Meanwhile, the U.S. was sourcing out and shutting down entire branches of industry and became ever more dependent on imports from abroad. The U.S. trade deficit exploded, along with the U.S. current account deficit and the foreign debt. As a mirror of this, in the last few years, above all in Asia and Ibero-America, large numbers of "national economies" have been transformed to become almost completely dependent on exports of goods to the United States.

'Emerging Markets'

About 57% of all exports by Ibero-American countries go to the United States. In the case of Mexico, the dependence on the U.S. export market is even above 80%. And as the U.S. economy shrinks, all these exports are threatened. Since the beginning of the year, more than 300,000 industrial jobs have been cancelled in Mexico alone. In Japan, Taiwan, the Philippines, Malaysia, and Thailand, it has been true for some time already, that 25-40% of their exports are going to the United States. In the case of China, 41.9% of its total export volume is to the United States.

The collapse of the world electronics and computer chip markets is hitting many Southeast Asian nations, as sometimes more than 50% of their entire exports are in these sectors.

In South Korea, semiconductor sales are expected to crash by 45% this year.

In the Philippines: Computer chips, disk drives, and other electronic parts make up two-thirds of the entire export volume, while exports account for 40% of the economy. Imports of electronics and components have fallen by 45% compared to the level one year ago, as foreign orders and production are rapidly contracting. Imports of industrial machinery and equipment are down 22%.

Malaysia is facing mass layoffs in its computer and electronics export industries. More than 50% of Malaysia's exports are electronics, which it sells mostly to the United States.

In Taiwan, capacity utilization in the computer/electronics sector is down around 50%.

In Singapore, 60% of all exports are electronics, and most of them are going to the United States.

Japan

Even though, since the speculative bubble burst in 1990, the government of Japan has invested the equivalent of about \$500 billion in bailing out the large private banks, not to mention billions more on special programs for reviving the real economy; and even though, on top of that, the Central Bank initiated a zero-interest-rate policy, the situation in the second-largest world economic power is more explosive

than before:

- Industrial production in Japan is contracting again since the beginning of the year, 3.7% during the first quarter 2001. The monthly economic report of Japan's Cabinet Office in April, for the first time since September 1995, formally stated: "The economy is weakening."

- The business confidence index in Japan fell from -1 in the last quarter 2000 to -31 in the first quarter this year. In the manufacturing sector, from +3 to -33, in the steel industry from +5 to -40, in the electric machinery sector from +7 to -35, and in the precision instruments sector from 0 to -41.

- Japan's exports are falling fast. The trade surplus fell 20.6% year-on-year for fiscal 2000, which ended in March 2001.

Western Europe

There is no question, that the global economic contraction is already hitting Western Europe.

Business confidence in the leading Western European economies is going down sharply: In Germany, the IFO index has fallen in nine of the last ten months, to the lowest level since about two years (**Figure 3**). The situation is similar in Britain and in France.

In the automobile sector, car registrations throughout Western Europe were sharply down in the first quarter of 2001. In March, car registrations in Europe were down 5.3%, in Germany even by 9.4%.

And an avalanche of mass layoffs is now emerging also in the European corporate sector. Some examples:

- Siemens, the biggest electronics and engineering company in Germany, announced on April 26 that it will cut 3,500 jobs, or 15% of the workforce, in its division producing phone networks for companies. An additional 2,000 workers will be laid off in Siemens's mobile phone production.

- Netherlands electronics producer Philips, Europe's largest producer of consumer electronics and number three in semiconductors, will cancel 7,000 jobs. Sales are sharply down, and Philips sees "no sign that the slowdown in economic activity in certain parts of the world, particularly in the U.S., is near its end."

- Swedish telecom giant Ericsson, the world's biggest producer of mobile phone infrastructure equipment and third-largest producer of mobile phones, on April 20 announced that it will cut another 12,000 jobs, on top of the 10,000 job cuts announced earlier this year. Sales at Ericsson's mobile phone division were down 52% in the first quarter, compared to one year ago.

- French appliance producer Moulinex will eliminate 4,000 jobs and close down five factories.

- Swedish heavy truck producer Scania, the third largest in the world, will cut 1,200 jobs due to a rapid downturn of sales throughout Western Europe.

- The Dutch-British food producer Unilever, the biggest in the world, will eliminate 8,000 jobs and close more than 30 factories worldwide after its first-quarter profits fell 53%.

FIGURE 3D

IFO Business Climate Index, Western Germany



Source: IFO Institute.

Britain: From December to February, 105,000 industrial jobs were cancelled. Since the Labour Party took power, a total of 440,000 industrial jobs were lost.

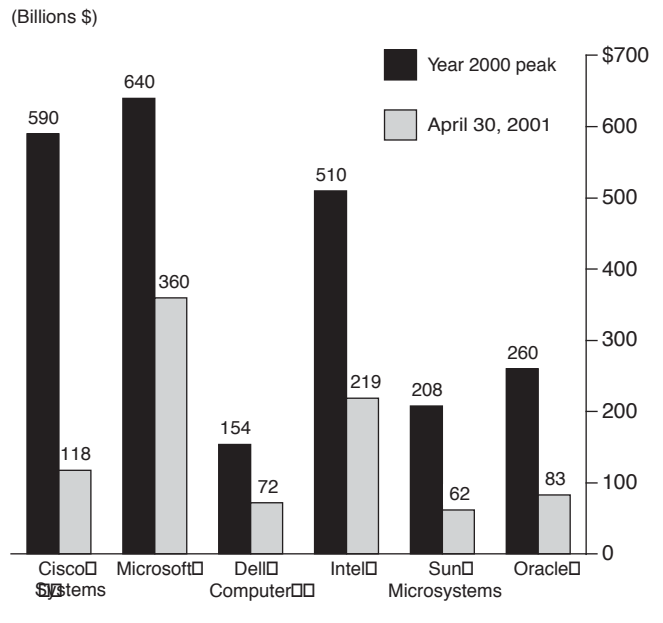
The Engineering Employers' Federation warns in its latest quarterly survey, that much more is beginning to hit Britain, due to the economic slowdown in the U.S. and worldwide. Until recently, traditional industries like steel and the automobile sector had been in the center of mass layoffs. But, following similar events in the U.S., the "new economy" sector is now coming up with ugly surprises as well.

Swedish mobile phone producer Ericsson will cut 1,200 jobs at its Scunthorpe and Carlton factories. Compaq Computer announced that it will cut 700 jobs at its plant in Erskine, Scotland. This week, Marconi, the largest British telecom equipment producer, announced that it will cut 3,000 jobs worldwide, half of them in Britain. The Liverpool-based Cammell Laird shipyard, founded in 1824, filed for bankruptcy protection, after orders collapsed and banks refused to extend credit lines. Up to 1,300 shipworkers' jobs will disappear.

U.S. chip and mobile phone producer Motorola will close down its mobile phone factory in Scotland, affecting 3,200 jobs, marking the biggest industrial closure in Scotland in more than 20 years.

FIGURE 4D

Market Capitalization of U.S. Technology Giants



Source: nasdaq.com.

The Market Crash

There is hardly a technology stock in New York, Frankfurt, or Tokyo, which today is still worth as much as one-third of what it was 12 months ago.

For the U.S. technology stock exchange, the Nasdaq, February 2001, with a loss of 22.4%, was the third-worst month in its 30-year history, only exceeded by October 1987 and November 2000. It went down further in March. And even if there had been some gains in April due to Alan Greenspan's monetary shock policy, the Nasdaq is still 55% below its peak value from last year.

Between March 10, 2000, and the end of the first quarter 2001, the market value of the Nasdaq firms dropped from \$6.7 trillion to \$3.3 trillion (Figure 4).

The market value of the six largest Nasdaq titles have melted down, from their maximum last year of \$2.362 trillion, to \$914 billion. Microsoft was at its highest in January 2000; Cisco and Dell in March; and Intel, Sun, and Oracle not until August 2000. Since that time, these six firms alone have had \$1.448 trillion in paper values annihilated.

Between March 24, 2000, and April 3, 2001, the market capitalization of the 5,000 American companies which make up the Wilshire-5000 index, plunged from \$16.96 trillion to \$11.62 trillion, that is, \$5.34 trillion has been wiped out in the meantime.

During the first quarter of 2001, stock mutual funds faced their biggest losses since the third quarter of 1998, when Russia declared a moratorium and the LTCM [hedge fund] melt-

down brought down the world financial system. Average quarterly losses of U.S. stock mutual funds were 13%, but those specialized in Internet stocks even facing losses of 60% to 70%.

In March 2001, the crash on stock markets had reached such a degree, that unnerved investors were pulling out money from U.S. stock mutual funds at the highest speed ever. That is, \$20.6 billion were taken out, more than in October 1987 or in any other month in U.S. history.

Unpayable Debt All Around the Globe

As of March 2000, the technology stock crash is on. On top of that, since the fourth quarter of 2000, the crash of the U.S. economy has forced itself into public awareness. What has only received scant attention from most people until now, is the shock that is still to come: the complete collapse of the worldwide house of cards of debts and other financial obligations.

In one of his first statements on being named Bush's Treasury Secretary, Paul O'Neill declared that it had been a grave mistake in the past for the International Monetary Fund and various governments to rush in with billions, to stabilize Asian and other economies, which "refused to put their own financial houses in order" first. Now, only 100 days in office, O'Neill is reportedly about to eat his words, as the reality of a disintegrating international financial system hits. Already on April 19, the Bush White House opted for the IMF to pour billions more into stabilizing the financial and banking crisis in Turkey.

Only a few months after last December's \$11.4 billion IMF rescue package, **Turkey** will now receive another \$10 billion of IMF and World Bank loans, because the situation now is worse than before, and the banking system is threatened with collapse. Since the Turkish government decided to let the lira float in February, the currency lost 78% of its value to the dollar in just two months. Hundreds of thousands of small and middle-sized entrepreneurs have lost their jobs, as the government was pushing through IMF austerity demands. At least \$115 billion in foreign credits to both the public and the private sectors are at risk, most of this owed to European banks.

And **Argentina**, about to default on \$128 billion in dollar-denominated debt, will also receive a further bailout, on top of the \$40 billion IMF rescue package last December. It's being reported that the Bush Administration is terribly afraid that a default by Argentina could trigger a systemic contagion. Were Argentina to default, or even to abandon its ten-year-old Currency Board, the crisis would spread within 48 hours into the largest Ibero-American economy, Brazil, with its \$120 billion of foreign debt. And the Argentina and Brazil crises together could bring down the entire U.S. banking system.

The government must repay some \$24 billion in dollar bonds this year, \$6 billion of it in the coming four months. But in order to do so, it has to sell new debt, government

bonds. And the "risk premium" which investors demand, has reached such an incredible level, that the government, on April 21, decided to cancel the bond auction for the week after. As an immediate reaction to these renewed fears for an Argentinian default, the Brazilian currency, the real, fell to its lowest level ever against the U.S. dollar.

Argentina will be bailed out due the "systemic risk" it poses to the U.S. banking system. Turkey will be bailed out because it is a key U.S. military base for any confrontation in the Middle East or Central Asia. But it seems that **Indonesia** is being thrown to the wolves, even if it is immediately on the brink of default on its foreign debt of \$141 billion. Even worse, the world's fourth-biggest country by population (210 million) is facing social and political disintegration.

The Indonesian currency, the rupiah, is already down to the lowest level since the "Asia crisis" of 1998. The government reports that some 36 million of its 95 million workforce are unemployed or underemployed. Indonesia is already paying some 45% of its national budget for debt.

The negotiations with the IMF on the next \$400 million loan of the \$5 billion package broke down as the government is just not able to push through IMF demands, such as the cancellation of fuel subsidies, which for sure would lead to further social explosion.

Japan. Several of the biggest banks in the world are already bankrupt by any reasonable standard. It's just the case, that their bankruptcy has not been announced formally, for well-known reasons. In mid-April, an unnamed source of Japan's Financial Services Agency presented some shocking news to the public. In an interview with Japanese media, he said that the FSA has now revised its definition of "bad loans." And due to this new definition, a more realistic account of the total bad debt in the Japanese banking sector is not the 33 trillion yen (\$300 billion) that the Mori government had admitted, and also not 81 trillion yen, as the FSA so far had estimated, but rather 150 trillion yen, or \$1.2 trillion, about one-quarter of the entire outstanding loans in the Japanese banking sector.

But in spite of all the government bailouts for the banking sector, by which some of the old bad debt could be written off, the volume of bad debt is still very much rising.

The liabilities of Japanese companies that went bankrupt during the last fiscal year, which ended in March, exploded to a new historic record of \$210 billion, 130% more than in the year before.

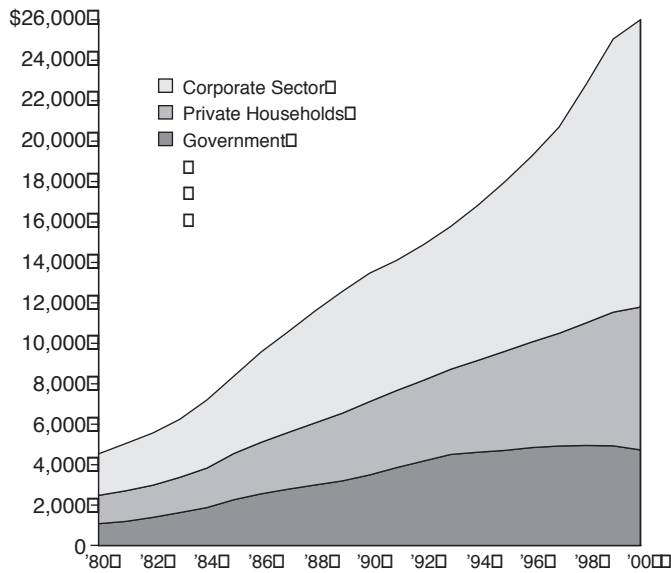
As a consequence of a decade of government "stimulus" programs and bank bailouts, the public finances of Japan are now out of control, and will this year rise to more than \$5 trillion, or 150% of the GDP.

The Japanese financial situation has been characterized very openly by top politicians in recent weeks:

Finance Minister Kiichi Miyazawa, of the former Mori government, summarized the public debt problem on April 8 by saying that the nation's finances are now "close to collapse."

FIGURE 5
U.S. Total Debt

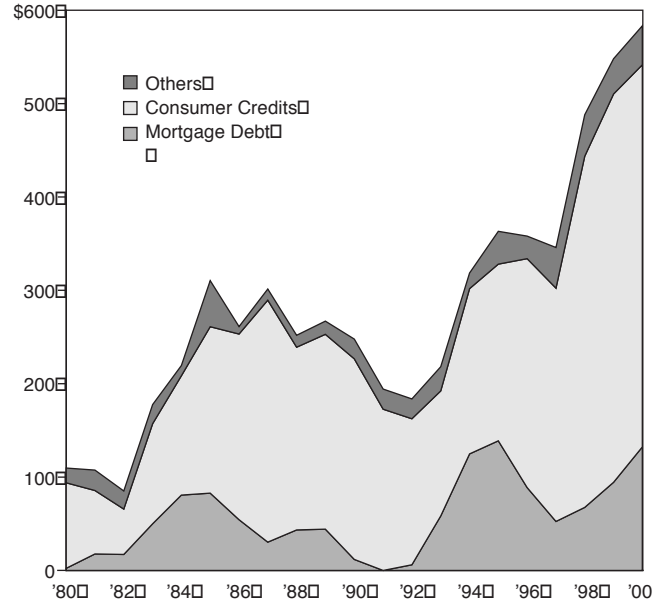
(Billions \$)



Source: "Flow of Funds Accounts," Federal Reserve.

FIGURE 6
New Debt of U.S. Private Households

(Billions \$)



Source: "Flow of Funds Accounts," Federal Reserve.

Former Japanese Deputy Prime Minister Eisuke Sakakibara, known worldwide as "Mr. Yen," on April 10, described the Japanese government bond market as a "bubble waiting to burst."

Toshihiko Fukui, former Bank of Japan deputy governor and likely successor of Masuru Hayami as the new governor of the Japanese central bank, stated on May 1, that the effects of the zero-interest-rate policy reintroduced one month ago "would erase any safeguards protecting the country from the destructive spiral of rising long-term interest rates, fiscal bankruptcy, and runaway inflation."

Other G-7 indebtedness. Another aspect of this house of cards of indebtedness is, again, the American economy, which in the 1990s experienced the worst credit excesses of its history. The combined debt of the government, the corporate sector, and private households at the end of last year reached \$26 trillion (Figure 5).

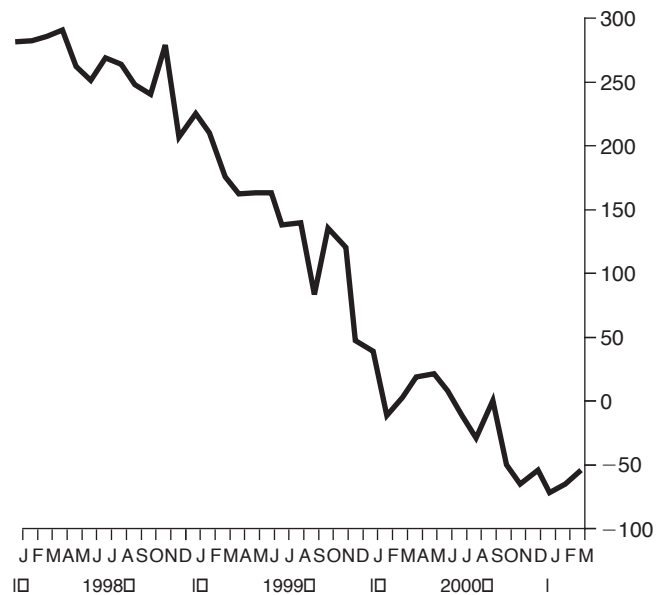
But even more worrying than the total amount, is the rate at which new debt is being piled up by private households and enterprises. The new debt added by U.S. consumers now amounts to \$600 billion per year, three times as much as in the early 1990s (Figure 6).

This process is being accompanied by the worst collapse of U.S. savings since the Great Depression, with the savings rate plunging below zero starting in Summer 2000 (Figure 7).

Meanwhile, U.S. companies are adding an average of \$1.5 trillion of new debt per year in recent years, eight times as much as in the early 1990s. The great majority of new debt is

FIGURE 7
Savings Collapse, U.S.

(Billions \$ Per Year)

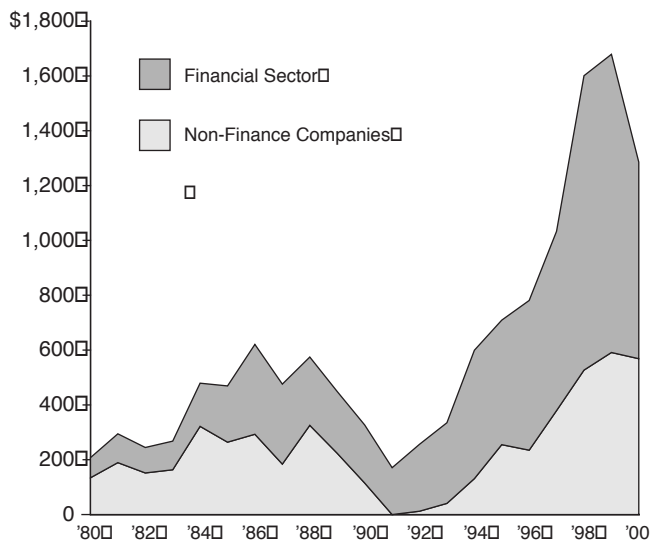


Source: Department of Commerce.

FIGURE 8

New Debt of U.S. Corporate Sector

(Billions \$)



Source: "Flow of Funds Accounts," Federal Reserve.

now being piled up by the financial sector itself (Figure 8). Overall debt in the U.S. economy is now rising four times as fast as the GDP.

Just in case you thought that such things don't exist in Germany, note that the total public and private debt in Germany last year crossed the mark of 25 trillion deutschemarks, whereby the German financial sector alone has DM 13 trillion in debt, more than five times the much-debated public debt (Figure 9).

The Debt Time-Bomb in the Telecom Sector

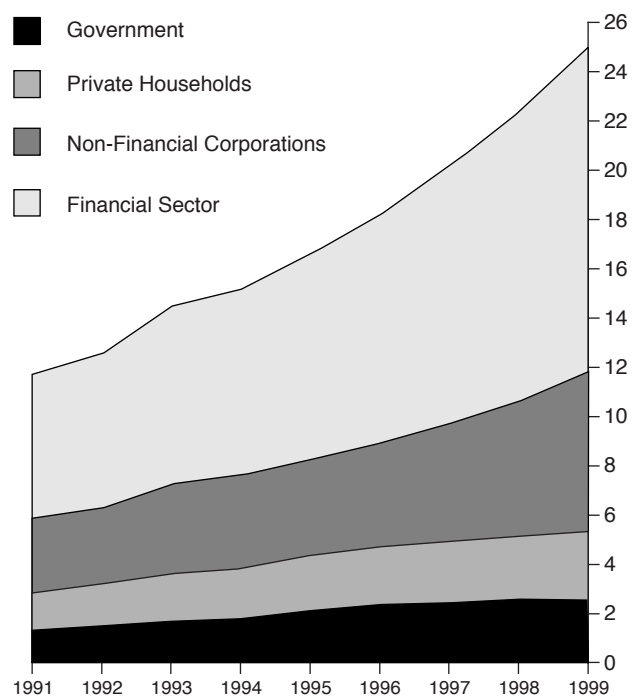
After the countless takeovers and mergers in the telecommunications sector and the gigantic expenditures for future mobile phone systems—DM 200 billion last year alone for mobile phone licenses—the great telecom firms are stuck in a desperate financial situation.

By the end of the year, the seven large European telecoms alone have to meet debt service of more than \$80 billion. This is in the same dimension as this year's combined debt services of Turkey, Argentina, and Indonesia. For the telecom sector as a whole, worldwide, it is estimated that debts due in 2001 amount to \$200 billion. In the year 2000, bank debts of the European telecom sector went from \$41 billion to \$150 billion, a near fourfold increase. But the European banks are now so massively exposed to telecom loans, that bank supervisors have rung the alarm bell and have urged them not to expand their commitment to this sector any further. Another way to refinance the telecom debts, would be to go to the international lending market. But telecom firms have already flooded the

FIGURE 9

Total Debt, Germany

(Trillions DM)



Source: Bundesbank.

bond markets in recent times, and now have to promise ever higher yields to attract buyers. This is the direct way into bankruptcy.

Until last year's stock market crash, telecoms could easily get billions of dollars, just by issuing new stocks. But as millions of investors have burned their fingers with telecom stocks, almost all of the scheduled stock emissions in the telecom sector this year have been cancelled, because nobody would buy these things any more. Of course, the telecom debt is not just a European problem: Between 1995 and September 2000, the debt of U.S. telecoms quadrupled from \$75 billion to \$309 billion. In recent years, their debts were rising much faster than their sales.

De-Globalization Process Starting

The telecoms and other top global players in the corporate sector have piled up so much debt, and are indeed so bankrupt, that they are no longer able to open up the financial resources required to continue the global takeover race.

As Thomson Financial Securities Data notes, the global merger and acquisition (M&A) business is now in a state of "meltdown." While mergers and acquisitions in the first quarter of the year 2000 amounted to \$1.172 trillion worldwide, M&A activity in the first quarter 2001 shrank to a vol-

ume of just \$455 billion, a fall by 62%.

In telecommunications and technology, global M&A activity in the December 2000 to February 2001 period, almost came to a standstill.

In the United States, overall M&A activity in the first quarter dropped by 63% compared to the year before.

The biggest decline was reported for Germany. Here the M&A volume in the first quarter crashed by 90%.

Contributing to the sudden M&A meltdown is the crash of worldwide technology stocks, but also the fact that the large companies, which have dominated the global takeover business in recent years, are now sinking in debt and are no longer able to open up new credit resources.

But it's even worse: In order to prevent bankruptcy, some of the global players now are being forced to sell off what they just bought up a few months or years ago. Something like a de-globalization process is now in the making.

As an example, the Netherlands telecom firm KPN is preparing a huge selloff of shares in foreign telecom companies, including in the Czech Republic (Cesky Telecom), in Ireland (Eircom), Hungary (Pannon), Ukraine (Mobile Communications), Indonesia (PT-Telkomsel), Germany (E-Plus), and in the international data network operator Infonet.

Mega-Bankruptcies Coming

Bad loans are now massively piling up in the American banking sector: Write-offs of bad loans were one of the reasons for much lower profits of large U.S. banks in the first quarter. The U.S. Office of the Comptroller of the Currency has warned that the problems are also spreading to the medium-sized and small banks, in particular in the industrial Midwest. As an example, at the Detroit-based bank Comerica, non-performing assets jumped 40% just during the first quarter of this year.

The financial group Finova on March 7 filed for bankruptcy protection with \$11.3 billion of debt in bank credits and bonds, one of the biggest bankruptcies ever. It didn't make very big headlines, only because the company was quietly taken over by Warren Buffett's Berkshire Hathaway investment fund.

Lucent Technologies, a leading telecom equipment producer, on April 3 had to put out a statement, calling rumors "absolutely false," that it is about to file for bankruptcy. Nevertheless, prices of Lucent stocks on that day were falling below its 1996 initial public offering (IPO) price, and 93% below its peak in late 1999. The bankruptcy rumors were triggered by a report in the London *Financial Times*, quoting sources familiar with the company's finances and stating that Lucent has used up all the \$3.8 billion cash reserve, which existed at the end of last year, and on top of this has now started to draw on a \$6.5 billion credit line it received from a group of banks during February. The *Financial Times* also quoted an unnamed banker involved in financing Lucent, who said that Lucent could soon be downgraded to "junk bond status" by leading rating agencies.

Motorola, the world's second-largest mobile phone producer and sixth-largest chip producer, on April 6 put out a statement denying market rumors that it is about to default on \$6.3 billion of outstanding short-term debt. The Motorola stock price nevertheless fell to its lowest level in eight years on the same day. In the week after, Motorola reported its first quarterly loss in 16 years. Its mobile phone orders were down 29%, and new orders for Motorola chips even by 47%.

On April 18, telecom services provider Winstar Communications filed for bankruptcy protection, marking one of the biggest bankruptcies in U.S. corporate history. Winstar had defaulted on a loan by telecom equipment giant Lucent Technologies, which itself had to issue a statement recently denying that it is bankrupt. Winstar has about \$6.3 billion in debt. Even before the announcement, corporate bonds of Winstar were trading at 2% of face value, while its stock price had collapsed from \$65 a year ago to 35¢ now. The Winstar bankruptcy was a key factor for Alan Greenspan's surprise 50 base-point rate cut the same day.

PSINet: The telecom provider announced on April 17 that it might have to file for bankruptcy and that it had already defaulted on several loans from equipment producers. PSINet revealed losses of \$3.2 billion in the first quarter; its net debt at the end of the year 2000 totalled \$5 billion. PSINet stock prices have fallen to 20¢—from \$34 a year ago.

California energy provider Pacific Gas & Electric filed for bankruptcy protection on April 6. With about \$9 billion in debt, it marks the third-largest bankruptcy in U.S. history.

The Corporate Bond Bubble

The amount of outstanding U.S. corporate bonds has now reached \$4.2 trillion, that is, almost 40% of the U.S. GDP. About \$685 billion of these bonds are rated as junk bonds. And this whole structure is now falling apart.

We are witnessing an unprecedented rise in the number and volume of corporate bond defaults. On April 23, Standard & Poor's published a report on the first-quarter 2001 global corporate bond market, noting that 48 large companies defaulted during the quarter, on a total bond volume of \$37 billion. While already the year 2000 marked a new historic record—when companies defaulted on a total of \$42.3 billion—the new figures reveal that in 2001, the same level was almost reached again after the first three months alone. Out of the 48 companies listed, 41 are from the United States, including the two California utilities PG&E and Southern California Edison, and an array of telecom, food, and retail companies.

The S&P report also notes that due to the very unpleasant condition on global stock markets, and the already very high credit exposure of the banking sector, large corporations worldwide are right now flooding the bond markets with their corporate bonds, in spite of the fact that they have to offer ever higher bond yields. First-quarter bond emissions by U.S. corporations jumped up to a record-high volume of \$150 billion, an increase of 270% compared to one year before.

So, what we are seeing here is somehow comparable to the collapse of the Russian GKO bond market in August 1998, only we are now dealing with a bond volume that is about 50 times bigger.

Derivatives

Three commercial U.S. bank holding companies held 91% of all the derivatives held by U.S. banks at the end of 2000, according to data released last week by the Office of the Comptroller of the Currency—an unprecedented and dangerous concentration of derivatives risk in the largest U.S. financial institutions. The notional amount of derivatives held in all U.S. banks rose in the fourth quarter to \$40.5 trillion.

J.P. Morgan-Chase alone had \$24.5 trillion in such off-balance-sheet liabilities, followed by Citigroup, with \$7.9 trillion, and Bank of America, with \$7.7 trillion.

In order to look at the usual ratios between those bank liabilities, that show in the balance-sheet, and those which are “off-balance,” consider the example of Deutsche Bank. According to its own figures, Deutsche Bank, at the end of September 2000, held assets (and liabilities) worth 996 billion euros, secured by 27 billion euros of its own capital. Against that however, there were 10 trillion euros in off-balance-sheet financial derivatives, more than 530% of the German GNP. But remember, this is just one of the German banks.

Printing Money To Postpone the Collapse

Since the beginning of the year, Fed Chairman Greenspan has cut interest rates already four times, always going for a double portion of 50 base-point cuts. Twice, he didn’t wait for the scheduled Federal Open Market Committee meetings to announce the rate cuts, but preferred to come up with a surprise shock, in order to maximize the effect on otherwise crashing stock markets.

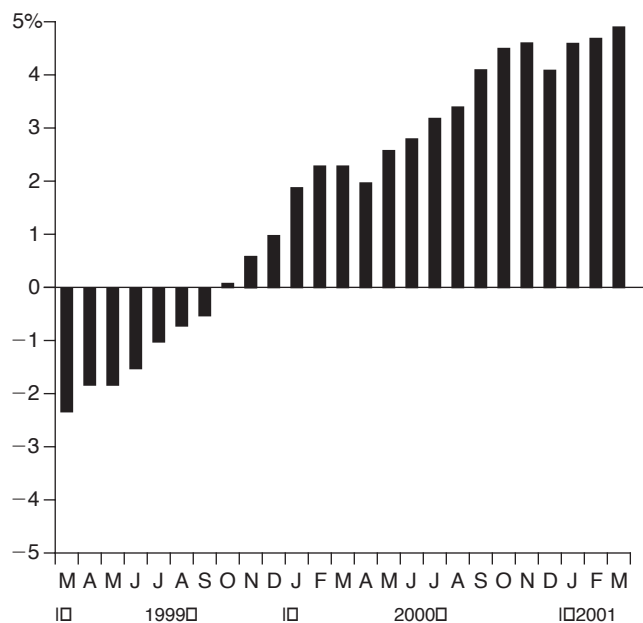
Greenspan became so ruthless in his money-printing policy, that even Germany’s leading conservative daily *Frankfurter Allgemeine Zeitung* noted that the head of the Federal Reserve is no longer serving the aim of monetary stability, but has turned into just a “servant of private speculative interests.”

And as “Uncle Alan” is printing money ever faster, price inflation in the U.S. is going out of control. Even the most sophisticated statistical tricks like “hedonic price indexing” are no longer able to cover up this problem. At the beginning of the year 2001, the Producer Price Index reached its highest level in more than a decade, at an annualized inflation rate of 13%.

One of the key factors, but not the only one, is exploding costs for energy. In California, the wholesale prices for electricity in January 2001 were ten times higher than one year before, marking an annualized inflation rate of 1,000%.

In the second half of the 1990s, the M3 money supply increased by about \$500 billion, clearly more rapidly than in the preceding years. In March 2001, the annualized growth

FIGURE 10 □
Producer Price Inflation in Germany □
(Percent)



Source: Federal Statistical Office.

rate of M2 reached 15.6%! Since 1997, M2 has been growing much faster than the GDP.

Also in Europe, price inflation is accelerating. German producer prices in March (+4.9% higher than a year ago) were rising at the fastest speed in 19 years (July 1982) (Figure 10). European Central Bank chief economist Otmar Issing on April 28 noted that price inflation in the euro-zone has now reached an “intolerable” level.

Statistics as ‘Weapons of Mass Distraction’

On April 26, Lyndon LaRouche noted that, as the Bush Administration and the Federal Reserve “are no longer able to postpone the economic and financial crisis, they are trying everything they can to postpone the perception of the crisis.” All sorts of tricks are being used, from liquidity pumping to, especially, the faking of statistics, just to somehow get through the second quarter of 2001.

Even the April 28 *Financial Times* noted that the Bush Administration is now using economic statistics as “weapons of mass distraction.” This was in reaction to the government’s release on April 27 of the very surprising 2.0% annualized increase of the GDP in the first quarter of 2001, double what all the bank economists had forecasted. In the following days, U.S. stock markets shot up in a way comparable to another 50 base-point rate cut by Alan Greenspan, while leading financial dailies in big headlines on their front pages announced the end of the U.S. recession.

Now, how is this possible, if car sales are going down 10% to 20%, high-tech companies are facing the most rapid decline they ever experienced, and hundreds of thousands of workers are losing their jobs?

First of all, the GDP report by the Commerce Department states very clearly in its introduction that it is just an “advance estimate,” based on incomplete data, and, at the end of May, a revision is supposed to come, which then will be the “preliminary estimate” and the final figures will be put out not before June.

Second, the “advance estimate” already notes that capital investment in the U.S. corporate sector is shrinking. So, business investments in equipment and software were falling by 2.1% in the first quarter. Exports were down by \$6.2 billion, and imports even by \$43 billion, each time on an annualized basis.

The main source of growth in the U.S. economy, as the figures admit, is credit-financed consumer spending by private households, going up by 3.1%. But, how is this possible, when at the same time consumer confidence in the U.S. is crashing to its worst level in a decade? Actually, consumer spending on durable goods, including automobiles, was falling in March. So, the answer to the mystery, is that U.S. consumers in the first quarter had to spend more on items they were not able to avoid, such as skyrocketing energy costs and debt service.

Exploding Defense Orders

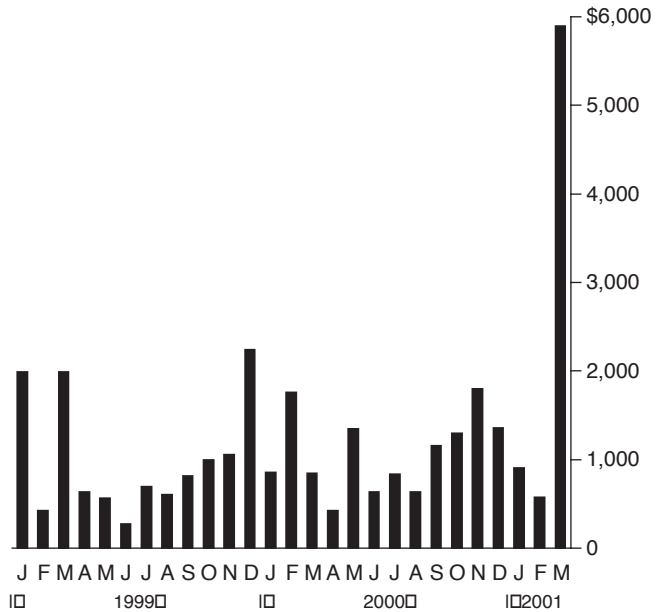
But the government is not only using “weapons of mass distraction,” it is actually using physical weapons of all sorts, in order to boost economic growth statistics. And this is already being done in a shocking dimension, as the government’s own figures on the manufacturing orders for March reveal.

According to the report put out by the Commerce Department on May 2, new orders for manufactured goods in March increased by 1.8% compared to February—but only due a strong rise in orders for transportation equipment. New orders excluding transportation equipment were down by 1.2% in March, falling for the fourth month in a row, marking the longest string of monthly declines since March 1991.

The most spectacular feature in the report by the Department of Commerce is the more than tenfold increase of new orders for—almost exclusively military—shipbuilding plus tanks, going up from \$568 million in February to \$5.886 billion in March, a rise by 936% (Figure 11). The monthly order income for shipbuilding and tanks in February was rather normal, so the dramatic rise from February to March cannot be explained by some extremely low figure in February. It is rather the case, that what the Pentagon would normally spend on ships and tanks in a full year, it is now spending in a single month. New orders for aircraft, missiles, space vehicles, and parts—making up another sub-category of transportation equipment—increased from \$11.356 billion in February to \$14.122 billion in March, a rise of 24.4%. Overall new orders

FIGURE 11 □
U.S. Defense Expenditures on Ships and Tanks □

(Millions \$)



Source: Conference Board.

for transportation equipment thereby were pushed up in March by 24.8%, compared to the month before.

New orders for what the Commerce Department characterizes as “defense capital goods”—ships, tanks, missiles, and some other categories—were rising from \$5.459 billion in January to \$6.832 billion in February (+25%), and to \$11.196 billion in March, marking another monthly rise by 64%.

President Bush has just announced an \$80 billion re-armament program. On top of this, the government is preparing for a \$50 billion “cyberwarfare” program, in order to prevent and retaliate against Internet attacks on key U.S. infrastructure.

All of these are just desperate attempts to somehow keep the economy alive, which in the end will fail, as they avoid the fundamental problem: that the present worldwide economic and financial system is finished, and that every additional day that the final collapse of this rotten system is postponed, more indispensable economic substance in terms of enterprises, physical infrastructure, and health systems are being destroyed. That is why LaRouche has called on governments and central bankers to do exactly the opposite of what Wall Street demands. That is, to come up with the shocking announcement of interest rate *increases*. In the present mood of markets, this would kill the speculative bubble and finish the system in a matter of a few hours or days. And then, we can clean up the mess.

Italian Voters Reject Globalization in Government

by Claudio Celani

The Italian general election results of May 13 offer a lesson, an opportunity, and a danger. The lesson is that in a democracy, there is an iron rule: If you impose globalization policies, you lose the popular mandate. The opportunity is that in the new Parliament, there is a potential for an enlargement of the support for LaRouche's New Bretton Woods program, in concordance with the Pope's campaign in favor of the "common good." The danger is that Silvio Berlusconi, the media magnate who won the elections, plays into the City of London scenario that wants to turn him into an Italian parody of Margaret Thatcher.

On May 13, the center-left coalition which has ruled Italy for the past five years paid the bill for its ominous globalization policies, and was voted out of office. Opposition leader Berlusconi was voted in as the next Prime Minister with a comfortable majority in both houses of Parliament. His "House of Freedoms" coalition won 368 seats in the Chamber of Deputies, against 242 of the "Olive Branch" center-left bloc, thus gaining 52 votes more than the absolute majority. In the Senate, Berlusconi's coalition won 177 against 125 (absolute majority is 158).

The fact that Berlusconi's party gained almost 9% over the 1996 election results, from 20.6% to 29.4%, whereas his coalition partners the National Alliance and Lega Nord lost votes, profiles the result as a personal victory for Berlusconi, and gives him even more power inside the coalition. Particularly dramatic was the loss of the localist Lega Nord, which went from 10.1 to 3.9%, thus falling below the 4% minimum required by Italian electoral law for a party slate to win seats in Parliament. Also the fourth ally, a coalition of the two Christian Democratic parties CCD

and CDU, called "Biancofiore," failed to achieve the 4% threshold.

Government Electoral Tricks Failed

In general, the election showed a strong polarization, with votes going to the two bloc leaders and their parties, and with many groupings with historical tradition, or led by prestigious names, falling below the 4% barrier. This is the case of former Premier Giulio Andreotti, who had attempted to reconstruct a new version of the old Christian Democratic Party, and of Antonio Di Pietro, the Transparency International "anti-corruption" prosecutor who had founded his own party; he not only failed to achieve the 4% national vote, but even lost his own direct-vote race. The same fate was shared by the pro-drugs Radical Party and by the Green Party.

The only party which joined neither bloc, but made it into the Parliament, was the old communist Partito della Rifondazione Comunista (PRC), which won 5%, thus gaining 11 seats in the Chamber of Deputies and 3 in the Senate. The PRC result is explained by the fact that it has a demagogic "anti-globalization" stance, which attracts many youth and nostalgic, pro-communist pensioners.

In the "Olive Branch" (incumbent government) coalition, the Social Democratic party fell from 21.1% to 16.6%; Premier candidate Francesco Rutelli's own party, named "La Margherita," gained almost 14.5%, a net gain of almost 5% compared with the same grouping's showing in 1996. This gain is due entirely to the visibility of Rutelli, the former Rome mayor, since La Margherita is a virtual entity born out of electoral opportunity, comprised of various parties with diverse programs and ideologies. Rutelli's personal victory

in the general debacle of the center-left, has entitled him to claim the leadership of the Parliamentary opposition.

Showing the seriousness of the defeat, five outgoing ministers failed to win a direct mandate. Towards the end of election Sunday, when the government-run election headquarters started to receive first data of the debacle, the Rutelli camp apparently played a dirty trick in order to provoke electoral chaos. Due to a 30% reduction in the number of polling places (cost cutting!), and to a high voter turnout (82%), long queues formed in front of polling places. At 10 p.m., polls had to be closed, but in several cities long queues of voters were still waiting to vote.

Interior Minister Enzo Bianco (who was not reelected) then decided to keep polls open, knowing that such a decision bordered on illegality. At the same time, at 11 p.m., the government released results projections that showed Rutelli gaining against Berlusconi, in a head-to-head race. In this situation, some polls were kept open, including those in some large cities such as Rome and Naples. The last voter cast his ballot at 5 A.M. Monday, in a Calabrian town.

On Monday, May 14, international media were already giving out the line that “electoral chaos” in Italy could possibly lead to a recount or to invalidation of the vote. Ultimately, if this was a Florida-style dirty trick, it failed in the face of the inability to manipulate a race which Berlusconi was winning hands down.

The Great Opportunity

During the election campaign, Berlusconi profiled himself as the defender of industrial interests and of the middle class, promising to reduce the tax burden on productive activities and create jobs with an ambitious program of large infrastructural projects. At the same time, he assured the financial community that he would carry out International Monetary Fund-style structural reforms and deregulation policies. It is clear that keeping both promises will be impossible.

At this moment, nobody knows what Berlusconi’s real cards are, and we will begin to see them, starting with the appointment of his cabinet. So far, Berlusconi has indicated only that his Economics Minister will be Giulio Tremonti, who was Finance Minister in the short-lived first Berlusconi cabinet, and who enacted a bill which boosted industrial investments by reducing taxes for firms purchasing new machinery. Tremonti has announced that he will again enact the same law, together with a new bill, whose text has already been presented, which calls for emergency measures to start a series of urgently needed infrastructural projects, including the famous Messina bridge which would connect Sicily to Calabria, the “toe” of the Italian peninsula.

Since, at the same time, Tremonti and Berlusconi have promised (including to the City of London), that they will not expand public expenses and they will cut taxes, a question has to be raised over how such investments will be financed.



Silvio Berlusconi will be the new Italian Prime Minister; the newly elected Parliament represents a great opportunity for Italy to open the door to the New Bretton Woods monetary arrangements.

Nevertheless, the new situation offers a major opportunity, since the new Parliament will seat most of the representatives who, in the previous legislature, undertook Parliamentary initiatives in favor of Lyndon LaRouche’s proposal for a New Bretton Woods reorganization of the world monetary and financial system. In particular, more than 40 Senators, led by Carlo Pedrizzi of National Alliance, and including also members of Forza Italia and CCD-CDU, had introduced a proposition in the Senate in October 2000, calling on the government to organize a conference for a New Bretton Woods monetary system. A similar proposition was introduced to the Senate floor again in March 2001, by another group of eight CCD Senators, led by Sen. Ivo Tarolli, based on the Pope’s “Jubilee Year” exhortations to Catholics.

These Senators, who had been in the Parliamentary opposition, now represent the majority, and clearly have more power to relaunch the initiative. Some of them might even get government posts.

On the other side, both Rep. Bianchi and former Minister Patrizia Toia, two members of the center-left coalition who supported LaRouche’s efforts, were re-elected. Last year,

Rep. Giovanni Bianchi was author of a bill which was unanimously passed by Parliament, through which Italy decided unilaterally to cancel the debt of the poorest countries.

Italy's Special Role

Bianchi's and Toia's efforts, as well as the Pedrizzi-Tarolli initiatives, reflect the impact that the Pope's campaign against globalization has had on the Italian political scene. Of course, Italy plays a special role in the world not only for the potential of its action as a sovereign nation-state, but also because of the tuning of its policy with the Vatican. As a matter of fact, Italian foreign policy and Vatican diplomacy have been identical in the past years.

This special role, which only strengthens Italy as a sovereign nation-state to the extent that the action of the Church is consistent with its Augustinian-Platonic tradition, is clearly a motive for Anglo-American destabilization, as Lyndon LaRouche has noted.

The new phase of attacks was starting already at the close of the election campaign, when the City of London's weekly, *The Economist*, published a cover story on Silvio Berlusconi, entitled "Unfit to Govern Italy." The story, composted out of old allegations against Berlusconi, was then picked up by newspapers in France, Spain, and the United States, building up to a big international media scare story.

Clearly, aspects of Berlusconi's past are questionable, and the very idea that a media tycoon, the richest man in the country who owns all private TV stations, should take over the government, is alien to European political tradition. But interestingly, neither *The Economist*, nor the other media that participated in the campaign, wrote one line of comment on Berlusconi's program. In reality, two months earlier, the *Financial Times* had indicated that the City of London disapproved Berlusconi's ambitious infrastructural program, calling it "dirigistic."

The real target of the attack was the Italian government as such. Anglo-American hostilities against the Italian governments had already started with the outgoing Giuliano Amato cabinet, when U.S. President George W. Bush ostensibly refused to meet or even call Amato after the inauguration of the new U.S. administration. Frictions between Washington and Rome emerged also in the delay of the nomination of the new U.S. ambassador to Italy, a fact which irritated the Italians. While the Bush Administration inaugurated a new policy of confrontation with Russia and China, Italy was leading European negotiations on the Russian foreign debt, culminating in a breakthrough, as Italy, the second-largest creditor nation, agreed to turn Russian debt into credit for investments in Russia. The same proposal is now being considered by Germany.

New 'Strategy of Tension'?

The Economist attack was clearly intended to put pressure on the nation, increasing radicalization and profiling an "en-

emy image" of Berlusconi for the radical left. This is the classical British way of destabilizing the country: a left-right radicalization, which manipulates both left and right, and blocks any bipartisan policy in the interest of the nation. In such a scenario, the Anglo-Americans deploy terror operations. Since 1969, this has been called "the strategy of tension."

The Economist is owned by, among others, the Rothschild interests, the same ones that created George Soros and his Quantum Fund. Thus, *The Economist's* action stands in continuity with the famous 1992 Soros assault against the Italian lira.

The next major battleground will be the July 23 Group of Eight summit in Genoa. Already, Teddy Goldsmith's and Danielle Mitterrand's "Anarchist International" have announced that they will take over Genoa. Speaking to this reporter, Luca De Fraia, who is leader of the London-centered "drop the debt" campaign and is a member of the coordinating committee for the demonstrations in Genoa, said; "We will be 50, maybe 100,000. They will have to accept this reality and give us the structures."

But Genoa is an older city with a very small historic center. So, all indications are that, in order to guarantee the G-8 meeting, the Berlusconi government will set up a *cordon sanitaire* around the city. And this, the anarchists said, will mean war.

The "anti-globalization" anarchists are a battering ram controlled by the same interests that promote globalization, and their function is to take over and discredit a serious opposition. In Italy, this mob is composed of the old "autonomist" networks, which were part of the terrorist movement in the late 1970s. Eventually, the Autonomia organization was disbanded and its leaders prosecuted, but some of them, such as Oreste Scalzone and Toni Negri, found protection in France, in Danielle Mitterrand's political circles, against Italian extradition requests.

Their networks in Italy organized themselves around so-called "Centri Sociali," which have been politically represented by the PRC. The Centri Sociali have started actively organizing in support of the Mexican insurgency, and have called themselves "Zapatistas." It was a group of Tute Bianche that supplied security for "Subcommander Marcos" during the recent Zapatista march on Mexico City. Generally, in all clashes with police during anarchist "anti-globalization" demonstrations, the Tute Bianche and other mobs supplied by the Italian Centri Sociali play a key role. This mob is now preparing for the great Genoa battle.

Only by exposing the network behind this mob, can the Italian government successfully confront and defuse the threat, including forcing the trade unions and labor-connected sectors of the opposition to isolate the mob. This goes together with a real anti-globalization policy, under the title of the General Welfare, and the New Bretton Woods policy formulated by LaRouche.

Pope John Paul II's Voyage in The Footsteps of Saint Paul

by Elisabeth Hellenbroich

During May 4-9, Pope John Paul II started a second pilgrimage, "as a pilgrim in the footsteps of the Apostle Paul," the main stations of which were Greece, Syria, and Malta.

Against the background of the worsening political strategic situation in the Middle East, this Papal trip marks a milestone in the "Dialogue of Cultures"—the rapprochement between the Catholic and Orthodox churches, as well as substantial progress in the Muslim-Christian dialogue. Instead of Harvard Prof. Samuel Huntington's "Clash of Civilizations" and religions, the Pope reaffirmed the idea of St. Paul and Cardinal Nicolaus of Cusa of "peace among faiths," of "love," and of "dialogue among peoples."

In Athens, the first stop of his trip, before the Areopagus where nearly 2,000 years ago the Apostle Paul—having been converted suddenly in Damascus from a blind and hateful persecutor of Christians, into a believer in the crucified and resurrected Christ—had addressed the citizens of Athens, the Pope, together with the leader of the Greek Orthodox Church, his Beatitude Christodoulos, Archbishop of all Greece, made a joint address. Preceding the declaration was a private meeting, in which they discussed, among other things, the upcoming trip of Archbishop Christodoulos to Patriarch Aleksii II of the Russian Orthodox Church. By making reference to the ideas and words of St. Paul, the representatives of both churches reaffirmed their passionate desire for unity and reconciliation among Christians.

From the side of the Greek Orthodox Church, originally a lot of skepticism and resistance had been expressed against the Papal visit. The Pope had been invited by Prime Minister Costas Simitis of Greece, when the latter had visited the Vatican. However, the personal encounter between Archbishop Christodoulos and the Pope, against all expectations, took a different turn.

In Athens, the Pope did something very unusual: He apologized to the leader of the Greek Orthodox Church and asked pardon for the sacking of Constantinople, which was committed by the Crusaders in 1204 under the leadership of Venice against the Byzantine Greeks. (Venice had used the Fourth Crusade in 1204 to become the major power in the eastern Mediterranean.) The wounds, as the Pope explained, could only be overcome and healed by the "spirit of mutual love,"

and by each side admitting the mistakes and crimes which it had committed in the past.

The Platonic Hellenic Heritage

Paving the way toward "unity," as the Pope reiterated during his speeches, means that Europe must become conscious of that common spiritual heritage of all Christians in East and West. "We are in a decisive period of European history and I hope most fervently that the Europe now emerging will rediscover this long tradition of encounter between Greek culture and Christianity in fresh and imaginative ways, not as the vestige of a vanished world, but as a true basis for the genuinely true progress that our world seeks," he said, during the official welcoming ceremony for him at the Presidential Palace in Athens on May 4.

Invoking the missionary travels of Paul, John Paul said: "Now it is to Greece that I come as a Pilgrim in the footsteps of St. Paul, whose mighty figure towers over the two millennia of Christian history and whose memory is forever etched in the soil of Greece. It was here in Athens that Paul founded one of the first communities of his voyages in the West and of his mission on the European continent. . . . And how could we not recall that it was here in the city of Athens, that there began the dialogue between the Christian message and Hellenistic culture, a dialogue which would decisively shape European civilization?"

While the Greek translation of the Old Testament, known as the Septuagint, had a great influence in antiquity, and while the New Testament was written in Greek, the early Christians, as the Pope underlined, drew upon Greek culture in order to transmit the Gospel message, which led to the "emergence of Christian Hellenism throughout the Mediterranean world."

"Reading the learned writings of Augustine of Hippo and Dionysius the Areopagite, we see that Christian theology and mysticism drew elements from the dialogue with Platonic philosophy," the Pope said. "Writers like Gregory of Nazianzus," steeped in Greek rhetoric, were able to create a Christian literature worthy of its Classical antecedents. Gradually then, the Hellenic world became Christian and Christianity became, to a certain extent, Greek. Then there came to birth the Byzantine culture of the East and the Medieval culture of



Pope John Paul II is “breaking all rules” and expectations in his effort to build a successful ecumenical dialogue.

the West, both deeply imbued with Christian faith and Greek culture. . . . Raphael’s painting *The School of Athens* in the Vatican Palace makes clear the contribution of the school of Athens to the art and culture of the Renaissance, a period which led to a great exchange between Classical Athens and the culture of Christian Rome.”

The Pope gave special emphasis to the Platonic method of education by saying: “Hellenistic culture is characterized by its attention to the education of the young. Plato insisted on the need to train the mind of the young to seek the good and the honorable, as well as to respect the principles of divine law. How many Greek philosophers and writers, beginning with Socrates, Aeschylus, and Sophocles, invited their contemporaries to live ‘in accordance with the virtues.’ Saints Basil and John Chrysostom did not neglect to praise the value of the Greek educational tradition, for its concern to develop the moral sense of young people and to help them to choose freely what is good. . . . The inculturation of the Gospel in the Greek world remains an example for all inculturation.”

Such an extraordinary statement in defense of the Platonic-Christian legacy has not been made by a Pope in centuries, at least not since the time of the Council of Florence in 1439, which, having been significantly shaped by the ideas of the great Cardinal Nicolaus of Cusa, marked the beginning of

the Renaissance. Theologians and scientists, coming from the East and West for the Council, discussed the principles for a reunification of the churches. The Council itself took place in an atmosphere of passionate scientific debates, where the famous Greek scholar Gemisthos Plethon gave a lecture series on Platonic philosophy.

The Defense of the Common Good

Similarly marked by a “Cusanic spirit” of the Renaissance was the joint declaration of Pope John Paul II and Archbishop Christodoulos, before the Bema of St. Paul, the Apostle to the Nations.

“We repeat with one voice and one heart the words of the Apostle to the Nations,” the joint declaration begins. “I appeal to you, brethren, by the name of Our Lord Jesus Christ, that all of you agree and that there be no ‘schisms’ among you, but that you be united in the same mind and the same judgment” (*I Corinthians 1:10*).

They further condemned “all recourse to violence, proselytism, and fanaticism in the name of religion.”

The declaration stressed that at the center of mutual cooperation in the dialogue between the two churches is the defense of the common good and economic well-being of all men. “Man’s social and scientific evolution has not been accompanied by a deeper delving into the meaning and value of life, which in every instance is a gift of God, nor by an analogous appreciation of man’s unique dignity, as being created according to the Creator’s image and likeness,” the statement said. “Moreover, economic and technological development does not belong equally to all mankind, but belongs only to a very small portion of it. Furthermore, the improvement of living standards has not brought about the opening of men’s hearts to their neighbors who suffer hunger and are naked. We are called to work together for the prevailing of justice, for the relief of the needy, and for the ministry unto those who suffer. . . .

“We are anguished to see that wars, massacres, torture, and martyrdom constitute a terrible daily reality for millions of our brothers. We commit ourselves to struggle for the prevailing of peace throughout the whole world, for the respect of life and human dignity, and for solidarity towards all who are in need.”

The declaration ends with a reference to St. Paul, and stresses that both wish that God direct their way “so that we may increase and abound in love towards one another and towards all men and establish the hearts of all unblamable in holiness before our God and Father at the coming of the Lord Jesus with all Saints” (*I Thessalonians 3:11-13*).

Historic Visit to a Mosque

The Pope next visited Damascus, the capital of Syria, where he met the residing patriarchs, among them the Greek Orthodox Ignatius Hazim, the Syrian Orthodox Zakka Iwas, the Syrian Catholic Butros Abdelahad, the Chaldean Raphael

Bidawid, the Armenian-Orthodox Narkis Berossian, and the Coptic Stefanos Ghattas, in order to deepen the dialogue between the Catholic and Orthodox churches. But the historic, groundbreaking event was the visit of a Pope to the famous Umayyad Mosque in Damascus.

For the first time in the history of Islam and Christianity, a Pope, accompanied by the highest local authority of Islam, the Grand Mufti of Syria, Sheikh Kuftaro, entered the most famous mosque of the Islamic world, the Umayyad Mosque. Two religions which for centuries had been mistrustful and aggressive toward each other, united in a common prayer to the one God.

“We are meeting close to what both Christians and Muslims regard as the tomb of John the Baptist,” the Pope said in his speech in the mosque, “which is the place where also the tomb of John the Baptist is located. . . . The son of Zechariah is a figure of enormous importance in the history of Christianity. . . . For he was the Precursor who prepared the way for Christ. John the Baptist’s life, wholly dedicated to God, was crowned by Martyrdom. He should serve as witness and enlighten all so that they may understand, that life’s great task is to seek God’s truth and justice.”

The Pope put special emphasis on the religious upbringing of youth. “It would be crucial to teach the young the ways of respect and understanding . . . so that they will not be led to misuse religion itself to promote or justify hatred and violence. Violence destroys the image of the Creator in his creatures and should never be considered as the fruit of religious conviction,” he said.

The Pope expressed his hope, that “our meeting in the Umayyad Mosque will signal our determination to advance inter-religious dialogue between the Catholic Church and Islam. It is important that Muslims and Christians continue to explore philosophical and theological questions together in order to come to a more comprehensive knowledge of each other’s religious beliefs.”

A better mutual understanding of the two religions would lead to a partnership for the good of the human family, he said. While the Pope called upon Muslims and Christians to seek forgiveness and offer each other forgiveness for past offenses, he stressed again that which is the common basis for a Dialogue of Cultures: “As members of the one human family and as believers, we have an obligation to the ‘common good,’ to justice, and to solidarity: inter-religious dialogue will lead to many forms of cooperation, especially in responding to the duty to care for the poor and weak.”

At the end of his visit, the Pope visited the Syrian town of Quneitra, near the Israeli-Syrian border on the Golan Heights. During the 1967 war, the town had been captured by the Israelis and totally destroyed, before it was returned to the Syrians in 1974. The Syrians chose not to rebuild it. Here, the Pope offered a prayer for peace in the town’s razed Greek Orthodox church, in which, against the background of the daily escalating violence, he urged Middle East leaders

to work for peace and for the “common good”: “Lord—we pray to you for the peoples of the Middle East. Help them to break down the walls of hostility and division and to build together a world of justice and solidarity. . . . We pray for the civil leaders of this region, that they may strive to satisfy their peoples’ rightful aspirations and educate the young in the ways of justice and peace. Inspire them to work for the common good, to respect the inalienable dignity of every person and the fundamental rights which have their origin in the image and likeness of the Creator impressed upon each and every human being. . . . Lord of Heaven and Earth, Creator of the one human family, we pray for the followers of all religions. May they seek your will in prayer and purity of heart. Merciful Father, may all believers find the courage to forgive one another so that the wounds of the past may be healed, and not be a pretext for further suffering in the present. May this happen above all in the Holy Land, this land which You have blessed with so many signs of Your Providence and where you have revealed Yourself as the God of Love.”

During his departure for the island of Malta, the Pope again made an urgent appeal to the Arabs and Jews, that they engage in building a just peace. Confrontation, the Pope emphasized, has never and will never work. Only a just peace can create the conditions for the economic, cultural, and social development which the peoples of the region rightly need to enjoy.

A Prophetic Gesture in Unusual Times

As a pilgrim in the footsteps of St. Paul, the great teacher of Christianity and architect of European civilization, who made the “theology of love” the most important basis for the spreading of the Gospel and for organizing society, so the Pope has, with his second pilgrimage, signalled very strongly to the world, that in the year of “Dialogue of Cultures,” there can be hope for the future of mankind, if religions and cultures actively engage in a dialogue, concerning their common spiritual heritage and dedicate their cooperative efforts to the defense of the “common good,” the fight for justice, peace, and the economic well-being of all mankind.

As commentator Vittorio Messori wrote in the May 7 issue of the Italian daily *Corriere della Sera*, the Pope is “breaking all rules” and expectations in his effort to build a successful ecumenical dialogue. “Starting with the realization that values such as the unity of Christians, dialogue among religions, peace among men, shows they are not making progress by ordinary means, the Pope has decided to force matters. In ‘unusual times,’ like the present, where mankind may plunge into total chaos or build a new Renaissance, the Pope,” Messori writes, is making a “prophetic gesture.” “To the pride of the world he counterposes humility, even the humiliation of the Church. To others’ closedness, the Pope counterposes his openness; to mistrust, he answers with trust; to smallness, with generosity.”

Bush Administration Backs Police State Measures in the Philippines

by Michael Billington

In January, reading from the same U.S.-authored script used to overthrow Philippines President Ferdinand Marcos in 1986, the Filipino financial oligarchy, the press, and the appropriately named Cardinal Sin, orchestrated mass “middle-class” demonstrations in Manila against the popularly elected government of President Joseph Estrada. The “anti-corruption” demonstrations provided a cover for a military coup, placing Vice President Gloria Macapagal-Arroyo in the Presidency. Behind the overthrow was former President Gen. Fidel Ramos, who had also served as Washington’s tool in the operation to overthrow the Marcos regime in 1986, and, at the end of his own Presidential term in 1998, had attempted unsuccessfully to change the Constitution to allow himself another term.

Then, in April, after deposed President Estrada was placed under arrest, hundreds of thousands of Filipinos, mostly from the poorest layers of society, mounted huge demonstrations in support of Estrada and against the unconstitutional January coup. On May 1, thousands of demonstrators marched on the Presidential Palace, demanding Estrada’s release from incarceration.

The January events were described by the U.S. government and press as “democracy in action,” while those in April and May, have been characterized as an insurrectionary plot, supposedly justifying the declaration of a “State of Rebellion” by President Macapagal-Arroyo and the arrest without warrants of the leading opposition figures, including three members of the Senate and other Senatorial candidates, even though the election was only days away, on May 14.

How can such police-state actions be defended under the guise of “democracy”? This hypocrisy is evident to all, and is haunting Macapagal-Arroyo and her backers. The uprising against the Ramos/Macapagal-Arroyo junta has been dubbed “Edsa III” — for Epiphany of the Saints Avenue, which commemorates the independence movement against Spain in the 19th Century, and is the site which served as the gathering point for the 1985 demonstrations against Marcos, as well as the January demonstrations against Estrada (Edsa II), and now the demonstrations defending Estrada and the Constitution (Edsa III). The brutal military crackdown on Edsa III killed six and injured more than 100. President Macapagal-Arroyo, on the day of the crackdown, speaking with the cocksure attitude of a little Hitler, told an emissary of Estrada:

“Take your best shot. Come here now, strike now, so I can crush you.” She warned the demonstrators she would “beat them to a pulp. Even the enemies of the state did not realize that this wisp of a girl can be tough.” She told the press that she had modelled herself on Britain’s “Iron Lady,” former Prime Minister Margaret Thatcher.

Opposition leader Juan Ponce Enrile and former Ambassador to the United States Ernesto Maceda were taken into custody, while nine others were ordered arrested. Two of those targeted for arrest, Sen. Gregorio “Gringo” Honasan, a longtime opponent of Ramos and his circles, and former Police Chief Panfilo Lacson, went into hiding. Sources in the Philippines indicate that these two have good reason to fear for their lives. The new Police Chief, Reynaldo Barroya, was once successfully prosecuted, under Estrada’s direction (as head of an anti-crime task force during the Ramos Administration), for complicity with the gangs that were kidnapping Chinese-Filipinos for ransom. Ramos later released Barroya from prison, just as Estrada was mounting his campaign for the Presidency.

However, just days before the May 14 election, under widespread accusations that she had subverted the elections by jailing her opponents, Macapagal-Arroyo lifted the “State of Rebellion,” and announced a “safe conduct” for the fugitives to come out of hiding, to campaign without fear of arrest. As the “offer” may not have been enforced by Police Chief Barroya, it was not accepted.

No Clean Sweep

Nonetheless, as of May 16, based on unofficial results coming in from the May 14 elections, all three of the Senatorial candidates charged with rebellion have been re-elected, along with the election of Estrada’s wife, Luisa Ejercito. Although official results will not be in for several days, the attempt by Macapagal-Arroyo to gain a “clean sweep” in the elections, in order to legitimize the police-state measures, has been defeated. A more contrite President has now changed her tune, pleading: “Let’s be united again. It’s time for healing.” Asked if that included the opposition leaders who face charges of rebellion, she said, “I’ll pray on that.”

What most frightens the President and her controllers, foreign and domestic, was expressed in a May 4 column in the *Manila Times* by Herman Tiu Laurel (who often carries

reports from *EIR*), entitled “The Situation Is Excellent”: “Edsa III brought us a truly historic moment, and the country will never be the same again. Overnight, the nation realized: Philippine democracy has become a myth, the freedom and integrity of the mainstream press and media is a lie, the Catholic Church is of the rich and not of the poor. . . . The military institutions are in a quandary. They have generals who kowtowed to a minority and withdrew support from the constitutionally established order, only to stake claims to juicy posts. Turncoat military officers and suspected rogue police officers are ensconced in positions of information and power. Civil liberties are threatened with warrant-less arrests. The Left is thrown into confusion as its popular symbols [are] defending the Ramos-GMA [Gloria Macapagal-Arroyo] fascist regime from the masses.”

Just as the idiocy and recklessness of the Bush Administration is forcing populations and political leaders around the world to re-examine their acceptance of Anglo-American dictates, so also the Philippine population is beginning to show that they can only be pushed so far. It is increasingly apparent that the nation has lost much of its sovereignty, that decisions affecting the welfare of the nation are being made in Washington—at the International Monetary Fund (IMF) headquarters, the State Department, or the White House. Was it mere coincidence that General Ramos was visiting with Bush Administration officials in Washington during Edsa III, while longtime ally of former Secretary of State Henry Kissinger and “Philippines handler” Hank Greenberg of AIG was having tea with Macapagal-Arroyo in the Palace?

The policy of the Bush Administration toward Asia is a tired re-run of “divide and conquer” tactics. Blundering forward with destabilizations and the “confrontation of China” policy espoused by Administration fanatics around Paul Wolfowitz and Richard Armitage, Asian nations are being told, directly or indirectly, that they must “take sides” on the manufactured U.S.-China conflict. Australia has already sided with the United States, offering up its territory for deployment of the provocative National Missile Defense being pushed by the Bush team. Those who resist such Cold War tactics are liable to get the Indonesia treatment, where the IMF has suspended support, while Western governments and the press are using the economic crisis to further aggravate ethnic, religious, and separatist tensions.

More of the IMF Program

In the Philippines, the Ramos/Arroyo regime is rushing to implement the IMF program for selling off national industries to foreign bidders, privatizing the electric power grid, and otherwise sacrificing the general welfare to the gods of globalization. On China, the new National Security Adviser to Macapagal-Arroyo, Roilo Golez, a longtime collaborator of knee-jerk conservative U.S. Rep. Dana Rohrabacher (R-Calif.), is orchestrating provocations against China over the contested Spratly Islands. Golez has reversed Manila’s policy of engagement with China followed by the Estrada regime,

declaring China to be “too close for comfort” and a strategic threat.

The extensive “Left” in the Philippines has been left in a quandary by the police-state measures taken against Edsa III, as expressed by Walden Bello of the Focus on the Global South, a guru of the non-governmental organizations. He reported in a column in the *Philippines Inquirer* that he had heeded Macapagal-Arroyo’s appeal to call out his forces to defend her against the mob, but was most uncomfortable about the fact “that we, supposedly a mass party for the masses, were ranged against masses mobilized by almost millinarian fervor.” As to the Catholic Church under the direction of Cardinal Sin, Bello admitted: “Recent events underlined how badly out of synch it is with the vast masses of Filipinos. Indeed, along with President Arroyo and former Presidents Cory Aquino and Fidel Ramos, Cardinal Jaime Sin was one of the principal figures of the so-called Edsa III’s rogues’ gallery.” Bello concluded: “The traditional elite in this country is notorious for its lack of a truly enlightened faction, and with much of the political counter-elite consolidated around Estrada’s bankrupt populism, a Filipino Franklin D. Roosevelt simply is not in the cards.”

Ironically, there is in fact a growing movement in the Philippines in the tradition of FDR—that of the LaRouche Society of the Philippines, named after Lyndon H. LaRouche, Jr., the founding editor of *EIR* and a Democratic U.S. Presidential pre-candidate for 2004. LaRouche’s economic, political, and cultural ideas are spreading in the Philippines, supported by a weekly radio show in Manila, hosted by Herman Tiu Laurel, which interviews LaRouche or one of his associates from *EIR* each week. LaRouche has warned that the sovereignty of the nation, like that of many nations around the world today, has been subverted through foreign controls over the economy, and increasingly over the political process itself. To regain the nation’s sovereignty, Philippine leaders must move outside the controlled local environment, to join with the emerging alliance of Eurasian nations, as represented at the historic Schiller Institute conference in Bad Schwabach, Germany on May 4-6 (see *EIR*, May 18, 2001, and this week’s *Feature*), to build a new world financial system and launch the development of the Eurasian continent as a whole.

The Philippines, as a nation itself shaped in part by the policies of FDR, and as the only Catholic nation in Asia, has a particularly crucial role to play in bringing about that new world economic order. The role of Pope John Paul II over the past weeks, in his mission of peace to Greece and Syria, “in the footsteps of the Apostle Paul,” and in his defense of the “the common good” against the ravages of globalization, are in stark contrast to the policies of political intrigue and collaboration with the financial oligarchy carried out by Cardinal Sin. The policies of LaRouche, in conjunction with those of the Pope, provide the global framework for the people of the Philippines to regain their sovereignty and save their national heritage.

Colombia Health Sector Is Being Shut Down

by Javier Almarío

One fine day in March, with a legal order in hand, creditors from the Banco Ganadero, a branch in Colombia of Spain's Banco Bilbao Vizcaya, embargoed and carried off research equipment and materials from the laboratory of the Immunology Institute of the San Juan de Dios Hospital in Bogotá. The laboratory was one of the best equipped in Ibero-America for biological research. In that laboratory, a vaccine against malaria was discovered which has so far proved 60% effective. New methods for detecting tuberculosis were also devised there. Ongoing research involved developing a 90% effective malaria vaccine, as well as vaccines against both tuberculosis and HIV.

The reason for the seizure? The San Juan de Dios Hospital is unable to pay its debts to various banks, and several of its affiliates have already been shut down. Repeatedly, the hospital has had to prepare to shut its own doors, despite the fact that it has always been the capital city's leading hospital, with a long history of attending to the most needy layers of the population.

'New Colonialism'

Laboratory director Dr. Manuel Elkin Patarroyo, a world-class scientist credited with developing the malaria vaccine, denounced the Banco Ganadero-BBV legal assault on his institute as a form of "new colonialism," carried out by a foreign bank against the scientific research capabilities of a Third World nation. Stung by his charges, the bank attempted to "generously" return the lab equipment "in the form of a loan," so that Patarroyo's research would not be interrupted, but the scientist was having none of it. Patarroyo rejected the offer because, as he pointed out, one cannot conduct scientific research under the threat that, at any moment, one's equipment could be seized to repay a bank loan. The bank directors apparently did not want to appear like the Spanish "Conquistadores" (Colombia won its independence from Spain in 1810), and so they finally "donated" Patarroyo's equipment back to him.

What is the Banco Bilbao Vizcaya? As *EIR* has documented, BBV has a history that links it in the 1980s to the brothers Manzur and Ghassan al-Kassar, Syrian arms and drug traffickers. More recently, the Venezuelan daily *El Universal* reported that the true owners of BBV are the U.S. company General Electric (GE), the French insurance company Axa, and Nippon Life of Japan. GE is closely

linked to the Morgan financial interests of Britain; and Axa director Claude Bebear was a close collaborator of the recently deceased City of London financier Sir James Goldsmith.

The Patarroyo crisis is far from over. The building and land upon which the Immunology Institute operated, are still under embargo. The San Juan de Dios Hospital which owns the land, is still facing a permanent shutdown. The fate of the laboratory is thus completely up in the air. The 120 researchers who work under Patarroyo have been working gratis for months, as there has been no money to pay their salaries. The Andrés Pastrana government has shown no interest, and has offered no support, for the lab's "Made in Colombia" scientific research, which Patarroyo has declared "the patrimony of Colombia."

Nor has the government done anything to rescue the Colombian health system which, faced with an ongoing privatization campaign and "managed health care," is about to disappear altogether.

In contrast, the Spanish monarchy has offered Dr. Patarroyo a home, with research facilities and scholarships to pay for 60 of his 120 researchers. Seeing no alternatives inside Colombia at present, Patarroyo has asked the Spanish government to pay for all 120 of his researchers. Should Madrid accept his counterproposal, it would mean the transfer of a premier research laboratory from Colombian soil, and the drain of another 121 highly qualified scientists and technicians, to be added to the 3.5 million Colombians who have already fled their country in the past three years because of the insecurity and unemployment crisis there.

The idea that Colombia should have an immunology laboratory that could match any laboratory in the advanced sector, began to take shape in the late 1970s. With government backing and both national and international donations, Patarroyo's laboratory defined as one of its primary objectives from the beginning, to find a vaccine against malaria. From that moment onward, Patarroyo had to battle the representatives in Colombia of the foreign pharmaceutical companies, who offered him financing on the condition that any discoveries he made would fall under their patent control. Patarroyo rejected such a condition as unthinkable.

As a symbolic act, to establish the principle that medical and scientific research should be in the service of the general welfare of man, and not to swell the coffers of private companies, Patarroyo donated the patent rights to his malaria vaccine to the World Health Organization, in 1997.

Looting the Public Sector

Patarroyo's immunology laboratory is only the most high-profile victim of the Pastrana's government's latest "fiscal cleansing" pact with the International Monetary Fund (IMF), which seeks to "reform" the public sector right out of existence. A pension reform is slated to throw millions of elderly onto the scrapheap, in the name of "rationalization." A reform

of the system by which the federal government transfers funds to the provinces, is imminent, and threatens to cut hundreds of thousands of employees from state and municipal payrolls already slashed to the bone; this in a country where unemployment stands officially at 20%. And now, according to Health Minister Sara Ordóñez, a “restructuring” of the health sector is under way, guaranteed to finish off a public health-care system already being strangled by debt.

Since 1996, all hospitals, clinics, and other institutions which previously had depended on a public budget, stopped receiving state funds. Now private companies, known as ARS (Afilados de Régimen Subsidiado), are supposed to bring low-income sectors of the population into the Subsidized Health Regimen (a sort of Medicaid), and to create “managed health-care” entities (in effect, HMOs).

As a result, the formerly public hospitals are now entirely dependent on whatever the private companies choose to pay them for services rendered to “their” members. The consequence is that these hospitals, and their affiliates — such as Patarroyo’s immunology lab — have accumulated unpayable mountains of debt, and are being unceremoniously and mercifully closed down.

In Bogotá alone over the past five years, the Nicolás de Federman Hospital and the Lorencita Villegas Infant Hospital have gone bankrupt, and have been closed down. The last was considered one of the best children’s hospitals in Ibero-America, and won various international awards for developing improved techniques in saving premature infants.

Now it is the turn of San Juan de Días Hospital. Similarly facing bankruptcy are the Mother-Infant Hospital and Mercy Hospital in Bogotá. One stunned surgeon at the Mother-Infant Hospital told reporters that callous bank auditors were conducting an inventory of hospital equipment in his operating room, even as he was performing delicate abdominal surgery on a newborn!

On the national scale, 13 public hospitals out of a total of 26, are facing bankruptcy. If these hospitals close, an estimated 10 million people — nearly one-fourth of the Colombian population — will be without health care.

The Pastrana government’s answer to a growing hue and cry over collapsing health services, has been twofold. First, “restructure” the public hospital system. What this immediately means, according to Health Minister Ordóñez, is the firing of 32,790 of the 92,674 public hospital employees. According to Ordóñez, the current problems afflicting the hospitals are due to “an excessive bureaucratic load. . . . We’re working with the Finance Ministry to prevent this from continuing.”

Finance Minister Juan Manuel Santos, who told a Wall



The developer of a new malaria vaccine in Colombia, Dr. Manuel Elkin Patarroyo: His laboratory’s equipment, and the hospital in which it is located, were seized by international bank creditors; Colombia is losing half its public hospitals.

Street audience earlier this year that Colombia needed “blood, sweat, and tears,” is also determined to privatize Colombia’s Social Security Institute (ISS) — which provides health care to retirees — just as the public health-care system was privatized. “Immediate shock methods” are needed, Santos said on May 9.

Minister Ordóñez’s idea of an efficient health system, is one where there will be no “redundancy” of hospitals in the same area with sophisticated equipment for dealing with emergencies, or high-risk pregnancies. Such redundancy “carries a barbaric cost,” she insisted in a May 14 interview with *El Tiempo* newspaper.

The government’s other response to the crisis has been to accelerate payments to the private managed-care network, the ARS. But an estimated 60% of the money that the ARS receives from the government is taken as profit, and only 40% is spent on patient care. The hospitals are unable to survive, and neither will their patients — or rather, their “clients,” for, according to Law 100, patients are now to be dubbed “clients,” and health is no longer a public right, but a commercial transaction.

On May 15, some 350,000 teachers and 6,000 health workers went out on an indefinite strike to protest the IMF-dictated bill currently before Congress, that would severely restrict federal fund transfers to state and municipal governments. Said the president of the Colombian Federation of Educators, Gloria Ramírez, “It cannot be that the government tells us it will take away funds for health and education, and nothing happens. We have to do something.” Some 800,000 state workers plan to join the strike on June 7.

National Leaders Join Fight To Save D.C. General Hospital

by Anita Gallagher

The fight to maintain D.C. General Hospital, the only public hospital in the nation's capital, is escalating into a truly national fight in answer to the D.C. Financial Control Board's illegal shutdown of the hospital on April 30.

The fresh forces added to the fight are mobilizing to compel the U.S. Congress to keep D.C. General open as a fully funded, full-service public hospital, and to reject the Control Board's substitution of a network of privatized clinics—which refer patients to the already overwhelmed emergency rooms of other D.C. hospitals, where they are refused admission, or further injured by the wait. Already, four deaths have been reported, and two have been confirmed, as a result of the closing.

The evidence of the expanding national fight includes:

'All People Have a Right to Health Care'

- On May 17, Rep. David Bonior (D-Mich.), House Minority Whip, placed a powerful defense of D.C. General into the *Congressional Record*. He pointed out that the nation's general welfare requires *public* hospitals, "with the belief that all people have the right to health care." The closure of D.C. General will mean that "now, the people of Washington, D.C. will have no choice but to turn to private hospitals for their health care—hospitals that base their care on a person's financial status and ability to pay." Representative Bonior also denounced the process that closed D.C. General: the use of an unelected financial control board, to override the unanimous vote of the democratically elected D.C. City Council (see box).

- Sen. Tim Johnson (D-S.D.) and Rep. Danny Davis (D-Ill.), members of the current Congress, added their names to the national statement "It's Time To Draw the Line: Saving D.C. General Hospital Is a Matter of International Impor-

tance." The statement, signed by more than 600 elected officials, activists, and clergy, states that "Mr. [Lyndon] LaRouche has asserted that the legitimacy of our government rests on 'its authority and responsibility for the promotion of the General Welfare of all living persons and their posterity.'



Ohio Democratic State Rep. Catherine Barrett, who travelled to Washington in support of the fight to save D.C. General Hospital, tells a May 17 rally at Judiciary Square, "We must stop it here."

Once again, we agree, and we insist that that means maintenance of public schools, public roads, the public water and power systems, and, most emphatically, public hospitals and public health-care facilities.”

- On May 15, the National Black Caucus of State Legislators (NBCSL) made public a letter addressed to Rep. Eddie Bernice Johnson (D-Tex.), Chair of the Congressional Black Caucus, stating, “We encourage you to exercise your influence and judgment to rescind the action of closing this needed resource. The reality is, that for the citizens and communities who are served by D.C. General, the proposed substitutes are insufficient. Lives will be lost as emergency transportation times are extended. As Americans, we can do better.” The letter was sent to Representative Johnson by Alabama State Rep. James L. Thomas, President of the NBCSL.

- On May 3, the Alabama House of Representatives

passed a resolution memorializing the U.S. Congress to “maintain the public institution status of D.C. General Hospital,” because “how a country treats its disadvantaged people is a significant reflection on the character and priorities of that country.” Rep. Thomas Jackson (D) sponsored the resolution.

Similar resolutions memorializing Congress to keep D.C. General open are now pending in Michigan, Missouri, and South Carolina, and a resolution has been submitted to the drafting committee of the Ohio Legislature by Rep. Catherine L. Barrett (D-Cincinnati).

- While the number of legislatures which can act as a body is limited by the fact that many have already adjourned for the year, 100 state legislators have endorsed the international statement to save D.C. General, and a number of state legislators have personally come to Washington to meet with Congressmen. Many more have written to their entire state

Congressman Bonior: ‘Keep D.C. General Open’

Hon. David E. Bonior of Michigan, in the House of Representatives, May 17, 2001, called on his colleagues to rescind the D.C. Financial Control Board’s shut-down of D.C. General Hospital.

Mr. Bonior. Mr. Speaker, we, as a nation, spend more on health care than any other country in the world. Yet, we have 43 million uninsured people and our working families continue to struggle to obtain quality and affordable care. And now, in our nation’s capital, there are efforts to close down the last remaining public hospital in the city, D.C. General. The closure of public hospitals around our nation and D.C. General, in particular, should be of concern to us all.

In Michigan, our public hospitals continue to serve patients and communities with dignity and with the belief that all people have the right to health care. These public hospitals provide our uninsured and underinsured working men and women with the quality and essential health care they deserve. D.C. General has been serving the people of Washington, D.C. since 1806, and the care it provides is crucial for residents of the nation’s capital.

I am deeply concerned with the impact the closure of this hospital will have on the residents of Washington, D.C. In Detroit and other urban and rural communities, affordable and reliable health care is becoming hard to find. Our public hospitals serve local communities without

prejudice and are the only source of care millions in this nation can rely on. Now, the people of Washington, D.C. will have no choice but to turn to private hospitals for their health care—hospitals that base their care on a person’s financial status and ability to pay.

Those who advocate closing D.C. General are concerned that the hospital has woefully inadequate funds to operate. The financial situation of this and other public hospitals is severely impacted by Congress’ unwillingness to provide additional resources and the fact our public hospitals serve most of our uninsured and poor. The plight of D.C. General is just one example of what will happen if we do not stand up immediately and support our public hospitals.

I am also deeply troubled by the process that determined the fate of D.C. General Hospital. Through the use of an unelected financial control board, those wishing to see the hospital closed overrode the democratically elected D.C. City Council, who unanimously opposed the closure of the hospital. In 1999, a similar situation occurred in Detroit, when Lansing lawmakers dissolved the elected city school board and appointed a supervisory board, unaccountable to the citizens of Detroit. The Detroit school takeover and the D.C. control board’s actions should be of concern to all Americans. Both these actions denied citizens a voice in the decisions affecting their lives. Our compassion and resolve to ensure quality health care and education for all must not be compromised by an unelected body which is accountable to no one.

Today, I join many of my colleagues in Congress, community leaders in my home state and from around our great nation, and champions in the Michigan State Legislature in urging that D.C. General be kept open and accessible to the people of Washington, D.C.

Congressional delegations urging them to act to overturn the Control Board's closure, citing the Congress's mandate to provide for all the people, including the uninsured and the underinsured.

Nowhere To Run

The intense pressure coming from constituency leaders, as well as voters, has made it impossible for any Congressman to duck the issue of D.C. General by claiming it has nothing to do with his or her constituents. As Representative Bonior and others point out, the routine of privatizing a necessary public service, and then, if an elected body won't accept it, creating an unelected body to approve it, has been tried around the country, on education, health care, and every budget issue. This trick cost Detroit Mayor Dennis Archer, one of Wall Street Democrat Al Gore's national campaign managers, his political future, as *EIR* reported in last week's issue. The depredations on the living conditions of the U.S. population, through unaffordable energy prices, unacceptable schools, unavailable health care, are reaching the point that every thinking American can recognize the problems of others, because those problems are the same ones he or she faces. Hence, the national support for D.C. General, as an exemplary fight for the general welfare.

It cannot be lost on Americans that Pope John Paul II asked Americans during his 1995 U.S. visit, "Is present-day America becoming less sensitive, less caring toward the poor, the weak, the stranger, the needy? It must not!" And, that the Pope, in his May trip to Greece, Syria, and Malta, was emphatic that the common good—or what the Preamble to the U.S. Constitution calls the "general welfare"—must be served, if any system of government, including the so-called "free market," is to claim legitimacy.

At the same time that the Pope emphasized the common good against globalization, Lyndon LaRouche gave a presentation to leaders of 40 nations at a conference on Eurasian and African development in Bad Schwalbach, Germany on May 4. LaRouche said that a world recovery program "requires a subsuming, universal principle of law, to which the principal nations, at least, must be more or less won over. That principle of law, is the understanding, that the modern institutions of the sovereign nation-state under the rule of service to the general welfare, is the only foundation upon which the needed, broad collaboration over the long term can be established." Besides the immediate objective of saving D.C. General, the national fight around it serves to realign the United States to serve the general welfare, and collaborate with other nations to that end in plans to rebuild the world.

New Elements Added in D.C.

On the ground in D.C., important new flanks are being added to the fight at least several times a week — by prominent people coming in from outside; cultural initiatives, such as a Marian Anderson Memorial Concert, featuring Classical music, including Negro spirituals, on Mother's Day; explosive new information mass distributed through "extras;" and legal initiatives.

On May 17, Ohio State Rep. Catherine Barrett appeared at a press conference sponsored by the Coalition to Save D.C. General Hospital. She announced that she had introduced a House Concurrent Resolution into the Ohio legislature, memorializing Congress to keep D.C. General open. She told the crowd that she had been the mayor of Forest Park, Ohio before her election to the legislature; that that D.C. Mayor Tony Williams is "not the mayor you need" in this health-care crisis, and that the closing of D.C. General is "not what we need in

State Legislators Say, Defend D.C. General

The following letter, dated May 15, 2001, was sent to U.S. Rep. Eddie Bernice Johnson (D-Tex.), Chair of the Congressional Black Caucus, by State Rep. James L. Thomas, of Alabama, President of the National Black Caucus of State Legislators:

Dear Congresswoman Johnson:

Many of our members, as individuals or through their state caucuses, have expressed concern and alarm about the closing of the District of Columbia's D.C. General Hospital. Our organization, since its inception, and by the

very nature of our members' experience, is an advocate of self-government. The thought that a non-elected entity in the nation's capital, the Control Board, could determine D.C. General's fate, is disconcerting.

As you well know, our legislators struggle with painful decisions about reforming health care in their own states. They are often faced with circumstances similar to Washington's. The issue of how to provide service to the underinsured and noninsured populations is a pressing dilemma, but for the capital of our country to abandon people in need is disheartening.

We encourage you to exercise your influence and judgment to rescind the action of closing this needed resource. The reality is, that for the citizens and communities who are served by D.C. General, the proposed substitutes are insufficient. Lives will be lost as emergency transportation times are extended. As Americans, we can do better.



Coalition to Save D.C. General Hospital leader Pastor Mildred King began a hunger strike at Judiciary Square in mid-May, when the D.C. Control Board began shutting the hospital down.

our nation's capital at this time." "We must stop it here," she demanded.

The press conference occurred outside the offices of the Mayor and the Financial Control Board, where Rev. Mildred King, pastor of the Power of Prayer Church in Washington and a leader in the fight to save D.C. General, had been on a round-the-clock hunger strike since May 11.

At the Coalition's 15th weekly town meeting, held on May 16, activists planned the ongoing compilation of information. They are charting not only the death toll which has resulted from the shutdown of D.C. General—four reported so far, two confirmed—but they also told of "those who are about to die" as a result. Information is being gathered on how the shutdown of D.C. General is affecting every hospital in the city: what happens when the emergency rooms turn people away, when the waiting time is lengthened, when the distance from which people come or are transported is increased. There is already one report of an injured person who became a paraplegic because treatment was delayed.

The death and injury count, the wait time, the uninsured who are turned away, and similar information, will be presented in U.S. Court on June 8, at a hearing for a preliminary injunction to stop the Financial Control Board from closing D.C. General. The action has been brought by D.C. City Councilmen David Catania (R) and Kevin Chavous (D). On the same day, a hearing will also occur in the Congressional Committee on Government Reform.

Reports of horrifying triage are already coming in, despite gag orders and threats made to emergency medical providers

that no information is to be released under any circumstances. Despite the intimidation, emergency personnel reported to *EIR* that two additional deaths occurred, on May 10 and May 12, because of the closing of D.C. General. Under the Control Board's "plan," Greater Southeast Hospital is forced to do the job of D.C. General, Hadley, and Capitol Hill hospitals. At times all these emergency rooms, as well as that of adjoining Prince George's County Hospital in Maryland, are closed or on "bypass" to ambulances. Every single day, one provider reported, there are instances where all the hospitals in the city are closed to emergency cases, except two that are in the far Northwest end of the city. Trauma cases that would have gone to D.C. General, now must go across town, because the other hospitals are flooded with patients. As a closed hospital, D.C. General can no longer accept ambulance admissions, so, one nurse reported, the gunshot and trauma victims now get out of the ambulance a block away and walk in.

But when veteran D.C. General nurse Charlene Gordon reported to the May 16 town meeting on her trip to the Bad Schwalbach conference, the spirit of the whole international mobilization filled the St. Teresa of Ávila Church. At Bad Schwalbach, LaRouche had presented his Eurasian Land-Bridge economic development proposal, and the fight for re-regulation of energy, and saving D.C. General Hospital, with leaders of those movements, in a speech entitled "Winning the Ecumenical Battle for the Common Good." Gordon said, "There were many languages spoken at the conference, but there is one language we all had in common: the battle for the Common Good of mankind."

Nation Rejects Bush-Cheney Assault on California

by Harley Schlanger

In a page-one interview in the *Los Angeles Times* on May 5, Vice-President Dick Cheney made it clear that the Bush Administration is toughening its hard-line ideological stance on the energy crisis gripping California.

After President George W. Bush stated in mid-March that his administration would do nothing to aid California—a statement characterized by major press as “Bush to California: Drop Dead”—Cheney went one step further. He told the *Los Angeles Times* that he is so completely opposed to the Federal government taking any action which might interfere with “market forces,” that he would do nothing to aid California, even if the energy crisis there threatened the national economy. This hands-off approach was described by one high-ranking Democrat as “deregulation *über alles*.”

The same imperial perspective characterized the Cheney National Energy Policy Report released May 17, consisting of a mish-mash of 105 “recommendations” amounting to lists of measures to serve the energy cartel, while the population and economy be damned. The Cheney document, and Bush too, came in for instant ridicule. The program of the “GOP—Grand Oil Party,” was the description by the Democratic Policy Committee of the House of Representatives. Lyndon H. LaRouche, Jr. called Cheney’s report “fakery, even if it had had 200 recommendations.”

With hot Summer temperatures beginning to hit California, with projections of up to 700 hours of rolling blackouts between June and September, a \$5.7 billion rate hike approved by the state Public Utility Commission, and gasoline prices in the state jumping to over \$2 per gallon, Bush offered his magical formula to ease the crisis. As if to prove LaRouche’s comment that this Presidency is characterized by lunacy, Bush said, “The best way to make sure that people are able to deal with high energy prices is to cut taxes, is to give people more of their own money, so they can meet the bills, so they can meet the high energy prices.”

Does this mean that the real reason for the huge tax cuts proposed by Bush, is to ensure that his leading supporters in the oil, gas, and electrical power industry, can be paid any level of extortionist prices?

Arrogance of Power

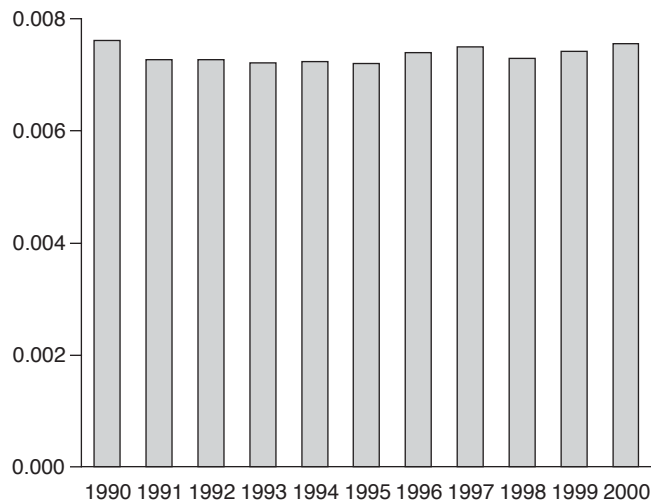
Commenting on these statements, LaRouche remarked that Bush and Cheney exemplify an arrogance of power, which will be their downfall. Their triumphalism, which is

that of petty swindlers proud of the loot they are openly extracting, will draw the hatred of the population, especially from their right-wing populist base. These right-wing populists, LaRouche said, don’t mind swindles, as long as they are the ones profiting.

In this case, it is not the populists who are benefitting, but the Bush-Cheney cronies in the energy business, who are acting with an arrogance of “imperial intoxication.” They are more than happy to make super-profits from tearing down what is left of the physical economy and infrastructure of the United States, while charging such outrageous rates for electricity that the utility companies have been driven to bankruptcy, and families will have to choose this Summer between high-priced medical care and high-priced air conditioning.

The claim of the robber-baron power marketers, which has been embraced whole-hog by the Bush Administration, is that rising demand and insufficient supply are causing the energy price triplings, quadruplings, etc. which are neatly omitted from the Consumer Price Index (CPI) every month. This claim is even phonier than the CPI as an inflation indica-

FIGURE 1 □
California Electricity Consumption Per Capita □
(Gigawatt-hours)

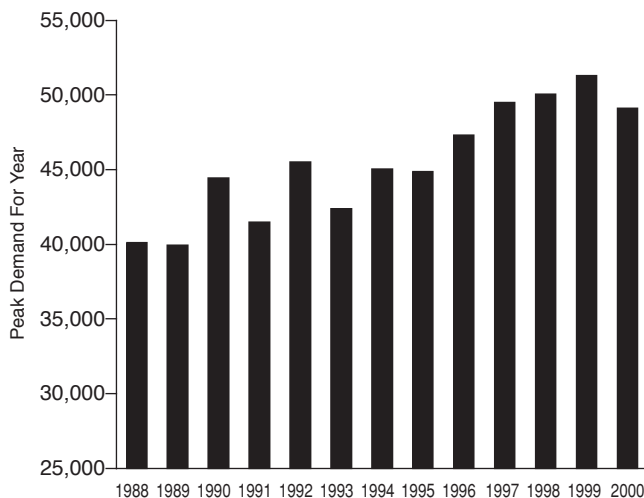


Source: California Energy Commission.

FIGURE 2□

Blackouts Despite Lower Demand in 2000□

(Megawatts)



Source: California Energy Commission.

tor, and has been rejected in Congressional debate in recent weeks.

The fraud is indicated in *EIR*'s charts published here. California's power consumption per person per year is actually lower than a decade ago **Figure 1**. The single highest day's peak demand for 2000 (and for 2001) falls below that of each of the three previous years, when there were no blackouts and reasonable prices **Figure 2**. The real joker emerges in **Figure 3**: the outrageous peak prices charged for electricity by the power marketing barons, have driven skyward as those same power marketers deliberately took more and more of the power generation they owned, offline!

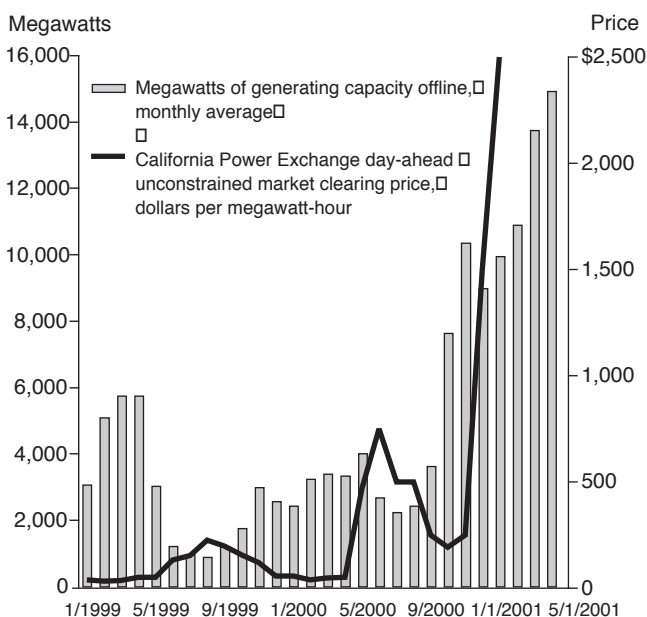
The Bush policy of "malign neglect" has provoked a sharp reaction from California Gov. Gray Davis (D), who has been trying to hold things together, without breaking with the policy of deregulation, which is the root cause of the crisis.

Davis's approach to providing electricity to consumers has been to use the state budget surplus to purchase electricity from the power marketing companies such as Reliant, as the two major utility companies, Pacific Gas & Electric (PG&E) and Southern California Edison (SCE), can no longer afford to do so. PG&E filed for bankruptcy on April 6, while SCE narrowly evaded bankruptcy through a forbearance agreement reached on May 16. The state is paying as much as \$70 million per day for the electricity it is purchasing.

This cost of the energy crisis, when combined with the crash of California's high-tech sector, centered in Silicon Valley, has created a budget crisis for the state. Tax revenues have fallen, as the capital gains taxes from New Economy stocks have fallen. The Governor was forced to revise the budget he presented in January, cutting \$3.2 billion in expenditures. Add to this the additional millions of dollars in interest

FIGURE 3□

Energy Pirates Withhold Electricity to Jack Up Prices in California□



Sources: California Energy Commission; California Power Exchange; University of California Energy Institute.

it will now cost the state to float bonds, since Moody's rating service downgraded the state credit rating, citing "increasing financial risks associated with the continuing energy crisis," and it is obvious that the actions taken by Davis have been inadequate.

Reliant Under Fire

As the crisis has escalated, Davis and his allies have begun to name names. At a press conference on May 7, he said of the Bush-Cheney policy that it would be a "grave mistake" for the administration to "rigidly adhere to ideology, even if it meant hardship for California." In a commentary in the *Washington Post* on May 16, Davis wrote of Cheney's remark that he would never support federal action. "With all due respect to the Vice-President, that is one of the most irresponsible statements I've ever heard."

While intensifying his attacks on the Bush Administration, Davis has not spared the energy pirates who have been looting the state. On ABC's "This Week" on May 13, Davis blasted Reliant Energy of Houston for charging the state \$1,900 per megawatt-hour in the first week of May, when the state was desperately looking for electricity, in order to avoid blackouts. This price was five times the prevailing, already outrageous, market price.

"That's obscene," Davis told ABC's George Stephanopoulos. "No one can defend that. The company is named Reliant. It's in Texas. It's a big buddy of President Bush and

Vice-President Cheney, and they can't just sit back and say, 'Hey, it ain't our problem.' ”

Davis was referring to the fact that Reliant's CEO, Steve Letbetter, was a "Pioneer," i.e., a Bush campaign donor who raised at least \$100,000 for the Presidential campaign. Reliant also contributed more than \$200,000 to the GOP. Reliant's wholesale energy earnings jumped from \$43 million in the Summer of 1999, to \$319 million in 2000, following the implementation of deregulation in California. This huge increase in profits was matched by other Houston-based energy pirates, such as Enron and El Paso Natural Gas, which has been accused of "anti-competitive" contracts, a major factor in the increase in natural gas prices by 489% from March 2000 to February 2001.

Davis continued this offensive on May 16, when he signed a bill creating a state power authority. At the signing ceremony, he warned electricity suppliers, "If they don't want to see their plants seized [by the state, under eminent domain procedures], they should make sure their plants are up and running this Summer."

Davis's forceful language was echoed by California Senate President Pro Tem John Burton, who said, "Sooner or later, we've got to let these buccaneers know that we're not going to tolerate what they're doing to us. The only thing these exploiters would understand is a little counterterrorism."

Turning to a Real Solution?

Such uncharacteristic language has been prompted by the growing realization that the state's economy is plunging into an abyss. Contrary to the popular media image as the state whose prosperity is due to constant sunshine, endless beaches, trendy fashions, and the virtual reality of Hollywood, the wealth of California was created by major infrastructure—water and power projects—which facilitated unprecedented productivity in industry and agriculture. In the postwar period, the California economy was centered around auto and auto-related production, aerospace, and the most productive agriculture in the world. This, in turn, allowed for the population growth which made it the largest, as well as the wealthiest state in the union.

While the combination of the New Age post-industrial philosophy and radical environmentalism has destroyed the industrial base of the state, deregulation is wrecking the infrastructure needed for future growth. One example of this is the destruction of the skilled labor force required for an industrial economy. According to Dan Davis, President of the Utility Workers Union 246, which represents workers at SCE, 1,000 of the 2,000 members of his local have lost their jobs due to cutbacks mandated by deregulation. Another example is a release issued by the Department of Health Services, which warned that water may be unsafe to drink following blackouts. Outages at pumping stations could lead to water becoming contaminated, thus threatening lives. Further, water-supply and sewage-treatment systems rely on electric pumps to keep raw waste-water from spilling out of utility holes and into the streets. These pumps are *not* exempted from blackouts!

Many lives are being placed at risk, so that the buddies of Bush and Cheney can make their billions, while the institutions and tools of government, such as regulatory agencies which were created to promote the General Welfare, are eliminated. It will take more than strong rhetoric to defeat this menace.

Lyndon LaRouche has again reiterated two specific measures for energy production to reverse this slide into a New Dark Age. First, there must be an immediate end to deregulation, and a return to the system of regulation which served this nation well, from the time it was implemented, by President Franklin D. Roosevelt at the time of the Great Depression, until free-market ideologues began ripping it apart during the Carter Administration. This must include the setting of reasonable price caps, as part of a reasonable price structure, to ensure an adequate supply of energy. Second, there must be an extension of long-term, low-interest credit for new plant construction, combined with a special tax-incentive for investment in new construction.

There is no longer any doubt that the Bush-Cheney administration is unconcerned about the destructive results of their policies. The only question that remains to be answered, is: When will the American people demonstrate the good sense to defeat these insane policies?

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Exposure of FBI's McVeigh Misconduct May Be Part of Efforts to Curb Bush

by Jeffrey Steinberg

At House Appropriations Committee hearings on May 17, on the FBI's FY2001 budget, Rep. David Obey (D-Wisc.) lambasted outgoing FBI Director Louis Freeh over a pattern of FBI abuses of prosecution, withholding of exculpatory evidence, and other crimes, concluding that the FBI was "close to a failed agency." The scandalous abuse of power by the Bureau, grabbed global headlines, following the early-May revelation that FBI field offices had systematically withheld thousands of pages of evidence from attorneys defending Oklahoma City bomber Timothy McVeigh.

As the result of the FBI "discovery" of the missing documents, the McVeigh execution, which Attorney General John Ashcroft had turned into a media circus, was postponed for at least 30 days, to allow defense attorneys to review the documents and decide what course of appellate action they might wish to take.

The delay in the McVeigh execution left Ashcroft in a precarious situation. A rabid proponent of the death penalty, Ashcroft had hoped to exploit the high-visibility execution of McVeigh against the growing opposition to the death penalty. Recent Gallup polls had shown that, even among strong opponents of capital punishment, there was a grudging support for the execution of McVeigh, whose own purported public statements, taking full credit for the Oklahoma City bombing atrocity, had angered most Americans.

The delay has thrown Ashcroft's public-relations scheme off track, and has raised serious questions about whether he was possibly "set up" by senior career professionals inside the Department of Justice, who have a long track record of conducting dirty tricks against incoming Attorneys General to ensure that they are captive pawns of the bureaucracy. It is hard to conceive that the FBI's flagrant withholding of thousands of pages of Oklahoma City investigative files from McVeigh and Terry Nichols' attorneys went unnoticed by senior DOJ prosecutors, who have also been in a power struggle with the FBI in recent years, for control over Federal law enforcement.

Jack Keeney, the ranking career official in the Criminal Division of the Justice Department, and his closest associate, Mark Richard, carried out a similar entrapment against incoming Attorney General Janet Reno, by inducing her, with false information, into approving the FBI massacre of the Branch Davidians at Waco, Texas, on April 19, 1993.

EIR Exposés Confirmed

After the initial admission by several FBI field offices that they had failed to turn over all their investigative files on the April 19, 1995 Murrah Building bombing in Oklahoma City, that claimed 168 lives, it was revealed that 46 out of 56 FBI field offices had still withheld relevant Oklahoma City bombing documents, including FBI "302" forms detailing witness interviews.

The fact that such a pervasive pattern of coverup occurred—despite the fact that 11 headquarters teletypes were sent out, demanding full disclosure—demonstrates a level of institutional corruption that goes to the very nature of the FBI. It was precisely this pattern of pervasive, institutional corruption, on the part of the FBI and the Criminal Division of the Justice Department, that drove the Spring-Summer 1998 campaign to pass the McDade-Murtha "Citizens Protection Act," a campaign led by the LaRouche political movement, in conjunction with a bipartisan grouping in both Houses of Congress.

Furthermore, the eleventh-hour revelations about FBI coverup of possibly vital evidence, corroborate what *EIR* had been reporting from the day of the Oklahoma City bombing. In their rush to blame the terrorist bombing on two men—Timothy McVeigh and Terry Nichols—the FBI and DOJ systematically covered up vital leads that suggested that the two men were part of a broader, international terrorist apparatus, engaged in a systematic "strategy of tension" against the United States and key allies around the globe.

Long before the FBI shut down the broader probe—just one week after the bombing—*EIR* exclusively revealed that the government's own top forensic experts had concluded that neither McVeigh nor Nichols was capable of having carried out the deadly truck-bomb attack. Three qualified sources informed *EIR* that neither of the two Army veterans possessed the technical demolition/engineering skills to have constructed the massive shaped-charge bomb that literally lifted the Murrah Building off its foundation. And none of their known associates during their years in the U.S. Army possessed the special skills required for such a massive terror attack. Thus, while evidence suggested that McVeigh and Nichols may have been participants in the bomb plot, neither man was a pivotal player in the most serious terrorist incident to ever take place on American soil. The initial Oklahoma

state grand jury that indicted McVeigh and Nichols had also been convinced that there were other plotters. They refused to hand down an indictment unless it included several “John Does”—the unknown co-conspirators.

The information reported in the pages of *EIR*, during the Spring of 1995, was fully known by top officials of the FBI and DOJ, but they nevertheless shut down the investigation, and prosecuted McVeigh and Nichols as the “lone bombers.”

Steven Jones, McVeigh’s original trial lawyer, attempted, unsuccessfully, to obtain all of the government’s investigative reports on the bombing, especially the reports gathered during the days immediately following the bombing, when U.S. intelligence and law enforcement agencies were pursuing leads all over the world.

Among the suppressed leads that were cited by *EIR*, but never pursued by the FBI were:

- Terry Nichols’ frequent trips to the Philippines, during the 12 months leading up to the bombing. Nichols travelled to parts of the Philippines where the Abu Sayyaf group, an Afghansi terrorist organization linked to World Trade Center bomb-plotter Ramzi Yousef, was widely reported to be receiving military training from ex-U.S. servicemen. Nichols was unemployed, and had no visible means of financing the trips.

- Timothy McVeigh’s links to Elohim City, a British Israelite encampment in eastern Oklahoma, which was a hub of transatlantic neo-Nazi operations. Just prior to the start of the McVeigh trial in Federal court in Denver, defense attorney Jones had travelled to England, to pursue leads suggesting that McVeigh had ties to British right-wing terrorist groups, with links to “ex”-British special operations soldiers.

- The pattern of U.S. and global terrorism, following the Jan. 20, 1993 inauguration of President Bill Clinton, which included the World Trade Center bombing, the “Afghansi” armed assault outside the main gate of the Central Intelligence Agency, the sarin gas attack on the Tokyo subway system just weeks before the Oklahoma City bombing, and the half-dozen armed attacks against the White House and against President Clinton.

British War against Clinton

The FBI/DOJ investigators totally ignored this prior pattern of events, suggesting that the United States was more broadly targeted by a “strategy of tension” destabilization, motivated by President Bill Clinton’s conflict with the British oligarchy’s Club of the Isles. British propagandists William Rees-Mogg and Ambrose Evans-Pritchard had been working, since the Clinton inauguration, on a continuous slander barrage against the President, and all but called for his violent elimination. And just two weeks before the Oklahoma City bombing, Rees-Mogg’s *Strategic Investment* newsletter had featured a highly inflammatory disinformation report that the Clinton Administration was about to launch a nationwide roundup of paramilitary militia groups. This intensification of

British propaganda against the Clinton Administration, which also featured a buildup of the militia movement as a legitimate “anti-Clinton” force, set the climate in advance of the Oklahoma City bombing, to facilitate the FBI coverup of all leads pointing to a broader, international terror conspiracy—including leads pointing towards London, which subsequently emerged, publicly, as a major center of international terrorism.

As Lyndon LaRouche noted in a June 3, 1997 interview, following the McVeigh trial, “That was a showboat; that was not a real trial. . . . Someone blew up a building. There’s evidence of FBI tampering with the evidence, and the tampered evidence was used in furtherance of bringing the indictment, and so forth and so on. But . . . the truth didn’t come out. . . . I think it’s important to get to the bottom of these things and find out the truth. And not to get the first slob you can grab, and take him out and lynch him, in what passes for a trial, technically, surrounded by limitations, which prevent the truth from being explored at trial, as it should be.”

A Broader Pattern of Exposés

New revelations have emerged about several other infamous acts of terrorism, all linked to the Anglo-American oligarchy, which the FBI has served since its founding.

On May 14, the German daily newspaper *Bild-Zeitung* announced a forthcoming movie about the Nov. 30, 1989 assassination of German banker Alfred Herrhausen, which *EIR* exposed at the time as the work of British intelligence. According to *Bild-Zeitung*, the movie script documents that “at the end of 1989, Alfred Herrhausen had found himself at odds with bankers’ circles, because he wanted to cancel the debt of many developing nations. At home, he spoke of fear for his own existence. . . . Hours before his death, he said to his wife: ‘I don’t know whether I’ll survive.’ ”

And on May 10, Italian media reported that a new parliamentary probe into the kidnapping-assassination of former Italian Prime Minister Aldo Moro in 1978 was also linked to British secret intelligence circles, via the infamous Propaganda Two Freemasonic Lodge, run by the British royal family out of London. The parliamentary probe revealed that the Italian secret service, SISDE, had rented a flat in the building where Moro was held by “Red Brigades” kidnappers, just a few months before the murder. The SISDE was headed at the time by a leading P-2 member, Grassini. The implications are that P-2 ran elements within the Italian secret services that were the actual authors of the Moro assassination.

The timing of the attacks on the FBI and the new revelations about the Herrhausen and Moro cases is hardly a coincidence. There are growing signs that sane elements within Europe and even within U.S. establishment circles are waking up to the danger represented by the Bush Administration, and are moving to throw up impediments to the Bush gang’s helter-skelter staggering towards disaster, at home and on a global scale.

McVeigh Case, Birmingham Bombing: Same FBI!

by Donielle Berg

“Yet they died nobly. They are the martyred heroines of a holy crusade for freedom and human dignity. So they have something to say to us in their death. . . . They say to each of us, black and white alike, that we must substitute courage for caution. They say to us that we must be concerned not merely about *who* murdered them, but about the system, the way of life and the philosophy which *produced* the murderers. Their death says to us that we must work passionately and unrelentingly to make the American dream a reality.”

Those words were spoken in Birmingham, Alabama by Dr. Martin Luther King at the funeral service of the victims, who were killed on Sept. 15, 1963 as they attended Sunday school, by a bomb that exploded at the Sixteenth Street Baptist Church. On May 1, 2001, one of those who murdered the four young girls, Tom Blanton, Jr., was finally convicted, 38 years after the foul crime was committed.

The year 1963 was one of dramatic change within the Civil Rights movement. On Aug. 23 of that year, the world listened as Dr. King give his famous “I Have a Dream” speech in the nation’s capital. In May, the world had watched as Birmingham’s Eugene “Bull” Conner, “Public Safety” director and professed segregationist, after days of arresting thousands of demonstrators—predominantly school-aged children—turned fire hoses and dogs on non-violent protesters. But the crowds grew, especially the youth, as those who no longer could stand the injustice stepped forward and marched. By September, the city of Birmingham, under Federal court order, began limited school desegregation, as Alabama’s Gov. George Wallace boastfully vowed to prevent it.

Bombings were not new to Birmingham: It was known to all as “Bombingham,” and indeed that Summer it had become so. Dr. King sitting in the Birmingham jail, described it as “probably the most thoroughly segregated city in the United States. Its ugly record of police brutality is known in every section of this country. Its unjust treatment of Negroes in the courts is a notorious reality. There have been more unsolved bombings of Negro homes and churches in Birmingham than any city in this nation.” From the late 1940s through the 1960s, approximately 50 racially moti-

vated terrorist bombings occurred, five alone in the April-September 1963 interval. The Sept. 15 terrorist act was the first that tragically ended in murder.

Within weeks of the bombing of the Sixteenth Street Baptist Church, the Birmingham district office of the FBI had four suspects, members of the infamous KKK “Eastview 13 Klavern” known for local terrorist activities against the Civil Rights movement. Despite the 6,000 pages of evidence, several witnesses, and suspects with an openly hostile motive, the first conviction—that of Robert “Dynamite Bob” Chambliss—did not occur until 1977, under the direction of Alabama’s Attorney General Bill Baxley.

FBI Obstruction, Then As Now

In 1970, the 28-year-old, newly elected Baxley immediately reopened the case, which the FBI had closed without any indictments several years earlier. He was determined to bring the murderers to justice, and he created a special staff dedicated full-time to the investigation of the church bombing. However, no matter how many requests he made to the FBI, no one would release the files. In *Until Justice Rolls Down*, a 1991 book on the Birmingham church bombing, author Frank Sikora explains Baxley’s frustration with the FBI: “By 1973, it was painfully clear that if Baxley were to have even the slimmest chance of breaking the case, he would have to have the FBI files. He had been trying for years to obtain them, visiting FBI offices in Birmingham and Washington, always hitting a stone wall. Once after coming back from Washington, he fumed at his staff: ‘The FBI tells me it’s too busy to be looking up old files. I’ve been up there about 15 times and can’t even see J. Edgar Hoover.’ ”

When Hoover died in 1972, Baxley’s team hoped the tight grip over the files would be loosened. It was not until 1975, under the newly expanded Freedom of Information Act (FOIA), that the files would begin to be released. Baxley, during one of his trips to Washington, met with an old friend and Alabama native, Jack Nelson, D.C. bureau chief for the *Los Angeles Times*. Nelson had already obtained a handful of the records, and had written a series of articles based on them.

Baxley explained to Nelson the FBI hold-up. Soon afterwards, Nelson went to the head of the Department of Justice (DOJ), U.S. Attorney General Edward Levi, and told him he was planning a story on the withholding of information of this case by the FBI and DOJ, and that Baxley was going to give a press conference with the families of the victims, on the steps of the Justice Department. Within weeks, the FBI delivered boxes and boxes of files to Baxley’s office.

However, even within these files, the names of the suspects and other KKK collaborators had been blacked out. It would take two more years before Baxley would convict Robert “Dynamite” Chambliss, one of the four original suspects. There was not enough evidence to convict the other

three; or, at least that is what Baxley thought. The more recent conviction of Tom Blanton, shed light on the dark reasons for the unnecessary passage of time before justice was served.

Hoover Suppressed the Evidence

On April 16, 2001, one of the four remaining suspects, Blanton, was finally brought to trial. At the center of this trial was a set of 37-year-old audiotapes, never before heard in public, secretly recorded by the FBI, of Blanton detailing the bombing of the church. What has come to light is that FBI Director J. Edgar Hoover personally intervened to suppress those tapes, and refused to allow his investigators to bring the case to trial, or even turn over any evidence to the Department of Justice. It was not until 1999 that the existence of the tapes was “discovered.”

In a May 3, 2001 *New York Times* commentary, former Alabama Attorney General Baxley expressed astonishment and dismay at the deliberate FBI deception and denial of the evidence which would have convicted Blanton and others in the original 1977 trial, asking, “Why would the FBI aid Klansmen in avoidance of prosecution? . . . How can the FBI justify this to the families of four precious girls?”

The suspicion of Hoover’s direct role in aiding and abetting Klansmen is not new. In 1980, the U.S. Justice Department issued a report detailing Hoover’s direct protection of the suspects of this case and many others, including those responsible for the May 14, 1961 bludgeoning of the Freedom Riders at the Birmingham Trailways bus station. The report is based on the findings of the “Rowe Task Force,” named after paid FBI informant G. Thomas Rowe, Jr., who was a known member of the KKK and who had participated in some of the most violent crimes against Civil Rights activists, many of which were known to the FBI before they occurred. Although the direct role of the FBI is detailed, no action has been taken to clean up this pattern of operations.

Today, once again, the FBI has been caught deceitfully hiding files. The defense team of Timothy McVeigh, convicted in the bombing of the Federal Building in Oklahoma City, was denied over 3,000 pages of FBI documents. Various politicians have begun to cry out for an investigation into the Bureau’s “mishandling of evidence.” Even Alabama’s own Sen. Richard Shelby (R), Chairman of the Select Committee on Intelligence, said those responsible “ought to be brought to task,” adding concern over the FBI role in the recent Birmingham church bombing trial.

However loud the objections and cries for investigations, only a swift and decisive cleanout of the permanent beauracracy of both the FBI and the DOJ will bring about true justice.

The 62-year-old Blanton will remain in prison for the rest of his life, yet Dr. King’s vision of the “American dream becoming a reality” will not happen until the ghost of Hoover is no longer haunting America’s halls of justice.

‘Charleston 5’ Fight ‘Southern Strategy’

by Marianna Wertz

On Jan. 17, 2000, some 600 South Carolina police, in riot gear, some on horseback, some in armored vehicles, and some stationed as snipers on rooftops, used concussion grenades and rubber bullets to break up a picket line at the Charleston, S.C. port—America’s most productive port—which was manned by members of the International Longshoremen’s Association Local 1422.

The picket line was in protest against the use of non-union labor, hired by the stevedoring company WSI, to unload goods from a Nordana Lines ship at the port, thereby effectively breaking one of the few union shops in the state. After 23 years as a union shop, Nordana had notified Local 1422 in October 1999 that it was ending its relationship with the union. Non-union laborers hired by WSI earn \$8 per hour with no benefits, while members of ILA Local 1422, almost entirely African-Americans, earn an average of \$25 an hour, with exceptionally good benefits, the result of years of struggle for a living wage.

Today, though Nordana’s union-busting has been stopped, five members of ILA Local 1422 are awaiting trial on charges of inciting and planning to riot. This trial has gained international attention, both because of the police-state tactics involved, and because organized labor in South Carolina is a key target of the Bush-linked financial interests’ “Southern Strategy”—the plan to use the old Confederate states as the American equivalent of the Third World, to recycle the American workforce into lower and lower wages, as the global financial system spirals down.

It was George W. Bush himself who denounced the union and praised the police-state tactics of the South Carolina police, when he campaigned for President in the state last year, just as today his administration is preparing for the use of such tactics against “domestic terrorism” (see “Cincinnati Disturbances Threaten ‘Garden Plot,’ ” *EIR*, April 27, 2001). It was Bush’s South Carolina Presidential campaign chairman, Republican State Attorney General Charlie Condon, who ordered the police to break the picket line, and then intervened in the case to make sure that the “Charleston 5” were indicted on the felony riot charges.

The fight over the fate of the “Charleston 5,” is important not just as a fight for fundamental human rights. It is important because the American South, and especially South Carolina, is fast becoming a place where domestic and foreign auto, steel, and other industries are fleeing, to take advantage

of the low-wage, relatively skilled labor in these largely right-to-work states. Among the biggest offenders in this new phase of globalization are the German and Japanese automakers, including BMW, Honda, Mercedes-Benz, Nissan, and Toyota. As ILA Local 1422 President Ken Riley told *EIR*, “South Carolina is truly like a Third World country.” Fewer than 4% of South Carolina workers are organized into unions, and the average wage is 20% below the national average.

Interview: Ken Riley

Ken Riley is president of International Longshoremen’s Association Local 1422, with 850 members in Charleston, S.C. Mr. Riley spoke with Marianna Wertz on May 10.

EIR: I understand there’s a big demonstration planned on June 9.

Riley: Yes, it’s going to be in Columbia, S.C., the state capital. . . . A trial date has not yet been set. But those of us who have been building the defense campaign, felt it necessary not to just wait, but we wanted to send a message to South Carolina, that we’re not going to tolerate our workers being abused in this fashion, and we’re calling on the state to drop the charges against these five men.

EIR: Can you give us some background on this case?

Riley: The background on this particular case started with a non-union ship, Nordana Lines, that we had done the work for, for 23 years. They decided they were going to go non-union, for reasons unbeknownst to us. We thought, at first, that that was the crux of the issue. But we are finding out now, after the fact, that it was a much broader conspiracy.

But to deal with just the work-related issues: We knew we had performed great work for this company, and we had no idea that there was something going on. The company that Nordana had contracted to do this work is WSI, which is a stevedoring company that uses non-ILA workers at rates that completely undermine the industry standards that we have built up for so long. We’ve always said that we do not mind competition, as long as it’s fair competition. But to exploit the workers in South Carolina and to pit workers against workers, paying these workers a mere \$8 an hour, without any benefits whatsoever, in an industry like the one in which we work, is something way out of range; we could not ever compete with anything like that. . . .

It’s a very dangerous industry and a lot of us have the battle scars to show; some have even lost their lives. You can lose your life out there very, very quickly. It’s fast-moving. Charleston is the most productive port in all North America, and really second only to Hong Kong in the world.

So, it’s very fast-paced, and for workers to be brought into this industry in 2000, at \$8 an hour—when I entered the industry 24 years ago, in 1977, I started at \$8.60. These workers, 24 years later, are making 60¢ less than I made in 1977.

EIR: What’s the average wage for a union dockworker today?

Riley: The average wage for a union worker in Charleston now is \$25 an hour.

EIR: That’s a living wage.

Riley: Yes. Plus benefits: up to 16 paid holidays, up to six weeks vacation; we have excellent retirement benefits, and also excellent health care. Our fringe package is more than the workers at WSI make.

So, we had to let the public know what issues we had with this operation, and the fact that it was going to have an adverse effect on the entire economy. They were taking one of the few industries in South Carolina that can afford to pay the kind of wages on which you can sustain a good living and send your kids to college, and it was about to begin to deteriorate.

We began our pickets, and had done so successfully for at least three of those vessels, before the state attorney general got involved and convened what he called a law enforcement summit—and, I think, three such summits—where he met with heads of police jurisdictions around the state, in order to build up a contingent of 600 cops, to come down and crush that demonstration. . . .

EIR: That was back in January 2000?

Riley: That’s correct, Jan. 20. It gave him the opportunity to try out the new riot gear that was bought, in anticipation of some Y2K disturbance. So therefore, there was a massive build-up right there in front of our union hall, which is only about 150 yards away from the terminal entrance. Actually, it looked like a war zone. Our folks went down to the picket lines that night and were met with these forces, and they became very aggressive. They started to push these guys back and a conflict ensued.

EIR: I understand they had armored vehicles, police patrol boats, and helicopters.

Riley: And snipers on the roof, horseback, canines, you name it. Prior to that time, there had not been any violence or any type of mass disturbance. I think what happened was that we got used, so to speak. On that third vessel call, our guys wanted to go down to the docks, to let the workers see what they were doing to other workers, so they could read our signs, because they were busing them in through the back gates, and with police permission. The local authorities, with whom we’ve had a pretty good working relationship, they allowed our guys to go down to the docks, not to

confront the workers, but to stay a decent distance away, let them see the signs and what was going on.

Mind you, we cannot even have banners or posters that are on sticks. All our banners have to be held by hand, so there were no weapons or anything like that.

The Ports Authority overreacted, ordered the ship to sail, leaving some of the cargo on the dock. I guess that gave them the excuse to bring in the attorney general. That night, they arrested nine men. I myself got clubbed on the head and a lot of guys were shot with rubber bullets.

We got these guys out of jail and the state attorney general came in, reinstated the charges, upped the charges to felony charges that carry a penalty of up to five years. We went to preliminary hearings in Federal District Court, and the charges were thrown out. They didn't prove anything against any of these guys. But the attorney general didn't stop there. He went to the grand jury. As my attorney always used to say, you can indict a bunny rabbit in a grand jury, because there's no defense. So he got an indictment for three of them, and offered a reward to anyone in the public who would come out and identify anyone who, just having been there, could be indicted, for participating in a "riot."

They then got two more guys, and they placed these guys under house arrest, and they've been that way since January 2000. . . .

[Attorney General] Charles Condon—he is a political animal. He is now running for governor. I think he's catering to the state Chamber [of Commerce], because right now, in South Carolina, it's all about being big business.

All the foreign capital, the German investments and so forth, the BMWs and the Michelin tires and all these big plants, are coming to the upper state. Their main objective, and their reason for coming to South Carolina in the first place, is because we are being marketed as the most productive workers in the world, who, by the way, earn 20-26% less than the national average. . . .

[This] is the strongest right-to-work state in the country. That's why South Carolina has pretty much the lowest union density of the 50 states.

EIR: It's where George Bush became famous for standing up for the Confederate flag, isn't it?

Riley: Right. All this came about at the same time. Charlie Condon was Bush's campaign chairman in South Carolina, and he used this particular incident, that happened on the docks, in his ad in promoting George Bush.

EIR: Is your local largely black and Hispanic?

Riley: My local is predominantly black. We only have two whites in our membership, who came in pretty much around the same time I did. . . .

[Ours] are by far the best-paying jobs for African-Americans in the state. I'm sure you may find someone who may have made their way to a top executive position, or whatever,

here and there, but as far as the common blue-collar worker, I don't think anyone in the state makes more than we do.

EIR: Places where it used to be the case that African-Americans could make that kind of living are shutting down, in the Midwest, in steel and auto, and . . . moving into the South.

Riley: Absolutely. They say that the hottest industrial belt in the country is along the Interstate-85 corridor, which extends from Atlanta, Georgia to Greensboro, North Carolina. There's so much German investment in that area, they now call it the "autobahn" [which means "highway" in German].

EIR: That's part of the "Southern Strategy" of the Republicans.

Riley: Sure. And that's why we were saying to Bill Fletcher [the AFL-CIO representative working with the Charleston 5], plants are closing up in these heavily unionized states and moving to South Carolina, so, it's time the AFL-CIO turns its attention to the South.

That's the message we're telling all our union brothers and sisters when we go around the country. I can remember going to San Francisco and the president there called the name of a particular plant and he said to them, "You remember this plant, where we had about 500 workers? That plant closed down, all of us remember that. But do you know where that plant relocated? In South Carolina, and that's why we have to get behind this campaign and fight. Because, if we do not bring South Carolina up to par with the rest of the country, we're going to have more and more of our jobs going there." . . .

South Carolina is truly like a Third World country. We have launched a campaign to organize those dockworkers that took our jobs for five months back in 2000. In meeting with them, we're hearing the kinds of things that happened to them on the job, and how when they've made 30 hours, they lay them off until the next week so they can't get overtime. We have some of those things actually documented. We are going to organize that outfit and we've got a very good campaign going on now. So we're not backing up, we are moving forward.

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'To Save Macedonia, Change the World!'

by Umberto Pascali

As Macedonia faced a renewed assault from terrorist gangs of the Kosovo Liberation Army (KLA) in May, in Washington's Lafayette Square near the White House, a gathering of Macedonian-Americans opened a new "flank" in defense of their country. Formally, the May 12 event was just another peaceful political rally in Washington, but the delegates of the Macedonian-Americans accomplished a strategic breakthrough, understanding something that many other countries and populations suffering under the blows of the lords of globalization, have not been able to see.

As the main speaker at the rally, Prof. Nestor Oginar, put it, "the real war is a war of ideas. The battlefield is here in the U.S., and we are fighting for a principle. My friends, to save Macedonia, we have to help save the world." Professor Oginar, the leader of the Macedonian-Americans, invited the participants, and in fact all the Macedonians, to look at the war waged against their country as part of an unlawful system that is engulfing the whole world.

"The world financial system is indeed collapsing under an avalanche of speculation that has nothing to do with real economy, with real production, with real labor," stated Oginar. "This unlawful system is, by its own nature, provoking conflicts and wars. In fact, there is an alternative to this destruction. It would work, but it's unacceptable to the puppet-masters that have unchained the KLA. It's the New Bretton Woods system proposed by Lyndon LaRouche! Can little Macedonia contribute to catalyze such a process? Can Macedonia change the world? It depends on us!"

Professor Oginar also proposed to link up with the movement fighting against the shutdown of Washington's D.C. General Hospital.

Reject Ethnic War

This extraordinary intervention electrified the rally. It was evident that the weight of psychological warfare waged against the Macedonians was being lifted. Rather than the people of a small country attacked by a small ethnic minority, who are expected to react with fear and rage within an ugly "blood-and-soil" game, they were defending not only Macedonia, but also a universal principle. They saw concretely the possibility to change the world, to realize the New Bretton Woods reform.

The second speaker, Dr. Vasil Babamov, the President of the Macedonian-American Friendship Association, called on



LaRouche organizers outside Washington's Lafayette Park, where Macedonians from the United States and Canada were rallying on May 12 against the dismemberment of Macedonia—and for LaRouche's New Bretton Woods.

the community to be united, and to wage a battle of ideas in Washington. He was followed by this author, representing the Schiller Institute and *EIR* magazine, who explained what the LaRouche movement is doing all over the world and how the "puppet-masters" can be really be defeated now.

Pascali outlined how the KLA was given the "European franchise" for the distribution of heroin, mostly produced in Afghanistan. "Macedonia may be a small country geographically, but if it fights for these principles, it is in fact one of the biggest countries in the world," he concluded.

Another speaker was the former Prime Minister and Defense Minister of Macedonia, Nikola Kljusev, who gave an exceptional speech in Macedonian. A group of young leaders, including the 17-year-old Methodija Koloski, Mirjana Kaleski, Victor Zekuloski, and others, had organized the rally and its logistics. They pledged there that their organizing drive in the United States would never fall into the trap of racial war.

Violeta Duchevska, who chaired the rally, started her intervention quoting Martin Luther King's speech, "I Have a Dream," ideally linking up the defense of Macedonia's sovereignty with the civil rights movement. She recalled the principles of the American Constitution and Declaration of Independence. She stressed that Macedonia wants to be "a nation, indivisible, under God," a nation of free and sovereign individuals, and not a collection of racial groups.

Nestor Oginar's organizing speech, completely free of the narrow ethnic preoccupations usually heard at such events, stated fundamental principles of action for the common good of mankind. "Macedonia is under attack, not just by the KLA—those are the puppets. We have to look at the puppet-masters, because what we are defending is not just one country or one society; we are defending a principle: the principle of national sovereignty, of national independence, the right of a people to be free from violence, and to organize its own economic and cultural development." But it was Professor Oginar's statement of Macedonia's "mission" towards a new order of nations, which had the greatest impact on the crowd.

Bush Request for Fast Track Gets Dubious Response

On May 10, President Bush sent to Capitol Hill his formal request for fast-track negotiating authority, now called Trade Promotion Authority (TPA). In his letter, Bush said that he has placed "enactment of TPA at the top" of his trade legislative agenda. The White House views TPA as vital to the completion of the Free Trade Association of the Americas pact. In what is seen as a concession to Democrats and organized labor, the outline that Bush included with the letter promises to "ensure" that trade agreements are compatible with labor and environmental standards. The outline includes a "tool box" of actions that can be taken to promote such standards.

In testimony before the House Trade Subcommittee on May 8, U.S. Trade Representative Robert Zoellick explained that there "is a very strong fear out there in the developing world that we cannot ignore, that the developed countries, including the United States, want to use some of these labor and environmental standards as a new form of protectionism." Therefore, the "tool box," which includes discussion forums, such as the International Labor Organization, to promote labor standards, but excludes coercive measures such as trade sanctions.

That concession may not help the bill very much, however. Even before the outline was released, AFL-CIO President John Sweeney told a meeting of the Council of the Americas on May 7 that Bush probably doesn't have the votes he needs, and that organized labor will "mobilize a campaign to defeat it."

Congressional Democrats were also unimpressed. House Minority Whip David Bonior (D-Mich.) complained, "What good is a 'tool box' if it doesn't contain a hammer to enforce

labor and environmental protections with tough trade sanctions?" Rep. Sander Levin (D-Mich.) added that while discussions with UN agencies can be useful, they "are not a substitute for addressing enforceable core labor and environmental standards in trade negotiations."

Feingold Bill Would Prohibit Private Prisons

On May 8, Sen. Russell Feingold (D-Wisc.) introduced a bill to prohibit the placement of Federal prisoners in private for-profit prison facilities. The bill would also cut off specified Federal funds to states that continue to put state prisoners into such facilities. "Incarceration," he said, "is the penultimate control a state exercises over its citizens. That authority should not be delegated to any private, for-profit entity. We must restore responsibility for public safety and security to our Federal, state, and local governments."

Feingold referred to a number of reports that demonstrate that privately run prisons don't live up to the promises made for them, especially in regards to safety and cost of operation. He referred to reports by the Government Accounting Office and the Federal Bureau of Prisons that conclude that "there is no strong evidence to show that states save money by using private prisons." On safety, Feingold singled out the Corrections Corporation of America facility in Youngstown, Ohio, where 20 inmates were stabbed, two fatally, within ten months of the prison's opening in 1997.

Bush Makes First Judicial Nominations

On May 9, President Bush trotted out his first 11 nominees for the Federal

bench, far fewer than the dozens that had been expected. The announcement came after Democrats had charged the Administration with wanting to pack the Federal court system with right-wing ideologues.

The nominees included three members of the conservative Federalist Society, which has played a high-profile role in the Bush Administration's judicial strategy; one, Washington attorney Miguel Estrada, is a law partner of Theodore Olson, whose nomination to be Solicitor General is being held up because of his own role in the Richard Mellon Scaife-financed "Arkansas Project" legal witch-hunt against President Clinton. Two of the nominees were recess appointments by Clinton, including Roger Gregory to the Fourth Circuit Court of Appeals, who is the first African-American on that circuit. These are seen as attempts to mollify Democrats.

In a press conference, Senate Minority Leader Tom Daschle (D-S.D.) said, "I'm pleased that the White House has chosen to work with us on the first group of nominations." He warned, however, "We will expect to be consulted. We expect that that consultation involve the full participation of Democratic as well as Republican Senators."

Grassley-Baucus Tax Bill Passed by Finance Committee

On May 15, the Senate Finance Committee passed, by a vote of 14-6, a tax package that includes the major provisions of President Bush's tax plan. The package, which had been introduced by committee chairman Charles Grassley (R-Iowa) and ranking member Max Baucus (D-Mont.) on May 11, includes an across-the-board rate

reduction, a phased-in increase of the child tax credit, reduction of the so-called marriage penalty, a phased repeal of the estate tax, and an increase in contribution limits to 401(k) and other retirement plans. Majority Leader Trent Lott (R-Miss.) has promised that the bill will be passed by the full Senate before the Memorial Day recess.

Baucus explained his working with Grassley: "One is much more likely to get something accomplished being at the table than not—that is, being part of the process rather than not." Grassley praised Baucus's bipartisan approach, and said that they both wanted a bipartisan agreement. "We know that we wouldn't get the people's business done without" it, he said.

However, Baucus is getting some grief from his own party for his willingness to work with the GOP. Minority Leader Tom Daschle (D-S.D.) said in a statement that the bill is "nearly as flawed" as President Bush's original plan. The day before, Robert Byrd (D-W.V.), the ranking member on the Appropriations Committee, warned Democrats not to vote for the budget resolution, because its passage "would make it impossible" for him to help Democratic senators get the projects they want in their home states. The bill passed later that day by a vote of 53-47; Baucus was one of five Democrats who voted for the bill.

House Protests Loss of Seat on UN Commission

On May 10, the House voted 252-165 to retaliate against the United Nations for the loss of the U.S. seat on the UN Human Rights Commission, a move which even the Bush Administration expressed reservations about. The vote came on an amendment to the

State Department authorization bill that conditions release of \$244 million in U.S. back dues on the "restoration of full membership" on the commission.

The backers of the amendment expressed rage against the UN for the May 3 vote of the UN Economic and Social Council against the United States. International Relations Committee Chairman Henry Hyde (R-Ill.) called it "a deliberate attempt to punish the United States for its insistence that we tell the truth about human rights abuses, wherever they occur."

Opponents of the measure suggested that the United States look in the mirror before condemning the actions of other countries. Cynthia McKinney (D-Ga.) told the House, "We cannot continually stand before the world community with a finger pointed outward, while never looking inward." She criticized the policies of former Secretaries of State Henry Kissinger and Madeleine Albright for the destructive effects of their policies in Asia and Africa. She described the treatment of minorities, especially African-Americans, in the United States. "What about the human rights of America's black men who are dying on the streets?" she asked.

Patients Bill of Rights Introduced by Breaux, Frist

On May 15, Sens. Bill Frist (R-Tenn.) and John Breaux (D-La.) introduced patients bill of rights legislation that Frist described as building "upon principles that have been outlined by the President of the United States." Frist claimed that the bill covers all Americans, and that it holds health plans accountable for their decisions without "unnecessary" lawsuits, and provides for a "strong" internal appeals process. It includes disclosure requirements, an

external medical review process, and gives Federal courts jurisdiction over liability disputes. It also makes litigation "a last resort." Lawsuits cannot be filed until all appeals have been exhausted.

The Breaux-Frist bill competes with an earlier bill filed by Sens. John McCain (R-Ariz.), Edward Kennedy (D-Mass.), and John Edwards (D-N.C.). Breaux said that while the two bills are similar in many respects, the problem with the McCain-Kennedy bill is that it "cannot become law," because it won't pass the Senate, and even if it did, President Bush won't sign it. The alternative, he said, is to try to "reach a middle ground."

The bill faces an uphill fight in both parties, however. On the Republican side, Sen. Don Nickles (R-Okla.) told reporters, "I'd rather have nothing at all than pass a really bad bill." On the Democratic side, Senate Minority Leader Tom Daschle (D-S.D.) said that he objected to the "lack of accountability" in the bill. Kennedy said, "Like previous Republican proposals, it is an attempt to block reform, not end HMO [health maintenance organization] abuse. . . . It will never command majority support in the House and Senate."

Rep. Charles Norwood (R-Ga.), who was instrumental in crafting the bill passed by the House last year, has been working, at the behest of the White House, to find a compromise between the McCain-Kennedy bill and the GOP. However, on the Breaux-Frist bill, he was uncompromising. He said that "it not only fails to provide adequate protection for patients against HMO abuses, in some instances, it will actually increase the ability of managed-care plans to deny coverage, cause injury and death, and avoid even existing legal responsibility."

A Strategic Announcement from Russia

Transportation corridors: not just roads from Point A to Point B, but the sinews and nervous system of the most intensive agro-industrial development ever seen on the planet. Russia's May 15 announcement, that the huge Eurasian nation was committed to a ten-year strategy of developing transportation corridors, coincides exactly with year 2004 U.S. Presidential pre-candidate Lyndon H. LaRouche, Jr.'s proposals for a U.S. strategic recovery program.

Russia's announcement of its immediate commitment to the railway-development component of the type of Eurasian land-bridge program which LaRouche has continued to propose, opens the door for global economic reforms which LaRouche says, "match exactly the strategic priorities I have placed upon emergency reregulation of energy production and distribution, and revival of the Hill-Burton tradition in health-care inside the U.S.A. itself."

Minister of Transportation Sergei Frank announced that the Russian Federation has created the Eurasian Transport Union (ETU), an idea it put forward at the Second Eurasian Transport Conference in St. Petersburg last year. Alone among publications in the West, *EIR* reported this conference in its issue of Sept. 29, 2000. Russia, India, and Iran have signed a preliminary agreement on a North-South corridor, and nearly 50 Asian and European countries are expected to collaborate with the newly registered ETU. Its goal is to accelerate the development of international transport corridors from Europe to Asia across Russian territory, modernizing the infrastructure of the Trans-Siberian Railroad and Russia's inland waterways, and building up the North-South route from Calcutta in India, through Iran and across the Caspian Sea, linking to Russian rail and water routes into Europe.

Sergei Glazyev, chairman of the Russian State Duma's Committee on Economic Policy and Business, reports that these large infrastructure projects are at the center of Russia's attention right now. Because many countries lack access to credits for infrastructure development, Glazyev says that "in the work conducted by the Schiller Institute and Mr. LaRouche, we see very fruitful ideas concerning the promotion of economic

growth in the new economic situation"—among them, the infrastructure corridors.

It was at the May 4-6, 2001 Bad Schwalbach conference of the Schiller Institute, where Glazyev appeared together with LaRouche, that LaRouche presented an outline of the significance of transcontinental Eurasian high-speed transport:

"Through the mediation of Russia, which has the peculiarity, historically, of being a Eurasian nation, . . . it is possible for Europe to unite with Russia and nations in Asia to set up a long-term system under which, instead of consumer goods markets and investments for these countries, you set up long-term development of the productive powers of labor in these nations. So, you're talking about a generation or more. That means a system of long-term credit issued by those nations which are producing the greater part of the technology to the nations which need that supplement. . . .

"Look at Asia today: In China, you have the coastal areas. . . ; they are more highly developed, relatively speaking, and the inland is poorly developed, the population has a poorer standard of living and poorer opportunities for development. This extends then into Central and North Asia as a whole. Therefore, if we conquer this area, what happens? . . .

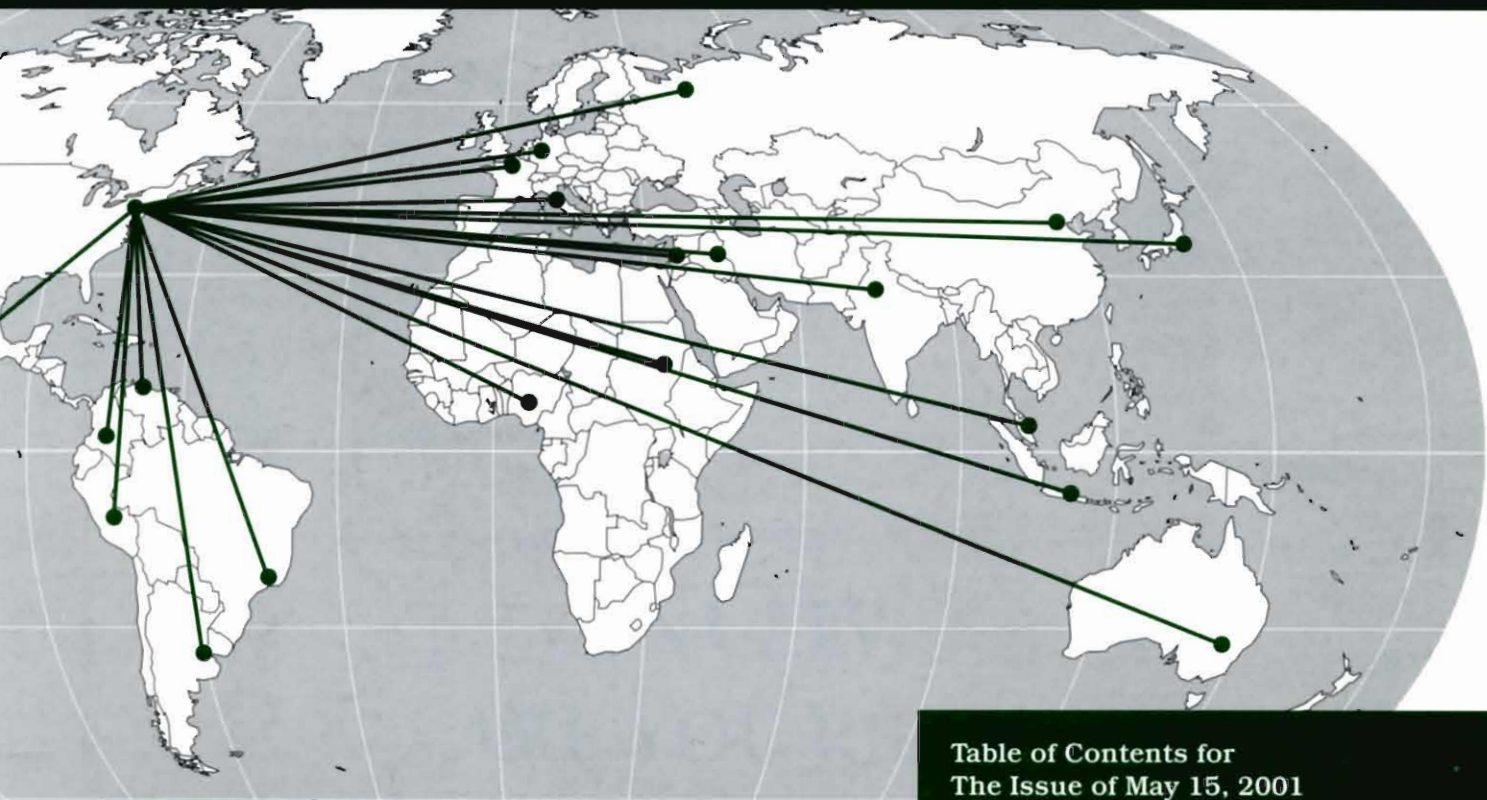
"Integrated transport systems, featuring railways, especially magnetic-levitation systems, are excellent. . . . If you can move freight from Rotterdam to Tokyo at an average rate of 300 kilometers per hour, without much stopping along the way, and if for every 100 kilometers of motion across that route, you are generating the creation of wealth through production, as a result of the existence of that corridor, then, the cost of moving freight from Rotterdam to Tokyo is less than zero. . . .

"Therefore, we have come to a turning point in technology, where the development of the internal landmass of the world and the great typical frontier is Central and North Asia. That is the greatest single opportunity before all mankind for development. . . ."

These steps not only move toward restoring Russia's world role; they also call for an immediate and fundamental shift in monetary policies, worldwide.

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