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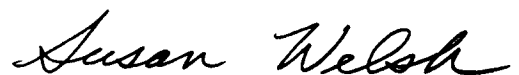
## From the Associate Editor

In last week's issue, Lyndon LaRouche wrote that the basic outcome of the Asia-Pacific Economic Cooperation meeting in Vancouver, was the refusal of President Clinton to visit that "mountain" referenced in the famous address of the Rev. Martin Luther King, Jr. "That 'mountain' has a way of dealing with those who attempt to ignore it," LaRouche warned. The full shock of a systemic financial crisis "is about to be delivered to the White House gate. The mountain has packed its bags, and is coming soon, to visit our President at his Washington residence."

That "mountain's" lurching trek toward the White House, is the dominant feature of our coverage in *EIR* this week. As LaRouche elaborates in his article heading up the *Economics* section, the International Monetary Fund and affiliated members of the financier-oligarchy are opting for a fast-track replay of Weimar Germany's hyperinflation, 1922-23 style, in hopes of avoiding a deflationary blow-out. It will not work; as LaRouche's "Triple Curve" schematic graph (on p. 5) shows, the more the printing presses are revved up at the world's Treasury departments, in an effort to bail out bankrupt economies, the more steeply and rapidly will physical-economic production plunge downward.

LaRouche's policies are the only alternative. The fate of every part of the world now hangs on whether or not LaRouche has sufficient support from the citizenry, to induce President Clinton to give up his Baby Boomer pragmatism, and take direction from the man who saw this coming, and knows, uniquely, what to do about it.

With the developments since "Black Monday," Oct. 27, more and more policymakers around the world are looking to LaRouche, recalling his warnings, over many years, of what was in store, if nations' foolish support for British/IMF policies were not reversed. An example is the case of Nigeria, the subject of our *Political Economy* feature this week. During the visit to Abuja of an *EIR* delegation headed by Helga Zepp LaRouche, Mr. LaRouche's policies were clearly counterposed to those of the British, in this most populous nation of Africa. The shock of that visit will certainly be felt all the way to London's Number 10 Downing Street.



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**Correction:** The article entitled "The Immorality of the House of Windsor," in *EIR*, Nov. 28, 1997, contained an error on p. 86. King Charles II's successor was James II, not James I.

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## The IMF demands Weimar-style hyperinflation

by Lyndon H. LaRouche, Jr.

December 4, 1997

Unless the United States government acts, very soon, to stop him in his tracks, the “bail-out conditionalities” which an imperial IMF Director, Michel Camdessus, has dictated to South Korea, will have launched the entire world into a global replay of the famous 1922-1923 Weimar Germany hyperinflation. Given present global conditions, unless President Clinton intervenes, very soon, to reverse this imperial lunacy of the IMF, an inevitable hyperinflationary explosion would make the 1923 Weimar hyperinflationary bubble appear, relatively speaking, a model of fiscal conservatism.

Thus, Director Camdessus, like the Emperors Nero and Caligula before him, appears to be a mass-murderous lunatic. To understand what he has done to Korea, turn your attention to my now somewhat famous pedagogical tool, my “Triple Curve” (**Figure 1**). His conditionalities, if met, can have no other results, but either an early political revolution which decapitates any government submitting to such IMF conditionalities, or a hyperinflationary explosion which will be not only far bigger, but, much faster-growing than that which Germany suffered during 1922-1923.

Look at Figure 1 again. His conditionalities demand a savage lowering of the level of physical-economic activity and output: the bottom of the three curves. His “bail-out” scheme generates an influx of nominal monetary assets, the middle curve, to sustain fictitious capital gains in the domain of chiefly speculative financial liabilities, the upper curve.

In the case of South Korea, the amount of monetary input presently required is in excess of \$200 billions equivalent. What is the comparable figure for a Japan bail-out, if the present policies continue there? \$500 billions? Perhaps \$1 trillion? Next, Brazil, a much bigger case than Korea. Argen-

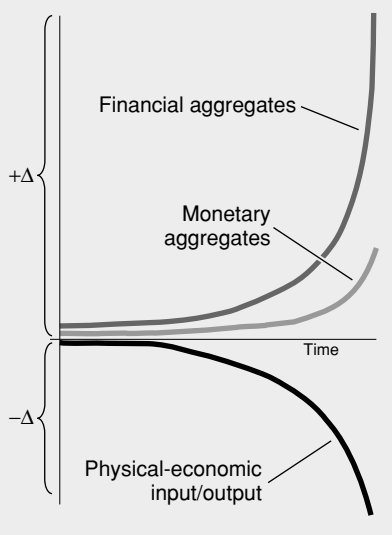
tina, already in much worse a state than South Korea. How about Russia? Is there anyone so silly, that he, or she would imagine that a couple billions U.S. dollars equivalent, could deal with the imminent systemic threat of disintegration of a former thermonuclear superpower?

Look again at Figure 1. Since the international financial system is already operating on the steepest slope of the upper curve, the repetition of the recent Japan and Korea bail-outs, combined, in additional areas, such as the immediately likely cases of Brazil and Russia, becomes assuredly an immediate detonator of a hyperinflationary explosion, flattening the world around it like the explosions of the volcanic islands of Thera and Krakatoa, somewhat like Mount St. Helens.

The IMF Director’s manifest madness is not an isolable case. Consider, for example, our local “Caligula,” Ayn Rand fanatic, and Federal Reserve Chairman Alan Greenspan. Or, consider one of Greenspan’s leading Wall Street constituents, former Citibank chief Walter “Bakunin” Wriston, who recently went totally over the edge, in hailing what he described as the advent of absolute monetary and financial anarchy, in a sermon on the subject of “information money,” delivered to the faithful gnomes and goblins of the Cato Institute.<sup>1</sup> It is often said, that “whom the gods would destroy, they first make mad.” In such cases of prospective “Belshazzars” among nominal bankers like Camdessus, Greenspan, and Wriston, or nominal economists such as Jeffrey Sachs, Rüdiger Dornbusch, Paul Krugman, and the Mont Pelerin Society types generally, the Olympian intimation of their imminent destruction is most compelling.

1. As broadcast on C-Span 2, on Dec. 3, 1997.

FIGURE 1  
**A typical collapse function**



*LaRouche's "triple curve" schematic shows how the IMF's bail-out schemes will only make the economic crisis worse, gouging physical-economic activity and generating hyperinflation.*

For the benefit of those of you sitting in the back rows of this hall, let me put it another way: These bankers are crazy. What then, must be said of those governments and other influential institutions which tolerate the kind of imperial rape which Director Camdessus performed upon the nation and people of South Korea during Pearl Harbor Day week?

### The Furies approach

For the present weeks, history has halted, while it decides where next to go. What are usually considered distinctions among short-term, medium-term, and long-term effects, are now clumped together, almost as within one, common, indivisible point in financial-monetary space-time. Look again at Figure 1.

Speaking mathematically: the already functionally hyperbolic rate of change of ratios (among the respective, modularly interdependent rates of curvature) of the three curves, has reached a point of almost vertical slope. This defines, mathematically, an historical, monetary-financial discontinuity in the world's financial and monetary processes.

In physical-economic, as distinct from merely mathematical terms, this discontinuity represents a functionally defined "boundary condition" of the combined financial, monetary, and economic process. At this juncture, what were previously distinguished as respectively short-term, medium, and long-term relations, are each and all collapsed into a tiny, common region of economic space-time.

Throw out all your market charts. Throw out all your market theories. "The Great Yuppie Casino in the Sky of Virtual Reality," the electronic-age Bogomil's version of Paradise-Hell, has a real, not merely virtual bomb under it. It is

both a hyper-deflationary and simultaneously hyper-inflationary bomb, which is about to blow. The self-destruction of the volcanic islands of Thera and Krakatoa, and the explosion at Mount St. Helens, were only dress rehearsals for what is building up fast, under the surface of today's financial-monetary-economic world as a whole. Now, financial-monetary space-time is almost frozen, waiting for this explosion to occur.

Meanwhile, in Washington, some aspects of this worsening crisis are recognized at the White House. The President and his people are not as stupid, as most editors of our customarily lying U.S. daily print and electronic news media. The problem is not that the White House does not know that the Japan and Korea "bail-outs" can lead to nothing but global disasters. The problem, so far, has been that they are, apparently, more afraid of the political risk involved in what they suspect the remedy to be, than they are of the real-world disaster which, in the cases of Japan and Korea, they might have prevented, but did not.

However, do not look at the White House as if President Clinton and the local "heavy," Alan Greenspan, were merely gladiators deployed into some Roman-style arena, to bleed there for the pleasure of your lusting proletarian thumb. As you know, rooting for a gladiator, or a football team, requires no courage, presumes neither intellectual competence, honesty, nor perceived risk to the onlookers. (That is the source of the pleasure derived from popular spectator sports: watching the gladiator being carried off the field of carnage.) The biggest single problem President Clinton has, is not Alan Greenspan; it is you, the spectator. Are you willing to take the risk of supporting him against both the viciously lying daily news media, and the Congress's lunatic right, if he were to make a turnabout, and resist the lunacy to which the U.S.A. submitted in the cases of the Japan and Korea "bail-outs"?

Stop the immorality of being a spectator. Put yourself in the arena, for a change, while, for a change, the President and I, among others, watch you do some of the fighting for your life, your nation, your posterity. Either you "peacetime patriots" take some of the risk of fighting in the arena, or you and your family do not have much chance of surviving the several remaining years of this failing century. Duck this call to war, and you will have no reason to complain when the war is lost by aid of your default: when your nation and your posterity are thrown helplessly into the ruin your act of evasion brought upon yourself.

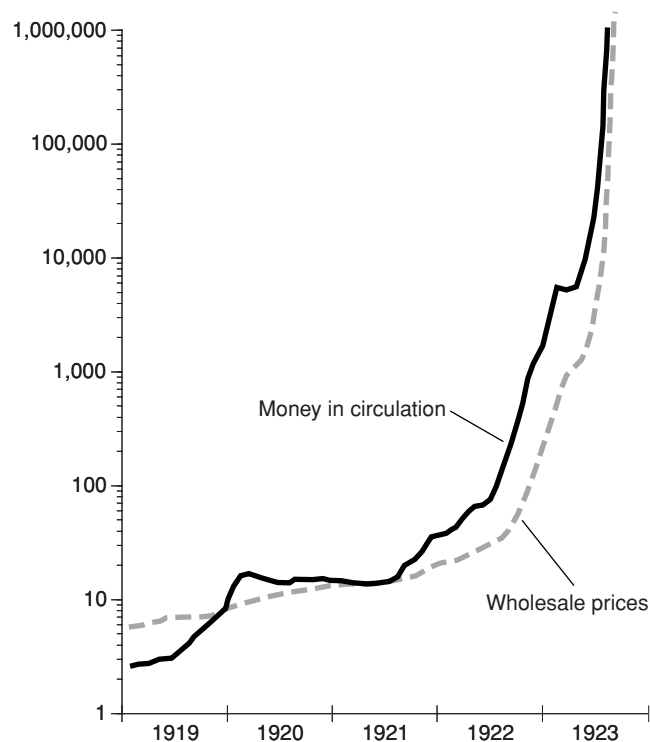
The party is over; thirty-odd years of New Age foolishness lie buried under heaps of stinking, soiled paper and cigarette butts. It is time for you to return to the real world, while it is still possible to save us all from what Director Camdessus's imperial folly portends, for the very near future. If you fail to do what has been proposed to you, as your duty, here, perhaps it is you that will be seized by the famed Furies of Greek Classical tragedy.

# Hyperinflation in Germany, 1921-23

by Richard Freeman

During 1921-23, in Weimar, Germany, the printing presses were turned on, and the result was the infamous hyperinflation shown in **Figure 1**. The graph conveys the astronomical growth rate in Germany's currency supply and wholesale price levels, with the 1913 levels pegged to an index number equal to 1. The graph is logarithmic; that is, in this case, each level up the y-axis, represents an additional order of magnitude. By 1923, Germany's currency in circulation was 1 million times the amount of 1913, and 100,000 times that of 1920.

FIGURE 1  
**Germany and hyperinflation, 1921-23**  
(index 1913 = 1)



Source: Knut Borchardt, "Wachstum und Wechsellagen 1914-1970," in Hermann Aubin and Wolfgang Zorn (eds.), *Handbuch der deutschen Wirtschafts- und Sozialgeschichte*, Stuttgart: Klett, 1976, vol. 2, p. 699.

As a result of the 1919 Versailles Peace Conference, in April 1921, the British oligarchical financier-controlled Allied Reparation Commission fixed the sum of Germany's reparations at 132 billion gold marks, or roughly \$33 billion. Three-quarters of this amount was to be paid to France and Britain alone. Germany was to pay this amount, despite the fact that, as a result of the "peace settlement," Germany had forfeited 15% of its arable land and 75% of its iron ore deposits; its pig iron production capacity was reduced by 44%, that of steel by 38%, and that of coal by 26%.

## Impossible demands

Thus, Germany could not physically meet the annual obligations on the reparations. In its attempt to do so, nonetheless, and simultaneously to supply the economy with liquidity, the Reichsbank, the central bank, cranked up the currency in circulation full throttle. After a certain point, especially following the occupation of Germany's Ruhr region by French, Belgian, and Italian troops in January 1923, to collect the reparations that Germany had defaulted on during 1922, the process became dangerously self-feeding, and the level of currency that was printed and the level of prices became astronomical.

The reader must conceptualize the nightmare that occurred. At the end of 1923, more than 300 paper mills and about 2,000 printing presses worked continuously to supply the public with Reichsbank notes. It actually cost more in paper, color pigments, engineers, printers, and lithographers to make the note, than the note was worth. On Nov 11, 1923, the Reichsbank issued a 1-trillion-mark note. At that time, a kilogram loaf of bread cost 428 billion marks, a kilogram of butter more than 5 billion, and it required a wheelbarrow to take enough money to the store. A bank account of 60,000 marks, the interest from which would, in 1913, have enabled one to lead a comfortable life in retirement, would not even buy a daily newspaper in 1923. After wages had been paid, work in the factories was interrupted, as employees rushed out to the shops carrying large bundles of money to buy goods, before prices soared even further.

Alongside the huge volume of increasingly valueless Reichsbank money, ersatz crypto-money appeared. Municipalities printed their own money. In rural areas, rye or potato coupons were used as emergency money (*Notgeld*); pieces of shoe leather served the same purpose. The industrial company BASF issued its own currency, the Anilin-Dollar. The central bank had to accept all of this money. Often, people took recourse to barter: four eggs for a hair cut, two briquettes for admission to the movies, and 40 eggs for a burial.

By the end of 1923, the economy had been shattered and living standards had collapsed, but the whirl of the printing presses could be heard in the background. Money in circulation was now 100,000 times greater than it had been only three years earlier.



# LaRouche calls for exchange controls

Almost daily, Lyndon LaRouche is being covered as *the news* in some part of the world—with the notable exception of the United States—because of the accuracy of his economic forecasts over the past 40 years. In June, he warned of the likelihood of a “Black October” on the financial markets; and on Nov. 15, he forewarned of crisis in Japan and South Korea, which we now see.

For example, *El Mexicano* of Baja California, wrote in November, that today’s global financial breakdown, “confirms the accuracy of the forecast of economist Lyndon H. LaRouche, whose prestige grew enormously after the punctual arrival of the October crash, of which he had warned long in advance.” (*El Mexicano* is a newspaper of the Mexican Labor Federation.)

Interviewed on “EIR Talks” radio program on Dec. 3, LaRouche stressed that we’re facing the “death of the system,” and indicated the kind of emergency actions required.

“We’re talking about a *global* crisis,” he said. “And, the amount of money that would come crashing down, the amount of debt that would come crashing down on the world economy, in case of a chain reaction like this, would be, for starters, at a minimum, over \$100 trillion; current obligations, outstanding this year, of which \$30 trillion outstanding, at minimum, would rebound against the U.S. economy.

“We’re talking about about the death of the system.

“Now, the only way to get out of this, is to kill the system. How do you do that normally? You take a bank which is hopelessly insolvent, but might be reorganized, and you put it into government-supervised bankruptcy reorganization. And that must be done; that must be done, *soon*. Otherwise, you’ll get this collapse where everything disintegrates: chaos. And that’s the worst thing. You must avoid chaos, which means you’ve got to go back *away* from deregulation, *away* from globalization, back to *nationalist-protectionist* programs.

“For example, in the case of Korea, in the case of Japan and other countries, we must immediately reestablish what we established in the postwar period, and continued through 1958: We must return to exchange controls. We must use *capital* controls. We must use other regulatory measures of governments, and cooperation among governments (as the old Bretton Woods system did), to create a system in which this kind of speculation doesn’t go on. The speculator tries to get his money, it’s against the law. He can’t get his money. He cannot. Capital controls prevent money from racing around the globe from one place to the other, on an instant

basis, wrecking one economy after another. Speculators like George Soros couldn’t exist. They’d have to go into retirement. And, that has to be done. . . .

“We’ve come to the point where we have the opportunity to fight a very dangerous battle, against a dangerous opposition; that is, to junk the globalist system, which is killing us. Kill the present system, and reestablish the kind of system which worked for us before, which is the kind of Bretton Woods system we had back in the 1950s. The system that we used to get *out from under* the world economic depression, which, outside the United States, characterized most of the postwar world, the post-World War II world. And we’re going to have to do that again.”

## Camdessus fingers South Korea

by William Engdahl

“South Korea stands within ten days of a gigantic financial catastrophe,” International Monetary Fund Managing Director Michel Camdessus announced nine days before the largest country bailout in history was signed in Seoul on Dec. 3. The \$55 billion emergency package for South Korea is intended to prevent a collapse of the world’s 11th-largest industrial economy. Korea owes well over \$130 billion to foreign creditors, much of it coming due in December. Had the deal with the IMF not gone through by Dec. 3, a gigantic debt default, orders of magnitude worse than the threatened 1982 Mexico default, would have taken place. By informed estimates, given the fragility of the current international financial and debt structures, the shock from such a default would likely have been sufficient to detonate a global systemic meltdown.

The Korean agreement, for which Camdessus made an unprecedented personal appearance in Seoul to sign with the Korean government, includes \$21 billion from the International Monetary Fund (IMF), another \$10 billion from the World Bank, and \$4 billion from the Asia Development Bank. To boost “confidence” in the package, Japan will kick in an additional \$10 billion; the United States Treasury’s Exchange Stabilization Fund, \$5 billion; and another \$5 billion combined from Group of Seven (G-7) members U.K., Germany, France, and Canada, plus Australia.

The previous record for an international bailout had been the U.S.-led \$50 billion Mexico rescue package of February 1995. Already this year, however, as the financial crises of former high-growth economies across Asia exploded, Thailand has gotten \$17 billion in an IMF rescue package, Indonesia \$40 billion, and, before the ink has even dried on South Korea’s IMF bailout deal, rumors are flying that Malaysia may

soon be forced to line up for emergency IMF help, along with Russia and possibly the Czech Republic in coming weeks.

The spreading collapse reminds me of the fable of the small Dutch boy who desperately tried to keep the dyke from bursting and flooding his village, by sticking his finger into a tiny but threatening hole in the dyke. Only this time, the boy is missing most of his fingers, and the dyke is bursting in more than a 100 different locations. In short, the G-7 and IMF authorities are trying to stop a process which already some months ago veered out of the realm of "normal" crisis management.

"The Korea bailout is massive," commented Georg Andersen, a strategist with a large Swiss bank. "It signals simply that the G-7 have decided that not only banks, but also certain countries are 'too big to fail.'" The issue at this juncture, however, is precisely how many countries, how soon?

### Ricochet crises

That Korea is now being rescued by the IMF and G-7, is being taken as a signal by financial investors that their global speculation can roar ahead unabated. Traders from Frankfurt to London to New York insist that the unprecedented shocks across world financial markets which erupted on Oct. 27, are "over." Even the anticipation of the Korea IMF deal sent the New York and major European stock markets soaring earlier in the week. In fact, the real crisis is set to begin, even assuming that the new Korean government which results from elections on Dec. 18, observes total compliance with severe IMF conditionalities.

Only 72 hours before the IMF deal was signed in Seoul, senior Japanese Ministry of Finance circles were reported in a state of highest alarm over the political and financial situation in Korea. According to these reports, the internal Korean situation is "out of control." With Korea's won in a state of free-fall since mid-November, when the central bank abandoned futile efforts to hold its value to the U.S. dollar (it is now 35% below its level of five months ago), the Japanese feared that Korean authorities would suspend foreign exchange trading, a possible desperate measure to stop the won collapse. The fall of the won makes the repayment of Korea's dollar debt to date, 35% more costly.

Were Korea to suspend foreign exchange trading, Japanese companies and the government would be hit with "billions of dollars in losses overnight," according to these reports. Informed Japanese government assessment of the scale of the Korean default crisis puts the needed bailout at a level "above \$100 billion," a sum almost double that just agreed.

### IMF: Shut down Korea

Among the conditions which made the IMF deal such a bitter pill for Korean politicians to swallow, reportedly are demands that the government close down bankrupt *chaebol*, or industrial groups. The same holds for insolvent Korean banks. Already, the Halla Group, a large shipbuilding concern, has announced that it will cut its workforce in half, to

3,000, by January; Daewoo Group, the fourth-largest *chaebol*, will impose sharp wage cuts and cuts in planned worldwide investment; Samsung Group, the second-largest *chaebol*, will cut investments by 30% for next year.

An economist with Korea's LG Economic Research Institute expects that this will be just the beginning. Under the strict IMF conditions; "*chaebols* will be required to chop off all unprofitable units. I cannot imagine how big *chaebols* will survive with just minor reform. Expect more corporate bankruptcies and massive layoffs," he said. Already, trade unions have begun militant demonstrations against the pending IMF deal. Protests are likely to increase once the now-secret text of the IMF agreement leaks out.

The South Korea crisis is not an isolated event, contrary to the impression Camdessus would like to convey. The reason for the extraordinary size of the bailout and the grudging participation of European countries, the United States, and Japan, is the fact that a blowout in South Korea now would have systemic consequences.

Most immediately, Japan is threatened, as the largest single foreign lender to Korean companies, with anywhere from \$37 billion to \$50 billion at risk. Were a Korean loan default to occur, that shock, on top of the unresolved internal Japanese bank crisis, would likely be the straw to break the camel's back.

Reportedly, European banks as well have large loans outstanding to Korea. In order for the IMF bailout to even temporarily stabilize the Korean currency in coming weeks, it must convince the foreign bank lenders to roll over some \$80 billion worth of loans coming due in the coming 12 months. That will be an extremely tense and difficult job, by all accounts. Should that fail, the cost of any bailout becomes stratospheric.

### And the next catastrophe?

Were Korea the end of the problems facing the governments of Asia and the G-7, as financial markets have concluded, that would be one thing. It is only the latest huge drawdown against the rapidly dwindling reserves available to the world's chief emergency bailout agency, the IMF.

Before the Seoul deal, the IMF had little more than \$50 billion available legally for such rescue operations, leaving now \$29 billion. Further, the U.S. Congress in November rejected a Clinton administration request for a \$3.5 billion increment to IMF funds for such emergencies. The U.S. Treasury's Exchange Stabilization Fund, which was used during the Mexico bailout, reportedly has today only \$15 billion in cash and another \$15 billion in foreign currencies, mainly in deutschemarks and yen. All indications are that, given present policies, that sum could fall to zero in a matter of weeks.

The most rapidly deteriorating situation is Russia, where, according to unconfirmed reports from Moscow economists, the central bank has drawn its foreign currency reserves down to the dangerously low level of \$10 billion. To finance state deficits in recent months, the government had opened the sale of short-term, high-interest Russian government certificates,

## 40% of U.S. Treasuries are held by foreigners

The U.S. government, and the monetary system of the United States, now have a heightened strategic vulnerability: Currently nearly 40% of all marketable U.S. Treasury securities—bills, notes, and bonds—are held by foreign interests, and at a moment of financial tension and crisis, these could be unloaded on the world's markets. The trigger would be the sudden need of foreign holders of U.S. Treasuries, such as foreign central banks and commercial banks, to raise cash through liquidating their Treasury holdings. There are now \$1.279 trillion worth of Treasuries in foreign hands: Were even one-quarter or one-third of these to be unloaded within the span of a few months, the value of U.S. Treasuries, and therefore, of the U.S. dollar, would fall through the floor.

A plummeting dollar would expose U.S. economic and foreign policy, to a significant extent, to London's black-mail. The U.S. Treasury and the Federal Reserve System have worked out an arrangement, in the event of a financial emergency in Japan, to extend collateralized loans to Japan's banks, to avert those banks having to sell their U.S. Treasury securities on the world's market in order to raise cash. But such an arrangement could be pushed beyond the breaking point, if it had to be extended to many countries to prevent wholesale Treasury dumping in the period leading up to and during a financial crash.

According to information provided by the U.S. Treasury's "Foreign Portfolio Investment Survey," in 1993, foreign interests, including foreign governments, foreign corporations (including banks), and foreign nationals, held approximately \$607 billion out of what was then America's \$2.99 trillion in outstanding marketable U.S. Treasury debt, which represented 20.3% of the total. As of Dec. 31, 1995, this percentage had risen to 26.2%, and as of Aug. 31, 1997, foreign interests held 37.6% of all U.S. marketable Treasury securities.

On the one hand, by having foreigners sop up the entirety of U.S. Treasury debt issued during this interval of nearly four years, U.S. internal credit market funds did not have to buy U.S. Treasuries. Some economists would argue that this kept U.S. interest rates down. But this process added to our vulnerability.

### Country holdings

**Table 1** shows the foreign holdings of U.S. Treasury securities to have more than doubled in absolute size, from

\$607 billion at the end of 1993, to \$1.279 trillion at the end of August of this year.

**Table 2** shows the ownership by country. As of Aug. 31 of this year, of all marketable U.S. Treasury securities in the world, Japan held 9.5%. Britain held 7.5%, having more than doubled its holdings during just the past two years.—*Richard Freeman*

TABLE 1  
**Marketable U.S. Treasury securities outstanding**

	Total marketable U.S. Treasury securities (billions \$)	Foreign holdings (billions \$)	Foreign holdings as % of total
December 1993	2,990	607	20.3%
December 1994	3,216	685	21.3
December 1995	3,290	862	26.2
December 1996	3,414	1,147	33.6
August 1997	3,401	1,279	37.6

Source: "U.S. Treasury's Foreign Portfolio Investment Survey."

TABLE 2  
**Major foreign holders of marketable Treasury securities**  
(billions \$)

Country	1995	1996	August 1997
Japan	220.0	286.5	321.2
United Kingdom	123.6	190.3	255.1
Germany	53.7	72.2	78.6
OPEC	28.0	44.0	55.6
Spain	19.3	46.4	53.6
Netherlands Antilles	50.9	63.9	48.3
Hongkong	18.8	33.5	46.5
China	34.9	46.6	43.1
Taiwan	24.0	32.0	34.7
Singapore	29.7	38.8	34.1
Belgium	12.7	14.1	28.2
Canada	25.1	27.0	27.0
Switzerland	37.0	31.3	25.4
Mexico	16.4	20.3	17.9
France	9.2	9.6	9.2
Other	158.9	190.8	200.2
<b>Total</b>	<b>862.2</b>	<b>1,147.3</b>	<b>1,278.7</b>

Source: "U.S. Treasury's Foreign Portfolio Investment Survey."

the so-called GKO's, to foreign investors. Once the Asia crisis forced South Korean banks to raise cash to repay loans back in October, the Russian bond market went into a free-fall. Korean banks, eager to get high returns to cover growing losses on their *chaebol* loans, poured money into the world's highest-interest bond markets. They were the same markets which today have collapsed: Thailand, Indonesia, Malaysia, Brazil, and, above all, Russia.

Russia, today, in many respects is like Mexico in late 1994 before the peso crisis hit. It is wholly dependent for government daily finances, on foreign "hot money" investment in short-term bonds. With the flight of those funds, Russia's ruble is again collapsing, hyperinflation is exploding, and untold political and economic instability will result.

As well, eastern Europe is teetering on the brink of disaster. The Czech Republic has just been plunged into chaos with the abrupt resignation of Prime Minister Vaclav Klaus, the architect of the country's post-1990 economic reforms. The country was already reeling from a devastating series of summer floods and a run on its currency, the koruna. The political uncertainty threatens flight of foreign investment, which could make that country the next candidate for IMF funds, if Malaysia or Brazil doesn't get there first.

### The 'mother of all meltdowns'

None of this takes into account what one trader terms "the mother of all meltdowns," namely, the potential for the Japanese financial crisis to explode. The present calm there is illusory. On Dec. 10, the Hashimoto government will present plans to the Parliament to deal with the crisis in the Japanese financial sector. Bad debt still held by Japanese banks from the 1980's "bubble era" speculation in real estate and stocks, is estimated to be anywhere between \$900 billion and \$1.1 trillion. Unless the government is able to break a deep internal political deadlock and decisively act to clean up the banking mess, by no later than Dec. 11 we will be talking of the spill-over of the "Japan crisis" into global markets.

It is not surprising that, privately, and, increasingly, publicly, the proposals of American economist Lyndon LaRouche for the creation of a new, just world economic order, a new Bretton Woods system, are being seriously studied.

## Fight against currency speculation spreads

by Gail G. Billington

As the financial contagion that hit Southeast Asia in the spring and summer spreads, engulfing Russia, eastern European countries, Brazil and Argentina, and now the economic pow-

erhouses of Asia—Japan and South Korea—Malaysian Prime Minister Datuk Seri Dr. Mahathir bin Mohamad continues as the leading head of state calling for reining in speculation against national currencies. Since his ringing indictment of megaspeculator George Soros at the September International Monetary Fund (IMF) Annual Meeting in Hongkong, Dr. Mahathir's remarks have been picked up from Moscow, to Budapest, to Lima, to Shanghai. *EIR* last week reported on his role in putting this issue on the table at the heads-of-state meeting at the Asia-Pacific Economic Cooperation (APEC) conference in Vancouver on Nov. 24-25.

Immediately following that meeting, certain circles in Japan decided to "play the Mahathir card," inviting the Malaysian prime minister to expand on this subject in a televised interview and in the country's leading financial press, during his stopover in Tokyo on Nov. 28-30. Upon returning to Kuala Lumpur, Dr. Mahathir addressed the Association of Southeast Asian Nations finance ministers' meeting on Dec. 1-2, in what proved to be a squaring off with IMF Managing Director Michel Camdessus. Dr. Mahathir made clear that he will pursue these themes at the Dec. 12 World Trade Organization meeting in Geneva, and the annual informal summit of ASEAN heads of state in Kuala Lumpur on Dec. 14-16, which will mark the association's 30th anniversary. A Dec. 1 press conference in Beijing by Chinese Foreign Ministry spokesman Tang Guoqiang, on the importance of the ASEAN summit, underscores that Dr. Mahathir speaks for a broad consensus. Tang said: "We should emphasize regional and global financial cooperation to safeguard the normal financial order and jointly prevent being attacked by the excessive speculation of international floating capital."

We include below excerpts of Dr. Mahathir's statements to APEC business leaders in Vancouver on Nov. 25, on Japanese TV on Nov. 28, and at the ASEAN finance ministers' meeting in Kuala Lumpur on Dec. 1-2.

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## Documentation

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*From Dr. Mahathir's address to CEOs of APEC countries on currency trading (from The Star Online, Kuala Lumpur, Nov. 25):*

"We really don't know who is trading, how much money is being traded, where the funds are coming from, what is going to come next and where they trade. . . . Surely you cannot allow people who make billions of dollars to get away without paying tax. Our country has been deprived of some U.S. \$30 billion . . . but we don't get a single cent in tax. We can't tax people we cannot see. So they should be made visible. They should also be limited to maybe raising up to 100% more than what they put in by way of capital. . . ."

Dr. Mahathir said that well-known authorities had told him big currency traders had between them some \$180 billion, which they could leverage into \$3.6 trillion. "No country in the world has access to such funds. . . . How can we defend our currency against people who have trillions of dollars to play with? Such is the strength of these people that they can bring down any currency by 10% immediately if you don't behave yourself."

*From Dr. Mahathir's Nov. 28 interview with Kiyoshi Hasegawa, chief editor of Nihon Keizei Shimbun, and Emiko Taguchi of TV Tokyo Channel 12, in Tokyo (from The Star Online, Nov. 29):*

Asked about talk that Malaysia might need IMF assistance, Dr. Mahathir said, "The pressure on us is very great. . . . We cannot discount it totally, but we will resist as much as possible."

During the one-hour interview, he said that the problem was not so much the IMF as three major conditions the Fund demands in return for assistance: opening up financial markets leads to powerful foreign banks buying up local ones; raising interest rates stifles business growth; and increasing taxes raises the burden on a population already suffering from depreciated currency.

"All these conditions are designed to enable the countries to pay back their debts to foreign banks and institutions, so that they will get back their money, but the people will suffer."

On the need for control of currency trading: "Our proposal for such regulations is to ensure stable global world trade for everyone, including developed countries." Unless currency traders are regulated, "We will never hit bottom."

On a proposed Asian fund to deal with the current crisis, Dr. Mahathir once again insisted it be separate from the IMF, so that it would be less restrictive. If not separate, it "does not achieve any purpose."

As a former practicing physician, Dr. Mahathir advised a "strong hand and a clear mind" in addressing the economic and financial crisis: "It doesn't matter what you do, as long as you don't have changes of mind and weaknesses in carrying out the cure. . . . But if you're not allowed to give any medicine, you [will] just watch and the patient will die."

*At the ASEAN finance ministers' meeting, Kuala Lumpur, on liberalizing economies and currency trading (from the Washington Post, Dec. 2):*

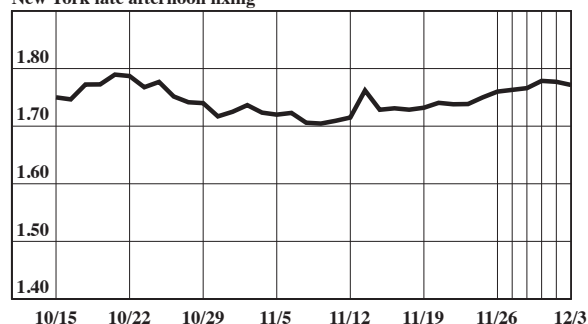
Dr. Mahathir: "They want our countries to be opened to their powerful companies and banks so that local companies . . . can be taken over. Then we will be like slaves again, working for foreigners and making profits for them to be rich."

IMF Managing Director Michel Camdessus: "You are in the midst of a crisis and you will feel invisible hands are out to strangle you. Let us exorcise these devils. . . . Openness will benefit everybody."

## Currency Rates

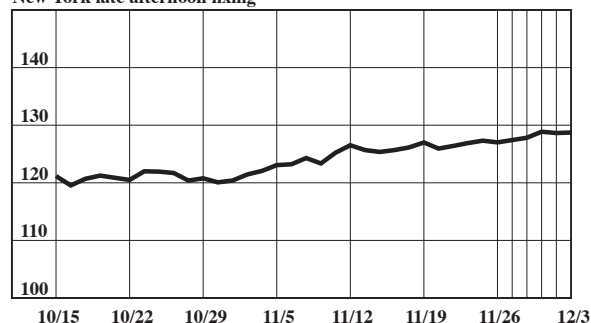
### The dollar in deutschemarks

New York late afternoon fixing



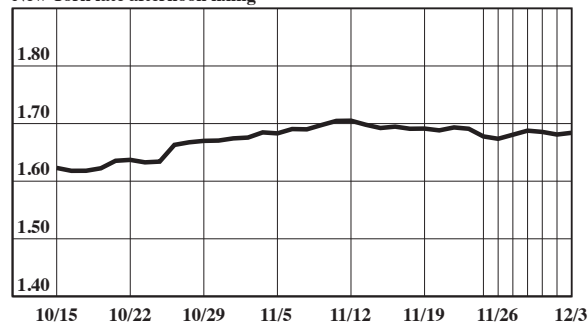
### The dollar in yen

New York late afternoon fixing



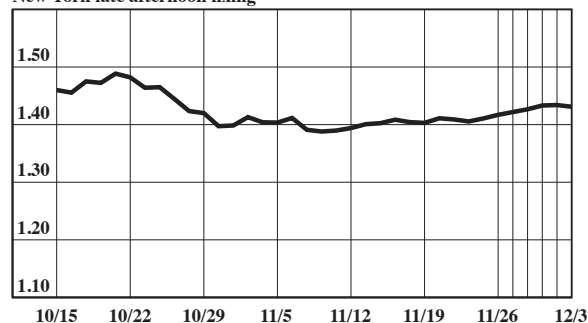
### The British pound in dollars

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing



# Soros's 'lunar cycles' won't stop collapse

by Cynthia R. Rush

"By the middle of next week, the solution to the [world] financial crisis will begin," Argentina's Deputy Finance Minister Carlos Rodríguez predicted on Nov. 13. When asked by the daily *Clarín* why he was so confident of this fact, Rodríguez replied, "lunar cycles. I have a friend who, besides being an economist, is interested in the influence of the stars on earthly events. He told me that, according to lunar projections, the solution to the financial crisis will begin by the middle of next week."

Is he nuts? Read on. Rodríguez's boss, Finance Minister Roque Fernández, apparently consults the same astrologer. Fernández predicted on Oct. 31 that the current financial crisis "wouldn't last more than a week." A respected Argentine journalist who specializes in financial markets told *EIR* that Rodríguez's astrologer is also consulted by the Center for Macroeconomic Studies, the think-tank of Argentina's "Chicago Boys," at which Fernández is a frequent lecturer. Fernández did his graduate work at the University of Chicago, under Mont Pelerin Society kook economist and Nobel Prize-winner Gary Becker.

But the unifying thread in this bizarre tale is megaspeculator and nation-wrecker George Soros. We learn that Eduardo Elzstain, president of Soros's real estate holding company, IRSA, also uses the same astrologer. Small world. The journalist source reports that Soros himself, who has made Argentina a special target of his predatory activities, admits that he often consults astrologers before playing the markets. It shouldn't surprise us, therefore, that during President Bill Clinton's mid-October visit to Argentina, it was Rodríguez who told a luncheon audience of U.S. and Argentine businessmen that "investment" of the type Soros has made in the country, is the reason why Argentina wouldn't suffer a financial crisis.

Some reliable sources say that Rodríguez's medium is in contact with the astrologer who told Adolf Hitler that he would win World War II.

## Beware 'Sorosism'

Talk of "lunar cycles" and other extraterrestrial phenomena determining the course of the world financial crisis, might be passed off as just kookery—were it not for the fact that Soros and his ilk, as Malaysian Prime Minister Mahathir bin

Mohamad has repeatedly charged, have devastated Ibero-American and other developing sector economies with their lunacy. Thanks to Mahathir's and *EIR*'s attacks, Soros is finding an increasingly hostile reception to his activities in Ibero-America.

In November, Peruvian journalist Patricio Ricketts authored a double whammy against Soros: a six-page article in the Nov. 10 issue of the weekly *Sí* magazine, headlined "A Disease Named Soros. Speculation Brings Down Markets, Countries and Systems"; and, in the Nov. 17 issue, a six-page sequel on the "Confessions of a 'Digestive Tract,'" a reference to Soros's description of himself as precisely that, in a Nov. 5 interview with ABC-TV's Ted Koppel. The Nov. 10 issue was illustrated with a picture of Soros superimposed over marijuana plants. Here, Ricketts warned that the Group of 15 emerging nations were, at that very moment, working on a remedy for "Sorosism" and the system of "financial and exchange piracy upon which it is based."

The second article was illustrated with a cartoon of Soros's head atop a large colon. Citing *EIR*'s *Special Report*, "The True Story of Soros the Golem," and Soros's description of himself as "amoral," unconcerned with the consequences of his actions, Ricketts reminded readers that Soros is "merely the visible tip of an enormous hidden iceberg, whose presence we only take note of, through its catastrophic effects." He is one of a horde of such predators, Ricketts warned, who devour "entire countries, ingenuously engaged in attracting the voracious 'hot-capital investor.'"

At the same time as Ricketts's broadsides, it was reported from Lima that the Argos brokerage house, Soros's first partner when he entered the Peruvian stock exchange in 1992, was suspended from trading on Nov. 13-18, because it could not meet \$10 million in obligations. Soros's current relationship to the firm is not known; he claims to have pulled out of Peruvian stocks, which no one believes.

On Nov. 17, Moody's Investors Service downgraded one of Soros's major investments in Brazil, the Banco do Investimentos Garantia, dropping the bank's financial solvency rating from D+, to D. Moody's cited the steep drop in value of the bank's investments and of the funds it manages, and Garantia's large volume of highly leveraged bond purchases, as the reason for its decision.

As for the astrologers, Argentine journalist Carlos Scavo offered a fitting commentary in *Clarín* on Nov. 26. "Since the end of the 18th century, every speculative mania tends to unleash divining rods, and other trivial magic, with the same message: 'This is something else, the market has changed.' But reality turns such predictions and horoscopes to dust." Pointing to Rodríguez's embrace of astrology, Scavo forecast that as the international financial crisis goes on, "no zodiac will survive. In the final phase . . . those who believe in astrology, can place their bets on Charon," the boatman who ferried the souls of the dead across the river Styx to Hades.

# Greens and the United Nations ram through ban on methyl bromide

by Colin Lowry

The banning of the essential agricultural chemical methyl bromide by the Montreal Protocol on Substances That Deplete the Ozone Layer, will devastate world food production, and hasten depopulation. The ban for the year 2005 was rammed through at the 10th anniversary meeting of the international treaty, held in September in Montreal, after an extensive campaign by organizers for the United Nations Environment Program, the U.S. Environmental Protection Agency, and various green lobbyists, to portray methyl bromide as an ozone depleter, and as replaceable. Both claims are lies, and continue the decade of propaganda and disinformation around the Montreal Protocol, and the suppression of the real science behind chlorofluorocarbons (CFCs) and ozone.

Methyl bromide is the most widely used agricultural fumigant, and is unique in that it acts as an insecticide, fungicide, herbicide, and nematicide. Its primary use is as a soil fumigant before planting, but it is also used to treat food-storage and transport facilities. The use of methyl bromide has raised yields for fruits, vegetables, and other crops by up to 500% since it was first introduced in the United States in the 1930s. International trade in many crops and wood products depends on the use of methyl bromide for eliminating pests from imports. There are no substitutes for most of the uses of methyl bromide, so eliminating its use would have disastrous impacts on several areas of the food production chain.

The ozone depletion scare which brought about the banning of chlorofluorocarbons, including freon, a safe and inexpensive refrigerant, claimed that chlorine in the atmosphere destroys ozone, thus allowing more ultraviolet radiation to reach the Earth. Bromine is also a halogen, like chlorine, so it didn't take long before compounds with bromine were also vilified as "ozone depleters" by the environmentalists. At the 1992 meeting of the parties to the Montreal Protocol, methyl bromide was added to the list of potential ozone-depleting chemicals. Citing this decision, the U.S. Environmental Protection Agency ordered the phaseout of methyl bromide use in the United States by 2001, under an amendment to the Clean Air Act in 1992.

A scientific study of bromine and stratospheric ozone shows that the banning of methyl bromide is based on a fraud. Nature produces about 99% of all of the bromide released into the atmosphere each year. Marine animals and plants use

methylation to eliminate wastes, and they produce about 300,000 tons of methyl bromide per year. Sea salt from the oceans contributes 2,000,000 tons of bromide per year, and volcanoes add an average of 78,000 tons more to the atmosphere each year. By contrast, the United States, which is the largest user of methyl bromide, produced only 32,000 tons of methyl bromide in 1990, which accounts for less than 1% of the total bromide produced by all sources for the year.

The elimination of mankind's use of methyl bromide, therefore, will do almost nothing to reduce the amount of bromine in the atmosphere. The claim of environmentalists and the Montreal Protocol is completely ridiculous, because if methyl bromide could deplete ozone, nature would have destroyed the ozone layer millions of years before man ever produced this chemical.

The data from the Crista-Spas experiments flown aboard the Space Shuttle in 1994, gave scientists the first three-dimensional picture of the various densities of ozone in the stratosphere, and demonstrated that all the computer-modelled depletion theories were false. The satellite measurements showed that the ozone layer is not at all a uniform "layer," but is more like a changing patchwork, very dynamic. The data also indicated that meteorological processes, not chemistry, determined regional ozone thinning and the appearance of "holes." This recent work supports what Gordon Dobson had found, studying the ozone layer in the Antarctic in 1957: that the seasonal thinning of the ozone there was due to natural processes.

## Science banned by Montreal Protocol

The UN Environment Program (UNEP) has created a large bureaucracy of committees under the Montreal Protocol, which are supposed to examine scientific and economic questions concerning methyl bromide. However, the real scientific questions about the validity of ozone depletion, the natural sources of methyl bromide, and the effect of the ban on agriculture, were not allowed to be discussed, and any conclusions the committees came to that did not fit the goal of the Montreal Protocol, were removed, and rewritten.

The Methyl Bromide Technical Options Advisory Committee (MBTOC) met in Bangkok in April, to discuss the technical feasibility of potential alternatives to methyl bro-

mide. The committee is composed mostly of scientists, and is divided up into groups charged with looking at methyl bromide alternatives in specific areas. Because methyl bromide is used mainly as a soil fumigant, the committee's report on alternatives in this area would play an important part in any recommendations made by the UNEP.

There are very few existing alternatives to the use of methyl bromide as a soil fumigant. Many of the potential replacements are toxic, and harm crop yields, and there is almost nothing new being developed. The committee was told by UNEP not to discuss the impact of the ban, or ozone depletion, or any other questions that might cast doubt on why anyone would even propose a methyl bromide ban.

Although most of the members of the soils committee did have technical expertise regarding methyl bromide use, there were several environmentalist members who had no technical knowledge whatsoever. Friends of the Earth and the Pesticide Action Network, linked to the terrorist Earth First! group, both had representatives on the soils committee. These representatives said openly that they opposed the use of *all* chemicals, and that none should be used as alternatives, and they acted to sabotage the scientific discussions. Imagine having representatives of groups who openly promote radical depopulation policies, and who point to science and mankind's growth as the enemy, serving on a supposedly "objective" scientific committee!

## Gestapo science

Despite the efforts of the green saboteurs, the soils committee agreed that there were almost no scientific data on reliable alternatives to support any reduction of the use of methyl bromide, and that sufficient alternatives were not likely to be developed in the near future. The final draft and executive summary of the committee report was to be approved by the committee before leaving Bangkok. However, the scientists of the committee never saw the final version of the report, which had been rewritten to support the quick phaseout of methyl bromide. The rewritten report claimed that the world could achieve a 75% cut in methyl bromide use by 2001, because there were abundant substitutes available. *This was the opposite of what the committee had concluded.* The soils committee never made any such recommendation, and it became clear that the chairman of the committee, Jonathan Banks, had directed the fraudulent rewriting, without consulting the scientists on the committee.

This pattern of fraud was not limited to the soils committee. The structural committee, which dealt with food-storage and processing applications, also had its report rewritten, without the committee's knowledge, after the Bangkok meeting. Once again, the recommendations of the report were changed to support the quick ban of methyl bromide, favored by the UNEP.

Outside of the technical committee meetings, the Eco-

nomics Panel met to discuss the economic viability of alternatives to methyl bromide, which would form an important part of the Technology and Economic Assessment Panel (TEAP) recommendations. The Economics Panel found that there was no alternative to methyl bromide that could demonstrate long-term cost effectiveness, and that the data on the economics of alternatives were pretty slim. The UNEP put tremendous pressure on the panel not to discuss the economic impact of the ban of methyl bromide on agriculture. The panel's report was then "edited" by the chairman, and carefully crafted sentences were added to change the tone of the report toward a rosy endorsement of the methyl bromide ban.

The TEAP recommendations, supposedly based on the MBTOC report, were "totally contrary to everything that has been agreed to by the experts in the options committee," said Colin Smith, as reported by the British magazine *New Scientist*, as he resigned from the committee in protest. The TEAP report, supporting a quick phaseout of methyl bromide, put the scientists on notice that the UNEP was making recommendations to the delegates to the Montreal Protocol meeting with no regard for truth. In protest, 21 members of the MBTOC committee signed a letter to the UNEP ozone secretariat, calling for an investigation into the fraudulent, unilateral rewriting of the committee's report by the chairman. The ozone secretariat took no action to investigate, and instead, several members of the MBTOC committee who opposed the environmentalist position were removed from the committee after the meeting in Bangkok.

Outside of the UNEP, the U.S. Environmental Protection Agency was pushing for a worldwide ban of methyl bromide by 2001, the same date dictated by the Clean Air Act amendments of 1992. For one year prior to the September 1997 Montreal Protocol meeting, the EPA and State Department have been in a fight with the U.S. Department of Agriculture over the methyl bromide ban. During this inter-agency dispute, the EPA has ignored the scientific objections to the quick phaseout of methyl bromide, brought up by scientists at the USDA. The questions about natural sources of methyl bromide, and the lack of data supporting methyl bromide as an ozone depleter, were quashed by the EPA and State Department.

Ironically, it is the USDA's Agricultural Research Service which is working on developing alternatives to methyl bromide use, but its research funding has not been increased. It usually takes about 10 years for a new pesticide or other agricultural chemical to go through the required testing, and certification by the USDA and the EPA, before it can be used by the public. At present, there are no good alternatives to methyl bromide, and even if there were one that had just been developed, it would take another seven years before it would be certified for use by the public. This fact, brought up by the USDA in negotiations, was completely ignored by the EPA, which still insists on the 2001 ban of methyl



bromide in the United States.

Commenting on the discussions between the USDA and the EPA, one source said, "No one will listen to the truth."

### **Destroying U.S. crops**

In 1993, the USDA's National Agricultural Pesticide Impact Assessment Program (NAPIAP) released a report which documented the devastating effects that the methyl bromide ban would have on U.S. agriculture. The report estimated an annual loss of \$1.3 to \$1.5 billion to American producers as a result of the ban. Because methyl bromide is unique, and no replacements or combinations of other chemicals would be as effective, its withdrawal from use would "result in progressively increasing economic losses for several years, and may culminate in the total destruction of the commodity and its allied industry," the report stated. Vegetable, fruit, and nut crops, primarily grown in Florida and California, would suffer severe losses in plantable acreage, with decreases in food production, and higher production costs.

According to the NAPIAP report, cucumbers and eggplants will disappear from production in Florida, because they are dependent on methyl bromide. Tomato production is likely to be down 50% in Florida and California, and strawberries by at least 50%. California grape production will be cut by 20%, with increasing losses as fewer grape vines are planted. The situation for almonds and walnuts in California is bleak, with losses of 20% in the short term, but increasing, because new trees cannot be planted without proper soil fumigation. Pepper production in Florida could fall 80% and in California by at least 10%, with crops such as carrots, melons, and cherries all suffering production losses as well. There are many more examples, all sharing the characteristic of reduced food production and higher prices, which will result from the methyl bromide ban.

Unlike the Montreal Protocol, which allows for pre-shipment and quarantine uses for imports and exports to eliminate introducing foreign pests, the U.S. Clean Air Act does not have any exemptions for methyl bromide use. Therefore, the 2001 ban of methyl bromide in the United States will cause a loss of significant export markets for American producers. Many countries require methyl bromide treatment before the entry of imports of vegetables, fruits, and wood products. Reliable alternatives are not available for quarantine treatment yet, except for irradiation, which is strongly opposed by environmentalists, who have blocked the building of sufficient irradiation facilities.

A potential fight against the early ban of methyl bromide in the United States by the Clean Air Act has been taken up by several Congressmen. Recognizing the economic losses that American agriculture will suffer, Representatives Gary Condit (D-Calif.) and Dan Miller (R-Fla.) have introduced a bill to amend the Clean Air Act, to delay the phaseout of methyl bromide until 2005.

### **Developing-sector opposition**

The UNEP had effectively eliminated any scientific truth from the official report on methyl bromide given to the delegates attending the Ninth Meeting of the Parties to the Montreal Protocol, held in September. The UNEP organizers of the Montreal Protocol had only one remaining obstacle to the methyl bromide ban: the opposition of the developing-sector nations. The delegates from the developing sector entered the meeting opposing any ban of methyl bromide use, pointing to the fact that their agricultural production would suffer, which would have a devastating impact on their already weakened economies. The U.S. delegation, led by the EPA, and the Canadian delegation, led the charge on behalf of the UNEP by pushing for a worldwide ban by 2001. The European Union countries were proposing that the developed nations phaseout methyl bromide by 2005, with the developing sector phaseout scheduled for 2015.

The negotiations between the developed and the developing-sector delegates were characterized by intense disagreements. However, Article 4 of the Montreal Protocol allows for total trade embargoes and economic warfare against any nation that does not abide by its rules, giving the developed nations the upper hand in any disputes with the developing sector. Also, the UNEP controls the Multilateral Fund, which is supposed to help nations offset the costs associated with the banning of CFCs and methyl bromide. Developing-sector nations that protest the methyl bromide ban too loudly may find themselves cut off by the Multilateral Fund. Beyond what the UNEP directly controls, the threats to whip dissenting nations into line could also include economic warfare by the International Monetary Fund and the World Trade Organization, dominated by the financial elites that also control the UNEP.

At the Montreal Protocol meeting, almost every major environmentalist organization was present, pumping out propaganda to create an atmosphere of intimidation. The green groups were readily aided by the media, in portraying developing sector nations that opposed the methyl bromide ban as reckless regimes that were endangering the future of the planet.

The intimidation by the environmentalists and the arm-twisting and threats of economic warfare by the EPA and the UNEP proved to be too much for the developing-sector nations to resist. The outcome of the Montreal Protocol meeting was that the developed nations will ban methyl bromide by 2005, and the developing sector will phase out use by 2015, with a 20% cut in 2003. However, the use of methyl bromide for quarantine and pre-shipment treatment will remain exempt from the ban.

The ban of methyl bromide will decrease the world's food supply, at a time when famine haunts many areas of the world. The real cost of the ban will be seen in lives needlessly lost as a result of this scientific fraud.

# Business Briefs

## Unemployment

### General Motors to cut 20% of workforce

Claiming that it doesn't take as many workers to make a car today, General Motors announced on Nov. 17 that it will cut 42,000 positions over the next five years, amounting to 20% of its workforce, ABC News reported. The decision was expected after GM filed a report the week before with the Securities and Exchange Commission, on plans to shut down several plants. GM said it would achieve the cuts through attrition and plant closings.

A major factor in GM's decision is the fact that an estimated 25% of its international profits are based on sales to Brazil, whose recent stock market plunge and "fiscal shock" policies have put the purchase of a new car beyond most people's budget.

These cuts come on top of other job cuts in November, with Eastman Kodak announcing 10,000 layoffs and Fruit of the Loom 2,100. According to Challenger, Gray & Christmas, Inc., an international outplacement firm that tracks job-cuts daily, the bigger cuts are escalating. In the firm's monthly report for October, issued on Nov. 6, Executive Vice President John Challenger said that cuts in the realm of five digits may occur "in just a matter of days." Challenger attributed the growing cuts in part to the Asian financial meltdown.

## Industry

### Westinghouse to sell off all industrial capacity

Westinghouse Electric Corp. will be sold to Siemens of Germany for \$1.53 billion, and by the middle of 1998, it will sell its nuclear and other manufacturing businesses and become CBS, the Nov. 17 *Wall Street Journal* reported. The move continues the general economic shift into the disastrous so-called "post-industrial society," which began in the 1960s.

In the third quarter of this year, Westinghouse posted a \$143 million loss from its industrial operations, which it blames on re-

duced electric power orders and customer delays in its nuclear power business. This is a result of the fact that electric utilities have been unable, financially and politically, to order large-scale baseload power-generating plants for more than a decade. But, sales in its radio business, and, to some extent, CBS television, are "booming."

The Westinghouse Electric Co. was founded in 1886 by inventor George Westinghouse (1846-1914), who acquired more than 400 patents in his lifetime. The firm installed the nation's first single-phase power transmission system in Telluride, Colorado in 1891, the first polyphase system in Chicago in 1893, and much of the Niagara Falls power facility, which was completed in 1895.

Westinghouse is one of the nation's three nuclear power plant manufacturers, and one of a handful of makers of large utility turbines and generators. In 1972, Westinghouse joined with Tenneco Power Systems to establish Offshore Power Systems, to manufacture floating nuclear power plants, orders for which never materialized, thanks to the anti-nuclear movement. It is possible that the French nuclear supplier, Framatome, could be a buyer for the Westinghouse nuclear manufacturing capacity, because the design for the two nuclear plants that Framatome built in China was licensed from Westinghouse.

## Indonesia

### IMF exacerbates currency crisis

The devaluation of Indonesia's currency, the rupiah, has taken a heavy toll on the nation's garment and food-processing sectors, amid increasing concerns that growing unemployment will lead to social and political explosions going into an election year in 1998, according to Indonesian news wire reports. The effects of the currency devaluation are being exacerbated by International Monetary Fund policies, conditions which Indonesia was forced to accept for a stabilization loan.

The chairman of the Central Java chapter

of the Indonesian Textile Association told a seminar on the monetary implications and effects of the November 1997 deregulation measures that, if these new rules go into effect, the textile sector will produce a new product next year: skilled but unemployed people. The textile sector, which increased its exports from \$85 million in 1981 to \$6 billion in 1996, is caught between tight liquidity, rising costs of raw materials, and a stagnant market.

The country's leading food processor, PT Indofood Sukses Makmur, reported a net loss of 456 billion rupiah (\$125 million) for the first nine months of 1997, due entirely to the rupiah's devaluation. At the same time last year, Indofood reported a \$71 million profit.

Similarly, the chairman of the only recognized trade union, the All Indonesian Workers Union, warned that 1998 will be a "red" alert year for unemployment. Already, 25,000 new unemployed are expected just from the closing of 16 banks. In addition, 84% of 230,000 college graduates are unable to find work. The rate of increase in unemployment is expected to rise from 7% to 10% for 1997, and up to 11% for 1998.

## Economic Policy

### Union leader attacks IMF for failures

Bill Jordan, general secretary of the International Confederation of Free Trade Unions (ICFTU), attacked the International Monetary Fund in a speech in Moscow on Nov. 25, at a conference on the Russian wage arrears crisis, the London *Guardian* reported. Jordan, former head of Britain's AEEU engineering union, was in Moscow on behalf of an ICFTU campaign to force payment of an estimated \$9 billion worth of back wages owed to some 20 million Russian "wage earners," who make up about 25% of the workforce. Jordan declared that both the Pacific Rim crisis and the billions owed to Russian workers are part of the same failure by international financial institutions to promote socially responsible economic reforms.

**AUSTRALIAN** unions, headed up by the Australian Council of Trade Unions, will meet with unions from around the world to work out a strategy to stop the violation of employees' rights. The major focus will be on the abuses of Rio Tinto, the world's largest mining company run by British monarchy interests.

**TAIWAN'S** Education Minister Wu Jin has officially granted recognition to degrees earned on the mainland, against President Lee Teng-hui's wishes. About 6,000 Taiwanese students are affected. The Nov. 20 *Far Eastern Economic Review* described the decision as "the first open break with a cabinet minister on cross-strait policy."

**NATWEST** Markets, the investment arm of NatWest, has lost more than \$500 million in derivatives trading so far in 1997, the Nov. 30 *London Sunday Times* reported. NatWest Markets is selling its equity and derivatives business to Deutsche Morgan Grenfell; the unit is "hemorrhaging money," according to one source.

**CHILDREN** in the western Pacific are at an increasing risk of AIDS because of the drugs and sex trade, said World Health Organization regional director Dr. S.T. Tan, the Nov. 25 *Philippine Star* reported. In 1996, 400,000 children under the age of 15 were infected with the HIV virus, upping the regional total to 830,000. Mother-to-child transmission accounts for 90% of infant infections.

**OFF-BALANCE-SHEET** liabilities of German banks hit DM 21.7 trillion (\$12.8 trillion) in June 1997, the Bundesbank said in a report. The 1996 total was DM 16.8 trillion, which in turn was 61% more than 1995. The latest figure is more than six times Germany's yearly GDP.

**GERMANY** plans to offer a maglev system to the government of the United Arab Emirates for its new rail connection from Abu Dhabi to Dubai, the Transport Ministry in Bonn said on Nov. 17.

"What we are seeing is the transformation of one of the largest countries in the world from a communist state to a free market state. That requires the management of change by the leadership of Russia. They have abdicated that role. They have taken their orders from the international financial institutions, and the resulting chaos is a consequence of bad advice and bad leadership in accepting that advice," Jordan said. "There's a crime being perpetrated here in Russia. Millions of Russians are being robbed. There's no difference between a robbery on the streets of Moscow and one that takes place in the workplace."

Mikhail Shmakov, head of the Russian trade union federation, said that, despite intense worker anger, there are drawbacks to going on strike. "Strikes are only effective where the factories themselves are working," he said. Also, about 10 million Russians are being paid in kind from what they produce. Thus, if a strike occurred, this ersatz form of "payment" would stop.

World Bank representative Michael Carter defended the international financial institutions. Most of the Russian enterprises far behind in wage payments would have long since been declared bankrupt had they been in the West, and the workers would have been on the street, he said. "The idea of muscularly moving in the direction of tougher bankruptcy proceedings is pretty alarming. In a sense, wage arrears are an alternative to unemployment. I would say it's surely better."

## Finance

### Vietnam under attack for protecting its currency

The *Far Eastern Economic Review* attacked Vietnam as a lost dream, charging that the potential of a few years ago has not materialized, because of an overly protective policy, i.e., Vietnam has refused to open up its financial sector to looting. The *Review* calls this a "gun-to-the-head monetary policy," referring to Vietnam's effort to prevent speculation against its currency, the dong.

Vietnam has been watching China and Southeast Asia, and has decided not to go the

way of the dead pussycats, i.e., the so-called "Asian Tigers" whose economies were inherently fragile because of a lack of machine-tool and other sectors that make up a "full-set" economy. Vietnam's Central Bank has made it difficult for foreigners to get dong, except through dollar purchases. The *Far Eastern Economic Review* blames the deposed governor of the Central Bank, Cao Si Kiem, who is head of the Communist Party commission on banking and is "responsible for the current strong-arm monetary policy that has led to problems in the interbank and foreign exchange markets."

The World Bank has joined in the attack on Vietnam, in a 100-page report, the Bangkok *Business Day* reported on Nov. 18. The report "raised its critical voice to a high pitch," demanding "restructuring of the entire banking sector," a "reinvigorated structural reform effort," and "a higher degree of flexibility in foreign exchange rates," *Business Day* said. Those methods have been a disaster elsewhere.

## Middle East

### More support pledged for Egyptian projects

Sheikh Zayid Bin Sulatan al-Nhayan, Emir of the United Arab Emirates, said that he will increase U.A.E. support for Egypt's projects aiming at cultivating more than 1 million acres of desert area, and pledged to encourage other Arab states to contribute to these projects, the Egyptian daily *Al-Ahram* reported on Nov. 25. Zayid is the main financier of the two major water transfer projects in Egypt, the Toshki Canal, and the Peace Pipeline, which brings water from the Nile to the Sinai peninsula.

Zayid said that Egypt is the "pillar of the Arab world," and that the "agricultural development projects are the right way to meet the needs of the Egyptian people, through expanding the rate of bringing water to arable land." He said that President Hosni Mubarak had showed him plans for a number of such projects, and asked whether the U.A.E. could participate in financing them. Zayid said that he told Mubarak, "The U.A.E. will spare no effort in supporting these projects."

## LaRouches face off against the British in Nigeria

by Lawrence K. Freeman

The contrast in outlooks presented at the Fourth Nigerian Economic Summit, held in Abuja on Nov. 18-20, between Helga Zepp LaRouche, founder of the Schiller Institute, and Prof. Paul Collier of the Centre for the Study of African Economics, Oxford University, reported in the last two issues of *EIR*, expresses the fierce debate going on today over Nigeria's economic policy. The dirigistic "Chinese model" for development of the physical economy, in the tradition of the American System of Political Economy, presented by Mrs. LaRouche, stands in stark contrast to Collier's advocacy of the "free-trade" system applied by the British Commonwealth against its "former" colonies in Asia and Africa. Collier's pedigree places him in the service of the nastiest imperialist faction of the British Empire, especially in view of his six-year involvement in advising Uganda's Yoweri Museveni, the new breed of African dictator so beloved by the International Monetary Fund (IMF) and former British Minister of Overseas Development Lynda Chalker. Museveni's military invasions in Central Africa should not be overlooked by the Nigerian leadership, if they are to understand the British-centered financial elites' intentions for the break-up of Nigeria.

The purpose of the Nigerian Economic Summit, organized by private-sector representatives of the major banks and oil companies that live off Nigeria's huge oil revenue, was to bring back into full implementation, the disastrous IMF Structural Adjustment Program (SAP), which destroyed Nigeria from 1986 to 1993. It was Gen. Sani Abacha's termination of the SAP, when he came to power on Nov. 17, 1993, that earned him the hatred of the British-IMF

financial elite, and which the Summit's "free marketeers" were so desperately trying to reverse. However, through the prearranged appearance by international stateswoman Mrs. LaRouche, an alternative to the one-sided brainwashing session was presented, more than disturbing the controlled atmosphere of the conference.

Now, as Nigeria approaches its transition to civilian rule, in the midst of the worse economic crisis that mankind has ever faced, the survival of Nigeria will depend on which policy is adopted: Collier's British free-trade prescription for further destruction, or LaRouche's proposals for Nigeria to participate in a new economic renaissance.

### **Nigeria's predicament today**

To understand the significance of the "debate" between Collier and LaRouche, it is necessary to look at the present conditions of the Nigerian economy. The following interviews with Finance Minister Chief Anthony Ani; Prof. Sam Aluko, chairman of the National Economic Intelligence Committee; and NEIC member Dr. Ode Ojowu, will help the reader to understand the critical juncture at which the Nigerian economy finds itself.

Over the last few years, inflation has been reduced from 72.8% in December 1995 to 15.7% in July 1997, and Nigeria's foreign exchange reserves are reported to be over \$7 billion, as capital has been withheld from the economy in an attempt to satisfy the demands of the IMF. During this period of time, Nigeria has not borrowed any additional money from the IMF, and even though the country is behind in payment of debt service, Ani and others claim that Nigeria's debt had been



*Nigerian Head of State Gen. Sani Abacha greets Helga Zepp LaRouche at the Nigerian Economic Summit in Abuja on Nov. 19. Mrs. LaRouche spoke on "The Success of the Chinese Economic Reform and Its Significance for Nigeria: Africa's Secret Weapon for Peace!"*

reduced from \$32 billion to \$27 billion. However, Aluko reports that Nigeria's debt is at \$32 billion, excluding \$11 billion in arrears.

But, has satisfying these "fiscal macro-economic" criteria helped the average citizen? The answer is a resounding "no"! Per-capita income continues to slump, manufacturing capacity utilization is reported to be as low as 29% to 33%, depending on whom you talk to. Official employment has dropped to 12%, which takes on added significance, given the fact that the majority of the population is employed in agriculture, and the inefficient, demoralizing "informal" economy. The informal economy is really a euphemism for large numbers of misemployed, underemployed, pathetically employed youth, who run up to cars at traffic jams and toll booths to sell cheap consumer goods to drivers momentarily stopped or slowed by traffic.

As reported by Aluko, the education system is in a state of decay, the quality of health care is declining, and infrastructure has not significantly improved. Some roads have been improved as a result of the Petroleum Trust Fund (PTF), which was set up by the Abacha government so as to be outside the surveillance of the IMF. The PTF has moved forward with a multibillion-naira (the Nigerian currency) fund for investment and improvement in a variety of infrastructure projects. These projects include: the rehabilitation of 25,000 kilometers of roads; the rehabilitation of 2 schools per local

government; 1 secondary school per senatorial district, and 3 secondary schools per state; reconstituting 15 universities; a general hospital for each of Nigeria's 36 states; federal teaching hospitals; and 53 health-care centers to be run by local governments.

With the accomplishments of the PTF noted, even Finance Minister Ani admits that significant real growth has not yet taken place, with the focus instead being to perform according to IMF fiscal "macro-criteria." Aluko candidly reports that Nigerians are poorer and angrier than ever. Wage levels vary according to geographic area, and from urban to rural, but the average monthly wage is 3,500-6,500 naira (with small housing allowances), with the official exchange rate at 83 naira to the dollar. The government is expected to announce a large salary increase in December, which will help, but Nigerian families, which are usually comprised of a minimum of 2-4 children plus adults, are struggling to hold body and soul together.

### **IMF program destroyed the economy**

The description of the Nigerian economy outlined above, is not a criticism by an outsider, but comes from a friend, who recognizes that under stressful economic conditions, an unhappy population can be stirred up by an enemy operation, to be used against the government. This is especially true, during this period of political transition from military to civil-

ian government. In other words, a thoughtful leadership should view the importance of correcting serious economic problems in the same light as one views matters of national security. The welfare, the very existence of the nation, requires that the leadership of Nigeria urgently solve this simmering crisis.

Contrary to various liberal proponents of democracy, who love to hear themselves, at every public opportunity, shouting about the need to return to democracy, one cannot seriously discuss a solution to Nigeria's problems, without looking at the massive damage done to the country during the rule of Gen. Ibrahim Babangida (1985-93), under the IMF-SAP dictatorship. It was in this period, that many of the difficulties associated with the corruption attached to huge flows of oil money, which had already surfaced in the Second Republic under Shehu Shagari (1979-83), became institutionalized. As one experienced leader put it, "The economic system of the IMF became our culture."

As Drs. Aluko and Ojowu emphasize, Nigeria was destroyed, virtually overnight, by the devaluation of the naira in 1986. While Gen. Muhammadu Buhari (1983-85) had rejected the IMF-SAP reforms, after he was overthrown, the currency devaluation started, in 1986. Through the 1970s into the early 1980s, the naira was worth \$1.00-1.50. Then, starting with Babangida's acceptance of the IMF "liberal reforms," the naira has steadily been devalued over the succeeding 10 or more years, to the current value of 1/83rd of a dollar. So, 1,000 naira used to be worth about \$1,500, but in a little over a decade, the same 1,000 naira are worth a mere \$12. Nothing destroys a sovereign economy faster, and more catastrophically, than the depreciation of a nation's currency. During that same period, Nigeria's foreign debt climbed from approximately \$10 billion, to over \$30 billion.

The "liberalization" of the Nigerian economy included the devaluation of the currency, deregulation of the banks, deregulation of interest rates, lifting restrictions on imports, elimination of domestic subsidies, and shutting down vital industrial infrastructure projects. This resulted in a lower per-capita income, and skyrocketing inflation and interest rates. Whatever the weaknesses of the Nigerian economy were, as it emerged from a long period of British colonialism, and its oil boom and bust, it was the IMF-SAP "reforms" that destroyed the economy, and pauperized the Nigerian people, intentionally.

### **Choosing the right path for development**

The so-called "market-driven" economy during those years was a failure, when measured by the lack of real economic growth, and the Nigerian people have paid the price. This is the legacy that General Abacha inherited, when he became head of state in 1993. It is revealing to note that at the time of independence, in 1960, manufacturing enterprises accounted for only 3.2% of the Gross Domestic Product, and in 1996 these account for a mere 6.2%. This is the result of

the IMF-SAP sabotage of absolutely vital industrial projects, which have not been completed in some cases for almost 20 years. These include Ajakuta Iron and Steel, Elme Petro-Chemical, the Iwopin Paper Mill, and the operation of Oso-gobo Machine Tools.

One way that General Abacha has dealt with problems of the economy, was to establish Aluko's NEIC, as a non-ministerial committee, reporting only and directly to him. This enables the NEIC to independently review, criticize, and offer solutions to the problems of the economy. The just-concluded Fourth Economic Summit, and the Vision 2010 program, are part of an effort to convince the government to reverse General Abacha's resistance to the IMF-SAP, and return the Nigerian economy to the total control of the private sector, by the "free marketers." This would include privatization of the major state-run authorities such as Nigerian Telecommunications (NITEL), the National Electric Power Authority (NEPA), the four oil refineries, and the biggest prize of them all, the multibillion-dollar National Nigerian Petroleum Corporation (NNPC). All these measures, General Abacha has so far wisely rejected.

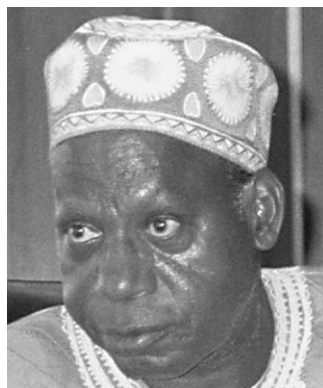
The arguments put forward by the free-market crowd, are that the public sector is the cause of the problem, that there is too much government involvement in the economy. According to their theories, for the Nigerian economy to prosper, the role of the public sector, that is, the government's involvement, must be reduced, so the country can be turned over to the "invisible hand" of the so-called free market. Yet, the history of Nigeria demonstrates *that it was precisely by following these free-market nostrums that brought Nigeria to its present condition.*

Thus, the face-off between Helga LaRouche and Paul Collier epitomizes the fight within the Nigerian leadership, over which course of action the nation will take in the immediate future, as the meltdown of the world monetary and financial system proceeds. Mrs. LaRouche's presentation of the path navigated by China, in opposition to the free trade dictates of the British, the IMF, and the World Trade Organization, her call for state-directed infrastructure development, resonated loudly in the minds of the nationalist grouping in the Nigerian leadership. It is now up to such leaders to take bold and resolute action to free Nigeria from its "IMF culture," and join with other nations to conspire to bring about a new, just monetary system, one dedicated to the principles of development of the sovereign nation-state, and the economic uplifting of their populations. A system in which every single human being is valued for his creative potential and viewed as an unending source of new wealth for the benefit of the nation as a whole.

*The author accompanied Mrs. LaRouche to Abuja, and has been a frequent visitor to Nigeria. For reports and interviews from previous trips there by EIR correspondents, see EIR, July 29, 1994; April 7, 1995; May 19, 1995.*

# IMF conditionalities are destroying Nigeria's economy

*Professor Aluko (shown here) is chairman of the National Economic Intelligence Committee of Nigeria. Dr. Ojowu is a member of the NEIC, and is director of the Center for Development Studies in Jos. They were interviewed by Lawrence Freeman and Uwe Frieseke, in Abuja, on Oct. 27.*



**EIR:** You probably have seen what is happening in the Asian markets. What do you think this means for the future?

**Dr. Aluko:** We anticipated it. First of all, I think we should say what has happened in the past, because the so-called Asia Tigers had become a sort of reference point for many other countries, both developing countries and developed. But we in our committee have been analyzing the root cause of the development of the Asia Tiger countries. First, much of the so-called development there was not endogenous; it was exogenous, in the sense that the Western developed nations, in an attempt to save the Asian countries from Communist China, poured a lot of resources into some of these countries. If we look at South Korea, for example, because of North Korea, the military base in America, and South Korea, spent a lot of money; a lot of industrial capacity and so forth is foreign-based.

We know that we cannot here imitate that, because we don't have that Communist threat in Africa. And therefore, the West is not going to invest in Africa. So, we cannot imitate them, because we will never get the same terms of foreign investment which were given there—apart from the fact that Japan also was around them.

**EIR:** I'm not sure we would want to—

**Dr. Aluko:** No. So, we have always told our people that the Asian Tigers are simply a different type of breed; like Germany after the Second World War, where Europe and America developed the Marshall Plan. There is no such Marshall Plan for Nigeria. We anticipated that, with collapse of

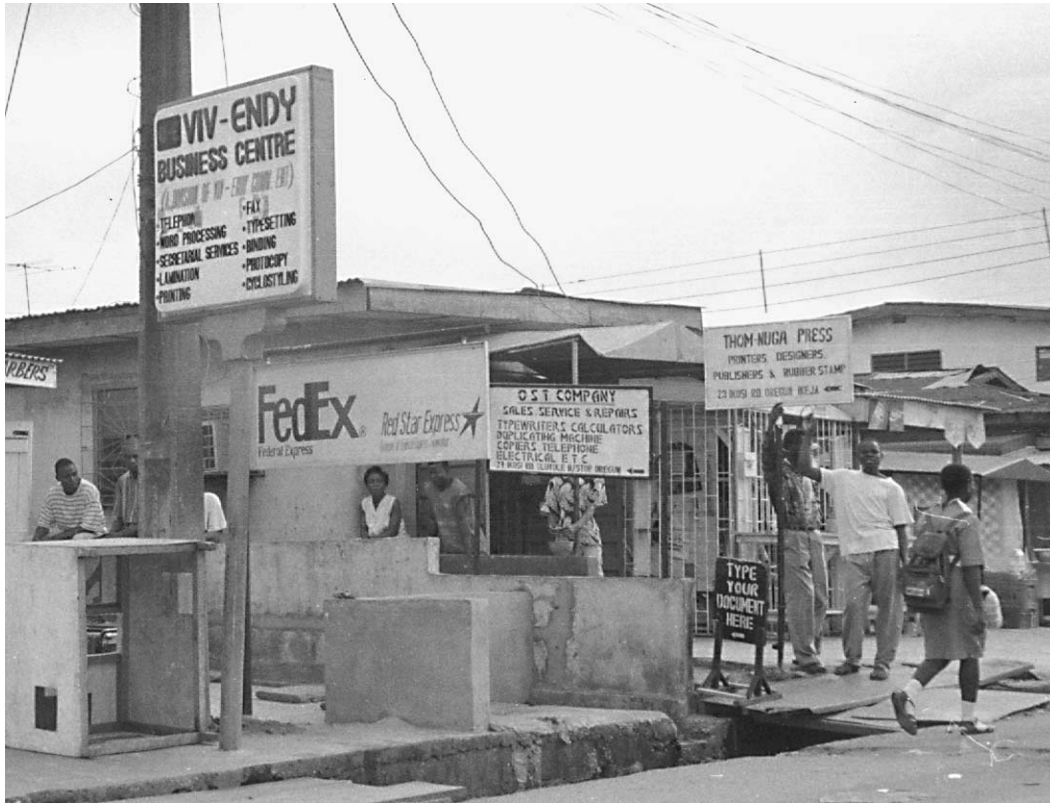
the Soviet Union, and the weakening of communism all over, obviously the West would be less willing to sustain whatever happened in the Asian Tigers. So, we are not surprised that this collapse is coming on.

And, of course, you have always been saying—we agree with you—you've been emphasizing the derivatives, a major financial manipulation; rather than production, manipulation. You keep on manipulating rate of interest, rate of exchange, investment—what investment? Capitalist investment. There is a level where these things mature. And therefore, they can't go on; they are bound to *collapse*. They proved us right, and they have proven you right: that this was bound to collapse. So, they are not really sustainable over a long period.

**EIR:** Lyndon LaRouche said last week that this is the beginning of the meltdown; that this is not necessarily going to happen all at once, but we are never going to go back to stability; that from here on in, things are only going to get worse, and the financial system will disintegrate. Do you agree with LaRouche's assessment?

**Dr. Aluko:** Of course—I mean, to a large extent. Because it has happened in Nigeria. In 1994, we went to talk to the bankers in Nigeria—that this whole idea of everybody opening their bank, and rate of exchange, the bubble would burst. And it has burst in Nigeria. Most of the banks have been denied extension, because all they would do is just open the banks, discount houses, foreign exchange, and so on, and it collapsed. So, we agree with LaRouche that these things cannot continue, and that is why in our own economic program, we say that any economy that does not emphasize production—and just emphasizes changing the rate of exchange, and so on—cannot sustain itself. We told the head of state that. Say you earn \$1; today it is worth 20 naira, tomorrow it is worth 30 naira, then it is worth 100 naira. It is still \$1. What you should do is add \$1, \$2, \$3, \$4, not to keep on changing the value of \$1. It is still \$1. We appear to be the odd man out. But we are going to be proven right.

We appeared before Vision 2010, and we told them that all these things that we are talking about, that unless you emphasize production—rather than continue to say to the World Bank that we must rationalize, liberalize, we must retrench, and that there are too many people in the public



*Nigeria's strenuous efforts to satisfy the IMF's "fiscal macro-economic" criteria have done nothing to raise living standards for the average citizen; on the contrary, per-capita income and manufacturing capacity utilization are declining. Shown here: a scene in Lagos.*

sector: We say, "No!" What you should do is to deploy these people to make them more productive, rather than to keep on retrenching them. Because when you are retrenching the people, you are retrenching the economy, you are retrenching demand. And therefore, the multiplier effect of consumption is thereby being lost.

So I agree with you, by and large. And members of our committee, we agree.

**EIR:** On the currency issue and the naira, you are aware that at the IMF conference, the prime minister of Malaysia, Dr. Mahathir bin Mohamad, made a very cogent and very scathing attack on the speculators—

**Dr. Aluko:** Yes.

**EIR:** — in particular, for ruining their economy by speculating against their currency. Nigeria, from 1986 to 1996, in ten years, your currency was 1:1 with the dollar, now its 1:80. How are countries going to protect themselves from these speculators?

**Dr. Aluko:** We have always—as a committee we were formed in 1994, but even before then, some of us in our own capacity have always been saying that. This speculation cannot continue, because in 1985, the rate of exchange was one naira to \$1.50, and right now we are having a lot of problems with those who borrowed money, in those days, in foreign currency, to establish factories. A particular example was a

colleague who had a factory, who borrowed \$15 million, at a time when that \$15 million was worth 10 million naira. He is now asked to come and pay \$15 million times 80! There is no way he can pay it. There are so many examples like that.

So, the speculation and the rate of exchange, rate of interest. The rate of interest at the time in this country was running at 120%. There is no way you can borrow money at 120%, and do any reasonable business.

We have always been against speculation, and we've been telling the government. That has been our quarrel with the minister of finance. There are a few of them in the private sector who say, "Let the market determine the rate of exchange." There is no country in the world that allows the market, with an impoverished market anyway, to determine the rate of exchange, rate of interest. You have to know what you want, where you want to go, what type of interest you want to promote, what type of sectors you want to assist. There was a time when we said that we will identify the prime moving sectors of the economy, and assist them directly. Even in Asia, in Malaysia, and Indonesia, the government is thinking of pumping in \$20 billion to support the economy.

That was a place that was an example of the free market. But you can see that that is not a free market.

**EIR:** In the world right now, there is a division between those people who agree with the free-market forces, the IMF, the World Trade Organization, and on the other side, coming out



of China, with Japan and other Asian countries, and led by LaRouche, in terms of the ideas, there is now a move to *protect* countries, to protect their sovereignty, and establish a new monetary system, which would be run by states on reasonable terms of trade and development and interest. How does Nigeria see this division?

**Dr. Aluko:** We have some divisions in Nigeria, depending on what class you belong to. We are now supposed to have Vision 2010.

Most of the people in Vision 2010 are, so to speak, free-marketeers. But most of them have no enterprises of their own. They are either managing directors of foreign enterprises, or managing directors of foreign-established banks, or contractors to government. So really, in terms of business, they have little or no business. And, they are talking of free market.

There is a group of us who say, there is nothing like the free market; the market must be a market. Even in the real market of our country, for example, the paper sellers meet and determine for how much they are going to sell their paper product; for how much they are going to sell their yams. Even in our own local market, you just don't go to one person and buy three yams for 10 naira, and go to another and buy three yams for 1 naira. There is stability. You cannot run a developing economy at our own level in the way that you run an American economy. We say in our committee that the American economy, the so-called free economy in America, is a free market plus the policeman! You in America, your President in America, you cannot evade taxes. You cannot get away with a lot of things. Whereas here, the same people who are talking about free market are the greatest evaders of taxes. They are above the law. Nobody is above the law in America.

In Russia now, they are beginning to question this free market, because the crime rate has increased so much, the rate of poverty has increased.

There is no doubt about it: There is this sharp division between those who are in Lagos, who get the good things of life, and those who are in the peripheral areas who get little or nothing. So when they say government should not interfere with economy, you find that 90% of Nigerians are asking government to do more, because it has done nothing at all for them. They have no roads; they have no water; they have no good schools; they have no electricity. So, they are asking government. But, these other people are saying that government should be rolled back. We say that government has only started to roll!

It looks odd to us that you can ask the government that has done nothing; and yet, the government should be rolled back. When I went to address Vision 2010, if we look at all the members of Vision 2010, some 90% of them are from Lagos, Abuja, and the Kaduna axis. There is nobody from my village; nobody there from rural areas. So, they are not realistic. This is a developing economy; we know how economies grow. We know how America grew; how Britain grew;

how other countries grew. But now the real problem is that they have assumed that Nigeria of 1997 is the same as America of 1997. We say, "No." Nigeria in 1997 is like Britain of 1797. We are two centuries behind them, and we must take measures which they took in those days.

And, because the British government financed all these explorations that came to colonize us here—then they went around and stole money from Latin America, from India, from America, and brought it to Britain. They were knighted by the King and the Queen. Our own government is not supposed to do that; should we be promoting piracy, to America, and Asia, and Europe, to bring money to Nigeria? On the other hand, there are people who steal money here now and go to Britain and America.

**EIR:** In terms of the domestic situation, the information that is coming out is that, on the one hand, Nigeria is heading toward a 7 billion naira surplus and inflation has been brought down. Yet, on the other hand, the informal economy is as big as ever. Although there is some movement from the Trust Fund in terms of road rehabilitation, there is a tremendous shortage of infrastructure. The Nigerian people don't look like they are doing any better.

**Dr. Aluko:** No.

**EIR:** What is going to happen now in the Nigerian economy? You are going to have a transition government in a year, and if the economy does not improve, what does that mean for the future government?

**Dr. Aluko:** That is what my colleague, Dr. Ojowu, and I were discussing before you came. We told the head of state last year that you could have an accounting surplus, and an economic deficit. Because, instead of investing money in the economy to make life better for people, to make production increase, and you say that by withdrawing money from the economy you are saving: It's a false economy. I told the head of state that the people of Nigeria are hungry and angry. The majority of Nigerians are poorer today than they have ever been, and they are getting poorer and poorer. This is not the type of people we want to govern.

So, the problem is there, and we cannot continue to say that we want to create a surplus. The surplus that we are creating is to meet the prescriptions of the IMF-World Bank, which keep on saying that the government must not run a deficit, the deficit must be a small percentage of GDP, and so on. We say: That is wrong. It depends on how you acquire the deficit. If I borrow money to build a house, and I'm collecting more rent than what I'm paying to the bank, it's a good investment. If I borrow money to pay my father or marry, and there are no means of paying back, that is foolish borrowing. What we should really know, is what we are spending our money on, not how much deficit or how much surplus we are running. That is what the minister of finance is doing.

That's the other example. They said we had 7 billion naira

surplus. In fact, the people are more angry, when they hear the government has a surplus, and they don't see their life getting better. They feel that this is not their government. We feel that to say that we are bringing down inflation, when people cannot buy, when the businessmen say that they have goods in their stores that they cannot sell—you are not bringing down the deficit. You are not bringing down inflation. Because inflation is not just quantity of money; it's also the quantity of goods. You could be reducing inflation but increasing poverty.

You can only say you are reducing inflation when people are getting better off, and yet prices are not increasing—because goods and services are increasing to give comfort to the common people. But, if you are giving nothing, if the workers cannot buy food, they cannot travel, they cannot have increased social welfare, and you say inflation is coming down because you are pauperizing them? What is happening now is that people cannot buy. The goods are there, they need the goods, but they cannot buy. My friend has been telling me that so many of our people have died. Even in the universities, many of our people have run away from this country to other countries, because they cannot keep body and soul together. So, to say that you are reducing inflation when you are increasing pauperization, is not the type of economy you want to run.

**EIR:** What can be done to begin to reverse this situation, which is probably getting worse—

**Dr. Aluko:** Yes.

**EIR:** What measures have to be taken?

**Dr. Aluko:** What we have been proposing to government is that we should clearly identify those areas of the economy that are growth-propelling, and we should invest in them. In 1995, we suggested to government that instead of just spreading out all our revenue over a multitude of projects—none of which will be completed—let us identify in a year, four or five or six projects. Say, this year, we are going to finish the iron and steel mill, which, of course, the World Bank and IMF and the Western world—your countrymen—don't want us to complete. We say, "No." If we don't complete those, we can never take off.

So, we say, let us identify and complete them. We had set up a committee; nothing happened. We introduced that to government, and the head of state seemed to approve. Because we told him in 1995 that you don't just want to be head of state for four or five years, without anything to show for it. You should be able to say: When I was head of state, I did this and this, and it was great. So, I went to him about two years ago—they had a committee. I said, "Look, we told you this in 1995. What are we going to choose?" He said, "We are going to reexamine that, and at least do certain things."

Apart from the PTF [Petroleum Trust Fund]—you know that most of the ministries and other agencies of government,

including the World Bank and IMF, are against the PTF. If we had not set up the PTF, there would have been nothing to show for the money that is now being spent by the PTF. If it had been divided among the ministries—they were spending money to travel, to steal, or to misuse—there would be nothing to show for it. At least we can show something for the PTF. Similarly, we are saying that the capital expenditures should be spent on projects that you can *see*, and identify as having been finished. We are not getting on too well, because we have gotten to be the only group in the system that keeps on challenging the popular opinion of this IMF and World Bank and this summit—the group that calls itself the economic summit. This is the same group that dominates Vision 2010; these are the same ones that are the free-marketeers, and so on. So, we feel that unless we change the program, we will not achieve much.

**EIR:** You named the PTF. What other projects do you think we should focus on in Nigeria?

**Dr. Aluko:** We are thinking, for example, that we should focus on agriculture, works, roads, and education, because these are things that benefit the people. In fact, we suggested that there ought to be a sort of what you call a risk fund, in which people who want to establish small or medium-size projects can take loans from the government at subsidized rates of interest, so they can establish their business. Because as of today, nobody can go to the bank if they want to borrow money to establish an industry, or even a farm, unless the government gives them that subsidized rate of interest. In our committee, we insist that it is possible for us to give a note for such projects at even no interest rate at all. Allow people to take a loan; if the projects fail, they write off the loan. But, very few projects fail.

**EIR:** Could you give us a more concrete sense of how life for the majority of Nigerians really is? For example, I saw a debate in the press about the educational system and the universities, where a lecturer, on average, gets something like 7,000 naira a month. But in discussing this with some Nigerians, I heard that the minimum you need to feed a family and live, is something in the order of 15,000 naira a month. Is that accurate? Is that the situation in the country?

**Dr. Ojowu:** Just before the SAP [IMF Structural Adjustment Program], the average salary of a senior lecturer was the equivalent of \$800 a month. Today, the average salary of the same senior lecturer is \$85.96 per month. If that doesn't spell disaster for human life, then I don't know what does. The same person has a family to support; the same person has children to send to school. Institutions try to make up for these losses by raising their school fees, by changing the price of food, and the end result is that many people are dying. Those who can run, have run.

Now, the explanation by the World Bank is that the declin-

ing exchange rate will improve exports, but what we have now is the export of human beings. You cannot get the export of commodities when this skewed level has run away in advance of your program.

So, we are really suffering; people are dying; there is no nutrition. Everything around you is now commercialized, precisely at the time when you don't have money to buy. That's the situation.

**EIR:** The electricity rate?

**Dr. Ojowu:** The electricity rate, water rates, school fees, medical services are all commercialized, precisely when your income has been reduced to nothing. That's the situation. So, nobody really pays attention to teaching, or to research. Before the SAP, we used to have two programs of teaching. You teach a mass of people in a classroom, and you subdivide them into small groups for a tutorial. That is where you identify the good students, and begin to promote them for graduate work. The tutorial no longer exists. What lecturers do in the university now is, if you have four hours of lecture per course in the week, you organize the students; you stand in one place and teach for four hours at a time, for one day. You give them four hours of lectures in one day, instead of four hours spread out over the week. The reason is that you need this extra time to go out and look for a means of livelihood. That is what is happening in the universities.

And the facilities inside the classrooms are so dilapidated that students stand around the windows listening to the lecture, because there is nothing to sit on. Sometimes you have to bring your own chalk. To tell what is happening, lecturers now prepare what they call "handouts," and they bring them to the classroom, and *insist* that every student must buy a copy of that handout. If you don't buy it, you will not pass the exam, because your name is on this list, and as you buy, they take your name. And they tell you that the examination will come from this handout. The students have no interest in using the library facilities, which are themselves completely run-down. Students can get grades now only by reading the lecturer's handouts. They were given free in those days, they were supposed to be supplements; now they constitute textbooks. And the lecturers themselves don't have enough time to do anything but to prepare these handouts. We call it "the survival by the handout." You want to get this money from the students so you can go out and feed your family. The students themselves don't have the money to buy; those who don't buy, they fail. And, because of this idleness on campus, that is why they have all these cults in the system. They don't have enough work to do; those who come from well-to-do families use this money to promote interest groups that turn out to be cults in the system.

Life has become criminalized in the universities, and the importance of making profit has surpassed every other activity that is necessary.

**EIR:** What is the situation in the health sector?

**Dr. Ojowu:** Before the SAP, the health sector was described as a place of consultants without medicine. Now, since the SAP, even the consultants have disappeared. So we don't have the consultants, or the drugs. And it is because of the acute nature of this problem, that the government has now decided even to bring in the PTF to produce drugs for hospitals across the country. The PTF is supposed to be an intervention fund for infrastructure, but even the tablet itself is considered infrastructure in Nigeria today, because there are no drugs in the system.

So, many people now resort to traditional medicine of a variety that relies more on psychology — if you are sick, you go for prayers, and hope that you get cured that way. Churches have sprung up everywhere, exploiting this situation to make money. If you are sick, you go — somebody taps your head and prays to God, or they say, if you put your hand on the television screen, up against the person who is praying for you, you will be cured. And because there are no drugs, and you are desperate for survival, you do these kind of things. All over the place.

If you visit the hospitals, you find that they are all empty, completely empty, and whoever gets there does not come out alive, literally. And as a result, individual doctors now take advantage of this, and we have all kinds of things spring up around us: clinics. I've seen a place where somebody was operated on without anesthesia, and she *died*. This is what is happening. These things are not really recorded, and against the background of these budget surpluses, it is frightening.

**EIR:** What about the transportation sector?

**Dr. Ojowu:** Every story is about the same. Now, just to understand that: We don't produce buses in Nigeria, really. The maximum is that we assemble them. We bring in the parts from abroad, and the manufacturers sell buses, in naira, and accumulate naira to buy foreign exchange to bring in the parts. Now, the prices of these buses are in dollars, but you now have to acquire the naira to be able to buy the parts to assemble them. The naira has depreciated from 1:1 to 85:1. So, all the factories that produced the assembled vehicles have all closed up.

The real reason that the PAN [Peugeot Automobile of Nigeria], the one in Kaduna, is operating today, is because its biggest customer is government. If PAN were to be subjected to the market force of produce, buy, and sell, to sell to the public and not to government, it would have closed down, too. (PAN is from France.)

What we have got in place now are the second-hand vehicles. We call them "*Tokunbo*," that is, coming from abroad. If you look at the landscape now, we have all second-hand vehicles, already rejected in Europe; they are now coming here as our flashy cars. One major thing about it, is that these vehicles have already exhausted their life-span abroad. They

bring them in here, at a time when they become guzzlers of fuel, and we don't have fuel to support them. We now spend more, use more fuel per kilometer of travel, than we would have if we were using a better vehicle. There is no person in Nigeria today with a regular income who can buy a new vehicle. It is impossible.

**Dr. Aluko:** I told the head of state that. From head of state to the bottom rung, any public officer who buys a new vehicle is taking bribes, or has stolen money from someplace. Because the salary in a year—besides the head of state's salary—cannot buy one, unless he has a million naira as his salary. I told him, any public officer, from head of state to bottom of state, who buys a new vehicle, has stolen money, or taken bribes. And he agreed.

We were discussing mass transit. There is no mass transit.

**Dr. Ajowu:** We have a "J5," that is, a bus, produced by PAN, which takes only 17 people, and they call it mass transit. What you have on the road are lots of vehicles blocking the road. We don't have mass transit in Nigeria. And nobody really can buy it. The way to understand this, is that by 1986, the income of a senior lecturer, which was about 12,000 naira a year, could buy a family station wagon, a Peugeot, with a balance of 3,000 naira left over. Now, the income of a lecturer, the same person, cannot buy that car again in the next hundred years.

**EIR:** So you identify the SAP as the cause of the problem?

**Dr. Ojowu:** The devaluation: The SAP undermined production. The focus of the SAP was that it was to generate exports, and to structurally adjust the economy. How do you adjust underdevelopment? There are no structures in underdevelopment that you need to adjust. Now, at the end of the adjustment, what you have done is to push up the prices and suppress production. That's "structural adjustment." What are the structures that you have adjusted for good since 1986—other than the prices have gone up; production has gone down. Even before adjustment, the year before 1986, the deficit was only 3% of GDP; immediately after, it was 9%, 12%, 15%. Production has been completely suppressed, and the idea is simple. Where you depreciate the exchange rate, against the incoming foreign exchange from petroleum, then you pass the burden of payment of external debt to the domestic population, so that there will be a surplus in the current account, to settle the external debt. That is the program of the World Bank in Nigeria. That's what they are trying to do.

**EIR:** Was Nigeria on the road to more fundamental industrialization and development before 1985-86? What happened during the oil boom of the 1970s?

**Dr. Ojowu:** If you remember back to the 1950s, Nigeria, through the government intervention and a carry-over from the colonial period, established marketing boards. These mar-

keting boards generated revenues, which were of benefit to both the farmer and the government. The criticism at that time was that the marketing boards constituted too much of a tax burden on the farmer, and there was a series of reforms on the marketing board, to make it more responsive to the needs of the farmers. It is through the marketing boards that the various universities in various parts of the country were established. It was through the marketing board that key banks, like the ACB, were established. Industries were established. Housing estates were established. You have the Northern Nigeria Development Corp., Eastern Nigeria Development Corp., Western Nigeria Development Corp.—all based on revenue generated by the marketing boards.

While it is true that the farmers were paying a tax, the end result of this tax was that government had revenue, which it applied to the economy, and the structures were properly laid out so that by 1954, we were beginning to see signs of industries coming on-stream. Now, when the oil boom came, a number of projects were initiated which were supposed to be fundamental for industrial take-off—the iron and steel complexes. Don't forget that in that mid-1950s, Nigeria wanted to start iron and steel projects. Britain told us that our iron ore was of poor quality, that it was of no use, which was why we had to go to the Soviet Union. And the Soviet Union found that this iron ore was good enough to initiate the project here in Nigeria. So, these projects were initiated.

What I personally felt was wrong was that the scale of investments, the volume of investment was far too much. So when there was a crunch in terms of the declining foreign exchange earnings, they could not sustain these projects. Rather than scaling down the projects, they went for external loans, to try to sustain them. The first billion-dollar loan that Nigeria got, they did not apply to any particular project: It was put to test the market. It was initiated by Chase Manhattan and other banks to test the Nigerian strength in the market for loans. And from that point on, there was no going back. In less than four years, Nigeria borrowed from virtually every country in the world. The industrial focus was then lost. Instead of scaling down—as I said—we borrowed.

Those projects, iron and steel complexes, petro-chemicals, and so on, remain uncompleted.

**EIR:** Up until today?

**Dr. Ojowu:** Up until today. Projects started 30 years ago have not been completed. Now, part of the reason is that, when the SAP came in, the World Bank cleverly brought in a consultant from Canada to investigate these projects, and they were declared unfit for completion. Now, consultants' reports were never for newspapers, but the World Bank let loose the report to the newspapers, and Nigerian newspapers took the thing up, and condemned all the existing projects, and generated doubt in the process. As a result, none of these projects have been completed to date.

So, now came 1986, which *compounded* the problem. We now started taking loans from the World Bank for “economic reform.” And what we were earning, we were now using to settle external debts. So, those projects remain uncompleted. From 1986 until now, no new investment has taken place, either by government or the private sector.

**EIR:** The transition process is in its final year, and the election is supposed to take place and a new President chosen in October 1998. We’ve been told by many people that this process is on target and that there will be a change in government. How will that process be completed with the economy in the shape that it is in?

**Dr. Aluko:** We are praying that the process will be on target. But we know that many of the things that we are doing now in the political process, will not be acceptable to the people. Because a party has to go to the polls and say: “We are going to do this and this for you.” And after four years, when nothing is done and they go back, there is a problem. The advantage that a military government has, is that a military administrator comes and does what he likes. In a political system, a man cannot just come and do what he likes, cannot just go and say, “We are going to do whatever we like without thinking of the welfare of the people”—bound to be problems. I hope government will become more responsive to the people. Otherwise, we can’t continue like this.

No political party can tell the electorate about a surplus of 80 billion naira when they have no water; they have no roads; they have no schools. They say, “What kind of government is this?”

So, we hope that things will change. Much as the head of state wants to, he needs people who will do the job for him.

But when he gets the same thing from the Central Bank, the minister of finance, the minister of national planning, saying: We need this surplus; we need this rate of exchange; we need to pander to the World Bank and IMF which say that the rate of exchange of the naira to the dollar should be about 550:1. They want to take the price of petrol from 11 now, to about 35 to 50—

**EIR:** The IMF said the exchange rate should be what?

**Dr. Aluko:** 550 naira to the dollar. That is the target of the IMF and World Bank. You have that in Ghana; Ghana is now 2,110 cedi to the dollar. And don’t forget, the cedi and naira were the same value before. There were two cedi to the pound and two naira to the pound. So, if Ghana can go to 2,000, there is nothing to prevent us from going to 1,000. When they put 550 as the target for Nigeria, Ghana was 1,100 cedi to the dollar. Today, Ghana is 2,000 to the dollar, and they keep saying that Ghana is doing very well. We know that Ghana is not doing well at all; the common man in Ghana is suffering. When you come from America now, with the dollar, you can stay at the best hotel for chicken feed. But

those of us who have naira, we can’t even get a meal—I can’t go; my monthly salary is not enough to spend the day in the hotel.

As I told the government, if we are not careful, we are going to a second round of communism. Because it was free enterprise that give rise to communism in the 20th century. And, if we are not careful, in the 21st century, we are going to get the re-shaping of a communist system.

**EIR:** Don’t you think it would be good if the five parties that are participating in the political process would articulate what their programs are—but they haven’t so far?

**Dr. Aluko:** They have to—but they haven’t so far. By the time the elections are going on, they will have to tell the people what they are going to do. They have to.

**EIR:** We appreciate the work that your committee is doing, and we hope that this will lead to a change in policy. We know that things are going to be changing very rapidly internationally, on the economic scene, and this could be helpful for the work that you and your committee are doing.

**Dr. Aluko:** We are aware of that. Even the World Bank and the IMF themselves are beginning to feel that something is wrong with their prescriptions.

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# Nigeria's perspective for achieving economic growth

*Chief Anthony Ani, minister of finance of Nigeria, was interviewed by Lawrence Freeman and Uwe Friesecke in Abuja on Oct. 27.*

**EIR:** We were here a couple of years ago, and we discussed the condition of the “Asian Tigers,” and there was some discussion in Nigeria that that was the path to follow. Given the developments over the summer, with the collapse of the currency, the collapse of the Hongkong market, what do you think is going on in Asia? Do you think Nigeria now has to look at a different model for its economic development?

**Ani:** In the case of Asia, I believe that we should look at certain fundamentals. The first one is what happened in Mexico, when they were using major market sector funds to invest in medium- and long-term projects. The result of that is that when the demand for this money comes along, the countries aren't able to pay, and there is a run-down of the economy.

Secondly, the issue of some countries' trading in their currencies would have to be looked at; the Asians have a convertible currency traded upon, and this is something that would have to be looked into. This is a great lesson to us here in Nigeria; because the economies in Asia having failed, the tendency will now be for the emerging markets to come to Africa and target Nigeria, maybe South Africa, and Egypt, and we must be very, very careful.

In Nigeria, we must be able to put in place guidelines that will prevent the collapse, what is happening in Asia. We are currently looking into that. We cannot allow the situation of the trading in our currency—when our currency is convertible, in this case. And, secondly, we will not allow the issue of short-term funds being used for long-term projects. Anyone bringing money into Nigeria must deposit it with the Central Bank, because our currency is the naira and not the dollar. The government is not going to go out and borrow money, but if anyone in the private sector borrows money, he must bring the money to Nigeria and not bring the money abroad, and the money brought to Nigeria must be used to generate currency that will be used to repay the loan. We are not going to accept the situation, as previously, when we had companies borrowing money, using the money to buy things that turned out to be useless, that were brought to Nigeria. We've got sand; we've got saw-dust, and these things. This is not going

to happen again. So, it is a great lesson we have learned from the Asians. And, as I said, it is something that is eventually going to come to this part of the world, and we must be able to prevent it.

**EIR:** You were at the IMF meeting in Hongkong in September, and you are familiar with Prime Minister Mahathir of Malaysia's outspoken attacks on speculators coming in and disrupting their economy, for no other purpose than making money on trading currencies, and including George Soros, who was very upset about this. Do you support this kind of statement that is coming from Prime Minister Mahathir?

**Ani:** Well, I do not—I suppose, Mahathir and Soros have had dealings previously, and I would not want to be thrown into their controversy, because they know themselves. Soros has been a currency speculator—in 1992 or 1991, when the pound sterling was at its worst ebb, Soros was involved. And, maybe Soros was also involved in Southeast Asia, because of the weaknesses in those areas. It could also be that the so-called Tigerish attitude of the Asians—they were not Tigers; they were still make-believe, because otherwise I cannot see how Thailand could collapse, and what is happening in Hongkong now, and what is happening in Malaysia. What I am saying, is that we would not accept a situation where our currency is traded upon. The Malaysian currency was being traded upon, and they suffered the consequence. The speculators are there, and they are very big, and we cannot afford that now. So we are not going to take the part of Malaysia, or Thailand or Hongkong, or any of those areas. We have adopted our own guided deregulation, and we are following that religiously, to see that we do things our own way to meet our own aspirations and conditions in Nigeria.

**EIR:** Now, there is an emerging bloc of Asian nations, also supported by China; and Japan came up with the idea of the Asian Monetary Fund, which was supported by the Secretary of the Treasury of the United States, Mr. Rubin. The IMF was very upset about this, because they thought they were going around the International Monetary Fund. But the emerging concept in Asia, is that “we have to protect our currencies and engage in trade.” And, of course, the Chinese are leading the world in trade at this point. How does Nigeria see this pro-

development physical economy approach of the Asian countries, now with China and Japan?

**Ani:** I believe that the group of countries can do things to protect their economies, and I do not see anything wrong in China and Japan leading the crusade to have this monetary union that would provide funds to protect their countries. Of course, it is understandable that the IMF would not be very, very supportive, but I suppose with Secretary Rubin supporting that, they will change. The IMF would not like competitors, and this to me is what is wrong; this is what they are afraid of. I believe that in a situation where you would have the Americans support Mexico—as it happened in Mexico—any group of countries, like Japan and China, can come together to have an association that should be able to put their currencies and economies in their own separate terms; I believe that is right. And if we in Nigeria had those facilities that those countries have in Southeast Asia, we would do the same thing for the Ecowas [Economic Community of West Africa States] countries, to protect them. Because after all, we live together; we are the same people; we trade together; we must be able to protect ourselves. Any sovereign nation should be in the position to protect its economy.

**EIR:** I agree with that. It appears now more and more the case, that the IMF is not really working; it's not helping. It makes loans to Thailand; it is now in negotiation with loans to Asia, but this does not stop the hemorrhaging; this does not stop the collapse of the currencies of the market. As you know, Mr. LaRouche is calling for a New Bretton Woods System,

saying that the IMF doesn't function. And you may know that there was extensive coverage of Mr. LaRouche, alleging that he was behind some of the statements that Dr. Mahathir made in Asia. What are your views on this question, in terms of our approach; and whether this is going to grow, as it becomes clear that the IMF policies are not succeeding?

**Ani:** One would not—one would want the IMF to be in existence, because there are some countries, poorer countries, that may be condemned for the future. But, as I said, I support the idea of regional integration and general assistance, and I would not think that the IMF would succeed in preventing Japan and China from protecting the economies in their sub-region. China is the biggest economy in the world today. And Japan is also as big as any other country. They have a right to protect themselves, in these areas. I think that is what they should do. Nigeria supports them.

**EIR:** Following the presentation of your budget here in Nigeria, we have seen in the press a lot of discussion that says: Yes, your tight internal monetary supply policy has brought down inflation, but it has also created other problems, which are at least as severe as inflation. For example, I saw a report in the press by the Association of Manufacturers, which says that capacity utilization is down to 30%—

**Ani:** Thirty-three percent.

**EIR:** —and that this is hurting the little money supply that is there, and is hurting the economy. How do you address this problem, and how do you respond to that?



A scene in Lagos. "My job now," says Finance Minister Chief Ani, "is to release some funds, get things in place, go for growth, development, and then make the people feel the impact of what we have been trying to do."

**Ani:** When we took over the Ministry, we had a situation where the inflation had skyrocketed. The deficit for 1993 was 13% of GDP. That of 1994 was 9% of GDP. We had to take some action to bring the macro-economic variables into line with what is internationally accepted. That entails withdrawing money from the system and trying to get inflation under control. We have now been able to control inflation. We have now been able to get sufficient reserves in the economy. We have now been able to get the interest rates in check. If I wanted deficit budgeting, I could do that, but it must be for the purpose of growth and development. It would not be in the laissez-faire attitude that we had adopted.

So, having done all this now, our next problem is to attack the issue of growth and development, and this is what the next budget is going to be. It would have been very difficult for me to check inflation, and at the same time to have growth. I don't know, it wasn't magic, that people expected me to do. But I've been able to contain the macroeconomic variables that are affected, whatever anybody would have done. My job now is to release some funds, get things in place, go for growth, development, and then make the people feel the impact of what we have been trying to do.

When I came in here, I had \$700 million in national reserves; today, I have about \$7.5 billion in national reserves. So one can talk of confidence in the economy, confidence in the currency. I'm not borrowing money, again. I've been able to reduce my debt stock from 32 billion to 27 billion. If you take all these things—I know that the debt overhang is one of the things that most cripples any economy. You find that we are doing our best. But, having done the three-year period of economic stability, we are now narrowing down to economic growth and development.

With respect to your question about the Association of Manufacturers, I've spoken to them. In countries where you have domestic markets not improving, you go for exports. I've told them to manufacture for exports. We have the Eco-was region, with about 200 million people; there is a market there. They should be competitive, and make their goods at an international standard, so that they can compete in the markets abroad. By doing that, they should be able to get capacity utilization. I know that we have not been able to increase wages for anybody for the past few years, but then again, it was to enable us to take control of a situation that was running away from us. That is going to be done. When that is done, there will be more cash in the hands of people, to stimulate business. We have been able to pay the local contractors their debts. That again, continues to stimulate the economy. The point now is that people know their rights; if you manufacture, and it is not up to standard, they will not buy. So, let the manufacturers do their own work properly. As I said, we have got one side of the balance sheet right. My next target is to get the rest of the balance sheet in place. When I do that, we are okay.

**EIR:** What is your time-frame on that? Because if one looks

at certain situations, for example, that lecturers at universities are paid 7,000 nairas a month—

**Ani:** The minister of finance is paid 5,000 nairas a month—

**EIR:** But that's hardly enough for the average man in Nigeria to live a month, in a family.

**Ani:** It's because I have worked before. I have made a living. I have been comfortable. I don't need the salary as minister of finance to live.

**EIR:** But a lecturer at a university does need his salary.

**Ani:** Yes, a lecturer at a university does. We are going to look into that next year. Definitely, the 1998 budget would take care of all things like that.

**EIR:** Again, dealing with the domestic situation, you have \$7 billion reserves, which is very good, but you have a situation where people are not living well in Nigeria. You have an informal economy as bad as the last time we were here.

**Ani:** Yes, yes.

**EIR:** Now, from our standpoint of economics, through looking at history, the best way to stimulate the economy directly, would be for the government to involve itself in massive infrastructure development. There has been some in road improvements and rehabilitation, but that's not significant. What plans does Nigeria have for hiring millions of people who are presently misemployed, unemployed, putting them to work? We were told that the budget allows 65% of the revenue goes to pay salaries; 25% goes to pay for development. How would we—

**Ani:** That's not right.

**EIR:** Okay, it would be good to correct us on that. But the question that we have seen in developing countries—and this was the weakness of the Asian Tigers—is that if there is massive, not minor, but significant infrastructure development which brings in new technology and employs people, this is one of the ways to stimulate an economy that has a so-called weak domestic market. What plans does Nigeria have for this?

**Ani:** Well, in 1997, the infrastructures, we allocated 23.6% of our budget, to infrastructure. We allocated 11.5% of our budget to education. We allocated 8.8% of our budget to agriculture, water resources, and rail development. We allocated 11.9% to defense. We allocated 8.4% to police and security. We allocated 8.5% to industry, solid minerals, commerce and tourism.

So, there was quite a spread of the funds into infrastructure. But I am not particularly satisfied, as minister of finance. The point you raised was right. What is the point of having \$7.5 billion, when things are not happening? But, don't forget that the \$7.5 billion is an accretion of excess over what we are budgeted. We have budgeted the oil at \$17 a barrel. The excess over \$17 is what we have put in reserve. So, we have actually spent the \$17, but the excess is what we have put in reserve. It is now for us to decide in 1998 what we are going to use this excess for. In 1997, we used part of the excess to augment



the deficit. We had a deficit of \$45 billion, but we used the excess to wipe out this deficit. So, we are using this excess to meet the budget. We intend to look critically in 1998, at how we are going to use this excess, that accrued in 1997.

We have indications that the educational system has collapsed; we would look at how we can revamp the education from grammar schools, high schools, to the universities, using the excess money that we have. We will look at infrastructures again; the PTF is looking at the roads; we will look at our communications systems, because we believe that, if we have a good communication system, we can link up with the international community abroad and get things going in our educational system. The World Bank has a system now, where you can link up with universities abroad through the E-mail and Internet, and [which] sells the books from the other universities. We want to do that, but we have to improve our communications system.

These are things that we want to do in 1998. So, your question is very, very relevant. It is not that we want to keep this money perpetually, or keep it in foreign banks, where the foreign banks have to use it to develop their own countries, but we are going to use it to develop our own country, and that is what we want to do in 1998.

**EIR:** One final question. We were here in 1995—

**Ani:** I know—

**EIR:** — and did a presentation at the Second Nigerian Summit, and I think people in Nigeria and in the government are familiar with *EIR* and Mr. LaRouche and his forecasts of the economy and his solutions. Would you say that what we had discussed two years ago, has turned out to be accurate, and are you looking for Nigeria to be part of—

**Ani:** We adopted some of your suggestions, in 1995. The people were hostile to you, some of the people, at the economic summit, were hostile to your suggestions. But, we, at Finance, adopted some of your suggestions and *they have worked!* And so far as I'm concerned, I mean, the economy that we put in place, the economic policies that we put in place in 1995 and 1996, they have worked.

All that we need now, is to get growth and development, and we are planning towards that. If we are able to do what I've just told you, invest heavily in education, invest in infrastructure, get the people at the grassroots— We have divided the grassroots into 8,005 wards. The government is going to finance every ward to do cottage industry, using our own local technology. The question of employment will come in that regard; we are going to finance, to turn them into cooperatives; every ward will be a cooperative, and we are going to give them loans, interest-free loans, payable in 10-20 years, for them to be masters of their own destiny, and have their own industries. So, this is the answer to our employment policy.

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**KINGPIN:** Former President George Bush, who is a board member of Barrick Gold, which led the 1996 mining companies' invasion of Zaire. Here, Bush visits Barrick's Goldstrike facility in Elko, Nevada, along with former Canadian Prime Minister Brian Mulroney.



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**FRONTMAN:** Virginia Congressman Frank Wolf



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## French police hush up new leads on Diana's murder

by Jeffrey Steinberg and Allen Douglas

For four weeks, French police investigating the Aug. 31 car crash that killed Princess Diana, Dodi Fayed, and driver Henri Paul, have failed to provide investigating magistrate Hervé Stephan with a single shred of new evidence — despite the fact that dramatic new details of the tragic incident have surfaced, potentially implicating several British intelligence agencies in the deaths, and further exposing the French authorities' own cover-up.

Sources close to the French probe have told *EIR* that the French police do not wish to provide civil parties to the case — including the families of the deceased — with any of the new leads, which strongly support the view that the fatal crash was a highly professional vehicular homicide, not a case of drunk driving, as the French government continues to claim. Under French law, civil parties to a preliminary criminal probe are entitled to full access to the magistrate's working file, as the case proceeds.

Sources familiar with the withholding of the new evidence told *EIR* that they do not exclude the possibility that magistrate Stephan, and a second magistrate, Marie-Christine Devidal, are themselves complicit in the concealment. In a highly unusual move, immediately following the crash, French officials named Devidal as a second magistrate to “oversee” the Stephan investigation. She has been identified as a hard-line Socialist Party operative, associated with the late President François Mitterrand, and is believed to be a key player in the cover-up.

As *EIR* first detailed on Nov. 21, the French authorities have been carrying out a cover-up of the circumstances surrounding the crash — intimidating witnesses, burying crucial evidence, and feeding out a steady stream of disinformation through an all-too-willing Paris media. Despite these efforts by the French government to cover up the evidence that Princess Diana and Dodi Fayed were targets of a murder plot, there are still gaping holes in the French cover-story, centered around two aspects of the case: the vehicles involved in the crash, and the delay in providing medical care for Diana, who was still alive after the crash.



*“Off with her head!” screamed the Queen, in Lewis Carroll’s Alice’s Adventures in Wonderland. At the time of Princess Diana’s death, Queen Elizabeth II and Prince Philip had been conducting a covert war against Diana, Dodi Fayed, and Dodi’s father, Mohamed al-Fayed. New evidence is coming to light in the case, even as the French authorities’ cover-up continues.*

First, there is the issue of the missing Fiat Uno, which collided with the Mercedes carrying Diana and Dodi, causing the fatal crash. A half-dozen witnesses have told French authorities that the Mercedes was being chased and harassed by several cars and motorcycles in the moments preceding the crash; and several of those witnesses specifically described a dark-colored Fiat Uno as one of the cars involved. After one month of denials, the French authorities were forced to admit that paint from a Fiat Uno was found on the side of the Mercedes, and other parts of the Fiat were found at the crash site.

Ultimately, the police also admitted that they had identified the Fiat as a turbo model, built between 1984 and 1987. That model was faster than the Mercedes 280-S carrying Diana and Dodi, and had greater acceleration.

### **Early leads on a second car**

On Dec. 3, 1997, Associated Press issued a news wire, reporting that on the day of the crash, French police investigators were already convinced that at least one other car had been involved. A drawing prepared by investigators, done to suggest how the crash had occurred, was revealed by AP, after it had been suppressed by French police for months. According to AP’s Deborah Seward, “Within hours of the accident that killed Princess Diana, French investigators thought a second car might be involved in the crash, the first official sketch of the scene shows. The detailed diagram obtained Wednesday by The Associated Press from informed

official sources was made Aug. 31, the same day as the crash along the Seine River.

“The drawing is interesting,” Seward wrote, “because it offers a detailed look at the crash site, and it shows ‘a probable collision zone’ between Diana’s Mercedes and another car in the Place de l’Alma traffic tunnel where the princess, her companion Dodi Fayed, and their driver Henri Paul died. . . . The diagram shows red glass found at the scene of the ‘probable collision zone’ between the two vehicles, where a 19-yard skid mark was indicated. While the drawing shows other cars or motorcycles traveling in the tunnel at the same time, it does not indicate how investigators thought the small Fiat entered the tunnel—or got away.”

Seward added, “The diagram also shows a second 32-yard skid mark, ending at the 13th pillar where the Mercedes crashed, killing all but bodyguard Trevor Rees-Jones.”

### **Was the Fiat modified?**

On Nov. 23, a 2-million-circulation British weekly, *The People*, reported that further forensic tests on the Mercedes suggested that the missing Fiat Uno had been weighted down. According to a British law enforcement source working in liaison with the French investigators, who spoke to *The People*, “When police found the Fiat had been weighed down, they knew they had unearthed a crucial ‘piece of the jigsaw.’ At first they couldn’t understand how a ten-year-old Fiat Uno had the speed or bulk to knock the Mercedes into a fatal spin.” A British Special Forces veteran, aware of the new details,



*On the day of Princess Diana's death, the London Sunday Mirror reported that Queen Elizabeth II and Prince Philip (shown here) were furious about Diana's relationship with Dodi Fayed, whom Philip reportedly described as an "oily bed-hopper."*

told *The People*, "If this is true then the ambush was a very professional job."

### **Murder by delay**

The second critical aspect of the tragic events of Aug. 31 that the French have so far been unable to totally cover up, is the circumstances under which Princess Diana died. Two of the passengers in the Mercedes — driver Henri Paul and Dodi Fayed — died instantly, when the car rammed head-on into the 13th pillar in the center of the short tunnel. Bodyguard Trevor Rees-Jones, who was seated in the front, survived. Princess Diana also survived the initial crash. She was suffering from serious internal bleeding, according to initial testimony of the first qualified medical expert to arrive on the scene, Dr. Frédéric Mailliez.

However, as Dr. Mailliez originally told a French medical journal, Princess Diana had a very real prospect of surviving the crash — if she had received proper medical care. A number of emergency medical specialists interviewed by *EIR*'s Paris bureau, by editors of *The Scotsman*, and by other investigators, all confirmed that the only proper medical treatment for internal bleeding is to get the victim immediately to a hospital for surgery to repair the damaged veins and arteries, and administer blood transfusions.

Yet, in the case of Princess Diana, it took one hour and 43 minutes from the time that emergency rescue teams arrived at the crash site to get her to La Pitié Salpêtrière Hospital. For more than one hour, Princess Diana remained inside the tunnel. Contrary to initial lying French government claims, she was not pinned inside the rear compartment of the Mercedes. In fact, one of the paparazzi who had been stalking Diana and Dodi all day, Romualt Rat, was seen and photographed by other eyewitnesses, leaning over Princess Diana in the back

seat of the car, moments after the crash. The rear door of the Mercedes near where Princess Diana was still sitting, was opened, and rescue workers had easy access to her.

Once Princess Diana was taken from the tunnel — one hour after rescue workers got her out of the car — it took another 43 minutes to drive her four miles to La Pitié Salpêtrière!

What is worse, there were five other hospitals — all capable of carrying out the emergency surgery — that were closer to the crash site than La Pitié Salpêtrière (see **Figure 1**). Three of the hospitals — Hôtel Dieu, Val de Grâce, and Cochin — were along routes between the tunnel and the hospital where she was eventually taken. One leading Paris emergency medical professional explained to *EIR*'s Katharine Kanter that VIPs are normally taken to Val de Grâce Hospital, which is a military hospital with an outstanding emergency medical staff, state-of-the-art operating facilities, and a Medivac helicopter, capable of rushing crash victims to the facility in moments.

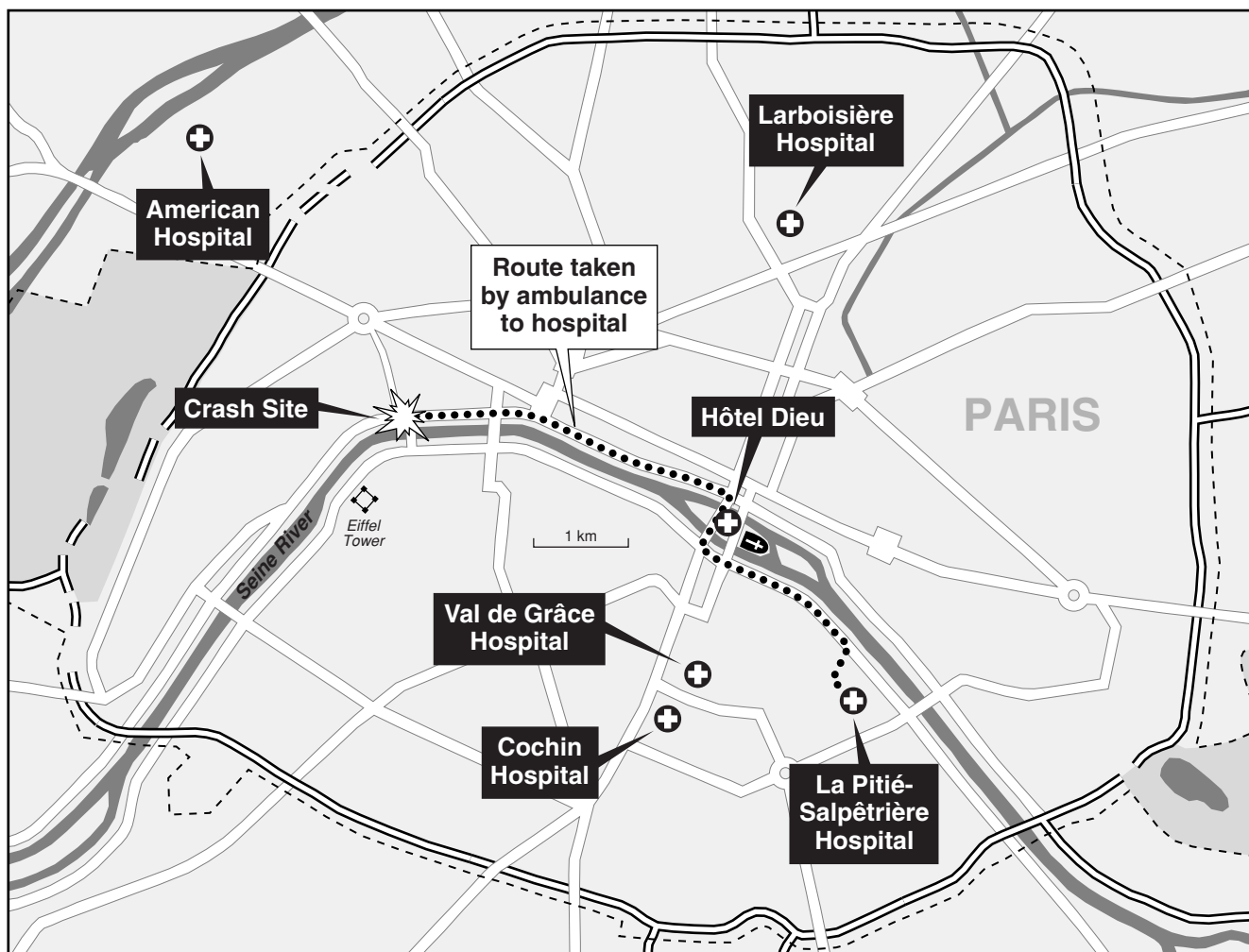
In the case of Princess Diana, whose life hung in the balance, everything was done wrong. When the ambulance finally got within 500 yards of La Pitié Salpêtrière — after having driven directly past Hôtel Dieu Hospital — the driver pulled over to the side of the road, and sat for 10 minutes in front of the Natural History Museum. By the time Diana finally arrived at the emergency room — nearly two hours after the crash — she had already bled to death.

### **Who was in charge?**

As the *EIR* probe of the circumstances of the death of Princess Diana zeroed in on the complicity of the French authorities after the fact, contributing editor Lyndon LaRouche insisted that one vital question be answered: Who was in charge of the so-called rescue effort? It was critical, he argued, to determine whether the fatal mishandling of the

FIGURE 1

**Five hospitals were closer to the tunnel**



*There are five hospitals that were closer to the crash site than La Pitié Salpêtrière, where Princess Diana was taken. Among those that her ambulance passed up, was the French military's Val de Grâce Hospital, where VIPs are almost always taken, and which is reputed to have the finest emergency room facilities in Paris.*

emergency medical treatment of Princess Diana was the result of bungling or panic by low-level emergency rescue workers, or whether more senior government officials were on the scene, calling the shots.

A variety of sources ultimately confirmed to *EIR* that very high-ranking French government officials and bureaucrats were on hand. Philippe Massoni, the Paris Police Chief, was at the Place de l'Alma tunnel sometime shortly after the crash. And French Interior Minister Jean-Paul Chevènement arrived at La Pitié Salpêtrière Hospital *long before the arrival of the ambulance carrying Princess Diana!* Within moments of the arrival of the first fire trucks at the tunnel site — approximately 16 minutes after the crash — every hospital in Paris was informed, in detail, about the crash. According to one senior

French emergency medical specialist, the “entire system” knew that Princess Diana was one of the surviving victims.

Had the incident occurred in the United States, both Massoni and Chevènement would probably have already been indicted on manslaughter or murder charges, for their roles in Princess Diana's death.

**British dirty tricks and surveillance**

While the French government, at the highest level, has been directly implicated in the circumstances of Princess Diana's death, there are also growing indications that the British monarchy had its agents swarming around Diana and Dodi in the days leading up to their murders. In another stunning revelation, *The People* reported on Nov. 30 that GCHQ, Brit-

## Hollinger hit-man targets al-Fayeds

After six months of absence from the pages of the Hollinger press, the *Telegraph* newspaper's leading poison pen, Ambrose Evans-Pritchard, has surfaced with a series of vile slander stories, targeting Mohamed al-Fayed, the father of the late Dodi Fayed, and the owner of Harrods Ltd. department store.

From 1993 to the summer of 1997, Evans-Pritchard was the Washington bureau chief of the *Sunday Telegraph*, in which capacity he led a non-stop effort to destroy the Clinton Presidency—on behalf of the British Crown and British intelligence. In a candid 1994 interview with a Washington journalist, Evans-Pritchard boasted that he worked closely with MI6 station chiefs in every country where he was assigned as a “journalist.” His father, Sir Edward Evans-Pritchard, was a cultural anthropologist who worked for British Military Intelligence and the British Colonial Office in Africa.

Ambrose Evans-Pritchard first surfaced against the al-Fayed family in the Dec. 1, 1997 issue of the *Daily Telegraph*, co-authoring a story with the paper's chief City correspondent, Philip Johnston. The story was a fabrication, which claimed that unions representing workers at Harrods were planning to sue Mohamed al-Fayed over alleged “phone tapping.”

On Dec. 5, Evans-Pritchard wrote another slander, which sought to portray Mohamed al-Fayed as paranoid about threats to his life. The story gave details about the security arrangements of the Harrods owner, based on information provided by a disgruntled former security director, who has been otherwise implicated in the recent deployment of House of Windsor thug Tiny Rowland, against the al-Fayed interests. — *Jeffrey Steinberg*

ain's equivalent to the American National Security Agency (NSA), had been monitoring Dodi Fayed's mobile telephone at the time of the crash.

“British secret agents had been monitoring Dodi Fayed's mobile phone calls—including intimate ones with Princess Diana,” *The People* reported. “The Government's huge GCHQ secret communications station also listened for information that would link him with shady businessmen and drug dealers.”

*The People's* Paul Baldwin continued: “A Whitehall source has revealed that many MI6 officers, who swear an oath of allegiance to the Crown, wanted to dig up dirt on the playboy film producer.” The source told Baldwin, “MI6 knew

that any revelations about Dodi and drugs would force the Princess to break off her relationship with him.”

A leading British security specialist, interviewed by *EIR* following the publication of the Nov. 30 *The People* story, added another dimension. While Cheltenham GCHQ would have all the necessary technology in-house to monitor all of Dodi Fayed's mobile phone conversations in Britain, they would have to obtain the cooperation of the French authorities to carry out similar monitoring while he was in France. Such cooperation is routine, the source pointed out. “You go in with an official piece of paper and you wave it, saying, ‘I am from GCHQ, or MI6, or whatever, and we are interested in these particular numbers. . . .’ You are working as a foreign agency in another country. In order for them to monitor a phone in Europe, they would have to have the assistance of the local authorities.”

The source reiterated that GCHQ, in order to monitor Dodi Fayed's mobile phone, had the cooperation of the French, “without a doubt. If we can tie this down, it proves them as being totally complicit.”

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## Documentation

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### Royals were steering MI6 campaign vs. Diana, Dodi

On Aug. 31, the day of the crash that killed Princess Diana, Dodi Fayed, and Henri Paul, the London Sunday *Mirror* published a brief news item, by Andrew Golden, under the headline, “Queen to Strip Harrods of Its Royal Quest.” The article established that, at the time of Princess Diana's death, the Windsors had been conducting a covert war against the former wife of Prince Charles, her friend Dodi Fayed, and Dodi's father, Mohamed al-Fayed, already a longtime target of Windsor venom, and of dirty tricks by royal asset Tiny Rowland.

“The royal family may withdraw their seal of approval from Harrods as a result of Diana's affair with the owner's son Dodi Fayed,” the *Mirror* story began.

“Senior Palace courtiers are ready to advise the Queen that she should refuse to renew the prestigious royal warrants for the Knightsbridge store when they come up for review in February.

“It would be a huge blow to the ego of store owner Mohamed Al Fayed—and would infuriate Diana, who was yesterday understood to be still with Dodi aboard his yacht, near the Italian island of Sardinia. But the royal family are furious about the frolics of Di, 36, and Dodi, 41, which they believe have further undermined the monarchy.”

The *Mirror* singled out Prince Philip as one architect of the Windsors' campaign against Diana and Dodi. “Prince Philip, in particular,” Golden wrote, “has made no secret as

to how he feels about his daughter-in-law's latest man, referring to Dodi as an 'oily bed-hopper.' ”

But, it was not Philip alone who had it in for Princess Diana and the al-Fayed family. The formal structure of the monarchy had taken up the war against the Spencer and al-Fayed families as a royal priority, according to the *Mirror*.

“At Balmoral next week, the Queen will preside over a meeting of The Way Ahead Group where the Windsors sit down with their senior advisers and discuss policy matters.

“MI6 has prepared a special report on the Egyptian-born Fayeds which will be presented to the meeting.”

The Sunday *Mirror* report turned back to the role of Prince Philip:

“The delicate subject of Harrods and its royal warrants is also expected to be discussed. And the Fayeds can expect little sympathy from Philip.

“A friend of the royals said yesterday: ‘Prince Philip has let rip several times recently about the Fayeds—at a dinner party, during a country shoot and while on a visit to close friends in Germany.

“‘He’s been banging on about his contempt for Dodi and how he is undesirable as a future stepfather to William and Harry.

“‘Diana has been told in no uncertain terms about the consequences should she continue the relationship with the Fayed boy.’ ”

As *EIR* has reported since 1994, Prince Philip functions, not only as the chief of a worldwide ecological-terrorist apparatus, run through his World Wide Fund for Nature (WWF) and its secret funding arm, the 1001 Club. He has also presided, for the past 40 years, over the Club of the Isles, the London-centered secret structure of the global financial oligarchy, which draws upon several thousand of the most powerful families of the Anglo-Dutch elite.

Even more ominous is the fact that assets of Prince Philip’s WWF/1001 Club combine, including the late Canadian Special Operations Executive (SOE) wartime spy, Maj. Louis Mortimer Bloomfield, were strongly implicated in the early 1960s assassinations of President John F. Kennedy, and Italian patriot Enrico Mattei. More recently, the same WWF-centered apparatus threatened the life of French President Jacques Chirac, when Chirac briefly flirted with the idea of building a strong relationship between France and the United States—at the expense of Great Britain.

Given this murderous track record of Prince Philip’s apparatus, the closing sentence of the Sunday *Mirror* article was particularly chilling:

“*But now the royal family may have decided it is time to settle up*” (emphasis in the original).

The *Mirror* story hit the British newsstands just as Britons were learning about the deaths of Princess Diana, Dodi Fayed, and Henri Paul.

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## The systemic threat of disintegration in Russia

by Konstantin George and Rachel Douglas

The cupboard is bare. Heads will roll. By the time of the Russian President's weekly Friday radio address to the nation on Nov. 28, it had dawned on him, and not only him, that his big political promise of the latter half of 1997, to pay state sector wage arrears by the end of the year, was in jeopardy, and that just beyond a failure on that account, could come the crash of the whole charade of this decade's Russian "reforms," in an explosion that dwarfs any other national-sector events in the process of global financial breakdown.

Boris Yeltsin expressed anger, that his wage schedule had been subverted. "The treasury has no money to pay debts to public-sector workers. The obligation of the government to pay them by Jan. 1 is in jeopardy," he said. He threatened to purge the government, yet again: "It's bad when people in the government often change, but it's even worse when bad ministers stay in place." The daily *Nezavisimaya Gazeta*, in a front-page cartoon, depicted Yeltsin as a medieval executioner, measuring the head of First Deputy Premier Anatoli Chubais, while sitting on a pile of skulls of previous, now departed right-hand men. The "Puppets" satirical program on NTV portrayed the whole Russian government, on its way to a session of the Inquisition.

A review of government work on economic policy and personnel set by Yeltsin for Dec. 1, was postponed for at least one week. In the interim, Yeltsin begged the State Duma, Russia's parliament, to give preliminary approval of a 1998 budget for the Russian state. The surviving members of the so-called "young reformers" clique in the government, around Chubais, plunged into a mad scramble for emergency financial aid.

By the beginning of December, the three main sources of cash for the wage pay-out and other state spending (of which

the largest line is debt service, accounting for over one-quarter of expenditures) had disappeared. The International Monetary Fund (IMF) still had a freeze on the latest \$700 million tranche of its three-year credit to Russia, stopped in October because of low tax revenues. The Russian government's plan to raise as much as \$2.5 billion more this year (double the 1997 amount to date) by the sale of state property, announced while Chubais ally Maksim Boyko was still privatization minister, had run aground on the shoals of the international financial crisis: The Nov. 23 auction of 34% of the shares of Eastern Oil Company, revenues from which were going to be used to pay the wage arrears, failed when only one bid was entered. Central Bank head Sergei Dubinin said on Nov. 25 that the privatization schedule had been thrown off by the international financial crisis, because Russian banks were finding it more and more difficult to borrow money.

Third, there was the stampede of foreign funds out of Russia's short-term state securities market, which had already reached at least \$5 billion as of Nov. 21, according to testimony before the Duma by Central Bank chief Dubinin. Financier Boris Jordan, in a statement the day before, estimated the total withdrawn by foreigners from the GKO (three- and six-month treasury bills) market at \$4 billion, and projected flight of another \$1-2 billion in December. Neither figure is iron-clad, because there is a four-week delay in settling up GKO transactions. By Dec. 3, Dubinin was saying that \$8.5 billion worth of GKO had been dumped. The biggest disinvestors in Russia have been South Koreans, who pulled out \$2-3 billion since late October, and Brazilians, with \$1 billion.

The Russian Central Bank has been spending as much as \$1-1.5 billion *every two days*, to intervene in the GKO market. As prices crashed and yields soared to 45% per annum, the



combined GKO holdings of the Central Bank and the state-run savings system, Sberbank, surpassed 85% of all GKOs! According to Dr. Sergei Glazyev's Department of Information and Analysis, at the Federation Council (upper house of parliament), "the bankruptcy of the Russian state" is at hand. The sober analysis by Glazyev's staff (see box) is echoed in panicky commentaries in international financial centers, where the geostrategic meaning of a Russia blowout, transcending the nominal financial dimensions, is not missed.

The London *Economist* of Nov. 22, for instance, projected an existential crisis of Russian state finances, if the GKO market were to collapse. When foreign investors pull funds out of the ruble-denominated GKOs, they convert their funds to dollars, which drains the Central Bank's reserves. If foreign investors were to pull out the entire \$20 billion they hold in GKOs, it would exhaust nearly all the Central Bank reserves, stressed the *Economist*.

The Dec. 3 status report from the Federation Council's research service clocked the process of drainage of Central Bank reserves at \$8 billion spent, \$4.5 billion still held in gold, and \$10 billion in currency remaining. Dubinin's Dec. 3 figures showed only a slightly less disastrous rate of dissipation: \$18 billion was left of gold and currency reserves, he said, of which \$4.8 billion was in gold, and \$13.2 billion in liquid cash.

The eagerness of London and IMF financiers to patch together an illusory bailout of Russia, is matched by that of the Russian comprador caste, which has ruled and bled Russia white by IMF-mandated looting practices for six years, but faces political elimination when the crisis of state finances reaches a point of no return.

### **S.O.S. from Russian free-marketeers**

Even the publicly reported sequence of events illustrates the desperation of the Russian comprador group and its Western superiors.

On Nov. 26, Central Bank Deputy Chairman Sergei Aleksashenko and Sergei Vasilyev, deputy head of the Presidential Administration, flew to Washington for urgent talks at the U.S. Treasury, the IMF, and the World Bank, seeking a multi-billion-dollar bailout package. Figures in the \$5-7 billion range, or as high as \$10 billion, were leaked as the magnitude of funding they wanted, to stabilize the ruble, although Chubais claimed that "no concrete quantitative targets or parameters were discussed." Minimally, if the frozen IMF tranche were issued, and matched by release of an early-1998 tranche, that would bring \$1.4 billion in IMF funds, and free up \$1 billion from the World Bank, which is contingent on IMF approval of Russia's performance. The duo was expected to begin making arrangements for a much larger bailout sum, to be provided by the United States, Germany, and other Group of Seven members.

On Sunday, Nov. 30, German Chancellor Helmut Kohl

met with Yeltsin in his residence outside the Russian capital. As Kohl confirmed to reporters at the airport as he departed, international financial aid for Russia was high on their agenda.

On Dec. 1, Yeltsin chaired a session of the Russian Security Council on the crisis of state finances and the Russian banking sector, the first time such an agenda at a Russian Security Council meeting, with the President in the chair, has been announced.

That same Monday, an IMF mission arrived in Moscow for a week of talks, which obviously would go far beyond the issue of the suspended \$700 million tranche. Chubais, acknowledging that that was not enough, let it be known that he was approaching Salomon Brothers, Crédit Suisse First Boston, Chase Manhattan, and Deutsche Morgan Grenfell—leaders among the private financial agencies involved in Russia—to assemble an emergency bridge loan for Russia. It would not be the first such private bailout operation, since George Soros stepped in to tide the Russian government over on earlier occasions, but it was the first time a high-ranking government official has publicly lobbied for such an intervention. On Dec. 4, a Crédit Suisse First Boston spokesman said that such a credit was indeed in the works, and wire services, citing London banking sources, described it as a 6- or 12-month \$2 billion credit. Russia will have to pay a premium.

In advance of putative larger funding packages, the Russian authorities are scrounging for any other peanuts they can find, to provide stability day-to-day. The only money actually scooped up, during the first week of December, was a \$200 million add-on to a Russian state Eurobond issue from earlier this year, managed by SBC Warburg of London. SBC Warburg announced success in finding suckers to buy the debt of a nearly bankrupt great power: In contrast to the earlier Eurobond issue, which was bought by Central Banks and large investment funds, the purchasers this time were medium-sized funds and retail buyers.

Chubais, in the Nov. 28 statement in which he tried to convince the press that Russia was not chasing after emergency funds from the IMF, revealed that he will try to resurrect a new version of his notorious "loans-for-shares" scheme, as an element of the government's scramble for funds. In "loans-for-shares" privatization, banks loaned money to Russian state-owned companies, then grabbed their stock at fire-sale prices, when the firms defaulted. This time, said Chubais, the object is the state's share in Rosneft, the largest remaining state-owned oil company. Its privatization will not be able to take place this year, but the funds are needed immediately, "given the difficulties that have now emerged," so the Rosneft shares may be used as collateral, to borrow funds in advance of the privatization auction.

### **Banking emergency**

On Dec. 2, the Central Bank convened leaders of Russia's top ten financial conglomerates, for emergency consultations

on the financial crisis. Under discussion was a potential \$1 billion fund, which the Russian banks would extend to the state until an international bailout materialized. *Kommersant-daily* reported on Dec. 3 that the meeting was a rough one, as the heads of Oneksimbank, Menatep, Sberbank, Most Bank, SBS-Agro, and Inkombank chorused that the Central Bank's measures were "absolutely inadequate" in the face of the world financial crisis, and accused Dubinin of planning to sacrifice some of the banks.

Bowing to one of the Russian bankers' demands, Dubinin on Dec. 3 announced that the Central Bank refinancing rate would "soon" be raised from 28% level to 36%. Two days earlier, the Central Bank had raised its Lombard rates, the rates on direct lending to the commercial banks, to 36%—attempting, without great success, to keep that rate higher

than the effective yield on GKO's. There is evident fear that the foreign investors' dumping of GKO's will trigger a last wave of exit from that market, by Russian GKO holders. But the bankers complained about the discrepancy between what they pay to borrow from the Central Bank, and the refinancing rate, which has been an approximate ceiling on the return on GKO's.

The banks, like the government, are scavenging for money. In the last week of November alone, Oneksimbank and Menatep got cash injections in the forms of European Bank for Reconstruction and Development loans of \$100 million and \$60 million, respectively. On Nov. 25, *Nezavisimaya Gazeta* reported that Russia's leading banks were in a financial crisis. Other such articles appeared in subsequent days. The Central Bank and most Russian media have worked over-

## Russia on the verge of bankruptcy

As of Dec. 3, the Information and Analysis Department of the Russian Federation Council estimated that Russian Central Bank foreign currency reserves could be exhausted in a matter of days. According to the service, which is headed by Dr. Sergei Glazyev, "the Central Bank is spending its last currency reserves to buy up the GKO's [short-term state securities] dumped by foreigners, who are liberating their capital from the Russian state securities pyramid. For this purpose, the Central Bank is selling \$1-1.5 billion of foreign currency every two days, and has spent approximately \$8 billion for this purpose already. The remaining currency reserves, totalling no more than \$10 billion, will suffice only until the end of the week, if the situation continues. After that, the financial bankruptcy of the state may ensue."

The ruble was allowed to fall to over 6,000 to the U.S. dollar, because the state could not afford to support it at a higher level. GKO prices fell by 3 to 5 percentage points at the beginning of the week of Dec. 1, while other state bonds fell by 5-10%. Yields on some state securities rose above 40% per annum.

The Information and Analysis Service reported: "The Bank of Russia's decision to widen the currency corridor testifies to the shortage of currency reserves. The volume of gold and currency reserves was estimated at approximately \$22.5 billion at the beginning of November [of which approximately \$4.5 billion was in gold], while the

volume of foreign investment in state bonds was estimated at \$20 billion. The outflow of Western investments from the GKO market, according to some estimates, has already reached \$4-5 billion. Support of the GKO market alone, cost the CB 1 trillion rubles per day [the week of Nov. 24]. . . . As of [Dec. 3], the CB is virtually the only remaining buyer for GKO's, and has concentrated around half of the total portfolio of such bonds; together with the Sberbank [state savings bank], which the CB controls, the total is 85-87%. Thus, in trying at all costs to preserve its reputation in the eyes of the IMF and foreign speculators, the CB is spending its last currency reserves to fulfill its obligations to them, shifting the entire weight of the looming financial collapse onto the population's savings in the Sberbank, and the state. In the framework of this policy, a decision is being readied to sell the gold reserves, that are in the CB's control, for the same purposes. But, considering that non-residents have had around \$15 billion in GKO's in the most recent period, even that may be insufficient to maintain the financial pyramid."

Instead of looking for IMF emergency credits, the Federation Council advisory service recommended imposing exchange controls: "In the national interest of Russia, it would be appropriate temporarily to halt the free export of capital from Russia and to stop, until the situation can be calmed, the free convertibility of the ruble into foreign currency for purposes of taking it abroad, with the exception of servicing import operations."

Unless these and related measures for de-dollarization of the economy are adopted, the report concluded, "paralysis may soon grip the entire monetary and payments system of the country. Operations on the interbank market have come to a halt, while interest rates have risen to 50%."

time to denounce “rumors” of a banking crisis, but, on Dec. 1, there was near-paralysis on the Moscow interbank exchange system.

Many of the top Russian banks have new troubles because of a peculiar derivatives operation, related to the agreement on rescheduling \$31 billion of old Soviet debt, which was signed on Dec. 2 between Russia and the London Club of commercial banks. Some \$28 billion of those debts were converted into long-term bonds, called VEB bonds after Vneshekonombank, the Russian Foreign Economic Bank. The VEB bonds were being bought and sold on a secondary debt market, already some months ago. Russian banks were the heavy buyers. They snapped up the VEB bonds at 70% of face value, betting on a rise in price, and tidy profits, after the London Club agreement were signed. If sold now, however, the VEB bonds would fetch only 50-53% of face value.

Once the London Club agreement is signed, on Dec. 5, these bonds must be recorded on the balance sheets of the Russian banks, showing the loss. Vneshekonombank Chairman Andrei Kostin, who negotiated the London Club agreement, said on Dec. 2 that the losses will be large, but “only in the tens of millions of dollars, not in the hundreds of millions of dollars.” However many grains of salt need to be taken with Kostin’s figures: The Russian banks will either have to sell the bonds at a hefty loss, or try to confine their losses to the balance sheet, hanging onto the VEB bonds in a gambler’s hope that they will rise at some later point.

## Panic

Despite the Russian government’s scavenger hunt for a bailout, no big package has come together. The IMF is still refusing even to speed up disbursement of the suspended \$700 million tranche, unless Russia meets new standards of austerity. Martin Gilman, head of the IMF Moscow office, said of the Dec. 1 mission to Russia, that new disbursements any time before February were unlikely, unless “the Russian authorities were to propose a series of measures, particularly in the fiscal area, that would significantly strengthen the package now under discussion.”

The dilemma of the IMF and affiliated financiers was expressed in the Dec. 2 lead editorial of the London *Financial Times*, which warned that the Russian financial crisis, particularly any “sharp drop in the ruble,” could have “dangerous political consequences” and “could even precipitate the downfall of the government.” In the event of such a collapse, “the risks to global political stability are evident,” but, the *Financial Times* fretted, the IMF cannot ignore Russia’s fulfillment of conditionalities and simply step in as lender of last resort, for “if it gave in to Russia, it would be inundated with requests for help from other countries” — which is the case already!

The Jan. 1 wage arrears deadline looms, without the means yet secured, for paying the more than \$1.5 billion due

to state sector workers (out of a total of \$10 billion public and private sector unpaid wages). Deputy Prime Minister Oleg Sysuyev said on Nov. 25, that the government would likely fail to do so. A week later, Sysuyev had to leave the capital to head an investigation in the Kuzbass, the politically volatile Siberian coal district where the worst coal mine accident in Russian history took the lives of 67 miners. The Russian coal industry is deep in arrears, for maintenance as well as labor, and early reports blamed faulty equipment for the methane explosion.

Yeltsin returned to Moscow on Dec. 4 from a state visit in Sweden, during which he exhibited the worst signs of fatigue and confusion since his return from heart surgery and pneumonia nearly a year ago. He rushed to the Duma on the morning of Dec. 5, where he motivated adoption of the government’s 1998 budget draft in the first reading (it passed, by a vote of 239-137), with words that referenced the global dimension of the crisis in his country, “Not only Russia, but the whole world, is awaiting the Duma’s decision, because the whole world financial system is in fever.”

## Free-trader Klaus falls in the Czech Republic

by Angelika Beyreuther-Raimondi

Over the weekend of Nov. 29-30, the Czech government of Prime Minister Vaclav Klaus fell, over a classic scandal of political-financial donations. One company which had profited from a privatization decision of the government, “donated” a sum of money, out of gratitude for receiving privileged treatment, and the money landed in an account of the governing party, the Civic Democratic Forum (ODS). The chairman of the party, Klaus, claims he knows nothing about it, while his vice chairman and former foreign minister, Josef Zieleniec, who had resigned suddenly in October, claims that Klaus was informed about all aspects of the millions of dollars worth of donations from the very beginning. Now, accusations are growing in the Czech media, that the ODS has illegal bank accounts in Switzerland with considerable sums of money parked in them, money paid in by those who profited from the great number of privatizations.

The government was a coalition composed of the ODS, the Christian Democrats (KDU-CSL), and the Civic Democratic Alliance (ODA). On Dec. 13, at the latest, a special party congress of the ODS will elect a new party leadership,

which will then enter into negotiations with the KDU-CSL and the ODA in an attempt to form a new government. Finance Minister Ivan Pilip (ODS), who was most instrumental in toppling Klaus, has announced his candidacy against Klaus. Klaus, on the other hand, sees no other candidate to whom he could hand over the party, and so he wants to remain in the leadership.

President Vaclav Havel and Vice-Prime Minister Josef Lux (KDU-CSL) are advocating the nomination of a non-party person to be the new prime minister. In that scenario, the governor of the National Bank, Josef Tosovsky, is thought to be one of the favorites. The opposition Social Democrats are pushing for early new elections, from which they would emerge as the victors. The next regular elections are scheduled for the summer of 2000.

The reputation of the neo-liberal Klaus has been very much sullied since the last parliamentary elections in June 1996, in which his party received only 29.63% of the vote. President Havel, in his weekly radio addresses, began calling for the resignation of the government as far back as May 1997. Klaus survived a vote of no confidence on June 10, by the slim margin of 101-99.

The International Monetary Fund's "model pupil" Klaus, so celebrated by the neo-liberals, wanted to turn the Czech Republic, for which he served as prime minister for five and a half years (before that he was finance minister), into a "market economy without attributes." He was convinced that he deserved the Nobel Prize for Economics for his performance. And, the Czech Republic was indeed praised as the "model reform country" up to very recently, and the country was rewarded with membership in the Organization for Economic Cooperation and Development (OECD)—the only central and eastern European country to receive that "honor." As things stand now, not much will come of the Nobel Prize idea.

### **Billions are being stolen**

The severely ill President Havel, who is up for re-election on Jan. 20, 1998 for a new term of five years, remarked on the collapse of the Klaus government: "It is grotesque, that the Klaus government was toppled over a party-donations affair of 7.5 million Czech crowns, while billions are being stolen in the Republic!"

Neo-liberal Klaus had indeed turned the highly industrialized and technologically advanced Czech Republic into an Eldorado for those who "steal billions," for money-laundering and organized crime, where petty crime flourishes in the general atmosphere of corruption. Klaus's credo is, that he is not interested in the sources of the money, and that he cannot distinguish between clean and dirty money. The only thing that interests him is that money is invested in the Czech Republic. Many of the people who thought they would become prosperous by selling the stocks they had accumulated in the so-called coupon-privatizations, have learned their lessons in

major cases of fraud committed by the large investment funds, the so-called "tunneling" of investment funds into foreign countries.

### **Production is collapsing**

Worse yet, the industrial production of the country dwindled in the first two months of 1997 by 7%. The necessary infrastructure development is being squeezed at every turn. On top of that, despite strong interventions by the government to support the currency, foreign speculative pressures led to a de facto devaluation of the crown in May 1997, by some 10%. And, in early summer, one-third of the country was so devastated by floods—160 large firms and 10,000 small and middle-sized firms were directly affected—that there should have been an emergency relief and reconstruction program in order to rebuild these capacities. That political decision was never made.

Not surprisingly, the population is becoming dissatisfied. A protest was staged in Prague on Nov. 8 which, despite heavy rain, drew some 120,000 demonstrators, the largest since the "Velvet Revolution" of 1989. The rally was directed against the austerity policies of the Klaus government. It was organized by the Czech Trade Union Association, and it specifically targeted the cuts in social services and price increases for rent, energy, and public transportation. The prices for gas, electricity, and heating have been increased by up to 40%, while child-support funds and other social services have been cut. On July 1, when deregulation of rents went into effect, rents in Prague increased by some 100%, and in smaller cities by 25-60%. New and drastic price increases are scheduled to be put into effect in January 1998, which will eat away at real wages again. Gas and electricity prices are expected to increase again by about 50%; inner-city public transportation and railway prices are expected to increase by 30%.

### **A chance to change policy**

The collapse of the Klaus government hopefully gives the Czech Republic an opportunity to change the direction of its economic policy and to finally develop its immense industrial potential adequately, under a new government, especially in view of its well-trained and skilled population, which has a very high level of general education and a long tradition in engineering and manufacturing. In 1996, the OECD reported in "Education at a Glance," that of total university graduates, former Czechoslovakia produced the highest percentage of scientific and technical graduates in the world, with 39% graduating in those fields. The emphasis on science and technical education, based on a system of apprentice schools, industrial colleges, and advanced education in technical universities, remains strong in the country. The nation can look back on a long and proud tradition (for example, Charles University in Prague was founded in 1348) as one of the key cultural, educational, and manufacturing centers in Europe.

# S. Asia, Land-Bridge hit by new instability

by Susan Maitra and Ramtanu Maitra

Political and economic chaos has gripped South Asia in the last few months, at a time when three South Asian neighbors had begun a serious dialogue to resolve key issues that had affected their relations for decades, and were mooted closer economic and infrastructure collaboration. These developments had led to fresh discussions in independent quarters in India and Pakistan on the urgency of subcontinental participation in building the southern corridor of the Eurasian Land-Bridge.

As India heads toward its third general election in less than two years, during which time three Indian prime ministers have marched in and out of office, Pakistan has managed to maintain its democratic format by the skin of its teeth. In both India and Pakistan, economic inactivity compounded by repeated waves of political instability has taken the spirit out of the population. The time is ripe for old and new enemies to make fresh assaults, economic and political, on the subcontinent.

As an immediate fallout of the latest round of turmoil, the news from Washington is that President Bill Clinton, who is scheduled to visit the subcontinent early next year, may not make the trip. President Clinton's visit, which was built up over months, was to begin a fresh and positive American relationship in the region. Under the circumstances, the calling off of the visit is not surprising, but it would ensure a major setback for all the nations in the region.

## Fresh hopes

Almost five years after the end of Cold War, under a new set of leaders, India, Pakistan, and Bangladesh, with nearly 1.2 billion people among them, began to act on the realization that the survival of each country largely depends on joint cooperation in economic and political arenas. To the north, China's fast economic growth drove some sense, however temporarily, into the leadership of these three neighboring, contending nations.

In Pakistan, the Pakistan Muslim League under the leadership of former Prime Minister Mian Nawaz Sharif romped home in the National Assembly elections with a massive majority at the start of the year. The mandate that Nawaz Sharif received was not for his charisma; it reflected the hope of 110 million people that the new prime minister, strengthened by this huge majority which would protect him from vexing interference by other power blocs within the country, would,

among other things, be able to break through the decades-old logjam with India and help integrate Pakistan's infrastructure, economy, and trade with its larger neighbor.

The prospect of this new equation for a better future was what had inspired the people of Pakistan at a time when the oppressive austerity policy of the International Monetary Fund (IMF) was ensuring poverty, criminalizing the economy, fostering mental depression nationwide, and encouraging the rapid growth of anti-religion fanatics and a thin layer of super-rich. The hope of the people was what Nawaz Sharif got as his mandate.

Nawaz Sharif, who had championed better relations with India during his election campaign, moved quickly on two fronts. He opened the doors for bilateral talks with India for the purpose of resolving the disputed Kashmir issue, and set about to strengthen his position constitutionally by amending that part of the Constitution which had empowered Pakistani Presidents over the years to remove four earlier governments.

In India, the June 1996 elections had brought forth a 14-party coalition government following an aborted 10-day stint in power by the single-largest party, the Bharatiya Janata Party. However unstable that 14-party coalition government under Prime Minister H.D. Deve Gowda might have been, it nonetheless began a serious dialogue with Bangladesh, where a new leadership under Sheikh Hasina Wazed was showing keenness to improve relations with India for her country's benefit. This initiative, undertaken during Prime Minister Deve Gowda's short stay in office of nine months, had concrete results in the form of solutions to a list of vexing and nagging issues which had kept these two countries virtually isolated from each other.

## New moves

In April 1997, the Deve Gowda government was brought down, and a new government, with the same cabinet members, but under the leadership of former Foreign Minister Inder Kumar Gujral, took over. Though an erudite foreign minister, Gujral was a consensus candidate with no political base. As prime minister, he continued to do well in the area of foreign relations, in spreading confidence within the subcontinent, and among the major powers such as the United States and China, that India's role is now to see how the three neighbors can develop an amicable relationship bolstered through vigorous participation in trade and utilizing each others' infrastructure facilities. The "Gujral doctrine," as it has come to be called, ensures that India, with 950 million people and a much larger agro-industrial and technological base than its smaller neighbors, will not dictate its economic and strategic policies on the basis of reciprocity, but will instead relate to its smaller neighbors as a friend and helper. The idea caught on.

In Bangladesh, Sheikh Hasina Wazed, daughter of the founder-revolutionary of Bangladesh, Sheikh Mujibur Rahman, came to power on a campaign of settling the water-

sharing agreement with India, among others. With India evoking the Gujral doctrine to draw up a satisfactory water-sharing agreement, Bangladesh-India relations were on a roll. Having gained a major political victory, Sheikh Hasina quickly moved in to remove secessionists and insurgents from India's northeast region who had set up camp inside Bangladesh with the tacit approval of the previous regime. She also agreed to India's request to provide transit through Bangladesh for access to India's troubled and mountainous northeast region. India and Bangladesh began working toward establishing a rail link.

Sheikh Hasina also began the diplomatic process for the implementation of the Asian superhighway, and the trans-Asian railway project, along the route identified as the southern corridor of Eurasian Land-Bridge. To the utter dismay of World Trade Organization bureaucrats, India proposed setting up a sub-regional economic grouping which would include India, Bangladesh, Nepal, and Sri Lanka. The Bangladesh prime minister also planned a three-nation summit for Nov. 23, which would include India, Pakistan, and Bangladesh, to discuss policy perceptions. The summit was subsequently cancelled. In other words, a number of irons were placed in the fire, but things have changed abruptly for the worse.

### **Washington vs. London**

The signals that India and its long-feuding neighbors were moving into a new geometry was well-received in Washington, but not in London. When prime ministers Gujral and Nawaz Sharif addressed the United Nations General Assembly in October, President Clinton made it clear to these two leaders that Washington strongly approves of the improvement of relations in the region, and supports the resolution of the disputed Kashmir issue through bilateral talks between Islamabad and New Delhi. He also indicated that he would be visiting the subcontinent in the earlier part of 1998, and that Washington was in the process of unfolding a South Asia policy based upon constructive actions, and not geopolitics.

A series of high-level visits to the subcontinent from Washington in preparation for President Clinton's visit, culminated in the visits of U.S. Undersecretary of State for Political Affairs Thomas Pickering and U.S. Secretary of State Madeleine Albright. Besides agreeing to combat terrorism, a problem of threatening proportions all over South Asia, the high-level U.S. dignitaries made clear that Washington desires to begin a "strategic dialogue" with the nations in the region, and India in particular. This is a palpable shift in U.S. policy vis-à-vis Kashmir, and it reflects a genuine interest on Washington's part to look at the region with clear and friendly eyes.

President Clinton also expressed similar interest in Bangladesh's role in bringing about the harmony of interest in the subcontinent. In his meeting with Prime Minister Sheikh

Hasina Wazed in February in Washington, Bangladesh's development needs were discussed. Subsequently, the energy sector in Bangladesh has begun to draw in significant amounts of foreign direct investment from the United States. American direct foreign investment stood at about \$20 million as of last year. As Dhaka opens up its gas field and petroleum product development, American investment has already soared upwards of \$200 million this year alone. Washington recognized that the development of Bangladeshi gas fields would enable Dhaka to provide piped gas to energy-starved India.

### **Who benefits?**

These gestures from President Clinton were, however, not taken lightly in London. British Foreign Secretary Robin Cook, while visiting Pakistan in October, made clear that the U.K. wants to mediate the Kashmir issue and, once again, lent his support to the 1948 UN Resolution which calls for a plebiscite to determine the status of Kashmir. The British position has always been to involve the Kashmiris, whose militant representatives are based in London, within the iron-grip of British intelligence, and who are demanding an independent Kashmir. So, Cook's loud public pronouncement contained no news. It was the timing that was significant.

In fact, Britain has posed an international challenge to both India and Pakistan, in light of their decision to resolve the issue through bilateral negotiations. The objectives of the British government are to see a hardening of attitudes between Islamabad and Delhi on the issue, by creating "incidents" in disputed Kashmir, with the help of externally controlled terrorist-secessionist groups; to encourage those who do not accept the fallout of the Gujral doctrine; and to prevent the emergence of a genuine relationship between the nations of the subcontinent and Washington.

The subcontinent political situation began to deteriorate in early summer, as the first signs of the financial meltdown in Southeast and East Asia emerged. All over South Asia, nations had begun years ago to integrate their financial markets with the global market. This had made all South Asian nations' economies highly vulnerable to outside tampering, particularly by foreign exchange traders and shady foreign institutional investors. Untrained in global electronic money movement and endowed with almost no mechanism to deal swiftly against rogue traders, South Asian economies, manned by IMF/World Bank-trained bureaucrats masquerading as economists, have become sitting ducks right along with the Southeast Asian economies.

In Pakistan, the present administration inherited an economy which has been ravaged by internal corruption and external looting. The external looting was led by the IMF, which had put the economy in an austerity straitjacket years before. Nature was not kind, either. Failure of cotton crops brought down exports; lack of technological development kept Pakistan heavily dependent on cotton exports. In 1996, for in-

stance, cotton products accounted for more than 50% of the country's \$8.7 billion exports.

As a result of years of austerity imposed by the IMF, Pakistan's tax base is shrinking, and tax revenues are dropping. For the fourth year in a row, the IMF has demanded massive budget cuts, but the tax revenue has shrunk so much that the large cuts ordered by the Nawaz Sharif government will not meet the IMF's demand, and, in the process, the country will get poorer. And, naturally, the foreign debt continues to grow, ensuring further draining of money from the economy in the form of interest payments.

From day one, Prime Minister Nawaz Sharif was in a bind. The power blocks in Pakistan (President and military) approved of Nawaz Sharif's takeover of power on the assumption that the IMF will reign supreme in economic decision-making. At the same time, Nawaz Sharif had to meet the hope of the people as expressed in the February elections. Caught in a bind, Nawaz Sharif turned his attention to the power blocs that handcuffed him, and gave the IMF a free hand to destroy Pakistan's frail economy.

The battle that ensued among President, judiciary, and prime minister was a bitter one, and lasted for almost a month. On Dec. 2, the end-game situation developed. President Farooq Ahmed Leghari, cornered by the prime minister, resigned following a series of meetings with the Army chief and judiciary. Chief Justice Sajjad Ali Shah, who had played a devious role on behalf of the President, was removed. It is evident that Nawaz Sharif has broken the logjam with the help of the military. It is clear that the Army chief had advised the President to leave in peace.

Obviously, Prime Minister Nawaz Sharif has been weakened. He has spent too much energy in fighting the power blocs, when he should have attended to the problems he had promised to solve. He has limited time. The guns are trained on him. He has to move quickly on the economic front, or massive law and order problems will engulf him completely.

## The politics of cover-up

In India, the problems are different but equally complex. The two key assassinations of prime ministers — Indira Gandhi on Oct. 31, 1984, and Rajiv Gandhi on May 21, 1991 — have been kept under wraps deliberately, in order not to rock the boat. This policy, in conjunction with an economic policy which has moved away from developing the physical economy to developing the financial market and private sectors, has corrupted all the institutions across the board. There are very few Indians left who believe that the 50 years of independence is a period to rejoice about.

The collapse of the Gujral government was brought about by an interim report, done over five years by Justice M.C. Jain, on the Rajiv Gandhi assassination. The report, known as the Jain Commission Report, was placed before the parliament, and the Congress Party, the party that Rajiv Gandhi and

Indira Gandhi had led when they were alive, demanded that the ruling coalition disassociate itself from one of the regional parties whose leader was named in connection with harboring and sheltering the possible assassins of Rajiv Gandhi. The Congress Party demand was not to open up the investigation fully to nab the masterminds behind the assassination, but to point a finger at someone.

In reality, the Jain Commission Report has indicated many other things. For instance, the involvement of Godman Chandraswami, whose close links with Tiny Rowland, the British intelligence officer who ravaged Africa, and Adnan Khashoggi, are well known. It is noted in the report that some foreign intelligence agencies' messages to Chandraswami and a former cabinet minister on the day of Rajiv Gandhi's assassination, had been intercepted. However, that file was found missing when Prime Minister Narasimha Rao was in power.

For instance, such nexuses between international gun-runners and a number of senior Congress Party members, including the governor of a major Indian province, has far more dangerous implications than the involvement of a regional party leader in Tamil Nadu with the Tamil Tigers, who were most likely "commissioned" by a combination of forces to assassinate Rajiv Gandhi.

There exists yet another such devastating report, this one on Indira Gandhi's assassination. The report clearly indicts R.K. Dhawan, as an *EIR* investigative team also did in the book *Derivative Assassination*. Dhawan's closeness to Mrs. Gandhi and Chandraswami, and his treacherous role leading up to the assassination, indicates that the foreign intelligence agencies are active and alive, picking and eliminating targets with the help of serial killers. Does the Congress Party, or any other political party, have the political courage to make a full-fledged investigation of these assassinations? It is unlikely, since Dhawan had been promoted to become a cabinet minister during Prime Minister Rao's reign (1991-96) and is now a Congress Working Committee member. And, the much-maligned Chandraswami is still around in the present crisis, acting as the go-between on behalf of some desperate political leaders.

These assassinations, nonetheless, have destroyed India's political institutions and compromised its judiciary and intelligence capabilities. The economic policies that have been put in place, under the euphemism of "reforms," is to encourage investors of all stripes to move in. Increasingly, the government has moved away from investing in infrastructure development. Education and health care systems are falling behind rapidly, while the poverty level is growing fast. Criminalization of the economy has begun with the influx of drugs and smuggled weapons. The Indian currency is fast losing its value, and those who had upheld the necessity of a strong rupee are now pushing for further depreciation of the currency.

# London fuels Mideast 'Armageddon' war danger

by Joseph Brewda

A Nov. 16 dispatch by the British Establishment organ, the London *Sunday Times*, points to yet another flank that Britain is attempting to use in its efforts to create a new "Cuban Missile Crisis" in the Middle East. The transparent purpose of the dispatch, "Iraq Makes Lethal Gas in Covert Sudan Pact," is to prepare for an Israeli invasion or strike against Iraq or Sudan, with the implied threat of the use of nuclear weapons. The British monarchy needs such a crisis, to create the global conditions to destroy any effective effort by the Clinton administration to deal with the global financial breakdown.

Israeli Prime Minister Benjamin Netanyahu's rant before the British Parliament on Nov. 14, over the supposed Iranian development of "weapons of mass destruction," shows the way Israel is being manipulated into playing London's game—through an Iranian strike, or similar Israeli threats to go it alone against Iraq. British claims against Sudan are part of an effort to make Sudan a target for such "daring" Israeli actions, and have the added goal of whipping up the needed hostility against Sudan in Washington. There, London's minions such as Roger Winter, executive director of the U.S. Committee for Refugees, and former Assistant Secretary of State George Moose, are pushing for full-scale war to bring down the Khartoum government, a military venture that requires the deployment of air power.

## New scare stories

According to the *Sunday Times*, "Iraq is manufacturing poisonous gas at a secret location in Sudan. Bypassing the ban on weapons of mass destruction which the United Nations imposed on Baghdad after its defeat in the Gulf war, Saddam Hussein and the Islamist government of Gen. Omar al Bashir in Khartoum are making and stockpiling mustard gas for their mutual benefit." The Sudanese government has denied the report.

The source cited for the allegation is "military intelligence and diplomatic sources in Kampala," Uganda, which is waging a war, under British direction, against Sudan. The article adds that the mustard gas is being produced in a facility in Wau, in southern Sudan, staffed by Iraqi technicians.

Production of mustard gas hardly requires the assistance of "Iraqi technicians." It requires only low levels of technology, and can be produced by anyone who has a smattering of knowledge of chemistry.

The *Sunday Times* asserts that, since the alleged production started, the Sudanese Armed Forces have used the mustard gas against the Sudanese People's Liberation Army on at least two occasions, according to SPLA sources. The incidents allegedly occurred in 1995, when the Ugandan Army invaded Sudan, albeit unsuccessfully. The *Sunday Times* admits that there is no confirmation for the SPLA's charges. The SPLA, sponsored by the British Privy Council, operates out of northern Uganda, with the continuous aid of Ugandan dictator Yoweri Museveni, a close friend of SPLA leader John Garang since their days at Dar es Salaam University.

Targetting the supposed plant for a military strike, the article emphasizes that "while experts have suspected Sudan of having a mustard gas factory for some time, this is the first time its location has been pinpointed."

Behind the Ugandan military assistance to the SPLA, is London's plan to create a regional marcher-lord force based primarily but not exclusively on the Tutsi group, of which Museveni is a member, extending from the Horn of Africa down to the Cape and across Congo-Zaire. Especially in East Africa, this British plan has been significantly aided by Israeli military supplies and advisers. The construction of an Israeli naval base on the Dahlak Islands of Eritrea, and the installation of Israeli missile batteries in northern Eritrea, intended for use against Sudan and other targets, is indicative, as is the emergence of Israeli Gen. David Agman as Museveni's key military adviser. Because of such British-sponsored developments, Ugandan and allied efforts against Sudan have the effect of spreading the Arab-Israeli conflict into the Horn of Africa, even where Israeli forces are not directly involved. Moreover, if an air strike against the supposed chemical warfare plant in Wau were to proceed, Israeli air capabilities would be required.

## Uganda's record

The *Sunday Times* report on alleged Sudanese "chemical weapons" capabilities in Wau was circulated in the Ugandan press soon thereafter. This has raised alarm among some in the northern Ugandan war districts of Kitgum and Gulu, where the Ugandan Army has been unsuccessfully battling the insurgent Lord's Resistance Army (LRA) for the last 11 years. Given that the war against the northern Uganda population has been so destructive—fully one-half of the northern population has fled to or been herded into "protected villages" which are no better than concentration camps—there are fears that the report of a chemical weapons capability in Sudan could signal the use of chemical weapons by the Ugandan Armed Forces, either in southern Sudan or northern Uganda. There is a precedent for this already. In the summer of 1996, the Ugandan Armed Forces used rocket-propelled chemical-weapon grenades, believed to have been acquired from Ukraine, against the LRA, for a brief period of time. The phosphorus-based chemical contents of the canister would kill everything within 50 square meters, according to sources.



# Kagame's killing fields in Rwanda

by Linda de Hoyos

Recent reports indicate that the Rwandan Patriotic Army (RPA) of Defense Minister Paul Kagame is carrying out an extermination campaign in northern Rwanda against returning Hutus, as he carried out against the 600,000 Hutu refugees inside Zaire during the Rwandan-Ugandan invasion of Zaire beginning October 1996.

A report has reached Western capitals that up to 8,000 Hutu farmers, many of them returning refugees, were systematically sent into flight by the Rwandan Patriotic Army from their homes in the Gisenyi region of northern Rwanda, and then hunted down, until they were entrapped inside the Nyakimana caves, where they were then murdered. The slaughter inside the massive cave, where the peasants and their families were trapped, occurred over the three days of Oct. 24-27.

The report of the mass killing comes from the Center for the Struggle against Impunity and Injustice in Rwanda, which is headed by Joseph Matata, a human rights activist inside Rwanda during the Habyarimana years, until he was chased out of the country in 1995. The Center, based in Brussels, has consistently reported on all violations of human rights that come within its purview, including those against Tutsis. It receives information from Rwanda via telephonic transmissions, and from many Tutsis who oppose the policy of genocide adopted by the Rwandan Patriotic Front (RPF).

The Center names Paul Kagame as being directly responsible for the policy of mass murder in northern Rwanda now being carried out by the Rwandan Patriotic Army, which came to power in 1994. Kagame, a former director of military intelligence of Uganda—under London's warlord in the region, Ugandan dictator Yoweri Museveni—is one of those whom the *Times* of London and its minions call "the new leadership of Africa." They earned this encomium for their dedication to fulfilling London's goals of "land-clearing" through murder and raw-materials extraction, now being carried out by the British Privy Council's Commonwealth throughout the Great Rift Valley of eastern Africa.

The 8,000 men, women, and children murdered in Kanama are only the latest additions to the mountain of bodies this policy has produced in East Africa, beginning with the Ugandan Army's invasion of Rwanda in October 1990.

The Center notes that the massacre at the Nyakimana Cave matches the scale of the RPA slaughter of 8,000 men, women, and children in April 1995, when the army shut down the

Kibeho refugee camp. At that time, because United Nations and non-governmental organization workers were close to the scene, the slaughter received international attention. Only Baroness Lynda Chalker, then British Minister of Overseas Development and the chief patron of Ugandan warlord Museveni and his satellite Kagame, held by the RPF's lie that only 300 people had been killed.

In the case of the murders at the Nyakimana Cave, there has been no public outcry.

RPA officers appear to be rewarded for the destruction of civilian life, the Center has noted. One Colonel Bagire is believed to be responsible for the murder of 100 peasants in the Kayove and Bisizi sectors in September 1995, after which he received a promotion to the post of counsellor general to Defense Minister Kagame.

The communiqué from the Center also reports on the disappearance of people of Rubavu, Rwerere, and Mutera communes during the battles which took place on Oct. 8, 1997, near the Gisenyi airport in the Rubavu commune. "The Center has, based on other reports, noticed with dismay the statements of Lt. Col. Murokore, commander of the Rwandan Army's 21st Battalion based in Gisenyi. He reported on 'the disappearance of a large part of the population of the Rubavu commune, the inhabitants of certain sectors of the Rwerere and Mutera communes. They left with the insurgents at the time of the attack of October 8 at the Gisenyi airport (see *Ingabo* No. 29, pp. 18-20, monthly journal edited by the Minister of Defense for period October 1997). How is General Kagame able to . . . explain that around 8,000 inhabitants of four sectors of the Kanama commune disappeared at the same time?"

The attacks on civilians have continued since the massacre at the Nyakimana Cave. On Oct. 31, one week later, it was reported by one British outlet that "unidentified criminals" killed ten families in Rugarama sector of Kidaho commune, in Ruhengeri province, according to Rwandan government radio. No details were given, but the pattern fits that described by the Brussels Center.

Since the Kagame government has created a *cordon sanitaire* around the region of northern Rwanda, which has historically—for many centuries—been a nexus of resistance against Tutsi rule, reports of more mass deaths can be expected in the future.

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## Documentation

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*Excerpts of the Center's communiqué on the atrocity at the Nyakimana Cave follow:*

Communiqué 22/97—Center for the Struggle against Impunity and Injustice in Rwanda, Brussels, Nov. 24, 1997:

The Rwandan army massacred more than 8,000 people from four sectors of the Kanama Commune (Gisenyi) in the Nyakimana Cave between Oct. 24-27, 1997. . . . In order to escape incessant massacres by the RPA, the inhabitants of the four sectors had found refuge in the Nyakimana Cave. The entrance to the cave, situated about 5 kilometers from the communal office of Kanama and the Mahoko Market, is located in the Kayove sector.

According to the account of a witness, who had lived in the Nyakimana Cave along with the thousands of peasants massacred there, the number of victims is estimated at about 8,000. . . . The witness had been able to leave the Cave on Oct. 23 but was unable to return because the military, who were laying siege to the Cave, had cut off the road. He rushed to send an SOS to Kigali and sent a fax to his family in Belgium. It was too late; the massacre had taken place.

Between Oct. 24 and 27, 1997, the RPA military had come to indiscriminately bombard all the inhabitants (men, women, children, and the elderly) of the area who had taken refuge in the Cave. Then they completely sealed off the Cave's entrance. The Center believes that there are no survivors, including those who had tried to take refuge at the Cave's floor. Emanations of toxic gas probably coming from a volcano had always prevented explorers from reaching the Cave's bottom.

Statements issued by the RPA claiming the discovery of a web of caves at Nyakimana serving as the Command Center of the [Hutu] rebellion are totally false and are designed to protect the military responsible for committing the massacre, which is at the same level as Kibeho. Contrary to what the military has announced, the Cave did not contain any insurgents, unless all the Hutu population is considered as "insurgent."

*Imprisonment and threats against family members of those in the Cave*

Mr. Nzabandora P. Claver, president of the Kiali cooperative, was imprisoned in the Kanama commune prison, when he dared to go to the commune to claim the bodies of his children who had been killed in the Nyakimana Cave.

Messieurs Justin and Haknzimana (driver and mechanic of the Kiaka Commune) have been imprisoned under the same circumstances. . . .

### How it happened

The peasants of Kamana commune were forced to seek refuge in the Nyakimana Cave in mid-October by a series

of massacres carried out by the RPA in the area.

The bloodletting began on Aug. 8, 1997, when the RPA killed more than 300 people at the marketplace of Mahoko; another 100 people were killed on the road and paths which connect the marketplace and the neighboring sectors of Kiyove, Bisizi, Kanama, and Karambo. More than 200 detainees at the communal prison of Kanama were also slaughtered by the RPA soldiers on the afternoon of Aug. 8. Shopkeepers and businessmen in Mahoko, who had escaped death during the day of Aug. 8, were assassinated in the night of Aug. 8 and 9 and during the day of Aug. 9, 1997. . . . The Inspectors of the Judicial Police of the Kanama and Nyamyumba communes were killed. Later in the day of Aug. 8, the RPA soldiers killed between 200 and 300 prisoners of the communal jail of Rubavu (neighboring Kanama). Through the night of Aug. 8 and Aug. 9, RPA drunken soldiers pillaged all four sectors. The RPA carried out troop maneuvers in the region and witnesses have reported having heard the shooting of artillery. Artillery drawn in front of the Mahoko marketplace was shot at the crowds. These killings sent the people of all four sectors into flight.

The RPA had launched the massacres of Aug. 8 at about 10 o'clock after an invasion of the stores and restaurants of Mahoko by unidentified armed elements with small radio walkie-talkies, whom the military has called "Hutu infiltrators."

Before finding refuge in the Cave, the people had found some peaceful shelter (at the end of August 1997) in the mountainous areas of Muhondo and Kigarama along the asphalt road situated at the edge of Kanama Commune near the forest of Muhungwe. The communal administration had given them an area and workplace in the Kigarama sector. Meanwhile, the communal buildings were used by the RPA troops, who continued to launch attacks against unarmed civilians under the pretext of "pursuing" the Hutu infiltrators.

Toward mid-October, the RPA troops started attacking those who had taken flight in the sectors of Mukondo and Keghara, forcing them to return to the war zone from which they had fled. At the least sign of resistance, the soldiers fired into the crowd and fired machine guns at the people, pushing them toward the Nyakimana Cave in the Kiyove sector at the bottom of the Kiyove Commune. Several families have lamented the number of dead killed in the hills of Mukondo and Kigarama.

Remark: In the Kigarama and Mukondo sectors, the displaced people have lived in peace. There, they were not attacked by the RPA nor by the rebels. The population verified, with surprise, that the phenomenon of "infiltrators" was linked with the presence of the RPA soldiers. Curiously, the attacks attributed to the infiltrators always took place in the zones occupied by the RPA soldiers as if the same soldiers attracted the infiltrators! The confrontations always end with a higher number of civilian deaths than the Army.

# UN's Kofi Annan okays Brit terrorist haven

by Joseph Brewda

United Nations Secretary General Kofi Annan publicly endorsed the British government policy of safehousing international terrorists, at a forum at Princeton University on Nov. 24. By so doing, the secretary general has helped bring into focus the outrageous fraud routinely committed by the UN Security Council, through its sanctions against Iraq, Sudan, Libya, and other states charged with terrorist crimes—sanctions, which in the case of Iraq, have resulted in millions of deaths. Sudan and Iraq, in particular, continue to be high on the list of targets of British-steered military action, carried out under UN cover. But, as Secretary General Annan well knows, the terrorist groups these and other states are charged with protecting, are actually headquartered in Britain.

## **Annan bows to Blair**

Annan made his statement defending British policy toward terrorists during the question session after his address at Princeton's Woodrow Wilson School of Diplomacy, where he spoke on "A Trans-Regional Study of the Contemporary Middle East, North Africa, and Central Asia." *EIR*'s Matt Guice asked Annan to comment on Egyptian President Hosni Mubarak's allegations that "London had harbored terrorists, specifically those who financed the recent tragic terrorist attack in his country." Guice noted that *EIR* has long identified London as the world capital of terror. "In light of the fact that much talk had been spent at the UN regarding putting sanctions on Sudan, for their harboring of one terrorist group," Guice continued, "would you, Mr. Annan, support a move for sanctions against London, for harboring 26 of the 30 terrorist groups banned by the U.S.?" Guice was referring to the U.S. State Department list, released in October, of 30 terrorist groups banned from the United States. *EIR* research confirms that almost all of these groups are headquartered in or financed out of Great Britain.

Annan's illuminating answer was as follows: "We must recognize, that the government of Great Britain has denied these allegations vehemently. The government of Britain is a democratically elected government, unlike some. As a center of democratic government, London has opened its doors to many refugee groups, and made a stipulation that they not engage in political activities, while residing in Britain. If groups have violated this promise, I, knowing Mr. Blair [Britain's prime minister], cannot imagine that he would know-

ingly allow this to go on, without taking action. Finally, if what you meant, were to imply, that Britain, if challenged in the UN, would exercise their veto power in the Security Council on the topic, then I would not know the answer to that."

Unfortunately for Secretary General Annan, the British role in safehousing terrorist organizations is admitted, and is a matter of law. Specifically:

- It is not illegal in Britain to incite, plan, or finance terrorist actions, as long as these actions are carried out outside of Britain.
- No terrorist organization is illegal in Britain, except for those which commit terrorism on British soil.
- No foreigner is denied political refugee status in Britain, based on membership in a terrorist organization, as long as the organization's crimes are committed outside of Britain.

Substitute the name "Sudan" for "Britain" in Annan's response, and ask yourself: Would such an explanation fly before the UN Security Council? And in what other state, besides Britain, is it perfectly legal to plot murder, as long as the target is foreign?

## **The Luxor bloodbath**

Under the cynical cover of its "liberal policy of asylum," Britain is currently slaughtering innocents throughout the world, on behalf of its geopolitical aims. The bloody massacre in Luxor, Egypt, on Nov. 17, which killed over 60 people, is a case in point. The massacre was the work of the Islamic Group, which is headquartered in London.

In the aftermath of the bloodbath, Egyptian President Mubarak demanded on Nov. 23, that Britain stop safehousing the Islamic Group. The head of that group, Adel Yusif al Sirri, who was granted political asylum status by Britain, despite Egyptian protests, took credit for the Luxor slaughter in statements to the British press following the attack. He called it "justified." Al Sirri was convicted and sentenced to death *in absentia* by an Egyptian court in 1995, for an attempt to kill a former Egyptian prime minister. His group is one of the 30 banned from the United States by the State Department. It was responsible for the February 1993 World Trade Center bombing in New York, which killed six and wounded nearly a thousand.

The British Foreign Office formally rejected President Mubarak's demand that they do something about al Sirri and his group, in a statement it released the next day. Whitehall said—contrary to all evidence—that Britain is "strongly committed to taking action against anyone who uses the U.K. as a base for terrorist activities." But there are no indications that Britain will now extradite al Sirri, and his associates, back to Egypt for this most recent atrocity. What would have been the UN Security Council and Secretary General Annan's response, if London resident al Sirri had instead lived in Sudan, Iraq, or some other nation, which the British have targeted for destruction?

# Leaders from eastern Europe call for a New Bretton Woods Conference

On Nov. 5, *EIR* held a seminar in Bonn, Germany, on the theme, "For a New Bretton Woods System." The keynote speakers were Lyndon and Helga LaRouche; their speeches were published in *EIR* on Nov. 21. Here, we publish speeches by two leaders from eastern Europe, Dr. Natalya Vitrenko of Ukraine, and Dr. Jozef Miklosko of the Slovak Republic.

## Ukraine must reject IMF shock therapy

by Dr. Natalya Vitrenko

*Natalya Vitrenko, Doctor of Economics, is a member of the Ukrainian Rada (parliament), chairman of the Progressive Socialist Party of Ukraine, and co-initiator of the "Urgent Appeal to President Clinton to Convene a New Bretton Woods Conference." A summary of her paper was read at the Symposium by Dr. Jonathan Tennenbaum. (The following report was translated from German.)*



Nineteen ninety-seven is almost over. For Ukraine, this year was, and is, the year of a permanently deepening crisis: accompanied by growing unemployment and an ever-more sharply collapsing living standard of our population—alongside a simultaneous downright lavish luxury in the parasitical institutions.

All of this is the lawful result of the "reforms," which were carried out by the International Monetary Fund, which has been ruling, unimpeded, in Ukraine since the middle of 1992. On June 3, 1992, the Ukrainian parliament ratified the membership of our country in the IMF, while at the same time the government of Ukraine (that is, the current President Volodimir Lanoviy) signed the memorandum on the policy of economic "reforms."

For a "bowl of lentils"—only \$400 million—over which they rubbed their hands together gleefully, in anticipation of extensive profits—the President, parliament, and government

have put these "reforms" into effect under the dictatorship of the IMF. That has meant: immediate free floating of prices along with the rate of our currency; immediate free trade, instead of the previous state regulation of foreign trade; the beginning of a development, which led in the shortest time to an undifferentiated privatization of nearly all enterprises in the country; drastic cutting of social programs; along with immediate ending in practice of any state support for agriculture, and of the sectors of our political economy controlled up to that time by the government.

The lawful result of these "reforms" was the collapse of the national product of Ukraine, which sank about 60% if you compare 1990 with this year! Of the 22 million jobs which existed then, now, actually only about 9 million are left; like a snowball, the sum of unpaid debts grows—in September 1997 the total was almost \$2.5 billion; the volume of production has permanently collapsed, and not only in the military-industrial complex, but also in all other areas of industry.

One example: in light industry, production has sunk about 85% in the few years of these "reforms" against the population. Yet the President, National Bank, and government dare to celebrate the "stabilization of the currency," and to point to 1997 as the year of "stabilization of production," as the success of their "reforms."

With each year and month, the IMF and World Bank plunder the Ukrainian economy more intensely—and this is totally unconcealed. One need only read the secret document which sitting Minister President Sergiy Tigipko prepared for Speaker of the parliament Olexandr Moroz in April 1997, which included the conditions which the IMF had attached to the guarantee of a regular credit in the range of \$2.5 billion—this was, by the way, a secret document, because it was not made known in any official location; the Ukrainian population only learned of this through publication in our party's newspaper!

The foreign debt of Ukraine will have risen by the end of 1997 to \$12 billion, that is, our country must raise about 9% of the national product for the servicing of the debt. Surely one must say, that in the first half of 1997, already 90% of the debts counted in the whole year had been serviced—although within this time government receipts amounted to only 35% of the necessary total budget! That is, the government proceeded according to the motto: It's all the same whether Ukrainians go hungry or die; the chief thing is that we pay our debts to the Western financial institutions.

The government and the parliament have been able to fulfill only 38 of the total 41 conditions in the aforementioned secret document from April 1997, which they had agreed to.

The miserably low wages and incomes, which were paid out—at that, several months late—have led to a situation where the population of Ukraine finds itself living under conditions where a social explosion is no longer to be excluded. Should the other demands of the IMF be fulfilled—to raise rents and charges for public services nearly 100%, i.e., to practically double them, while 60% of families cannot pay the current prices—then the situation in the country will surely explode.

Also, the fulfillment of the IMF's demand for the sale of land is already leading toward a social explosion. Up until now the government has not ventured to realize these drastic measures.

The IMF demands therefore could not all be fulfilled—and therefore the promised money was also not delivered. Ukraine did not receive the regular credit of \$2.5 billion, but had to content itself with a 10 times smaller “stand-by credit.” Naturally, that did not suffice to cover the budget deficit, which led to a situation where the political crisis intensified yet further.

Now our parliament is facing a new phase of forceful measures in connection with the agreement to the 1998 budget. An IMF delegation is again in Kiev, undoubtedly with the intent to bring the situation fully under their control this time—which naturally makes the President of Ukraine, Leonid Kuchma, very nervous.

President Kuchma has already tried to prevent the orderly conclusion of the ongoing election campaign in Ukraine—a practice which our population could take as a last chance to put through fundamental changes in peaceful ways—in that he postponed the signing of the election law until Oct. 22, 1997, while the election campaign should properly have been in full swing by Oct. 11. And, when he finally signed the law, he could not resist the temptation of blaming it all on the parliament; merely because the majority of the members had not agreed to the budget cuts proposed by the government, the IMF refused to extend the promised credit of \$2.5 billion.

But the government is searching feverishly for foreign donors, because the budget deficit is rising relentlessly. Yet this increase will proceed still further, because the government refuses to make any changes in its ruinous economic policy and demands undifferentiated privatization, like the deregulation of industry, with an utterly maniacal stubbornness. The government has published nothing different as the axiomatic beginning of its new action program for 1998. There it—shamelessly—starts from a threefold increase in the numbers of unemployed since 1996, but is not tired of promising workers and renters that it will pay all the still outstanding wages and incomes.

The numbers in the accompanying table, drawn from government figures, paint a horrible picture in respect to the decline of the population figures, and prove that a national catastrophe is being prepared in Ukraine. It is now already clear, that the numbers for the year 1997 will make this picture even gloomier.

And exactly for this reason, the progressive forces of our

TABLE 1

### Demographic data on the national catastrophe in Ukraine, 1990–96

Category (units)	1990	1996	Change
<b>1. Population</b> (millions at year-end)	51.9	50.9	-1.0
<b>2. Fertility</b> (births per 1,000 population)	12.7	9.1	-3.6
<b>3. Mortality</b> (deaths per 1,000 population)	12.1	15.2	+3.1
<b>4. Infant mortality</b> (deaths of infants under 1 year per 1,000 population)	12.8	14.3	+1.5
<b>5. Deaths by murder and suicide</b> (per 100,000 population)			
a. Men	46.3	76.4	+30.1
b. Women	13.4	17.4	+4.0
<b>6. Mortality of working-age people</b> (per 100,000 population)			
a. Men and women	453.3	652.6	+199.3
b. Men	697.7	1,027.4	+329.7
c. Women	190.3	247.5	+57.2
<b>7. Disease</b> (per 100,000 population)			
a. Tuberculosis	31.8	45.8	+14.0
b. Syphilis	6.0	150.9	+144.9
c. HIV infected	0.01	11.3	+11.29
d. AIDS	0.002	0.28	+0.278
e. Alcoholism	8.5	21.6	+13.1
f. Substance addictions	6.6	25.3	+18.7
<b>8. Life expectancy</b> (years)			
a. Total population	70.7	67.3	-3.4
b. Males	65.9	61.7	-4.2
c. Females	75.1	72.9	-2.2
<b>9. Hospital beds</b> (thousands)	700.3	551.4	-148.9
<b>10. Medical doctors</b> (thousands)	227.1	205.6	-21.5

society cannot put up with the existing regime and its economic policy. Thence these forces have strengthened their political efforts so that the chance for a change in the oppressive situation through a victory in the elections next year can be made use of. These elections, in which all officers, from city councils up to members of the national parliament, will be newly elected, occur in March 1998.

The Progressive Socialist Party of Ukraine, which I lead, has prepared itself scrupulously for these elections, and has entered an electoral alliance with the Workers Party of Ukraine and the Ukrainian Renters Party. We would fundamentally change the current inefficient government and Presidential system, end the corruption in the state institutions once and for all, and again introduce the rule of law, so that a strict control over justice and law is guaranteed.

Moreover, we would drastically change the course of economic policy. The unfair deal with the IMF must be summarily renounced; instead, we would introduce comprehensive measures for the protection of Ukrainian manufacturers, for the creation of millions of jobs, for the fastest possible raising of living standards for our population, as well as the guarantee of fairness in production and distribution of our nation product.

We hope that we can win this election, and that humanism and justice will triumph.

# Dangers, opportunities in the third millennium

by Dr. Jozef Miklosko

*Dr. Miklosko was vice prime minister in the first post-communist government of Czechoslovakia. He is now vice rector of Trnava University in Trnava, Slovak Republic, and represents the Friedrich Schiller Foundation for the Protection of Life, Education, Culture, and Human Rights, in Bratislava. This report has been slightly abridged, and subheads have been added.*



Mankind's highest achievements in technology were the "Man on the Moon" and the first microprocessor, which started the new age of the future, information-oriented society. The technological level of mankind, today, has outrun mankind's spiritual level of achievement. The results of this trend can be seen all over the world.

In the U.S.A., the crisis started with the assassination of President J.F. Kennedy, followed by the unsuccessful work of the Warren Commission, the Vietnam War, the beginning of the rock-drug-sex-violence counterculture, and the Baby Boomer generation, with its self-importance, egoism, and cultural pessimism, which today rules many states in the world.

Thus, mankind has many unsolved problems. To solve them for the third millennium, we need not only a functioning economy, but also a high level of spiritual and cultural values.

The post-socialist countries jumped at the last minute from one *Titanic* to a second one, which also has many holes. The danger of financial collapse comes especially from speculation in derivatives. In the world economy, this is about \$1.3 trillion daily. The cancer of speculation translates each year into losses for banks of about \$35 billion. No country can protect itself for very long against such pressures. The profit from speculation is transferred, in turn, to new speculation or to real estate.

An economy cannot function without morality — it cannot be based on fast and dirty money, on speculation, casinos,

lottery, drugs, prostitution, weapons trading, and real estate. This "financial AIDS" destroys the economy of any nation-state. Since this is an international problem, it is necessary to solve it with an international movement. The campaign for the convening of a New Bretton Woods Conference is one such activity.

The annual debt of many countries is growing, the number of bankruptcies is huge, credit card debt in the U.S.A. totals hundreds of millions of dollars. On June 12, 1997, the *Washington Post* wrote that about 50 million Americans live below the poverty line.

Monetarism is destroying Africa, South America, Russia, Ukraine, and also other post-socialist countries. As Oscar Mariaga, the president of the Bishops Conference in South America, put it, "South America has paid the loans it took many times over." The director of the United Nations Organization for South America, Zumbado, said, "The free market has suppressed hyperinflation and stabilized the economy, but failed to solve the problems of mass poverty and unemployment. The euphoria about the idea that the free market would solve all problems is gone. Macroeconomics was improved, but poverty and bad distribution of profit became worse." The prime minister of France, Jospin, announced that he would return to the positive role of government to protect and support the population by seeking alternatives to austerity and globalization. "The economy and financial markets must be regulated," he said, and added, "Economic growth is necessary and the problem of unemployment must be solved — the consequences of a radical free market represent a 'threat to civilization' itself."

A statement of trade unions to the OECD Council in June 1997 said that "36 million OECD people are unemployed, 1 billion people in developed countries are below the poverty line, and an IMF-World Bank initiative for greater debt relief is urgently necessary."

Using the example of the Slovak Republic and the Philippines, two Christian-oriented countries, 12,000 miles distant from each other, but with many similar problems, we illustrate the present economic problems in the world.

## Slovakia after the 'Velvet Revolution'

The post-communist countries lived for 40 years under the totalitarianism of the communist parties, which destroyed the lives and souls of millions of people. The rapid success of the revolution in 1989 led to the illusion of fast improvement in all aspects of life. People dreamed of life without communists and without the terrorism of the secret service and censors; they naively believed, that such a system of freedom existed in the West. In the "Velvet Revolution," there were many winners, but no losers.

All post-revolution governments began to repeat the mistakes of capitalism, without searching for more specific ways of transformation for each country.

The formula for all post-socialist countries was the same: a shock therapy, without preserving any of the positive social elements of the past. As the last chance for communists, came primitive nationalism, which split society. IMF conditionalities were shock therapy: liberalization of prices, devaluation, wild privatization, support of imported goods, tax increases, restriction of domestic credits, cutting of budgets, especially of government expenditures—health, education, housing, culture. This led to ever-increasing social differences and tensions, to the fall of the first post-revolution dissident government, which believed too much in this model of hard capitalism. Then former communists came back into power, whose behavior is, for example in Slovakia, again more or less totalitarian. In the Slovak situation, we can also see the weakness of democracy: One-third of the people elected a government, and a small majority in parliament produces a one-party system again. This is very dangerous, if basic ethical principles are not upheld, for example, in the process of large-scale privatization. We rejected communism, collectivism, centralization, but we see that capitalism without morality does not work either. It produces a society with 10% rich people, and millions of poor and unemployed. Profit, money, competition, total decentralization, individualism alone, without solidarity with people on the fringes of society, created many problems.

According to the trade union statement for the OECD, “The Russian transition to a market economy brought the destruction of half its industrial potential, a collapse of the social net, mass poverty, and a dramatic decline in both life expectancy and birth rates.”

We need an economic system based upon social justice, responsibility for others, and a Christian answer to these questions. The social teaching of the Church and the Pope’s encyclicals are a good basis for seeking this alternative.

In my opinion, the economic, cultural, and educational alternative given by Lyndon LaRouche represents the hope for future.

### **The case of the Philippines**

The Philippines survived many miseries through the centuries. Today, their misfortune is globalism and the free market; it means the recolonization of the country, the destruction of the nation-state, its agriculture and industry. No country can be sovereign any longer, if its financial conditions are decided outside of the country. The free market means taking advantage of cheap labor power. On July 11, 1997, the peso was devalued by 10% in one day, and has continued to decline, by about 25%. The IMF offered a \$1.1 billion standby credit. There were many in the cabinet who opposed any new IMF agreement.

So, the debt of the Philippines is constantly growing. With President Cory Aquino in 1986-92, the debt was \$17 billion; since then, they have paid \$27 billion and their

current debt is \$40 billion. The growth of debt per year is about 11%. . . .

The declaration of the Association of Major Religious Superiors of the Philippines from July 11, 1997 says, “We have come to realize that the macro-economic stabilization and structural adjustment programs imposed by the IMF and World Bank on developing countries have collapsed the internal purchasing power of local currencies, caused the eruption of famine, massive dislocation and migration, degradation of women, closed health clinics and schools, and have denied millions of children the right to basic education. The World Trade Organization conditionalities violate people’s fundamental rights, particularly in the areas of foreign investment, bio-diversity, and intellectual property rights. We are convinced that globalization goes beyond mere market and trade arrangements, monetary and fiscal policies. Rooted in the dominant philosophy of neo-liberalism, it connotes a whole system of thinking, valuing, judging, behaving and relating, based on an emerging concept of the human person with a diminishing sense of the sacred. Globalization also refers to the worldwide spread of an increasingly secularized culture, where religion and moral values are considered outmoded.”

### **No compromise with evil**

They, together with many other organizations and movements, and together with Pope John Paul II, demand forgiveness of debt for the poor countries in the Jubilee, the transition to the third millennium.

Lyndon LaRouche also started a movement for a debt moratorium for the Third World, “not because the debt is unpayable, but because it has already been paid.”

LaRouche said, “The world is quickly coming to a crucial point, which is repeated maybe one time each 500 years. This is a threat, but also a big chance. It can be a global financial crash or a new epoch of mankind.” LaRouche gives a Christian alternative for further development. He always speaks openly, saying clearly “yes” or “no”; compromise with evil is not possible for him. He analyzes not only what is happening, but also who was behind events, and why. That is why he has so many enemies.

The international campaign for his exoneration and for the release of his five collaborators from barbaric, long sentences in the prisons of the U.S.A. has still not come to an end.

To solve all problems in West and East, we need to return to moral values, to the idea that creativity is the most important feature of mankind, that each person has the same dignity because he was created as “*imago viva Dei*,” that, in addition to economics, also spiritual values are important.

Forty years of communism and eight years of freedom have shown, that if God does not exist, everything is allowed, and if God is forgotten in our projects, they have no chance for success.

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### Revive the Humboldt education system!

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*Mass protests by German students should go beyond justified concern at budget cuts, and get at the root of the problem.*

**S**top learning! Begin to think!” “We are not that stupid!” First appearing in strikes of German university students in Frankfurt and Berlin in mid-November, these slogans have meanwhile been taken up at about 65 universities in Germany. About half a million university students are mobilized so far, in a strike which had its first peak with a mass rally of 40,000 in Bonn, on Nov. 27. The slogan that tells students to “stop learning” and “begin to think” sounds paradoxical, but it isn’t. Like all other Germans, the students should reflect on the reasons that have led to the collapse of government and industry funds for education, for the natural sciences, and especially, for new technologies and engineering. The German universities, with their limited capacities, can enroll only 950,000 out of 1.8 million students applying for entrance. The universities need at least 7 billion deutschmarks (\$4 billion) more per year, to begin to meet the need.

But the most striking paradox in German education, is that, 27 years after the “Brandt Reforms”—the “post-industrial” transformation of science and general education that began under Chancellor Willy Brandt, in 1969—the social sciences programs are overcrowded with students, while the physical and technical sciences are “depopulated.” Since 1990, for example, the number of newly enrolled students in classical machine-building and engineering disciplines, as well as nuclear engineering, has dropped by 40%.

Social and political courses at the universities often have several hun-

dred students crowded into one room, trying to follow the words of one lecturing professor; by contrast, seminars in machine-building often have one professor trying to lecture only a handful of students, who, fortunately, have not been discouraged by the general environmentalist “political correctness,” which goes against science and technology. This discrepancy, and the transformation of values that stands behind it, has not been properly addressed in the students’ protest actions, so far, and that is why the intervention of the BüSo (Civil Rights Movement Solidarity—the German “LaRouche movement”), which does address this problem of the paradigm change of the last 25-30 years, is so important. The BüSo is trying to raise the level of students’ actions from mere protests against the state budget cuts for the universities, to an understanding of the nature of an economic system that has produced these budget-cutting policies.

At the demonstration of 40,000 students in Bonn on Nov. 27, a leaflet dealing with these issues, authored by BüSo Chairwoman Helga Zepp LaRouche, was distributed. Under the headline, “World Financial System Faces Meltdown!,” the leaflet states that the students’ protest was long-overdue and justified, but that it can only be successful if it addresses the problem in the right way.

“The entire international financial and monetary system is bankrupt,” the leaflet states, pointing to the danger represented by the \$100 trillion financial derivatives market. Since the stock market crashes of Oct. 27, the

collapse has entered a new phase, while representatives of leading institutions are desperately trying to pretend that everything will be all right.

“Are you ready, to really do something for education and your future?” the leaflet asks the students, telling them to no longer expect a remedy to come from the political elite, which is “so much committed to the axioms of austerity policies, and the sacred cows of the free-market economy, which have led to this misery, that they cling to them, hysterically, no matter how obvious the disaster may be.”

The leaflet elaborates, that the economic system needs a complete reorganization from the top to the bottom, a “new, just system, a Bretton Woods II,” which would carry out a global reconstruction program, including Africa and Latin America. That, and nothing less, should become the focus of youth protests, the BüSo stated.

“Only if we return to productive full employment, to the application of scientific and technological progress in the production process, and to worldwide economic growth, will we have the means to be able to finance the education, health, and social security systems,” the leaflet concludes.

What Germany needs, to be able to secure a meaningful future for its youth, is to revive the technological-scientific impulse, which was created in the early 19th century by the education reforms of Wilhelm Humboldt: the best education in science and Classical culture. As many citizens as possible must learn to think, and a genuine interest in science must be implanted in the nation, Humboldt always insisted. This principle, which is incompatible with the views of the budget-cutters, was what made Germany a leading industrial nation in the second half of the 19th century.



## Uproar over pedophile scandal

*The establishment is hissing and spitting, threatening to destroy Franca Arena, a courageous MP who exposed the cover-up.*

In May, the three-year, \$100 million royal commission investigating police corruption and pedophilia in New South Wales (N.S.W.), delivered its final report. Yep, there was loads of police corruption, Justice James Wood intoned, but nary a pedophile in sight. The latter finding flew in the face of years-long, repeated exposures of high-level pedophile networks in the state's parliament and judicial system by state Members of Parliament Deirdre Grusovin and Franca Arena, and of eyewitness testimony before Justice Wood himself.

Outraged, Arena charged in parliament on Sept. 17, that the state's political and judicial leadership was covering up. Conspiring in that, she said, were the state president of the ruling Labor Party, Terry Sheahan (now a judge), Party Secretary John Della Bosca, State Premier Bob Carr, Opposition leader Peter Collins, and Judge Wood.

The N.S.W. establishment retaliated viciously. Carr appointed a commission chaired by Queen's Counsel John Nader, to investigate Arena's charges. According to an article in the *Australian* of Oct. 8, Nader had apparently himself been accused of pedophilia in the Northern Territory in the late 1980s. Nader chose to ignore the substance of Arena's charges, and to merely focus on her claims that those she named had conspired together one Sunday in March. Nader charged that her allegations were "false in all respects."

Arena's accusations should have fallen under "parliamentary privi-

lege," by which no MP may be charged with slander, nor investigated by any outside agency. An N.S.W. legal source told *EIR*, "This is unprecedented . . . that an outside body would be appointed to, in effect, overturn parliamentary privilege." The N.S.W. Court of Appeal and the nation's High Court both turned down Arena's appeal against having to appear before Nader, based on that privilege.

Once Nader delivered his verdict, Premier Carr moved to expel Arena, a member of his own Labor Party, from parliament, in which he was joined by Opposition leader Collins. In a stunning upset, Collins could not muster the votes in his own caucus for expulsion. Collins claims that that caucus vote will be reversed in 1998, and that she will be expelled. Meantime, she is saddled with legal costs of over \$200,000; Carr turned down her appeal to have parliament pay those fees. Disgusted, the 60-year-old Arena responded, "I'll fight it until the very end, and I'm not going to be scared by the big boys at the big end of town." She then quit the Labor Party.

Carr soon got an unwelcome taste of Arena's morality, when she cast the deciding vote to defeat his attempt to decriminalize marijuana, by 20-19. Decrim had been one of Justice Wood's main recommendations to "fight police corruption," in addition to dismantling the N.S.W. police force's anti-drug squad, which Wood himself had to acknowledge had been "highly effective." Applying the same lack of principle, Wood's recommendation for fighting pedophilia was to

call for the age of consent for homosexual sex to be lowered from 18 to 16.

Meanwhile, Wood's ally, N.S.W. police chief Peter Ryan, jumped in to plead that Arena's four volumes of evidence on pedophilia not be given to the Privileges Committee of N.S.W.'s Upper House of parliament, lest, Ryan hysterically claimed, "police investigations might be jeopardized, fair trials prejudiced, reputations ruined, witnesses endangered, and suicides attempted." Ryan's outburst was most peculiar, since Nader had dismissed Arena's dossiers as inconsequential. Ryan was recruited from England, where he dealt regularly with sensitive intelligence matters, and with the Crown.

Meanwhile, on Nov. 18, Federal Sen. Bill Hernan (Liberal-N.S.W.) charged that the Federal government, too, was condoning pedophilia. Bill Heffernan asked a series of questions in parliament to his own ruling Liberal Party, including whether a former Australian ambassador to Chile had been declared *persona non grata* for pedophile activity and had been asked to leave that country. In an official statement, the Department of Foreign Affairs (DFAT) said the charges were "unfounded and utterly rejected." In June 1995, Liberal backbencher Ken Aldred had charged in parliament that at least 20 top DFAT officers were pedophiles. A subsequent DFAT investigation into whether the department had covered up pedophile activity by its staffers—which activity has been widely documented, even by the mass media—found "no cover-up."

The same day as Heffernan's charges, it also emerged that the government had known that the notorious fugitive pedophile Robert "Dolly" Dunn was in Honduras, but had made no move to arrest him, until a "60 Minutes" TV team found Dunn and interviewed him.

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# International Intelligence

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## ***Colombian House bans retroactive extradition***

On Nov. 25 the Colombian House of Representatives approved a bill by a vote of 119-38, permitting extradition of Colombian nationals, e.g., for drug trafficking, but explicitly prohibiting it for crimes committed before the law was passed. Thus, the heads of the Cali Cartel, now serving their minor terms in comfort in Colombia, remain exempt.

President Ernesto Samper Pizano called upon Washington to consider the decision a step forward, since a few years ago, extradition couldn't be discussed at all. Vice President Carlos Lemmos Simmonds, who is also ambassador to London, protested that it would be "unjust" for the United States to protest the restrictions on extradition, since it had said nothing when the Constituent Assembly outlawed extradition altogether in 1991 (which occurred during the administration of cocaine kingpin George Bush).

Presidential candidate Alfonso Valdívieso termed it "lamentable and shameful." U.S. State Department spokesman James Foley called upon Samper and the Congress to reverse themselves, and acknowledged that the vote may affect the 1998 certification decision. U.S. White House drug policy adviser Gen. Barry McCaffrey (ret.) told *El Tiempo*: "I don't know how we are going to fight international crime, without extradition and confiscation of goods. . . . These are the two things that the drug traffickers most fear."

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## ***SPLA's Garang in Cairo to discuss Sudan peace***

John Garang, leader of the Sudanese People's Liberation Army (SPLA), arrived in Egypt on Nov. 24 to hold talks with Egyptian officials on the ongoing peace talks between the Sudanese government and his rebel group, the last major hold-out in concluding peace with Khartoum. Before the negotiations began in Kenya in October, Egypt's President Hosni Mubarak gave strong signals that his country will never accept a divi-

sion of its neighbor, Sudan, which has been the ultimate goal of the SPLA and its British sponsors.

Garang, ever the political chameleon, after meeting with Mubarak's political adviser Usama Al-Baz, told the Egyptian daily *Al-Ahram* that he wants to "assure the Egyptian people that there is a mutual interest between Sudan and Egypt in the exploitation of the water of the Nile," and that he "supports the idea of building the Jonglei Canal," a major development project that would benefit all of Africa. However, he temporized, he wants "to provide guarantees for the population in that area, as well as the wildlife."

Garang also asserted that the SPLA is committed to the territorial integrity of Sudan. "The right of self-determination, which the SPLA demands, does not mean separation, and it is intended to be an attempt to preserve the national unity of the country as the people wish," he said. This right is guaranteed by Khartoum's peace agreements with the other southern Sudanese rebel groups.

Garang, like his local controller Yoweri Museveni of Uganda, is prone to changing political colors according to British strategy in the region, but, in this case, is hampered by the fact that Egypt has emphasized, in its reopened talks with Sudan, that it will not allow the separation of south Sudan, which would endanger the security of the Nile waters.

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## ***Peres honored by Milan's Catholic University***

Israel's former Labor Party prime minister, and peace architect, Shimon Peres, speaking at the Catholic University of Milan, where he received an honorary degree in political science on Nov. 27, emphasized science and technology as the basis for development, and strongly praised the Founding Fathers of the United States. Immediately preceding his lecture, the choir sang a Hebrew song, prompting Peres to open his remarks by saying that what is really great about Italy is its music, its history, its art. Music is a universal positive, a language which contains no negative expressions, he said.

"What makes a country strong and rich is the quality of its people; science, technology, education, spirit of the people," Peres said. To be rich, there is no need to conquer others. What is needed is innovation, creativity, free spirit, and science, which is not national or a commodity. Nowadays, said Peres, governments have privatized public-sector companies; but what *makes* money has gone to the private hands, while what *costs* money has been left to the governments. Thus, the governments can't pay for things, and have deficits. The private sector makes a lot of money, and then lays people off in order to make more money.

During the press conference, Peres responded to a question, by confirming that he thinks the United States is an honest broker for the peace process. He has great respect for the nature of America's Constitution, and for its Founding Fathers. He continued, saying that if Columbus had gone to India, I don't know if he would have succeeded in making it great; but I think that if the American Founding Fathers went to India, they would make it a great country.

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## ***Survival Int'l lashes out at EIR in Brazil***

The latest issue of the monthly magazine of Brazil's Socio-Environmental Institute (ISO), sports a letter from Fiona Watson, "Campaigns Coordinator" for Survival International (the "human branch" of Prince Philip's World Wildlife Fund), in which she responds to a special report produced by *EIR*'s Rio bureau in May 1997, entitled "Scientific and Environmental Alert: The Great Waterway." She writes: "In case you have not read the book, *Green Backlash*, I send some excerpts which refer to *EIR* and its founder, Lyndon LaRouche—as a person from the extreme right, completely crazy, and full of conspiracy theories. The book was written by Andrew Rowell, who worked in Greenpeace and now is an adviser to that NGO [non-governmental organization]. He knows how LaRouche attempted to destabilize Greenpeace and the environmentalist movement."

*EIR*'s Portuguese-language alert on

**SENIOR CANADIAN** Federal Court Judge Max Teitelbaum issued a ruling on Nov. 25 that Sri Lanka's Liberation Tigers of Tamil Eelam cannot be considered "freedom fighters," in view of the terrorist acts they have committed. A month earlier, the U.S. State Department banned the group from the United States. The group's main headquarters is London, and its second headquarters has been Canada.

**TAIWAN'S** Democratic Progressive Party, which backs Taiwan's independence from China, made large gains in local elections on Nov. 29, garnering a majority of the 23 contested mayoral and county magistrate seats, and beating the ruling Nationalist Party (KMT). The vote is of some concern to Beijing, although Taiwanese prefer the status quo.

**IRAQ** announced on Nov. 29 that it would accept the renewed oil-for-food deal offered by the United Nations, despite reservations, and despite growing international protests that the sanctions are resulting in the needless deaths of thousands of Iraqi children. A UN report issued on Nov. 26 said that more than 1 million Iraqi children were suffering from malnutrition, due to the sanctions.

**THE PUGWASH** Conference, established in the 1950s to maintain a nuclear balance of terror in order to impose a one-world government, is hosting a conference in Stockholm on the danger of war in the Middle East on Dec. 3-7, *EIR* has learned. The meeting will have international participation.

**STRIKING POSTAL** workers in Canada, 45,000 of whom have been out since mid-November, are being hit with back-to-work legislation by the government of Prime Minister Jean Chrétien. The legislation would impose a wage settlement at about \$1,000 per worker less than Canada Post's mid-November offer. Canada Post management is also seeking greater "flexibility" in hiring temporary and part-time workers.

"The Great Waterway" detailed how Prince Philip's international apparatus is out to stop the project to connect the waterways of South America and open up the continental interior. As *EIR* documented in its Nov. 7 issue, the plot would break up Brazil in the process. ISO is named in *EIR's Executive Alert*, as one of the NGOs working for Prince Philip's plot. The *Alert* is circulating in Brazilian business and military circles, and excerpts were published in September in *A Gazeta*, a daily in the capital of Mato Grosso state.

## Charge British Unprofor officer was Serbian spy

A captain of the British Army, Milos Stankovic, who served with the UN Protection Forces (Unprofor) in Bosnia-Herzegovina from November 1992 to April 1994, was arrested in October for spying on behalf of Serbia during his tour of duty. According to the Croatian weekly *Nacional* of Nov. 19, Stankovic, who went by the name of Mike Stanley while in Bosnia, is currently commanding a British paratrooper corps.

Stankovic was first assigned to British Army Headquarters of the Cheshire Regiment in Nova Bila under commanding officer Bob Stewart, and later to the staff of Unprofor commander, Gen. Sir Michael Rose. As an official military translator, he actively participated in Stewart's and Rose's negotiations with the Croatian, Bosnian, and Serbian armies. He also participated in the so-called secret special operations of the UN forces.

*Nacional* attributes the initiative to arrest Stankovic to the U.S. security services, which had officially stopped sharing intelligence with British forces in Bosnia in autumn of 1994.

## German professor: We must study Federalist Papers

Any true study of European unity, should examine the *Federalist Papers*, which built the United States, wrote Prof. Barbara Zehn-pfennig in an essay for the Nov. 27 *Frankfurter Allgemeine Zeitung*. Under the head-

line, "The Experiment of a Great Republic — Can Europe Learn from the Creation of the American Union?" Zehn-pfennig, a teacher at the German Armed Forces University in Hamburg, wrote that there is much talk about European integration, but it creates little excitement in the population, because it is currently only based on cost-cutting, cost-benefit calculations. This is not how grand policies are made, and 200 years ago, the founders of the American Republic knew this quite well. European politicians should read the *Federalist Papers*, in particular the contributions of Alexander Hamilton, she recommended.

In order to overcome tensions between the various states, the *Federalist Papers* skillfully argued for great ideas, especially that America must represent ideals of humanity in the minds of its citizens. She continued, it is particularly important to re-emphasize the two spiritual foundations of European civilization: the ideas of the Greek Classics, and Christianity, as based on its Jewish foundations. Only thus, can a new design for Europe be developed, and as the basis for a sound integration.

## Top Sorosites convicted of fraud in Croatia

On Nov. 21, two officials of mega-speculator George Soros's Open Society Institute (OSI) in Croatia, were found guilty of fraud. OSI's Croatian Executive Director Karmen Basic and chief accountant Ivanka Morton were given suspended one-year sentences, while Managing Director Srdjjan Dvornik was acquitted for lack of evidence. Soros's OSI had been denounced at the beginning of the year by Croatian President Franjo Tudjman for creating "a state within the state," harboring "illegal and subversive intentions," and as being the "enemy within."

Shortly afterward, Croatian law enforcement caught OSI officials red-handed smuggling foreign currency into the country. An investigation discovered, among other things, that employees' salaries were under-reported in order to avoid paying what Judge Ranko Marijan said was some \$485,000 in taxes.

## The mob that Moon really married

by Anton Chaitkin

Twenty-five hundred couples, members of Sun Myung Moon's Unification Church, were "married" in a Nov. 29 ceremony in Washington, D.C.'s RFK Stadium. Some 40,000 spectators heard Reverend Moon's porno-theology sermon, about how God moves man through sex. The Moonie pairs were selected for each other by Moon, who will eventually tell the couples when they can consummate their marriages. The stadium show coincided with a Moon-sponsored annual gathering in Washington of British Intelligence and allied spooks, the International Conference on the Unity of the Sciences. These bizarre Moon events kept the national capital spinning, in the wake of the Oct. 4 Promise Keepers male-bonding circus.

Virginia Governor-elect James S. Gilmore III, a Conservative Revolutionary run by the George Bush machine, was so thrilled with Moon's mass wedding that he proclaimed Nov. 29 "A Day of Peace Through Family Unity."

Former President Bush himself has recently received millions of dollars from Moon, to be the chief public booster for Moon's business and religion empire. Bush's \$100,000-a-pop "speaking fees" are needed for a campaign war chest, if his son George W. Bush is to establish a family Presidential "dynasty" in the year 2000. Bush spoke at Moon's Unification Church rallies in Japan in mid-1995. Bush toured Argentina, Peru, Uruguay, and Venezuela with Moon in November 1996, launching a South American Spanish-language version of Moon's *Washington Times*. An avalanche of public protests against Bush and Moon climaxed in September 1997, when Venezuela's Justice Ministry banned the Moon cult as a criminal racket.

In the week preceding the wholesale wedding, the *Washington Post* hit its rivals at the *Washington Times*, by disclosing a few useful details on Moon's recent political money-conduiting:

The Moonies donated \$10.7 million in 1995 to the Women's Federation for World Peace (WFWP), headed by Moon's wife. The WFWP then sponsored speeches in 1995 in five Japanese cities by George and Barbara Bush, paying them some \$1 million in fees.

To rescue the Jerry Falwell organization from the brink of bankruptcy, the WFWP donated \$3.5 million to the Christian Heritage Foundation in 1995; the foundation then bought a large portion of the debt of Falwell's Liberty University. In 1996, Moon's News World Communications, parent of the *Washington Times*, lent \$400,000 to Liberty University at a 6% rate of interest.

Falwell spokesman Mark DeMoss told the *Post* that Falwell took the Moon loan on a commercial, not a religious basis. DeMoss, a London-allied "Armageddonist" promoting Mideast war, is also the national head of public relations for the Promise Keepers.

### Prostitution and Anglo-American intelligence

*EIR* investigators have assembled a preliminary dossier on the Moon cult as a money-laundry and criminal political agency for the British and the Bush league.

Yong Myung Mun (the name was later changed to Sun Myung Moon) was born in northwestern Korea in 1920. His parents converted to a Pentecostal sect of the Presbyterian Church when he was about 10. Under North Korean Communist rule in 1946, Moon set up his own Pentecostal church, called "The Jerusalem of the East," with shouting, faith-healing, and a Moon innovation called "blood-sharing." Based on pagan fertility rites, this was the unlimited copulation of the pastor with his female followers. On complaints from Christian churches, Moon was arrested by the North Korean police for adultery. After release from prison, he left his wife, and without divorcing her, he remarried, and went back to "holy

blood-sharing.” He was arrested for bigamy and “social disorder,” and sentenced to five years in prison.

Released by United Nations forces during the Korean War, Moon moved to Seoul, South Korea in 1954. There he set up the Holy Spirit Association for the Unification of World Christianity, or Unification Church, in connection with the founding of the Asian Peoples’ Anti-Communist League. Moon’s original lawyer was Robert Amory, deputy director of the Central Intelligence Agency under Allen Dulles. (Allen’s brother, Secretary of State John Foster Dulles, was a global leader of the Presbyterians, working closely with the British and the World Council of Churches in assorted religious experiments including Pentecostalism.)

Moon was arrested by the Seoul police in July 1955 for indecent activities causing “social disorder.” The *Segae* newspaper reported on July 6, 1955 that many upper-class women and dozens of university women were involved sexually with Moon. He was arrested again later in 1955 for his furious fornications. *Segae* in 1957 alleged Moon to have had orgies with 70 students.

The boldly criminal employment of sex would prove to be a central feature of Moon’s usefulness to his sponsors, and of great significance to U.S. political history in the 1970s and beyond.

South Korean Col. Bo Hi Pak joined Moon’s Unification Church in 1957. The next year, Pak and the Moon group led a Mexico City conference setting up the so-called World Anti-Communist League.

The Korean Central Intelligence Agency was formed in 1961, and Colonel Pak came to the United States as the KCIA Washington leader. In conjunction with Moon agents in the South Korean government, Unification Church organizations were set up in Virginia and California with federal tax exemptions.

In the late 1960s, Sun Myung Moon arranged with Japan’s top organized-crime (or *yakuza*) boss, Yoshio Kodama, for Kodama’s lieutenant, Osami Kuboki, to become Moon’s chief executive for Japan, and the head of the Unification Church there. The reported continual transport of cash in Moonies’ suitcases, from Japan to the United States, undoubtedly reflects Moon’s tight alliance with crime boss Kodama, who had been certified a fascist war criminal by the post-World War II Occupation authorities. It may also explain how Moon runs a vast U.S. corporate empire that constantly loses money.

George Bush’s brother Prescott Bush, who reportedly runs covert political operations for George in East Asia, is also a partner in the corporate apparatus of Yoshio Kodama’s Inagawa-kai mafia gang. Kodama’s aides have been arrested for drug trafficking through the Sagawa Kyubin trucking firm, in which Kodama had investments. The trucking firm was run by Susumu Ishii, founding elder of the Inagawa gang and Prescott Bush’s business partner. According to the U.S. Securities and Exchange Commission, Prescott Bush served as a

\$250,000-a-year “consultant” to Ishii’s Hokusho Sangyo Co. subsidiary, West Tsusho Co., from 1989 to 1991. Intelligence sources say that Prescott was also an adviser to Ishii and Kodama’s Sagawa Kyubin trucking firm.

Some reports have come out of Japan linking Kodama’s gangsters to extortion using the “blind terrorism” of the Japanese Red Army. Other reports link the Moonies to the Aum Shinri Kyo cult, which released nerve gas on the Tokyo subway.

According to Kyle Olson, a chemical warfare specialist in Washington who has extensively studied the Aum cult, that group was launched with seed money from Reverend Moon’s Unification Church. There are several leading members of the Aum sect now in jail for their complicity in the sarin gas attacks in Tokyo, who were formerly leading figures within the Moon organization in Japan. Olson recently noted that, in the several years since the Tokyo subway attacks, there have been no sources or evidence contradicting the early Moon-Aum funding links.

### **The Bush-Moon axis at war in Washington**

Sun Myung Moon entered the United States in December 1971. His organization was immediately given the seal of approval by the highest levels of the British oligarchy, which handed Moon the personal leadership of a nihilist philosophical movement previously headed by Lord Bertrand Russell, in the form of annual conferences on the “Unity of Science.” It was one of these Satanic conferences which recently took place in Washington, D.C., in conjunction with the stadium mass-marriage; we shall pull the mask off this endeavor, below.

Moon’s movement was favored by the Anglophiles in U.S. intelligence, the Sir Henry Kissinger and James Jesus Angleton types, as a “right-wing” force that could counter the New Left with the youth allure of Moon’s New Age ideology. Several hundred foreign Unification Church members, many of them Japanese, followed Moon to America in 1973 on student or tourist visas, to help as recruiters and fundraisers.

Moon also imported attractive young women, who began to associate for employment and parties among U.S. congressmen and their staffs.

In January 1976, George Bush became Director of Central Intelligence, during a full-scale Congressional revolt against the leadership of the intelligence establishment. Representative Otis Pike’s (D-N.Y.) investigating committee had issued a report attacking, among others, Secretary of State Kissinger, and Bush came in to stop the attack and control the damage.

“Koreagate” began a few days after Bush arrived as CIA Director. Headlines began appearing, that the Justice Department was investigating congressmen who had been accepting bribes from agents of the Korea’s KCIA in Washington. Details on this matter were supplied to the Bush team by Donald Gregg, who had been U.S. Central Intelligence Agency station chief in Korea. Scores of congressmen were linked to

Korean Embassy party hostess Suzi Park Thomson—House Speaker Carl Albert had employed her on his staff for six years. Embassy party host Tongsun Park, who was alleged to have arranged the Congressional bribes, was the business partner of Adm. Daniel Murphy, Bush's deputy director of the CIA. Bush thus held powerful cards. Congress ran for cover, as the indictments began.

According to U.S. military intelligence officers who have investigated the KCIA operations, Washington KCIA leader Bo Hi Pak was at this time using an ancient recruitment device on high-ranking conservative political and military officials. Bo Hi Pak reportedly ran a regular series of orgies where officers and bureaucrats got the sexual favors of Korean girls. The photo files from these sessions are reported to have been a powerful influence in certain circles from that time forward.

As U.S. Vice President from 1981 to 1989, George Bush grabbed power over U.S. covert operations, with his Korea team at the center of things. Admiral Murphy became Vice President Bush's chief of staff, and Don Gregg became Bush's national security assistant. In 1982, Sun Myung Moon commenced publishing the *Washington Times*; Col. Bo Hi Pak became chief executive of the parent company.

Moon's "CAUSA" (Spanish acronym) front-group was founded by Col. Bo Hi Pak in 1980. CAUSA sent money to Central America to aid the Contras, whose war was being directed from the Bush Vice Presidential office by Gregg, and operations were run through Lt. Col. Oliver North. In May 1985, the *Washington Times* announced that Bo Hi Pak was contributing \$100,000 toward a private fund that the *Washington Times* was establishing to raise \$14 million for the Contras. *Times* editor Arnaud de Borchgrave told the May 7, 1985 *Washington Post*, "People ask, how can the paper afford to do this when it isn't making money? The answer is that, on important moral issues, our corporate owners are willing to lend extraordinary assistance."

Colonel Bo Hi Pak helped establish the political and financial apparatus for Honduras's role in the drugs-for-guns smuggling network behind the Contras.

Bo Hi Pak helped found the Association for the Development of Honduras (APROH), which became the civilian sponsor of Gen. Gustavo Alvarez and his corrupt faction within the military. Alvarez was himself inducted into the Moon cult, and permitted the Moonies to proselytize within the military. The Moonies' point of view is seen in CAUSA's open praise for the Bolivian "cocaine colonels" of Col. García Meza, as a paradigm of "anti-communism."

It was in those years that the Moon cult, with its *Washington Times* and its money spigot, became central to the propaganda machine running the Conservative Revolution in Washington. When Bush later took the Presidency, he nominated Gregg, who knew where all the bodies were buried, as Ambassador to Korea. Gregg took the fall for Bush on the Contra drugs-for-guns scandal. He lied so blatantly at his Senate confirmation hearings that his partisan, Sen. Terry

Sanford (D-N.C.), said, "If Gregg was lying, he was lying to protect the President, which is different from lying to protect himself."

### **Satanism, from Trinity College**

In 1972, the Moon organization began to host the annual International Conference on the Unity of the Sciences (ICUS). The lords of the British Intelligence establishment gave Moon the franchise to revive this movement, dedicated to attacking Western Christian civilization. Lord Bertrand Russell had created the conference series in the 1930s. Russell met in various European cities with Austrian radical "positivists," who denied that truth exists. At the University of Pennsylvania in 1938, Russell met with the evil linguist Karl Korsch (then a science adviser to Soviet dictator Josef Stalin), and Austrian positivist Rudolph Carnap; they put together a formal project for the "Unity of Science," which was housed at the University of Chicago under linguist Carnap's leadership.

Lord Russell, based at Trinity College, Cambridge University, and his allies, used the conferences to cultivate the ground for acceptance of Malthusian genocide, racial eugenics, psychiatric social engineering, and radical attacks on the very existence of human creative mentation.

When Sun Myung Moon was set to restart the Russell-Carnap movement, Edgar Douglas Adrian, Baron of Cambridge, was designated the re-founding president. Lord Adrian was chancellor of Cambridge University, and had been Master of Trinity College from 1951 to 1965. This was a period of intense anti-Western activity at Trinity-Cambridge, in the Russell tradition; the period when Trinity alumnae Kim Philby and his fellow Anglo-Soviet agents did their worst damage. Lord Adrian was a neurophysiologist, who had been assigned by the British Army to study the effects of shell shock on servicemen. This study became the basis for much of the brainwashing technology of the Tavistock Institute. Lady Adrian was a leader of the Eugenics Society and a close cooperator with the Tavistock Institute's social engineering schemes.

Lord Adrian welcomed participants at the 1974 ICUS Conference, which introduced the British ruling elite to the Moonie apparatus. Conference chairman Lord Adrian said, "Most of us here . . . would applaud the knowledge our science has gained in the past, but would have to admit that it has done little to change our nature, and although it has enlarged our understanding of the universe in certain aspects, in doing so, it has given some of us the power to destroy the world or to enslave the majority of the human race. . . . With the world population increasing, as we are told, by 6 million a year, we cannot afford to delay. . . . So, may I now once again express our gratitude to Dr. Moon for his presence here, and for the address he has given us, which we shall all study with very great interest and very great profit."

Physicist Eugene P. Wigner was among the ICUS leaders

who bridged the transition from Bertrand Russell's to Moon's leadership. Wigner, who chaired some of Moon's conferences, was associated with the "theological" doctrine of "universal entropy." Another old-timer at Moon's ICUS conferences was Ervin Laszlo, a leader of the United Nations Institute for Training and Research. In his *Introduction to Philosophy*, Laszlo explained the method developed at Russell's Unity of Science conferences: good and evil do not exist; "goodness" is simply an idea equivalent to the built-in attributes of animal existence; the animal, man, considers his existence "good," and *any* action for survival, morality aside, is "good."

Among the speakers at the 1974 London ICUS conference were Sir Charles Goodeve, Tavistock Institute Professor of Applied Science; and Russell Ackoff, a U.S.-based Tavistock Institute associate specializing in coercive social psychology. A later ICUS conference was keyed by Theodosius Dobzhansky, longtime chairman of the Eugenics Society of the United States, speaking on "Evolutionary Roots of Family Ethics and Group Ethics."

Fred E. Emery, a Tavistock associate of Ackoff at the University of Pennsylvania, told a Moon conference how "turbulence," or social shocks, will pry people loose from their old ideals, such as "achievement," "independence," "self-control," and "endurance of distress," and force them to adopt ideals such as "nurturance," "self-actualization," and "inter-dependence." The latter ideals are more in line with the new "international order," which requires a change to the paradigm of the "post-industrial society."

In Moon's speech to the 1974 conference, Lord Adrian's reply to which we excerpted above, Moon praised "Zen and meditation"; recommended "the study of extrasensory perception"; noted that "plants respond to [human] emotional states"; and warned that the "study of the Club of Rome . . . clearly indicates the finiteness of the world's resources and environs, and also makes clear the absolute necessity of a global approach . . . transcending the interest of any one . . . nation."

In response to Moon's 1990 ICUS meeting, Lyndon LaRouche issued a public denunciation of conference leaders Moon and Wigner for attempting to place what is in fact Satanism, on the same social and political footing as Christianity. LaRouche hit Wigner's anti-Christian theological doctrine of "universal entropy," and his effort to "superimpose that gnostic's cult-dogma upon the practice of science." LaRouche excoriated Club of Rome founder Alexander King, the frequent ICUS keynoter and avowed white racist, for King's "attack on the fundamentals of Catholic and Protestant beliefs, and King's demand for a savage cut-back in the numbers of the black-skinned section of the human race."

This, then, is the background to the weekend of wedded bliss, which made headlines in the Washington newspapers in November as Reverend Moon's "World Culture and Sports Festival."

## Activists vow to defeat prison privatization

by Rochelle Ascher

An intervention by the Schiller Institute, at the Nov. 20-23 Third Annual Legislative Retreat of the Tennessee Black Caucus in Nashville, brought the national fight against prison privatization to a political boiling point. Approximately 3,000 elected officials and political activists attended the meeting. This is the oldest Black Caucus in the United States, and their retreats tend to be the largest of any caucus in the country. Citizens travel from all over the state to make input into the political process, as the caucus's commitment is to introduce, as legislation at the next legislative session in January, all resolutions passed. The most explosive and well-attended workshop was the one featuring a debate on prison privatization.

As the U.S. economy spins out of control, and Federal Reserve Chairman Alan Greenspan and company need more and more cash to keep the speculative bubble in financial derivatives afloat, the drive for prison privatization will accelerate. Speculators who build and run prisons for profit are all the more anxious to get in on the country's fastest-growing "industry," to get their hands on the public funds. The cost of corrections, including state, local, and Federal budgets, is well over \$20 billion a year. Hundreds of thousands of people are employed in the prison-industrial complex. As reports of the Nazi brutality occurring in private prisons across the country have spread, and the Schiller Institute has educated legislators as to the real purpose of privatization, a movement led by local elected officials, primarily African-American state legislators, together with state employees and the Schiller Institute, is emerging to counter privatization.

The recent history of this fight is intense. On Aug. 12, a videotape was released, which showed correctional officers in a private prison in Brazoria County, Texas, brutally beating and kicking Missouri prisoners in the groin, while also making them crawl on the floor for hours and allowing guard dogs to bite them. The tape, of an incident which occurred in the prison in September 1996, was being circulated as a training video.

As *EIR* reported in its Sept. 5 issue, immediately upon seeing the videotape, Missouri Corrections Director Dora Schriro consulted with Missouri Gov. Mel Carnahan, and cancelled Missouri's contract with Texas. Responding in large part to enraged African-American state legislators, 415 of Missouri's prisoners were brought back to Missouri, with promises that the 655 incarcerated in four other Texas private prisons would be yanked out immediately. Oklahoma and

Massachusetts followed suit shortly thereafter.

On Aug. 25, the state of Missouri brought a lawsuit against Brazoria County, charging it with a cover-up of the beating of Missouri prisoners. That same week, Texas Black Caucus member Rep. Ron Wilson called for a statewide investigation into the 34 county-owned and privately operated jails in Texas, which hold nearly 5,000 inmates from out of state and generate close to \$80 million a year for Texas coffers.

On Aug. 27, *EIR* interviewed State Rep. Charles Quincy Troupe, a 24-year veteran of the Missouri Legislative Black Caucus, chairman of the Appropriations Committee, and vice president of Local 788 of the Amalgamated Transit Union for Missouri and southern Illinois. Troupe indicated that he had been investigating the brutality in the private prisons in Texas for nearly two years, based on prisoner and family complaints, and had repeatedly demanded an official investigation.

On Nov. 25, Troupe decided to take the gloves off. Together with Wisconsin Legislative Black Caucus Chairman Spencer Coggs, and in consultation with the Schiller Institute, he wrote a letter to all of the members of the Congressional Black Caucus, and to the entire 575 members of the National Black Caucus of State Legislators (NBCSL), who will convene for their 21st Annual Legislative Caucus meeting during the second week of December in Milwaukee. His letter demands that African-American elected officials put a halt to this most hideous form of privatization—the equivalent of trafficking in human flesh (see box).

## Tennessee and the CCA

Tennessee is considered to be the “mother” of prison privatization, because it is home to the Correctional Corporation of America, the largest prison privatization company in the world. According to its most recent report, CCA now has 28,357 beds in 46 facilities under contract in 11 U.S. states, Puerto Rico, Australia, and the United Kingdom. CCA boasted to the media that they would introduce legislation this year in Tennessee to privatize *all* the prisons in the state. (Tennessee state law is very specific: The current code allows the operation of *only one* private prison in the state, the South Central Correctional Facility, run by CCA.)

The history of CCA exemplifies everything wrong with privatization, which reaches its ultimate evil when dealing with prison populations. As William Montague, a jail administrator in Madison County, pointed out at the workshop in Tennessee, the U.S. Constitution guarantees to its citizens life, liberty, and the pursuit of happiness. Citizens can only be deprived of these rights *by their government*, as a result of due process of law, in punishment for a crime. Private prisons are therefore, by their nature, unconstitutional.

The history of CCA is a horror story in itself, which will only be summarized here. In his book *Private Prisons*, author Charles Caudwell documented the interconnection between the oligarchical families that run Tennessee, the George Bush machine, and CCA.

In 1984, Honey Alexander, the wife of Bush sidekick and

then-Tennessee Gov. Lamar Alexander (later Bush’s secretary of education), invested in CCA. The company had been founded a year earlier by Thomas Beasley, a former Tennessee Republican Party chairman. Its start-up capital was provided by the venture capital firm Massey Burch, the funders of Kentucky Fried Chicken. Beasley projected that CCA would make an 8-12% return on investments, with higher returns accruing with volume—i.e., more prisons, longer sentences. In 1985, Beasley put together a proposal worth \$250 million to take over the Tennessee prison system. CCA did not land a contract with the state while Alexander was governor, but it did get a contract to run a state juvenile facility, after Alexander left office. According to the journal *CovertAction*, the U.S. Attorney in Nashville was investigating charges of bribery and kickbacks surrounding the contract to run this facility, after it was discovered that influential state and local politicians were shareholders, including Alexander’s successor as governor, Ned McWherter.

CCA was intimately tied to the Alexander machine: Lobbyists for CCA managed the campaigns of the former Tennessee governor and Presidential candidate, and served as his chief of staff. CCA’s first group of investors included, besides Alexander’s wife and McWherter, current and former Alexander cabinet officers, CCA administrators who were former state GOP chairpersons, and a CCA lobbyist who was a Democratic state senator. Honey Alexander and McWherter sold their CCA stock in 1985, to avoid the appearance of conflict of interest.

A 1985 article in *The Nation* magazine, entitled “The Downside of Prisons,” gives the real “flavor” of CCA. Two former state corrections officials were at that time vice presidents of the company: T. Don Hutto, former commissioner of corrections in Arkansas and Virginia, and Travis Snellings, former budget director of Virginia’s Department of Corrections.

*The Nation* cites Hutto’s record with the Arkansas prison system as demonstrating his approach to prison management. In 1978, while he was commissioner of corrections there, the U.S. Supreme Court ruled that the state’s entire penal system constituted “cruel and unusual punishment.” The court found that he and his associates, while running the state prison system, “evidently tried to operate their prisons at a profit.” Inmates were required to work on the prison farms ten hours a day, six days a week, often without suitable clothing or shoes, using mule-drawn plows and tending crops by hand. Punishment for minor misconduct included lashing with a wooden-handled leather strap five feet long and four inches wide, and administering electric shocks to sensitive parts of the body. The trial court characterized the prisons as “a dark and evil world completely alien to the free world.”

While Hutto is no longer CCA vice president, he is still employed by the company. And CCA’s courtship of Tennessee elected officials has certainly not changed. While Lamar Alexander’s wife may have divested her stock before



## Troupe appeals to state legislators

*State Rep. Charles Quincy Troupe (D-Mo.), is circulating the following letter to the National Black Caucus of State Legislators (NBCSL):*

“As members of NBCSL, it is our moral as well as our political duty to oppose the privatization of prisons in our states, and also federally. I believe this, both because we represent African-American constituents, who are the principal grist for this man-killing ‘industry,’ and because the philosophy which stands behind *prison privatization is un-American and inhuman*. Prison privatization is being sold as a cost-saving device, particularly in an era when Americans, and particularly African-Americans, are being incarcerated in record numbers, indeed numbers greater than in *any* other democratic nation. But there is no study today which demonstrates that, in the long run, these savings are real, and there is plenty of evidence, as recently as earlier this year in the case of Missouri prisoners being tortured in privately run jails in Texas, *to indicate that the cost is far too high for what little might be saved*” (emphasis in original).

Reminding his audience that Auschwitz, too, was a private prison, where prisoner-slaves were worked to death, Troupe went on to say:

“While private companies have run some aspects of the prison industry for decades, the large-scale takeover which we are experiencing today began in the 1980s, under the Reagan-Bush administration. It coincided with the huge increase in incarceration and with the general thrust toward privatization of all government functions to funnel business into the hands and pockets of the administration’s friends. So, for instance, CCA, founded in 1983, and today the largest private prison concern, had 685 beds under management in 1984 and has more than 15,000 today. Perhaps the best evidence of this political relationship is the fact that Bush’s Bureau of Prisons director, J. Michael Quinlan, moved from that position when Bush lost the election, to ‘Director of Strategic Planning’ at CCA. Today Quinlan is making a fortune off CCA’s meteoric rise on the stock exchange. . . .

“It is up to us, you, me, and NBCSL, to stop this monster before it eats us alive. The next step, should we accept the privatization of our prisons, will be the wholesale establishment of work camps in private prisons, something now beginning in states like Virginia, whose sole purpose will be to break the wage scale of free labor. If you remember what slave labor was in this country before the Civil War, you will recognize the intended effect of such a policy.”

her husband’s Presidential bid, many other elected officials or their spouses are still on the CCA payroll and/or hold substantial amounts of CCA stock. The wife of the Democratic Speaker of the House, Jimmy Naifeh, is the chief lobbyist for CCA. Tennessee law does not prohibit this, nor does it require the Speaker to recuse himself from voting on awarding CCA contracts. The only stipulation in state law is that lobbyists for CCA be registered and that their holdings be transparent.

### **Battle over privatization in Tennessee**

Earlier this year, Democratic Lt. Gov. John Wilder and Democratic State Rep. Matthew Kisber drafted the legislation that CCA had boasted would pass. This bill proposes to break the state code, which prohibits more than one privatized facility.

(In fact, CCA has already gotten around the law quite successfully. They built, and are currently operating, a 1,500-bed facility in Hardeman County. The sleight of hand here was that they used another state law which allows counties to contract in the event of overcrowding. So the county contracted with CCA, and then the state turned around and leased the 1,500 beds from the county. Then CCA argued for the

addition of 500 more beds in Hardeman County. When the state said they didn’t need the beds, CCA went ahead anyway, bringing in prisoners from Montana. They are now building another 1,500-bed private facility just down the road from this facility — with no authorization by the legislature. CCA obviously assumes if they build the prisons, they will certainly find some prisoners to fill them! CCA also has a contract with Davidson County to manage their 900-bed facility.)

The House bill came before the Select Oversight Committee on Corrections (SOCC) in October, for their review and recommendations. The committee opposed total privatization, stating that at least 30-40% of the prisons should *not* be privatized. Their report addressed several other problems with the existing CCA contract. For example, CCA will not allow any prisoners with AIDS in their prisons, and has a cap of \$4,000 for medical expenses per prisoner per year. Any prisoner who costs more than that, has to be covered by the state. The implications for medical care for prisoners in these facilities is obvious.

When CCA announced its plans to privatize all the Tennessee prisons, an explosion ripped through the state. The Tennessee State Employees Association (TSEA) immediately began to mobilize, as did employees of the Department

of Corrections, sheriffs, members of the state Legislative Black Caucus, and civil rights veterans.

### The Schiller Institute intervenes

It was into this explosive atmosphere, that a Schiller Institute organizing team arrived on Nov. 20. At the workshop of the Criminal Justice Task Force, the major discussion was a debate between John Ball, CCA director of business development, and William Montague, jail administrator at the Madison County Sheriff's Department. Before an audience of several hundred very agitated people, including TSEA officials sporting "No to private prisons" buttons, the presentations began. Montague summarized a paper he has written, covering all the arguments against prison privatization, saying that the profit motive has no place when it comes to the question of incarceration.

The questions from the audience were an angry bombardment directed at the CCA director—ranging from employees of the correctional system, concerned that their pensions and retirement would be destroyed if CCA took over the prisons, to citizens, one of whom said: "African-Americans make up a disproportionate share of the prison population. Prevention, alternative sentencing, and rehabilitation are virtually a thing of the past. What incentive is there, when the motive of private

prisons is profit? Therefore, there is no incentive for rehabilitation, no incentive for education, and every incentive to lock up as many people as possible for as long as possible."

At that point, a Schiller Institute representative was called upon by the moderator. Stating that *EIR* had extensive files on CCA and prison privatization which we would be delighted to contribute to the fight, she held up *EIR*'s Oct. 17 issue, containing an interview with Jonathan Smith, executive director of the D.C. Prisoners Legal Services Project, reporting the use of CS gas on District of Columbia prisoners at the CCA facility in Ohio, detailing how the prisoners were not allowed to wash it off, while the skin was peeling off their bodies. Then, she held up the letter from Representative Troupe, and asked the Tennessee Black Caucus to join the effort to ban prison privatization.

The Schiller Institute representative went on to discuss the bill Troupe has drafted, modelled on the legislation now incorporated into the Mississippi Code, sponsored by another Black Caucus member, State Rep. Jim Evans of Jackson, which banned privatization of *any* state agency without a vote of the legislature. She described the fight in Mississippi, where Representative Evans, together with the Mississippi Alliance of State Employees/Communications Workers of America, successfully defeated Maximus, a Virginia-based company which Republican Gov. Kirk Fordice had brought in (with the help of George Bush and Oliver North) to privatize the entire Health and Human Services budget in the state. She then pointed her finger at the CCA representative, indicating that the reason they have gotten this far, is CCA's close financial ties to elected officials in the state, and demanded that anyone on CCA's payroll or holding CCA stock recuse themselves from the vote on prison privatization.

When she sat down, speaker after speaker from the audience demanded a response from the legislators present. State Rep. Ulysses Jones, who chairs the State and Local Government Committee in the House (which would ultimately hear any prison privatization bill), made clear that nothing will get by his committee without intense hearings. He chided the CCA representative on the company's proposed cost savings: "First you promised \$150 million in savings, then it dropped to \$40 million—next thing you know it will be \$4 million." Rep. Joe Towns, who served with Representative Jones as co-moderator on the panel, summed up the proceedings, making clear his commitment to defeat any prison privatization legislation that comes before the legislature.

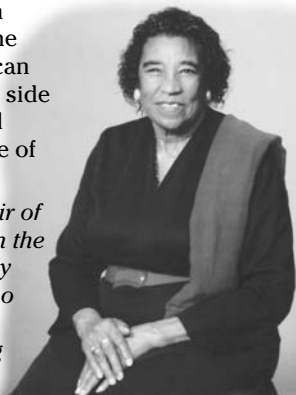
At the Annual Legislative Caucus in Milwaukee, Representative Troupe will propose to the National Black Caucus of State Legislators, that they join together to adopt his proposed legislation to ban prison privatization in the 44 states where they have members. As for Tennessee, it is undoubtedly now clear to CCA, and those on their payroll, that as a result of the Schiller Institute fight, they are not going to have an easy time of it, either.

## Bridge Across Jordan

by Amelia Platts Boynton Robinson

From the civil rights struggle in the South in the 1930s, to the Edmund Pettus Bridge at Selma, Alabama in 1965, to the liberation of East Germany in 1989-90: the new edition of the classic account by an American heroine who struggled at the side of Dr. Martin Luther King and today is fighting for the cause of Lyndon LaRouche.

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# Trouble in the Mellon patch, as Scaife cuts off funding

by Edward Spannaus

A brawl has broke out among the beneficiaries of Richard Mellon Scaife's millions.

Scaife, the eccentric multimillionaire who was deployed by Anglo-American intelligence circles beginning in the 1970s on news-media-manipulation projects, has now cut off the flow of his monies to the *American Spectator* magazine. This follows a series of firings and resignations at that neo-conservative magazine which were triggered by objections to Scaife's anti-Clinton crusade—which was considered excessive, even by the *American Spectator's* standards.

In a series of articles published last March and April, *EIR* documented how Scaife was trained by Mellon-family circles around the most Anglophilic sections of the World War II Office of Strategic Services (OSS), the predecessor of the CIA, and how he funds a network of think-tanks and news-media propaganda centers which controlled much of the Reagan-Bush administrations in the 1980s. We also showed how Scaife played a central role in the creation of the public-private "Get LaRouche" task force in the early 1980s, and how, more recently, he has been the top bankroller of anti-Clinton propaganda in the news media. We particularly highlighted the role of two organizations funded primarily by Scaife which have incessantly promoted theories about the death of former White House aide Vincent Foster: the Western Journalism Center and Accuracy in Media. These two organizations, among other things, have often purchased full-page ads in many other publications promoting the anti-Clinton articles on the Foster case written by Christopher Ruddy, the Foster issue "case officer" on the payroll of Scaife's Pittsburgh *Tribune Review*.

## The un-American Spectator

The broader Whitewater scandal, which had lain dormant since the 1992 Presidential campaign, was kicked off in late 1993 with the publication of the "Troopergate" story in the *American Spectator* (a magazine closely linked to the British Hollinger Corporation), which receives about \$600,000 a year from Scaife-controlled foundations for "research" projects targeting President Bill Clinton.

In November, a 30-year veteran of the *American Spectator*, Ronald Burr, was fired from that magazine for demanding

an audit of the use of the Scaife funds. The *Washington Post* reported that Burr objected to spending the bulk of the Scaife funds poking around Arkansas and hiring investigators to examine Clinton's past.

"Most of the money has just been wasted," one unnamed staffer said. "The whole Arkansas mess is a bottomless pit with weird characters and heavy breathing." This, the staffer said, is clear "to those of us who aren't in bed with Scaife."

Said another contributor to the magazine: "The growing influence of Scaife has troubled me for a long time. The whole Clinton obsessiveness of the magazine has troubled me."

The first counterattack against the *American Spectator* was launched on Nov. 18 by Joseph Farah, the director of the Scaife-bankrolled Western Journalism Center. Farah's piece, "The Unquiet Death of the American Spectator," accused "all three of American's conservative magazines—the *National Review*, the *Weekly Standard*, and the *American Spectator*," of having found something they can agree on: "the professional disbowelment of investigative reporter Christopher Ruddy, author of the new book, *The Strange Death of Vincent Foster*."

Farah's first target to be trashed is Byron York, a staff writer for the *American Spectator*, who attacked Ruddy's book in the pages of the *Weekly Standard*. Farah complains that York had written that Ruddy can't be trusted because he works for a paper owned by Scaife. "Huh?" Farah grunts. "Is investigative reporter York so clueless as not to realize Scaife is also the biggest financial contributor to his own *American Spectator*?"

Farah goes on to accuse the three reporters and the three magazines who attacked Ruddy as suffering from what he calls the "David Brock Syndrome," a malady afflicting right-wingers who want to be accepted into the mainstream popular culture. Farah particularly points at the *American Spectator*, "where reporters and editors go out of their way . . . to offend . . . Mr. Scaife."

The second attack was launched, not surprisingly, by Accuracy in Media, which reported on Nov. 24 that Scaife had totally cut off his funding of the *American Spectator*. AIM acknowledges that AIM has also received "substantial support from foundations controlled by Scaife," but it claims that Scaife has never told them what to do or not to do. AIM notes: "Scaife's decision to dump the *American Spectator* arises from the magazine's vicious attack on Ruddy. . . . Since Scaife believes that his [Ruddy's] work on the Foster case has been very important, the *Spectator's* attack on Ruddy was an attack on Scaife as well."

Cutting off funds is among the milder measures in Scaife's repertoire. On numerous occasions, as *EIR* has previously reported, Scaife has used the Justice Department to target his enemies or those whom he believes to have crossed him, and there are rumors that even worse things have happened to some of Scaife's adversaries.

# The 'media food chain' and the 'burial' hoax

by Edward Spannaus

A totally contrived and fraudulent attack on President Bill Clinton was launched recently by a right-wing magazine published by the George Bush-linked Sun Myung Moon organization. The article, entitled "Is There Nothing Sacred?," was printed in *Insight* magazine, affiliated with the Moon-financed *Washington Times*. It charged that "dozens of big-time political donors or friends of the Clintons" had been given waivers to be buried in Arlington National Cemetery.

The *Insight* hoax said that unidentified Pentagon sources had reviewed the confidential waiver lists, and that "far more than Lincoln Bedroom sleepovers and Presidential kaffeeklatsches were exchanged for large donations to the Clinton-Gore campaign or DNC [Democratic National Committee]." It continued: "In fact, Clinton & Co. may have 'sold' not only burial plots for recently deceased but also future rights to those hallowed grounds without regard for the deceased's status as a veteran."

On Nov. 18, a press release and advance copies of the *Insight* article were faxed out to news media and the talk radio circuit, where it was quickly picked up by the likes of Gordon Liddy, Rush Limbaugh, and Oliver North. Soon, inflamed veterans and veterans groups were screaming that Clinton was "selling" cemetery plots in "hallowed ground" for contributions.

London's Hollinger Corp. jumped into the fray with an article in the Nov. 20 *Daily Telegraph* which opened: "A fresh scandal is brewing in Washington on suspicion that burial plots in the hallowed ground of Arlington National Cemetery have been given away by the government as favors to political adherents." On one Clinton-bashing Internet site, comments such as the following were posted under the *Daily Telegraph* article: "There are many veterans who despise a draft dodger, and I hope there are even more who do not like the national cemetery soiled by campaign money"; "What do you expect from someone who has admitted a 'loathing' for the military. He is a traitor to our country."

Republican National Committee Chairman Jim Nicholson put out a press release saying: "This action goes way beyond selling sleepovers in the Lincoln Bedroom, coffee parties in the Map Room, or Air Force One joy rides. This is sacred land reserved for those who risked their lives in the fight for freedom — not fat cat contributors."

House Speaker Newt Gingrich (R-Ga.) also retailed the line that Clinton was selling burial plots the same way he'd

sold the Lincoln Bedroom; Sen. Arlen Specter (R-Pa.), among others, called for a Congressional investigation.

## Lies given legitimacy

Out of respect for the privacy of the individuals for whom waivers had been granted, and their families, the Clinton administration initially refused to disclose the names. On Nov. 20, White House spokesman Mike McCurry scolded the press corps, saying: "This is a story that appeared, largely uncorroborated, with anonymous sources, in a conservative right-wing publication. It was picked up on the hate-radio talk circuit and inflamed yesterday. And now we're sitting here talking about whether an article that, as near as everyone can say . . . has no basis in fact, and we're trying it as if it has some legitimacy. And we've got members of Congress reacting to the same phenomenon and treating it with a degree of legitimacy."

The next day, Army Secretary Togo West held a press conference in which he released the entire list of 69 names of persons for whom waivers have been granted. Most were relatives of veterans already interred at Arlington. Others were veterans who didn't meet the cemetery's precise criteria, and four were civilians who, the Army said, had performed distinguished service to the nation.

There was only one large campaign contributor on the list. This was M. Larry Lawrence, a former ambassador to Switzerland, who said he had been wounded in the course of being thrown off a ship under attack in World War II, after he had enlisted in the merchant marine at age 18. He had died while serving as a U.S. ambassador, and he thus qualified for a waiver on two separate grounds. West said that neither he nor anyone else involved knew, or even cared, that Lawrence was a campaign contributor.

After reviewing the list, the American Legion's executive director acknowledged: "It seems clear that the anonymous accusations regarding unqualified burials at Arlington were unfounded."

White House spokesman McCurry said that President Clinton and everyone in the White House were "outraged that members of Congress would assist in the dissemination of lies, distortions, baseless allegations, even when they were in possession of information that would have made it possible for them to know the truth. . . . It was a calculated, partisan, political effort to destroy the reputations of people now in government, and in the process of doing so, besmirching the honor of people who are buried at Arlington National Cemetery. And it's an outrage, and it's an outrage that that kind of behavior has accomplices in an otherwise free press."

Referring to what the White House has identified as the "Communication Stream of Conspiracy Commerce," McCurry then continued: "And we've seen this for five years now. It's the hate machine that basically figures out a way to get stuff into the mainstream discussion by using various avenues. And you laugh at us when we make this suggestion. We just had a perfect case history of how this works."

# Los Angeles union head speaks out about pending layoffs, cutbacks

On Nov. 18, the Los Angeles Board of Water and Power Commissioners unanimously approved a plan to slash 2,000 engineering and managerial jobs—more than 20% of the workforce—at the Los Angeles Department of Water and Power (DWP), the nation’s largest municipal utility. The plan is supposed to make the utility “more competitive” in the deregulated energy market, which will go into effect on Jan. 1, 1998 in California. This is the largest municipal layoff in the city’s history, and involves slashing \$400 million per year from an annual budget of \$2.4 billion.

DWP General Manager S. David Freeman is in charge of implementing a huge “restructuring” of the utility, in order to reduce its \$7.5 billion debt burden, \$4 billion of which results from building a state-of-the-art coal-fired plant in Utah in the 1980s, before the era of deregulation and environmentalist-driven energy cutbacks entirely took over public policy-making.

At public hearings on the restructuring and cutback proposal, angry DWP workers confronted Freeman and the commissioners. Pat Sanders, vice president of the Engineers and Architects Association at the DWP, charged that Freeman was leaving “devastation and chaos in his wake . . . killing the department of Water and Power, and killing the city.”

The following is an interview with Bob Duncan, executive director of the Engineers and Architects Association, representing 8,000 engineers, technicians, and administrators at the Los Angeles Department of Water and Power. EAA is an independent union, not affiliated with the AFL-CIO. Eighty percent of EAA’s members have advanced academic degrees. Duncan is also national chairman of the Council of Engineers and Scientists Organization, the umbrella organization for EAA, which includes several AFL-CIO affiliates and independent labor organizations. The interview was conducted on Dec. 1 by Marianna Wertz.

**EIR:** The union members you represent face the largest lay-off of municipal employees in the history of Los Angeles, as a result of the proposed restructuring of the Department of Water and Power. What is your plan of action in response?

**Duncan:** Basically, what we’ve been doing is going to the political officials, media, public, and maybe the courts, if we have to. I don’t know if it will go that far, but basically we’re dealing with the elected officials, the media, and the public to

get our message out, that [the layoff of] 2,000 employees—only 1,000 of them are ours (I shouldn’t say “only,” that’s about half our union)—is ill-advised.

What they did is, they worked backwards. They took a number that they needed, to achieve savings over a five-year period of time. For example: the \$150 million we need to generate in order to pay this debt down. That translates into 2,000 employees. No real thought was given to the kind of service that was *not* going to be provided, or the kind of service that was going to be pared back, or the kind of service they were going to continue. There was no real scientific analysis on that.

**EIR:** So they just picked the 1,000 engineers and architects out of a hat?

**Duncan:** Well, I wouldn’t say so much picked them out of a hat. Everybody has an intuitive feel of where we need to cut back most, as far as the classifications are concerned. What we don’t have is a detailed analysis on the kind of jobs that are either going to be discontinued, limited, or continued. Without that analysis, to pick 1,000 people, just trying to achieve a salary savings, is, long-term-wise, very flawed. It may work in the short term, but as we found with some other investor-owned utilities, Southern California Edison and PG&E in particular, they wound up hiring some of their people back. They overshot the mark, so to speak.

**EIR:** I’ve covered downsizings and privatizations in many areas, and that has happened more than a few times.

**Duncan:** It’s pretty much par for the course. It’s a bumper-car mentality. You just bump into something and then bounce back off it and adjust, as opposed to sitting down and strategically and methodically planning out, as close as you possibly can, what you can do without and what you can pare back, and what you must keep going; and then, associating the folks that are necessary to accomplish that. . . .

**EIR:** In cutting engineers and architects, you’re cutting the people who do the planning and the high-tech thinking.

**Duncan:** That’s true.

**EIR:** What happens to California, or DPW, when it stops having these kinds of capacities?



*The control room of the Shasta Powerplant near Redding, in California's Central Valley. In Los Angeles, the Department of Water and Power is now laying off 2,000 engineers, technicians, and managerial workers—slashing the skilled workforce on which the nation's future development depends.*

**Duncan:** Aside from the fact that they provide the water and the power—critical resources to keep the survival of the city going—I don't think that's really the issue. The issue is not from a macro standpoint; it's more of a micro standpoint, here in Los Angeles. If you eliminate the engineers and technicians and administrators—the people we represent at the Department of Water and Power—the impact it's going to have is on the Department of Water and Power and perhaps the citizens they provide service for. That, in itself, will not cause the downfall of Southern California or California.

Now, if you want to look at it from a macro standpoint, look at the aerospace industry: The aerospace industry has substantially reduced itself over a period of years, and has taken high-paying jobs out of the basin to a large extent. I don't know how many were re-employed in other tech areas, but it's had a disastrous effect on the economy. I think it was in the neighborhood of \$9 billion out of the economy, in spending power for the people who no longer have the jobs. Most of the engineering and high-tech people were in the neighborhood of \$60-70,000 a year, a real handsome salary, the top 20% probably in the nation, or better.

**EIR:** Mr. Freeman claims that he has no alternative to layoffs, if the DWP is to be competitive in the deregulated market which is about to descend on California. Is deregulation a given? Is there no more fight going on? And, if that's true, is there an alternative to the layoffs?

**Duncan:** There always are alternatives. . . . Laying off 2,000 employees is the typical, knee-jerk reaction that most corporate institutions get involved in to cut costs, because it's easier. If you have to delve into associating the work programs with the employees and what needs to be done, it makes it a little more difficult.

What we're suggesting is, that by the year 2003, the debt should be paid off. We have kind of a white albatross up there in Utah, that's in debt for about \$4 billion: the coal-fired plant.

It's nobody's fault. During the 1980s, everybody was clamoring about having more capacity, and it provides a substantial load to the citizens of Los Angeles. One thing that is good about a monopoly is that it provides safe, reliable, quality service, and makes sure that there's plenty of capacity, even to the point of probably over-designing. As a result, we have some excess capacity up there. But with the oil crisis and everything else that was happening during the '80s, it seemed like the best move to make.

**EIR:** It probably was.

**Duncan:** Yes, it was. . . . Nobody knew this Energy Protection Act of 1992 was on the slate, and when it came, it caused deregulation. California, being the targetted state, because our rates were way over the top (a lot of it because of environmental concerns), acted very quickly and passed Assembly Bill 1890. Basically, what that does is provide for open access

and what they call independent system operators, that will do the switching of power from the new power-brokers, if you will, that will be trading energy like a commodity. So, all the utilities will probably be somewhat out of the generation side of it. They may keep some generation around for emergencies and system reliability, but effectively, people will just focus on delivering power, and then we will be basically a wires-and-poles type utility. That means that any kind of generation that we have that's not cost-effective, has to either be sold, or it has to be utilized. If it's not cost-effective, it's going to be difficult to utilize it. We're effectively out of that business, and that takes an awful lot of the workforce away, too, because the design and construction will no longer be there. That will be up to the power-broker pundits who have developed that tier of the system.

**EIR:** We've editorially warned of the down side of deregulation, because you lose the dependability of a centralized power source. What we've seen going on in whole countries today is the same kind of mentality, of slash and burn to cut debt, with human lives being lost. Do you see the similarity with what's being done to DWP?

**Duncan:** That would be hard to say. We could say that the probabilities are higher. For instance, if during an earthquake or other emergency crisis, we are unable to provide power simply because we've been cut off from the outside world, or our system is weak under those conditions, because we lack the workforce to properly design and operate and maintain, sure, lives could be lost, there's no question about it. . . .

On the water side, we have a failing infrastructure. We have people who constantly monitor the reservoirs and make sure that the algae is kept to a minimum. If you don't have the workforce to do that, then you're going to have contaminated water, and then you go out with a "boil water alert" to the citizens, which loses their confidence in the kind of water you're delivering, and has serious ramifications from that standpoint. Are the probabilities high that that's going to happen? Probably not. Are they higher than what we have right now? Probably so. . . .

**EIR:** California once was a world leader in high-technology economic development policies, but today seems to be fighting simply to keep afloat. The same goes for Los Angeles. As a leader of engineers and architects, how do you see reversing this?

**Duncan:** The three major industries here in California are international trade, entertainment and tourism, and the other one is technology. We're not dead on technology at all. We're one of the leaders in bio-tech. We've also got the X-33 program, the substitute for the new space shuttle. That's being done out in the Antelope Valley area. I don't think California is going to be falling behind technologically. I think there's plenty of technology jobs available. People will have to shift from one industry to the next. The jury is still out as to how

the McDonnell Douglas/Boeing Aircraft merger is going to affect the economy.

**EIR:** There is a difference, however, between aerospace and Hollywood, in terms of the production of real wealth.

**Duncan:** There's no question about that. I'm just saying that technology is still considered one of the major industries here in California, even from the newest studies that they have been doing. It's just shifting into different arenas.

**EIR:** For a society to produce movies is different than for a society to produce airplanes and space vehicles.

**Duncan:** That's one of the things that our national organization, called the Council of Engineers and Scientists Organization, of which I'm chairman, advocates. We meet periodically back in Washington, D.C., and we're basically a loose federation of 12 labor unions, consisting of Lockheed Martin, McDonnell and Boeing, and the Tennessee Valley Authority. We come together and basically advocate for infrastructure funding, i.e., things like deregulation, transportation, the Clean Water Act. On the high-tech side, we've been advocating the space station program and the Moon-Mars mission. . . .

The environment is not the issue. The issue is research, technology, and science, and you won't have environmental problems, because you intermingle that with the industry. Then your environmental problems will be taken care of.

**EIR:** Yes, environmental problems are caused by lack of science and technology. It's like saying that Africa is overpopulated. It's vastly underpopulated. They just don't have enough money and technology to develop their cities. So, they're all crammed into a few population centers. But the continent has almost nobody on it.

**Duncan:** That's true, but this is where you and I might part ways in our views. I think the world is way overcrowded, to be honest with you. I think the only way we're going to be able to survive is to colonize other planets.

**EIR:** Did you ever see LaRouche's 1988 television program calling for Mars colonization? It's called "A Woman on Mars." He called for a colonization project for Mars.

**Duncan:** We've been thinking about it for at least that long, the Council of Engineers and Scientists Organization has. It doesn't stop with just high-tech jobs and keeping our people busy. If you roll history back into the 1700s and 1800s, when we went from the East Coast to the West Coast, there was a lot of reasons for that. It wasn't just adventurism. It was colonizing the West Coast. People wanted more freedom, more space. We're going to have the same problem here in this cruel world if we don't get ourselves together and colonize some other planet.

**EIR:** That's fundamental to an optimistic future, isn't it?

**Duncan:** Yes, it is.

# National News

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## Dam to be demolished to protect the fish

For the first time in U.S. history, the Federal Energy Regulatory Commission (FERC) has ruled that a dam, the Edwards Dam in Augusta, Maine, will not be relicensed, and shall be demolished, according to press reports on Nov. 26. The reason? Because the dam allegedly hinders the migratory passage of sturgeon, salmon, and other fish. The Edwards Dam, 160 years old, is a small facility that produces only 3.5 MW of electricity, most going to its owners, the Edwards Manufacturing Company. But the precedent that this sets, as warned by the utility industry's Edison Electric Institute, could put hundreds of other hydroelectric dams, whose licenses are coming up for review, at risk. Within the next 15 years, there are 550 such dams, nearly all much larger than Edwards.

FERC based its ruling on a 1986 law requiring that FERC decisions must balance conservation, recreation, and other environmental "values" with social and economic considerations. It would have taken more money to put fish passages through the dam than to tear it down, FERC rationalized, so on a cost-benefit analysis basis, the fish win. The owners of the dam, and one of the FERC commissioners, are challenging the decision on legal grounds, arguing that FERC can issue licenses, but cannot order that dams be torn down.

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## Tennessee will not fund liver transplant for Ray

James Earl Ray, who recanted his coerced confession to the murder of Martin Luther King, Jr. and has been seeking a new trial for the last 29 years, is dying of a chronic hepatitis C infection that he contracted in prison. A liver transplant could save his life, but, the Tennessee Department of Corrections will not pay for such medical treatments, even though he contracted the disease in prison. Martin Luther King's family has publicly supported Ray's right to a new trial, based on the evidence that Ray and his attor-

neys have presented that he was a patsy—not the assassin—in a far larger conspiracy. Because only a jury trial would bring the evidence to light, the King family supports Ray's right to an operation.

The Rev. James Lawson, who was with Dr. King when he was assassinated, has initiated a drive to raise the funds for Ray's transplant. The University of Pittsburgh Medical Center has stated that, because Ray is not insured, it requires that the \$250,000 be posted as a bond toward payment, before the hospital would list him as a candidate for a transplant. Should Reverend Lawson succeed in raising the funds, Ray will still have to secure a medical furlough from the Memphis district attorney, the prison doctors, and the Tennessee prisons commissioner. One prison spokeswoman told reporters that such furloughs are rarely approved. "A candidate has to be near death," she said. Doctors, a few months ago, diagnosed Ray's life expectancy to be about six months.

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## Mine workers slam Gore, global warming treaty

United Mine Workers of America (UMWA) President Cecil Roberts denounced the global warming treaty and Vice President Gore's promotion of it, at a forum sponsored by the Media Research Center on Nov. 25, titled "Global Crisis or Chicken Little Paranoia?" Joining Roberts was Prof. Fred Singer, of the University of Virginia, and Fred Smith, president of the Competitive Enterprise Institute. Gore was to participate in the Dec. 1-10 UN conference on the "climate change" treaty, in Kyoto, Japan, but because of the growing opposition to the scientific fraud behind the treaty, he made plans to leave for the summit only on Dec. 8.

In his remarks to the forum, Roberts took direct aim at Gore, the chief administration advocate of the treaty's Malthusian environmentalist foundations. Roberts, a sixth-generation coal miner and an executive board member of the AFL-CIO, said, "This issue is becoming more and more detrimental to Gore's candidacy" for the 2000 Democratic Presidential nomination. "The environmentalists feel the U.S. is doing too little, but

many of us in the labor community feel the U.S. is doing too much" on the treaty. While defending Gore as a "friend of labor" on many issues, Roberts said that Gore and President Clinton are "dead wrong on this," because the treaty is not in America's interest.

Roberts estimates that the global warming treaty would cost the United States a total of 1.7 million jobs lost in coal-mining services and other energy-intensive industries, alone.

The UMWA is working in an unusual alliance with the coal industry to fight the global warming issue, which threatens to decimate the nation's coal-mining industry. The October/November 1997 coal industry publication, the *National Coal Leader*, reports on a study commissioned by the Labor Management Positive Change Process Fund (a cooperative program between the UMWA and the Bituminous Coal Operators Association) to determine the effect on energy markets, the national economy, industry, and regional economies, of the emission mitigation strategies which are being promoted at Kyoto. The study, conducted by Data Resources, Inc., found that, if emissions are stabilized at 1990 levels by the year 2010—which is President Clinton's position—the nation's "energy industries would be devastated, with coal mining by far the hardest hit of all; nearly one out of every two coal miners will lose their job."

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## FBI's Moscow office chief quits in scandal

The head of the FBI's office in Moscow resigned in late November, in what is being reported as continued fall-out from the FBI's blundering arrest of a former KGB spy last year. In the 1996 case, Vladimir Galkin was arrested on Oct. 29, 1996, upon his arrival in the United States, after he had been granted a visa by the U.S. Embassy in Moscow. In his visa application, Galkin had honestly stated that he formerly worked for the Soviet KGB. Once arrested, he was charged with illegally obtaining information about the U.S. Strategic Defense Initiative in 1991 for the Soviet Union.

The FBI's arrest of Galkin was seen as violating the unwritten rules of espionage



**MICHAEL SHAHEEN**, who headed the Justice Department's Office of Professional Responsibility since its creation by Attorney General Edward Levi in 1975, announced his resignation on Nov. 24. The OPR, which is responsible for investigating misconduct by DOJ officials, was known for covering up and whitewashing almost all allegations of prosecutorial misconduct that came before it, including the LaRouche, Demjanjuk, and anti-black "Lost Trust" cases.

**SCHOOL GUIDANCE** counselors are increasingly seeing pre-teen and adolescent children showing all the signs of autism, from becoming addicted to the Internet, reported one New York educator. These children are withdrawing socially, even to the point of no longer speaking, he reported.

**THE BOSTON** Tea Party was reenacted on Dec. 1 by the Ad Hoc Committee to Defend Health Care, a group representing 3,000 doctors and nurses, who tossed the annual reports of for-profit hospitals and managed health-care firms into Boston Harbor. The committee has published a call to action in the *Journal of the American Medical Association*.

**PAULA JONES'S** legal fund is being misused to pay for clothing, hair-styling, and other personal expenses, charged President Clinton's lawyers in court papers made public on Nov. 26. The President's lawyers were seeking names of contributors to the fund to show that the case is being bankrolled by Clinton's enemies. The Federal judge hearing the case ruled that contributors' names can be kept secret, but other information should be given to the President's lawyers.

**GOV. GEORGE BUSH** of Texas was the subject of lavish praise in a Nov. 29 Scripps-Howard wire on his gubernatorial reelection bid, which was announced on Dec. 3. The puff-piece claims that the younger Bush, as Presidential material, will "create a dynasty akin to the Kennedys."

between the United States and Russia, where each others' spies are generally deported, but not arrested. The Galkin arrest sparked threats of retaliation that CIA agents in Russia would be arrested, as well as also setting off a fight between the FBI and the Central Intelligence Agency. On Nov. 13, 1996, the Justice Department announced that it was dismissing the charges against Galkin, upon the recommendation of the CIA and the State Department.

Apparently, as a result of the Galkin affair, the FBI office in Moscow was getting no cooperation from intelligence officials in Russia, which a week earlier, had led to the resignation of Stanton Felton, the FBI's "legal attaché" in Moscow.

He said they also look toward U.S. purchases for the Three Gorges project as a way to alleviate the trade deficit. The dam, he said, "is a reality. There is absolutely no question about it. But the most significant thing is the magnitude of it. It's going to generate about 18,000 megawatts, which is equal to about thirty-six 500-megawatt coal-fired plants." He scored the Export-Import Bank for refusing to grant loan guarantees to American corporations on environmental grounds, even though Ex-Im does grant guarantees for coal-fired plants in China, which are the major source of pollution.

## Grand Rapids exhibits art by Raphael's teacher

The Grand Rapids, Michigan Art Museum opened the first U.S. exhibit of works by the Renaissance master Perugino, in late November, who was, among other things, the teacher of Raphael Sanzio. Although Perugino (which means the "man from Perugia"—his real name was Pietro Vannucci) never became as great an artist as some of his contemporaries, the exhibit represents a crucial opportunity for Americans in the area—the exhibit will not travel—to see, first-hand, the paintings of a significant Renaissance painter.

Perugino was an apprentice in the Florentine workshop of Andrea del Verrocchio, along with Leonardo da Vinci and Sandro Botticelli. He worked on perspective with Piero della Francesca; he is believed to have met Albrecht Dürer and Titian. He later became a celebrated teacher, his leading student being Raphael Sanzio, the painter of the famous *stanze* in the Vatican apartments of Pope Julius II.

The Grand Rapids exhibit is small, only 30 pictures, some of which are drawings, while some are productions of his studio, and therefore, only partially by his hand, or were executed under his instruction. Included are a well-known "Madonna and Child," and a "Saint Sebastian." Supplementing the exhibit, is an impressive catalogue of 258 of the master's pictures, with a listing of every Perugino in America. The exhibit runs through Feb. 1.

## China's President Jiang briefs U.S. senators

U.S. Senators Frank Murkowski (R-Ak.) and Thad Cochran (R-Miss.) gave an enthusiastic press conference in Washington on Nov. 24, on their return from China, where they had met with President Jiang Zemin. A meeting scheduled for a half-hour was extended for over an hour, to cover such topics as China's ambitious Three Gorges Dam project, the U.S.-China trade deficit, and technology transfers. Murkowski reported, "I think the highlight was his euphoria over his recent meeting with President Clinton. . . . He has in the Politburo now a group of very well-educated members. There's no military member in the Politburo, and most of them are masters, Ph.D.s, and so forth, which, when you talk to them and you recognize that you're in a socialist-communist country and you're talking about capitalism, it's rather interesting and rewarding, in the sense that here's somewhat of an inconsistency."

Murkowski also said he was surprised that both Jiang Zemin and the vice premier brought up the American trade deficit. "And that's why they were so euphoric about the prospects of bringing in American technology for nuclear power plants, because those are big-ticket items, and other technologies, particularly freshwater conversion devices, where you, through a bacterial process, can convert dirty water to clean water."

### *Let America's children sing*

Friedrich Schiller, the 18th-century poet and playwright, said that it is only “through beauty that one proceeds to freedom.” Today, in order to find solutions to a great political and economic crisis like the one we face, men and women will have to summon up the deepest resources of their souls, the qualities of *agapē* and resoluteness that Lyndon H. LaRouche, Jr. has often discussed in the pages of this magazine. Without a cultural renaissance, that simply cannot be done. LaRouche’s policies for reorganizing the world financial system at a New Bretton Woods Conference, and embarking upon a 21st century of economic and scientific progress, require a change in the way people think. Leaders and citizens who are trapped in pragmatism, banality, and cultural pessimism, cannot effect the momentous changes that are required.

It is precisely for this reason that a new group, the Citizens for Excellence in Education through Music, is now preparing to present a concert and symposium on Feb. 7, in our nation’s capital, by the world’s oldest and foremost boys choir, the Thomanerchor of Leipzig, Germany.

The Thomanerchor has been in existence for over 900 years. Its most famous mentor is Johann Sebastian Bach, who directed the choir from 1723 through 1750, composing many works especially for it.

As the invitation to these events states, “There can be no question that there is a crisis in education today. Not only is the national rate of functional illiteracy (defined as completion of a high-school education) surprisingly high, estimated at 30% nationally, but it is as high as 60% in such inner cities as Baltimore. In addition, the conditions in American schools are notoriously bad. When one has to pass through a metal detector to enter a high school, when many cities have imposed a curfew for teenagers—if a society therefore regards its own young generation as the most dangerous component of society—then there is something horribly wrong.

“If one studies truly successful education models, such as the Humboldt education system of the classical period of the 19th century in Germany, one can see

that excellence in education is not brought about by reducing the intellectual challenge for the pupil to a practical ‘outcome-based orientation,’ but by something totally different. As Wilhelm von Humboldt demonstrated, it is the encouragement of the student to recreate in his or her own mind the creative discoveries in great art and natural sciences, and thereby develop an understanding for the value of the cultural and scientific heritage of all mankind, which sets free the creative potential in the student.

“With the Thomanerchor, we have invited perhaps the best boys choir in the world to participate in this symposium, to demonstrate in one field, music, what a task-oriented education can accomplish.”

In his letter of invitation to the symposium, the world-renowned baritone William Warfield, a leader of the sponsoring coalition and board member of the Schiller Institute, beautifully describes the importance of this undertaking:

“What this country needs, is to let its children sing. The mental discipline, and sheer joy, that a child gains from singing, is what is exemplified in the St. Thomas Boys Choir, which is making its first trip to the United States in over fifty years. Not only will the concert be free, to encourage the maximum attendance by children who want to learn to sing. We want to start an ‘Apollo Project,’ in the image of President Kennedy, which says to America’s children, ‘You are the promise of our future. Sing. You are the fruit of our past. Sing. You are the task of our present. Sing.’

“Every sort of child could be involved in this, and every sort of adult can support it. It may be one of the only ways that children who have believed themselves to be incapable of enjoying learning, might be reached. It’s the way it was done in the Italian Renaissance in the 15th century, and it’s actually the way most great education programs in history have worked. Why don’t we try this in the United States?”

For more information on the concert and symposium, call Diane Sare in Washington, D.C. at 202-544-8704.

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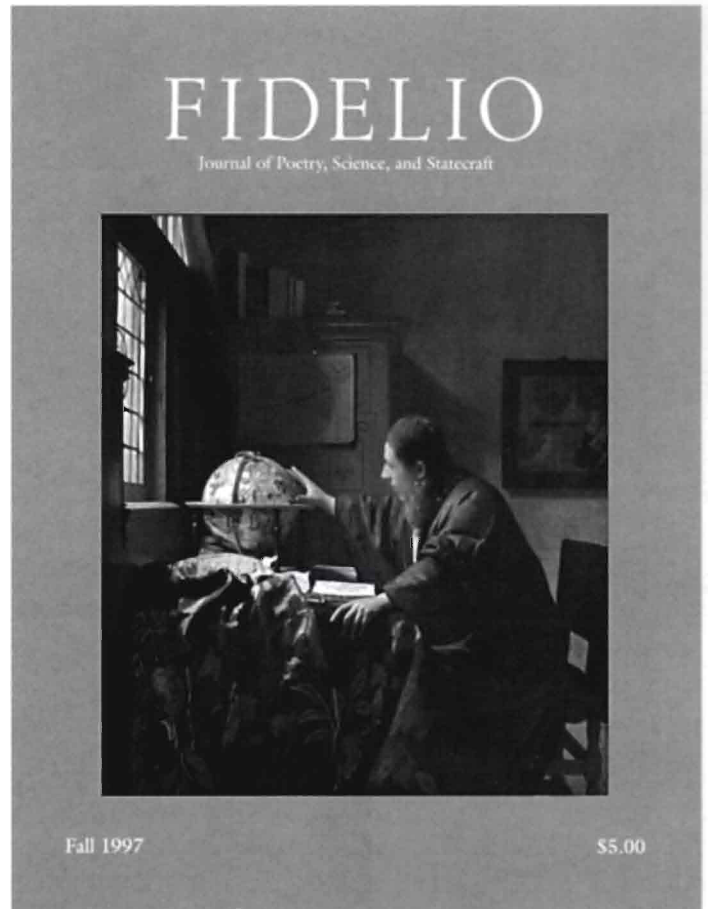
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