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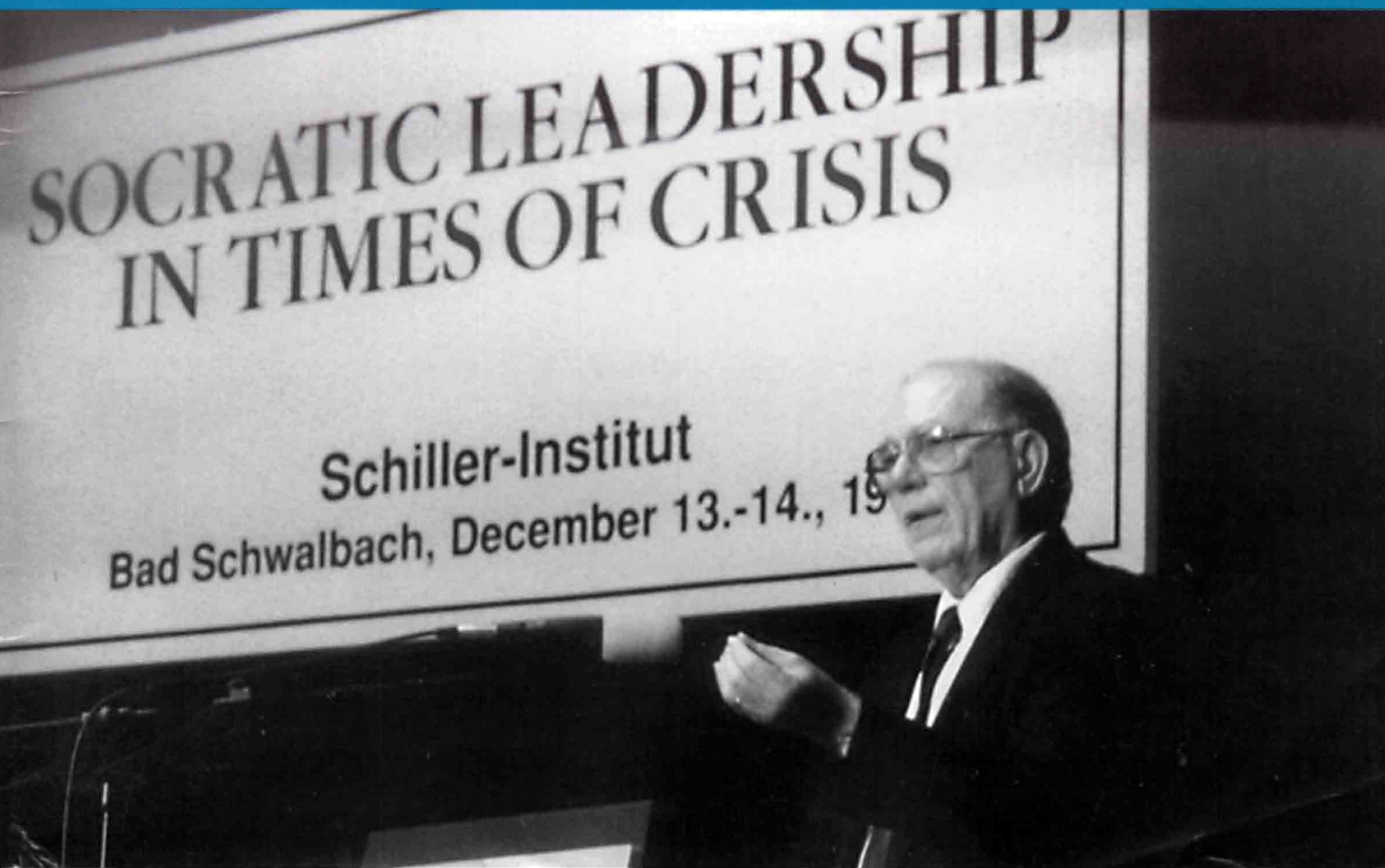
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The Comet of Doom

Crisis management won't save the economy

Mubarak escalates against British terrorism

**LaRouche lays out policy
for decisive battles of 1998**



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From the Associate Editor

It is hard to believe, that just one year ago, Lyndon LaRouche was polemicizing against those “experts,” at home and abroad, who held up the “Asian Tigers” as a model of successful free-trade economics. “Do not classify Asia’s blowfish among its tigers,” he wrote in *EIR* of Feb. 7, 1997. “Put to one side, the dangerously silly Mont Pelerin Society’s choice of monetarist paradise, the non-comparable cases of the Venice-style, ‘hot-money’ *entrepôts* of Asia, Hongkong, and Singapore.” During that same time period, LaRouche was warning that the speculative insanity on the world’s stock and currency markets, would likely lead to a blow-out by the end of the third quarter.

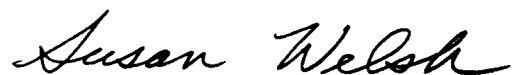
Looking back at the last months of 1997, reviewed by Marcia Merry Baker in this issue, you can see just how right LaRouche was.

At a conference in the German town of Bad Schwalbach on Dec. 13-14, 1997, the Schiller Institute, led by Lyndon and Helga LaRouche, laid out the policies that must be followed, immediately in the early months of the new year, if humanity is to survive the collapse that is now under way. Lyndon LaRouche’s beautiful speech there, “The Comet of Doom,” is our *Feature* this week. In future issues, we shall bring you full reports on other presentations made there, including at seminars on the future of eastern Europe and China.

As LaRouche emphasizes, the fundamental issue, in this time of crisis and opportunity, is the issue of leadership. Who will rise above their personal fears and preoccupations, to save this world from a Dark Age? The record of our top officials is not encouraging. LaRouche’s personal role, as a scientist and statesman, is indispensable, and will become more so as the days go by. Never before has his full exoneration, from the fraudulent charges that were brought against him and his associates, been more necessary.

We at *EIR* wish our readers a happy New Year—in the sense of “happiness” that LaRouche describes in his speech, which is not the same as “pleasure”! We also hope that you will redouble your own personal efforts, to ensure the success of this movement.

As is our custom, *EIR* skips an issue during the last week of December. The next issue will be that dated Jan. 9, 1998.



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How would an astrophysicist describe recent surprising developments in the sphere of international finance? Lyndon H. LaRouche, Jr. warns that if the U.S. government does not supply the \$100 billion in new funds for the IMF, for bailout purposes, demanded by the IMF's Camdessus, then the entire system will go, "Boom!" Worse, if the funds *are* supplied, the world will enter a period of Weimar-style hyperinflation. How can such a disaster be averted? It's a question of leadership, and of mastering the fundamental principles upon which scientific solutions—discoveries—are based.

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Asian crisis shows need for New Bretton Woods

by William Engdahl

After seven months of spreading collapse of currencies and financial markets across almost every country of Asia, from Thailand to Indonesia to South Korea and Japan, the situation shows no signs of abating as the New Year approaches—in fact, the opposite.

In Japan, the internal political battle over whether and how to deal with the country's seven-year-old banking crisis came to a new phase on Dec. 17, when the Liberal Democratic Party of Prime Minister Ryutaro Hashimoto announced a special financial and economic legislative proposal. In a surprise move, Hashimoto offered a package of income tax cuts worth 2 trillion yen (\$15.7 billion), in an effort to stimulate the depressed economy.

The government's more urgently awaited proposal deals with an estimated \$800-1,200 billion of bank bad loans, the residue of the wild speculative real estate and stock market binge in the late 1980s. Hashimoto proposes to put the equivalent of 10 trillion yen (\$78 billion) at the disposal of the government's Deposit Insurance Corporation (DIC), to deal with future failing banks or financial firms, such as Yamaichi Securities, whose collapse in November triggered a panic selloff in world financial markets.

Too little too late?

The Japanese government's proposals are being labelled "too little, too late" by financial market analysts inside and outside of Japan. Under the financial emergency plan, Tokyo will allot 10 trillion yen in newly created Capital Contribution Bonds (CCBs) to the DIC. The bonds will pay zero interest and will be nontransferable, meaning they cannot be sold to the public for cash.

Because of this unusual feature, the placing of the bonds to the now-insolvent DIC will technically not be a net increase

of bonds in circulation—an important political argument in Japan, where the idea of spending the taxpayers' money to bail out failing banks is extremely unpopular. Instead, in the event of a new bank crisis in the future, the DIC would be able to take its CCB special bonds and exchange them for ordinary interest-bearing government "construction" bonds. These in turn, could then be sold onto the public debt market internationally, as needed, to raise the cash to deal with a specific future bank crisis, were it to come.

In effect, the complex two-step procedure ensures that the DIC has at hand the potential to deploy up to \$78 billion to prevent future bank crises. The hope, obviously, is that the mere existence of such an insurance fund would calm jittery financial markets and prevent panic selling of Japanese stocks by nervous investors. On Nov. 10, the Nikkei Dow index had fallen to 15,082 yen, a level at which the hidden reserves of as many as 11 of Japan's 20 largest banks became negative. Only the promise of radical government action to deal with the long-standing bank crisis, coupled with aggressive pressure from the Ministry of Finance on foreign "hedge funds," such as George Soros's Quantum Fund, managed to temporarily bring the vital stock index again above 17,000 over the past four weeks. On Dec. 18, however, the moment of truth had arrived, and Hashimoto had to act.

Japan is one of the only major OECD countries (South Korea is the other), where bank capital is based so strongly on the value of a bank's holdings of permanent shares in other companies, the so-called *Keiretsu*, or cross-holding system, built up after World War II, to facilitate the reconstruction of war-torn Japan. So long as the Nikkei was rising, the case for most of the period from 1950 until 1990, the system allowed Japanese banks to build huge hidden capital reserves and expand to become the world's largest lenders during the late

1980s. Unfortunately, when Japan's stock bubble was finally pricked by the worried Bank of Japan in December 1990, the stock prices plunged, and bank hidden reserves with it, leaving a huge residue of bad loans.

On Dec. 18, the day after the government's plan was unveiled, the Nikkei again fell by 2.3% to a worrisome 16,101, and fell another 846 points on Dec. 19 to 15,314, its lowest point since Nov. 10. Bank analysts estimate that a Nikkei level of 20,000 is the minimum necessary to enable the banks to be strong enough to write off large chunks of their bad debt and to reorganize.

"As usual the government is really behind the ball," noted Yasunari Ueno, chief economist at Fuji Securities in Tokyo. "They finally seem to understand the seriousness of the situation, but can't change direction that quickly." As one informed European banker put it, "It's too little, too late, I fear. By trying to get by with the minimum necessary to calm markets, the government risks the crisis erupting in a few weeks or so, with a fury even harder to contain. It is a long way from Dec. 18 until the beginning of debate in Parliament Jan. 19. A lot can happen between now and then, especially in regard to the volatile situation in South Korea. A worsening of the Korea crisis could have severe consequences for the Japanese banks." Japanese banks have lent a total of \$57 billion to various South Korean banks and private companies, much of it short term.

The unresolved Korean problem

The perverse interaction between the simultaneous crises in Japan and South Korea is giving the entire Asian crisis a systemic global dimension which has rocked financial markets from Russia to Brazil in recent weeks. On Dec. 18, South Korea held Presidential elections, complicating the government's ability, so far, to deal with the dramatic crisis there.

In South Korea, the private banks and companies of the industrial *chaebol* groups have turned increasingly to foreign banks, especially Japanese and German, to borrow in order to cover losses from a weakening domestic economy. Total foreign debts of the state and all private entities is now some \$200 billion, placing South Korea on a par with Brazil as one of the world's most indebted developing nations.

But far more worrisome for Korea, is the fact that \$116 billion of that foreign debt is due in the coming 12 months, and a whopping \$30 billion by the middle of January. So far, the creditor banks are reportedly refusing to roll over those loans, until they see firm financial guarantee from the International Monetary Fund (IMF) that they will be repaid.

Officially, as of Dec. 12, the Korean Central Bank held no more than a total of \$10 billion in dollar reserves, including a \$5.6 billion contribution from the IMF. Circles in the City of London the week of Dec. 8 began widely spreading the rumor of an imminent Korean default, something which would have had drastic consequences for the world economy. On Dec. 14, the London *Sunday Telegraph* ran a headline,

"Korea on Brink of Default," further fuelling default fears.

To date, there has not come a Korean default, though the election of opposition candidate Kim Dae-Jung could bring fresh financial turmoil. One week earlier, after agreeing with IMF Managing Director Michel Camdessus to abide by the terms of the IMF's harsh conditionalities were he to win, Kim told BBC TV in an interview that, if elected, he indeed would tear up the IMF agreement and renegotiate it. That statement triggered a 30% plunge of the Korean currency, the won, in two days, adding to the credibility of the London default rumors.

"Put simply, South Korea is 'too big to fail,'" insisted George Andersen, a senior banker with a large Wall Street investment firm. "With the unrest in North Korea, the military-strategic stakes are too high for the United States to allow a Korea default. Were they to let it happen, everyone holding U.S. Treasury securities around the world, starting in Japan and Europe, would panic and rush for the exit gate and sell their U.S. Treasuries at any price. This will not be allowed to happen."

However, even if such an outcome is excluded, which is by no means certain at this date, the range of options is grim, to say the least, for Washington, Tokyo, Seoul, and the rest of the world. As Lyndon LaRouche underlined in *EIR* on Dec. 12, the potential exists, for a Weimar-style global hyperinflation, if the world's central banks flood markets around the world with cash, to prop up the present world monetary and debt structures.

"What happened in Weimar?" LaRouche asked, in a Dec. 17 radio interview with "EIR Talks." "In Weimar, they said, 'In order to pay the foreign debt, in this case the war reparations debt, we have to print more money. That is, we have to pour money into bailing out debt. But we're only going to do it this one time, for the short term, to get over this crisis.' . . . Each time they used the bailout method, they made the crisis much worse than before. But they would go back again and say, 'Well, we're just doing it one more time, one more time, one more time.' Each time — 'one more time' — actually made the crisis worse. And then one day, within the period of about 18 months, one day, no German money. The printing presses couldn't function any more. They couldn't keep up. And but for a foreign bailout, called the Dawes Plan, Germany would have disintegrated under those conditions."

Today, such money-printing could inflate the way out of the immediate crisis in the short term. But in the longer term, the world economy would soon be driven into a depression, a simultaneous deflation of real wages and prices amid an exploding hyperinflation of financial asset prices, which would make 1930-33 appear like a church picnic in comparison. The present reports of behind-closed-door debate in various international policy circles, over LaRouche's proposal for creation of a New Bretton Woods stable monetary order, coupled with long-term infrastructure investment, will be forced into the open debate, as the crisis escalates into 1998.

Schiller Institute lays out policy for the decisive battles of 1998

by Gabriele Liebig and Susan Welsh

More than a hundred members and friends of the Schiller Institute from western and eastern Europe, as well as from Africa, met on Dec. 13-14 in Bad Schwalbach, Germany, for a conference that put forward the crucial policies for action during early 1998, the year that will define the future of mankind for at least 50 years to come.

The conference could hardly have taken place at a more dramatic time: Starting in Southeast Asia, the bankrupt world financial system is proceeding to disintegrate, while the political leaders on the stage of world politics are acting, at best, like tragic figures, who think they have more to fear from the revenge of the oligarchical gods of the financial Olympus, than from the threat of the global crisis itself.

Lyndon and Helga LaRouche both keynoted the conference, giving a scientific and historical analysis of how the current crisis came about, and outlining the principles—and, especially, the subjective requirements—necessary to ensure that the human race moves forward toward a new global Renaissance, rather than plunging into a Dark Age. The most important issue, they stressed, is leadership: Who will step forward, with the quality of resolution that Clausewitz called *Entschlossenheit*, to develop and implement the solutions that are required? In a presentation to Schiller Institute members on Dec. 15, Lyndon LaRouche contrasted the successful leadership of France's Lazare Carnot during 1792-94, to the historically catastrophic, "Baby-Boomer"-like psychosexual impotence of young Moltke in the opening deployments of 1914, leading into World War I.

LaRouche's keynote speech is published as the *Feature* in this issue. Future issues of *EIR* will contain transcripts of some of the other presentations. Here, we give a preliminary report.

The present as tragedy

Helga Zepp LaRouche, founder of the Schiller Institute, developed in her speech the concept of current world history as tragedy: not in the sense of a melancholy plot that one watches passively on the television screen, but rather a Classical tragedy in the Schillerian sense, which teaches men the tragic consequences that ensue, when heroes fail to act decisively, and in time. None of the world's leaders today have this quality of *Entschlossenheit*; at best, there are some "Hamlets" or "Wallensteins" among them, who, like Czech President Vaclav Havel, with his recent speech about the "post-

communist morass," at least notice the conflict evoked in themselves by the current crisis—although their response to it remains inadequate.

But in history, she said, there have nevertheless been examples of the successful transformation of societies faced with great danger. Classical Greece was one such example, in which a big breakthrough occurred in the century after the Persian Wars. After the first Persian attack was defeated, the Greeks launched a program for ship-building, made the army into a citizen army, conducted political reforms to allow the citizens to participate, and created the *agora*, an institution not only for debates, but also for theater and culture. A leading role in this transformation was played by the tragedian Aeschylus, whose *Prometheus Bound* portrayed Zeus as an evil oligarch, and convinced people to identify with the Promethean gift of Reason.

Schiller's *Wallenstein Trilogy*, she said, is an example of a Classical tragedy, which shows how the lack of resolution leads to catastrophe. Wallenstein wants to bring an end to the senseless Thirty Years' War, but he vacillates between this rational goal and fear of his troops' loyalty to tradition—and to the Hapsburgs—until it is too late.

The African tragedy

Uwe Friesecke of the Schiller Institute warmly welcomed the many prominent representatives of the African opposition to the newly installed genocidal regimes of the Great Lakes region, pointing out that they "have long battled for truth and justice." Among those present were former Ugandan President Godfrey Binaisa; former Ugandan foreign minister and current chairman of the Democratic Party of Uganda Paul Ssemogerere; several partisans of President Melchior Ndaye of Burundi (who was assassinated in 1993), who represented their country as ambassadors during his administration; as well as guests from Rwanda, Congo-Zaire, Sudan, and Eritrea.

The disintegration of entire nations in Africa, the collapse of states, economies, and morality, because of the criminal policies of the leaders of the British Empire in its new Commonwealth form, which is tolerated by the other Western governments and by public opinion—this was another major theme of the conference. Godfrey Binaisa, who is currently building an African Civil Rights Movement, told the audience, "I studied in Great Britain. I know how they brainwash

anyone who comes there, according to the motto: ‘We treat all Her Majesty’s subjects the same.’” He polemically addressed those Germans who ask, “What do we have to do with Africa’s problems?” No, said Binaisa, the Germans too are part of the problem, at least since the Berlin Conference of 1878, when the colonial powers divided up Africa among themselves, and Kaiser Wilhelm II received, from his grandmother, Britain’s Queen Victoria, not only a “place in the sun,” but also “snow at the equator,” and got Tanzania, with “the snowy Mount Kilimanjaro.”

Paul Ssemogerere spoke of the “African tragedy,” for example, in his country, Uganda. The West praises dictator Yoweri Museveni’s “Ugandan model,” he said, whereby two-thirds of the country has been plunged into civil war, the foreign debt has risen from \$1 billion to \$4 billion since 1986, and the daily life of 95% of the population has become even more unbearable than it was under Idi Amin. A solution can only come from carrying out the kind of struggle that the Schiller Institute is waging internationally, the struggle for a new, just world economic order.

Mahmoud N. Alkoronky, the press attaché of the Sudanese embassy in London, attacked the campaign of slander against Sudan, which is being accused of terrorism, persecution of minorities, and all sorts of other crimes. The campaign against Sudan was crafted by the same Western strategists who supported the anti-human feudalists of the Taliban in Afghanistan, he charged. And the same governments that are telling Sudan to adopt “Western democracy,” are supporting murderous dictatorships in Sudan’s six neighboring countries.

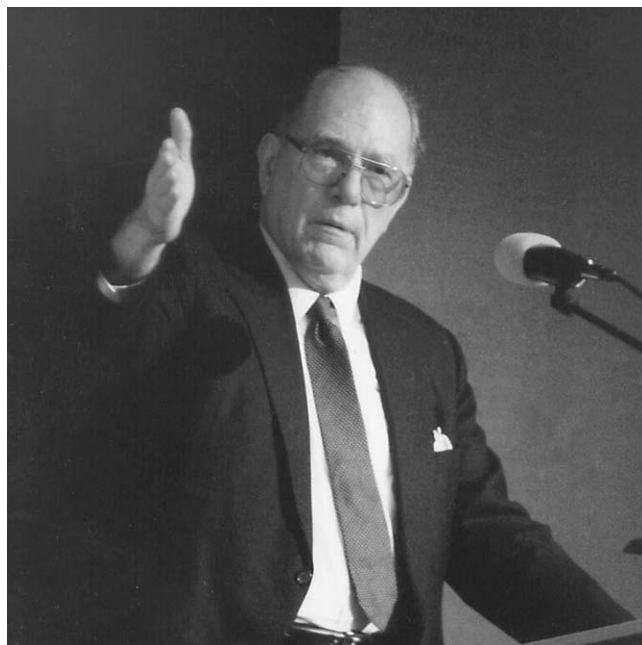
Jerome Ndiho, spokesman for the opposition group CNDD, reported on the situation in Burundi, and Jean Gahururu, spokesman for the RDR, discussed Rwanda. “I am a Hutu,” he said, “but that does not interest me. Because I know that the genocide between Hutu and Tutsi is being maliciously instigated by foreign powers.”

Between hyperinflation and systemic collapse

“Just imagine that, one clear night, you looked up through the crisp night air, to see a familiar heavenly body suddenly become brighter than usual. . . . Call that heavenly body, the famous Asia tiger, South Korea. Each morning, when you arose, South Korea’s currency had lost 10% of its value over the day before.”

That is how Lyndon LaRouche began his keynote speech on Dec. 14. The systemic collapse is coming nearer and nearer, like an approaching comet. A Korean default would hit Japan, Southeast Asia, and East Asia, and would lead to a global chain reaction. In the worst of all possible situations, the IMF would attempt to prevent a systemic collapse, by more and more bailouts and injections of liquidity. This would lead to hyperinflation, like that of the Weimar Republic in 1921-23.

LaRouche outlined the most important steps of a real alternative to this systemic collapse and hyperinflation: The fi-



Lyndon H. LaRouche, Jr. addresses the conference at Bad Schwalbach.

ancial system must be placed into bankruptcy; nothing must be done to save the speculators; we must return to dirigist economic policies; the productive economy must be relaunched, through infrastructure projects like the Eurasian Land-Bridge, and the development of the machine-tool sector of every national economy.

Michael Liebig, in the next presentation, showed how Weimar inflation came about: Any sane person knew that the financial system since the Versailles Treaty was completely unworkable; Germany would never be able to pay off its reparations for the First World War. First came the inflation of 1921-23, then the financial crash of 1929, and, when U.S. President Hoover in 1931 decided on a moratorium on German reparations payments, it was already too late—the tragedy took its course.

Lothar Komp then reported on the speculative degeneration of the world financial system, giving a profile of the exposure of German banks to derivatives.

The chairman of the Schiller Institute in France, Jacques Cheminade, spoke on the “subjective question”: The instructions for how a New Bretton Woods System should work, he said, are ready at hand, just as a new car has an owner’s manual; it is only the driver that is missing. And that driver must be a person who “knows how to drive well, not someone who has just learned how.”

Jonathan Tennenbaum spoke on how scientific discoveries are made, using the example of the calculation of the orbit of the asteroid Ceres, by Carl Gauss, in 1801.

Anno Hellenbroich discussed Beethoven’s reworking of his opera *Leonore* (1806), its transformation into what we know today as *Fidelio* (1814).

1997: The year the international financial system announced its doom

by Marcia Merry Baker

A review of last year's key financial-economic events shows how the trends summarized in Lyndon LaRouche's "Triple Curve" schematic of a collapse function (see back cover of this magazine) reached the shock-wave phase in 1997. The divergence between the ever-rising curve of financial valuations (foreign exchange speculation, derivatives, etc.), and rising monetary valuations, in contrast to the falling trends in the world physical economy, blew out in a series of self-feeding crises around the globe. What the events of 1997 also show, is the institutional incompetence in the face of what needs to be done.

In this "Year in Review" section, we first present a timeline of important developments, with graphs and tables showing selected trends related to the "financial and monetary aggregates" curves of the "Triple Curve" function. Then, on pp. 19-20, Richard Freeman looks at some examples of what is happening with the downward-plunging curve of "physical-economic input/output." We conclude with a selection of quotable quotes from the so-called financial experts, and a sampling of the international press coverage of LaRouche's record as an economist, from the last months of 1997.

Jan. 1: *EIR* features Dec. 14, 1996 address by Lyndon LaRouche, "Nothing Can Save the System," to a conference of the Schiller Institute conference in Germany. "Now, the *Titanic* is sinking. The unsinkable is sinking, this world economy in its present form. The question is *not* at what minute is it going to sink, or even what hour it's going to sink; but, do the passengers have the intelligence to get off the ship before it does?"

January: Mexico pre-pays a \$5 billion installment on the \$50 billion loan package of 1994, to the IMF and U.S., amid financial media fanfare on its fiscal soundness. The jobless rate is 50%, hunger is 30%.

January: Russia's population declined in 1996, by 430,000, to 147.5 million, after years of shock therapy.

Jan. 4: At a Washington, D.C. FDR-PAC Policy Forum, LaRouche stressed two policy initiatives: 1) that the U.S. President convene an international conference to establish a new world financial system; and 2) that an international infrastructure drive start, focussed on the Eurasian Land-Bridge.

January: Wave of privatizations in Southeast Asia, as per IMF "financial markets" demands. Thailand announces on Jan. 8 a list of sell-offs (phone company, highways, a

new Bangkok airport). Philippines courts approve sell-off of Manila's waterworks (valued at \$7 billion), serving 10 million people.

Jan. 11: *Neue Zürcher Zeitung*: "A fire has broken out in . . . the Japanese stock exchange. If the fire cannot be brought under control, the fire will spread . . . toward European and U.S. markets."

Jan. 11: LaRouche at an FDR-PAC Policy Forum, "Africa—Looting Ground for Bush, Inc., or Breadbasket for the World," calls for action to put an end to genocide against Africa, as a moral test for the world.

Jan. 14-15: 700,000 trade unionists protest in South Korea against new anti-labor law, demanded by the IMF.

January: Dow Jones index hits 6,500, up nearly 250% from Jan. 1, 1990 (2,810). About 40% of all American households are involved in the markets; mutual funds assets in stocks hit \$1.752 trillion in 1996 (from \$246 billion in 1990). German stock market index rises 50% from January-July 1997; same in Holland and Switzerland.

Jan. 21: France's daily *Le Monde* asks: "Is the Financial World Going Up in Flames?" with world stock exchange trading over \$1.1 trillion a day (as of 1995), and rising (up from \$20 billion in 1973, and \$200 billion in 1986); derivatives trade is rising even faster, to the "astronomical sum of \$327.6 trillion, i.e., 50 times the equivalent of the annual U.S. GNP."

January: Huge flood damage in California; crop damage in Florida, for lack of infrastructure.

Jan. 31-Feb. 4: World Economic Forum annual meeting at Davos, Switzerland. Public denial, but behind-the-scenes debate over "systemic risks" to world financial system.

Feb. 5: LaRouche, in radio interview, warns that staying in the stock markets means slaughter. He advises, go to Treasury bonds, go to gold, and fight for a new financial system to restore the economy.

Feb. 6: Official German unemployment for January is 4.66 million jobless, worst since January 1933.

Feb. 7: *EIR* features LaRouche proposal, "Return to the Machine-Tool Principle," as policy guidance for nations in breakdown.

Feb. 13: Italian parliamentarian Publio Fiori puts an interrogatory to the government asking why Italy should not back a New Bretton Woods Conference, and tax derivatives speculation.

Feb. 16-17: LaRouche keynotes conference of Schiller Institute and International Caucus of Labor Committees in Virginia, titled “Toward a New Bretton Woods,” where he launches a “war of annihilation” against the IMF. He states: “People are in a *state of denial*. We are under *casus belli*. Our moral obligation for most of the problems on this planet, are, that we must destroy the IMF and what it represents: *Annihilate it as a force upon this planet, with more urgency than the annihilation of Hitler.*” The conference passes an “Appeal to President Clinton to Convoke a New Bretton Woods Conference,” for international circulation. First two signers: Helga Zepp LaRouche (founder, Schiller Institute), and Dr. Natalya Vitrenko (member, Ukraine’s parliament).

Feb. 19: At a Washington FDR-PAC Policy Forum, Dr. Tatyana Koryagina, of the Russian Academy of Natural Sciences, and Dr. Natalya Vitrenko and Volodymyr Marchenko, Ukrainian parliamentarians, report on devastation in eastern Europe under IMF policies.

February-March: IMF delegations are in Albania, Bulgaria, Romania, Croatia, Belarus, Ukraine, and Russia, to impose austerity conditions.

Feb. 25: Bulgarian government appeals for food aid, as deaths grow; only 20 days of food are left.

March 1-2: IMF Managing Director Michel Camdessus meets in Thailand with finance ministers of ASEAN nations, to demand that they comply with “international market demands” in the event of a new “Mexico’ crisis in Asia.

March 3: Thailand’s largest finance company, Finance One Plc., is bankrupt; government closes the Stock Exchange of Thailand for the day.

March 9: London *Sunday Telegraph*: “The \$55 Trillion Horror Story,” by Neil Bennett, on derivatives danger. A week later, it writes that “The City’s [London’s] worst nightmare, [is] a meltdown provoked by a crisis in derivatives markets.”

March 25: Mass rally of German workers at Deutsche Bank’s Frankfurt offices, against steel works cuts.

March: Britain’s premier dope bank, Hongkong and Shanghai Banking Corp. (HSBC), purchases a controlling share of Mexico’s third-largest bank, Banca Serfín, and buys 100% of Bamerindus, Brazil’s sixth largest. HSBC, positioned throughout Ibero-America, announces it will become “the Banco del Mercosur” and dominate the region.

April 10: In Rome, Lyndon and Helga LaRouche keynote conference attended by Italian leaders, to discuss a war plan against financial disaster (see *EIR*, May 2).

April 22-26: Chinese President Jiang Zemin visits Russian President Boris Yeltsin, taking up need for new, just, political and economic world order.

April 24: Summit of leaders from Russia, China, Kazakhstan, Kyrgyzstan, and Tajikistan takes place, favorable to Eurasian Land-Bridge.

April 26-27: Schiller Institute and Bonn-based Rwandan Forum for Peace and Democracy sponsor seminar on “Peace Through Development in Africa’s Great Lakes Region,” in

Walluf, Germany.

April 28: Russian President Yeltsin signs authorization to sell off state assets (49% of the national telecommunications company, large parts of oil sector), and other IMF-demanded privatizations.

April 30: In “Toward China’s 21st-Century Economy,” LaRouche stresses cooperation between the U.S. and Chinese Presidents, as now virtually the only basis for preventing a general economic collapse.

May 6: *EIR* seminar in Prague; and May 13, in Paris, by Helga Zepp LaRouche, on Eurasian Land-Bridge as alternative to financial and economic breakdown and pessimism. Mrs. LaRouche travels throughout the year to hold policy discussions, including to China and India in September, and to Nigeria in November.

May 6: Brazil sells off 30% of state-run Companhia Vale do Rio Doce, for a measly \$3.2 billion, to financial consortium headed by George Soros. CVRD is world’s third-largest mining company, producing 25% of world’s annual iron ore output.

May 14-15: Thailand’s baht hit by massive speculative attack. Philippines, also: the beginnings of what will become a crash in Southeast Asian currencies.

June 6: U.S. official jobless rate, 4.8% in May, lowest in 23 years, is part of the national delusion that “economic fundamentals” are “sound.”

June 9: Bank for International Settlements annual report begins with unusual disclaimer: “Economic and financial developments in 1996,” were “surprising in a number of respects.” Report asks, were these “surprising developments . . . the products of fundamental economic forces, or, rather, will they be reversed by such forces in the future? . . . One part of an honest answer is that we simply do not know.”

June: LaRouche warns that October is likely time for huge shock to world financial system.

June 16-17: European Union heads of state summit does nothing on mass unemployment, and march toward single-currency euro bloc. An open letter of 331 economists backs revival of the Delors Plan for infrastructure projects creating 15 million new jobs, which is in the spirit of LaRouche’s “Productive Triangle” proposal from 1989.

June 20: In North Korea, emergency food supplies are running out. Schiller Institute released “Call for Action” on June 13.

June 20-22: “Summit of the Eight” in Denver, Colorado. No agreement on any substantive issues.

June 23: At “Earth Summit II” in New York City, British Prime Minister Tony Blair and Foreign Minister Robin Cook clash with the United States, and call on the United States to “cut living standards” by 20%.

June 27: Thailand suspends operations of 16 banks.

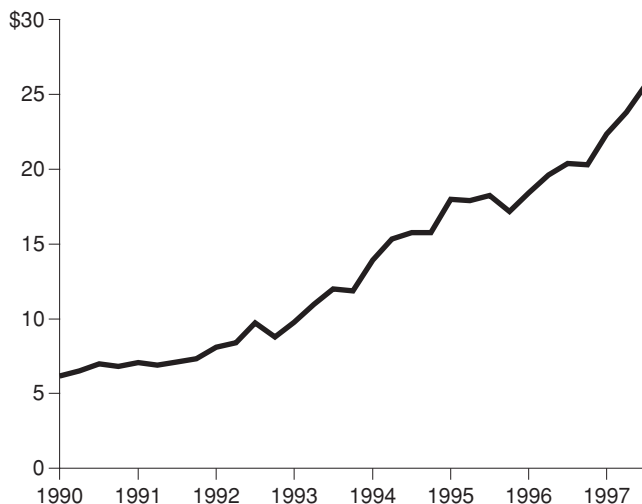
June 30: Derivatives exposure of U.S. banks reaches record total of \$25.7 trillion notional principal value (see **Figure 1**).

July 2: Bank of Thailand announces managed float of the

FIGURE 1

U.S. bank derivatives exposure

(notional principal value, trillions \$)



Source: Federal Deposit Insurance Corp.

baht, which falls 20%; calls on IMF for “technical assistance.” In May, the Bank of Thailand loses \$4 billion, trying to defend the baht against speculation.

July 3: German government gripped by “budget emergency.” All 15 EU members are supposed to “qualify” during 1997, for entry into the single-currency euro club, by slashing their budget deficits to 3% of their 1997 GDP. Given high joblessness and debts, this means institutional crises. Deadline comes from 1992 Maastricht Treaty.

July 4: Mars Pathfinder lands on Mars, spreading scientific optimism worldwide.

July 10: Philippines peso collapses 10% in one day; government has lost \$1.5 billion during week of July 6 defending peso; on July 11, peso allowed to float.

July 18: LaRouche announces as candidate for next U.S. Democratic Presidential nomination.

July 14: IMF offers Philippines \$1.1 billion for emergency, as per post-1995 Mexico rules.

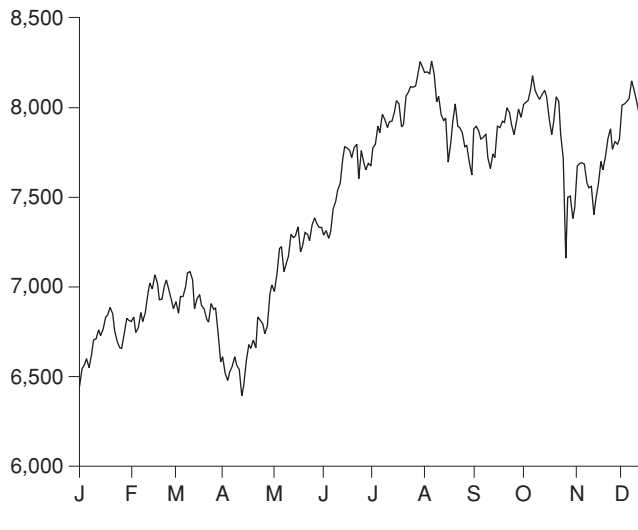
July 16: Dow Jones Industrial Average breaks 8,000 points, closing at 8,038.88. The Dow had ended 1996 at just under 6,500, then hit the 7,000-point level for the first time Feb. 13.

July 24: Currency meltdown in Southeast Asia. Malaysian ringgit hits 38-month low. During one day in July, \$1.5 billion is spent to defend the Hong Kong dollar against speculators. Malaysian Prime Minister Dr. Mahathir bin Mohamed attacks “rogue speculators.”

July 26: Dr. Mahathir cites mega-speculator George Soros, for attacking the ringgit, calling him a moron.

July: Oder River flooding devastates north central Europe, for lack of infrastructure.

FIGURE 2

Dow Jones Industrial Average, 1997

Aug. 6: Dow Jones hits its all-time high of 8,259.31.

Aug. 11: The IMF unveils, in Tokyo, its rescue package of \$17.2 billion for Thailand.

Aug. 15: Dow Jones drops 247 points, typical of hyper-instability phase (Figure 2).

Aug. 22: Chinese Prime Minister Li Peng, in Singapore, attacks currency speculation, “bubble economy.”

Aug. 28: Philippines, stock market sees largest one-day loss in 10 years, down 9.28%.

August: Virtual freefall in most Asian stocks. Markets of Thailand and Philippines each lose 41% of their value from earlier highs. Malaysia’s market loses 37%; Indonesia’s, 33%; Singapore’s, 21%. During August, the Tokyo Nikkei 225, the world’s second-largest market, loses 13% in value.

August: French stock market falls by 10% from its peak in late July; German DAX, down 12%; Swiss, down 13%.

Sept. 2: Dow Jones posts greatest one-day gain ever, rising 257 points.

Sept. 19: *Wall Street Journal*, in Asian, European, and Internet editions, cites LaRouche as the source of Mahathir’s attacks on Soros.

Sept. 20-25: At annual IMF-World Bank conference in Hong Kong, on Sept. 20, Dr. Mahathir tells delegates that currency speculation is immoral, and must be stopped. A declaration by the Group of 24 developing nations stresses national economic sovereignty, and condemns “unjust and inequitable world order.” Japan proposes an Asian Monetary Fund (AMF) to defend regional stability against financial attack.

Sept. 18-22: LaRouche speech on “An Alternative to Neo-Liberalism: the LaRouche-Riemann Method,” read on his behalf, at annual forum of the Technological Institute of Advanced Studies of Monterrey, Mexico. LaRouche addresses hundreds by telephone at events in Guadalajara, Mon-

terrey, and Mexico City, on stopping the world financial crisis, after his planned tour is prevented by last-minute stripping of his security.

Sept. 25-Oct. 5: Malaysia's Dr. Mahathir tours Chile, Uruguay, and Argentina, continuing to attack speculation.

October: Southeast Asia experiences continued record declines of shares, assets, and currencies.

Oct. 1: Dow enters "Black October" by climbing above 8,000; by Oct. 7, it peaks at 8,178, then falls as low as 7,161 on Oct. 27, ending month at 7,442.

Oct. 8: Indonesia goes to IMF-World Bank after foreign reserves are bled dry, following hedge fund attacks that crashed rupiah 5.6% on Oct. 3, and 6.6% on Oct. 6.

Oct. 20-23: Hong Kong stock market hit by heaviest assault ever, losing nearly one-quarter of its value in four days, amidst speculation against the Hong Kong dollar. The Hang Seng index plunges 23.34% to 10,426.30 on Oct. 23, down from 13,601.01 on Oct. 17.

Oct. 27-28: Dow index drops 550 points in one day; next day, Dow rebounds a record 337 points after frantic efforts by Federal Reserve Chairman Alan Greenspan, IBM, mutual funds, etc. to jack up stocks.

Oct. 27-30: \$10 billion in capital flight from Brazil; São Paulo stock market loses 35% of value. Government hikes prime interest rate to 43%, slowing capital outflow, but collapsing economy, as sales of credit items (e.g., household goods, autos) drop by 35%.

October: United States: Millions of bushels of grain rot on ground, as Union Pacific RR breaks down.

Oct. 29: Summit meeting in Washington, between Chinese President Jiang Zemin and President Bill Clinton.

Oct. 31: IMF's Camdessus announces bailout package for Indonesia, which will end up at \$33 billion, \$18 billion from multilateral institutions, the balance from individual nations. Fierce austerity conditions attached.

Nov. 1: Indonesia closes 16 banks.

Nov. 3-5: Group of 15 meeting in Kuala Lumpur, Malaysia.

Nov. 5: LaRouche keynotes *EIR* seminar, "For a New Bretton Woods System," in Bonn. A paper is read from Dr. Sergei Glazyev, head of the Information and Analytics Department of the Council of Federation Staff in Moscow, on the destruction of the Russian economy.

Nov. 7: President Clinton withdraws bill for fast-track pre-approval of free trade pacts from House of Representatives, for lack of backing. AFL-CIO President John Sweeney welcomes this: "Americans oppose fast track by almost a 2 to 1 margin."

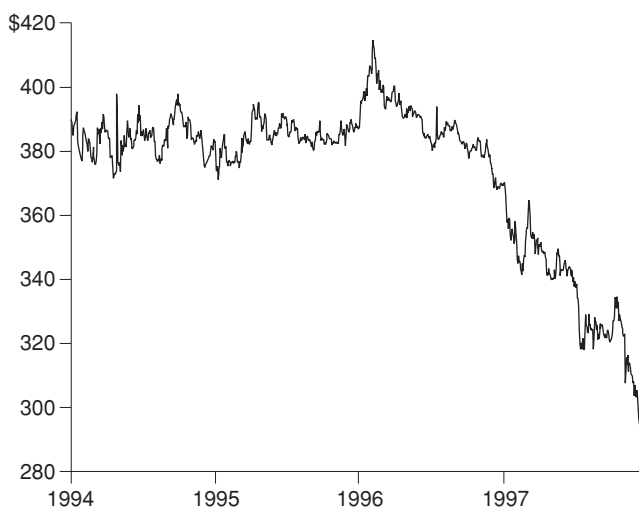
Nov. 15: By this date, over 3,000 former or current holders of leadership positions worldwide (including over 820 in the U.S.) have signed an Open Letter to President Clinton, calling for LaRouche's exoneration.

Nov. 18: ASEAN finance ministers meet in the Philippines, along with Japanese and U.S. representatives, and Camdessus; adopt "Manila framework," subjugating all

FIGURE 3

Gold, Comex spot

(\$ per troy ounce)



emergency funding to IMF supervision.

Nov. 23-24: Vancouver meeting of 18 heads of state of members of Asia-Pacific Economic Cooperation (APEC). No-action outcome shows institutional paralysis.

Nov. 24: Yamaichi Securities, fourth-largest in Japan, bankrupt. Bank of Japan attempts to avert panic.

Nov. 28: Dr. Mahathir on Japanese TV scores IMF. "All these conditions are designed to enable countries to pay back their debts to foreign banks and institutions, so that they will get back their money, but the people will suffer."

Dec. 1: London's National Westminster Bank Plc admits \$500 million in derivatives losses, sells its trading division to Bankers Trust and Deutsche Morgan Grenfell. NatWest sale begins wave of banking shuffles, reflecting derivatives turmoil, including Dec. 8 merger of Union Bank of Switzerland with Swiss Bank Corp., to form world's second largest bank (see **Table 1** for list of big banks' derivatives exposure, 1996).

Dec. 3: IMF head Camdessus announces \$57 billion bailout for South Korea. Fierce conditions include forced unemployment, foreign ownership rights to companies, etc. Within days, bailout is upped to \$60 billion, with talk of \$200 billion needed. Then, bailout "effect" collapses anyway.

Dec. 8-12: South Korean currency, the won, collapses the trade limit of 10% per day on four consecutive days, taking only four minutes to crash on fourth day; trade controls are then removed.

Dec. 10: Since Sept. 30, the South Korean won has fallen 88% in value; other Asian currencies have dropped steeply (on top of summer declines): Indonesian rupiah (□38.3%), Thai baht (□18.0%), Malaysian ringgit (□14.5%), Taiwan dollar (□13.4%), Indian rupee (□10.3%).

Dec. 9: Gold price per troy ounce drops below \$282.75

TABLE 1

World banks—assets, equity, derivatives, 1996

Rank	Country	Bank	Equity (billions \$)	Assets (billions \$)	Derivatives (billions \$)	Equity as percentage of derivatives	Assets as percentage of derivatives
1	Japan	Bank of Tokyo-Mitsubishi	\$24	\$648	\$2,843	0.84%	22.80%
2	Germany	Deutsche Bank	19	575	2,922	0.65%	19.68%
3	France	Crédit Agricole Mutuel	20	480	1,601	1.24%	29.98%
4	Japan	Dai-ichi Kangyo Bank	15	434	1,400	1.06%	31.01%
5	Japan	Fuji Bank	16	433	2,023	0.77%	21.40%
6	Japan	Sanwa Bank	15	428	1,761	0.86%	24.29%
7	Japan	Sumitomo Bank	16	426	1,677	0.94%	25.41%
8	Japan	Sakura Bank	15	423	1,300	1.15%	32.54%
9	United Kingdom	HSBC Holdings	26	405	1,510	1.71%	26.82%
10	Japan	Norinchukin Bank	3	375	?	na	na
11	Germany	Dresdner Bank	10	359	892	1.07%	40.23%
12	France	Banque Nationale de Paris	11	357	2,196	0.48%	16.27%
13	Japan	Industrial Bank of Japan	12	350	1,805	0.69%	19.42%
14	Netherlands	ABN-AMRO Bank	13	342	1,205	1.09%	28.37%
15	France	Société Générale	11	342	2,710	0.39%	12.62%
16	United States	Chase Manhattan Corp.	21	334	5,623	0.37%	5.94%
17	Switzerland	Union Bank of Switzerland	17	326	1,938	0.87%	16.83%
18	United Kingdom	NatWest Group	13	317	2,859	0.45%	11.10%
19	France	Crédit Lyonnais	6	312	1,013	0.58%	30.77%
20	UK	Barclays	12	309	2,207	0.56%	13.99%
21	Germany	Westdeutsche Landesbank	8	298	460	1.74%	64.88%
22	France	Paribas	8	292	2,154	0.36%	13.57%
23	Germany	Commerzbank	8	290	1,082	0.77%	26.83%
24	Japan	Mitsubishi Trust & Banking	6	285	?	na	na
25	US	Citicorp	21	279	2,430	0.85%	11.48%
26	Japan	Tokai Bank	9	273	1,124	0.76%	24.33%
27	Switzerland	Swiss Bank Corp.	10	269	3,336	0.30%	8.05%
28	Germany	Bayerische Vereinsbank	6	261	616	1.04%	42.35%
29	Japan	Mitsui Trust & Banking	5	254	?	na	na
30	United Kingdom	Lloyds TSB Group	9	252	1,639	0.53%	15.39%
31	Japan	Sumitomo Trust & Banking	6	248	?	na	na
32	United States	BankAmerica Corp.	21	248	1,559	1.33%	15.90%
33	Japan	Long-Term Credit Bank of Japan	9	232	697	1.22%	33.25%
34	Japan	Asahi Bank	8	230	?	na	na
35	Germany	Bayerische Landesbank	6	223	?	na	na
36	United States	JP Morgan & Co.	11	222	4,670	0.24%	4.75%
37	Germany	Bayerische Hypotheken- und Wechselbank	6	220	242	2.33%	90.95%
38	Switzerland	Crédit Suisse First Boston	12	219	2,269	0.52%	9.65%
39	Germany	Bankgesellschaft Berlin	5	218	413	1.26%	52.84%
40	Japan	Daiwa Bank	?	213	?	na	na
41	United Kingdom	Abbey National	7	212	?	na	na
42	Germany	Deutsche Genossenschaftsbank	3	212	?	na	na
43	Japan	Yasuda Trust & Banking	?	197	?	na	na
44	Japan	Toyo Trust & Banking	?	193	?	na	na
45	United States	NationsBank Corp.	14	185	1,322	1.04%	13.99%
46	Netherlands	Rabobank Nederland	11	181	490	2.27%	36.93%
47	Netherlands	ING Bank	?	179	328	0.00%	54.54%

(continued on following page)

TABLE 1 (continued)

Rank	Country	Bank	Equity (billions \$)	Assets (billions \$)	Derivatives (billions \$)	Equity as percentage of derivatives	Assets as percentage of derivatives
48	United Kingdom	Halifax Building Society	11	175	?	na	na
49	Belgium	Générale Bank	4	175	259	1.55%	67.43%
50	Italy	Istituto Bancario San Paolo di Torino	3	173	309	1.12%	55.84%
Totals			\$518	\$14,884	\$64,884	na	na

(New York City), an 18-year low. In less than 12 months, the gold price has dropped 23.5%. Instead of gold rising during hyperinstability, the falling price shows actions of hedge funds in a rigged market, and moves by mining cartel giants to consolidate control (Figure 3).

Dec. 3-10: Federal Reserve injects \$9.8 billion into U.S. money supply through the major banks, by purchases of Treasury securities, equivalent to a 2.3% increase in \$424 billion currency in circulation as of Dec. 1. Fed also extends funds to Japan, through “repo” mechanisms (repurchase of U.S. securities from Japan’s central bank). In November, the Bank of Japan pumped in over 800 billion yen, an increase of 1.8% in money supply.

Dec. 12: As of this date, the Bank of Japan has provided 18.3 trillion yen in stand-by credit to financial institutions, with some 3.8 trillion yen in unsecured loans outstanding to troubled financial groups, a tenfold increase from month before. Government is readying an issue of 10 trillion yen in bonds, to support banking system. Total bad debt estimated at \$1 trillion.

Dec. 12: Dow Jones again hits 8,000, poised for a spectacular crash in the new year (Figure 4).

Dec. 12: World Trade Organization conference in Geneva demands more “freedom” for financial markets.

Dec. 15-16: ASEAN informal heads of state meeting in Kuala Lumpur, plus China’s President Jiang Zemin, Japan’s Prime Minister Ryutaro Hashimoto, South Korea’s prime minister, and others. Uproar over IMF ensues. A call is issued to the U.S., Japan, the EU, and financial institutions to deal with currency depreciations and “systemic issues.” Jiang Zemin says that Southeast Asia’s turmoil has taught “a profound lesson.” Jiang and Chinese Foreign Minister Qian Qichen give strong warning to “ward off speculative attacks by international hot money.”

Dec. 16: Emergency meeting between President Clinton, IMF head Camdessus, German Finance Minister Theo Waigel, Fed Chairman Alan Greenspan, and U.S. Treasury Secretary Robert Rubin. No action reported, and only two options indicated, both disastrous: Either pursue “controlled deflation,” or hyperinflation.

FIGURE 4

Dow Jones Industrial Average

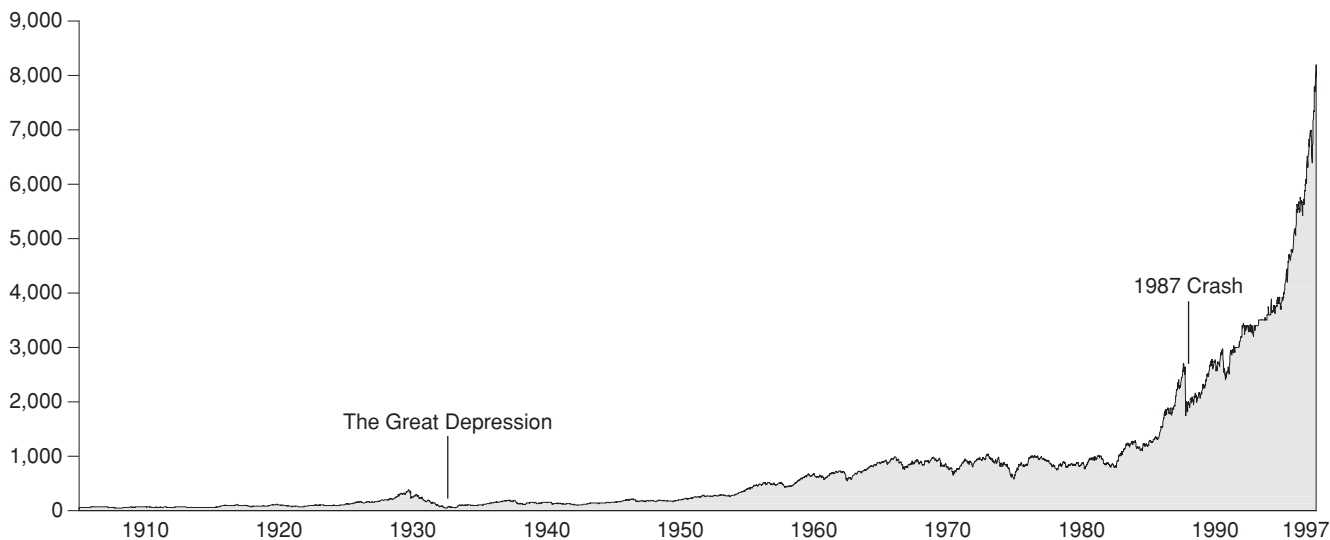


FIGURE 5

Asia: currency values, June 2–Dec. 15, 1997

(U.S. dollars per unit of currency)

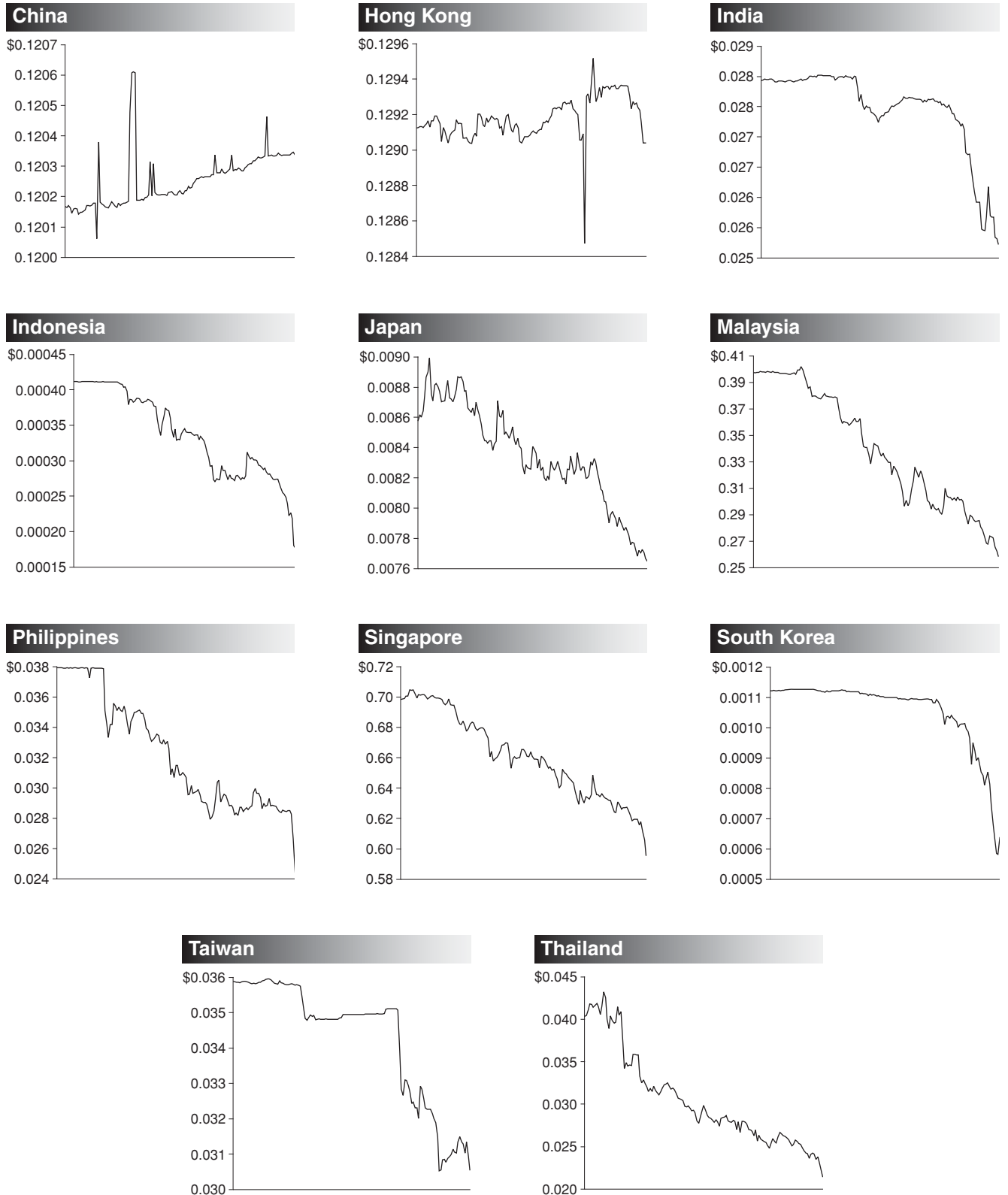


FIGURE 6

Asia: stock market indices, June 2–Dec. 15, 1997

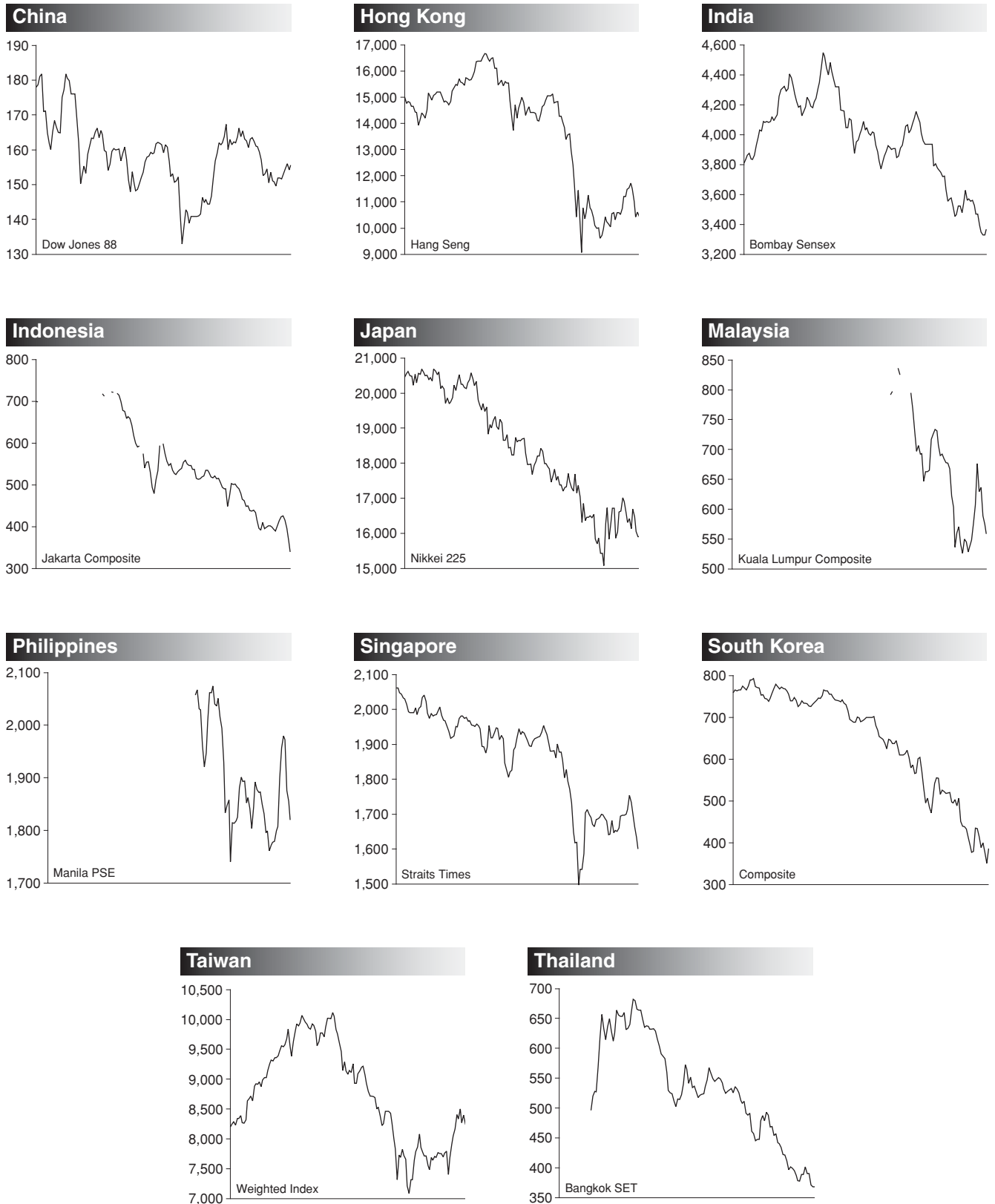


FIGURE 7

Ibero-America: currency values, June 2–Dec. 15, 1997

(U.S. dollars per unit of currency)

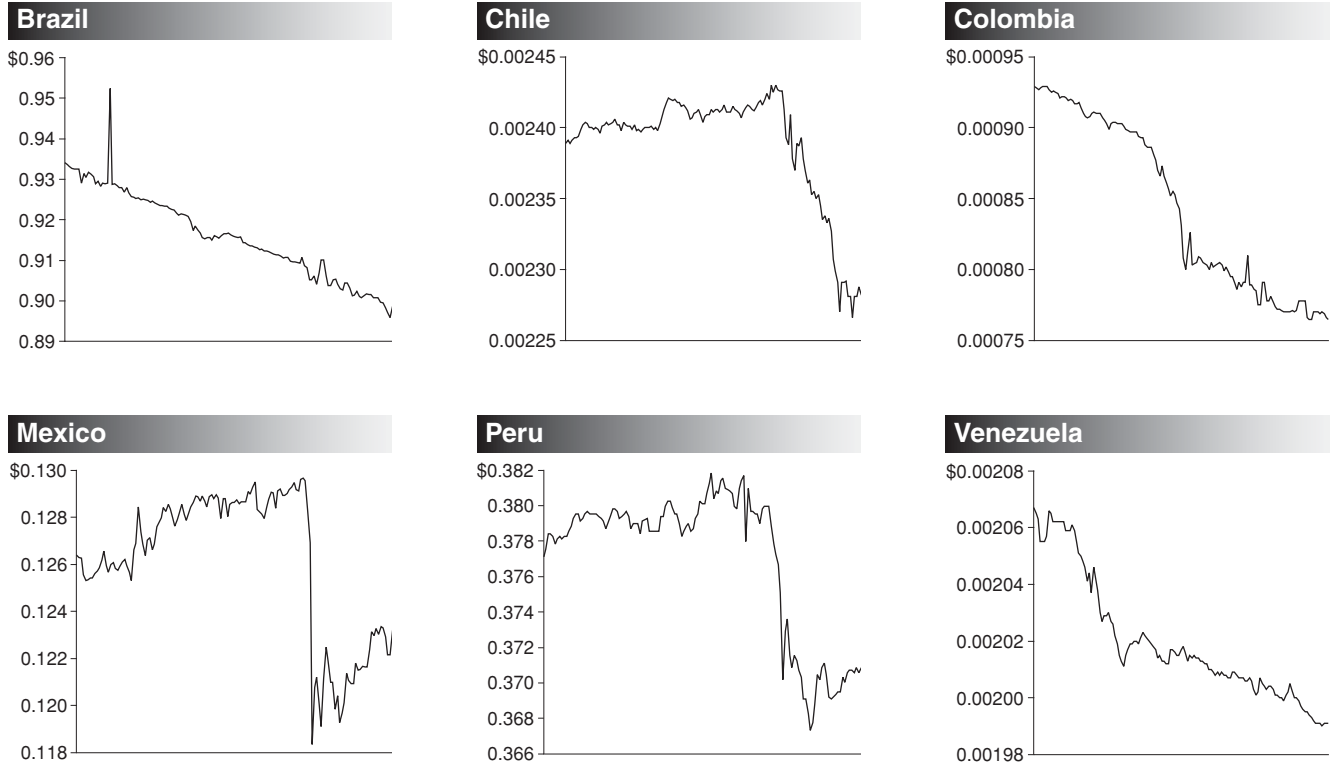


FIGURE 8

Ibero-America: stock market indices, June 2–Dec. 15, 1997

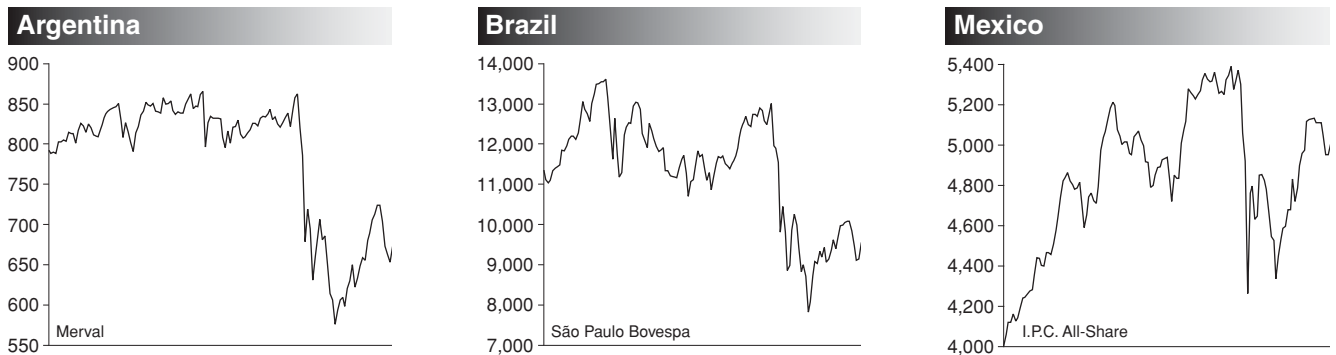


FIGURE 9

United States: stock market indices, June 2–Dec. 15, 1997

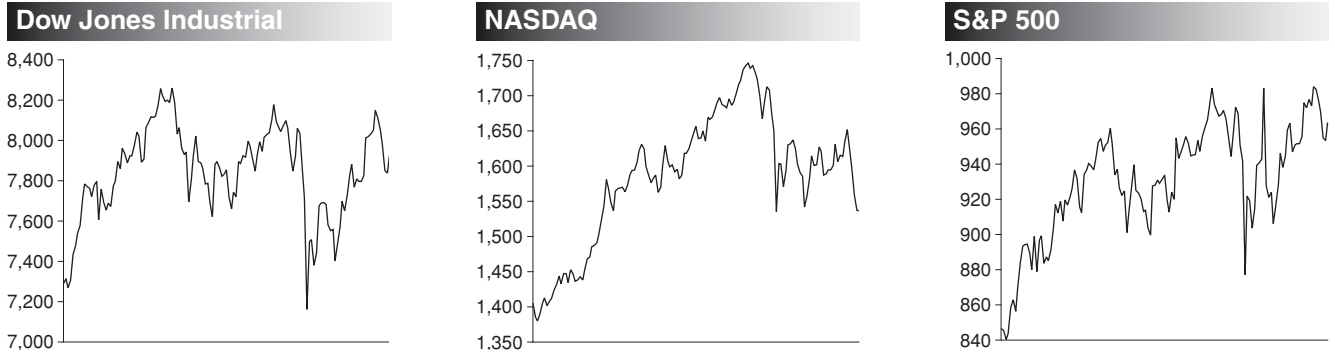


FIGURE 10

Britain and Commonwealth, stock market indices, June 2–Dec. 15, 1997

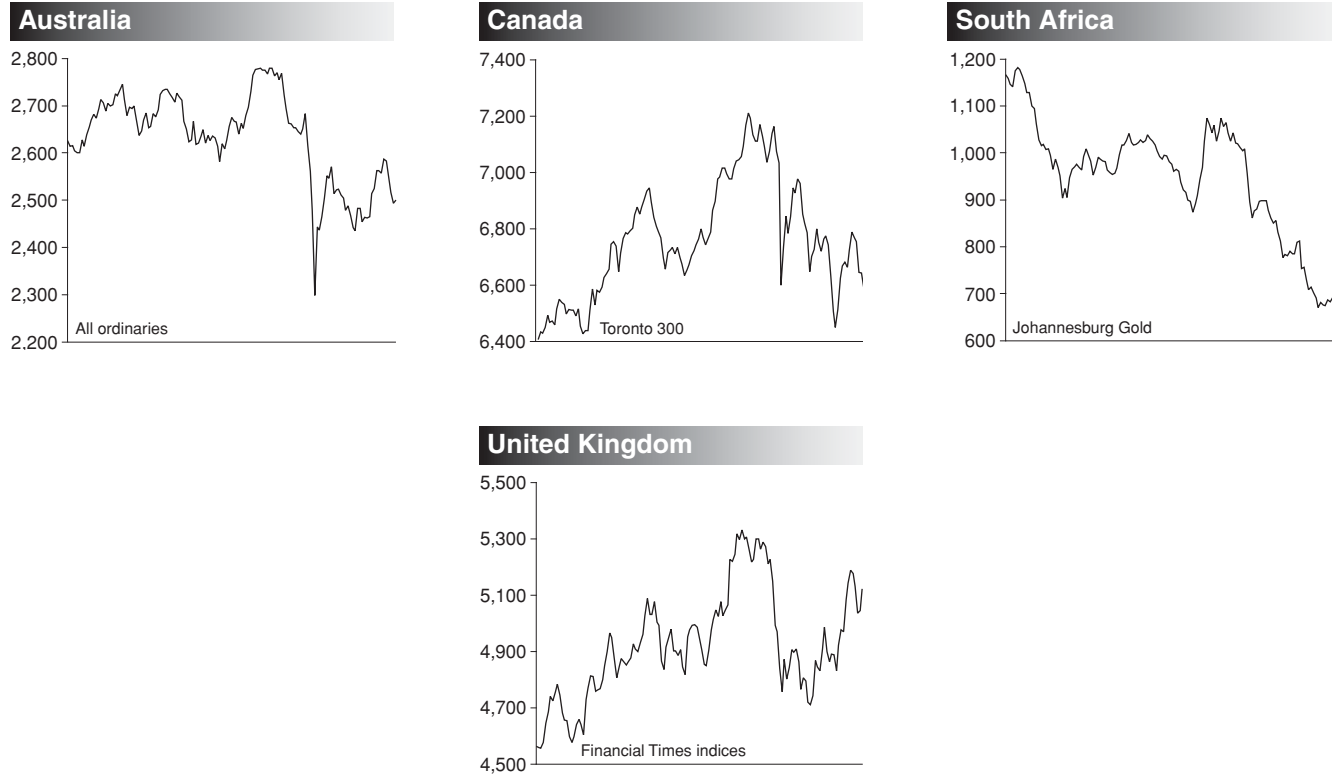


FIGURE 11

Western Europe: stock market indices, June 2–Dec. 15, 1997

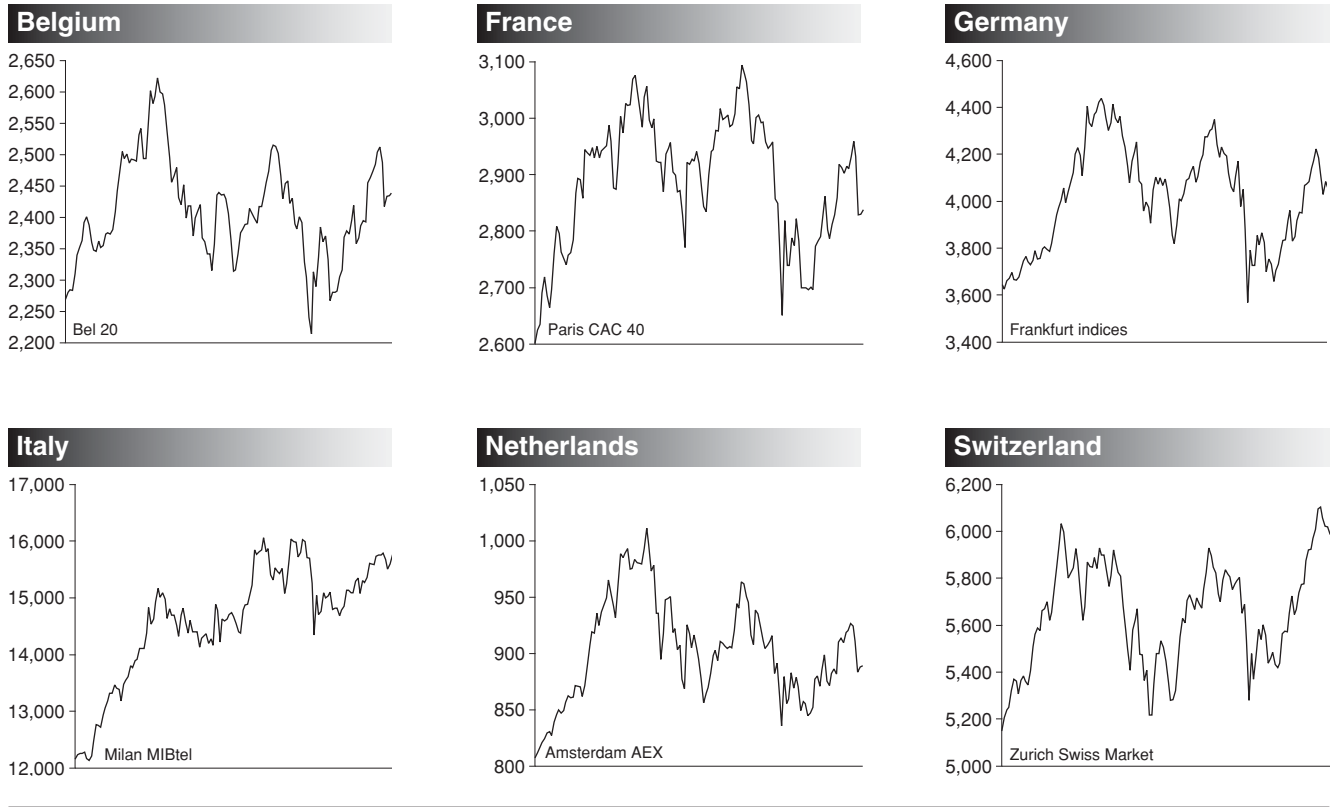
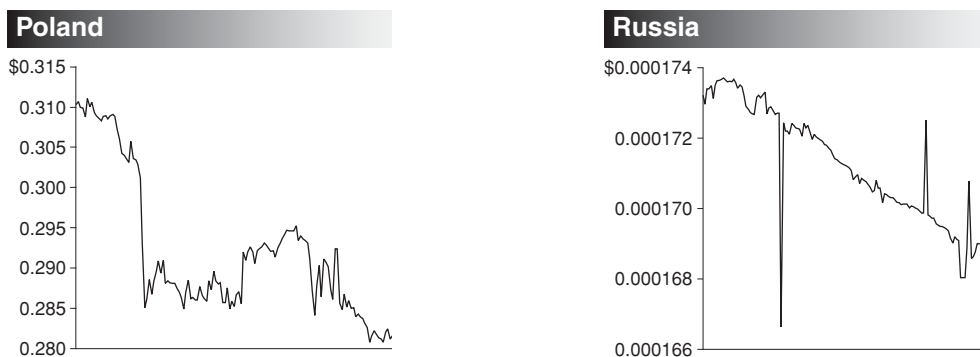


FIGURE 12

Eastern Europe: currency values, June 2–Dec. 15, 1997

(U.S. dollars per unit of currency)



Infrastructure collapse in 1997 due to bad economics, not Mother Nature

by Richard Freeman

In 1997, the pillaging of the physical economy worldwide showed itself in the breakdown of infrastructure, either because of the lack of maintenance, or the fact that vital infrastructure, some of whose blueprints and designs have existed for 40 years, was never built.

So-called natural disasters occurred repeatedly, involving countless deaths and widespread destruction, including flooding in many parts of the United States and Europe, El Niño-sparked fires in Indonesia, and mine explosions in Russia. The London-controlled press admonished: “There is little that powerless little man can or should even attempt to do in the face of the powerful and irrepressible force of Mother Nature.” This is a lie. Indeed, it is clear that 60-80% of the damage resulting from the floods of 1997, as well as other “natural disasters,” was preventable. It is enforcement of the fascist ideologies of fiscal conservative budget-cutting and environmentalism, which has taken down or never built required infrastructure, which is responsible for the damage. Don’t blame Mother Nature.

The seven examples below illustrate the collapsed state of the world physical economy.

1. A huge flood, which started on Dec. 23, 1996, and intensified through the month of January 1997, covered portions of California, Oregon, Washington, Idaho, and Nevada, with the greatest impact striking California. By February 1997, the flood had killed more than 30 persons, highways and roads were ripped up, 50,000 livestock were killed, prime agricultural land had been ravaged, and total monetary damage tallied above \$3.5 billion.

In California, the flood was described as a “100-year flood,” caused by the state’s “abnormal” weather patterns, which caused the 725-mile Sacramento-San Joaquin river system to overflow. But this was the third “100-year flood” to hit California in the last 42 years—earlier ones had occurred in 1955 and 1986, and a near-“100-year flood” had occurred in 1995, causing \$1.8 billion in damage. In fact, it is well known that California has a regular pattern of “weather extremes”: flooding some years, and droughts during other periods—the most recent drought coming in 1987-92. A well-regulated water system requires a system of dams-reservoirs, channels and waterways, levees, and so on, which would protect the state against “100-year” and even “200-year” floods,

while damming up and storing water, to be shipped to the relatively dry southern half of the state, and for drought periods.

In California, 60 major dam-reservoir and/or water storage projects to control flooding have been on the drawing board for decades, most since California’s masterful integrated 1957 Water Plan was drafted, but were never built. The engineering and other studies required for their construction have long since been completed. In the March 21, 1997 issue, *EIR* identified, out of the 60 major projects, 11 dam-reservoirs with a combined storage capacity of 39.1 million feet—almost equal to the current storage capacity in California. They could protect against “100-year” and, in many locations, “200-year” floods.

One of the most important is a proposed 2.3 million acre-foot Auburn Dam on the American River, a tributary of the Sacramento River. This would protect the city of Sacramento from flooding. But in Congress, which must authorize the project, a coalition of environmentalists and Conservative Revolution ideologues has repeatedly voted down the project.

Millions of dollars in losses

2. On Jan. 18-19, 1997, frost struck Florida’s winter vegetable crop, causing damage estimated at \$270 million, wiping out sections of America’s winter vegetable supply. Normally, the National Weather Service’s (NWS) agricultural forecast division would have warned farmers, through a regularly maintained radio channel and other means, that frost was coming, so that they could take standard preventive measures. But, Florida’s NWS agricultural forecast division, based in Tampa, had been dismantled a year earlier because the “Contract on America” crowd in Congress had cut \$3.5 million from its budget in 1995.

Florida produces 50-75% of America’s winter vegetables. Southern Florida, where the frost struck, accounts for most of the state’s output. According to the office of Florida’s Agricultural Commissioner, 85% of the area’s zucchini, green beans, yellow squash, and hot and sweet peppers, and 75% of the sweet corn, were destroyed. Thus, with nearly \$300 million worth of damage, for every \$1 “saved” by cutting \$3.5 million from the NWS’s Florida agricultural forecast division, there were approximately \$100 in crop damage, a large

amount of it preventable.

3. In the winter and spring of 1997, three major floods struck the United States in latitudes 37° to 50° North. Starting on March 1, the Ohio River flooded the Ohio Valley; in March-April, the James River, which runs southeasterly through North Dakota, South Dakota, and Nebraska into the Missouri River system, also flooded. We present the Red River case, which exemplifies the process.

In April-May, the Red River flooded. Officially, the flooding caused more than \$1 billion of damage, including to crops, especially spring wheat. Grand Forks, North Dakota, which has no significant flood-control infrastructure, was submerged under flood water, and residents were evacuated from their homes for more than a month, with many homes permanently destroyed. The Red River, 545 miles (877 km) long, runs north, defining the boundary between North Dakota and Minnesota, crosses into Canada, to Winnipeg, Manitoba, and then continues farther north. During the 1940s and 1950s, the Army Corps of Engineers had developed plans for the construction of dams-reservoirs at four critical sites on the tributary rivers of the Red River, each of which would have had a storage capacity of 100,000 to 400,000 million acre-feet, preventing or significantly limiting the degree of flow of these tributaries into the Red River. In 1960s costs, each would have cost \$50-150 million.

But, a contrast to this reckless approach along the Red River, is provided by “Duff’s Ditch,” a floodway and dike configuration, built in 1968, that rings the city of Winnipeg, the provincial capital of Manitoba. Winnipeg suffered no flooding damage.

4. During the second half of July and early August, the waters of the Oder River and its tributaries flooded 600,000 hectares in Poland, 42% of the territory of the Czech Republic, and sections of Germany and Slovakia. According to the Polish Main Anti-Flood Committee, during the preceding several years, the Warsaw government spent only 30% of the sum necessary to maintain levees and other flood-control infrastructure. Many of the levees along the Oder were constructed 90 years ago, and needed to be modernized and extended.

Across Europe, about 100 people lost their lives. In Poland, 25 out of the 49 administrative districts were affected; 400,000 hectares of arable land was contaminated and/or crops destroyed. Nearly 360 miles (600 km) of rail tracks suffered damage; 137 road bridges and 200 rail bridges need to be repaired or rebuilt; 600 schools and numerous hospitals have to be made functional again. In the Czech Republic, 10,000 households lost everything, and another 110,000 households reported heavy or considerable damage. The unofficial damage estimates: Poland, \$5-7 billion; Czech Republic, \$4-6 billion; Germany, at least \$1.5 billion.

In contrast, in Czorsztyn, Poland, on the Dunajec River, a dam had been built, despite much controversy about its expense. During the flooding, it saved at least five towns from catastrophe.

5. The Union Pacific is America’s largest railroad, serving 23 of the 50 states; but from September 1997 to the present, its functioning in the Midwest and Southwest has broken down. This has gridlocked freight movements, which are stalled, slowed, or cancelled from Los Angeles to Chicago to Houston.

In September 1996, Union Pacific, a corporate raider, bought the Southern Pacific Railroad for \$3.9 billion, creating a rail line with 36,000 miles of track. In order to boost profits, it stripped down operations of the joint lines, fired workers, cut trackage, reduced maintenance, and cut the number of locomotives in operation. In 1980, Congress had adopted the disastrous rail deregulation. In the ensuing years, an intense shakeout occurred, as the number of class I major rail carriers was reduced from 25 to 4, and the rail system was cannibalized.

The Union Pacific breakdown can be measured in the disruption in economic activity it has caused:

- *Agriculture and food losses.* As of late November, there were more than 100 million bushels of corn and sorghum lying on the ground outdoors, subject to destruction by the elements, including in Nebraska (70 million), Kansas (30 million), Iowa, and Minnesota.

- *Ports disrupted.* A top official with the California Public Utilities Commission testified to the Surface Transportation Board hearing on Dec. 3, that “in November, the ports of Los Angeles and Long Beach recorded the fewest ship arrivals in any month since 1976—just 393.”

- *Accidents and injuries.* According to the National Transportation Safety Board, the Union Pacific system has had 14 accidents in the last 12 months, far “out of line with other railroads,” including several deaths.

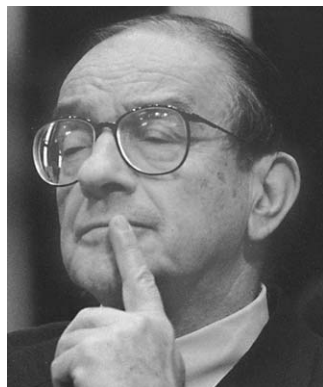
6. In December, Russia, the victim of International Monetary Fund demands for extreme austerity measures, including cuts in infrastructure, suffered two disasters. On Dec. 2, sixty-seven miners were killed in a mine explosion in Novkuznetsk, Kemerovo province, in the Kuzbass coal district of Siberia, the worst mining disaster in the history of the Russian coal industry. Under IMF-imposed conditions, the Russian coal industry is deep in arrears, not making the necessary expenditures for labor and maintenance. On Dec. 6, in Irkutsk, Russia, an An-124 military cargo plane crashed into several apartment buildings shortly after takeoff, killing 80 people. The plane was scheduled to have an overhaul earlier this year, but had not because of budget constraints.

7. Starting in September, due to drought severely aggravated by El Niño, forest fires were raging over parts of Malaysia and Indonesia. In some parts of Indonesia, including Irian Jaya, fires produced a haze that extended to parts of Thailand and the Philippines. Water management systems that would provide water, especially through desalination, could be installed, to develop the area’s population and industry, but also to combat recurrent, predictable El Niño-induced droughts.

What the 'Brand X' economists are saying

Carlos Rodríguez, Argentina's deputy economics minister, declared on Nov. 13 that "by the middle of next week, the solution to the financial crisis will begin," according to the daily *Clarín*. When asked, "What makes you foresee that that is going to occur?" he answered: "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 the middle of next week."

Alan Greenspan, chairman of the U.S. Federal Reserve, in a speech to the Economic Club of New York on Dec. 2: "The current crisis is likely to accelerate the dismantling in many Asian countries of the remnants of a system with large elements of government-directed investment, in which finance has played a key role in carrying out the state's objectives. . . . Most Asian policymakers, while justly proud of the enormous success of their economies in recent decades, nonetheless have been moving of late toward these more open and flexible economies. Belatedly perhaps, they have perceived the problems to which their systems are prone and recognized the unforgiving nature of the new global market forces. Doubtless, the current crises will hasten that trend. While the adjustments may be difficult for a time, these crises will pass. Stronger individual economies and a more robust and efficient international economic and financial system will surely emerge in their wake."

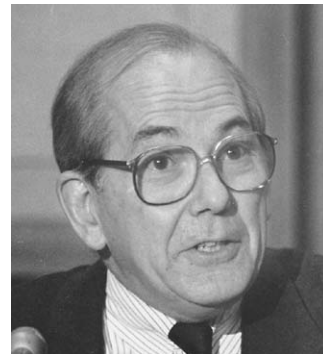


However, on Nov. 16, the *New York Post* had reported that Greenspan himself keeps about \$2 million of his own \$5 million personal wealth, in liquid cash holdings. Commented former Federal Deposit Insurance Corp. Chairman William Seidman: "Greenspan thinks we're heading for a crash. He's putting his money where his mouth is and making a statement about irrational exuberance."

Joseph Stiglitz, World Bank chief economist, issued a statement to Japanese reporters on Dec. 11, saying that the elements that led to the Asian "miracle" still exist; current problems are just the result of weak financial sector supervision, inadequate corporate governance, and a general lack of transparency. "The countries of East Asia are not bank-

rupt," he said. "There has been a loss of confidence. Restoring confidence is as much a matter of social psychology as economic science, as much a matter of perceptions as of realities."

Michel Camdessus, the IMF's managing director, said in Tokyo on Dec. 4: "I am confident that the conjunction of the government effort and of the people in charge of these institutions will make this crisis a short-lasting one, and, . . . provided strong action is given now, [Japan] will recover its normal trend of growth."



Anatoli Chubais, Russia's first deputy premier, at a Dec. 15 press conference: "If we take 1997 as a whole, the corporate securities market in Russia, strange though it may seem, remains one of the most dynamically growing ones in the world. According to our estimates, the average price of shares in 1997 will almost double. Or, perhaps, it will show growth of 90% . . ."

"When, early in December, we adopted the very difficult decision to raise the interest rate on the GKO [state securities] market, . . . the decision was adopted against the background of very grave tendencies not only in Korea, but in all of Southeast Asia and even Japan; we expected most serious consequences on the Russian corporate securities market. We thought that the fall of prices could be a very big one."



"Frankly, the absolutely opposite reaction of the corporate market came as a big surprise to us. We thought that this reaction would change in a day or two. But two weeks have already passed. What does this mean? . . . It is absolutely clear that the Russian corporate securities market is undervalued. Most definitely, it will grow despite the decisions made in early December. Moreover, a number of large mutual funds have decided to redistribute the structure of emerging market portfolios, in Russia's favor. That means that in January, some time after January 15 or 20, such a redistribution in Russia's favor will inevitably take place. And this means that Russia, if it pursues a correct policy, could emerge from the stock market and financial crises in the world with some advantages, as a result of redistribution of the world financial resources. This is what we are aiming for."

World press coverage says: LaRouche was right!

Venezuela: Armando Córdova, “Globalization: Risks and Opportunities for Venezuela,” *Nueva Economía*, October 1997.

The semi-annual magazine of the Venezuelan National Academy of Economic Science, *Nueva Economía*, cites Lyndon LaRouche as the man who warned that the financial system is heading inevitably toward collapse. The author is the head of the Academy. He contrasts arguments for and against globalization: In the “pro” camp, are those who argue that the current financial system can grow forever. But, “in the second camp are those who decisively affirm the unsustainable character of the world financial system. Among those of whom I have knowledge, the author who has most insistently raised the hypothesis of the inevitable collapse of this system, is U.S. economist Lyndon LaRouche.” Córdova cites LaRouche’s warning from *EIR*, that “very soon, in the near future, in one of these tremors . . . the whole system is going to blow,” and with that, the political system will also blow, as financial leaders around the world recognize that “the system is dead.”

Taiwan: “A Financial Storm Is Sweeping the Entire World,” *Business Weekly*, Oct. 27-Nov. 2.

“The viewpoint of the Schiller Institute: The sooner the investor withdraws, the better.

“In fact, if we move backwards the lens that is focussed on Taiwan, and extend the focal point to the world, we should feel that what the Schiller Institute has said, is true. Since the beginning of the ’90s, the financial storm has intermittently been on a rampage: About 1990, the stock and real estate price was rushing down in Japan, in 1992 the Italian lira was devalued by 30%, in 1994 a financial tempest occurred in Mexico. At the beginning of this year, the situation became even worse, in that the stock market, as well as the foreign exchange rate, began to slide down violently in Thailand, Malaysia, Indonesia, the Philippines, and so on. Europe, Asia and the Americas are all entangled in this financial crisis. . . .

“Lyndon LaRouche, one of the founders of the Schiller Institute, agrees with [Malaysian Prime Minister] Mahathir’s criticism, but he maintains that the problem is more complicated than what Mahathir says, and he stated, ‘The essence of the crisis is not only a financial collapse, which threatens all the monetary stability in the world, a much bigger storm is forming.’ . . .

“The Schiller Institute was founded in 1984. They have branches in the U.S., Canada, Europe, Australia, Latin

America, Japan, India, and in other regions and countries. Lyndon LaRouche, the husband of Helga Zepp LaRouche, the founder of the Schiller Institute, is an American statesman and economist, who has participated in the competition for the U.S. Presidency. For many years, under the leadership of the LaRouches, that Institute has kept a close observation on global politics and economy, as well as ruthlessly criticized the orientation of global economic development.

“Lyndon LaRouche holds that, although the investment, trade, GNP, and national economic growth of many countries are conspicuous, nevertheless, it will be found, after a careful analysis of the statistical data, that a lot of this growth in fact is due to the increase of financial activities, instead of improvement in substantial production. In many countries and regions, including Taiwan, the manufacturing industry accounts for a decreasing portion of the total national production, and is being substituted by services, of which financial services is a major part. Taking Taiwan as an example, the proportion of industry to the total production has been reduced from 50% in the ’50s to 35% at present. Meanwhile, the service sector has increased from below 40% to 62%, of which finance/insurance and real estate have increased the most. . . .”

Taiwan: “This Is Comparatively Only a Minor Earthquake,” *Business Weekly*, Nov. 17-23.

The weekly publishes a three-page interview with LaRouche on the world financial crisis. According to the editors’ introduction: “Taiwan’s most recent experience should be understood as a first, relatively minor in a series of financial and economic earthquakes. It is the onset of a great disaster for not only Asia, but the world as a whole, unless we can effect early and very radical changes in financial, monetary, and economic policies. . . .

“In the last two weeks the stock market has already jumped back to 8,000 points. The exchange rate of the NT\$ has been swinging, with ups and downs, at around US\$1 to NT\$31. The financial market has, little by little, shown signs of recovery, but, followed by the news of the financial crisis in South Korea, the recovery after the storm in Southeast Asia, seems superficial, and there is still a shade covering the hearts of the investors in Taiwan, a shade cast, when the first crisis hit. After all, is this period of international financial storm really finished? Has Taiwan already passed the most dangerous period?

“‘This storm is just the beginning,’ Lyndon LaRouche,

the founder of the Schiller Institute, says. As a famous politician and economist, Lyndon LaRouche once joined the election for the U.S. Presidency, and he is actively engaged in economic circles in Europe and the U.S. For many years, LaRouche not only has been promoting the principles of physical economy, but has also seriously criticized the global financial speculation, which grows bigger and bigger, day by day. He has many times forecast financial storms, including the black Monday in the U.S. stock market in 1987, the corruption of the bubble economy in Japan in the 1990s, etc. As early as two months ago, LaRouche several times stated his forecast, that between the months of August and October, the world would experience a lot of financial crisis, that would take place in many countries in the world. Again, facts prove, that he was right. . . .

Mexico: José Neme Salum, *Excelsior*, Nov. 17.

The Mexican Presidency has issued a call for calm in the face of “unprecedented uncertainty and instability in international financial markets,” and the Banco de México imposed measures to control the entry and exit of short-term capital. Thus has the Zedillo government recognized that it could no longer maintain “the axiom of total deregulation.” “With this, neo-liberalism entered an ‘ideological crisis.’” What is left, then? “U.S. economist Lyndon H. LaRouche—previously quoted only in this column, and now widely reported in other newspapers in Mexico,” warned last week that the International Monetary Fund’s policies “are useless,” and are leading to world financial disintegration. Neme quotes from LaRouche, in a radio interview with “EIR Talks,” on the insanity of trying to bail out bankrupt national economies, and stressing that a new world economic order is the only viable option left.

Mexico: José Neme Salum, *Excelsior*, Dec. 8.

Lyndon LaRouche is “the authority” on the “collapse of the yuppie casino,” writes Neme Salum.

“Unless the government of the United States acts, very soon, to stop him in his tracks, the “bailout” 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.”

“So declared the only economist in the world who has had accurate forecasts in the last 40 years—his most recent, on Southeast Asia—the American, Lyndon H. LaRouche, in a couple of evaluations made last week.”

Before “turning the floor over to the authority on the matter,” Neme writes, there are two events of the week to take note of: Chinese President Jiang Zemin’s speech to the Mexican Senate, in which he spoke of the urgency of a New World Economic Order, and Jiang Zemin’s explanation of the cause of the current crisis, in an exclusive interview with *Excelsior*: “international financial speculation.”

The rest of Neme’s column quotes from LaRouche’s interview with “EIR Talks” of Dec. 3, in which he took apart the conditionalities imposed by the IMF upon South Korea, as “an attack, essentially, against the United States by a group of European financial interests centered in London. The next targets will be Brazil and Argentina. . . .”

Italy: *Arena* magazine, December 1997.

“The financial crisis of the Asian stock market cannot be considered as a local development. *EIR* magazine has denounced the threat of the financial speculation for a long time. . . . The hypothesis of an historical crisis of the Asian economy and of the danger for the economic world system looks more and more realistic. In fact, in the light of what happened in the last months, no ‘fireman’ is credible. Where were the supporters of the radiant phase of the world economy when, last July . . . *Executive Intelligence Review* warned against the explosion of regional crises and the probable convergence of some of them by the fall?”

China: Wei Jianing, director of the Financial Research Office of the Development Research Centre of the State Council of China, “Asia Draws Lessons from Financial Crisis,” *China Daily*, official English-language newspaper, Dec. 9.

“The recent global financial turmoil that started to devastate Southeast Asia this July has greatly shocked the world.

“But actually many economists like Lyndon LaRouche already cautioned the world several years ago against the coming of a worldwide financial crisis in the 1990s.”

The article then cites Paul Krugman’s book *The Myth of Asia’s Miracle*, warning of the dampened enthusiasm of the Asian “tiger” economies for the so-called “East Asian Miracle.”

Wei Jianing continues:

“However, some governments neglected those warnings.

“But international financial speculators instead noticed the weak points of East Asian economies outlined by those economists, and made the decision to attack their currencies.

“To date, many reasons have been given to explain the recent currency turmoil.

“Some attribute the trouble to internal causes like the decline in the competitiveness of those economies, overheated investment, bubble economies, and an inflexible exchange rate system.

“Others argue that external factors such as the increasing number of financial derivatives products, existence of large amounts of international hot money, and the speculative activities of some international investment arbitrage funds should take responsibility.

“In spite of all arguments, all agree that the recent financial turmoil has drastically influenced the whole world and forced the financial world to reflect on some basic theoretical issues. . . .”

Demographer warns of health catastrophe in Russia

by William Jones

Speaking at a forum sponsored by the Woodrow Wilson International Center for Scholars in Washington, D.C., on Dec. 9, Georgetown University demographer Dr. Murray Feshbach presented a grim picture of the unfolding health crisis in Russia.

Dr. Feshbach, who has been dealing with Russian issues for more than 25 years, has also edited the *Environmental and Health Atlas* of Russia. His figures represent a devastating indictment of the "shock therapy" policy that was imposed on Russia by the International Monetary Fund (IMF). Although many of the current health and pollution problems have their origin in the Soviet period, he said, the immediate cause of the present looming catastrophe is the budget-cutting "reform policy" imposed on Russia by the international financial institutions. "If the federal and territorial budgets are not increased," he warned, "then the outlook is very poor."

The most striking proof of the failure of the reforms under Russian President Boris Yeltsin, is the fact that the Russian population is decreasing by 1 million people a year, a rate of decrease, Feshbach asserted, which will increase, if there is not a rapid change of policy.

Dr. Feshbach's figures clearly show that this "decline" will occur in an environment characterized by the rapid spread of communicable diseases and mental debilitation brought on by disease, as the harbingers of early death for ever-increasing numbers of people. The picture Dr. Feshbach described is well-nigh that of a holocaust brought on by epidemic diseases, which in turn have resulted from the economic and policy decisions imposed on the Yeltsin government by the IMF.

Indeed, if something is not done, the situation will become comparable to the period of the Black Death in Europe during the 14th century, which took half the population of Europe in its wake.

Breakdown of medical infrastructure

Because of the destruction of the medical infrastructure caused by the budget cuts, easily treatable diseases, such as syphilis and gonorrhea, are creating a major health problem. "Untreated, these diseases can lead to gross malformations,

heart disease, and the like," Feshbach said. "And these malformations cannot be cured."

In women, such infections often spread to the Fallopian tubes, thus affecting any children they may give birth to. "I don't believe most of the cases are even observed by the medical profession," Feshbach said. These ailments will in turn lead to brain damage and mental retardation in those infected. Syphilis among girls 10 to 14 years old has increased by 30 times in the last five years. "If infectious and parasitic disease deaths increased in 1996 by 2.9%," Feshbach wrote in a recent article, "I expect that this rate could increase by 10 or more times in the next few years."

With regard to the human immuno-deficiency virus (HIV), which causes AIDS, Russia is at the point where the United States was eight or ten years ago, Feshbach said. "The Ministry of Health estimates that the number of HIV-AIDS cases is on the verge of a major explosion, with a possible 800,000 cases of AIDS. . . . Assuming only one-half of this number is correct," he said, "then the number of deaths will be terrible."

Estimating an average cost of \$10,000 per patient to administer inhibitors AZT and ACTG, translates into a figure of approximately \$7.5 billion which would be needed for treatment of AIDS victims by the year 2000. But, the money is not being provided. "I think all these people will die of the disease," Feshbach stated.

A grim situation for children

The picture is most grim when looking at the situation for Russian children. "Rubella, or German measles, is spreading dramatically," Feshbach said. Pregnant women who contract this disease will give birth to children with birth defects. "Seventy-five percent of all pregnant women have a serious pathology during their pregnancy," he said. Only 37.6% of newborns do not suffer complications in the birth process or in the postpartum period. Anemia in pregnant women, caused by a lack of nutrition, has increased by more than three times in the last five years.

The health of children worsens over the school period. In a recent paper, Feshbach cited a report by the Russian Presidential Commission for Women, Family, and Demogra-

phy, which indicates that only 10% of secondary school graduates have “normal” health. That means that 90% of children are sick at any one time.

“Fifty percent have various pathologies, and 40% have chronic illnesses,” Feshbach said. That’s no surprise, because, according to the Russian Ministry of Health, 60% of children have vitamin deficiencies.

According to a recent report, Feshbach said, the percentage of children under 15 with mental retardation ranges from 15%, to as high as 45% in some oblasts (districts). Feshbach also referred to a report by the chief of the Russian Army, which said that 30% of draftees have psychological disturbances.

The rise of tuberculosis

The real threat now, Feshbach fears, is the rise of tuberculosis. “The total number of deaths from TB in Russia is greater than the total number of cases in the United States,” he said. In 1994, there were a reported 21,389 deaths from TB in Russia. The official number of new cases in Russia in 1996 was 78,099.

However, Feshbach said, this figure seems not to include those carrying TB in the Russian prisons. There are now an estimated 850,000 to 1 million people in Russian prisons, with an estimated 50% of prisoners infected with tuberculosis. “What happens when these people are released from prison and let out on the street?” he asked. At that point, you will have thousands of carriers of mostly drug-resistant forms of TB, Feshbach warned. “The death rate from tuberculosis has been higher in Kazakhstan than in Russia, but Russia will soon surpass that.”

Moral indifference

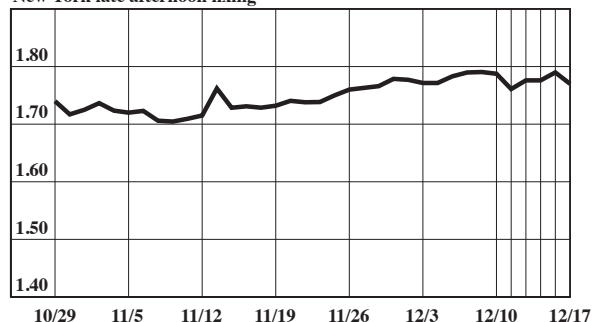
And how have policymakers in Washington, who have given critical backing to IMF “shock therapy” policies, reacted to Dr. Feshbach’s figures? “I have all this information,” Dr. Feshbach lamented, “but nobody will act on it. . . . I can’t convince any macroeconomist. They call what I’m telling them ‘hyperbole.’ The solution costs money and they don’t want to hear it.” Feshbach related how he had given a speech to Agency for International Development workers. After he had finished, former State Department official Tim Wirth gave him the figures for the AID budget, explaining that there was no money for what he wanted to do. Similarly, Feshbach related, “I go to talk to an adviser to President Clinton, and tell him the situation. He looks at me and says, ‘Murray, go home.’ ”

EIR asked Feshbach, “From the devastating evidence you have shown here, it seems to me the only conclusion one can draw is that the ‘shock therapy’ recommended by the economists for Russia has led to a veritable genocide.” Feshbach responded, “The simple answer to your question, is ‘yes.’ ” For the situation in Russia today, he said, “there are no historic parallels, demographically.”

Currency Rates

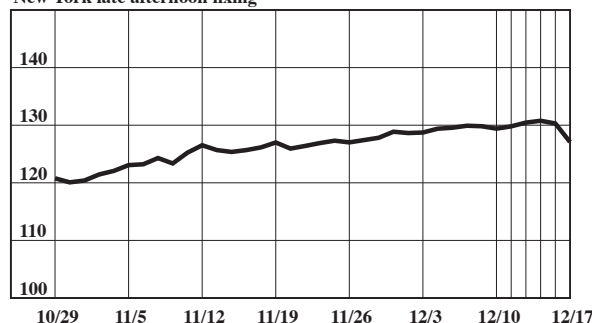
The dollar in deutschemarks

New York late afternoon fixing



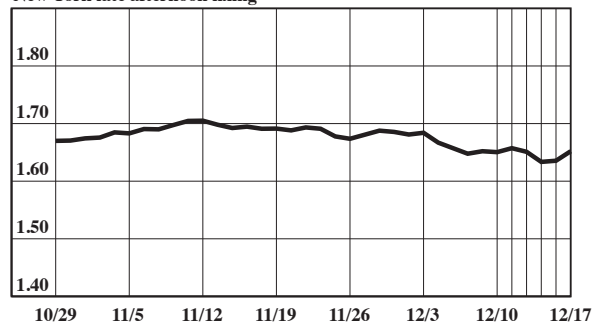
The dollar in yen

New York late afternoon fixing



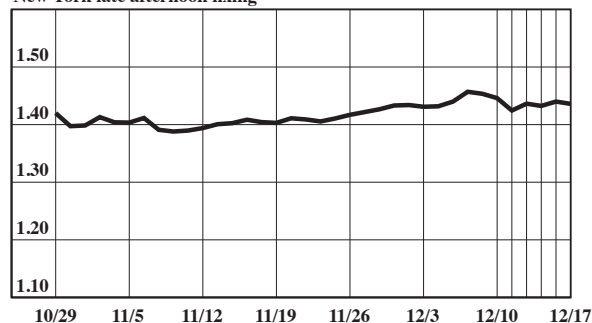
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



Fresh hopes for Nepal's 'White Gold'

U.S. Commerce Secretary Daley is promoting American investment in harnessing the country's mighty rivers.

Despite the financial gloom and doom in the region, a gleam of hope has begun to shine through, and Washington alone deserves credit for it. U.S. Commerce Secretary William Daley's recent visit to India made it clear that President Bill Clinton is keen to put in place a South Asia policy which is based on infrastructure development and mutual cooperation. By far the most exciting news comes out of Nepal, where Prime Minister Surya Bahadur Thapa met with Daley while attending the Indo-U.S. Joint Business Council forum in Calcutta. Thapa said that the United States is keen to expand business and economic relations with Nepal, by promoting U.S. investment in such areas as infrastructure and harnessing the huge hydropower potential for mutual benefit.

"The forum provided the Nepalese delegation with an excellent opportunity to effectively put over the message that in the context of the economic liberalization policy pursued by the government, Nepal has been an attractive destination for investors," Prime Minister Thapa told the state-run RSS news agency. One of Nepal's main aims at the forum was to highlight its vast hydropower potential to U.S. investors; at least one such investor, Enron, has already submitted proposals to the government, the prime minister said.

Nepal, a mountainous, landlocked kingdom with about 15 million people, is enriched with swiftly moving glacier-fed rivers which could generate as much as 83,000 megawatts of electrical power. So far, Nepal has harnessed less than 200 MW of it (see *EIR*, April 20, 1990, p. 14). Nepal remains one of

the poorest nations in South Asia, and is heavily dependent on tourism and vices associated with it for its inadequate revenues.

The difference between harnessing those rivers and depending solely on tourism is the same as the difference between building its future and destroying its future. For too long, Nepal, a weak nation located in a poverty-stricken region, has had no choice but to accept the destruction of its future. For decades, many Nepalis have been convinced that their nation's economic hope rested in tapping the energy potential of its rivers and selling the electricity to power-starved India. Northern India is terribly short of electrical power. The economic development of India's Uttar Pradesh and Bihar, two northern states whose population of 200 million dwarfs that of most nations, has seriously been hindered by the shortage of power for agriculture, industry, and commerce.

The harnessing of the rivers would provide Nepal with free energy which is more than adequate to educate and develop the skills of its small population. On the other hand, this is exactly the fight that Nepal, with no help from appropriate quarters, has continued to lose. Nepal, with the help of India, had on occasions tried to break the shackles, but did not succeed. The Mahakali Treaty between Nepal and India, endorsed by two prime ministers in February 1996, was the last such attempt. The treaty called for construction of a 290-meter-high dam on Mahakali River to generate 6,000 MW of power.

The treaty was ratified by the Ne-

pal Parliament, but the opposition, led by the Communist Party of Nepal, has made it clear that building the dam will be next to impossible. Accusing India of "hegemonic designs," the red rebels virtually declared war against the project. Subsequently, extremist Maoists have gone on rampages in rural Nepal, joining hands with the environmentalists, who oppose equally strongly any development projects in the pristine hills and dales of Nepal.

The red and green coalition that formed in Nepal, on the other hand, is not unique. Also not new, is the tacit support of the World Bank for the anti-development front. In 1995, the World Bank pulled out of the \$764 million, 201 MW Arun Dam project, because of its "possible environmental impact." The World Bank was influenced by Britain's Overseas Development Administration, and Intermediate Technology, a Britain-based non-governmental organization.

Britain has a special interest in keeping Nepal poor. London is deeply involved with the handful of oligarchs who control Nepal's policy matters. The capital, Kathmandu, had long been targetted to become a "Bangkok in the hills," where drugs, casinos, sex, and money-laundering would be the main "economic activities."

Nepal is also the potential linchpin to Britain's long-cherished plan of setting up a London-controlled Himalayan kingdom between India and China. Recent reports indicate that "free Tibet" activities have sprouted in Kathmandu around the alleged reincarnation of one of the most revered Buddhist masters of this century, and the presence of Hollywood celebrities such as Richard Gere and Steven Seagal, House International Relations Committee staffer Paul Berkowitz, and Oxford professor Michael Aris, the husband of Myanmar's "human rights" activist, Aung Sun Suu Kyi.

Toward a student-labor alliance

Protesting students and labor could become a catalyst for a profound change in economic policies.

Tax the banks, leave the taxpayer alone!" That slogan, used during joint protests of students and labor union youth in front of the Frankfurt headquarters of Deutsche Bank and Citibank on Dec. 5, signals which way the strike ferment at universities, university clinics, and research facilities may go in 1998.

Protests, which began in Giessen on Nov. 11 and spread throughout the nation, had affected 113 universities and involved up to 700,000 students by early December. The strikes will build toward a national march in Bonn on Dec. 18. After the Christmas-New Year recess, strike leaders hope to resume protests, also with new forms of action.

This strike wave has not only mobilized more students than the strike leaders had originally expected, but it has also received wide public support (about 72% of the population), which indicates that there is broad discontent with the current political and social situation. The students' strike has become a national rallying point for the hopes of all who are victims of the neoliberal budget-cutting policies of the government. In that way, the situation resembles France during the national strikes of medical students some months ago, when a population enraged at budget cuts sympathized with the students, in a situation otherwise characterized by calm on the labor front.

What triggered the German student strikes was the government plan to pass a new university law, which introduces more radical cost-benefit calculations of university and research budgets, more deregulation, and more

downsizing of whatever bureaucrats may view as "superfluous" capacities. This law is designed to impose more utilitarianism on the system of university studies. The law will create conditions that work to the benefit of career-oriented students who only learn what they believe they "need" for their future job, and leave university for a well-paying job as soon as possible. Those who want to learn more or engage in long-term research, will be penalized by having to pay extra fees.

Not only will the length of study be reduced by the new law, but the impulse to deal with fundamental challenges of science, to study problems without looking at the immediate benefits, will be undermined. The trademark of German science, the Classical Humboldt system of higher education, as designed by the great reformer and humanist-republican Wilhelm von Humboldt, early last century, to provide the best education for the whole population, will come to an end. "The Humboldt university is dead," Research and Education Minister Jürgen Rüttgers proclaimed a few weeks ago.

Many of the student protests developed spontaneously, which has led many observers to attack the protests as "not really political," or "too cozy." Granted. But, it is also true that this is the first big protest many German youth have taken an active part in. And, those who have more direct experience with political activities, such as labor, are standing in the background. Why the German labor movement is leaving it to inexperienced youth to bear the standard of protest against Bonn's budget-cutting policy,

is one of the mysteries of the present situation.

This has to do with the fact that the opposition Social Democratic Party (SPD) is relying on a seemingly sly tactic to paralyze the government between now and the next elections for national parliament, in September 1998. The SPD has not even nominated a challenger to incumbent Chancellor Helmut Kohl, but wants to wait until next spring.

The students do not have time to wait, if they want to keep up the momentum. A national congress of student leaders will convene in Berlin in mid-January, to discuss how to broaden the protests. Prominent on the agenda, will be the call to close loopholes in the tax system, which so far have allowed banks and big enterprises to evade taxes, on the pretext that globalized entities cannot be responsible for "just one" country.

The strike has to become more political, student leaders whom this author talked to, have pointed out: more political, in terms of going beyond specific university issues, and addressing the general economic policies of the government, the collapse of the social safety net, and the catastrophic employment situation. The labor market is on the agenda, because many students have to work, to continue their studies.

The chances of getting a paying job have shrunk drastically, because many citizens who cannot get a decent job are competing with students for part-time work. If more jobs are not created, the situation will become hopeless. That is why the students want to begin talks with the labor unions about joint campaigns against the government's inaction on the unemployment front. A student-labor alliance, with the right programmatic input, could become a catalyst for a shift in economic policies.

Business Briefs

Natural Gas

Russia, Turkey sign deal for Black Sea pipeline

On Dec. 15, Russian Prime Minister Viktor Chernomyrdin and his Turkish counterpart, Mesut Yilmaz, signed a deal for the construction of the "blue stream" pipeline that will bring an initial 3 billion cubic meters of gas from Russia to Turkey under the Black Sea. The 750-mile pipeline will start at the Russian compression station at Izobilnoye, and connect to the Turkish city of Samsun on the Black Sea. The pipeline, which will cost \$3.3 billion, will handle 16 billion m³ per year when the project reaches full capacity in 2010. The agreement covers a 25-year gas and pipeline contract signed last April between Russia's firm Gazprom and Turkey's firm Botas.

Chernomyrdin told the Turkish daily *Hurriyet* that the two countries, which have been longtime rivals, must become "strategic partners." "I am going to Turkey with good intentions and I hope talks with my friend Yilmaz will be successful. Russia and Turkey . . . are neighbors and two of the most dynamically developing countries of the region," he said. The two are expected to also discuss modernization of factories built in Turkey by the former Soviet Union.

Eurasia

New Land-Bridge rail link opens in China

The Nanning-Kunming Railway, a critical leg of the southern tier of the Eurasian Land-Bridge, opened for traffic on Nov. 30, Xinhua reported. This 898.5 kilometer electrified railroad, one of the Chinese government's key projects, connects the Guangxi regional capital of Nanning to the Yunnan provincial capital of Kunming, and is the longest electrified single-track trunk line in China. It crosses some very difficult mountainous terrain, making necessary the construction of many bridges and tunnels. The railway opens up some of the most backward, isolated areas of China.

On Nov. 30, Ye Qing, vice-minister of the State Planning Commission, announced that China will build more key rail lines in the southwest. Rail lines scheduled for construction or renovation in the near future include the Daxian-Wanxian line, the Neijiang-Kunming line, the Huaihua-Chongqing line, and the Zhijin-Huangtong line. Southwest China has many mineral and energy resources, but the poor transportation has hindered development of the region.

When the construction work is completed, the region will have an opportunity to increase cooperation with Southeast Asian countries, including Thailand, Vietnam, Laos, and Myanmar, and to open wider to the rest of the world, Ye said. China can make use of these countries' abundant resources and huge markets, he said, in addition to which, the new rail lines will connect with the Pan-Asia Railway, and become a part of the Eurasian Continental Bridge.

On Dec. 1, Guizhou province, in southwest China, began work on the 120-km Liupanshui-Baiguo Railway, its first local rail line, which will link the Nanning-Kunming and Guiyang-Kunming trunk lines; its annual transport capacity will be 18 million tons.

Infrastructure

Irrigation project to green Lop Nur desert

Chinese scientists are proposing a project using water from the Qinghai and Tibet Plateau, to turn the world's worst desert, Lop Nur in Xinjiang, into an oasis, Xinhua reported from the Xinjiang capital of Urumqi on Nov. 29. The irrigation project, if it can be carried out as planned, early in the next century will restore the Xinjiang Uygur Autonomous Region into an oasis with abundant vegetation, its condition at the time of the ancient "Silk Road."

The critical part of the project is an ambitious water-diversion program initiated in 1972 by He Zuoxiu, a professor with the Chinese Academy of Sciences. According to He's plan, tunnels would be dug through the Kunlun and Altun mountains on the Xinjiang-Qinghai border, to divert water from the

Yarlung Zangbo and Yangtze rivers to the Tarim Basin in southern Xinjiang. A long ditch would cross Lop Nur, which is in the eastern part of Tarim, and bring in fresh water. Historical records show that the region, an area equal to the Republic of Korea, used to have China's second-largest inland lake. The region was desertified after the Tarim River changed course more than 2,000 years ago, and it has since been regarded as a "forbidden zone."

Other scholars have put forth ideas about how to restore Lop Nur's ancient glory and prosperity as a key city on the Silk Road, the legendary ancient trade route linking Asia and Europe. One suggestion is to build a 1,000-km road linking Dunhuang in western Gansu province and Turpan and Korla in eastern and southern Xinjiang to the hinterland of Lop Nur, a route similar to the Silk Road. Another plan is the construction of a rail line connecting Xinjiang and its neighboring province of Qinghai with several stations built in the western part of Lop Nur.

Although the Chinese government has been quiet on the project, its supporters say that it will become a reality in the near future, because of the importance of extracting oil and other mineral resources from Xinjiang. Speaking of the huge construction difficulties his program would meet, He Zuoxiu said that nuclear technologies could be used for the tunnels. "If this idea comes true, Lop Nur, a former nuclear testing ground, will become the biggest beneficiary of China's nuclear achievements," he said.

Asia

Russia, China plan energy transmission line

Russia and China are likely to sign a \$3 billion contract to build an energy transmission line between Siberia and northern Chinese provinces, Yuri Sakharnov, vice president of the Russian Industrialists and Entrepreneurs Union, said in Moscow on Dec. 4, Interfax news agency reported. China is considering investing \$1.5 billion into completing the Boguchan hydroelectric power station, the main element of the 1,500 kilometer transmission line, Sakharnov said. At the same

BRITISH authorities have drawn up "an emergency action plan . . . to shield the City [of London] against the market meltdown in the Far East," the *Guardian* reported. Howard Davies, head of the Financial Services Authority, Britain's chief financial regulator, said on Dec. 10 that the FSA, the British Treasury, and the Bank of England have "combined to create the contingency scheme."

AFRICA'S growing AIDS problem was fuelled by the devaluation of the CFA franc (franc zone in Africa) in January 1994, which "increased the price of medicines" and drove people "away from Western medicine and . . . screening," the Paris daily *Libération* said on Dec. 9.

THE KYOTO Protocol on global climate change, if approved, would "send 2 million Americans to the unemployment line in the first 10 years . . . and drain at least \$150 billion a year from the U.S. economy," the National Mining Association warned on Dec. 10. Nations agreed to curb emissions of so-called greenhouse gasses, based on the fraud of global warming.

EGYPTIAN Minister of Electricity and Energy Maher Abaza said on Nov. 29 that Chinese expertise will be used to build a special economic zone on the Gulf of Suez. Egypt has allocated \$100 million for the project, and agreements have been set on infrastructure, cement production, and water treatment equipment.

THE THAI government decided on Dec. 8 that two of 58 financial firms which had been suspended from operation on June 27 and Aug. 5, will remain in operation. The government may have to absorb \$5 billion in public deposits and debts held by the firms, and the closures will lead to another 5,000 layoffs, on top of 10,000 laid off since the suspensions.

MALAYSIAN authorities on Dec. 11 charged the securities arm of Crédit Lyonnais, a French state-run bank, with short-selling the Malaysian stock market, a criminal offense.

time, China seeks to decrease the cost of the energy generated in Russia from 7¢ to 4-5¢ per kilowatt-hour. Of the \$2.7 billion required to construct the station, 60%, or \$1.9 billion, has already been invested.

Another major project in Russia's energy sector involves the construction of a South Yakutia-Sakhalin-Japan transmission line, he said. The project, worth \$2.5-3 billion, was discussed during Russian-Japanese negotiations in November. Up to 30 billion kwh of electrical energy can be transmitted via the 1,800-km line. The energy systems in Siberia possess a considerable surplus potential. The idle capacity at the heat and power generating stations amounts to 20 billion kwh per year. The energy potential of Siberia will reach 30-45 billion kwh per year after construction of the Boguchan and Bezev stations are completed.

Labor

Former SAS commandos training union-busters

Former British Special Air Services commandos are training mercenary forces as union-busters, the *Australian* and *Australian Financial Review* reported in early December. The Australian Council of Trade Unions (ACTU) has revealed that two former Australian Army SAS commandos recruited about 70 men to train as stevedores in the United Arab Emirates, to smash the workforce on Australian wharves. ACTU Assistant Secretary Greg Combet said that this was part of a plan to assemble a 250-man force to be trained in stevedoring, and returned to Australia for further training in "combat activities" before being put to work on the waterfront.

One firm, International Port Services Training Group Pty. Ltd., is run by two former Australian Army commandos, Mike Wells and Peter Kilfoyle. The Australian SAS is integrated with its British parent; in fact, Australian SAS officers are commonly used to train British SAS squadrons. Thus, the whole exercise is a "commissionaire" operation (see *EIR*, Aug. 22, 1997, "Britain's 'Invisible' Empire Unleashes the Dogs of War").

John Coombs, national secretary of the Maritime Union of Australia, said that the mercenary positions were advertised in the official *Australian Defence Force Journal*, under "Trade Specialists Required." When quizzed in parliament, Minister for Defense Ian McLachlan, a founding member of the Mont Pelerin Society front-group, H.R. Nicholls Society, said, "I'm all for it. . . . The competition and the reward it will bring to Australia will be supported by most Australians." Peter Reith, minister for Workplace Relations, denied prior knowledge of the plan, but told Parliament, "It's about time we had some reform."

The government recently commissioned a report on the waterfront, recommending the use of the armed forces on wharves when unions go on strike over the use of non-unionized labor. When details of the report were leaked to the media, the government claimed "client confidentiality," and, to date, has refused to make the AUS \$800,000 report public. The report was written by ACIL, another Mont Pelerin front-group.

Biological Holocaust

Hepatitis C epidemic a growing health threat

The World Health Organization estimates that 170 million people are infected worldwide with hepatitis C, the *Scientist* reported in its Dec. 8 issue. hepatitis C usually takes 10 to 20 years before it causes cirrhosis of the liver, or cancer, which is usually fatal.

In the United States, the Atlanta, Georgia Centers for Disease Control estimates that 4 million people are already infected, but that the peak of the epidemic is yet to come.

Hepatitis C is responsible for 8-10,000 deaths each year in the United States, and mortality is expected to triple within 10 years without effective treatment. At present, there is no cure for the disease, which is otherwise being treated only with interferon, which does not work in a majority of cases. Research aimed at producing a vaccine has so far been unsuccessful, and Federal government funding for hepatitis C research is a meager \$11.9 million per year.

The Comet of Doom

by Lyndon H. LaRouche, Jr.

The following is the keynote speech to a conference of the Schiller Institute, in Bad Schwalbach, Germany, on Dec. 14. Subheads have been added. For additional coverage of the conference, see p. 6.

Just imagine that, one clear night, you looked up through the crisp night air, to see a familiar heavenly body suddenly become brighter than usual, and begin to accelerate its angular motion in the sky. The following night, that same heavenly body appeared, brighter still than the previous night, and its angular velocity had accelerated over that of the previous night. Call that heavenly body the famous Asia tiger, South Korea. Each morning, when you awoke, South Korea's currency had lost 10% of its value over the day before. Yesterday, it lost the 10% again, not in an hour, but in a few minutes. What would an astrophysicist say to you, if you reported such a behavior by a star?

He might pause for a moment, then shrug his shoulders. Then, with an ironic smile of resignation on his face, suddenly, his arms flying out, shouting, "Boom!" The whole region of the heavens is about to undergo a catastrophe.

That is the situation which confronts Director Michel Camdessus of the International Monetary Fund this coming week. He faces this in East Asia, and in Southeast Asia. If the United States government fails or refuses to supply, immediately, the \$100 billion in new funds for the IMF, for bailout purposes, demanded by Camdessus, this coming week, and if the western European nations also refuse to meet similar demands from Camdessus, then, what will happen is, the entire system will go, "Boom."

Because what will happen: that South Korea, by itself, has a shortfall, in the short term, of \$200 billion that would have to be bailed out, to keep the system from collapsing. Two hundred billion. Now, if South Korea goes into default, and the default of one bank in South Korea can cause a chain-

reaction default throughout the entire South Korean government, if the government of South Korea defaults, then this will have an impact on Japan, which will be pushed into a similar crisis, at a time that it does not yet have an agreement with the IMF on bailout from its previous crisis. The result of an impact of a Korea crisis on Japan, a default crisis, would send the yen collapsing in value, throughout Southeast Asia and East Asia. What would be the effect of that? This would cause a chain reaction globally, of defaults among national currencies, by national governments, which would sweep through places like Brazil, which is ready to blow, and which of course would intersect the fact that the former Comecon sector, including Czechia, and Russia, are ready to blow.

That's a bad situation, but it's the best of two possible situations. The worst situation would arise if the United States government agreed to supply the \$100 billion next week, which I think is very unlikely. The Congress of the United States is very unlikely to make such a commitment. But this would be the worst possible situation, because the bailout would be temporary, and would set forth in the world, worldwide, a process of hyperinflation, which would match that in form, of what happened to Germany, in a period of less than two years, from the end of 1921 to the last quarter of 1923. Remember what happened: Suddenly one day, the currency evaporated. The printing presses broke down, the currency evaporated. And, Germany would have disintegrated, but for the United States allowing Germany to survive and get a new currency under the 1923 Dawes Plan.

However, this circumstance, if the whole world goes up into a hyperinflationary explosion—which would occur not in less than two years, as in the Weimar case 1921-23, but in a matter of months or perhaps weeks; it could happen in three days, in the extreme, in a chain reaction—who is going to come from what planet to bail out the Earth?

The worst of all possible situations.

South Korea



The precipitous collapse of the Korean currency, the won. "What would an astrophysicist say to you, if you reported such behavior by a star?"

In other words, within the global financial and monetary order, as it has developed since the British sterling crisis of 1967, there is no possibility anymore, for even a short-term survival of the existing international global financial and monetary system. Nothing can be done, even in the short term, to keep this system alive. There are no solutions within the terms of the system. There are no solutions within the terms of any IMF conditionalities. IMF conditionalities are simply a method of mass suicide of entire nations, or if not, murder.

Emergency measures required

Now, there are certain apparent measures which could be taken to bring this under control. And, the first thing would be to eliminate the IMF in its present form. It would mean that the World Trade Organization, all recent international agreements of the past 30 years, of a supranational character, would have to be revoked.

How? The first action would have to be taken by a number of governments, of which the United States government would probably have to be one. If the United States government and China, the government of China, together with a group of other nations, no matter who else is unwilling, say, "The international financial and monetary system is bankrupt," *it is bankrupt*. Because no one can keep a system alive if the United States government says, officially, "It doesn't exist; it's bankrupt." If China supports that, if countries of Asia, including those in this growing Islamic bloc, join that, no one can enforce the fiction of the present, actually bankrupt financial system. Then the system collapses.

But, in putting a system into bankruptcy, you don't simply put it into bankruptcy. You don't set fire to the house and

leave. Especially, you don't set fire to the house and stay in it. What you do is, you set up a new system.

Now, the first thing you do is, you declare the system bankrupt. And, what does the government do when it puts a bank into bankruptcy? The first thing it does, it sets the rules for reorganization of the bankrupt organization: what will be paid, what will not be paid; what will be frozen. You know that some people will have a solution for this. They would say, "Take all the world's unpayable debt, and turn it over to Cr dit Lyonnais and wait for the relevant case of arson to break out, and get rid of the debt that way."

But what do you do? You set new rules. The people who supervise the reorganization of the bankrupt institution set up a set of conditions. Now, since what's bankrupt is the IMF, the IMF system, these people say, "The IMF system is bankrupt, now here are the rules. The United Nations Organization, which is the mother of the IMF, is also bankrupt. So, we set new rules for its reorganization, insofar as it is a financial institution. The first rule, is to abrogate all international financial agreements since 1967. And, all organizations which are set up to administer these agreements. Because we must clear up the mess and start from scratch."

This is very much like, in our experience, what happened at the end of World War II, in which arrangements were set under the conditions of the Bretton Woods Conference, which occurred in my home state of New Hampshire, under Roosevelt's direction during the war, and every part of the world was bankrupt. So, under the IMF agreements, we set up certain rules for international monetary stability. And, these rules, which were fully enforced until 1959, worked. Therefore, we're going to do the same thing again, if we're sane.

Rule number one: How do we deal with the speculators? Exchange controls. Foreign currency exchange controls. Sorry buddy, the rules are that no money is emitted from this country except under exchange-control direction. You want your money, you're a speculator? Sorry, buddy. You say you're going to go bankrupt? Go bankrupt. Have fun!

Capital controls, the same thing. The movements of capital across borders will be regulated, as they were in the 1950s.

Currencies: Currencies will have limited convertibility, under exchange-control rules.

Under these conditions, you can regulate and deal with the speculators. What do you do to the speculators? You *bankrupt* them. What about their rights? They don't have any rights. Speculation against the currency of a nation is a crime against humanity. Such people have no rights. Wipe their debts off first. Give them \$1: get them all together and they can share the dollar. Pay them off.

The next thing is the Classical dirigist methods, in which you have state direction of all economies, and international cooperation among friendly nations, so that their cooperation and direction is harmonious. That worked, and so we got out of the mess [after World War II].

The precedent: American System economics

Also, we have to go further. We have to go back to the 1861-76 United States. The United States was in a mess, because we had a treasonous bunch of Presidents before Lincoln. Lincoln's first measure as President, while declaring war against the British puppet-state, the Confederacy, was to unleash what the Confederacy had never allowed. The United States unleashed, in full, the machine-tool-design principle of dirigist economy. During the period from 1861 to 1876, which was the year of the international exposition, the 100th anniversary of the Declaration of Independence, in Philadelphia, the United States had become the most advanced and most powerful economy in the world. Every nation in the world was backward, technologically, compared to the United States. Every nation-state in the world, was a poor relative, compared to the economic power of the United States effected in the period of 15 years, under a program started by Lincoln and continued by the man who trained him in economics, Henry C. Carey.

As a result of the 1876 convention, out of that came a change in Bismarck's policy for Germany. Germany adopted the American model, fully, for its industrial economic development. Germany, in the period between then and the First World War, emerged as the most powerful economy in Europe and the most rapidly growing.

This had an effect in Japan. Japan immediately during this period, adopted the American System of machine-tool-design-driven economy, as the model for Japan. It was under the specific and immediate direction of Henry C. Carey, that Japan became a modern nation-state.

Russia, which had been an ally of the United States against

Britain since the period of the Crimean War, under Alexander II, adopted the same model. The great chemist became a great railroad builder and a great industrialist: Mendeleev; and, the industrial development of Russia proceeded rapidly, despite the hindrances of the old archaic serf system, under the immediate direction of the great Mendeleev, and under the continued direction by Count Sergei Witte. Until the eve of the 1905 Revolution, which stopped this process, for the time being.

In the same period, toward the end of the century, China, as represented by leaders like Sun Yat-sen, adopted the American System, and had cooperation from the United States for the economic development of China. The ideas in the Chinese government today, which are directing China in its great growth, are the American System principles brought into Chinese culture by Dr. Sun Yat-sen. The same thing.

France had ceased to be a pig-sty with the loss of Napoleon III—which was no loss. He was sort of the forerunner of Crédit Lyonnais. (The sooner that thing is dead and buried, the better for France.) So, France became, in a sense, a partner with the United States, and with Russia, and, reluctantly, with Germany, during the period of Thiers, under President Sadi Carnot, and under the great historian-diplomat Hanotaux.

These countries collaborated in a plan to develop all of Eurasia, in the same manner in which the United States had developed the transcontinental system from the Atlantic to the Pacific, through the transcontinental railroads. This was proposed by Carey, to Russia, to Germany, and to others, in the 1870s, and these countries adopted a policy of building railroad links, not simply as communication links or transport links, but as development corridors—in the same way that the railroad building from the Atlantic to the Pacific, under Lincoln, had been done—as development corridors from the Atlantic to the Pacific, and from the north to the Indian Ocean.

Britain strikes back

This constituted a great threat to the British Empire. And thus, the British Empire organized World War I, under the leadership of the Prince of Wales, while his dotty, batty old mother was up in the attic, and, when she died, and he sighed a great sigh of relief and put the crown on his own head and he became Edward VII. Edward VII was the person who was principally responsible for all of the guilt for World War I. It was his stupidity. He took the garbage of France, the right-wing fascists, the left-wing degenerates, the so-called—this party, that party—put them together, to overturn the government, to introduce a government in the footsteps of Napoleon III, without an emperor, but he turned the Third Republic into a cesspool, a political cesspool. France abandoned its mission in civilization, and became a running-dog, under the Entente Cordiale, for the British monarchy.

Having enlisted France, and seeing that, with France bending on its knees to the British Empire, to Kitchener, at Fashoda in 1898, the British now used France to assist it in

drawing Russia into an alliance against Germany, a Germany which had been its ally, Russia's ally. And also, in cooperating with the British beginning 1894, in Britain's launching the first Sino-Japanese War, as a break with the United States.

So, Japan was turned against China, and against the United States. Russia was turned away from its ally, Germany, and the United States, to ally with France and Britain against Germany. The British and French freemasons, with their usual apparatus, organized the Balkan wars, and utilized pan-Slavism, as a way of bringing Russia into the coalition. The British ran a number of assassinations of heads of state, during the period between the middle of the last century into the period of World War I, including the Archduke Ferdinand, who was actually assassinated by British agents. It was an orchestration of politics.

And so, the very nations which were on the verge of great cooperation, with the United States, in developing Eurasian development corridors, from France through Germany and Russia to China to India, and so forth, into Japan, these nations were put against each others throats. And a great war was fought, which almost destroyed civilization in Europe. And, the British weren't happy with the results of that, so they put Hitler into power in Germany in 1932-33 operations, in order to ensure a second war, which would be more devastating than the first.

And so, European civilization has been destroyed from within by *refusing* to understand that the British Empire is the evil which must be removed, or there will be no civilization.

We are now at such a point again. The British are preaching geopolitics. And when the British preach geopolitics, then Kissinger preaches geopolitics, and Brzezinski preaches geopolitics: because they're nothing but British agents. One of the problems we have with our secretary of state: she's a protégé of Brzezinski, and is infected by some of that bad thinking that comes by way of London. It's a problem for the President, who has somewhat different ideas than she does.

But, this is the great model, the great model represented by the United States, adopted by its allies in France, in Germany, Russia, Japan, and China, during the second half of the Nineteenth Century. This is the only successful model of economy, the one used by every power since then to achieve economic recovery and economic development. And therefore, we have to go back to that.

Human values vs. paper values

We cannot do completely what we did in the post-World War II period, because the central banks are all bankrupt. We have over \$100 trillion of current obligations outstanding globally. In the United States alone we have over \$30 trillion of these current obligations in the form of futures contracts, sitting on the United States alone. There is not a central banking system in the world which is not bankrupt. Hopelessly bankrupt. This \$100 trillion and more must be written off, entirely. We have to write off, if we're going to save this

planet, we have to write off about \$120-130 trillion of current obligations, mostly in the form of futures contracts, over-priced real estate mortgages, things of that sort. All of this inflationary speculative garbage must be simply written off, with no compensations to the shareholders, the stockholders, or the creditors. It's *written off*, because human values come before paper values. And that's going to be the great struggle: human values versus paper values.

So, we cannot use the central banks. We will have to use national banking, that is, state banks, created by the Treasuries of nation-states. State banks which operate largely on the basis of the emission of currency by national governments, banks which control international relations in terms of capital movements among powers. These banks will obviously use banking facilities modelled very much on the model of the Kreditanstalt für Wiederaufbau in Germany, as a way of fostering development programs, using state credit, in the various countries. We will not put money out on the streets, for people to pick up in bushel baskets. We will revive the economy by reviving certain key projects, especially basic economic infrastructure: power, transportation, urban development, all of the things which are necessary to industry and manufacturing. By infrastructure projects of this kind, we bring into play those private facilities, especially machine-tool facilities, which support the feasibility of such a project. And, thus, you stimulate all kinds of business: construction firms, other kinds of firms which are suppliers to these infrastructure projects. You also stimulate, and must stimulate, above all, the machine-tool-design sector. We must revive the machine-tool-design sector.

This is pretty much what we have done in the United States, in the 1930s, under Franklin Roosevelt. It is what has been done in most countries of the world, where an economic revival, recovery, has been reorganized.

These are all things which have been historically proven. None of these things involve conceptions which might be called untried ideas. As a matter of fact, we've tried these ideas, and we've tried the alternate ideas. The alternate ideas, as we now see, *don't work*. Free trade does not work. It never worked. Free trade was a swindle which the British exported to its victims. When the British economy was viable, it never practiced free trade at home, but demanded that all its customers practice it. Free trade is a method of rape, and must be so considered. Deregulation is a method of rape, and must be so considered. We must go back to the dirigist principles exemplified by the American System, especially the form of the American System which became hegemonic worldwide, in all successful economies, from 1861 on.

These are all proven ideas. The contrary ideas which we're replacing, are the ideas which have caused the bankruptcy, and therefore must be *eliminated*. That means a lot of professors will have to be reeducated. Or perhaps better still, we'll have get new professors who are properly educated from the beginning.

Destroy the British Empire!

Now, one of the characteristics of this process, is who is going to do it. Well, we've worked hard, ourselves, to try to catalyze the success of a partnership in process of being established between the President of the United States and the President of China. One of the included reasons for that, was to create, between the world's leading nation-state powers—

The leading power on this planet today is the British Empire. And the British Empire *exists*. People who do not know that the British Empire exists, should go back to school, or maybe it's a waste of time to send them back to school, because all the evidence is clear: The most powerful force on this planet, politically, and financially, is the British Empire. For example, 80% of the foreign financial control of every state of Central and South America, is British, not United States. Ninety-five percent, or more, of the foreign financial exploitative investment in Africa, is British Commonwealth, not United States. Similarly, the British control 65% of the world's precious metals traffic, about the same amount of the world's international financial traffic. Controlled through London. All of this, controlled under the British Crown, not the silly British Parliament.

The Westminster model was a farce; it was made for sheep. It should be called a sheep-herders' Parliament. These are the guys who go out and herd the sheep. This is not a government. The Parliament does not decide anything, unless the British Crown allows it to decide something.

Earlier this year, some well-meaning British parliamentarian made the suggestion that Britain ought to stop harboring international terrorism. The British Crown intervened into the Parliament and said, "No." The British government, including MI6 and MI5 and the British Foreign Office, will *continue* to harbor international terrorism. And the Parliament will do nothing about it.

The real government of Britain, and of the British Commonwealth, lies in an organization called the British Privy Council. That is not something in the backyard—though it ought to be, or ought not to be, as the case may be. It is the organization of permanent bureaucracy of the British Empire. The British Privy Council not only controls the United Kingdom, it also administers the Commonwealth countries, with some restrictions; in some cases, a large country, like India, has some resistance to that degree of control. And, the British are very sly people, that is, the British Crown. They don't use force, when they can use diplomacy. And, they don't use diplomacy, when assassination of heads of state will work better. Those are their methods. These are *Venetian* methods that they use. But the British Privy Council knows when to push and when not to.

That is how Mrs. Gandhi died. She was assassinated by the British. That's how her son, Rajiv Gandhi, was killed. That's how the Archduke Ferdinand was killed: by British assassins. The change in the United States came in 1901, when

a British assassin assassinated the President of the United States, in order to bring Teddy Roosevelt to power, who was a total British agent. That's how they do things.

The British Privy Council controls all of the Commonwealth. The British Privy Council controls most of the strategic raw materials of the world today, including gold. It controls Africa, from the top down, with a few points of resistance. It controls most of Europe. In every European country on the continent, what percentile of the members of Parliament are raving Anglophiles? In virtually every country in Europe, between 40-60% of all elected officials on the continent of Europe, are raving Anglophiles. I think they ought to take up British citizenship and leave their country to the patriots.

So, this problem exists today. The British are determined to destroy it again. For example, I did a recent paper on this subject, on the subject of Brzezinski. Brzezinski has written a paper, which caused some fuss in Moscow, when a translation of that paper, which is based on a book of his, was published in *Nezavisimaya Gazeta*. It proposed a geopolitical game in Central Asia. The British are running such a game, an oil game, a so-called Caspian oil game, which the British, in their own press, brag is being run by the British, as an anti-American operation in Central Asia. This game diverts the oil from China, from Iran, and from Russia, to move it directly to the Mediterranean, through Turkey, in order to market it in the world, and also looting the other parts of Central Asia. Orchestrating conflicts withing Central Asia, which includes the Afghanistan situation: run by the British, which run right in the heartland of the future development of Asia.

What do you have: You have Russia, which has to be revived. You have China; you have Iran, which is the key partner of China today. To the south, you have India, which must become a partner. Pakistan, which must be brought into this. Bangladesh, Malaysia, Myanmar, Indonesia, all ready to be brought into a new global system of infrastructure development and economic cooperation.

The Middle East is a cockpit.

All of these areas have to be brought together in cooperation. And what do you have sitting right in the middle of this, in the heart of it? The former Soviet Central Asia. And, what are the British doing? Running a destabilization operation there. Unless you crush that, and end that destabilization, there's no possibility for the future of Europe or Eurasia. And, Brzezinski, of course, right in the pages of a well-known Moscow paper, publishes this piece of obscenity, a strategic obscenity: balance of power, balance of power—all British methods.

The U.S.A. alone is not sufficient

Now, what's happening is, my concern is to get my somewhat cowardly President, Clinton, who is not a bad fellow, he's just a Baby Boomer, he's a '68er generation, and as many of you know, '68er generations are not very good for fighting

wars, or facing other serious conflicts. And therefore, he flinches; he compromises. He's weak; he's ideological. All these weaknesses. Well, he's the best we've got, at the present. I know how to do the job, he doesn't, but that's all right. We'll have to figure out some way to solve that problem. To get the United States to break with the British; and he hates the British. Clinton really despises the British, for all the good reasons. He just doesn't— He hasn't invaded the place yet. Terrible. He's tried to do it though— Give him credit; he worked well on this Irish question, and, he does hate them.

But the point is: the power of the United States is not sufficient; but, the power of the United States together with countries such as China, and a combination of states, is sufficient correlation of forces to determine the future of this planet. It is the correlation of forces which is indispensable to introduce the kind of reform which is needed to get the world out of chaos, the chaos that we're on the brink of today.

Now, if we bring those forces in, what are they going to be? Those forces are going to be China, India, Iran, countries of Southeast Asia; some countries from Africa probably may be involved soon. What are we talking about? We're talking about what we used to call the Third World.

Now, the Third World has not been able to get much of a voice in the post-war period, especially since 1966-67. But, if the Third World has a grip, a political grip, typified by large nations such as China and India, *has a grip on shaping what future monetary and economic policy on this planet must be*, what is going to be the result? New rules, buddy. New rules. Justice for humanity. China, 1.3 billion people. India will soon exceed China in population. Pakistan, Bangladesh, Indonesia, other countries of Southeast Asia, Iran: This is the heart of the world's population. If Russia is to be revived, it's going to be revived as a partner in this policy. It's the only way to revive Russia now, no other way is going to work. We have to get that canker out of the middle of Central Asia, though: the Brzezinski canker, I guess it would be called in Moscow these days.

This represents the majority of humanity. And, the majority of humanity as represented by their nations, their national governments, is going to have the power to determine the economic policy for the future of this planet. This means, a fundamental change in policy from that we've experienced in the post-war period to date. It means that one person becomes the political unit, population becomes the unit, which determines policy. The benefit and welfare and improvement of the condition of life of the population, becomes the standard of economic policy on this planet. In that case, we're in for a new game, a game I like.

Here we stand in Germany, Germany which is in the process of committing *seppuku*; it is driving a British knife into its gut. (It takes a little time, because I understand the chancellor here has a large gut. I must say, I looked at him early last month, and he was giving an address to the Parliament, and I said, if he gets into a large hotel room with a low ceiling, they

tell the chancellor to "Stand up, the ceiling's too low.!")

But, Germany must be revived as what it was. The imposition which was made by the British and by Mitterrand, and Bush, on Germany in 1989, must be revoked. The implication of certain powers, including Britain's complicity in the assassination of Herrhausen of Deutsche Bank: that policy must be revoked. Germany must go back to being the machine-tool center of Europe. High-technology industry. Why? Because the people of Asia lack what? Outside of Japan, the people of Asia have a deficiency in per-capita input of machine-tool-design capability. I'll get to that later.

The Machine-Tool Principle

Without machine-tool-design capability, no economy can prosper. There is no economic recipe for prosperity in any economy, in any part of the world today, without a machine-tool-design factor. That means the conversion of scientific principle into new technologies, in the form of machine-tool designs. These machine-tool designs are then supplied to develop new designs of products, new kinds of products, new qualities of products, and to change and revolutionize the productive process. And, to educate the populations of these countries in how to use these new principles. Therefore, an educational program, of educating a labor force which is capable of assimilating new scientific principles rapidly, and effectively, and a supply of machine-tool designs from a developed machine-tool-design sector of the world, to ensure that these economies have the means to translate the improvement of the productive powers of labor, in their labor force, into effective productivity increases in their own country.

In areas like China, with dense populations, in areas like India, without a massive infusion of machine-tool capability from countries that have it, which include the United States, Germany in particular, if it revives what is almost lost now, and Japan: that is *indispensable* for the survival of the majority of humanity. And therefore, Germany's duty must be to reorganize and revive its machine-tool-design capability, to go back to a high-tech educational system, one based on the *Humboldtsche Erziehungsprogram*, which is the only program which can produce a labor force competent, as a whole, to do this. And, the countries which are the formerly industrialized countries which were machine-tool-design-oriented, must play a key part in supplying to the more populous regions of the world, the machine-tool-design capability which these nations require, in order to increase adequately the productive powers of labor.

In China this is obvious. China is a developing economy, but the great barriers to China, the bottlenecks that must be overcome, are machine-tool design.

The only other part of the world which can supply a significant machine-tool-design capability, is the former military-industrial complex, scientific complex, of Russia. That would have to be revived, and be revived around integrated projects, in which scientific capabilities can be turned into

new machine-tool resources needed on behalf of the general program.

This would work. If the United States and China, and a combination gathered around them, such as Russia, Germany, India, Iran, and so forth, agree to do what we've outlined in other places as the global Land-Bridge program, and agree upon reforms of the international monetary system and financial system, in bankruptcy, to get the economy moving, there's nothing that can prevent us from succeeding. Nothing: apparently.

The question is, is there the *will* to make the decision, to put the world into bankruptcy? Is there the *will* to force through the immediate implementation of recovery programs of the type I've indicated? Everything I've indicated: nothing new, all proven by experience. Just applying the lessons of humanity's experience, especially of modern times, to the problems that face us today. No farfetched ideas, no unproven ideas. Get rid of the ideas which have been proven wrong, and go back to the ideas which were proven workable. Where's the problem? The *will* to do it: lacking.

So, we have to go to another dimension. Not to economics as it's taught in universities, which is incompetent. There are some competent economists because they're competent as human beings, not because of what they've been taught as economics. We have to go to cultural questions.

Human discovery: the subject of history

Now, this brings us to another problem, and I've addressed this in a piece which will be out in the coming week in *EIR*, on this question of history.¹ Very few people understand much of anything about the past 50-odd years of history. And they understand almost nothing about the past 500 years of history. And, almost nothing about history in general. Especially people who specialize in the study of history: They're the most crippled, usually.

What is history? The first question you ought to learn in a history lesson: What is history? Is it a chronicle of events? Is it a study of who succeeded, and who failed? Is it a study of how to become successful in politics, or something else? What is history? Do animals have history? No, animals don't have any history. Animals don't develop; they remain the same species, with the same species-specific behavioral tendencies, through all their existence. They can learn, but they can learn only within the limits of those fixed tendencies which appear to be genetically fixed. Dogs of a certain race, always behave alike. Highly bred dogs behave very much alike, like Beagles. Every Beagle thinks alike. Every Beagle is a clone of a Beagle. As a matter of fact, when they want to do a standard test on brain tests, they use dogs' brains, Beagle brains, for tests on these kinds of things, because they're so highly in-bred. Every Beagle reacts the same way. Now, they have different behavior, they're not stupid, but they all react the same way.

1. Lyndon H. LaRouche, Jr. "Wells of Doom," *EIR*, Dec. 19, 1997, pp. 12-30.

Would we like to live in a society of human Beagles? Everybody reacting the same way. How boring! A little diversity is helpful in making life more interesting. And also in getting some options.

What's the difference about humanity? Humanity changes its behavioral characteristics, *willfully*: not accidentally, not by learning, but willfully. How? Very simply: We discover principles of nature, called physical principles. Now, did you ever see a physical principle? Did anyone ever smell one? Taste it? Touch it? You cannot see, smell, hear, or touch a physical principle. Yet, you can prove that they're efficient. You can identify them precisely. You can demonstrate that anyone who denies their existence, is a fool!

How do you get to a physical principle? The human cognitive processes, unlike those of the animal, when presented with a validly defined paradox, a so-called ontological paradox, which has no deductive or formal solution, in terms of *existing belief*, existing axioms of belief: the human mind, when it is demonstrated that nature is violating the rules of their belief, as manifest by this ontological paradox, the human mind is capable of generating a discovery of a principle, which enables humanity to overcome that error in its thinking, to revolutionize its thinking, and, thereafter, to revolutionize its behavior.

The history of mankind is the history of these discoveries. These discoveries fall into two classes. One class, we call "physical principles": things you cannot lick, smell, touch, or see; but, you can demonstrate beyond doubt. If you don't believe in them, the universe will kill you. So, you'd better learn them.

The second one, is cognition itself. It has very interesting characteristics. Cognition is a process you have to learn: not learn, in the sense that you learn a textbook; but, you have to re-experience it. Now, the most interesting thing about cognition is, since you cannot *see* the process of cognition actually generating an idea, the only way you can generate an idea that somebody else has discovered, is to *replicate* it. You cannot *learn* it. And, if somebody discovers a principle of nature, and they write a description of this in a textbook, if you learn the words in that textbook, you don't understand the principle. That's true of most environmentalists today, and those who write these so-called environmental programs, like global warming, and other things. Complete frauds and scientific incompetence, and it's all based on "learning"; no cognition. It's animal-like behavior. You can only understand a scientific principle by going through the experience of rediscovering it.

In a competent school, in a competent educational system, such as the type that used to exist in Germany, called the Humboldt educational reforms, the basis for education was to *relive the act of discovery*, whether in geometry, or by reliving the evolution of Greek history, Classical Greek culture, from Homer through Plato, and beyond. Reliving the experiments. Reliving the discoveries of geometry. Reliving the discoveries of principles in astrophysics. Reliving these

things. So that you never said you *knew* something, unless you had relived the act of original discovery.

The example of Classical composition

Same thing applies in music. You have people who say they know how to perform music. You say, "How do you know that?"

"Well, I know how to perform the notes."

"You're not a musician."

"But, I can perform the notes very well."

"You're still not a musician; you're just a note-player!"

Because, if a work of art is any good, you can't learn how to make it. You must re-experience the act of creation by the discovery.

For example, you have a lot of people who are called conductors, in Germany. They should have been trolley-car conductors, at the time we had trolley-cars! They were not real conductors, like Furtwängler. Furtwängler identified a principle, and just think of the number of musicians that attacked Furtwängler on this principle! None of them was a good musician; none of them was a competent musician. Furtwängler said, you must go into the mind of the composer, to relive the experience of composition by the composer. And then, you must go back to the notes, and perform the notes and notations, according to your understanding of this unifying idea, which is the principle of composition.

If you wish to present a poem, there is no rule for reciting the lines, one at a time, or the words, which would be a competent recitation of the poem. You must go into the mind of the poet, the composer, relive the act of composition. Re-experience the *idea* which causes the poet to choose certain things, and then, you must use the poet's choice of terms, to convey that idea. Furtwängler called this performing "between" or "behind" the notes. You do not perform on the basis of note-by-note or phrase-by-phrase. You do not perform according to rules. That's incompetence. That is not art! There's a school for that: It's called Romanticism. And Romanticism in Germany, was best known as *fascism*. Hm? The Romantic School, where you play, create a sensual effect, a *sexual* effect, or, shall we say, more generically, an *erotic* effect? Like Wagner, or Liszt. Liszt was a man who knew how to play the notes! He played many of them! Many of which would have been unnecessary, in a good composition. He was a master of playing unnecessary notes, to show you how many notes he could play. He was the inventor of "passage work." Wagner, who gave up music in order to make bombs on stage. For *sexual effects*! Take the case of the famous *Liebestod*, from *Tristan und Isolde*: nothing but one chromatic experience after another. A chromatic orgasm of protracted length! It's not music. It's erotic effects.

But Classical composition is important to us, whereas Romantic is not. Modern music is not necessary; put it out in the trash, where it would be happy, by itself. Popular music, as it has developed recently: Put it in the trash, it doesn't belong, it doesn't do anybody any good.



Romanticism is the creation of sensual, erotic effects—unlike Classical composition, which expresses ideas. Shown here: a scene from Wagner's "Das Rheingold," on PBS television, 1983. Wagner "gave up music in order to make bombs on stage," says LaRouche.

The Classical composition, in poetry and drama, and music, addresses directly those cognitive processes of the mind, which are brilliantly demonstrated by the great composer of poetry, or tragedy, or music. There's always a challenge; an ontological paradox is created. The composer *solves* that paradox, that *metaphor*, as it's called in art. And piles metaphor upon metaphor. And, out of that, comes a dramatic effect, an *idea*, which, you say, is called *beautiful*. It's associated with an idea called *happiness*, which is very rare. Modern people don't have happiness, as those of us who are older know. The younger generation, the Baby-Boomer generation, under the instruction of the Frankfurt School, went away from happiness, and found a substitute for happiness, in a monotonous succession of momentary pleasures. People look at television for momentary pleasure, for escape from happiness! Very few people in this generation, are happy. I'll get to that in a moment.

Educating world-historical personalities

The problem here is a cultural problem. Every human being, as a part of history, the history of ideas, is equally capable, potentially, at birth, to be developed in re-experiencing the ideas of mankind before him. In a certain order, in a

certain way. But thus, that child, who gets that kind of education, is reliving the moment of discovery in the mind of a person who lived scores of years, centuries before, millennia before. And thus, every child who has the benefit of a Classical form of education, that is, one based on replicating the discovery of ideas, of valid ideas — that child is an historic personality. That child, if that child has broadened beyond his own culture, to learn other cultures as well, has become a *world historical* personality, because that child embodies, within himself or herself, the living history of mankind. That child has developed a *conscience*, that they must not betray that in themselves which represents the truth, of the progress of mankind. They have their ancestors, the best of their ancestors, looking over their shoulders, from inside their minds, at all times. The presence of those ancestors, is part of their conscience. A child who understands, and knows by name, the great discoverers in art, and science, and statecraft, from times past, in that way, also looks at himself or herself as a person of the future. That the ideas that we transmit to our children, and to others, our legacy, is going to shape the future. The way that we solve problems, or fail to solve problems, is going to determine the future of humanity.

Therefore, we find ourselves in a sea of faces: of some, we know the name; other faces, we don't know the names. Faces from the past, faces from all around the world, and faces from the future, whose names we don't know. These people, these faces, in a sense, are all looking at each of us, in every moment of our life. What are we doing, to fulfill what the past has given us, the treasure given to us? What are we doing, to ensure the future of our children, and those that come after us, all throughout this planet?

The function of a Classical education is to transform this lump of flesh, that is born, with its cognitive potential, and transform that little creature into a world-historical personality, in whose mind resides the re-enacted, relived experience of the discovery of important ideas from the past of mankind. A mind that looks forward to the future and says, "I am going to *be*, I am going to do this, this is my mission, this is my vocation. And the future will benefit from my existence. I am a person to my people; I represent all humanity; I am going to do *good*." And that person, whenever they find themselves experiencing the beauty of what has been given to them from the past, and the beauty of being somebody who is *good for humanity*, is happy. Because the same quality, the emotional quality that is experienced by the scientist, in making a valid discovery, the emotional quality experienced by the artist, who composes a poem, a piece of music, or performs such, in the appropriate manner, is emotion which is called, in Greek, *agapē*, which Plato, through the mouth of Socrates, uses to identify the commitment to justice and truth. It is the opposite of erotic; it is this sense of being a world-historical person, with a world-historical sense of oneself. That whenever one is *being that self*, one is happy; when one is sharing being that kind of person, with other people, one is happy. When one is

doing good for humanity, one is happy. Not in acts of charity, individual charity, passing out sandwiches or something — even though that can be a happy job, but, nonetheless, the more principled thing, is not giving material goods to somebody; it's giving future humanity the means by which to *survive*, to *live a better life*. Whenever you're doing that — Like the workman who's proud of a machine-tool design. The person who's proud of a discovery. The child who's proud of the fact that they have actually composed something, according to a Classical principle. When the child's face glows, as if an inner light had turned on inside the personality: a state of *happiness*.

We're not a happy people. There are very few happy people on this planet. We live in a highly erotic, highly decadent, highly degenerate, highly demoralized, pessimistic — deep cultural pessimism. "Nothing will work, you can't do it! It's not going to succeed! You've got to stick with the mainstream!" All these people say, you've got to stay with mainstream ideas. You say, "I want to stay out of that sewer! I want to stand on the high ground, away from that *mainstream* down there, under the street." That's what our problem is.

Time to dispense with geopolitics

Now, the connection to this, is to try to get people to understand something about humanity, and stop all this gobbledegook about, "This nation has a war with this nation," and so forth. All that's nonsense. All this geopolitics, all the usual strategy, all the usual public opinion, is utter nonsense. We know it among us, those of us who are familiar with each other, in the room; we know what we're dealing with. We have an impassioned concern; Russia's being destroyed; Africa's being destroyed; South and Central America are being destroyed; Asia's being destroyed. People are suffering; disease is on the increase; poverty is increasing; and we're on the edge of a Dark Age! Are we concerned with one nation, as opposed to another? That's silly! We're concerned about humanity. And we recognize *nations* as vehicles for addressing this problem. That cooperation among nations is needed to deal with this problem. But the nation-state is essential to the people who live in it.

So, this is not the problem: it's not some "natural conflict" of one human being with another. There's nothing natural about that.

I wanted a cartoon to be drawn, for several reasons, in this connection, which shows a man, who is labelled "IMF," beating his wife terribly, and the wife is labelled "Developing Nation." And, he says, it's nothing — He's not doing this for any malicious reason; he's doing it for *pleasure*. Which tells you something about wife-beating, too, by the way. Men who beat their wives do it for pleasure, not for malice. It's a *perversion*, a sickness, which is passed down from father to son. The father beats the son, the son beats his wife and beats his son, the son beats his wife and beats the children. It goes on and on.

But that is not the natural way of humanity.



“Nothing personal! He does it only for pleasure.”

The Whore of Babylon

The problem is this: The conflict comes from Babylon: and, we in Europe, in European civilization, trace it to Babylon, though it's older than Babylon. Some thousands of years ago, there was a group of people from India, called Dravidians, who established colonies. One of the colonies was in southern Mesopotamia, it was called Sumer, which is not a Semitic culture; it was a Dravidian culture, a branch of the culture of India at that time, what is sometimes called the Harrapan culture. And the other cultures of that time: You had Yemen, and Ethiopia, which were dominated by Dravidians. Canaan was actually developed, among the Semitic people, by Dravidians, who were the dominant culture of that period, contrary to the British theory about God standing in Mesopotamia, in the year 4004 [B.C.], and creating the universe, hm? The Dravidians were way ahead of the Semites, in this operation.

But the culture of Babylon, of Mesopotamia, was an evil culture, from the beginning: as we know it. And the culture of Babylon was something we had a tough time getting rid of; we haven't gotten rid of it yet. It's the big problem of European civilization: Babylon. Because, what kind of a society was it? We saw it all over the world. We see it in archeology; we see it in every evidence of culture, from every part of the planet. That, prior to a few hundred years ago, the characteristic form of human existence, was that less than 5% of the population, consisting of oligarchs and their lackeys, ruled over 90-95% of humanity, which lived as slaves, or serfs, or

other forms of human *cattle*. So, the conflict on this planet, for as far back as we know history, has been between societies which had slavery, serfdom, or other conditions, similar conditions, where some people were the cattle-herders, and other people were the human cattle. That's the conflict.

This cattle system, of Babylon, was maintained in such forms as the Roman Empire. As a matter of fact, the Jews and Christians of the First Century A.D., referred to Rome as “New Babylon,” as the famous Apocalypse of John refers to Rome, the Roman Empire, as the Whore of Babylon. Byzantium was the Whore of Babylon, too. European feudalism was the Whore of Babylon. The entire system of serfdom was not a natural system, it was an unnatural system; it was a continuation of the policy of the Whore of Babylon. And today, the Whore of Babylon is officially called Queen Elizabeth II. Because, by way of the Venetian system, which is otherwise called the Anglo-Dutch oligarchy — And if you understand the history of Rome, under the Roman Empire, under Augustus; if you understand Byzantium, as it actually existed; if you understand European feudalism generally; if you understand what Venice was, as a maritime power, dominating the Mediterranean and adjoining regions, into the Sixteenth Century; then, you understand that this Whore of Babylon system has perpetuated. Today, it's called the British Empire, or the Anglo-Dutch oligarchy, which has replaced the so-called landed aristocracy, with a financier aristocracy.

This aristocracy pollutes every part of the world. Russia has got a good dose of it recently; it's called mafia, and banks, and it's very difficult to tell the difference between the two of them, recently. Every part of the world is polluted; every country tends to get a financier oligarchy, as a junior branch of the British, Anglo-Dutch oligarchy. And, they will say, “No! The oligarchy, the finance oligarchy must keep the financial system *free* of control by governments. We must have central banking — private central banking, which is authorized, and funded, and backed by the government. But the government must not *interfere!* The government must not interfere in the marketplace.” What is that? That's an oligarchy. If you allow financial contracts, and procedures so defined, to control the lives of human beings, are we any more than slaves? And when the time comes, when the debts for these financial obligations are to be paid, shall we sell our children into slavery? Shall we starve people? Shall we increase the morbidity rates of the populations? Shall we cut off the health care, take away the *Kur*, in Germany, from the senior citizens, and so forth? Simply to satisfy a bunch of greedy, blood-sucking bankers? That's what we do.

That's the conflict. The conflict is between those, typified by the British oligarchy — and we have pigs of this type in the United States, too — those who demand that we retain the system, under which parasitism, called “finance,” is able to suck the blood from an economy, and spread the myth, which the fools believe, that you need a fund of money to start an economy.

The science of economics

What is real economy? Now, I'm going to get a little bit tougher, but I think it's necessary, so that this be understood.

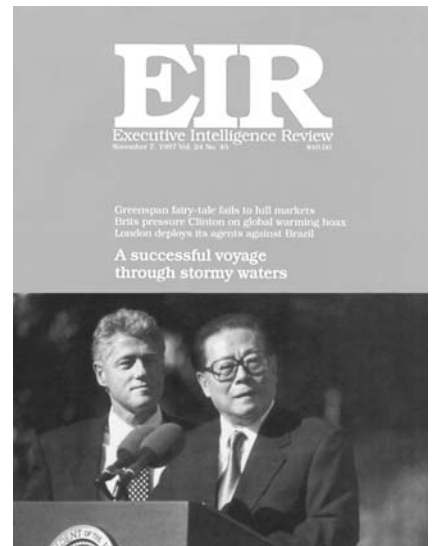
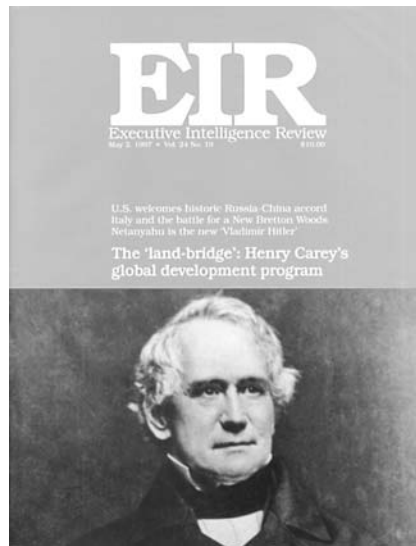
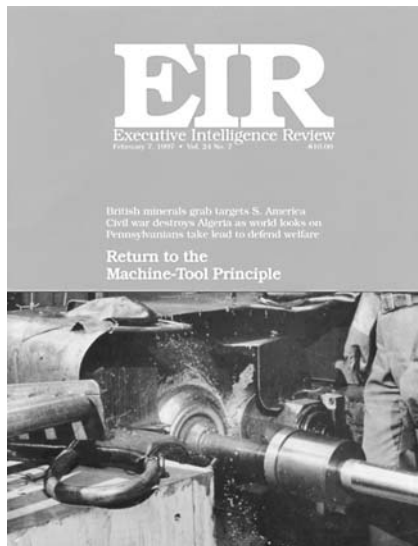
Every kind of formal economics taught, in every university which I know today, and every textbook, and at every major economics colloquium, is *bunk!* There are some people who are good economists, not because they know an economic theory, but because they have some clinical insight into the way an economy works. There are some people in Germany, who have that. Some people in other parts of the world, who have that sense. A sense of: "How does the economy work; what do you have to do to make it work?" It's like a doctor's sense of a patient: It's a clinical sense, not a theoretical sense. Economic theory, as I know it, taught in all these universities and official institutions, around the world, is bunk. Absolute bunk, garbage, fraud, a hoax! Why? It goes back to what I began with: this question of this heavenly body which suddenly gets brighter, and is accelerating in angular momentum motion, every day. Which means, doom! That's what's happening to the economy now.

What is a profitable economy? What is growth? Growth is several things. The essential thing about man, is that we exist as a species, in relationship to the universe. What's important about man, is not what our activity is, as such. What's significant about man, is our ability to increase what we call our productivity; that is, to increase man's power over nature, man's power over the universe. This is the power we get from cognition. We discover *valid physical principles*, and other principles of cognition. If we change

our behavior, as nations, as people, according to these discoveries, we increase our power over nature. That's how we know these things are valid. Because the universe accepts these discoveries, and *submits to us*, and to our will, when we express these discoveries.

So, man is a supreme creature in this universe. The only creature in this universe, who can change its behavior, to increase its power over the universe, the only creature that the universe *obeys*. That's man.

Now therefore, what we're concerned about in history, and what we're concerned about in economy: we're concerned about this matter of *increase* of power, of the human species. This is not a simple thing, because in order to increase the power of mankind, we can't have people dying at the age of 40—because if your life expectancy is the age of 40, how are we going to allow children to be adequately educated? If the productive life of the typical member of society is not of the order of magnitude of the life expectancy of 70-90 years, what chance do you have, of educating and developing the population? So, therefore, the demographic characteristics of the population are essential to the progress of humanity. More ideas to be learned, more development required; simply to maintain the society, you must have more and better education. You must sustain the young people longer parts of their life, in the educational process and related processes. Therefore, you must improve the material conditions of life, as those material conditions of life bear upon this capacity. You must improve the conditions of life in the household. You must eliminate drudgery and



For further information on many of the questions discussed by Mr. LaRouche in this speech, see these landmark issues of EIR from 1997: **Feb. 7**, "Return to the Machine-Tool Principle," a theoretical analysis of what makes for growth in an economy, with case studies from around the world; **May 2**, "The 'Land-Bridge': Henry Carey's Global Development Program"; **Nov. 7**, "A Successful Voyage Through Stormy Waters," on the necessity of a strategic alliance between the United States and China, and progress to that end achieved during President Jiang Zemin's Oct. 29 meeting with President Bill Clinton.

menialness from the household. So, the household's role as a place of nurture, becomes predominant. A place in which the development of culture, in the population, is encouraged and fostered. This requires material means.

We must develop the land, we must change it. We must improve it. We must constantly discover new kinds of resources, to develop. We must develop more investment in these improvements, which have to be maintained. Now, this means that the amount of material passing through our hands, per capita, each generation, must increase. That the infrastructure must increase. All these things must increase.

Let's call this the *energy of the system*. Given the planet as it is, what is the total production of society, which must be provided, per capita and per square kilometer, in order to keep this human system going, without deteriorating: *Energy of the system*.

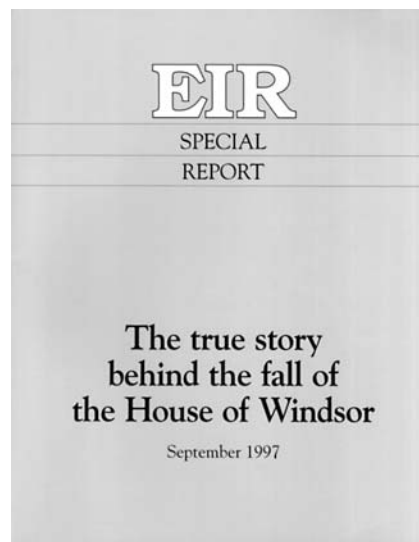
Now, above the *energy of the system*, which is increasing all the time—that is, the per-capita, per-square-kilometer energy of the system, in terms of countable objects and requirements, is constantly increasing. Now, despite this increase, we also want an additional increase, which enables us to explore, expand, develop, which we call profit, or *free energy*: It's the same thing. It's materials; it's things that we use, to foster growth of the population and its productivity. We call it energy of the system. It's not money; it's *real*. It's education, it's health care, it's science services, it's better housing, it's better infrastructure, it's improved technologies. It's called "profit."

Now, describe to me, mathematically, a system, per-capita system, in which the *density of the energy of the system* is

increasing. But, at the same time, the *ratio of free energy to energy of the system*, is constantly increasing. Describe that system. Now, go to the blackboard, and write me a mathematics which describes that process. Now, pick up any book in economics, any textbook. Take any lecture, any writing on economics. Where's that function? You have theories of profit! For example, that's the problem in Marx. Marx says, in the end of *Capital I*, and elsewhere in his writings, that he has left out of account "the technological composition of capital." He left it out of account! That's why Volume III fails. That's why his whole idea of cycle of production, of simple and extended reproduction, fails. Because it ignores this question.

Where does this function occur? An increase in the ratio of free energy to energy of the system, despite the fact that the energy-of-the-system requirement, per capita and per square kilometer, is increasing. Which is what happens in every successful form of economy. And, something which happens only through scientific and technological, and related progress. A zero-technological-growth society is a dying society: It is a corpse, or it is an economy on its death bed, waiting to rot. Like the one we're going through right now.

What's wrong? Well, they come up with mathematics, but they don't *have* competent mathematics; as a matter of fact, competent mathematics are generally not taught in any university in the world today. If you don't believe it, look at any calculus course. Any course in differential calculus will include today, generally, with a few exceptions here and there, the famous Cauchy fraction, or the so-called "limit theorem,"



Nov. 28, "The LaRouche Method: What Economics Must Measure," on the centuries-long battle to defeat financier oligarchism—the legacy of Babylon and Venice; Dec. 5, "Tweedledum Goofs Again," a blast by LaRouche against the latest strategic drivell from British agent Zbigniew Brzezinski; and September 1997, EIR Special Report, "The True Story Behind the Fall of the House of Windsor," reprints of four of EIR's groundbreaking feature packages on the historical role and current power of the British oligarchy. Single back issues of EIR are available for \$10, while supplies last; the Special Report is \$75.

which results in what is called “linearization in the small.” Any mathematical system which is based on linearization in the small, cannot possibly derive, in any competent way, a system in which the ratio of free energy, to energy of the system, can increase, or even be maintained constantly, under condition that the density of the energy of the system is increasing. Can’t be done! It’s called anti-entropy.

No one can describe a mathematical formula for a living process, in which the same thing occurs, or, in the living process in general, same thing occurs. Can’t be done! It’s incompetent. As a matter of fact, the same thing applies to all facets of human behavior.

It’s that people’s ideas about people — this is typified by the Hobbesian conception, or the Lockean conception, or the empiricist or positivist conception of mankind — *people’s ideas about other people, are like objects in a linearized universe*. The economic policy of no nation today, especially the IMF, recognizes that the individual human being must be educated in a certain way, that the education must be up to a minimum standard for every human being; that the demographic characteristics of the average household must be maintained and improved in a certain way; the characteristics of life within that household, the increase in science and technology, must be provided — contrary to the Greenies; the Greenies have an anti-human philosophy. They have the philosophy of *cattle*. And, a cow would be embarrassed, if he could understand what they were saying.

Existentialists and Baby Boomers

The problem is today, that people are oriented, not to the idea of being world-historical personalities; not oriented to the conception of developing themselves as world-historical personalities; not conceiving themselves as persons who are generating discoveries; but rather are simply looking at themselves as trying to succeed in a society. They’re *existentialist*, in the sense of that Nazi professor Martin Heidegger, and his Nazi-like friends: Theodor Adorno, who couldn’t get into the Nazi Party, because he had the wrong religion, so he had to leave Germany. Same thing. Jean-Paul Sartre, or Jean-Paul Sartre-Masochismus, hm? Same thing. The conception of man is *linear*. The conception is one of passions, such as lust, greed, hate — all these kinds of things — of one person toward another, or one nation toward another. Or, today, *my pleasure*. “My pleasure.”

The problem we face today, thus, is that we are dealing with a population around us, and all throughout the world, which, predominantly, has lost the moral fitness to survive. The problem does not lie in the leaders; the problem lies in the consent of the governed. The governed are behaving like cattle.

Take the picture painted by Jonathan Swift, who wrote a famous book, published in the 1720s, which is called *Gulliver’s Travels*. Now, *Gulliver’s Travels* is not a children’s story; it is actually a bunch of true stories, about fictional

visits to an island. The island is called *England*. And, what he describes in these stories, of Gulliver’s travels, including the travel to Lilliput, where the small-mindedness of the British population is made clear; and, at last, to the land of the Houyhnhnms — I shall not whinny for you — is a depiction of life under George I in England. And, he describes life as such: You had a bunch of horses, or, more properly, horses’ rear-ends, who are lording it over the population, [horses’ rear ends] who have a slave class, who look somewhat like humans, are generally rutting in the ditch, incapable of coherent speech, and, when they’re not rutting, they’re compelled to perform certain menial tasks for the horses’ rear-ends; they’re called Yahoos. In the United States, we call them pro-Confederacy types.

That is the condition into which the human race has allowed itself to be degraded. They’ve been degraded to the idea of the *pleasure* of rutting in the ditch. I saw this in the 1960s; I’ve described this in some detail, the historical situation involved in this problem. We saw young students, at universities, who presumably were going to advance through various careers in business and the professions, and government, to run the society as they’re now doing today. If you look, in the various positions in government, and industry, and so forth — especially in the crazy banks — you will find the idiots who are running these places, were college students, university students, between 1964 and 1972. That generation: the so-called Baby-Boomer, or ’68er generation.

Now, recall what they were doing, back between ’64 and ’72. They were taking strange drugs, in order to induce an inhuman state of mind. You found them rutting, in the classrooms, in the basements of the university, or in the bushes, seeking *pleasure* — not happiness. A bunch of moral degenerates, the so-called “Me” and “Now” generation, which gave up all sense of historic responsibility for humanity, and were concerned with their own pleasure, and their lifestyles. That’s what’s running society. Their children, which we call the “Generation Xers” in the United States, are the victims of such parents. Poorly educated: more poorly educated than ever before. This is true in Europe, in a slightly different form. It’s true in other parts of the world.

We have allowed the noblest creature in the universe, man, to become degraded, not merely by the conditions imposed upon man, but by the state of being that the individual imposes upon himself or herself. We are living amid a human species, which has lost the essential quality of moral fitness to survive.

A precious opportunity

The problem we face, we can solve, objectively. The measures to be taken are clear. No rational person should deny it. What can be done, will succeed. Nothing proposed, which has not been proven, again and again, before. Why don’t we do it? Not only because the governors are unwilling to do it, but because the people who are *governed* demand, as consis-

tency with public opinion, the very policies which are bringing about their destruction. They demand free trade. They support environmentalism. They support this crazy lifestyle business. They support the substitution of pleasure-seeking, for the obtaining of happiness. They cling, like criminal elements, to the practice of crime. You say, "But that's foolish. You're only going to go to prison or something." "I don't care. It's my lifestyle. It's the way I live."

We have one opportunity to save this humanity. And, the opportunity is being given to us. But the time is short. In the coming period, including next week, we're going to have another shock. And, people are going to get down on their knees with *terror*. Either, take the first scenario I mentioned: The IMF fails to deliver a new Korea package adequate to the situation — we're talking about \$200 billion, not \$60 billion, not \$50 billion, \$200 billion! That is the short-term obligation, at least, at minimum, which is hitting South Korea. If South Korea, one major bank, goes under, or maybe two, then the whole system goes under. Then the nation of South Korea goes into total *default*. Then, every piece of paper in Japan which is based on claims against South Korea, becomes virtually worthless. Can Japan take that blow? Can this blow to the value of the yen — What's the effect going to be on South Asia, Southeast Asia? What's the effect going to be on Germany, on the collapse of the entire East and South Asia markets? Throw a little crisis in, in Central Asia. What happened to the investment in Iran? Brazil will go. To where is Europe going to export? From whom is Europe going to collect the proceeds of what is sold? Recapture its investments? What will then happen to the European economies, which are already bankrupt, every one of them? Germany's bankrupt — that's why they keep cutting health care, because there's no money to meet the current obligations. Russia's going to blow, under these conditions.

You will have chaos, you will have a New Dark Age on this planet. And, they're going to begin to feel that effect, in case of a chain-reaction default, starting this week. Or, if the chain-reaction default doesn't occur, then the worst will occur: a global hyperinflation, which will go on until the system blows. In which the value, the price of things, can go up, within minutes, until one day, the currencies give up, altogether, as they did during the Weimar hyperinflation.

The shock of this reality will shake people out of their little Baby-Boomer follies, their Greenyism, and other idiocies. And, some of them, enough of them, will have sense to say, "We're wrong, we've got to change." That's your last chance.

The issue is leadership

Now, you're not going to get a spontaneous reaction from the people, which is going to improve things.

Just one final note on this: Do you know when I first knew that Russia, the Soviet Union, was doomed? It wasn't simply because I knew the general pattern of problems there. It was

in the 1970s. How did I know it? I knew it, because the Communist Party of the Soviet Union delivered a statement of praise to Leonid Brezhnev. When I heard that praise of Brezhnev, by the Soviet Politburo and Communist Party, I knew the Soviet Union was doomed. Why? The warning to me, was when they said the greatness of Brezhnev was that he was not a *voluntarist*. He was *objective*, not a voluntarist. The essence of all successful human history, including the case of Lenin and the case of making the Russian Revolution, the October Revolution, was voluntarism! The Mensheviks rightly said, that Lenin cheated, in making the October Revolution, because he was not objective, he was a voluntarist. Why? By going against the pulsations coming from the base of society, to do what was necessary.

All humanity, the history of humanity, is *ideas*. Ideas are generated by individual persons, and transmitted by replication to other individual persons. The masses do not secrete truth! Mass opinion has never produced anything good. It is leaders *from* the people, who uplift the people, with leadership. That's what lifts the people out of a menace. The problem is, that the person who is qualified to lead, has to wait. Has to wait, until what the mass of people believe is so discredited, that the mass of people are finally willing to listen to the ideas they should have listened to before, but didn't have the sense to do.

The problem today: The opportunity will be given. Mankind is going to face the opportunity to junk the things that are destroying us. The danger is, if we don't have the leaders to seize that opportunity, we're going to lose it. And humanity will go into a ditch, for at least two generations, of a New Dark Age, planet-wide. The worst of what is already happening, will occur, until humanity is purged of the idiocy of what is called "popular opinion" today, especially the popular opinion of the economists and people in government.

The question is, are there enough of us, to ensure that the people are given the leadership they require in that moment when the people are ready to listen, to provide the ideas at that moment, which are necessary to make a global revolution in the condition of mankind. To establish once and for all, the foundations of a form of human society, in which the sanctity of that noblest creature of all the universe, man, the individual person, is the law; in which society must always do those things which are necessary to meet its responsibility of truth and justice, for that creature, that noble creature, the human individual, *all* of them, including economic justice; and justice, not only for the living, but justice for the generations which are yet to be born.

We have the opportunity in our hands. Whether it will be realized or not, I don't know. As you know, I try. But unless we can generate and inspire enough leaders, to seize the opportunity, when a people who is terrified, are willing to listen to leadership, for new ideas they need to have, then this isn't going to make it. You wait for the people to demand it: You'll never get it. Thank you.

Iran calls for a dialogue of civilizations, among thinkers

by Muriel Mirak-Weissbach and Hussein Nadeem

The picture that has been painted of Iran by the media in the West, led by the British and Israeli press, is that of a rogue state, committed to the annihilation of Western society and values, through the spread of "Islamic fundamentalism," the deployment of terrorist capabilities, and the development of weapons of mass destruction. It is, in fact, still official U.S. policy, to consider the Islamic Republic of Iran as supporting terrorism, seeking development of such weapons, and actively undermining the prospects for peace in the Middle East. On those grounds, to date, diplomatic relations between the United States and Iran, which have remained frozen, are where they were during the 1979 revolution.

However, just before Christmas, Iranian President Seyed Mohammad Khatami explicitly offered to open a dialogue with America, in terms which fly in the face of every cliché that has been respected in the West about his country and its political leadership. Khatami's proposal, made during a meeting with the international press in Teheran on Dec. 14, is to "address the American people" as a first step toward opening an official dialogue with the government. In his remarks, Khatami repeatedly expressed his "great respect for the nation and the great people of the United States," and stated his commitment to a "dignified peace" in the Middle East. Despite Iran's criticism of the process as it has unfolded since the 1993 Oslo Accords, he pledged that his country would do nothing to "impose its views on others."

Most significant in his remarks, was Khatami's focus on reopening relations with the United States as one expression of a broader "dialogue between civilizations," which, he said, should characterize relations among nations and cultures in the 21st century. To carry out such a dialogue, he proposed that political figures rise to the level of thinkers. "Of course,

it is our wish that all politicians should be thinkers," he said. "Although, perhaps, Plato's idea that rulers should be philosophers, or that philosophers should be kings, was wishful thinking, nonetheless, is it also wishful thinking to expect that the world's politicians should be thinkers as well?"

President Clinton's response to the outstretched hand from Teheran was measured and positive, despite his reiteration of the three allegations against Iran (terrorism, weapons of mass destruction, and an anti-peace posture), which he said would be the stuff of talks. He said, "I was quite encouraged by the President's statement and I think the American people should be, too." He added, that he had always considered it "tragic that the United States was separated from the people of Iran." Clinton elaborated: "It's a country with a great history that at various times has been quite close to the United States." And added, "We have had the privilege of educating a number of people from Iran over several decades; indeed, some people in the present government were able to get some of their education in the United States. And Americans have been greatly enriched by Iranian, by Persian culture, from the beginning of our country."

The Islamic world in conference

Although the formulations on both sides could be construed as diplomatic niceties, this is not so. In order to grasp the full significance of the new language which the Iranian President has used to shape his offer for dialogue, it is necessary to locate it in the context of profound changes taking place in the Islamic world, and in Iran, at its center. President Khatami delivered his bid for a dialogue with America, in fact, at the conclusion of the summit of the

Organization of Islamic Conference (OIC), which was held in Teheran on Dec. 9-11. The summit was extraordinary on several counts. First, it was held in Teheran, capital of a nation blacklisted by the West, and isolated within the Islamic world for much of the period since the 1979 revolution. Iran has become the rotating chairman of the OIC, a position it will hold for three years. Second, the meeting was not merely a ceremonial get-together of members of a club, as some earlier such conferences have been; it gathered all the members of the 56-nation organization, and, in most cases, at the highest political level. Third, the agenda of the conference addressed urgent political affairs, including the Middle East, Afghanistan, economic cooperation and development, and the issue of international terrorism. In addition, it reached agreement, in the form of final resolutions, which contributed workable, thoughtful proposals to address many of the crises identified. Finally, and most importantly, the conference constituted a step forward in redefining the identity of the Islamic world—Islamic culture and civilization—in the modern context.

Participation in the conference included heads of state, or of government, or government ministers from countries with which Iran has had hostile, or conflictual, relations, like Iraq, Saudi Arabia and the other Arab states of the Persian Gulf, as well as Egypt. Thus, in a spirit of reconciliation which pervaded the conference, Iran welcomed Iraqi Deputy Prime Minister Taha Yasin Ramadhan, with all due respect. The call by Iraqi Foreign Minister Mohammed Said Al-Sahhaf to normalize relations with Iran and exchange of prisoners of war was prominently featured in the Iranian official press. Prince Abdullah, Crown Prince of Saudi Arabia, was the most celebrated guest at the summit, bearing testimony to the immense diplomatic efforts conducted by former Iranian President Hashemi Rafsanjani, to mend fences with the Gulf neighbors. The summit also provided an important opportunity for Sudan and Egypt to resume talks, as the Egyptian foreign minister met with his Sudanese counterpart. Relations between the two had been strained since an assassination attempt against President Hosni Mubarak had been blamed on the Sudanese, who, in turn, were accused of using Iranian terrorist training facilities.

Iran's success in achieving such participation, came as the result of organizing efforts by the previous and current government. Former President Rafsanjani and his foreign minister, Velayati, as well as the new foreign minister, Dr. Kamal Kharrazi, travelled far and wide to present heads of state with the official invitations to the conference. In the course of these diplomatic encounters, Iran's officials sought to overcome differences, and to define relations from the vantage point of the new role which Iran has assumed, in the Eurasian Land-Bridge context, linking Central Asia, and Europe, and Africa.

Iran was thus most appropriate as the venue for a confer-

ence, which placed the issue of improving economic cooperation at the top of its agenda. As a founding member of the Economic Cooperation Organization (ECO, which includes Turkey, Pakistan, Azerbaijan, Afghanistan, and the five Central Asian republics), as well as of the D-8 grouping of Islamic countries in Africa (Nigeria, Egypt), the Middle East (Turkey and Iran), and Asia (Pakistan, Bangladesh, Malaysia, Indonesia), Iran is at the center of overlapping associations dedicated to establishing regional stability through economic cooperation. At the OIC summit, it was a matter of expanding this to include the totality of the member nations, in an Islamic common market. As Iran's permanent representative to the OIC, Sabah Zangeneh, told the Iranian news agency IRNA, at the outset of the summit, "To make the Islamic world ready to enter the 21st century and to take practical steps for the creation of an Islamic common market" were to be the two prominent issues which the summit "would try to resolve and find ways and means to achieve these objectives."

In the debate on the Islamic common market, which Iranian Industry Minister Gholamreza Shafeie characterized as "a must," cooperation was proposed in various areas of manufacturing, including the automobile sector, electronics, shipping, construction, and so forth. Malaysian Prime Minister Dr. Mahathir bin Mohamad, who has been in the forefront of a campaign among Asian nations, to defend their economies against the ravages of speculation and the "free market," intervened to support the proposal. Stressing the enormous economic, industrial, and technical capabilities of the member states, especially Iran, Malaysia, Indonesia, and Turkey, he "said formation of an Islamic common market is one way to deal with the monopolistic policies of the West against the developing nations, especially the Islamic states," according to an IRNA dispatch. Dr. Mahathir furthermore "underlined that the Islamic countries should adopt the most advanced economic system through which they would be able to play an active role in the modern world," according to a Dec. 10 IRNA release. The Malaysian prime minister recommended, to this end, that the OIC members "should endeavor to form elite, scientific, and expert groups which would then help the countries improve their academic and economic system."

In his endorsement, the secretary general of the OIC, Dr. Azeddine Laraki, pointed to the different technological levels of the Muslim economies, whereby some are forced to import from industrialized countries to satisfy internal demand, at disadvantageous terms of trade. He proposed that the OIC members adjust their trade tariffs, to transform their activities into a concerted economic unity, i.e., the Islamic common market, which was in fact included in the final declaration of the summit. Also contained in the final document was support for fair trade relations, in the form of a "call to regard the D'Amato bill [which imposes sanctions on nations investing in Iran] as null and void, as if it never existed."

The two most sensitive issues

The two most sensitive political issues concerned the Middle East peace process, and Afghanistan. Although press accounts tended to play up the remarks made at the beginning of the conference, by Iran's supreme religious leader, Ayatollah Ali Khamenei, who denounced the Middle East peace process, President Khatami had a differentiated approach, and the final resolution in fact upheld the peace process. Ayatollah Khamenei had said, "Our opposition to the so-called Middle East peace process is because it is unjust, arrogant, contemptuous, and finally illogical." He said, the "imposed principle of 'peace for land' means that the Zionists would return the lands of all neighboring countries, provided that we accept that Palestine belongs to them." In contrast, Khatami argued, "It is obvious that for peace to be lasting it should be just and honorable. As the crisis in the Middle East has made it fully clear, genuine peace can be established only through the realization of all the legitimate rights of the Palestinian people, including the inalienable rights of self-determination, return of refugees, liberation of all the occupied territories, in particular Al-Quds al-Sharif [Jerusalem]."

In its concluding document, the summit endorsed a resolution which called for the implementation of the peace accords reached between Israel and the Palestinians according to the "land for peace" principle. In addition, it called for the guarantee of the rights of the Palestinian people to self-determination, establishing a state with Jerusalem as its capital, and the right of the Palestinian refugees to return to their homes in Palestine. The document denounced the "Israeli occupation of the Palestinian and Arab territories including Jerusalem, the Golan Heights, and southern Lebanon, while hailing the steadfastness of the Palestinian and Lebanese people in resisting the Israeli occupation."

Khatami qualified his government's position, by questioning the credibility of making peace with the Israel. "It is a fact, though, that the hegemonic, racist, aggressive and violent nature of the Zionist regime, amply manifested in the systemic and gross violation of international law, pursuit of state terrorism, and development of nuclear weapons, seriously threatens peace and security in the region," he said.

As for Afghanistan, the final document called for Islamic countries to act in the spirit of solidarity, to find a solution to the war which is bleeding the country and destabilizing the entire region. Although not spelled out in black and white, it was apparent that some progress was made at the summit, in discussions among the Iranians and Pakistani Prime Minister Nawaz Sharif and Foreign Minister Gohar Ayub, to map out a joint strategy to stop the war. This would mean tempering support from some sectors in Pakistan for the Taliban, and agreeing on an all-party political solution. According to press reports after the OIC summit had concluded, contact meetings took place at the United Nations, with the ambassadors from Afghanistan, Iran, China, Pakistan, Turkmenistan, Uzbekistan, Tajikistan, and Russia, as well as U.S. Assistant Secre-

tary of State Karl Inderfurth.

On terrorism, the "Teheran Declaration" contained a resolution which included "denouncing all terrorist acts and considering any armed attack against civilians as a crime according to Islamic law." It asserted "the determination by the member-states to hold an international conference aiming at reaching an agreement on terrorism." Most important, it made a "call to the international community to stop providing safe havens for terrorists, help in bringing them in front of justice, and to take all the possible measures to dismantle the networks that support and provide help to terrorist." This clause dovetails with actions taken by the Egyptian government against Britain for harboring terrorists.

A dialogue among thinkers

Thus, when President Khatami issued his invitation for rapprochement with America, he was doing so from a position of new strength, embodied in Iran's successful organization of the OIC summit, representing 1 billion people. His opening speech focussed on the challenges posed to the entire Islamic world, in the 21st century. Here, Khatami identified the kind of "dialogue among thinkers" which he later proposed be opened with America.

In his address, "Islamic Civil Society as a Means of Attaining Unity Justice and Equity," Khatami posed the question, how could the Islamic world solve the outstanding issues facing it, and find a "status and position befitting Muslim states?" He addressed the problem from an historical perspective. "Our predicament," he said, "is that the *ummah* [Islamic nation], once the flag-bearer of knowledge, thought, and civilization, has, in the past few centuries, eclipsed into weakness, regressed into backwardness, and . . . has, with painful passivity, failed to fully harvest the fruits of this civilization . . . which used to illuminate the destiny of human races and whose radiance of achievements and influences are yet praiseworthy and to which the modern civilization is truly indebted." It is possible to re-create a "civilization of preeminence," he said, if people uphold the cultural identity and achievements of the past, yet "acquire a precise perception of the era they are in." This means, recognizing the advances made by Western civilization. Islam should derive the "constructive benefits from the achievements of Western civilization in the area of science, technology, and social norms, . . . an inevitable means to a successful entry into the future."

He concluded, "In parallel with joint efforts toward fulfilling this historic mission of the Islamic world in contributing to the shaping of a new human order in the world, the full-fledged cooperation of Muslim countries toward the provision and preservation of world peace is an undeniable necessity."

When such a dialogue may begin, we can truly say, that there is indeed hope for mankind to create a 21st century worthy of the best of our predecessors, whether in Islam, Judaism, or Christianity.

London's 'Rice war' against Sudan—again

by Linda de Hoyos

With John Prendergast of the U.S. National Security Council and Assistant Secretary of State for African Affairs Susan Rice apparently running the show, the visit of U.S. Secretary of State Madeleine Albright to Uganda was a major disappointment to those in the region seeking to end London's bloody wars there. In statements to the press in Kampala and in the northern Ugandan city of Gulu, Albright gave backing to continued Ugandan support for Sudanese secessionist John Garang, head of the British-sponsored Sudanese Peoples Liberation Army (SPLA).

During her visit, Albright again appeared to signal U.S. support for Garang, meeting with him in Kampala.

In September, Prendergast was on the podium of a conference of the U.S. Institute for Peace, along with Ted Dagne of the Congressional Research Service and Roger Winters of the U.S. Committee on Refugees; he called for a U.S. policy of direct and total confrontation with Sudan. He cited Susan Rice as one of the "team" that could be counted on to ram this policy through the Clinton administration. The total war to "bring down the Khartoum regime" was demanded by Dagne and Winter, even though, as Winter himself said, "it will cause a humanitarian catastrophe in the region."

Soon thereafter, Britain's Caroline Cox, deputy speaker of the House of Lords and head of Christian Solidarity International, which is leading the crusade against Sudan, arrived in Washington, to prime the pumps for London's war against Sudan. If the U.S. accedes to a full-scale war against Sudan, Lyndon LaRouche has said, that will lead to a firestorm of violence throughout the Horn of Africa region, for which the United States—not London—will be blamed (see "Sudan, Target of Rice War," *EIR*, Sept. 26, 1997).

Peace talks held in Nairobi between Sudan and Garang's SPLA, under the auspices of the Inter-Governmental Authority on Development, a consortium of East African countries including Uganda and Sudan, collapsed under the pressure of Garang's escalated demand for a "confederation" to be formed, dividing Sudan in two, and the Clinton administration's imposition of economic sanctions on Sudan. A confederation, Sudan said, would mean the creation of two separate states, which is unacceptable to the Khartoum government and also to Egypt. Garang is the only southern factional leader to refuse to sign the April 21, 1997 peace accords that were negotiated between the Sudan government and southern leaders.

Preparations are in place for an offensive against Sudan to be launched from Uganda and Eritrea, with the threat of an Israeli provision of a concentration of 750 troops, including Rwandan, Eritrean, Ugandan, and Congolese forces and white advisers, as seen in the region of Soroti, Uganda, at the beginning of December, according to Ugandan sources. It is now believed that this force has moved northward into Kidepo National Wildlife Park, on the border with Sudan, as two-thirds of the park has now been designated by Yoweri Museveni's government as "off limits." In addition, there are 1,000 Congolese forces in the Karuma Falls area, and Congolese forces are fighting with Ugandan troops against the Allied Democratic Front in western Uganda.

Not all in agreement

Uganda's press registered nearly unanimous disappointment in the signals coming from the U.S. team in Kampala. "Many war-weary Ugandans had hoped for a softer approach [to Sudan] that would, hopefully, encourage a peaceful and quick resolution of the conflict," said the *Monitor*, in its editorial on Dec. 12.

Paul Ssemogerere, president of the opposition Democratic Party, told a conference of the Schiller Institute in Germany on Dec. 13 that it was imperative to bring peace to Uganda and Sudan, to halt the "tragedy of Africa." Ssemogerere challenged Museveni in Presidential elections in 1996. Countering claims in the Western press that Uganda is a model of economic development, Ssemogerere noted that in the villages, where 90% of Ugandans live, conditions are worse than they were 20 years ago; life expectancy is plummeting. "We are a poor nation," he said. "We do not have the resources to wage war against Sudan."

Even aside from Khartoum and Kampala, there is also widespread dissension in Washington over the war-tack taken by the Anglophiles like Rice and Prendergast. At a seminar of the Georgetown Center for Strategic and International Studies on Dec. 11, two former U.S. ambassadors to Sudan, William Kontos and Don Peterson, noted that current U.S. policy toward Sudan appears to be "all stick and no carrot." After returning from a recent fact-finding mission in the region, they called for a different policy approach: The U.S. ambassador should return to Khartoum; the U.S. government should help negotiate a peace settlement of the civil war, within the framework of the regional Inter-Government Authority on Development; and the United States should send a highly respected international figure, such as Jimmy Carter, Walter Mondale, or James Baker, to help mediate the talks.

Sudan wants American help to end the war, Ambassador Kontos affirmed. The alternative to negotiations—military action—Kontos said, does not function, as it appears "that neither side has the power or the ability to force its will upon the other. Therefore, both sides must get down to serious talks."

Efforts to end probe of Diana crash fail

by Jeffrey Steinberg

Mohamed Al Fayed, the father of the late Dodi Fayed and the owner of the Ritz Hotel in Paris, has hired a retired French police chief, Pierre Ottavioli, to assist attorneys who are working with French investigative magistrate Hervé Stephan, on the ongoing probe of the Aug. 31, 1997 car crash that claimed the life of Princess Diana, Dodi Fayed, and driver Henri Paul, and seriously injured bodyguard Trevor Rees-Jones. Contrary to an Associated Press wire story, the Al Fayed family has not launched its own independent investigation of the crash. Under French law, civil parties to an investigation, including relatives of the deceased, have full access to the magistrate's file, and can recommend areas of investigation. Ottavioli, 75, is the former chief of the French National Police's Criminal Brigade.

The hiring of Ottavioli came as efforts were under way to force investigating magistrates Hervé Stephan and Marie-Christine Devidal to prematurely shut down their investigation into the crash—perhaps as early as January-February 1998. On Dec. 15, the French magazine *Voici* published a story, based on an Agence France Presse wire, claiming that the magistrates had run out of leads, and had concluded that they would never be able to locate the missing Fiat Uno that collided with the Mercedes carrying Princess Diana and Dodi Fayed. Since Nov. 4, French magistrates have been searching for a Fiat Uno turbo, manufactured sometime during 1984-89. After a month of cover-up, French police admitted that the fatal crash in the Place de l'Alma tunnel was caused by a collision between the Mercedes and the missing Fiat. They subsequently admitted, based on the scratch marks on the side of the Mercedes, that the Fiat was weighted down, suggesting that the car had been modified to function as a ram-vehicle.

The *Voici* story, claiming the "imminent" shutdown of the probe, was immediately picked up by two of the House of Windsor's most loyal press organs, the *Daily Telegraph* and the London *Times*.

In a particularly vicious article, the *Times's* Susannah Herbert quoted an unnamed French Justice Ministry official saying, "The feeling is that everything that can be done has been done. France has never known such a thorough investigation into a traffic accident. The police have interviewed hundreds of people, examined every scrap of evidence. It's now time to draw a line underneath the inquiry because it is going nowhere."

Herbert then returned to the now thoroughly discredited French government cover-story, explaining the crash as a case of reckless drunk driving: "The impending closure of the criminal investigation," she wrote, "reported in this week's *Voici* magazine, leaves the field to the various insurers involved, who are now likely to focus on the civil responsibility of Henri Paul, the driver of the Mercedes, who also died in the crash. Blood tests have *proved that M. Paul was over the alcohol limit when driving* and the car tracks show that he was speeding at the time of the crash" (emphasis in original).

As *EIR* first reported on Nov. 21, forensic experts who have reviewed the autopsy report on Paul have concluded that the blood samples tested were so badly contaminated that the results are utterly unreliable. Furthermore, a half-dozen witnesses have told French police that the Mercedes carrying Diana and Dodi was attacked by other vehicles, including the Fiat Uno. A sketch drawn by French police on the day of the crash, and first reported on by the Associated Press on Dec. 3, 1997, clearly showed that the Mercedes collided with a second vehicle.

New witnesses

Within hours of the publication of the *Times* and *Daily Telegraph* stories, French officials came out with official denials that the investigation was about to be shut down. The entire story was disinformation!

Further, according to several of the paparazzi who remain possible targets of French prosecutors, new witnesses have come forward in the past several weeks to provide crucial new evidence to the investigating magistrates. According to these sources, at least two witnesses who arrived at the tunnel immediately after the crash, told French authorities that they saw two men running from the Mercedes to a car that was parked at the exit of the Place de l'Alma underpass. They fled the tunnel before the first emergency rescue crews arrived.

These new accounts conform to reports from another witness, Gary Hunter, a British attorney who was staying at a nearby hotel. Hunter told *EIR* that he had seen two cars—a small dark-colored car and a white sedan—speeding past his hotel approximately two minutes after he heard the tunnel crash. Hunter believed that the two cars were fleeing a crime scene. Hunter tried, unsuccessfully, to tell his story to French police; eventually, he filed a report with Scotland Yard.

The Hunter account may also shed further light on statements recently made by Rees-Jones. On Dec. 19, Rees-Jones was in Paris, providing information to French magistrates. He has told the Swiss daily *Blick* that he recalls that the Mercedes carrying Diana and Dodi was being followed by a white Mercedes. Hunter told *EIR* that he believes that one of the two cars that sped past his hotel right after the crash was a white Mercedes.

These new leads suggest that the official probe has not reached a dead end—despite the anxious wishes of the British royals and their favorite media barons.

Brazil's 'special relationship' with Great Britain is restored

by Lorenzo Carrasco

During the first week of December, Brazil's President Fernando Henrique Cardoso paid a high-profile state visit to Britain. Although the majority of the Brazilian press dismissed the visit as nigh onto useless (*Gazeta Mercantil* correspondent Maria Clara Prado wrote on Dec. 5 that it "will enter into history as one of the most unproductive visits of the Brazilian President abroad"), reality is otherwise: Behind all the absurd ceremonial pomp, the trip was of great strategic importance.

Cardoso's immediate purpose was to make concession after concession to London's financial mega-speculators, so that they would not attack the Brazilian economy as they have the Asian "Tigers." His success on this score remains to be seen. But his most important objective, of long-term significance, was to reestablish the "special relationship" with Britain which was *the* dominant factor of Brazilian history until 1930, when a nationalist military movement formally ended British colonial dominance.

The process of reviving the old relationship with Britain began in 1990, when President Fernando Collor de Mello took office, and Itamaraty (Brazil's Foreign Ministry) presumed a "world restored" (à la former U.S. Secretary of State Henry Kissinger) after the 1989 collapse of the Berlin Wall, premised on a balance of power between the United States and a European Union dominated by Britain. Itamaraty's idea, since then, has been to insert Brazil, and the Mercosur bloc which Brazil heads (a customs union including Argentina, Paraguay, and Uruguay), into that balance, always from the perspective of British geopolitics and free trade.

Following the impeachment of Collor in 1993, Cardoso took charge of this restoration project, as foreign minister in Itamar Franco's government. That year, Cardoso addressed the Royal Institute for International Affairs, with the explicit purpose of reestablishing the old "special relationship." Once in the Presidency in 1995, Cardoso made this project his government's priority, tied to Brazil's insistence that it attain a permanent, if merely symbolic, seat on the United Nation's Security Council.

The British Empire, for its part, welcomes this Brazilian policy, which advances its own goal of regaining dominance over the Southern Cone of the South American continent, as a knife in the back of the United States, London's former and

never-forgiven colony. The British assault is multi-faceted.

First, there is George Soros, agent of Queen Elizabeth II and Rothschild and other banking houses, who has become one of the largest landholders of Argentina. Soros has never hidden that his intention is to control the Mercosur region, which is why he is said to be especially interested in financing the Paraná-Paraguay waterway which crosses the region. It was Soros who financed part of the privatization of the third-largest mining company in the world, Brazil's Companhia Vale do Rio Doce (CVRD).

In April 1997, Hongkong and Shanghai Banking Corp. (HSBC), the fourth-largest bank in the world, with headquarters in London and of key importance in the British Empire and the global drug trade, grabbed full control of Bamerindus Bank (of which it was already a partner), through the aid of a Presidential decree by Cardoso. As HSBC officials said at the time, their intention is to become "the Mercosur Bank."

A British subject in the Presidency

With such a history, the warm reception which Cardoso received upon beginning his state visit on Dec. 2 is not surprising. Queen Elizabeth II herself greeted Cardoso at Buckingham Palace (where he stayed during his visit) as her "old friend," not only because of his former days as a visiting professor at Cambridge University, but because of services more recently rendered to the Empire. "I hope," said Her Majesty, "that you will see this visit and the interest it awakens, as a tribute to the noteworthy economic and political transformation your country has achieved, and to your contribution to this process."

The Queen knighted Cardoso with the Great Cross of the Order of Bath, one of the oldest orders of the United Kingdom, and of greater importance than the orders of Saint Michael and Saint George, normally granted to foreign heads of state. Sir Cardoso's words of gratitude to the Queen of England were duly obsequious: "The presence of Brazil's President in the Court of Saint James is also an opportunity to bring to the United Kingdom the voice of a new Brazil, which has been transformed and strengthened in *our best values, the same values which contributed to making the United Kingdom a relevant force in Universal History*" (emphasis added).

Cardoso was awarded an honorary doctorate of law by

Cambridge University, whose orator Anthony Bowen, surely familiar with the unchecked vanity of their guest, read a text in Latin which compared Cardoso to Emperor Julius Caesar, and fawned, "We could see in him that ideal ruler which Plato imagined." Declared Bowen: "Citizens should consider themselves happy when, in their service, influence, eloquence, and authority are all combined with the highest intelligence." Bowen reminded his audience that, before returning to Brazil to enter into politics, Cardoso held the Simón Bolívar chair at Cambridge University, during 1976-77.

Cardoso received his diploma from royal consort Prince Philip, the university's patron. Cardoso thanked him, saying: "Cambridge epitomizes what Brazil stands to gain through a partnership with Great Britain. It is a symbol of human effort, a great conquest of civilization." After the speeches, an enthusiastic Cardoso told reporters that "there is an important sentimental significance of this recognition for Brazil. Prince Philip personally came to award the doctoral degree." Prince Philip had reason to celebrate, because days earlier, Cardoso had committed Brazil to preserving 50 million hectares of the Amazon in pristine state, joining a campaign of Prince Philip's World Wide Fund for Nature.

'Good vibes' with British bankers

Apart from his historic and cultural servility, Cardoso announced several state commitments during his visit. On day one, his first act was to inaugurate a seminar on Brazil by the Confederation of British Industries in London, where he pledged to continue the ongoing destruction of the Brazilian state. "Brazil is a strategic partner of Great Britain," said Cardoso, offering British groups greater participation in the privatization process, especially in telecommunications, oil, gas, and electric energy. Privatizations planned for the next three years add up to some \$65 billion. In the words of Brazil's Ambassador to London Rubens Barbosa, "The prolonged applause which greeted the end of the President's speech was a clear demonstration (and a rare one, for an audience of the 'City' of London) that the business and financial world continue to have confidence in the Brazilian economy."

"On the following day," Barbosa continued, "the President received 22 high-level directors of banks and financial institutions at Buckingham Palace, where he was lodged," to whom he promised with "frankness and transparency," that Constitutional reforms would be accelerated to permit more budget cuts, as would the opening of the country's banks to foreigners. According to *Folha de São Paulo* of Dec. 4, "The President took advantage of the Asian crisis to make a request which could be translated freely as: 'Gentlemen, bring your money from Asia, to Brazil and Mercosur, which offer more reliable conditions.'"

Among the star-studded company were: Sir William Purves, Sir Peter Heap, and Bernard Asher of HSBC; Sir Sidney Lipworth of National Westminster Bank; Lord Peter Walker of Dresdner Kleinwort Benson; William Garret and

John Manser of Robert Fleming and Co. (which has just entered Brazilian banking); Simon Robertson and Peter Sutherland of Goldman Sachs; Win Bischoff of Schroder Wragg and Co.; Paul Myners of Garmore Investment; Alan Moore of Lloyds TSB Group; Richard Briance, West Merchant Bank Ltd.; Andrew Buxton, of Barclays Bank (and member of the family which backs the terrorist Landless Movement, through its non-governmental organization, Anti-Slavery International); The Rt. Hon. Kenneth Clark, of Foreign and Colonial Emerging Markets; Paul Zuckerman, of Caspian Securities; Eddie George of the Bank of Britain; Paul Loach of LGT Asset Management; Michael Dobson of Deutsche Morgan Grenfell; Sir Evelyn de Rothschild of N.M. Rothschild and Son; David Mulford of Crédit Suisse; and Ybarra y Churrua of BBV Latinvest.

According to the government's description, there were "good vibes" between President Cardoso and London's financial elites. For example, the President was given a banquet in the medieval Guildhall, by the "Lord Mayor" and by the Corporation of the "City of London," attended by 700 invited guests, the majority of them banking and top corporate executives.

In concluding his review of the Presidential trip, Ambassador Barbosa said: "Most important was the explicit recognition given by Queen Elizabeth II in her Buckingham speech, of how Brazil is today one of the most dynamic and interesting economies in the entire world. Reflecting this view, British businessmen and the government included Brazil on a short list of their ten preferred and strategic partners."

The reason for this preference was evident. In the press conference given upon his return from London, Cardoso promised to hand over the country's oil and gas to those oligarchic interests: "We are scarcely beginning the question of the privatization of oil and gas. . . . If we did not live in a democracy and my will could prevail, they would perhaps already be privatized. . . . I believe that from here onward, there will be greater speed."

Honors to the mercenary

Finally, one of the most symbolic acts of the Brazilian President came during his first day in London, when he paid homage at the tomb of British Adm. Thomas Cochrane, in Westminster Abbey. Cochrane was hired in 1823 by Brazilian Emperor Pedro I, to consolidate independence from the Portuguese, who still remained in some Brazilian provinces. Cochrane was also one of the organizers of the Brazilian Navy, and received from Pedro I, for his well-paid services, the title of Marquis of Maranhão.

Upon leaving the Abbey, Cardoso, with an arrogance inspired by his reception from the British oligarchy, admitted with joking tone: "I like this place so much that I'm going to ask them to reserve me a tomb." Various British kings—and some of their agents and mercenaries—are buried at Westminster.

'Free Seineldín' movement reflects growing LaRouche influence in Americas

by Cynthia R. Rush

In its Oct. 24 issue, *EIR* reported that military and other nationalists in Ibero-America were involved in a vigorous, if indirect, dialogue with Lyndon H. LaRouche, Jr., on the nature of the current global crisis, and the policies required to reverse it. Two months later, that dialogue has intensified, as the inevitability of the world financial crash makes the adoption of nation-building policies, of the type outlined by LaRouche, an urgent necessity.

Reflecting this process, the former President of Brazil, Gen. João Baptista de Oliveira Figueiredo (ret.), has signed an open letter to U.S. President Bill Clinton, urging him to exonerate LaRouche, so that the American economist can be free to advise the President on steps which must be taken to confront the systemic financial crisis.

General Figueiredo also signed an open letter to Argentine President Carlos Menem, requesting that he grant a pardon to former Army Col. Mohamed Alí Seineldín. Seineldín, a hero of the Malvinas War, is, literally, a hostage of the British Crown. His sentence of life imprisonment — the British failed to have him executed — for leading the Dec. 3, 1990 nationalist uprising against the Army high command, was a condition demanded by the British for normalizing relations with Argentina, broken off in 1982. The open letter to Menem, circulated by the Ibero-American Solidarity Movement (MSIA), a LaRouche co-thinker organization, explains that the signators are acting in the spirit of the October 1994 letter to Menem by the late President Dr. Arturo Frondizi, requesting that the Argentine President pardon Seineldín.

As Seineldín explained in an interview with the Argentine daily *La Nación* on Dec. 10 (see excerpts below), he remains "the head, defeated or not," of the country's patriotic resistance. He symbolizes an unflinching defense of national sovereignty and the institution of the Armed Forces, and is deeply respected by nationalists around the continent for that. It is lawful that, as Ibero-American nations reel from the effects of the global financial crash, calls for LaRouche's exoneration and for Seineldín's freedom have escalated. This is particularly true in Argentina and Brazil, two of Ibero-America's biggest economies, whose close financial and trade relationships make them targets for simultaneous economic disintegration.

The movement grows

By mid-November, at least three Brazilian newspapers, including *Ombro a Ombro*, the publication of the retired military, had published an article entitled "Mohamed Alí Seineldín," written by Brazil's Gen. Tasso Villar de Aquino (ret.), in which he calls for Seineldín's release. He references the mid-September trip to Argentina by his son, Adm. Sérgio Tasso Vasquez de Aquino (ret.), during which he met with Seineldín for six hours, and also addressed audiences on the "growing need for understanding, for joint action between the two great sister nations, Brazil and Argentina," to confront the one-worldist plot to destroy Ibero-America's nation-states and their institutions.

Admiral Tasso has also authored an open letter to active-duty Brazilian officers, calling on them to take action against the policies of globalization and the "new world order," which are destroying Brazil. On Nov. 26, under the headline "Criticism from Brazil," *La Nación* published excerpts of Admiral Tasso's letter, and reported that copies of it had reached the headquarters of Argentina's Joint Chiefs of Staff. On Dec. 2, *La Nación* quoted Seineldín's political secretary, Carlos González Cabral, reporting that Brazilian and Mexican military officers "are demanding Colonel Seineldín's freedom." Then, on Dec. 10, came *La Nación*'s interview with Seineldín, in which he repeatedly attacked those "globalization governments," whose leaders have dragged their countries into the new world order, by sacrificing national sovereignty and economic development.

President Menem is reportedly contemplating a pardon for the imprisoned patriot, possibly by the end of 1997. In an interview with the daily *Clarín* on Nov. 23, Interior Minister Carlos Corach recalled that Menem "has indicated many times his desire to complete [Argentina's] pacification. I don't know whether or not there will be a pardon, but the President's policy would not be alien to the possibility of pardoning several existing cases." The national DyN news agency quoted its high-level, but anonymous cabinet sources, who said that, while the government has repeatedly denied the possibility of a pardon, "one never knows what this President might do."

Predictably, national political figures most closely associated with British policy for the region, are loudly protesting.

Graciela Fernández de Mejjide, of the São Paulo Forum-affiliated Alliance for Justice, Work, and Education, declared that reports of a pardon were “worrisome.” Former prosecutor Luis Moreno Ocampo, president for Ibero-America of Prince Philip’s Transparency International, penned a letter to *La Nación* lying outrageously that releasing Seineldín would constitute a threat to “democracy” (see article in this section).

Colonel Seineldín: ‘I am the head’ of national resistance

Here are excerpts of the interview with former Col. Mohamed Alí Seineldín, published in the Buenos Aires daily La Nación on Dec. 10. The interview was headlined, “I Know I’m Targetted for Death.” Reporter Graciela Guadalupe prefaces the interview, noting that Seineldín “is convinced that, in the name of what he calls the New World Order, countries ‘give up their sovereignty, destroy jobs, deny God in order to justify the existence of sects, and prey on the Armed Forces, to force them to depend on the circumstantial support of an international command center. . . .’ In this context, he believes that the globalization governments consist of men who are ‘easily corruptible and subordinate to international consortia’; for all these reasons, any pardon would have to be ‘authorized from abroad.’ ”

Seineldín: If you ask me whether I want [a pardon], personally, I’ll say no, but I will request it again for the other [Army prisoners].

Q: And if they don’t ask?

Seineldín: If it comes suddenly . . . my life is already set; my wife, and especially my son, need me. . . . I’d have to get a job [he smiles], but the real problem would be my safety. I know that I’m targetted for death. Those who couldn’t coopt me, discredited me, and would kill me. I’m inconvenient for them. I’m a tough Turk, who doesn’t keep quiet. [Seineldín’s nickname is “the Turk.”]

Q: Are you concerned about human rights?

Seineldín: How could I not be concerned? I am a Christian. I work with the Vatican’s globalization. . . .

Q: The Constitution is made by men. Do you respect it?

Seineldín: I am a constitutionalist—have no doubt. . . . I opposed the 1976 coup, and that’s why I was jailed. I prefer a bad civilian government to a good military one. In 1976, there was an international maneuver to divide the Armed



“I know I’m targetted for death,” says Col. Mohamed Alí Seineldín. “Those who couldn’t coopt me, discredited me, and would kill me. I’m inconvenient for them.”

Forces, forcing them into the war against terrorism. The Army advised [President] Perón that this was a problem better handled by security forces, but the subversives had received a lot of money to discredit us, and the Army’s ambitious leaders were used—they fell into the trap.

Q: You talk about the high command. Does this justify [action] by subordinates?

Seineldín: When [former President Raúl] Alfonsín took office, he didn’t try the Armed Forces for having broken the constitutional order [in 1976], but rather for human rights [violations]. . . . Beginning in 1983, a nationalist current began to take shape inside the Army, opposed to [Alfonsín’s] policies. [Col. Aldo] Rico saw the agitation, the crisis. Immediate solutions were required, and he obtained them. . . .

Q: Rico today is calling for you to be pardoned. Are you friends now?

Documentation

Seineldín: Neither he, nor anyone else, is authorized to request [a pardon] in my name. I don't want any favors. I was taught to serve as a model of sacrifice. . . . I've acted to revive the Armed Forces. To rebel, I had to break discipline, and this cost me a great deal. But had I not done so, I would have been a coward.

Q: Did you feel remorse for the Dec. 3, [1990] rebellion, for the deaths which occurred?

Seineldín: I was forced into it. . . . [President Carlos] Menem even came to Panama to meet with me, to solve the problem of the Armed Forces. I told him what my comrades were demanding: strengthening of the institution, [making it] fully national, and respected. He agreed . . . but later I was left alone. Menem offered me several positions, which I turned down. . . . I offered to create a constitutional defense force. . . . He offered to make me a general, to run the General Police Directorate. I finally ended up there, but as a prisoner. After that, they "hung" all the accusations on me. . . .

Q: You're responsible for the rebellion. . . .

Seineldín: Yes, and I knew I was going to lose, but I couldn't remain silent in the face of the anarchy in the Army. I am an anti-anarchist. To date, there is only one head. Defeated or not, I am that head.

Q: And the deaths?

Seineldín: In Palermo, they sent in the two officers, Pita and Pedernera, to attack their own regiment, at night, dressed as civilians. Those who called themselves loyalists, decided that to abort the rebellion, they needed a bloody event. We didn't kill them.

Q: You know that in all rebellions, people can be killed.

Seineldín: Yes, and I take responsibility for those deaths, but we didn't shoot them.

Q: Did your project fail?

Seineldín: Yes, it failed.

Q: Would you try it again?

Seineldín: I couldn't prevent the dismantling of the Army. Now, there's nothing more to do. I never wanted to stage a coup, as has been charged. Even the Federal Court [which tried me] understood that.

Q: Are you no longer a *carapintada* [painted face]?

Seineldín: The media created that [image]. I am a patriotic and constitutionalist former officer, who detests seeing the military involved in political activity.

Q: Are you a fundamentalist?

Seineldín: I am a Catholic nationalist and, if you will, an idealist.

The following are excerpts from an article, titled "Mohamed Alí Seineldín," by Brazilian division Gen. Tasso Villar de Aquino (ret.), a former president of Brazil's Military Club. It was published in the Brazilian military newspaper Ombro a Ombro in its November 1997 edition, in Tribuna da Imprensa, and in Jornal do Commercio of Pôrto Alegre, the capital of the state of Rio Grande do Sol.

It is certainly the case that many of those who read my article have never seen or heard the name in this article's headline. They will most certainly be surprised to learn that the unusual name belongs to a colonel of the Argentine Army noted for his bravery; a hero of the Malvinas War, but a *de facto* Hero, with a capital H. It is the name of a top military leader, of a man devoted to the service of his country, the noble Argentine nation. . . .

. . . People will be stunned, will not believe that this military leader, an exemplary citizen and Catholic, has been serving a life sentence for the past seven years in the Campo de Mayo military prison in Argentina, less than 30 kilometers from Buenos Aires.

And why? For the "monstrous crime" of possessing the rare virtues cited here, of loving his God and his country above all else. . . .

Colonel Seineldín was convicted because he would not accept, he would not agree to the affront, the exploitation, the humiliation, the lack of respect with which the great Argentine nation and its Armed Forces were being treated, to the meanness and connivance of governments out to destroy the nation in the service and in the pay of powerful foreign forces. . . . Although imprisoned, he continues to fight for his ideas. Ideas cannot be imprisoned. . . .

I have not had the pleasure of knowing him personally. My son, Vice Admiral Tasso Vasquez de Aquino (ret.), has had that privilege. He spent six hours with him, on the occasion of his recent four-day stay in Buenos Aires. He gave there a presentation for his comrades of the Argentine Armed Forces, on the growing need for understanding, for joint action between the two great sister nations, Brazil and Argentina, for the support of all the peoples of Latin America in successfully confronting the sinister actions of satanic entities such as the Inter-American Dialogue, the São Paulo Forum, the New World Order, one-worldist savage capitalism. . . .

The following are excerpts from an open letter, "To Active-Duty Officers," by Vice Adm. Sérgio Tasso Vasquez de Aquino (ret.), dated Nov. 13, 1997. A subhead has been added.

The system of power mounted in our country as of 1990, following foreign dictates of so-called “neo-liberalism” and “globalization,” have weakened national sovereignty repeatedly and deliberately, restricting the expression of the Armed Forces in Brazilian life, and diminishing the sovereign right of our people to the legitimate search for happiness. This system hooked into the ruling currents of world politics and of the world economy, internationalists and servants of hegemonic groups and nations which wish to see the “status quo” perpetuated, and the power of decision, of rule, and of enjoyment of wealth on a planetary scale kept in the hands of today’s powerful, without any opportunity for developing peoples who are fighting for more dignified living conditions and for more just participation in the fruits of the earth, in accordance with the intent of All Powerful God, who made each man in his likeness and image. . . .

Suddenly we were awakened from the illusion in which we were steeped. The opening up of the country to international financial speculation enabled us to experience first hand, sometimes in a magnified way, the effects of the collapse of the monetary house of cards. The so-called “stock market crisis” hit us hard, already vulnerable and weakened by administrative measures which made us hostages of the world, opening up our economy without controls to the unequal competition of products imported from stronger, more technified and developed economies, endowed with greater productivity and lower costs.

The defense program announced for confronting the hurricane created and encouraged by the very followers and executors of the “neo-liberal” card, is hard, but the worst punishment, at least seen thus far, will once again fall on the weakest segments of society, the middle class and the poor. And unemployment, already intolerable, will increase, becoming Brazil’s worst nightmare. . . .

We must develop a ‘National Project’

We must return to the path of our destiny, to develop a National Project like that advocated by the Superior War College, with an integrated, effective, and efficient plan that can guarantee development with security, with the conscious and sovereign participation of the nation. . . .

We need good men, committed to God and to those created in his image, to take charge of Brazil’s destiny! The urgent and enormous task of winning back the nation belongs to genuine Christians, and to all other persons of good will and altruism, who are willing to serve without demanding anything in return, a profound dedication to the common good! . . .

Despite its apparent passivity of the past eight years, I refuse to believe that the glorious Armed Forces will tolerate the sly attempts to destroy them and to destroy our beloved country. Everywhere, a nationwide clamor is heard: I therefore emotionally and fraternally call upon you not to fail Brazil.

TI weighs in against Seineldín pardon

by Gonzalo Huertas and Cynthia Rush

During the third week of November, rumors and press reports began to proliferate in Buenos Aires that President Carlos Menem might grant a pardon to jailed military nationalists, led by Malvinas War hero, former Colonel Mohamed Alí Seineldín. Immediately, local figures controlled by British oligarchical interests, including the British Crown, went into action. The violently anti-military former federal prosecutor, Luis Moreno Ocampo, president of Transparency International for Ibero-America and the Caribbean, and founder of the local Citizen Power, a non-governmental organization (NGO), objected to any possible granting of a pardon.

In a letter to the editor in the daily *La Nación* on Dec. 3, Moreno Ocampo insisted that the nationalist military officers shouldn’t be pardoned; he apparently wasn’t concerned that members of the narco-terrorist All for the Fatherland Movement (MTP) might also be included in the pardon. He implied that Seineldín was linked to a series of terrorist acts in the country, including the 1992 bombing of the Israeli Embassy, and the 1994 bombing of the AMIA Jewish community center. Releasing Seineldín would constitute a threat to Argentine “democracy,” he lied. “Is it wise to pardon Seineldín, primarily responsible for the deaths of Pita and Pedernera?” referring to two officers who were killed in the Dec. 3, 1990 nationalist uprising against the Army high command. Colonel Seineldín was sentenced to life in prison for his involvement in that uprising.

As *EIR* has documented, Transparency International, or TI, was founded at the Villa Borsig in Berlin, Germany, in May 1993, and is presided over today by former World Bank official Peter Eigen. Described as an NGO committed to “combatting corruption” worldwide, it is in fact a tool of the British Crown, deployed to attack the institutions of the sovereign nation-state, whether they be the armed forces or traditional political machines which are obstacles to the implementation of the international oligarchy’s one-worldist schemes.

Among its sponsors are Prince Philip, the Duke of Edinburgh; the Ford Foundation; the Konrad Adenauer Foundation; the World Bank; Coopers & Lybrand consultants; the Rio Tinto mining conglomerate; and the Inter-American Development Bank—not exactly defenders of national sovereignty. As journalist Gianluigi Nuzzi reported in the Italian daily *Il Giornale* on April 14, 1997, “TI’s moral-theological foundation received precious contributions from a series of

meetings promoted, beginning in 1984, by Prince Philip, Duke of Edinburgh, and husband of Queen Elizabeth of England.”

‘No more charades in Argentina’

In a letter to *La Nación* published on Dec. 9, Seineldín’s political secretary, Carlos González Cabral, took on Moreno Ocampo’s hypocrisy. Describing the British Empire as Argentina’s “secular enemy,” González revealed that on TI’s advisory board sits one Peter Berry, managing director of “Crown Agents, the oldest security organization of the British Empire (1833),” who goes around Ibero-America offering his “professional services to combat corruption.” If Moreno Ocampo is so interested in “transparency,” González said, perhaps he could explain to the country the fact that his Citizen Power group received no less than \$300,000 from the National Endowment for Democracy (NED), “an entity whose mentor is Oliver North, one of George Bush’s loyal agents, and protagonist in the Iran-Contra scandal, which revealed his ties to the drug trade.” It is certainly worrisome, González added sarcastically, “when, in the New World Order, fighting corruption also generates good private business.”

Moreno Ocampo attacks Seineldín, González concludes, because the Army patriot “fought that New World Order, globalization, and the dismantling of the Armed Forces of the continent. . . .”

Moreno Ocampo has focussed his attention on the creation of “grassroots” community organizations, such as Citizen Power, which, under the guise of combatting the corruption of “politicians,” serve as battering rams against established political machines or other structures of the national political system whose existence is unacceptable to the international financial oligarchy.

Manipulating popular resentment against what the International Monetary Fund’s austerity regime has done to the country, Citizen Power brags that six years of hard work have borne fruit, because “today, opinion polls show corruption to be one of the fundamental concerns of Argentine society.” He fails to mention that Citizen Power enjoyed financing from the NED, in the amount of \$285,220 during 1993-95. The NED, of course, generously financed dirty operations of Bush’s Project Democracy apparatus around the world, including in Argentina.

Moreno Ocampo’s most recent target is the police force in the province of Buenos Aires, which is closely tied to the political machinery of the still mass-based Peronist, or Justicialista party, and more specifically to governor and Presidential aspirant Eduardo Duhalde. Moreno has proposed a plan for “reinventing the police” and provincial security apparatus, with the participation of “civil society.” He calls for setting up a “private, autonomous, ad-honorem, and independent” commission, responsible for making proposals to reform the police force. He didn’t specify whether he would replace policemen with members of Crown Agents.

Profile: Yehuda Gil

The Mossad agent who almost started a war

by Dean Andromidas

On Nov. 12, Lyndon LaRouche warned, “Under British direction, the present virtual dictator of Israel, Benjamin Netanyahu, will launch a *nuclear Armageddon scenario* for the Middle East, which will resemble the 1962 Missile Crisis of the Soviet Union and the United States” (see *EIR*, Nov. 21, p. 36). *EIR* warned that the operation, launched under the direction of the British oligarchy, would utilize British assets, currently in place, throughout the Israeli political and security establishment.

It has now been revealed that a Mossad agent, Yehuda Gil, was feeding disinformation to the Israeli Labor government of Shimon Peres that could have led to war between Israel and Syria in 1996. In fact, it was only through the secret diplomatic intervention of the United States and France, that a potentially catastrophic conflict was averted.

Although only revealed in December, Yehuda Gil was arrested on Nov. 3 and formally charged with filing false reports to his superiors in the Mossad for more than two decades. Considered one of the Mossad’s super-agents, his intelligence reports were given the highest consideration.

False reports on Syria

In 1996, at a time when Israel and Syria were involved in peace negotiations mediated by the United States, Gil filed reports claiming that Syria was preparing to launch a surprise attack to seize the Golan Heights, which has been under Israeli occupation since 1967. So seriously was his report considered, that the Labor Party government of Peres requested the governments of the United States and France to diplomatically intervene with the Syrian government, to ascertain whether the reports were true. Although the Syrian government of President Hafez Al-Assad denied the truth of the report, and a conflict was averted, the information no doubt contributed to poisoning the atmosphere between the two former belligerents.

The subsequent failure of the “Syrian track,” was one of the reasons why Peres called early elections, which he lost on May 29, 1996, bringing to power the current Netanyahu government (see *EIR*, June 7, 1996, “London Is the Winner in Israeli Elections”).

Gil's operation was doubly sinister if one considers the fact that Israeli military doctrine has been "preemptive," i.e., is designed to strike first if an Arab attack appears to be imminent. In this context, it is noteworthy that Gil was instrumental in supplying intelligence that led to the decision of the Israeli government to bomb the Iraqi nuclear reactor in 1981.

Gil also faces financial fraud charges. He achieved great fame within the Mossad for being the controller of an alleged high-level Syrian "deep throat," a general high in the regime of President Assad. According to former Mossad agent Victor Ostrovsky's 1990 book on the Mossad, *By Way of Deception*, this Syrian source received \$15,000 a month for his information. It has now come to light, that this general either died several years ago, or perhaps never existed at all. Once an investigation was launched against Gil, he was observed travelling to Europe, with the \$15,000 in hand, on the pretext of meeting his "Syrian general," only to be later seen making purchases at some of the most expensive shops in Europe.

Although the exposure of Gil was the result of an investigation launched several months ago by current Mossad chief Gen. Danny Yatom, senior Israeli intelligence sources report that the probe is part of an ongoing factional struggle throughout the Israeli military and security establishment. On the one side, are the super-hawks who want to destroy any hope for peace and to seek a military solution to Israel's relations with the Arab states. It is a view that would lead to war within the next year. The second faction is more cautious, and sees the need for a political solution to Israel's relations with the Arab world. This factional struggle cuts across party lines. In this context, it is important to note that General Yatom, a career military officer who is not considered a super-hawk, and is considered an outsider by the Mossad, was named Mossad chief under the previous Labor government led by Peres.

Who is Yehuda Gil?

Gil should not be viewed as an Israeli "James Bond" gone bad. Rather, he is part of a broad network of operatives deployed throughout the Israeli political, security, and military establishment. This network is intimately tied to the same British oligarchical networks responsible for the creation of radical organizations such as the Jewish Defense League and Kach, the latter the organization that produced Baruch Goldstein, who massacred over 50 Muslim worshippers in Hebron in 1994. This is the British network which spawned the assassin who killed Israeli Prime Minister Yitzhak Rabin; it is being activated to launch a Cuban Missile-style crisis in Middle East.

Gil was born in Libya prior to World War II, the son of a military officer serving in the Italian Army. After emigrating to Israel, he joined the Mossad. In the 1980s, he was among a group of right-wing nationalist Mossad agents promoted by

Shabtai Shavit, a former Mossad chief. Shabtai is considered so opposed to peace that, in the 1980s, it is claimed that he sabotaged key foreign policy initiatives of the Likud party's Yitzhak Shamir, who was then serving as prime minister in a national unity government with the Labor Party. During his reign as Mossad chief, Shavit put hand-picked loyalists who shared his radical right-wing views, in almost all key positions in the first and second echelons of the Mossad. After retirement, Shavit maintained tremendous influence within the Mossad, through this network.

With this political network in place, General Yatom faced extreme difficulty maintaining "professional" or even competent standards in the Mossad. It is significant that Gil's former superior in the Mossad, Dr. Uzi Arad, was not only a fellow member of Shavit's network, but is currently Prime Minister Netanyahu's adviser on the intelligence services

Gil formally retired from the Mossad in 1989, but was retained as a "private consultant," presumably because of his excellent sources, particularly his "Syrian general." After his retirement, he joined the ultra-right-wing Molodet Party. A closer look at the leadership of this party brings us to the center of the international network now mobilizing for a new Middle East war. Gil served as deputy to the party's leader, Gen. Rehavam Ze'evi (ret.), a.k.a. "Gandhi," who has been exposed in the Israeli press for his strong ties to the Israeli Mafia. Ze'evi is a close associate of Ariel Sharon, Israel's super-hawk and a British agent famous for his "Greater Israel" policy. In the 1970s, Ze'evi created the so-called Office of Counter Terrorism under the prime minister, and played a key role in creating the ultra-right-wing settlers movement.

In 1982, Ze'evi attended a series of secret meetings at Sharon's farm, where various operations were discussed, ranging from the 1982 Israeli invasion of Lebanon, to massive expansion of illegal Israeli settlements throughout the Israeli-occupied West Bank. Among those present were former U.S. Secretary of State Henry Kissinger; the late Maj. Louis Mortimer Bloomfield (ret.), a top British intelligence operative; Rafael "Dirty Rafi" Eytan, the Mossad operative working with Oliver North in the Iran-Contra operations; Lord Harlech, former British ambassador to Washington; Nicholas Elliot, then Middle East station chief for British foreign intelligence service (MI6), and others.

Israel's Chief of General Staff Lt. Gen. Amnon Lipkin Shahak told the press that the Army was not put on alert in 1996 as a result of Gil's Syrian report. Also, it is widely reported that the Aman, Israel's military intelligence organization, considers Mossad intelligence sources on military questions as too alarmist and ideological. Nonetheless, it would be important to consider the impact of 20 years of disinformation on Israel's policies in the Middle East. How many more Yehuda Gils are there in the Mossad and other security agencies in Israel?

'Land rights' ripping up the country

The most virulent proponents of "land rights" are Jabotinskyite Zionists, and Her Majesty's mining concerns.

Aboriginal land rights, or so-called "native title," is tearing Australia apart: More than 50% of Australia's land is now under claim by Aborigines, and up to 79% is open to claim—claims which are intended to form the basis for a separate Aboriginal nation. As well, parliament may soon be facing a rare "double dissolution" over the issue, which would ensure a national election in as early as four months, which would be a bitter contest almost solely over this issue—that is, unless it is superseded by the ongoing global financial collapse.

The issue of land rights was created by the 1992 "Mabo" and 1996 "Wik" decisions of Australia's High Court, an instrument of the British Crown's Privy Council. The tempo of the conflict has increased dramatically since last December's Wik decision, which stated that pastoral leases, a form of title whereby land is owned by the state, or in Australia's case, the "Crown," and leased to farmers for up to 99 years, did not "extinguish" native title, as had been almost universally presumed, even by land-rights supporters. According to the Wik decision, farmers or miners holding a pastoral lease may be forced to negotiate with Aboriginal native title claimants, *even if their claims are unproven*, during which no development could take place on the claimed area.

To deal with the uncertainty created by Wik, Prime Minister John Howard announced his "10-point plan," whereby some pastoral leases could be upgraded to freehold title, and thus could not be claimed. Howard's plan was heavily amended by the federal Senate and sent back to the

House of Representatives on Dec. 5, despite a rare plea by the prime minister to pass it, in a televised address to the nation on Nov. 30. On Dec. 6, the House rejected the Senate's amendments. The House will re-submit the legislation to the Senate in three months; if the Senate again refuses to pass it without amendment, Howard will likely dissolve both houses and go for national elections.

Even with Howard's 10-point plan, as much as 79% of Australia would still be open to native title claim. Notwithstanding, the self-proclaimed leadership of the Aboriginal people is screaming that the 79% limit is "racist," and "genocidal."

The most vocal among this "leadership" is Aboriginal lawyer and land rights activist Noel Pearson, who labelled Howard "racist scum" and a "moral cockroach." In a September speech to Aboriginal groups, Pearson raved that if the 10-point plan were passed, "I tell you there is no other answer than war."

Pearson is being backed 100% by his employer, the Melbourne law firm Arnold Bloch Leibler, tax-evasion specialists for the richest corporations and individuals in Australia. The firm is headed by Mark Leibler, who has repeatedly attacked Lyndon LaRouche in print and on national television. Leibler chairs the Australia/Israel Jewish Affairs Council, and its journal, the *Australia-Israel Review*, which has proudly emphasized its support for Vladimir Jabotinsky, the notorious Jewish fascist whom Israel's founding father, David Ben Gurion, called "Vladimir Hitler." In 1993, Israeli Prime Minister Yitzhak Rabin

forbade Mark Leibler and his brother, Isi, the chairman of the World Jewish Congress, from claiming they were officially speaking for the state of Israel. Not long before Rabin's assassination on Nov. 4, 1995, Isi Leibler issued a rare open letter in which he attacked Rabin and supported the lunatic "settlement movement," which provided Rabin's assassin.

Land rights are also being supported by the two largest mining companies in the world, Rio Tinto and Anglo American Corp., which are cornerstones of the Crown's world minerals cartel, and which have poured hundreds of millions of dollars into promoting the land-rights cause. The idea is simple: the Aborigines get the land, and they then turn it over to the mining giants for the modern equivalent of "firewater and blankets." Rio Tinto's major negotiating partner is Noel Pearson.

Another outspoken "land rights" advocate from the Leibler set is the multi-millionaire mining magnate and Lubavitcher Rabbi "Diamond Joe" Gutnick, the single-largest funder of Israeli Prime Minister Benjamin Netanyahu's election campaign against Shimon Peres, and a key funder of the settlement-building schemes in Hebron and the West Bank, which have sought to destroy the Mideast peace process. Gutnick's mining empire is controlled by Anglo American's Australian front, Normandy Mining, and Gutnick is threatening to withdraw his considerable financial support for Howard if he goes ahead with his 10-point plan.

Meanwhile, Pearson identified exactly whose law he, and Arnold Bloch Leibler, are defending: "Mabo [native title] is not a product of indigenous law—Mabo comes from the House of Lords! Mabo is a product of this country's British inheritance," he told a Sydney meeting on Oct. 30.

International Intelligence

Irish republicans meet Blair at 10 Downing St.

Sinn Fein representatives told Britain's Prime Minister Tony Blair on Dec. 11 that a united Ireland is the best solution to peace for Northern Ireland, at a meeting at the prime minister's residence at 10 Downing Street. It was the first time since Michael Collins led a delegation to Downing Street in 1922, that Ireland's republicans met in London to negotiate the fate of their country.

Sinn Fein President Gerry Adams also told reporters, "It is 75 years since a previous generation of Irish republicans spoke to a British prime minister in London. The subsequent imposition of partition failed to resolve the causes of conflict, and resulted in almost eight decades of instability, injustice, an absence of democracy, oppression and intermittent conflict." Adams added that his delegation would state unequivocally that it is their position that Britain must give up its constitutional claim to Ireland's six counties in the North.

Palme prosecutor wants to open new trial

Amid a new maelstrom of misinformation coming out about the unsolved assassination of Swedish Prime Minister Olof Palme on Feb. 28, 1986, the state prosecutor announced to a Stockholm press conference on Dec. 5, that he has submitted a request to the Supreme Court, to open a new murder trial against Christer Pettersson, on the basis of "new evidence." In 1989, Pettersson was found guilty by the District Court, and, later that year, was acquitted by the Court of Appeal. The Supreme Court will probably rule in a few months.

The prosecutor's "new evidence" aims to prove that Pettersson was at the scene of the murder, when it occurred, but two of the four witnesses are already dead, and the other two are not very credible. (Immediately after the murder, a Soviet disinformation campaign blamed Lyndon LaRouche for the murder, a lie which was given inter-

national currency by NBC-TV and the Anti-Defamation League of B'nai B'rith.)

Further, a new book, *The Contract*, just released in Sweden, not only spins more fantastic scenarios, but the author's pseudonym, John Grow, has sparked speculation as to his true identity. A film version is already set for release in March-April 1998.

The scenario projects that an American millionaire recruits a powerful industrialist/banker in Sweden to the plot to kill Palme. A British mercenary is hired to organize the murder, who, in turn, hires the hit man, with whom he maps out a plan, including disinformation to cover their tracks. One element of the disinformation is to ensure that a number of strange people are seen around the site at the time of the murder. The scenario continues, that groups inside the police department are aware of the murder plot, but do not intervene.

Victoria invites foreign firms to run hospitals

Foreign companies are going to be allowed to bid for contracts to run three new private hospitals being planned by the state government of Victoria, Australia. The new hospitals are part of the Mont Pelerin Society privatization of the state health system, and are being planned at the same time as the government of Mont Pelerin poster boy Premier Jeff Kennett is slashing spending in public hospitals. The three new hospitals will be developed under the new privatization craze: "build, own, and operate." The health spokesman for the state opposition, John Thwaites, attacked the plan, saying: "Privatization of our hospitals will mean decisions about health care are made by shareholders in foreign countries, not by the public of Victoria."

Meanwhile, across the country, in Perth, Western Australia, the staff at the King Edward Memorial Hospital have been asked to allow donations to be automatically deducted from their wages, so the hospital can buy medical equipment. Western Australia's government has mimicked the slash-and-burn budget methods of Victoria's Ken-

nett. The request, made via the hospital newsletter, provoked outrage among the unions, who pointed to it as symptomatic of the financial crisis in the hospital system.

U.S., Iran, others, work to end Afghan fighting

The London *Guardian's* Pakistan correspondent reports that the United States is engaging in "quiet diplomacy with Iran" and others among Afghanistan's neighbors to end that country's bloody civil war. "Karl Inderfurth, the assistant secretary of state, has held three rounds of talks in New York with ambassadors from Iran and Afghanistan's neighbors, China, Pakistan, Turkmenistan, Uzbekistan, and Tajikistan, as well as Russia," according to Jonathan Steele, in the *Guardian* of Dec. 12. Steele writes that this new group, known as "Six plus Two," stems from Washington's desire to stop arms supplies to the Taliban, who have seized power in Kabul, and their opponents, and to begin talks on forming a governing coalition. Moreover, "the exclusion of Britain and other European countries from the new U.S.-sponsored negotiations forum on Afghanistan has caused irritation in [the U.K. Foreign Office] Whitehall."

The *Guardian* also states that Washington wants to end illegal drug cultivation in Afghanistan, and its use as a base for "Muslim" terrorist training camps. Steele names two well-known terrorists who are protected by the Taliban (although he leaves out their British sponsorship): Osama bin Laden, the Saudi financier who claimed responsibility for the bombing of U.S. military bases in Saudi Arabia, and Mustafa Hamza, a mastermind behind the Islamic Group's massacre of 60 tourists in Luxor, Egypt, in November.

Uygur separatist threatens civil war

Uygur separatist-terrorist Erkin Alptekin threatened to plunge China's Xinjiang Autonomous region into civil war in a Dec. 11 interview with Italy's *Il Giornale*. The region is a "hub" of the Silk Road, where

NORTH KOREA'S severe winter, combined with lack of medical supplies, is hiking the death toll in the famine-stricken nation. Lack of fuel has made it impossible to heat homes, schools and hospitals, and temperatures have dropped below zero. Snow is being cleared by hand, as vehicles are idled for lack of fuel and spare parts.

THE CANADIAN government has hired Neal Sher, ex-head of the U.S. Department of Justice Office of Special Investigations, the so-called "Nazi-hunting" unit that framed up John Demjanjuk, to advise the Ottawa Justice Ministry in its effort to round up a purported 300 Nazi war criminals said to be living in Canada.

POPE JOHN PAUL II will meet with Fidel Castro, during the first-ever papal visit to Cuba. The four days will include celebrating mass in Havana and three other cities, as well as a visit to a lepers' hospital. Castro will greet John Paul II at the Havana airport on Jan. 21 and, together with members of his cabinet, will later meet with the Pope.

ULSTER UNIONIST leader David Trimble told Irish television on Dec. 14, that he could possibly meet with Sinn Fein leader Gerry Adams. "We have seen actually in the past, people who have forsaken terrorism and genuinely changed into democrats. . . . It is perfectly possible that Gerry Adams can follow that path. And in that sense, I do not rule out" a face-to-face meeting.

BENJAMIN NETANYAHU'S office released the text of a support letter on Dec. 14, that was delivered to Israeli-Soviet spy Jonathan Jay Pollard, who is serving a life sentence in the United States. The letter read, in part, "The entire nation is concerned by your continued imprisonment. I hope that our efforts on your behalf will help and that you will be a free man soon." This goes beyond previous Israeli requests to have Pollard transferred to Israel, where he would serve out reduced jail time.

China, in cooperation with neighbors Kazakhstan, Kyrgyzstan, and Tajikistan, is planning large-scale infrastructure development. *Il Giornale* quoted Alptekin saying that Xinjiang is "a time bomb" where there is "the danger of an explosion of guerrilla warfare in one of the world's most sensitive areas." Indeed, Xinjiang separatism has become a *cause célèbre* for the human rights crowd, along with Tibet.

Alptekin said that "the Uygurs are rationing food and medicine, because a large-scale revolt is possible. Chinese armored cars and special police units are patrolling the main cities in the country 24 hours a day."

He added that "the former U.S.S.R. republics are not able to oppose China, but if the Uygurs are forced to choose armed struggle once and for all, then many fear the worst. The revolt could spread like wildfire into Kazakhstan, Kyrgyzstan, Tajikistan, Tibet, and Mongolia. If the Chinese do not accept dialogue, they will be in danger of bringing about one of the biggest conflicts in Central Asia."

China's Jiang visits Canada and Mexico

Chinese President Jiang Zemin's trips to Canada and Mexico demonstrated China's enhanced role in international relations. Foreign Ministry spokesman Shen Guofang said in an interview to *Wen Wei Po* in Mexico City, Dec. 5. Jiang Zemin's discussions with Canadian Prime Minister Jean Chrétien and Mexican President Ernesto Zedillo, showed "the desire of the world's developed and developing countries to establish a new type of state-to-state relationship with China, oriented toward the 21st century," Shen said. In the current international situation, the role of economic factors in international relations and state-to-state relationships has become increasingly evident, Shen said, and, since China pursues an independent foreign policy of peace, various countries of the world have attached greater importance to China and wish to cooperate with it.

He cited as an example, that state leaders particularly mentioned the financial crisis in Southeast Asia, and wanted to hear the views of Chinese leaders on this issue, since China had successfully prevented the financial crisis from impacting on the course of its economic development, Shen said.

Russian homeless, poor die in unusual cold

Amid the economic collapse in the former Soviet Union, Moscow and many other areas of Russia experienced the coldest weather for mid-December in 95 years. Over 20 people died in Moscow, according to official acknowledgment, but the casualties among the homeless and destitute are likely higher than that. Overnight on Dec. 15-16, the temperature dropped to $\square 28.8 \square C$ ($\square 19.8 \square F$) in the city center and $\square 25.6 \square F$ in the outlying areas. At least five people died of exposure, and several dozen were treated for frostbite. As of Dec. 17, the official death toll had risen to 22, including deaths by fires. The Moscow fire department responded to 300 fire alarms over Dec. 13-14, many of them set by homeless people trying to warm themselves in buildings' basements. On Dec. 16, Moscow city government spokesman Andrei Varchena was quoted by wire services, saying, "What can we do about it? . . . They should live in houses, not on the street. There's no reason to live on the street."

On Dec. 8, the daily *Segodnya* reported that there are 30-50,000 homeless children living in Moscow, many of whom came from the provinces or other formerly Soviet countries. In Russia, according to *Segodnya*, there are 2 million neglected children, of whom about 600,000 are considered to be orphans; 95%, however, have at least one living parent, but the parents have either rejected their children or lost their parental rights by court decision.

The recent crash of a military transport in Irkutsk killed 80, including a number of orphans. There would have been even more deaths in the surrounding buildings, except the gas supply was turned off at the time of the crash.

British under attack for harboring global terrorism

by Joseph Brewda

The Egyptian government of President Hosni Mubarak has escalated its attack against Britain, over London's deployment of international terrorism, in the aftermath of the slaughter of 62 people in Luxor, Egypt, on Nov. 17. The Islamic Group, which has taken responsibility for the massacre, is headquartered in London. Its leaders enjoy political asylum there, despite their conviction on murder charges in Egypt. They are allowed to maintain offices there, and use phones, fax machines, and computer e-mail, to transmit marching orders to their murderous followers in Egypt.

Since 1992, the Islamic Group has overseen at least 25 terrorist attacks against foreign tourists in Egypt, killing 92. The Egyptian government has lodged several diplomatic protests with Britain over its harboring of the Islamic Group, and its arm, Islamic Jihad. It has also repeatedly demanded the deportation and extradition to Egypt of their leaders to face trial, or incarceration, for their admitted crimes.

The safe haven offered the Islamic Group, is not the only instance of British hospitality. The governments of Israel, Turkey, Saudi Arabia, Bahrain, Algeria, France, Germany, Sri Lanka, Pakistan, Peru, among other states, have also issued diplomatic notes, protesting British harboring of terrorists destabilizing their nations. Among the other groups harbored there, are the Kurdish Workers Party of Turkey, the Palestinian Hamas, and the Armed Islamic Group of Algeria.

President Mubarak began the latest phase of his campaign against British deployment of Mideast terrorists, in a press conference in Aswan, Egypt, on Nov. 23. The terrorists responsible "live in Britain, Afghanistan, and other countries, where they plan and finance their crimes," he said. Later that day, he explained to the Paris daily *Libération*: "We contacted [British Prime Minister] John Major and his security services. They found all sorts of excuses. We got nowhere. We are now asking the government of Tony Blair to return these men to us.

If they have a problem with the law, the law can be changed, to protect people."

The British Foreign Office flatly rejected President Mubarak's charges in an official statement on Nov. 24, saying, "We are strongly committed to taking action against anyone who uses the U.K. as a base for terrorist activities." Yet, for all that, the British government does not deny that it harbors international terrorists, such as those responsible for Luxor. It claims that it is part of their "liberal tradition" dating back centuries, and will not be changed.

British Home Secretary Jack Straw's statements on the subject are typical. He told the London *Daily Telegraph* that new legislation to restrict terrorists living in Britain, proposed after complaints were received from Egypt and other aggrieved parties, would not include a ban on incitement to terrorism, because that "would clash with the right to free speech." Also, the proposed legislation would not prevent members of terrorist organizations from receiving political asylum in Britain, because, Straw argued, "powers to exclude are draconian." A Home Office spokesman explained the government's position to *EIR* this way: "One man's terrorist, is another man's freedom fighter."

Such British defiance of world opinion reflects the fact that the core of its imperial policy has been to support all sides of all struggles, especially the most fanatic and violent, to prevent the threat that peace represents to its rule. Operating under this policy, Britain patronizes the conflicting "Islamic," "Arab," and "Jewish" terrorist groups within the Mideast. To ensure fingertip control over such groups, it has also made London a protected safe haven.

For such reasons, Britain is the only major country in the world where it is perfectly legal to plot a political murder, terrorist bombings, and other crimes, as long as the crimes are not conducted on British soil.

LA STRAGE DI LUXOR / In tutta Europa una rete di appoggi e finanziamenti alle spalle dei fondamentalisti islamici

Terrorismo, Mubarak accusa Londra

Il presidente egiziano: «Gli assassini dei turisti sono protetti dalla Gran Bretagna»

LUNDI 24 NOVEMBRE 1997

LA VIE INTE

Il presidente egiziano Hosni Mubarak, temporeggiatore di lungo corso, si è lasciato andare a una dura presa di posizione nei confronti di Londra. «Gli assassini dei turisti sono protetti dalla Gran Bretagna», ha detto il presidente egiziano. «Gli assassini dei turisti sono protetti dalla Gran Bretagna», ha detto il presidente egiziano. «Gli assassini dei turisti sono protetti dalla Gran Bretagna», ha detto il presidente egiziano.



PERICOLOSI
Il presidente egiziano Hosni Mubarak (sopra) ha detto che il governo britannico è il principale finanziatore del terrorismo islamico. In basso: il presidente egiziano Hosni Mubarak (sopra) ha detto che il governo britannico è il principale finanziatore del terrorismo islamico.

un quartiere generale di tutti gli attentati al premier egiziano nel 1982. La presenza degli islamisti non è neppure nascosta. Tenere Al Sirri, secondo i servizi di sicurezza, è un obiettivo politico. Il ministro della Giustizia, Mohamed El Baradei, ha detto che il governo egiziano è pronto a negoziare con i terroristi. Il ministro della Giustizia, Mohamed El Baradei, ha detto che il governo egiziano è pronto a negoziare con i terroristi.

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scelta che sembra accoppiare il terrorismo islamico con il regime di Al Sirri, secondo i servizi di sicurezza, è un obiettivo politico. Il ministro della Giustizia, Mohamed El Baradei, ha detto che il governo egiziano è pronto a negoziare con i terroristi.

Après le massacre de Louxor

Moubarak accuse Londres

Le président égyptien reproche à la Grande-Bretagne d'être une base arrière du terrorisme islamiste.



Hosni Mubarak a rendu, hier, la Grande-Bretagne partiellement responsable du massacre commis par des islamistes à Louxor, au cours duquel cinquante-huit touristes, dont cinq britanniques, ont péri. « Ces terroristes, qui sont tous des assassins et des meneurs, sont protégés par un pays comme l'Angleterre », a affirmé le président égyptien. « Ils sont présents et vivent sur le territoire anglais et dans d'autres pays où ils collectent des fonds et planifient les attentats », a-t-il ajouté. A Londres, le Foreign Office immédiatement rejeté les accusations.

Le président Mubarak a également opposé à l' dialogue avec les islamistes car, selon lui, « il s'agit d'un dialogue avec des urde ». Jeudi, la Jamaïque s'est déclarée prête « à mener une opération déterminée et à l'échelle internationale pour arrêter les auteurs de ce massacre et les juger ». « La police poursuit ses activités normales et il n'y a pas d'attentes particulières », a déclaré le ministre de la Justice égyptien. « Si nécessaire, nous sommes prêts à coopérer avec les autorités britanniques », a-t-il ajouté.

LA STRAGE INFINITA
Mistero ad Algeri
ALGERI

Hoy

EL MUNDO

SANTO DOMINGO, REPUBLICA DOMINICANA, LUNES 23 DE NOVIEMBRE DE 1997

Hosni Mubarak acusa Gran Bretaña

ASUAN, EGIPTO (AFP) - El presidente egipcio, Hosni Mubarak, culpó parcialmente este domingo a Gran Bretaña de la matanza terrorista cometida en Luxor y que costó la vida a 58 turistas extranjeros, entre ellos cinco británicos, al tiempo que rechazó todo diálogo con el grupo.

Assiout sur le pied de guerre

Dans le fief de la Jamaa Islamiya, les policiers sont sur les dents.

« La police poursuit ses activités normales et il n'y a pas d'attentes particulières », a déclaré le ministre de la Justice égyptien. « Si nécessaire, nous sommes prêts à coopérer avec les autorités britanniques », a-t-il ajouté.

Egyptian President Mubarak's accusation against Britain, reported in the French, Italian, and Spanish press.

It is high time that the Clinton administration join with Egypt and other states, and impose sanctions on Britain, for its documented role as the international headquarters of international terrorism. But, to date, British-loving elements in the U.S. State Department, and in the U.S. Congress, typified by Rep. Frank Wolf (R-Va.), have attempted to provide Britain an alibi, by pinning the blame for this terrorism on Iraq, Sudan, and other third parties.

The evidence the State Department denies

This *Strategic Studies* dossier compiles some of the evidence in the public domain, showing that London, and not Sudan or Iraq, is the center of international terrorism, and the implications for U.S. policymaking.

- In the first section of this report, "Egypt Escalates vs. British Terrorism," we report on recent Egyptian government actions against the British government, over its harboring the terrorists responsible for the Luxor massacre. We also show that Britain's role has been extensively documented by the Egyptian government and press.
- In the second section, "British Parliament Endorses Terrorism," we document that Britain's harboring of these terrorists is defended, including in the British press, as part of the British tradition. Included in this section is an extract from a speech of British Member of Parliament George Galloway,

defending the use of London as the headquarters of world terrorism, and condemning any efforts to end this role.

We also document that the overwhelming majority of the terrorist organizations banned from the United States by the U.S. State Department, are British headquartered, or entirely dependent on British logistical support.

Evidence released by the Egyptian government documenting London's role, is also provided, as are President Mubarak's statements indicting Britain. We also include selections of articles from the Egyptian press denouncing the British role.

A section from an interview with the London-based Islamic Group terrorist leader Yasser Al Sirri, praising London's protection, is excerpted (see last week's *EIR*, Dec. 19, 1997, p. 58). A sampling of British newspaper articles admitting and defending that role, is included.

• In the final section of this report, "UN, State Department Protect London Terrorists," we show that the United Nations and U.S. State Department continue to refuse to impose sanctions against Britain over its admitted role as the center of world terrorism, in overt violation of their charter and mandate. Included in this section, is an *EIR* exchange with UN Secretary General Kofi Annan, who openly defends London, and the response of questions that *EIR* asked the U.S. State Department, on London's terror role.

I. Egypt Escalates vs. Britain

Egypt may take case to World Court

The Egyptian government escalated its campaign against Britain on Dec. 15, when its newspaper, *Al Ahram*, raised the threat that Egypt might go to the International Court in The Hague, over British safehousing of terrorists.

On Dec. 14, the *Al Ahram* reporter in Qatar, asked UN High Commission on Refugees official Adel Yassin what Egypt could do about Britain providing safehousing for terrorists, under the cover of “political asylum.” *Al Ahram* prominently published the UN official’s response: “Egypt has the right to seek international arbitration, to force Britain to extradite wanted terrorists. In this case, the Court can decide in favor of Egypt, especially because Britain is one of the signatories of the refugees agreement, and is committed, thereby, to extradite those who are convicted for crimes against humanity.”

That Egypt might go to the World Court, or similar forums, had earlier been suggested by coverage in the Egyptian government media, in their ridicule of Britain’s perverse use of the concept of “asylum” to justify harboring terrorists.

On Dec. 7, the Egyptian government news agency MENA issued an international wire on an *Al Ahram* article of the same date, which, MENA said, “violently assails Britain and other countries that shelter terrorists.”

Al Ahram emphasized, MENA reported, that: “Political asylum as understood by Egypt, and as recognized by international laws and norms, is one that is granted to those who are persecuted in their own countries because of their political views, or those who are waging a national liberation revolution against foreign occupiers or fascist governments, not to those wanted by justice because of the crimes they boast of having committed, or terrorists who aim their weapons against innocent people, including pupils and tourists. Noting that Egypt has submitted to the British government documents incriminating terrorist Yasser al Sirri in several terrorist operations, *Al Ahram* expresses regret and surprise at the lack of any British reaction to the charges.”

Egypt calls in British ambassador

Meanwhile, on Dec. 14, Egyptian Foreign Minister Amr Musa summoned British Ambassador to Egypt David Blatherwick, to hand him an official note, demanding Britain “stop providing a safe haven to terrorists, and cooperate with Egypt to counter terrorism,” *Al Ahram* reported on Dec. 15.

Following the meeting, Musa, in an interview with the London *Times*, the British establishment’s foreign policy

mouthpiece, blasted British culpability, and “called on Britain to stop the flow of money from Islamic radicals in London to terrorist groups in Egypt, and to ban preachers in British mosques calling for the assassination of foreign leaders,” the *Times* reported. The *Times* said that Musa “was outraged by reports that £2.5 million had come from exiles in Britain to the outlawed Gamaa al-Islamiya,” that is, the Islamic Group, which has claimed responsibility for the Luxor massacre.

The *Times* added that the Egyptian government “has blamed the Luxor massacre on terrorists funded and encouraged from abroad, and identified Britain as the main center for radicals plotting assassinations.”

Mubarak: British ‘laxity, if not collusion’

Egyptian President Hosni Mubarak, referring to the terrorists responsible for the massacre of 62 people in Luxor, Egypt, on Nov. 17, said in a press conference in Aswan, Egypt on Nov. 23, that they “live in Britain, Afghanistan, and other countries, where they plan and finance their crimes. If these states had cooperated in eliminating these criminals, such crimes would not have happened.”

“If a terrorist group has committed a crime, we have to find out who is behind them,” he continued. “The terrorists live in England, and in other countries, like Afghanistan. They have committed crimes, and some of them have been sentenced. Despite all that, they are still living on English soil, and raise money, and plan [their actions], together with fugitives in Afghanistan. The whole lot of them are murderers.”

“All these terrorist actions would not have happened if European states had not protected these terrorists,” he concluded. “The harboring and financing of these terrorists by foreign powers, has helped increase the violence.”

When a journalist suggested that Sudan, a frequent scapegoat for British crimes, was responsible, President Mubarak replied: “No. No. They exist in Europe and Afghanistan. Sudan has changed, and the situation is better there now. But there is coordination between those who are in England, and those in Afghanistan.”

Asked about dialogue with the terrorists, President Mubarak responded: “Dialogue with whom? We tried for 14 to 20 years, and each time we had a dialogue with them, they became stronger. And if these foreign states had not harbored those who received hard sentences, all this would not have happened!”

European complaints that Egypt failed to protect foreign tourists were raised. President Mubarak exclaimed: “The terrorists who make the plans, and have the money, are living in Europe. And now, the terrorists have killed their children.”

Therefore, they shouldn't be attacking us. How long are they going to protect terrorists? If you don't want your children killed, why do you protect terrorists, and give money to the murderers, who violate human rights; and they will continue to do so, as long as you give them safe haven."

President Mubarak stepped up his campaign later that day in an interview with the French daily *Libération*, in which he accused the British government of "laxity, if not collusion with Islamists who are refugees on British soil." Mubarak specifically denounced the former Conservative government of John Major, and British intelligence, for their failure to act against the London group. "We contacted [British Prime Minister] John Major and his security services. They found all sorts of excuses. We got nowhere. We are now asking the government of [Prime Minister] Tony Blair to return these men to us. If they have a problem with the law, the law can be changed, to protect people."

In an interview with the German weekly *Der Spiegel* on Dec. 8, President Mubarak charged: "I do not understand, why people on whose hands there is blood, are granted asylum in England. Why they are being granted the freedom to call, in interviews and newspaper articles, for the assassination of people who think differently. Why is the convicted assassin of a girl, Yasser al Sirri, being allowed to move and act freely? London asked us for documents on his criminal record. Well, we sent those documents, but nothing has moved, so far."

Egyptian press exposes London's 'Lords of Terror'

The Egyptian government papers *Al Ahrām* and *Al Akhbar*, among other Egyptian press, have repeatedly documented British protection for the Islamic Group, and other terrorist organizations safehoused in Britain. The following is a sampling of coverage since the Luxor attack.

***Al Akhbar*, Nov. 23, 1997:** Editorial by chief editor Galal Dwedar, entitled "Nest of Terror in London, and Murder of Englishmen in Luxor." "Britain harbors the heads of terrorism such as Yasser al Sirri. The British government, through giving haven to these fugitive leaders of terrorism in London, gives protection to the activities of these elements. This protection means an open invitation to commit more terrorist crimes, not only against Egyptians, but against its own citizens, as happened in the massacre in Luxor, where four English citizens were killed."

***Al Ahrām*, Dec. 7, 1997:** Article by Mohammed Tuaima, entitled "How Can We Surround and Extradite London's Lords of Terror?" "London's share of terrorist groups alone, according to security sources, is 1,400," the article reports, "which include 4,000 members who are active. Security

sources describe these people as 'the lords of terrorism of England.' They live a life of luxury, preying on the money donated by the millionaires and terrorist organizations, both in Britain and abroad, for their terrorist operations.

"London's 'permanent interests' have always converged with the lords of terrorism who live in Britain, who never underestimate what their existence represents for British interests. Therefore, they behave with Britain in reciprocal manner, realizing the important political and social environment it provides for them."

***Al Ahrām*, Dec. 11, 1997:** Egyptian government adviser Yahia Ahamad Al Banna writes, "From reviewing the facts of the Luxor incident, it becomes obvious that the planning was done by the leaders who are living abroad . . . then, after the attack, they—from Britain, where they live—announced their support of the cowardly attack on the innocent tourists. That announcement by itself was enough a reason to demand their extradition [from Britain to Egypt]."

"It is amazing that, while the British Home Minister Jack Straw revealed that the leaders of the terrorist organizations have made of London a center for their groups, the British government decided to grant political asylum to four terrorist leaders who were convicted in Egypt. This means that England has dropped its international commitments toward fighting terrorism, especially as the legions of terrorists threaten the security and stability of the Middle East; thus violating the resolutions of international agreements and the international agreements on banning and punishing terrorism, such as the 1937 agreement, the European agreement on terrorism 1976, the New York Agreement 1973, and the Montreal agreement on avoiding attacks against safety of aviation.

"Britain has become the center of the leadership of Egyptian terrorists; Switzerland has become a center for the Algerian terrorists. This has no explanation. It would not help them to claim 'defending democracy in other countries,' an excuse no longer valid for protecting terrorists.

"What is the U.S. going to do about this? When it had to do with Sudan's harboring of terrorists, President Clinton issued a ban on Sudanese diplomats travelling to the U.S. While in the Luxor attack, the U.S. administration merely declared that southern Egypt is a terrorist-infested area without mentioning the European states that are harboring the terrorists.

"There is no doubt that the direction of the threads of the case reveal eventually that there are common interests [between Britain and its terrorists], despite the difference in objectives. Through targetting tourism, leaders of terrorism are aiming at pressing the government to hold dialogue, in preparation to overthrowing it. Meanwhile, the states that are helping these terrorists are aiming at keeping the countries of the region in a continuous state of anxiety due to the activities of the Islamic groups, to defame Islam, and to give these states the right to fight them as a whole [Muslim states and individuals], as a new enemy following the fall of communism."

II. London: HQ of World Terrorism

British Parliament endorses terrorism

The British government's policy of providing safe haven and other forms of support to terrorist assassins, is openly admitted by its spokesmen. The British Crown's only concern has been, that these murderers target British rivals, or areas targeted for colonization or recolonization, and not Britain itself. No terrorist operations within Britain, or against British interests, have been tolerated.

That this is the official policy emerged into public view, when a lone member of parliament, Nigel Waterson, attempted to introduce legislation which would ban such terrorist safehousing and aid. On Jan. 25, 1997, Waterson introduced a "Conspiracy and Incitement Bill," which would have, for the first time, banned British residents from plotting and conducting terrorist operations overseas. Waterson proposed the bill in the aftermath of a scandal over Britain providing safe haven to Saudi terrorist Mohammad al Masari, who took credit for bombing U.S. military sites in Saudi Arabia in June 1996. Britain's grant of asylum to Al Masari, and its protection of other terrorists, provoked stormy protests from the Saudi, Israeli, and Egyptian governments, motivating Waterson to introduce the bill.

The bill was read before a specially mandated committee in late January, and then on Feb. 14 and 22. Insufficient votes to pass it on its third reading, meant that the bill did not get out of committee, and consequently became a dead letter. Although Waterson was a member of the then-ruling Conservative Party, the government refused to endorse his bill, ensuring its defeat.

House of Commons parliamentarian George Galloway, from the Labour Party, which has since come to power, led the fight against the Waterson bill, and served as de facto spokesman for the British Crown in explaining why the bill had to be trashed. The following is excerpted from Galloway's Feb. 14 speech before the committee, as reproduced in the House of Commons official proceedings of the debate on the bill:

Terrorists 'take tea' with the Queen

"The Bill will change political asylum in this country in a profound and dangerous way. It will change a state of affairs that has existed since Napoleon's time.

"How can the Iraqi opposition get rid of Saddam Hussein except by violent means? There is no other way in which he can be overthrown. Members of the Iraqi National Congress,

which occupies a very plush office opposite Harrods, spend every day plotting the violent overthrow of Saddam Hussein. I personally pray for their success, as does every right-thinking, honorable Member.

"We are all in favor of controlling terrorism in Britain. Surely not a single honorable Member has any truck with terrorism here, but we are talking about terrorism in other countries, and what is defined as terrorism by foreign dictatorships, where there is no democratic process.

"The legislation is rushed in response to a specific, and, for the government, highly embarrassing refugee case—that of Professor al-Masari, who was a thorn in the side of the government of Saudi Arabia.

"The bill will cause a grave diminution in the political rights of our people, which has been cherished for centuries . . . who welcomed to this country revolutionaries such as Kossuth after the wave of revolutions in 1848. Kossuth was a Hungarian who led an armed, terrorist struggle against the Austro-Hungarian empire from his sanctuary in London. He would have been prosecuted under the bill, had it existed at the time.

"Perhaps some Conservative members wish that Karl Marx had been prosecuted, but this country's reputation would have been gravely diminished if he had been, when he was laboring in the British Museum, and calling for the beheading of the European kings. Several of those monarchs wrote in congress to the British government to ask that he be prosecuted, but the then Conservative government replied that the mere advocacy of regicide was not a crime in Britain, and that Mr. Marx was free and welcome to continue his labors in the British Museum.

"By definition, a tyranny can be removed only by extraordinary measures. It is sometimes possible, although very rare, that massive civil disobedience and huge demonstrations can topple a regime, as some in eastern Europe were toppled, but much more often at one stage or another during a dictatorship, people have to bear arms and take armed action against it.

"Inevitably, in conditions of extreme repression, the leadership of such movements will gravitate to countries such as ours where freedom and liberty prevail. The bill will criminalize such people, even though they have not broken any law in Britain—or at least they would not have done so until the Bill became law—or cause any harm to the Queen's peace in her realm. They will fall open to prosecution in this country under the Bill because they are inciting, supporting, or organizing events in distant tyrannies, which are clearly offenses under the laws of such tyrants.

"I repeat the cliché, which is a cliché only because it is so obviously true, that one man's terrorist is another man's freedom fighter. [Cypriot Archbishop] Makarios was a wanted terrorist, and took tea with the Queen in Buckingham Palace. [Zimbabwe President Robert] Mugabe was a wanted Marxist-Leninist terrorist and then took tea with the Queen at Buckingham Palace."

Terrorists on State's list are British-based

The U.S. State Department can hardly plead ignorance, to explain its repeated failure to quarantine Britain as the center of international terrorism, including the terrorists responsible for the Luxor massacre.

On Oct. 8, 1997, for example, the U.S. State Department

released a list of 30 groups designated as foreign terrorist organizations, acting under the authority of the Anti-Terrorism Act of 1996. The State Department banned the cited groups from the United States, and declared their activities illegal, including fundraising. It also barred all officials and members of the designated groups from entry into the United States.

EIR investigations have determined that almost all of the 30 terrorist groups listed by the State Department are headquartered in Britain, or are dependent on British fundraising, military training, arms, communications, and other forms of logistical support. In almost all cases, this London safehousing or logistical support is in no way secret, but is openly

TABLE 1

The Terrorist International

Terrorist groups headquartered in Britain	Primary target	Countries protesting British responsibility	Countries blamed
1. Islamic Group	Egypt	Egypt	Sudan, Iran
2. Al-Jihad	Egypt	Egypt	Sudan, Iran
3. Hamas	Israel, Palestinian Authority	Israel	Sudan, Iran
4. Armed Islamic Group (GIA)	Algeria, France	Algeria, France	Sudan
5. Kurdish Workers Party (PKK)	Turkey	Turkey	Syria
6. Tamil Tigers (LTTE)	Sri Lanka	Sri Lanka	
Terrorist groups dependent on British funding, military training, logistics			
7. Abu Nidal Organization	Palestinian Authority		Libya
8. Harakat ul A Ansar (HUA)	India		Pakistan
9. Mujahideen e Khalq	Iran	Iran	Iraq
10. Kach	Israel, Palestinian Authority		
11. Kahane Chai	Israel, Palestinian Authority		
12. Abu Sayyaf	Philippines		Libya
13. Hezbollah	Israel, Lebanon		Syria, Iran
14. Khmer Rouge	Cambodia		
15. ELN (National Liberation Army)	Colombia		
16. FARC (Revolutionary Armed Forces of Colombia)	Colombia		
17. Sendero Luminoso (Shining Path)	Peru	Peru	
18. MRTA (Tupac Amaru Revolutionary Movement)	Peru		
19. DFLP (Democratic Front for the Liberation of Palestine—Hawatmeh Faction)	Israel, Palestinian Authority		Syria
20. Islamic Jihad-Shaqaqi	Israel, Palestinian Authority		Syria, Iran
21. PFLP (Popular Front for the Liberation of Palestine)	Israel, Palestinian Authority		Syria, Libya
22. PFLP-GC (Popular Front for the Liberation of Palestine—General Command)	Israel, Palestinian Authority		Syria
Other terrorist groups on the list			
23. Aum Shinrikyo	Japan		
24. ETA (Basque Fatherland and Liberty)	Spain		
25. Japanese Red Army	Japan		Syria, Libya
26. Manuel Rodríguez Patriotic Front	Chile		
27. Revolutionary Organization 17 November	Greece		
28. Revolutionary Peoples Struggle (ELA)	Greece		
29. Revolutionary People's Liberation Party/Front (DHKP)	Turkey		
30. Palestine Liberation Front—Abu Abbas	Israel		

stated by the groups themselves, including in their publications, typically issued from Britain, which otherwise issue marching orders against targeted states. Egypt, Turkey, France, Algeria, Israel, and Peru are among the governments which have lodged diplomatic protests to Britain, for protecting these groups. Of course, all this, and much more, is known to, but never acknowledged by the State Department.

Table 1 shows the headquarters of the groups on the U.S. State Department banned list, their primary targets, governments which have made official protests to Britain over its safehousing and aid to the groups concerned, and the governments typically blamed by the United Nations, U.S. State Department, and Western media for their actions. *EIR* has been extremely conservative in its assessments, basing its conclusions on authorized statements of the groups themselves, sworn testimony or related evidence presented in public court, or authorized statements of aggrieved governments. (For more extensive documentation of *EIR*'s charges, see *Bibliography*.)

Egypt's 'wanted list' live in London

In an important escalation of its campaign against British harboring of international terrorists, the Egyptian government's State Information Service has issued a list of 14 Islamic Group terrorists wanted for massacres in Egypt, including the November massacre in Luxor, on its official Internet "home page." It includes photographs of the terrorists, de-

scriptions of their crimes, and vital statistics. The wanted list, issued under the title, "Call to Combat Terrorism," reads:

"Terrorism has unfortunately become an international phenomenon. Terrorists do not recognize any boundaries or nationalities. To combat such phenomenon, the international community is under obligation to work collectively, to deny such terrorists any safe haven. Their language of violence should be rejected not only in words, but also in deeds. Giving safe refuge, under any pretext whatsoever, is tantamount to condoning their heinous acts and activities. Hereunder, is a list of some of the wanted masterminds of terrorism, who are currently enjoying secure and convenient asylum in some world capitals."

The following individuals are on Egypt's State Information Service's "wanted list." Quoted remarks are taken from its home page. The residence identified, is taken from the Egyptian government-owned newspaper *Al Jumhuriyah*, which based its assessment on comments by Egyptian security officials:

Yasser al Sirri: Residence: London. "Sentenced to death in the assassination attempt on the life of former Prime Minister Dr. Atef Sidqi; founded the Media Observatory in London as mouthpiece for the New Vanguard of Conquest."

Adel Abdel Bari: Residence: London. "At present, heads Egyptian Human Rights Defense Office, affiliated to Media Observatory in London, the mouthpiece of the outlawed Jihad Organization."

Mustafa Hamzah: Residence: London. "Commander of the military branch of the outlawed 'Islamic Group.'"

Tharwat Shehata: Residence: London. "Sentenced to death in the assassination attempt on Dr. Atef Sidqi, former prime minister; associated with, and in charge of financing extremist elements abroad; involved in reactivating the outlawed 'Jihad Organization' abroad."

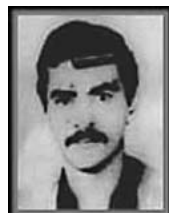
WANTED



Yasser Al Sirri



Adel Abdel Bari



Mustafa Hamzah



Tharwat Shehata



Osama Khalifa



Refai Mousa



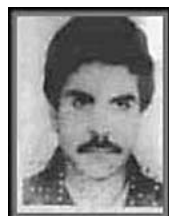
Mohamed el Islambouli



Ayman al Zawahri



Osama Ayoub



Adel el Sayyed Mohamed



Othman el Samman



Hussein Shmait



Islam el Ghamry



Ahmad Hussein Mustafa

Osama Khalifa: Residence: London, Afghanistan. “Accused no. 1 in the case involving domestic and foreign activities of the outlawed Islamic Group.”

Refai Mousa: Residence: London, Afghanistan.

Mohamed el Islambouli: Residence: London. “One of the principal leaders of the Islamic Group; sentenced to death in the case of the outlawed organization of ‘Returnees from Afghanistan.’ ”

Ayman al Zawahri: Residence: Switzerland. “Commander of the military branch of the outlawed ‘Jihad Organization,’ in charge of planning terrorist operations.”

Osama Ayoub: Residence: Amsterdam.

Adel el Sayyed Mohamed, Othman el Samman, Hussein Shmait, Islam el Ghamry, Ahmad Hussein Mustafa: residence unidentified.

Other London terrorists

Additional Islamic Group officials known to enjoy British safe haven, according to Egyptian security officials cited by the government newspapers *Al Ahrām* and *Al Jumhuriyah*, include:

Mohamed Mustafa Gomaa: Accused by Egyptian government of bankrolling Luxor massacre through an unidentified London-based non-governmental organization, “which he uses as a front organization to finance terrorist operations in Egypt,” according to security sources cited by *Al Ahrām*.

Ahmad al Najjar: Islamic Group leader; sentenced to death *in absentia* in October 1997, for attempting to revive Islamic Jihad.

Abd al Qadir abd al Aziz: Directs the Islamic Group’s Media Observatory, with Yasser al Sirri.

Ahmed Abdul Majid Fahmi: Islamic Group official; founder of Britain’s Egyptian Action Committee.

Talat Fuad Qasim: Islamic Group leader

Abu Hamzah al Masri: Egyptian Afghan mujahideen leader; also serves as Sheikh of Algerian Armed Islamic Group.

Omar Bakri: Coordinator of Afghan mujahideen networks of Osama bin Laden, the London- and Afghanistan-based Saudi terrorist bankroller of the Islamic Group, Islamic Jihad, and other terrorist organizations.

Islamic Group praises Britain, condemns U.S.

Anglophiles in the U.S. Congress and U.S. State Department repeatedly condemn Sudan, Iraq, and other third parties, for protecting and deploying international terrorists. But what do the terrorists themselves have to say?

Islamic Group leader Yasser al Sirri spoke about his group’s views in the aftermath of the Luxor atrocity, in an

interview at his home in London on Dec. 6. The interview was made available to EIR. Also taking part in the interview was his sidekick, Mohammed al Masari, the London-based Saudi terrorist who, in an interview with the British Broadcasting Corp., praised the June 1996 bombing of the U.S. Army barracks in Dharhan, Saudi Arabia, which left 19 U.S. soldiers dead. In the interview, both terrorists effusively praised British authorities for protecting them from Egyptian and other Mideast government authorities, and condemned the United States for alleged responsibility for Egypt’s anti-terrorist measures, which the London terrorists claimed caused the terrorism. (See last week’s issue, p. 58, for more of the interview.)

Q: What about foreign pressures on Mubarak to take a hard line against the Islamic Group?

Al Sirri: This is quite likely. It is now clear that Hosni Mubarak is acting hysterically. He is focussing a campaign on Britain. But he’s only acting within the larger framework of the United States’ policy, acting as a dog or agent of America. His campaign against Britain is part of a comprehensive U.S. plan and general policy to unleash its dogs against Britain.

Al Masari: You know that there are certain circles in the United States which would like to weaken Britain more, to marginalize it more. There’s a world struggle between the big powers.

Al Sirri: American policy is to support Hosni Mubarak officially and substantially. The U.S. is the only state which still allows its tourists to visit Egypt [following Luxor]. The U.S. is sacrificing the lives of its citizens, through supporting the Egyptian regime. The U.S. is still giving support to Mubarak, despite his violations of human rights. . . .

The Egyptian government demanded many times that I be extradited to Egypt. But, Britain, every time, required they submit proof against me. The only proof that the Egyptian regime has presented to the British authorities, was a sentence against me by an Egyptian military tribunal. Mubarak is trying to cover his failure internally by attacking other states. Mubarak tells Britain that “law is the creation of man and not a divine revelation, therefore it can be changed.” Mubarak is used to changing policy, and he demands these governments, like Britain’s, change theirs, too.

Al Masari: The Egyptian government has made several diplomatic protests, I think three or four times, to deliver Mr. Al Sirri. And every time the British ask, “What is the evidence against the man? There’s no evidence.” Sometimes they bring the court ruling against him, the accusation that he was involved in the [Prime Minister] Atef Sidqi assassination attempt affair. So the British government said, “Okay, if you have other evidence which British courts or British police could check, we would do that. Even though there is no exchange treaty for criminals, we can still accommodate you.” The Egyptians were at a loss every time, to bring forward anything respectable, which could withstand the scrutiny of Scotland Yard or any British court.

British press admits, London is a safe haven

In response to the escalating Egyptian attack on British harboring of international terrorists, the British press has come out into the open, trying to explain away this protection, or implying that it is merely the policy of the current Labour government, and not the policy of the Crown. What follows, typifies the response.

Daily Telegraph, Nov. 19. In a lead editorial entitled “Islam’s Fifth Column,” the paper writes, “The United Kingdom has, in recent years, become a safe haven for an impressively diverse array of extremist groups, often to the despair of those allied governments imperilled by their activities. These include front organizations for such Islamist terrorists as the Egyptian al-Jamaa al-Islamiyya [Islamic Group] and Jihad groups, the two likeliest perpetrators of the massacre by the Nile; the Palestinian rejectionists of Hamas; and the Algerian GIA. Their quarrels often spill over with lethal effect onto our soil, as exemplified by the assassinations of dissident elements here in London. How has this free society made itself so vulnerable? Part of the answer is to be found in our highly liberal asylum laws.”

Daily Telegraph, Nov. 20. “Groups supporting Egypt’s Islamic extremists operate openly in London,” states an article entitled “Law Allows Dissidents to Plot from British Bases.” “Britain is now an international center for Islamic militancy on a huge scale. Islamic groups use London, to support terrorist movements in their homelands. Security chiefs in Israel and France say some terror operations are actually controlled from London. The Algerian and French governments say British-based groups were behind bombs in Paris. The Israelis say Hamas supporters in Britain are helping to orchestrate terrorist attacks, something disputed by British security sources.”

Times of London, Nov. 24. “In the past two years Britain has been increasingly embarrassed by the large number of Islamic extremists coming here,” writes Michael Binyon, in an article entitled “London Is Not Terror Haven, Say Ministers.” He adds: “Many governments, including those of Egypt, Algeria, Tunisia, Turkey, Bahrain, and Saudi Arabia, have denounced their presence in Britain and called for tighter laws. Unlike almost all other European countries, Britain does not forbid foreign exiles from engaging in politics, provided they do not break British law. At present, moreover, the law does not specifically outlaw masterminding terrorist activities overseas.”

Observer, Nov. 24. “Millions from Britain for Luxor Killers,” is the headline about British responsibility for the Luxor massacre.

State Dept. covers up for British terrorism

The U.S. State Department has consistently covered up for London’s role in harboring and deploying international terrorists such as Hamas, the Kurdish Workers Party (PKK), and Islamic Group, in response to questions from *EIR* over the last two years. It has routinely attempted to shift the blame to third parties, such as Iraq, Iran, and Sudan. This State Department behavior is not a result of ignorance. All of the information in this dossier is a matter of public record, largely admitted to by the British government. The following exchanges between *EIR* and State Department officials reflect the Anglophilia in the department:

March 25, 1996, State Department regular press briefing with spokesman Nick Burns.

EIR: Nick, with regard to Hamas, the Israeli government has expressed concern to the British that there has been a considerable amount of financing; to a large extent Hamas has found a safe haven in Great Britain. This is not the first indication of that. The PKK also is operating quite freely because of the nature of British legislation. And the Israelis want them to crack down on this. Has this been also of concern to the United States, and has it been a subject of discussions in the bilateral meetings with Prime Minister Major and the President at Sharm el-Sheikh?

Burns: I would not single out the United Kingdom in determining how we can foreclose terrorist options for Hamas in the future. I wouldn’t single out the United Kingdom. I would single out Iran. Iran directly supports Hamas and directly funds Hamas. We know that. And that’s undeniable. I’d single out other states in the region which can do more—which can do much more to choke off support for Hamas. I wouldn’t single out the United Kingdom for this treatment.

EIR: The Israeli government has.

Burns: All of us—I think the message from Sharm el-Sheikh is that all of us need to combine efforts to fight the suicide terrorism of Hamas and the other terrorist groups in the Middle East.

EIR: Has there been any concern—has this been a subject of discussion with regard to the British on—in terms of specifically . . . ?

Burns: I simply—I simply don’t know if this particular subject has been raised diplomatically by the United States with the United Kingdom. But, again, I would argue very strongly that singling out the United Kingdom would be most curious right now. I think we ought to single out Iran and

some of the other states in the region.

May 1, 1997 press conference of Ambassador Philip Wilcox, State Department Coordinator for Counterterrorism, releasing the State Department report, "Pattern of Global Terrorism—1997."

EIR: On Feb. 14, a member of the British Parliament put forward a bill which would have made it illegal for anyone residing in Britain to carry out international terrorism. Right now it is [legal]. This bill was voted out of committee, and didn't even reach the floor of the British Parliament. Has this raised concerns in the States Department, that in Britain, it is actually legal to sponsor terrorism, as long as it is not done in Britain itself?

Wilcox: I am not familiar with that legislative proposal, in the United Kingdom. I do know that the United Kingdom, and the United States, and many other governments have worked closely together, in a common effort against terrorism, and that from our perspective, the policy and laws of the United Kingdom are quite strict. They have had an immediate experience over many years with terrorists attacks from the IRA. There have been terrorists attacks by foreign groups inside of Great Britain, from time to time. So, I believe that the United Kingdom has a very strong and firm policy against terrorism—no question about that whatsoever.

EIR: The fact that legislation was voted out, seems to indicate otherwise. Nine nations have officially filed complaints against Britain for harboring terrorists, for example, the case of Saudi terrorist Al Masari.

Wilcox: The United States has never, has never associated itself with any such complaint.

Dec. 9, 1997, State Department regular press briefing with spokesman James Foley.

EIR: In the aftermath of the Luxor massacre, a lot of attention has been placed on London as being a center of terrorism. President Mubarak the other day had asked for the extradition of terrorist Al Sirri. It was reported in *Al Ahram* that there are 1,400 terrorist groups operating freely in London, putting out their videotapes, making their calls, publishing their information. Most of this, of course, is aimed against the United States. And I was wondering if the U.S. has taken any measures to bring the subject up and to demand action from the British government about terrorists who are operating on British soil.

Foley: Well, I was going to say that the question as you posed it struck me as being a bilateral question or issue between Egypt and the United Kingdom. However, as far as we are concerned, you're familiar with the fact that the secretary has made designations of terrorist groups, and we feel that we've done our part to ensure that groups engaging in terrorist activity are not allowed to do so on American soil. We have clearly a very intense and thorough dialogue on security, on terrorism with our friends and allies around the world. And I'm sure that's something that we discuss privately with them.

But I'm not prepared to discuss publicly the nature of those exchanges.

EIR: If you see no change on the issue, would the United States be prepared to put pressure in the form of sanctions or whatever on the British to stop this activity?

Foley: I really think that's a preposterous assumption on your part. We have, as I said, a thorough and—thoroughgoing and very productive security and terrorism dialogue with the British authorities, who face the same kinds of threats in other arenas as we do around the world. We see eye to eye on the issue. I see no daylight between us and the U.K. on that important subject.

UN's Kofi Annan okays British terrorist haven

The United Nations Security Council has imposed sanctions on Iraq, which have killed over a million people since 1989, and is step-wise increasing its murderous sanctions against Sudan, and other targets, all under the pretext of fighting terrorism, including state-sponsored terrorism. But what is the UN doing about Britain, which admits to protecting the same terrorist groups that Iraq, Sudan, and other countries are blamed for deploying?

EIR asked UN Secretary General Kofi Annan to explain this contradictory policy. The occasion was a forum at Princeton University Woodrow Wilson School of Diplomacy, on Nov. 24, 1997, which Annan addressed, on "A Trans-Regional Study of the Contemporary Middle East, North Africa, and Central Asia."

EIR's Matthew Guice asked Annan for his response to President Hosni Mubarak's allegations that "London had harbored terrorists, specifically those who financed the recent tragic terrorist attack in his country." Guice added: "In light of the fact that much talk had been spent at the UN regarding putting sanctions on Sudan, for its harboring of one terrorist group, would you, Mr. Annan, support a move for sanctions against London, for harboring 26 of the 30 terrorist groups banned by the U.S.?"

Annan responded: "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. [British Prime Minister Tony] Blair, cannot imagine that he would knowingly 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."

LaRouche warns Clinton on economic policy bungling

by Edward Spannaus

President Clinton is falling into a trap, and is undermining his own administration, by failing to acknowledge the depth of the current economic and financial crisis, and by instead proclaiming that the U.S. economy is doing better and better, warned Lyndon H. LaRouche, Jr., during a radio interview with “EIR Talks” on Dec. 17.

LaRouche began by saying that we are now in the worst crisis since World War II. Following the dramatic events of the first half of December, he said, “we are now in what appears to be, to foolish people, a lull period, on the way to a much worse crisis,” which could include an explosion in Brazil, and an explosion in Russia this year or early next year. “So we’re now in the worst situation, by far, since World War II, or since the only event during the post-World War II period which is even comparable to what’s happening now . . . the [Cuba] missile crisis of 1962.”

“We’re in that kind of crisis,” LaRouche continued. “And so far, virtually all of the world’s leaders, including the government of the United States, including the Clinton administration, are goofing this badly. The worst thing Clinton has done, is not his policy. The worst thing he’s done is to say, essentially, there are only a few ‘glitches’ in a good economy; the U.S. economy has become better over the years — which is not true — and these kinds of things, which, in the long term, undermine popular confidence in him, by his saying these foolish, untrue things.”

Clinton’s ‘glitch’ statement

LaRouche was referring to President Clinton’s Nov. 23 statement at the Asia Pacific Economic Cooperation (APEC) summit in Vancouver, where Clinton referred to the ongoing Asian financial crisis as a “glitch in the road.” This was immediately interpreted as meaning that the President was not tak-

ing the magnitude of the crisis seriously enough, and the President and White House aides spent the rest of the summit trying to repair the damage, by stressing that the President did indeed take the economic crisis seriously.

In his year-end press conference on Dec. 16, the President once again declared that the United States is experiencing “the strongest economy in a generation.” In the very first question, a reporter brought up Clinton’s “glitch” statement, and, noting that the currency turmoil in Asia is continuing, the questioner asked, “How serious is this crisis for Americans?”

President Clinton responded to the question by first commenting that “the American economy is strong,” but he also stressed that “a significant part of our growth comes from our ability to sell to others around the world, including in Asia,” and that it is therefore “very much in our interest to do what we can to support the Asian economies as they work to weather this crisis.”

But, Clinton pointed to the so-called “Manila framework,” as the best way to help Asia, which he said means 1) “strong economic policies on the part of these countries”; 2) that the International Monetary Fund (IMF) should play the leading role; and 3) that the United States should be there, along with Japan and other countries, in a supporting capacity, when necessary. Clinton said that he was “very encouraged” by the steps that South Korea is taking to implement the IMF program, “to rebuild the South Korean confidence of the markets.”

The reality

LaRouche, on the contrary, said in his Dec. 17 interview that the current U.S. policy with respect to East Asia is “absolute folly,” and that the U.S. government is moving into a trap.

As *EIR* readers know, the world economy is now domi-



President Bill Clinton, with Vice President Al Gore. The worst thing Clinton has done, is to say that there are only a few “glitches” in an otherwise healthy economy. Nothing could be further from the truth.

nated by a \$125-135 trillion derivatives bubble—which, like any parasite, demands more and more blood to sustain its growing appetite. The IMF bailout schemes have one overriding purpose: to feed this bubble, by bailing out the banks and financial institutions which are the foreign creditors of countries such as South Korea. The populations of South Korea and other victims of IMF “conditionalities” are only going to suffer more pain, as a result of austerity, rising taxes, and the effects of currency devaluations on their living standards.

Already in Korea and other locations in Asia, enormous resentment against the United States is building up, based on the belief that it is Washington which is forcing IMF programs down the throats of Asian governments. And, at this moment, the Clinton administration is doing nothing which would dissuade Asians from that belief, or which could quell the growing backlash against the IMF and against the United States.

And, at home, few Americans believe the President’s continued declarations that the U.S. economy is the strongest it has been for a generation. *EIR* has documented that actual living standards, as measured by a “market basket” of consumption, are about one-half of what they were in the 1960s. Our infrastructure is crumbling; witness, for example, the stocks of grain now sitting, and rotting, on the ground on rail sidings in farm states, because of the gridlock and “missing-in-action” railcars in the Union Pacific freight system (see article, p. 19).

Ironically, the day before the President’s press conference, the U.S. Conference of Mayors had released its annual

survey of hunger and homelessness in American cities, which reported that requests for emergency food and shelter have increased for the 13th year in a row. Of the causes of hunger listed by city officials, “low-paying jobs” was on top of the list, with other causes listed as: unemployment and other employment-related problems, food stamp cuts, high housing costs, poverty or lack of income, and low benefits in public assistance programs.

And, recently, the Children’s Defense Fund released a report documenting that median income for young families with children had fallen by 33% between 1973 and 1994, and that the poverty rate for children in young families has more than doubled since 1973. Forty-one percent of children in young families are living below the poverty line.

Crisis management

The real problem with the administration, LaRouche emphasized in his interview, is that the U.S. government is not telling the truth, even though, “behind the scenes, they know that this is a global systemic crisis, that is, the entire system is doomed, and the system must be replaced.

“However, what the U.S. government is doing, which accounts for why the President is not telling the truth when he talks about the economy publicly, is, they’re saying, for the short term, we’re going to stick with the system, and try to manage the crisis in the terms of the system.” That is famous last words, LaRouche said, just like: ‘Hey, good, don’t worry about that iceberg! This ship is unsinkable.’ ”

LaRouche explained that the worldwide bailout process,

exemplified by what just happened in South Korea, and what is being pushed in Japan, “is the same piece of stupidity that was conducted by the government of Germany, Weimar Germany, between the end of 1921, until the complete explosion of the currency and the famous hyperinflation of 1923.”

“If,” LaRouche explained, “you realize that the Weimar hyperinflation spiral was a series of decisions, each one a short-term crisis management decision, made presumably in response to a short-term crisis, according to a certain set of axioms, assumptions about how to conduct policy,” then, “what the Clinton administration is doing in particular, among other governments, is doing an exact repetition of the same thing that blew out the German Reichsmark in the period into 1923. We’re making the same mistake now.”

“Clinton’s public addresses, which are pooh-poohing the idea that there’s anything wrong with the economy,” are playing into precisely this kind of situation, LaRouche said, adding parenthetically, with respect to the President, “I know why he’s doing it, I don’t think he believes it, but I know why he’s doing it.”

LaRouche concluded his warning to the administration by referencing the mistakes now being made in East Asia, with the U.S. government’s encouragement. “If that policy continues, if the Mexican bailout policy is applied to this situation, and that continues in Asia, then we’re only a few

steps away from detonating a hyperinflationary explosion, which could come to an explosion point within a matter of weeks — months, even weeks. It’s that bad.”

This, LaRouche affirmed, is the great crisis of this year: that “the Clinton administration, by, in a sense, *rejecting* what I’ve publicly warned they *must* do, and must perceive, and going on to a course of action which rejects my approach, the Clinton administration is committing, publicly, international U.S. financial-monetary suicide.”

Although this is an extremely dangerous situation, LaRouche stated, “the only good side in it, is that I’m around, still, and I’ve been the one world figure, international figure, who is now increasingly recognized as having been right, when every government on this planet, and virtually the entirety of the economics profession, has been wrong, consistently, actually, over virtually all of the past thirty years, and actually longer.”

The Clinton administration is bungling on this international financial crisis, LaRouche cautioned, by rejecting what he has published in many locations (see, for example, LaRouche’s speech in Germany, in this issue). “They know all about this,” LaRouche said. “They know what has to be done. They’ve been informed.” But, by going in a different direction, “they are dooming the administration, and dooming the United States dollar.”

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Hong Kong	0600*	Tel Aviv	2400
Houston	1600	Tokyo	0700*
Istanbul	2400	Toronto	1700
Jakarta	0500*	Vancouver	1400
Jerusalem	2400	Vladivostok	0800*
Johannesburg	2400	Venice	2300
Karachi	0300*	Warsaw	2300
Kennebunkport	1700	Washington	1700
Kiev	2400	Wellington	1000*
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Lima	1700	Yokohama	0700*
Lincoln	1600	Yorktown	1700
Lisbon	2300		* Mondays

Second Boston Tea Party: Let's dump mis-managed health care policies

by Marianna Wertz

An historic event occurred Dec. 2 in Boston, a place not unfamiliar with history-making. Hundreds of physicians and nurses gathered at the site of the first Boston Tea Party, to hold a "second Boston Tea Party"—this time to dump managed care—as hated today as the tea tax was in 1773—into the Boston Harbor.

Thrown overboard into the harbor this time, rather than crates of tea, were corporate annual reports of managed health care firms, as well as crates marked "nursing cut-backs," "corporate greed," "no care for the uninsured," "bonuses for denying care," "rushed hospital stay," "loss of confidentiality," "denied services," and other common attributes of managed care.

In the evening, an event was held in conjunction with the protest at historic Faneuil Hall, in downtown Boston. An estimated crowd of 3,000 packed the hall, and the event was broadcast via satellite to 30 U.S. cities. For two hours, the event's organizers, The Ad Hoc Committee to Defend Health Care, presented hard data on the disastrous consequences of managed care and for-profit care for patients, including testimonials from doctors, nurses, and family members, relating their personal experiences with staff cut-backs, denial of coverage, and other managed-care policies.

This initiative is historic, not just because it took place in Boston, however. For the first time since so-called managed care began to take over the nation's medical care practices in the 1980s, a significant number of medical practitioners have publicly called for a moratorium on managed-care takeovers, and for a return to the "Samaritan traditions of American medicine and nursing."

Sick, vulnerable, elderly 'abandoned'

In a "Call to Action" released at the press conference by the Ad Hoc Committee, and appearing December 3 in the *Journal of the American Medical Association (JAMA)*, more than 2,300 doctors publicly announced their opposition to profit-driven health care and urged other professionals to join them in their fight (see *Documentation*). More than 700 Massachusetts health professionals have added their endorsement since the article went to press, and doctors and nurses in many other states have begun forming similar groups, according to

the committee.

A founding member of the Ad Hoc Committee, Dr. Bernard Lown, Professor of Cardiology Emeritus at the Harvard School of Public Health, Senior Physician at Brigham and Women's Hospital in Boston, and co-founder and co-president emeritus of International Physicians for the Prevention of Nuclear War, spoke at the press conference from the vantage point of more than 40 years in clinical practice, medical teaching, and scientific research. "Never before have I encountered such a breakdown in the system of care, such a dismissiveness of human values, such a disdain for ethical principles," Dr. Lown said.

"The new corporate system is characterized by abandonment of the sick and the vulnerable. The abandonment takes many forms. It excludes millions from obtaining health insurance, thereby abandoning the poor. It courts the healthy and imposes obstacles for those with medical problems and thereby abandons those chronically ill. It cuts the time a doctor can spend with a patient and thereby forces a physician to abandon a long-hallowed code of practice. It replaces bedside nurses with lower-paid unlicensed employees and thereby abandons the sick when they are crucially in need of intimate care, of understanding, and of compassion. It short-shrifts hospital stay, irrespective of a patient's condition, by standardized regulations, thereby abandoning a precept central to the health tradition of the uniqueness of each person. The quick hospital throughput is especially devastating for those who live helplessly alone and is a crucial act of abandonment of the old. Perhaps most pernicious is the forcing of health professionals to abandon their advocacy role for the sick."

In her address to the Faneuil Hall audience, Dr. Linda Peeno, a physician trained in internal medicine and infectious diseases, who is currently a clinical instructor in medicine at the University of Louisville Medical School in Kentucky, and chairs its hospital ethics committee, shocked the audience with her account of managed care as she came to know it from the inside (see interview). Dr. Peeno told the crowd, "We are gathered here to make history. Like the patriots of 1773, we hope to create our own political convulsion. . . . We should strive for the same effects noted by John Adams of the original Boston Tea Party. Its revolutionary spirit, he said, is 'the



Members of the Ad Hoc Committee to Defend Health Care, at the site of the Boston Tea Party, throw crates of managed-care policies overboard.

most magnificent Movement of all’ — an incident of dignity, majesty, and sublimity.”

It was the other Adams, John’s second cousin Samuel, Peeno said, “who said that the original tea party was to make *tyranny*, not merely tea, the issue. We should take heed of this great mission. For we are here tonight, not just to reclaim medicine, but to launch, by way of medicine, a revolution whose purpose is nothing less than the emancipation of the human spirit from the tyranny of corporatism, greed, abusive power, and disregard for human need and life.”

Documentation

The following unprecedented “Call to Action” appeared in the Dec. 3 issue of the Journal of the American Medical Association, endorsed by some 2,300 doctors and nurses—more than 10% of Massachusetts’ doctors. Founders of The Ad Hoc Committee to Defend Health Care drafted the JAMA article last spring, and have been circulating it nationally for endorsements since then, adding more than 700 endorsers since publication. The Call to Action demands an immediate moratorium on for-profit takeovers of health institutions and for a broad societal dialogue to “formulate a caring vision” for

health care. It was publicly released by the committee at the Dec. 2 “Second Boston Tea Party.” Excerpts follow.

For our patients, not for profits: A call to action

We are Massachusetts physicians and nurses from across the spectrum of our professions. We serve patients rich and poor, in hospitals and clinics, private offices and health maintenance organizations (HMOs), public agencies, community settings, and academia. Mounting shadows darken our calling and threaten to transform healing from a covenant into a business contract. Canons of commerce are displacing dictates of healing, trampling our professions’ most sacred values. Market medicine treats patients as profit centers. The time we are allowed to spend with the sick shrinks under the pressure to increase throughput, as though we were dealing with industrial commodities rather than afflicted human beings in need of compassion and caring. The right to choose and change one’s physician, the foundation of patient autonomy and a central tenet of American medicine, is rapidly eroding.

Physicians and nurses are being prodded by threats and bribes to abdicate allegiance to patients, and to shun the sickest, who may be unprofitable. Some of us risk being fired or “delisted” for giving, or even discussing, expensive services, and many are offered bonuses for minimizing care. . . . The primacy of the patient yields to a perverse accountability—to investors, to bureaucrats, to insurers, and to employers.

And patients worry that their physician's judgment and advice are guided by the corporate bottom line.

Public resources of enormous worth—nonprofit hospitals, visiting nurse agencies, even hospices—built over decades by taxes, charity, and devoted volunteers are being taken over by companies responsive to Wall Street and indifferent to Main Street. . . . Hospital chains' profits reach \$100 per patient per day; a single HMO president nets \$990 million in a takeover deal; and insurers' overhead consumes \$46 billion annually.

At the same time, the ranks of the uninsured continue to grow, while safety-net public hospitals and clinics shrink and public health programs erode. Even many with insurance find coverage deficient when they need it most; care or payment are too often denied for emergencies or expensive illnesses. The sick are denied skilled nursing care, rushed out of hospital beds, and hurried through office visits. Increasingly, patient comfort and the special needs of the elderly, infirm, or disabled are ignored if they conflict with the calculus of profit. . . .

We differ on many aspects of reform, but on the following we find common ground:

1. Medicine and nursing must not be diverted from their primary tasks: the relief of suffering, the prevention and treatment of illness, and the promotion of health. The efficient deployment of resources is critical, but must not detract from these goals.

2. Pursuit of corporate profit and personal fortune have no place in caregiving.

3. Potent financial incentives that reward overcare or undercare weaken patient-physician and patient-nurse bonds and should be prohibited. Similarly, business arrangements that allow corporations and employers to control the care of patients should be proscribed.

4. A patient's right to a physician of choice must not be curtailed.

5. Access to health care must be the right of all.

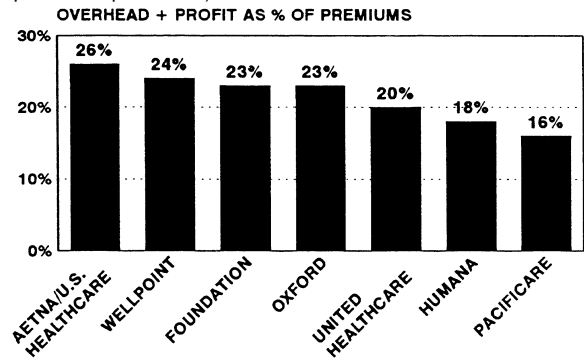
Before the values we cherish are irretrievably lost, we invite members of the health professions and the public to join in a dialogue on health care's future. The headlong rush to profit-driven care has occurred without the assent of patients or practitioners, through a process largely hidden from public scrutiny and above citizen participation. This must be replaced by an open and inclusive process that is not dominated by the loudest voices—those amplified by money and political influence. . . .

We have petitioned our governor, legislature, and attorney general for a moratorium on for-profit takeovers of hospitals, insurance plans, HMOs, physicians' practices, and other health care institutions. . . . We invite public endorsement of this Call to Action by additional colleagues and by medical, nursing, and lay groups. . . . We seek an inclusive and empowering dialogue with patients and the public to formulate a caring vision true to the community roots and samaritan traditions of American medicine and nursing.

FIGURE 1

HMO overhead and profits

(as percent of premiums)

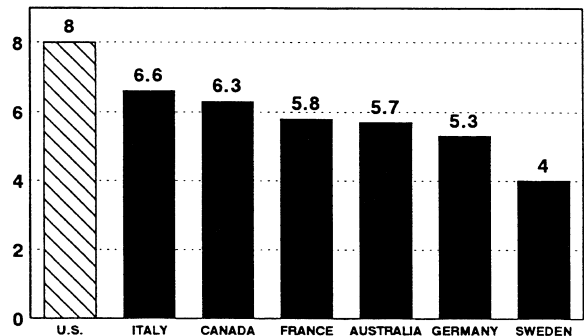


Source: Outlook for Managed Care 1997. Corporate Research Group.

FIGURE 2

Infant mortality, 1995

(Deaths in first year of life/1000 live births)

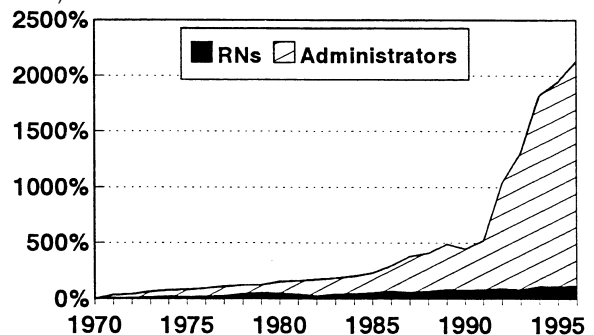


Source: OECD, 1997

FIGURE 3

Growth of registered nurses and administrators, 1970-96

(percent)



Source: Bureau of Labor Statistics & Himmelstein/Woolhandler/Lewontin analysis of CPS data.

Graphics from a study on "Healthy Profits, Unhealthy Care: A Data Update on Market-Driven Health Care," by committee members David U. Himmelstein, MD and Steffie Woolhandler, MD, MPH.

Medicine is being perverted by a corporatist utilitarian ethic

Dr. Peeno is a physician with training in internal medicine and infectious diseases. She gave up her job as a medical reviewer for the for-profit hospital chain Humana, in order to expose the practices of managed care, and is currently a clinical instructor of medicine and chair of the hospital ethics committee at the University of Louisville, Kentucky. She spoke to Marianna Wertz by phone on Dec. 5, 1997.

EIR: What you said in Boston and what you've done in exposing the practices of managed care are very important. What was your experience with managed care?

Peeno: I started out with a moonlighting job at Humana, whose corporate headquarters are here [in Louisville], doing medical reviews. What it did was give me a sense of what was happening behind the scenes and how much the whole idea of saving money was driving the processes and policies and procedures. That came home very clearly when I was told that I had to keep a certain denial rate; and I was reprimanded when I approved things and rewarded when I denied expensive things. So I finally ended up leaving Humana.

I was part of a five-member team of physicians who were put together to do all of the reviews for all of their hospital patients across the nation. They had centralized this process for all their markets. So any time anybody went into a Humana hospital, they had to call and go through this central process for authorization. Also, we did reviews on people once they were admitted, so we would issue lengths of stay, which, of course, would be very, very low; and, then, would require the hospitals to have to call for continued authorization, so we could continually monitor the patients and move them out as quickly as possible.

I ended up leaving there after about eight months, because I had started out thinking that medical background was what was important, only to find out that that actually was a hindrance! So I finally quit and really attributed, at that point, what I had witnessed, as unique to Humana.

One of the nurses that I had worked with at Humana had gone to an HMO that was organized by non-profit hospitals to be a competitive product with Humana, and they needed a medical director, so she called me and said here's a really good chance for you to put into place the policies and procedures that you would like and do things differently.

So I went there, thinking that that's exactly what I would be able to do. To make a long story short, after a couple of years, I realized that the processes and procedures that I had witnessed and participated in at Humana were sort of generic across-the-board. It became clear that there was this systemic nature to what we were calling managed care, whose essence really depended upon limitation and denial, to make budgets, to offset losses, to make money, to enhance shareholders' returns. It was increasingly removed from what it was holding out to the public as real clinical care for the patients.

EIR: You testified before Congress on this.

Peeno: Yes, I did, twice before the Commerce Committee and a couple of other places, and several state legislatures.

EIR: Were you satisfied with the response?

Peeno: No. I think there are times when I wish I hadn't done it. Particularly when I went a year and a half ago. I'd thought, a week or so before I went, about what could I say that would really make a difference. I talked to somebody on the committee, and he said everybody's going to come and they're going to have the predictable script. The American Association for Health Plans is going to say what we know they're going to say, and AMA [American Medical Association] is going to say what they're going to say. He said, somehow we can't really get to the core of what's happening, so maybe you could help us understand that.

That's when I thought: I don't know how to do it, other than graphically, to help them understand not only what I did, but the weight that I feel, having participated in that. So I used the example of the heart transplant patient [who died for lack of treatment], that I was involved in, when I was a reviewer at Humana, and how that haunted me. For me, it represented a whole shift of using physicians and using medical rationale to underpin economic goals.

There was a part of me that thought, if somebody came to a Congressional committee and said what I just said, there should have been some sort of concern about that. I guess, I was just surprised that there wasn't.

EIR: Dr. Bernard Lown, at the Boston rally—and Mr. LaRouche, the founder of *EIR*, has done this as well—charged

that what's going on in this country with managed care is the same kind of transformation that happened in Germany before the war, and for much the same motive, to save money, the end-product of which is losing lives. Have you looked at it that way?

Peeno: It's interesting because, at the end of the written testimony that I submitted a year and a half ago, when I talked about the death of this heart transplant patient, there's a whole list of things that I think are characteristic of where we are now. In the next paragraph, I say, this list is not unique. This is the list that was compiled by another writer in another period in history. It just happened to come from a book written about Nazi medicine in the '30s, prior to the Final Solution: the whole transformation of medicine under this socio-economic, political ideology that was driving what was happening. I listed all the parallels. I was so glad that Dr. Lown said it, because he has a kind of authority that somebody wouldn't think that this was strange.

EIR: What is your position now?

Peeno: I do adjunctive work at the University of Louisville. I'm a clinical instructor in medicine and I teach ethics. I chair the hospital ethics committee, which is a very active consulting service. We actually go to the bedside, and we're on call 24 hours a day, and calls default to me, so that keeps me very busy. I also teach and lecture. Most of my local work is focussed on issues that have to do with general medical ethics.

EIR: In the medical ethics field today, in this country, which is witnessing this kind of transformation, do you think what you're saying is widely believed, if not said?

Peeno: You mean, in terms of the ethical issues?

EIR: Yes.

Peeno: That's an interesting question. First of all, I don't think we are thinking seriously and objectively and analytically enough about what I call the large systems ethics questions. I know there are some very renowned ethicists, like Pellegrino, who have written and touched on managed-care ethics issues, but they are very focussed on such issues as gag clauses interfering with doctor-patient relationships and how financial incentives can encourage physicians to make unethical decisions. They're sort of sitting on the fence, too, because no one has come down and said there is something inherently unethical about the systemic essence of managed care.

If you start deconstructing, what is this? What comprises the essence of this system? Then you can start seeing some of these basic elements for what they are: This sense that we can commodify everything, a very dangerous *utilitarian* kind of ethic, which I think does have direct parallels to Germany in the '30s, where the life of the *Volk* is more important than the life of the individual and we can sacrifice

individuals for this "greater good," or "greater group."

So, when I do lectures now, I've been working off that kind of analysis and trying to help people understand. Then I take it even one step further and, in one of the medical lectures that I do, I talk about how, what we're not acknowledging, is that this is a vast medical experiment that is unprecedented in history, that is occurring with none of the corrections or oversights that we have put in place for all of the other medical research. Take for example the 24-hour [maternity] stays. Since the Nuremberg Code, we have all kinds of detailed processes to make sure that everything done clinically on somebody goes through this kind of scrutiny. Yet, here we have a situation in which no significant study was done to determine the best way to treat post-maternity care for the baby and the mother. It just happened. It just kept racheting down and racheting down, with no clinical underpinnings whatsoever.

You can just take this across the board. We'll do this in health care, we'll do this with the care of children, mental health, the list will go on and on and on, until we've rolled everything over into this kind of model. What a way to slowly eliminate all of the expensive, susceptible members of society. It just slowly gets impossible for them to get the care.

EIR: You raised the question of utilitarianism. It's an underlying British philosophy, which predates the Nazis and against which this country was founded. This is the key fight: between the utilitarian concept, located in the thoughts of men like John Locke and Jeremy Bentham, as against the ideas of Leibniz, Ben Franklin, and Plato, which are the republican tradition of this country. That's the fundamental divide.

Peeno: I think you're exactly right. We don't really question that. Even in medical ethics classes. Utilitarianism is so seductively attractive, particularly to corporatism, a strange permutation of capitalism, where the benefit of the persons who can afford to pay are greater than those who can't. It's very attractive.

One of the members of the [House Commerce] committee, after I testified a year and a half ago, said he wasn't moved by any of the patients' stories that had occurred that day, because the sacrifice of these lives just might be necessary in order for us to rein in costs, and we're just going to have to live with that.

I don't think the public knows that people have made that decision, that there are going to be some people who are going to be sacrificed for the benefit of the economic profitability of companies or the ability for employers to cut the costs of premiums.

EIR: Mr. LaRouche has been called every name in the book, because he takes the kind of stand that you took.

Peeno: That's probably the highest compliment.

'Medical marijuana' falls flat in D.C.

The Washington, D.C. chapter of the homosexual "AIDS" lobby, ACT UP, failed in its petition drive to have an initiative to legalize "medical marijuana" placed on the D.C. ballot. On Dec. 8, ACT UP claimed, according to the *Washington Times*, to have more than met the requirements by filing 21,000 petition signatures (17,070 were needed), with 5% of the registered voters representing at least five of the city's eight wards.

However, a voter who checked the petition found at least 1,000 fewer signatures than required. Even before the voter could assemble an ad hoc group to formally challenge the petition, the Board of Election had already rejected it.

However, a Board of Elections spokesperson also revealed to the voter, that ACT UP has already submitted the paperwork for a new initiative with the same goal, as has a second group.

Scaife scribblers churn latest murder thriller

Since early December 1997, the paid pens and gumshoes for "Get Clinton" moneybags Richard Mellon Scaife, have escalated their latest conspiracy theory that the President's circle had Commerce Secretary Ron Brown killed. Brown, a key player in Clinton's economic diplomacy in the Balkans and also China, was killed in a plane crash outside Dubrovnik, Croatia, as he was returning from Bosnia, in April 1996.

Beginning on Dec. 2, faxes and Internet messages from Scaife's hireling Chris Ruddy (who has otherwise worked full-time "proving" that Vincent Foster was murdered) began flying around, hyping a "major news report" in the Dec. 3 *Pittsburgh Tribune-Review* which "will detail allegations that suggest Ron Brown was assassinated." (On Nov. 24, Ruddy had co-authored an article with another Vince Foster "assassination" buff, Hugh Sprunt, in Scaife's *Trib-*

une-Review describing Brown's alleged ties to all the major figures in the "Chinagate" Democratic National Committee fundraising scandal.)

Ruddy's Dec. 3 article claims that a circular hole in Brown's skull "could have been a gunshot wound," and that a forensic pathologist, Lt. Col. Steve Cogswell, called it "an apparent gunshot wound." Cogswell investigated the crash site, but, a close reading of Ruddy's article shows that Cogswell never examined Brown's body. Air Force Col. William Gormley, a military medical examiner, who did examine the body, said that the head wound was definitely not caused by a bullet, and he ruled Brown's death to have been accidental.

Truth aside, the pro-British "media food chain," in the form of the Hollinger Corp. London *Daily Telegraph* immediately recycled the story, quoting Cogswell, but ignoring the fact that he had never examined Brown's body, and other such "minor" details.

LaRouche associate Phau files Federal habeas

Donald Phau, a LaRouche associate incarcerated by Virginia as a political prisoner, filed a Federal petition for *habeas corpus*, in the U.S. District Court in Richmond, on Dec. 11. The Federal petition covers much the same issues which the Virginia Supreme Court denied. The state court made their decision based on lying affidavits from Phau's incompetent trial attorneys, Pat Monaghan and Doug Davis, without even giving Phau a chance to respond.

The *habeas* petition charges that he is being illegally held in prison by Virginia authorities, who, in collaboration with corrupt Federal officials, the news media, and the Anti-Defamation League of B'nai B'rith, obtained an illegal conviction of Phau on bogus charges that he violated Virginia's securities statutes.

The 142-page petition, accompanied by eight volumes of evidence, charges Virginia authorities with an accumulation of prosecutorial misconduct, including: presenting false evidence, witness tampering, brain-

washing witnesses, black-bag jobs, illegal wiretaps, withholding exculpatory evidence, making false representations in court, and conducting a nationwide campaign of defamation to cover for these illegalities.

The petition also charges that Phau's trial attorneys were grossly incompetent.

A Federal judge will now determine whether Phau will get a hearing on his petition.

Clinton orders shutdown of drug trade on border

President Clinton headed a strategy session on U.S. drug interdiction in Miami, Florida, on Dec. 11. Pulled together by White House drug policy adviser Gen. Barry McCaffrey (ret.), it was attended by representatives of all the U.S. interdiction task forces: San Francisco, which handles the Eastern Pacific; Panama; Key West, which oversees the Caribbean; and Joint Task Force Six in El Paso, Texas, which handles the U.S.-Mexican border.

At a press briefing later, General McCaffrey announced that "my orders are" to pull together a "Southwest Border Initiative," to be announced in the President's January State of the Union address. The initiative's mission is "to try and stop drug smuggling into the United States across the Mexican-U.S. border in the next five years—substantially stop it," without closing "the biggest open border in the world." As McCaffrey said, "this is big doings." Crossing that border every year, are 260 million people, 82 million cars, 3.5 million trucks, 340,000 railroad cars.

The centerpiece of the initiative is applying a technology which *EIR* has championed for over a decade, including x-ray machines originally designed to look through Soviet ICBM shipping containers, which would eventually be used at all 39 points of entry between the two countries. "They work," McCaffrey said. "They absolutely work. You can see 20 kilograms of cocaine inside lead in the battery container, or . . . welded into walls of the truck, or suspended by wires in a load of wet concrete."

74 EXECUTIONS of prisoners in the United States in 1997 was not only the highest number since capital punishment was reinstated in 1976, but the most in four decades, according to a report released on Dec. 15 by the Bureau of Justice Statistics. Texas was responsible for the increase over 1996, with 37 executions. Virginia ranked second, with nine.

CONGRESSIONAL staffers with the Senate Foreign Relations Committee are travelling in Eritrea, Ethiopia, and Uganda, while two House International Relations Committee staffers are travelling in Liberia, Ivory Coast, and Ghana. In addition, two Democrats with the Black Congressional Caucus, Rep. William Jefferson (La.) and Rep. Charles Rangel (N.Y.), are visiting Eritrea, Ethiopia, and seven other sub-Saharan countries in connection with the Africa Trade and Investment Act.

MARY SUE TERRY, the former Virginia Attorney General who tried, unsuccessfully, to parlay her role in the Federal-state-private "Get LaRouche" task force as a ticket into the Governor's Mansion, has resurfaced as chairman of the Virginia Foundation for Women. Other members include Beth Marschak, a founder of the Richmond Lesbian Feminists.

NEW YORK MAYOR Rudy Giuliani (R) told the local CBS affiliate on Dec. 6, that he wants to set up a gambling casino on Governors Island in New York Harbor. Gov. George Pataki (R) proposed that the casino could use the abandoned Coast Guard station there. "I think the city and the state have to think competitively here. New Jersey and Connecticut are making a lot of money off New Yorkers who go there and gamble," Giuliani said.

A FEDERAL JUDGE has so far thrown out 4 of the 39 felony counts brought against former Agriculture Secretary Mike Espy by independent counsel Donald Smaltz last August.

Welfare reform report: 'The jobs aren't there'

Jobs with Justice, a coalition involving organized labor, religious, civil rights, and other groups, has released a report, titled "Welfare Reform: The Jobs Aren't There." The release was timed to coincide with demonstrations in more than 50 cities on Dec. 10, and with the anniversary of the Universal Declaration of Human Rights, which declares that "everyone who works has the right to just and favorable remuneration ensuring for himself and his family an existence worthy of human dignity."

The study argues that the basic premise of the Personal Responsibility and Work Opportunity Reconciliation Act, signed into law on Aug. 22, 1996, that requiring welfare recipients to find employment "would somehow create the necessary jobs and income, is demonstrably false."

Nationally, the report shows, the economy is projected to create only about half as many net new, low-skill jobs as there are welfare recipients targeted to enter the labor market, for 1997-98. If normal growth in the labor force is factored in, the ratio of job seekers to jobs is nearly 3:1. The odds against a welfare recipient getting a decent-paying job are about 97:1. The influx of former welfare recipients into the low-wage labor market is projected to reduce that sector's wage bill by nearly 12%. These low-wage workers will lose an estimated \$36 billion a year in income—some \$8.5 billion more than the total Federal and state spending on Aid to Families with Dependent Children in 1994!

'Get Clinton' special prosecutors running wild

After an investigation that has cost over \$4 million, and lasted 2.5 years, in December, an independent counsel obtained an 18-count indictment from a Federal grand jury against Henry Cisneros, the Clinton administration's first housing secretary. Cisneros was charged with conspiracy, false state-

ments, and obstruction of justice, in connection with statements made to FBI investigators during his confirmation proceedings in 1993.

Independent counsel David Barrett was appointed in May 1995 at the request of Attorney General Janet Reno—one of six times Reno has asked for appointment of an independent counsel to investigate an administration official. Barrett, a Republican activist, fundraiser, and former candidate, was appointed by the same special three-judge panel headed by David Sentelle, a Jesse Helms protégé from North Carolina, that had appointed Kenneth Starr to head the Whitewater investigation earlier.

It has been reported by many sources, including the *New York Times* of Dec. 12, that Justice Department officials, including Reno, have become disillusioned with the independent counsel process, with one department source describing the current crop as "overzealous amateurs."

Mayors say hunger and homelessness are rising

On Dec. 15, the U.S. Conference of Mayors released its annual survey of hunger and homelessness in American cities, and reported that requests for emergency food and shelter have increased for the 13th year in a row since the surveys began. Eighty-six percent of the 29 cities responding to the survey, reported an increase in emergency food requests. Requests by families increased by an average 13%. Nineteen percent of requests are estimated to have gone unmet, with the figure for families being 22%. Fifty-eight percent of people requesting food assistance were families, and 38% of adults were employed. Of the causes of hunger listed by city officials, "low-paying jobs" was on top of the list. The picture for homelessness is similar, though the rate of increase is not reported to be as great.

The report summary still pays lip service to the myth of the "strong economy," with Charleston, South Carolina Mayor Joseph Riley, explaining limply that "a rising tide doesn't lift all boats. Some boats are not seaworthy."

Africans take the lead

On Dec. 20, in New York City, a new institution was founded, which will rightly lead the way toward the reshaping of world history in 1998. Under the leadership of Dr. Godfrey Binaisa, former President of Uganda, and with the close aid of Helga Zepp LaRouche's Schiller Institute, an African Civil Rights Movement was formed.

Dr. Binaisa first issued his call for such a movement in April 1995. That call poses the challenge which faces all nations, but has reached the most critical point in Africa. We quote its statement of purpose:

"Recognizing the right for development as the inalienable right of man, we call for a policy of rapid development of the physical economy of our continent. This means the large-scale development of continent-wide infrastructure (railways, roads, waterways, energy, education, and health), it means a perspective of rapid buildup of modern agriculture and industry, so that we will feed ourselves and manufacture from our raw materials. We demand that the existing foreign debt structure be frozen and any payments postponed until such a time as we have economically recovered and have separated out the legitimate from the illegitimate debt. We reject any of the IMF's [International Monetary Fund] SAPs [Structural Adjustment Programs] and privatization policies, and instead join forces with those in Ibero-America, in Russia and Ukraine, who demand a general bankruptcy reorganization of the collapsing world economy, and a 'New, Just World Economic Order.'

"We, the people of Africa, must finally throw off the yoke of the new colonialism and exercise our sovereignty by choosing '20-century methods' for the most rapid economic development, which will enable 'all the men in all the lands of Africa to live out their lives in freedom from fear and want.' Thus, we lay the basis for lasting peace on our continent. Because, as Pope Paul VI said, 'Development is the new name for peace.' "

It is particularly appropriate that Africa lead the way in establishing an organization dedicated to such universal principles. The fate of the African continent is in

many respects the "conscience" of mankind, because it is there where one can see most starkly the future which the international financial oligarchy sees for all of mankind. Over the course of 1997, once again, we in the LaRouche movement have stressed the "Africa issue"—dramatized in the British-sponsored genocide around the Great Lakes region—as a test for all humanity. We have largely confronted apathy in the face of the unspeakable, yet stoppable horrors.

But, even under conditions which would make the strongest man faint, a grouping of African leaders has taken courage from Lyndon and Helga LaRouche, and stepped onto the stage of world leadership. In great contrast to those small people who rail about the fate of "their neighborhood," or "their family," or "their country," or "their race," these people have agreed to move ahead with a perspective of replacing the IMF with a new monetary system, and effectively destroying the British Empire. They have taken the lead for all nations throughout the world.

In the course of 1998, it is precisely such far-sighted leadership that will be required. We are headed into financial, economic, and political storms, the likes of which have not been seen for centuries. To try to patch up the system which is collapsing, or deal with local palliatives, is a losing proposition. What mankind requires is individuals who will rise to the Mountaintop, so eloquently spoken of by Rev. Martin Luther King, to tell the truth, and to fight for the global changes which are required.

This magazine was founded with the specific commitment to providing the intelligence required for the construction of such a "new, just world economic order," intelligence which centers uniquely around the leadership of our founder, Lyndon LaRouche. Many opportunities for advancing toward this objective have been lost over the last three decades. Now that African leaders have come forward to launch an institution committed to it, it is incumbent upon the rest of us to join them—and make 1998 the year of a new, just monetary system, for all.

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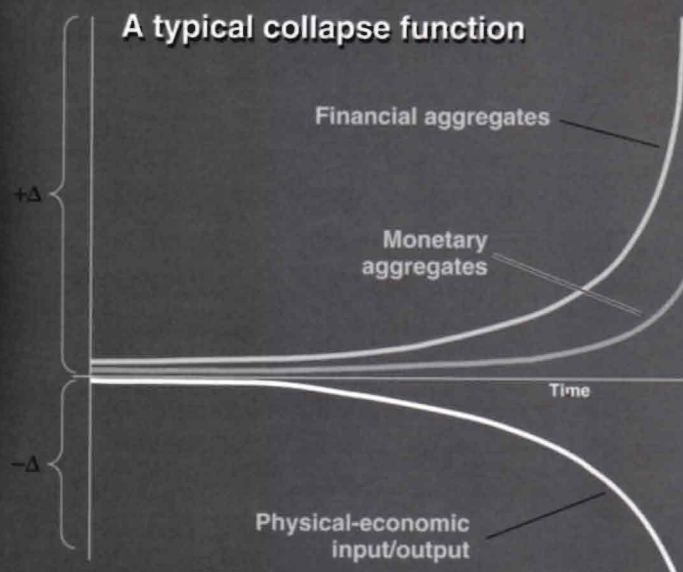
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