

EIR

Executive Intelligence Review

March 6, 1998 Vol. 25 No. 10

\$10.00

Will the April 22-nations effort succeed?
Asian financial storms hit Germany
Terrorist threat from Britain, Israel

**LaRouche takes leadership
for a New Bretton Woods**



In 1945, the world looked with horror at the genocide by Britain's marcher-lord Hitler, and cried out,

"Never again!"

On April 4, 1997, the world stood by, as Britain's marcher-lord Yoweri Museveni proclaimed,

"My mission is to see that Eritrea, Ethiopia, Sudan, Uganda, Kenya, Tanzania, Rwanda, Burundi, and Zaire become federal states under one nation.

. . . As Hitler did to bring together Germany, we should also do it here. Hitler was a smart guy, but I think he went a bit too far by wanting to conquer the whole world."



Dachau, Germany, 1945

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Kisangani, Zaire, 1997

EIR News Service

P.O. Box 17390 Washington, D.C. 20041-0390

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EIR (ISSN 0273-6314) is published weekly (51 issues) except for the second week of July, and the last week of December by *EIR News Service Inc., 317 Pennsylvania Ave., S.E., 2nd Floor, Washington, DC 20003. (202) 544-7010. For subscriptions: (703) 777-9451. World Wide Web site: <http://www.larouchepub.com> e-mail: eirns@larouchepub.com*

European Headquarters: Executive Intelligence Review Nachrichtenagentur GmbH, Postfach 2308, D-65013 Wiesbaden, Otto von Guericke Ring 3, D-65205 Wiesbaden, Federal Republic of Germany Tel: (6122) 9160. Homepage: <http://www.eirma.com> E-mail: eirma@eirma.com Executive Directors: Anno Hellenbroich, Michael Liebig

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In Mexico: EIR, Río Tiber No. 87, 5o piso, Colonia Cuauhtémoc, México, DF, CP 06500. Tel: 208-3016 y 533-26-43.

Japan subscription sales: O.T.O. Research Corporation, Takeuchi Bldg., 1-34-12 Takatanobaba, Shinjuku-Ku, Tokyo 160. Tel: (03) 3208-7821.

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Domestic subscriptions: 3 months—\$125, 6 months—\$225, 1 year—\$396, Single issue—\$10

Postmaster: Send all address changes to *EIR*, P.O. Box 17390, Washington, D.C. 20041-0390.

From the Associate Editor

LLyndon LaRouche's campaign for a New Bretton Woods System, featured in this issue, draws the line sharply between two diametrically opposed conceptions of a "new world order."

Many people associate that phrase with Maggie Thatcher's and George Bush's 1991 war against Iraq. That is the "new order" of British satanist H.G. Wells, in which sovereign nation-states are obliterated, their people reduced to virtual serfdom, and a "one world" oligarchy rules, through such institutions as the United Nations and the International Monetary Fund.

In our *Feature*, we present a very different concept, that of a "new, just world economic order," as developed by LaRouche. This is a world order based upon a community of principle among sovereign nation-states, dedicated to the belief that every person is made in the image of God; that every nation has the right to economic and scientific progress. The history we document here is utterly unknown to most Americans; yet it provides an elaborated understanding of what *justice* means in financial and economic affairs. This is essential, in order to understand what must be done *now*, to steer the world out of the worsening breakdown crisis.

The photograph on our cover captures a poignant moment in the decades-long fight between these two political factions. In Andover, Massachusetts in January 1988, Helga Zepp-LaRouche addresses a conference of the Schiller Institute, on replacing the bankrupt world financial system with a New Bretton Woods System. Also at the podium is her husband, Lyndon LaRouche, and the former Foreign Minister of Guyana, Fred Wills. Wills, a man with piercing and humorous insight into the ideology of the British oligarchy, had been a friend and collaborator of the LaRouches since 1976, when he stood before the United Nations and demanded a debt moratorium. Wills was forced into exile, soon after taking that courageous stand. LaRouche, in 1988, was standing trial in Massachusetts for a political frameup, and would soon be indicted again, in Virginia, on "conspiracy" charges that would send him to jail for five years. But, the battle that was joined in Andover, continues today. As Wills told the audience at that time, "We shall pursue, exploit, do what we have to do, and, have no doubt about it, we shall win!"



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Feature



A Schiller Institute conference in Andover, Massachusetts, Jan. 31, 1988, on the theme, "Development Is the Name for Peace." Left to right: Helga Zepp-LaRouche, former Foreign Minister of Guayana Fred Wills, Lyndon H. LaRouche, Jr.

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Asian financial storms hit Germany

by Lothar Komp

The February 1998 euphoria on the Frankfurt stock market, which led to new historic records of the DAX index, is based on three fatal illusions: First, the financial meltdown in Asia is being presented to the small investor as a geographically limited phenomenon, and not as a symptom of fundamental flaws in the global financial system. Therefore, apart from discussing minor reforms of International Monetary Fund (IMF) policies, “business as usual” is supposed to resume after a few billion deutschemarks in loans to Asia are written off. Second, even in respect to a geographically limited “Asia crisis,” the propaganda line of IMF Managing Director Michel Camdessus, that “the worst is over,” is being echoed by the vast majority of economic media. Third, what happens in Asia is suddenly being portrayed as having almost no relevance for Germany’s economic future. For more than a decade, neo-liberal (free trade) theorists had praised the Asian “tiger” economies as the globalization-age alternative to the “out-dated” postwar German success model of a machine-tool-driven economy with large per-capita investments into labor, production facilities, and infrastructure. During the same time period, the Asian nations, with their populations of about 4 billion, correctly had been described as having gigantic potential for the German capital goods industry (see **Table 1**). Now, for the sake of the “no impact on Germany” theory, Asia has been removed to a different planet, in public opinion. However, as 1998 continues along, all three illusions are ready to burst.

Contrary to some ludicrous announcements by German Economics Minister Jürgen Rexrodt (Free Democratic Party), the German government is indeed very concerned about the

possible consequences of the Asian financial storms on Germany’s export industry, particularly in view of the upcoming Federal elections in autumn. One indication of this was the one-week visit by the president of the German savings banks association, Horst Koehler, a former Assistant Finance Minister of Germany, to Indonesia, starting on Jan. 19. The Koehler mission, which included negotiations on a debt rearrangement between German creditor banks and their Indonesian debtors, was initiated, at least in part, by Chancellor Helmut Kohl. Another signal of the German government’s concern, was an internal paper prepared by the German Finance Ministry for Finance Minister Theo Waigel’s Feb. 16-20 visit to South Korea, Indonesia, and Thailand. According to press leaks, the paper warns of a “collapse of trade and trade financing,” as the Asian financial meltdown continues.

New risks for the budget

The default of creditors, or even of entire nations, would have an immediate effect on the German national budget, because of the Hermes instrument of Federal guarantees for exports and export credits. A spokesman for the Hermes desk of the Economics Ministry told *EIR*, “We are not reacting hysterically, but there are obviously new risks for the Federal budget.”

Since the early 1960s, the so-called Hermes guarantees for exports and export credits of German companies to primarily developing countries have played a crucial role in the buildup of the German high-tech capital goods industry, covering, until the early 1980s, approximately 10% of all German exports. Since then, this figure has been reduced to about

TABLE 1

German exports to East Asia

(billions of deutschemarks)

	1990	1996	change
China	2.494	7.255	+191%
Hong Kong	1.954	4.241	+117%
Indonesia	1.515	2.657	+75%
South Korea	2.922	6.558	+124%
Malaysia	1.034	2.810	+172%
Philippines	0.601	1.311	+118%
Singapore	2.040	3.861	+89%
Taiwan	2.429	4.456	+83%
Thailand	1.406	3.514	+150%
Vietnam	0.148	0.341	+144%

Source: IFO, *EIR*

5%. Nevertheless, by the end of 1996, the overall volume of outstanding export deals covered by Hermes guarantees had reached DM 189.9 billion (more than \$100 billion, at today's exchange rate). On top of this, there is another DM 62.6 billion in outstanding Hermes guarantees on interest rate payments of export credits.

Therefore, the total underlying volume of Hermes risks by the end of 1996 stood at DM 252.6 billion. Out of this, DM 65.7 billion belongs to Asian developing countries, DM 42.0 billion to the successor states of the former Soviet Union, DM 33.2 billion to Ibero-America, DM 23.2 billion to Africa, and DM 9.3 billion to eastern and southern Europe (see also, **Table 2**).

Preliminary figures for the Federal exposure due to Hermes guarantees for the end of 1997 have already been announced by the German Economics Ministry: DM 14 billion for Indonesia, DM 6 billion for Thailand, DM 2.8 billion for the Philippines, DM 2 billion for South Korea, and DM 2 billion for Taiwan. When the Finance Ministry presented a report on the Hermes guarantees to the German Parliament's Budget Committee on Dec. 22, 1997, which concluded with a rather optimistic view on the projected impact on the 1998 budget, the report was flatly rejected by the committee as "unrealistic." Since then, the Dec. 23-24, 1997 near-default of South Korea, and the debt moratorium in Indonesia in January 1998, have added further confirmation of that assessment.

Banks preparing for huge write-offs

Meanwhile, the German private banks are preparing for huge write-offs. Deutsche Bank has announced that it will set aside DM 1.4 billion in reserves for non-performing Asia loans. Similar measures have been taken by Commerzbank (DM 1 billion), Bayerische Landesbank (DM 500 million),

TABLE 2

German budget exposure, for the top 10 countries, as of year-end 1996

(billions of deutschemarks)

CIS (excluding Russia)	23.0
Russia	19.1
Brazil	17.4
Iran	12.9
China	12.7
Indonesia	12.1
Argentina	10.2
Turkey	8.9
Iraq	7.7
India	7.7

and other banks. In mid-January, Bayerische Landesbank fired the head, as well as other leading employees, of its operation in Singapore. The Singapore office is the bank's biggest operation in all Asia, bigger even than its Tokyo office; in 1996, it had 73 employees running a business volume of DM 9.8 billion. The activities of Bayerische Landesbank in Singapore not only cover investment banking and export and project financing, but also real estate trading and foreign exchange and derivatives transactions.

The degree of nervousness of German bank managements is underscored by the charges that they have leveled recently against the U.S. rating agencies Standard & Poors and Moody's, accusing them of "complete failure" in not foreseeing the outbreak of the financial crisis in Asia, up to allegations of "political conspiracy."

There are conflicting estimates on the overall loan exposure of German banks in the troubled Southeast Asian countries, including: a report by the French bank Paribas from November 1997; the official figures by the Bank for International Settlements (BIS), which, however, are for the end of 1996; and, the January 1998 study by the Munich-based economic research institute IFO. However, the rough dimension of these loans is now beyond doubt: about DM 200 billion, and, most probably, a few billions more (see **Table 3**). And, roughly 60% of these loans on average are short term, whereas in the case of South Korea, the short-term loans comprise as much as 75% of the debt portfolio.

The IFO institute estimates the East Asian loan exposure of German banks, excluding loans to Japan, at DM 218 billion (roughly \$122.7 billion), which is more than that of U.S. or other European banks, and is only topped by the exposure of the Japanese banking system. It was emphasized by the IFO that the German loans to Indonesia, Thailand, and South Korea started to rise sharply beginning in 1995, a rise which further increased during 1997. In a scenario published by the

TABLE 3

Loans of German banks as of September 1997

(billions of deutschemarks)

Country	Total	Short-term
China	15.1	6.1
Hong Kong	63.3	38.0
Indonesia	13.9	4.3
Malaysia	5.0	2.2
Philippines	2.1	0.2
Singapore	80.0	69.3
South Korea	19.9	11.4
Taiwan	5.0	4.4
Thailand	14.4	5.5
Vietnam	0.5	0.1
Total	217.8	141.5

Source: IFO

Schroeder Muenchmeyer Hengst (SMH) bank, 10% of the German bank loans to Asia would become non-performing, causing 1998 profits to fall by 60% at Deutsche Bank, 51% at Dresdner Bank, 70% at Commerzbank, and 67% at Bayerische Vereinsbank.

In early February 1998, the chief economist of Deutsche Bank, Norbert Walter, who in the past had downplayed the impact of the Asian disaster on the European economies, was correcting himself, now saying that we are probably heading into a world economic crisis. He warned that if efforts to "prevent a meltdown of the Japanese financial sector" failed, or if the political stability provided by the "China anchor" broke its mooring, the Asian crisis would "grow into a devel-

opment of real world economic chaos." A particularly worrisome factor was emphasized on Feb. 13 by Deutsche Bank board member Josef Ackermann, whose responsibility is for Asia. Among the primary factors which are playing an escalating role in the financial disasters of Thailand, South Korea, and Indonesia, he mentioned the huge derivatives exposures. Ackermann noted that the volume of derivatives contracts has sharply risen during 1997 all over the Asian markets, "more than ever before."

German banks in the derivatives trap

Also, the lawsuit between the South Korean brokerage house S.K. Securities and J.P. Morgan, involving failed derivatives contracts (as we show in an accompanying article, only the tip of the iceberg of the effects of the Asian currency collapse on the gigantic derivatives bubble), is pointing toward a much bigger risk for the German banks than just their Asian loan business.

While the German banks have essentially frozen their loans to the domestic industrial sector at about DM 320 billion between 1991 and 1996, the nominal volume of outstanding derivatives contracts by German banks skyrocketed in the same time period.

In October 1997, the Bundesbank (German central bank) published a report, entitled "The Off-Balance-Sheet Business of German Banks," which gives a detailed account of the overall derivatives activities of the German banks. By the end of 1996, the bets by German banks on future interest rates, foreign exchange values, stock prices, and indices reached the unbelievable amount of DM 16.8 trillion. This was a growth of 61% compared to the year before. By June 1997, the off-balance-sheet liabilities of German banks already stood at DM 21.7 trillion, more than six times the yearly Gross

FIGURE 1

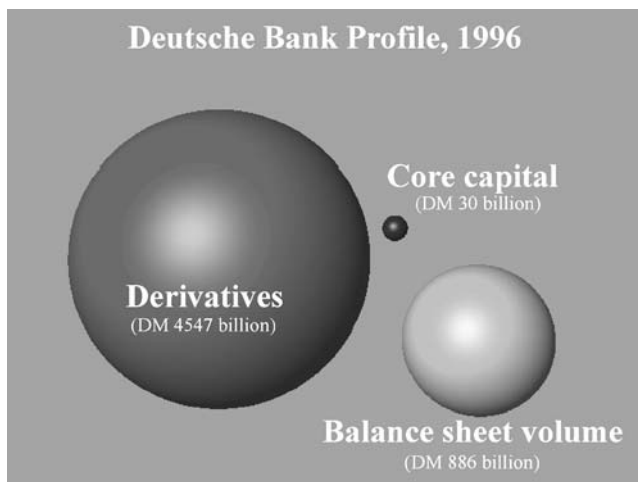


FIGURE 2

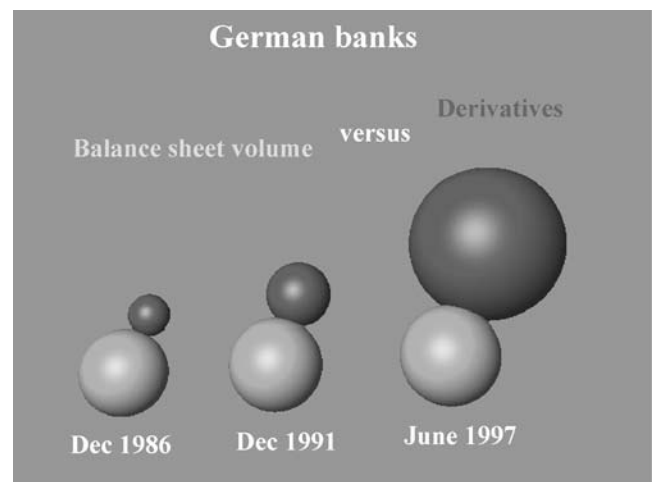
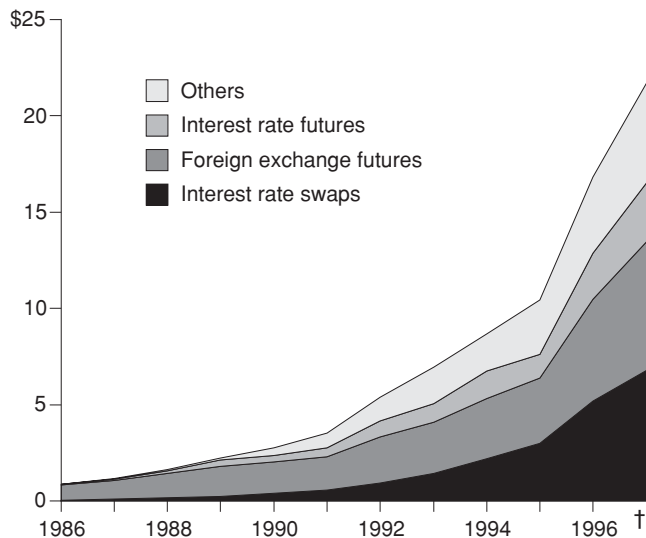


FIGURE 3

German banks' off-balance-sheet liabilities*
(trillions of deutschemarks)



* Nominal value of outstanding contracts at year-end.

† June 1997.

Source: Deutsche Bundesbank.

Domestic Product, compared to a balance-sheet volume of only DM 8.7 trillion.

Since 1986, the ratio between off-balance-sheet to balance-sheet activities of German banks has thereby risen from 25% toward 250%.

While these are accumulated figures for the whole German banking sector, every November the BIS publishes an estimate of the derivatives exposure of top international banks, including seven German banks. For Deutsche Bank, the BIS gives a derivatives exposure of more than DM 4.5 trillion for the end of 1996, which is 153 times the bank's core capital (Figure 1). In other words, if Deutsche Bank were to face an average loss of 1% on all its outstanding derivatives, the entire core capital of the bank would be wiped out (see also Figure 2).

On Feb. 5, German S&L association president Koehler, confronted with an intensifying campaign by the German private banks and the European Commission to fully privatize the S&Ls, urged German bankers, at a conference in Frankfurt, to learn the lessons from the financial crisis in Asia. This means, he explained, that Germany should not copy the "Anglo-American financial system," which is dominated by "short-term thinking" and "off-balance-sheet business." It seems, such requests are coming a few years too late (see Tables 4 and 5, and Figure 3).

TABLE 4

Derivatives (D), balance-sheet volume (B), and core capital (C) of German banks at end of 1996

(billions of deutschemarks)

Bank	D	B	C	D:C
Bankgesellschaft Berlin	642	337	8.3	77
Bayerische Hypo	377	339	14.6	26
Bayerische Vereinsbank	447	404	10.8	41
Commerzbank	1,683	448	13.5	125
Deutsche Bank	4,547	886	29.7	153
Dresdner Bank	1,388	561	15.2	91
Westdeutsche Landesbank	716	471	12.6	57

TABLE 5

Derivatives volume of German banks

(billions of deutschemarks)

Bank	1994	1995	1996
Bankgesellschaft Berlin	147	316	642
Bayerische Hypo	176	229	377
Bayerische Vereinsbank	447	651	958
Commerzbank	608	1,112	1,683
Deutsche Bank	2,186	2,367	4,547
Dresdner Bank	733	919	1,388
Westd. Landesbank	534	510	716
Total	4,831	6,104	10,311

Source: BIS, IOSCO.

Documentation

Tietmeyer: systemic risks, but no 'cure-all' possible

On Feb. 5, Bundesbank President Hans Tietmeyer spoke at a conference in Hamburg, on the theme "Money and Currency in the Age of Globalization." After presenting an alarming picture of the world financial crisis, he concluded that nothing can be done about it, that there is no *Patentrezept*, or cure-all, for the crisis. The speech provides a clinical insight into the mental self-paralysis of those leading finan-

cial figures who are not engaged in the ideology-driven total denial of reality.

Tietmeyer admitted that there are very serious problems associated with “the ever more globally operating financial markets.” Due to the full convertibility of almost all currencies, and the liberalization of capital transactions, “the flow of capital and the volume of foreign exchange transactions have rapidly increased—much more strongly than the trade of goods.” The volatility on financial markets has, even more, been fostered by the huge liquidity available internationally and by “new instruments,” i.e., derivatives. The recent disasters in Southeast Asia, he said, “have demonstrated again, how fast the international investors are withdrawing their capital, once the confidence in the currency and the domestic policy of a country begins fading away. Within days, even hours, dramatic movements and dangerously contagious processes can take place.”

Tietmeyer also acknowledged the “herd instinct” of market participants, which leads to all sorts of “short-term exaggerations.” He added, “The strong worldwide interconnection of financial markets is nowadays causing the danger, that even local ‘fires’ could rapidly spread and ‘inflare’ other troubled financial markets. Out of this, systemic risks with regional, in the worst case, even global dimensions, could emerge.”

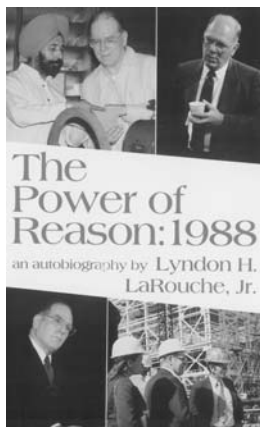
Tietmeyer also emphasized the need for “re-thinking the fundamental role of the IMF.” In a rather sarcastic way, he said that he would not want to comment on the recent IMF “rescue” programs, and whether the programs and the attached conditionalities had always been appropriate. “In any case, we cannot allow international organizations like the IMF to turn into a life-preserver for reckless private investors,” he said.

However, said Tietmeyer, “there is surely no magical cure.” He noted that, “due to volatile foreign exchange values and burst speculative bubbles, calls for re-regulation” of the global financial system have become “remarkably loud” in recent times. In particular, he mentioned “three proposals” for financial market regulation: “A deliberate restriction of the convertibility of currencies; different foreign exchange ratios, for trade-related transactions, and for pure financial transactions; or, a taxation of worldwide financial flows.” All three proposals were clearly rejected by Tietmeyer. In most cases, he claimed, “excessively volatile foreign exchange prices” are “caused” by flaws in domestic economic policy. “But, such dissonances cannot simply be managed by a worldwide system of fixed exchange rates or by setting up reference zones for foreign exchange values,” he said.

Books by Lyndon H. LaRouche, Jr.

The LaRouche case “represented a broader range of deliberate cunning and systematic misconduct over a longer period of time utilizing the power of the federal government than any other prosecution by the U.S. Government in my time or to my knowledge.”

—**Former U.S. Attorney General Ramsey Clark**

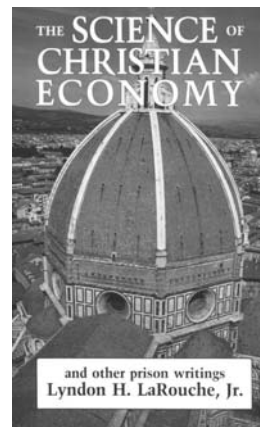


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Derivatives losses: the tip of the iceberg

by John Hoefle

Lyndon LaRouche and *EIR* have warned, since the spring of 1993, that the attempt to prop up the bankrupt international financial system through the use of off-balance-sheet derivatives would lead to a catastrophic collapse of virtually all of the world's financial and monetary systems. At the time LaRouche issued his first warning, there were some \$50 trillion in derivatives outstanding worldwide, of which about \$15 trillion were held by U.S. institutions. Today, there are some \$125-150 trillion in derivatives worldwide, three to four times the gross world product (or world GDP), of which about \$40 trillion are held by U.S. institutions, five times the U.S. GDP. To feed this bubble, has required enormous amounts of capital, much of which has come from the cannibalization of the productive sector of the U.S. and other national economies. Pools of capital have been systematically identified and looted by the international financial oligarchy, to feed the bubble; it is this combination of theft and diversion of capital from productive investment, which has led us to the brink of disintegration, and what has triggered the so-called "Asian contagion."

While the effects of this systemic crisis on the Asian countries has been widely publicized, the damage done to the global financial institutions is only slowly percolating into view, through year-end financial reports and a host of "reorganizations" at financial institutions.

Losses mount

Take J.P. Morgan & Co., for example. In January, Morgan announced a huge jump in its non-performing derivatives holdings in the fourth quarter of 1997, designating \$587 million of assets—primarily in a type of derivatives known as swaps—as non-performing, and raising its credit-related non-performing assets to \$659 million, from \$84 million on Sept. 30, 1997. Morgan's proprietary trading unit saw its total return drop to \$22 million for the fourth quarter, compared to \$228 million in the fourth quarter of 1996, with 30% of that drop attributed to problems in Indonesia, South Korea, and Thailand.

"Losses from managing equity derivatives during a period of significant market volatility were primarily responsible," the bank stated.

Those losses are only the tip of the iceberg. Morgan, which had \$6.2 trillion in derivatives holdings as of Sept. 30, 1997, has admitted to \$900 million in derivatives exposure in Indonesia, \$3.4 billion in South Korea, and \$1.1 billion in

Thailand, and is currently embroiled in a legal fight with S.K. Securities of South Korea, over \$300 million in derivatives losses.

Chase Manhattan Corp., with \$7.9 trillion in derivatives as of Sept. 30, is also feeling the heat. Chase reported \$160 million in trading losses in October, and a sharp drop in trading revenues in the fourth quarter, noting that "losses in emerging markets securities offset strong foreign exchange revenues."

Citicorp, which had \$3 billion in derivatives as of Sept. 30, also reported problems. "It was anything but a normal quarter," Citicorp Chairman John Reed stated. "The Asian turmoil reduced our pre-tax profits by about \$250 million."

The losses are also mounting in Europe, where National Westminster Bank and the Union Bank of Switzerland have been hard hit, with market rumors that UBS had lost as much as \$1.3 billion.

More losses are certain to surface. The Korean newspaper *Hankook Ilbo* said on Feb. 12 that South Korean financial institutions may have lost as much as \$5 billion over the past few months, and the *New York Post's* John Crudele noted on Jan. 9 that the best guess is that Koreans have invested some \$48 billion in derivatives.

The dispute between Morgan and S.K. Securities is indicative. While the particular details are the subject of legal suits in Korea and the United States, what is clear is that S.K. Securities and two partners borrowed millions of dollars to set up funds to speculate in Southeast Asian currency derivatives, investments which produced some \$300 million in losses. S.K. Securities has filed suit in Korea, claiming it was victimized by Morgan, while Morgan filed suit in New York, demanding payment and asserting that U.S. law, not Korean law, should apply.

The derivatives losses are growing so rapidly that even the *Washington Post*, which economic coverage is mainly designed to brainwash the government about the "fundamental soundness" of the U.S. economy, was forced to admit on Jan. 21 that problems do indeed exist. "There is a theme emerging," Mitchell Securities analyst Charles Peabody told the *Post*. "Derivatives are a potential problem. How big, we don't know. . . . There is more fallout to come."

"This is just the beginning of the problems related to Asia for the banks," added Marc Perkins of Perkins Capital Advisers. "People have to realize that these derivatives expose the banks to credit risks if people on the other side of a deal decide they don't want to pay up. Credit risks to these banks are rising."

Reality is even starker: The problem facing the derivatives markets is that the derivatives debts *can't* be paid, because the money to pay them doesn't exist. That puts the big derivatives institutions—in the United States, Japan, Germany, France, England, Switzerland, Canada, the Netherlands, Sweden, and Australia—sitting at ground zero of the largest financial explosion in history.

Ides of March comes to financial markets

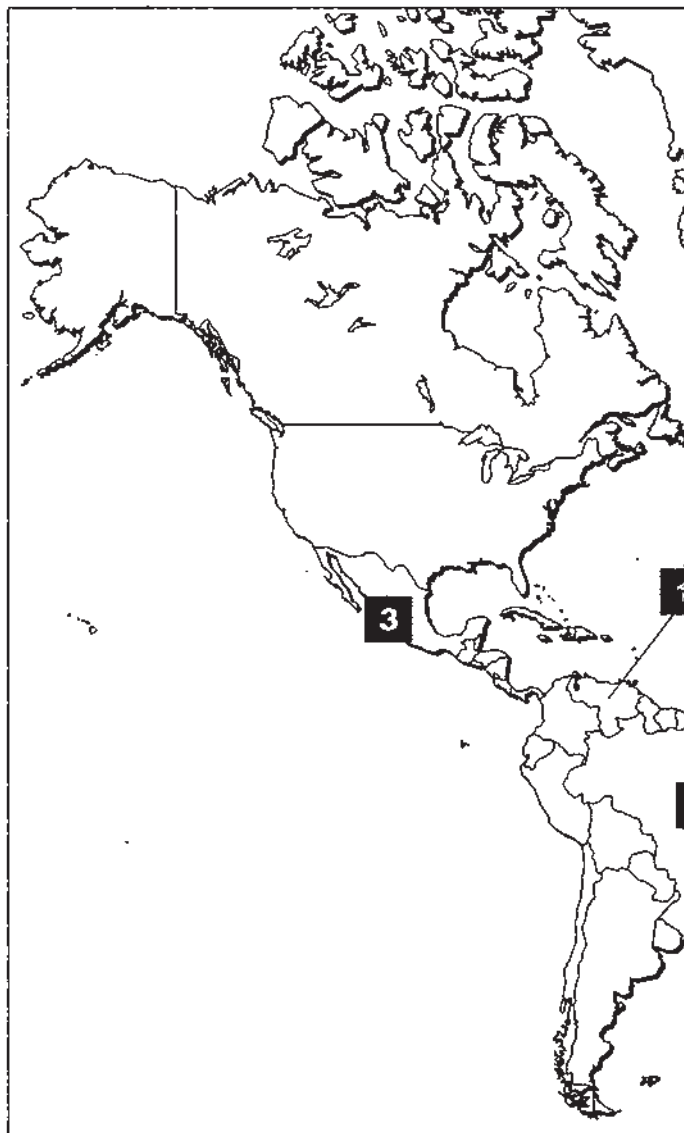
Contrary to the public claims of government officials and bankers, the crisis that struck Asia last fall is by no means over. Beware the Ides of March!

1. Venezuela: On Feb. 16, Finance Minister Freddy Rojas announced \$2.5 billion in cuts in public spending, because of the sharp drop in the international oil price. The government is considering a Value Added Tax, which had been eliminated in 1994. Capital flight was \$820 million for the first three weeks of January. Interest rates are 35-40%, which threatens to blow out the banks. Moody's has downgraded Venezuelan debt paper from "stable" to "negative."

2. Brazil: Brazil squeaked by the October-November 1997 crisis by doubling interest rates, slashing the government budget, and announcing plans to privatize about \$30 billion in state assets in 1998. But the crisis continues. Public debt stood at \$228 billion in November 1997. Nearly \$200 billion of this is short-term paper, and \$60 billion comes due in the first quarter of 1998 alone; \$35 billion is in dollar-denominated NTN-Ds. The private foreign debt is reported to be well over \$100 billion. Foreign banks are lending directly on the domestic market, building up de facto foreign obligations for the country, which may total as much as another \$40 billion. The Brazilian derivatives market is the fourth largest in the world, with a 1997 negotiated volume of nearly \$7 trillion.

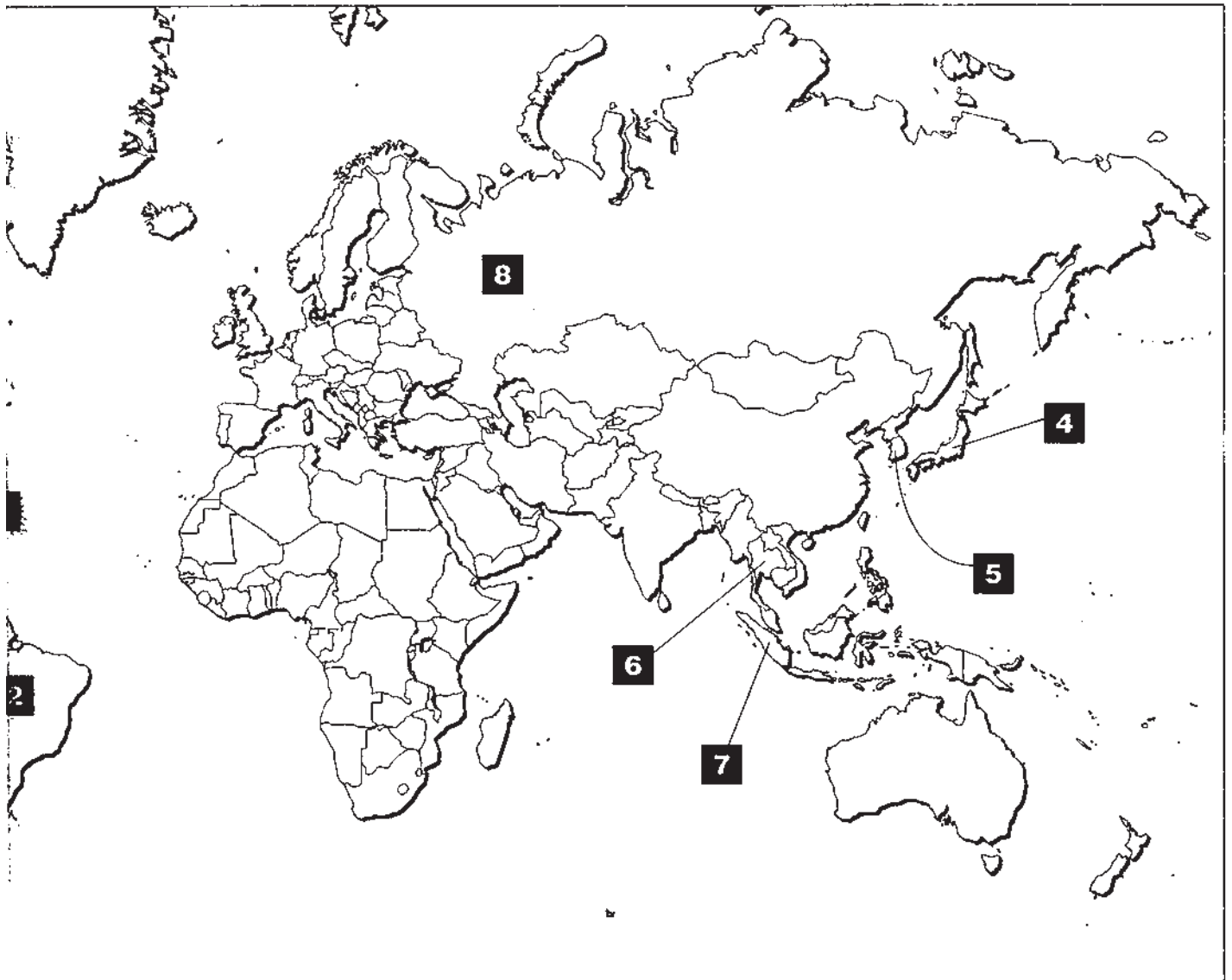
3. Mexico: The collapse of the oil price has brought to ruin Mexico's carefully laid financial plans. The government has announced budget cuts of close to \$2 billion, the gradual devaluation of the peso is picking up speed, and interest rates on government paper are starting to rise again. The purchasing power of wages fell by 14.7% in 1997, while the official minimum salary of 30 pesos per day (about \$3.50) bought only 6 out of the 34 products in the official market basket of consumer goods. About 70% of the workforce make less than three minimum salaries.

4. Japan: Japanese banks, the world's largest, sit on \$1 trillion in bad loans to the Tokyo real estate bubble, to which have just been added, formerly good loans to companies in the rest of Asia, just made bad by financial crises. On March 31, Japan's banks must declare their annual financial figures. They are under pressure to show an adequate ratio of their capital to their loan assets, when much of the book value



of their capital comes from share values on the Tokyo stock exchange. The government adopted an unprecedented \$238 billion domestic bailout package, for the purpose of selectively buying shares, backing deposits, and doing other things to prop up banks and financial entities.

5. South Korea: The South Korean won collapsed by 95%, from 700 per dollar to 1,600 in late 1997, under speculative attack by hedge funds, causing foreign banks to call in over \$24 billion in short-term loans. Those were rolled over on New Year's Eve; a 90-day to three-year stretch-out was subsequently arranged, but some \$25 billion in short-term loans are due in March. The won has been stabilized by harsh IMF conditions of 30% interest rates, 1 million layoffs, and a rewrite of ownership laws, allowing foreign investors to buy up Korean assets. The harsh rates and lack of credit, however, will soon send another 50,000 companies into bankruptcy, snowballing the Korean banks' bad loans.



6. Thailand: The Commerce Minister says that Thailand won't hit bottom before mid-1998. Some 80-90% of \$72 billion private sector foreign debt was rolled over for only three months at the end of December 1997. By mid-1998, 15 state-sector firms must finalize privatization plans. Four of 15 commercial banks have been taken over by Bank of Thailand for failure to meet capitalization plans against non-performing loans. The IMF's third letter of intent abandons 1% budget surplus, but hikes bank capital requirements against bad loans. Thailand is seeking urgent trade financing credits from Japan, the European Union, and the United States. Thailand has received only \$7.9 billion of a \$17.2 billion IMF 1997 "bailout" package.

7. Indonesia: Moratorium on \$74 billion in private foreign debt still in effect, as Indonesia goes into a Presidential election period March 1-11. Foreign reserves are at \$17.7 billion, down \$2.3 billion since January. The currency was deval-

ued nearly 80% since July 1997. The rupiah at 9,500:\$1 (on Feb. 24) means that virtually the entire corporate sector is bankrupt. Emergency aid from the World Bank has financed medical imports, which now cost 500% more. Per-capita income is down 43% since 1998. Food-price riots are spreading.

8. Russia: Portions of the \$56 billion in GKO's (government treasury borrowings) come due periodically, and are carrying variable interest rates, which saw a high of over 40% (annual rate) in early February. Paycheck arrears continue for millions. In order to meet a Jan. 1 deadline for state-sector wage arrears, the government borrowed in the range of \$800-950 million abroad. The international oil price collapse is creating havoc; 75% of the value of Russian exports comes from oil, gas, and commodities. In February, an IMF team was in Moscow for two weeks, demanding deep budget cuts, and trade and tax benefits favoring foreign over national interests. But as of late February, the Duma had refused to pass the budget.

The one and only problem with the IMF

William Engdahl recounts the history of the International Monetary Fund, and tells why it must be replaced.

One of the least-understood aspects of the ongoing financial and monetary crisis spreading out from Asia, has been the role of the International Monetary Fund in that crisis. Its defenders claim that without the swift response of the IMF to the crises in Thailand, then in Indonesia, and then in South Korea, the Asia crisis would by now have become a global systemic crisis whose consequences would be incalculable.

But careful examination of the IMF's role today, not only in Asia, and an examination of the historical evolution of this most important supranational agency, leads to the far different conclusion that there is one, and only one thing wrong with the IMF: It's no damn good. It must be dissolved, and must be replaced with an entirely new organization appropriate to the principles of fostering national sovereignty and increasing per-capita economic prosperity on the planet.

Since the outbreak of the Thai currency crisis in May 1997, the IMF has been at the forefront of organizing over \$120 billions in emergency rescue funds to try to contain panic, and prevent it from detonating a global systemic crisis. The results, as of this writing, are worse than a failure, they are catastrophic. The IMF "conditionalities" medicine, in fact, rather than curing the patient, has nearly killed him in each case, and now threatens to take the rest of the world's fragile financial system down with it.

On Jan. 13, details from a confidential IMF memorandum, prepared for Fund Managing Director Michel Camdessus and senior IMF management, were leaked to the public. The memo outlined in minute detail, how, in the case of Indonesia, IMF policies had turned a difficult situation into an impossible one, one which today threatens to detonate yet a new round of instability in Asia and beyond.

The Indonesia debacle

Last November, when most people still foolishly believed that the Asia crisis was not of a dimension to pose a global threat, IMF Washington headquarters ordered the closing of 16 insolvent banks in Indonesia, including one bank owned by the son of President Suharto. The argument in IMF headquarters, was that the move was needed to "restore confidence" in the Indonesian financial system. As the confidential IMF memo detailed, the move inspired panic instead, as tens of thousands of Indonesians lined up to

pull their money out of all Indonesian banks, in fear of losing everything.

The IMF memo admitted, after the fact, "These closures, however, far from improving public confidence in the banking system, have instead set off a renewed 'flight to safety.'" The memo noted that Indonesian citizens abruptly withdrew a crippling \$2 billion out of the banking system within days of the bank closings.

By the end of November, the result was a crisis in which two-thirds of all Indonesian banks "had experienced runs on their deposits," according to the IMF. The situation became so critical, that the Indonesian Central Bank was forced to pump money into the banking system to avert a complete collapse—a huge sum, "equivalent to about 5% of GDP in the past two months," the IMF memo stated. That flood of money, in turn, weakened Indonesia's currency, the rupiah, to a point where currency panic set in by late December, a situation which Indonesia at present has little prospect of resolving alone.¹

Pouring even more gasoline onto the Asian fires, the IMF has ordered Indonesia, Thailand, as well as the far larger South Korean economy, all to follow the orthodox IMF recipe for getting emergency IMF money: Cut budget deficits, cut inflation, close weak banks, eliminate state controls on the economy, and remove state price subsidies on food and fuel and other necessities.

In Indonesia's case, the IMF has demanded seven basic conditionalities to get a \$39 billion bailout package: Keep inflation below 20%, but avoid an economic recession; hold down the state budget to not more than a 1% of GDP deficit (Germany's is 3% of GDP); move special off-budget government expenses onto the official budget; cancel many "wasteful" public projects; make the central bank independent in monetary policy, so that it can raise interest rates as high as necessary to defend the rupiah; restructure banks and companies; and break up trade associations, such as in timber.

These seven IMF demands are utterly irrelevant to Indonesia's actual currency crisis. In fact, once imposed, the IMF conditionalities will *aggravate* the currency crisis, by putting

1. David E. Sanger, "IMF Now Admits Tactics in Indonesia Deepened the Crisis," *New York Times*, Jan. 14, 1998.



U.S. Treasury Secretary Henry Morgenthau opens a session at the Bretton Woods International Monetary Conference, 1944. The IMF's original mandate was limited to stabilizing the currencies of war-ravaged Europe; its role as a debt policeman and enforcer of fascist austerity emerged later, after the financial shocks of the 1970s.

the economy into severe recession and weakening export cartels which had previously organized hard-currency dollar exports. All this, even after the IMF created the earlier bank panic.

The currency collapse which has resulted, has in turn created the full-blown foreign debt crisis, as domestic banks and companies found, in a space of weeks, that the rupiah had fallen by 84% against its dollar level of last August.

Unlike in Mexico or other countries of Ibero-America, which were forced to turn to the IMF during the 1980s debt crisis, the East Asian economies as a group did not suffer from any of the same inherent problems when the crisis suddenly hit last year. They had no chronic budget deficits, no chronic inflation, let alone hyperinflation, no unstable macroeconomic policies, and most of their debt was not state debt (as in Argentina and Brazil), but rather private loans.

How can the IMF be capable of such manifest incompetence? It is not by accident or oversight. Indeed, they have worked hard over years to perfect their incompetence.

Beginnings in Bretton Woods

The International Monetary Fund, arguably the single most powerful financial institution in the world today, is also the least understood. It is a product of the July 1944 Bretton Woods, New Hampshire international monetary conference. That conference, convened by President Franklin Roosevelt to prepare the basis of postwar economic reconstruction, saw 44 nations gather with the United States to sign what were called the Articles of Agreement of the International Mone-

tary Fund. On Dec. 27, 1945 the IMF began operation. Each member would contribute to a central fund, based in Washington to assure that it would win the confidence of its member-states in the postwar period. The Fund then should lend, in special circumstances, according to agreed-upon conditions, to its members-nations in need.

The infamous IMF "conditionalities" policy for procuring emergency loans, was finally cast into a rigid formula at the end of the 1950s, and remains in force to this day. Over the past four decades, the entire IMF bureaucracy has been cultivated and recruited internationally from those who ideologically support this monetarist orthodoxy of IMF conditionalities.

The prospective recipient of IMF money must convince IMF inspectors that it is implementing policies of "establishing or maintaining the enduring stability of the currencies concerned, at realistic rates of exchange." "Realistic," of course, is defined by the IMF. The focus on the vital exchange rate allows the IMF to control a country's fiscal policy, government expenditure, tax policy, and public enterprise policy—in short, every aspect of national economic life. Yet, as the Asia crisis has proven, the IMF is irrelevant to the actions of highly leveraged offshore hedge fund speculators, such as George Soros, who cause devastating currency chaos without warning.²

The Fund lends under a "standby arrangement," rather

2. Per Jacobsson, *International Monetary Problems, 1957-1963* (Washington, D.C.: IMF, 1964), p. 20.

than a lump-sum loan. This gives the IMF ongoing political control over the recipient government, to force the country to swallow its harsh medicine, or else face losing the remaining tranches of the loan. As the IMF refers to it, this technique strengthens the hands of the IMF to induce the country “to implement more energetically policies designed to maintain the monetary stability and liberal payments system required.” That is, strict control of credit and full convertibility of the currency—precisely what the IMF is demanding with such devastating consequences in Asia today.

The United States, as the IMF’s largest member economy and as the largest holder of gold reserves after the war, contributed the largest quota into the Fund, and as a result, it initially held 31.5% of the voting rights. Today, while still holding the largest share, the U.S. vote has been diluted to 17.8%.

The United Kingdom and five founding members from its British Commonwealth and the British Empire, including India, South Africa, Australia, New Zealand, and Canada, together held the second-largest bloc at Bretton Woods, some 27% of the initial total IMF voting shares, a very heavy weight which had been urged upon the United States by British Prime Minister Winston Churchill and economist John Maynard Keynes, represent His Majesty’s Treasury. Churchill and Keynes had argued that Britain’s vast colonial Empire justified such an influence, despite the bankrupt state of Great Britain itself in 1944-45. By contrast, France, which also could boast a large colonial empire at that time, received a mere 5% of total voting rights in the new IMF. Churchill’s Atlantic “special relationship” was still powerful in 1944.³

The witch-hunt against Harry Dexter White

The original IMF articles were the result of months of intense arguing and debate between the two major convenors of the Bretton Woods conference, the United States, represented by Treasury Undersecretary Harry Dexter White, and Britain, represented by Keynes. In the end, Britain had to cede major points to the U.S. plan devised by White, whose initial proposal to Treasury Secretary Henry Morgenthau and President Roosevelt called for creation of a Stabilization Fund to prevent a repeat of major currency crises, as had occurred during the 1930s. White’s Stabilization Fund was to work together with a Bank for Reconstruction and Development, to provide long-term reconstruction dollar loans to the postwar

3. See “Articles of Agreement of the International Monetary Fund,” Washington, D.C.: IMF, 1988. Britain’s “special relationship” was primarily a coziness with Anglophile circles in the U.S. financial centers; that coziness was not, however, shared by President Franklin Roosevelt, who viewed the British Empire as the mortal enemy of the United States, and had vowed to eliminate it, and all other empires, from the planet, following the war. See Elliot Roosevelt’s account of his father’s harsh conflicts with Churchill, in Elliot Roosevelt, *As He Saw It* (Westport, Conn.: Greenwood Press, 1974). Roosevelt’s intent was foiled by his death on April 12, 1945, and by his successor Harry S Truman, who became a willing dupe of the very powers Roosevelt had vowed to destroy.

world, especially Western Europe. These two plans eventually became the basis of the IMF and World Bank.

Keynes’s British plan, on the other hand, had advocated the creation of a Clearing Union, and a new supranational currency, which he termed the “unitas.”

In the early 1950s, during Joe McCarthy’s “red scare” in the United States, Harry Dexter White was charged with having been a “communist sympathizer,” and even a communist spy, a charge which undermined White’s role in negotiating the U.S. terms of Bretton Woods, and his later as head of the American Mission to the IMF. All subsequent evidence indicates that White had negotiated as part of an overall American position at the time, for the creation of an IMF which would be appropriate to the task then at hand, in keeping with President Roosevelt’s vision of a non-imperial postwar world.

Given what has subsequently emerged about the role of London’s U.S. embassy in fomenting McCarthy’s red scare, it is likely that London channels had deliberately fed the name of Harry Dexter White to McCarthy and J. Edgar Hoover’s FBI in Washington, in order to weaken the U.S. role in the new IMF organization. White, like many around FDR, was certainly no Anglophile. In November 1945, White had drafted a memorandum to Morgenthau, in which he wrote, “It matters little what our political relationships with England becomes or what happens in the Balkans or the Far East, if the problems between the United States and Russia can be solved.”

The Soviet Union had been among the initial participants at Bretton Woods, but later, Stalin declined to join the IMF.

The attacks on White as a communist spy had served to weaken American influence on the determination of IMF policies. It soon became unwritten law, that the managing director of the IMF must always be a European, preferably a French monetarist, such as currently, with Michel Camdessus, and, before him, Jacques de Larosière, and before him, Pierre-Paul Schweitzer—all from the Bank of France. Those three French central bankers have controlled IMF policy since 1963, with the exception of a five-year stint by a Dutch monetarist Sufi, Johannes Witteveen, from 1973-78.

The IMF’s original mandate

At first, the mandate of the IMF had been clear to all major powers in 1945. It was to concentrate on stabilizing the major industrial economies of the postwar world, and little else. U.S. Treasury working papers spoke of U.S. aims at Bretton Woods, to create a multinational fund that would “prevent the disruption of foreign exchanges and the collapse of monetary and credit systems; to assure the restoration of foreign trade, and supply the huge volume of capital required for reconstruction, for relief and for economic recovery.”

There was no debate at Bretton Woods on how the IMF would assist the developing economies of the world. It was never considered part of the role of the IMF. The assumption

was that the recovery of the European economies would pull the developing economies up along with them.

In short, the IMF was conceived in order to stabilize the currencies of the war-ravaged economies of Europe, which at that time was the major task confronting the United States.

This fact is central to the case today for dissolving the IMF.

The mandate of the IMF, when it was founded, was to deal with “temporary” balance-of-payments problems of member countries. This was to be done by drawing on the pool or fund of contributions of member countries to come to the aid of a requesting member. The loans were to be for short-term problems, and fully repaid within five years.

In 1945, the United States’ concern was to rapidly restore levels of international trade among leading nations of Europe and with the United States. Most directly, Britain had the difficult task of dealing with a deficit in its balance of payments caused by the collapse of industrial exports and destruction of production during the war. To restore “equilibrium” in its balance of payments, it could either exhaust its precious foreign currency reserves, or liquidate British investments abroad for cash.

To Britain, the idea of a pool of the reserves of many nations, above all of America, was a way out of its postwar dilemma. The borrowing would allow Britain to finance urgently needed industrial imports to restart production and repair war damage. Hence the central notion of IMF loans to “restore equilibrium” in a country’s balance of payments. The war had destroyed the essential equilibrium, as it was seen. For France and other countries of war-torn Europe, similar considerations were primary.

A member in a short-term balance-of-payments crisis could apply to the Fund for a stabilization loan of up to five years. This would give time to restore damaged industrial export capacity and to restart the economy. The IMF was intended for the advanced, mature industrial economies of Britain and continental Europe, which possessed more than a century of experience with modern industry, skilled labor, and advanced financial systems. It was assumed that they, in turn, would regulate trade with their colonies.

A fundamental shift in policy

The Fund continued to function as lender of last resort to member countries of the Organization for Economic Cooperation and Development, up until 1977, when the last such IMF loan was taken by Italy. Since that time, the IMF has never again made any loan to any major industrial OECD member. At that point, following the British-orchestrated oil shocks of the 1970s, the rational decision would have been for the United States and other members to administer to the IMF a “death with dignity,” and to dissolve the institution as an one no longer relevant to the world’s economic needs.

But certain influential persons had other tasks in mind for the IMF.

Following the two oil shocks of the 1970s, countries of the developing sector, as well as Poland and certain other countries of the Warsaw Pact, all had begun to borrow huge sums from the London-based Eurodollar banks. The loans were taken in order to finance the sudden and growing balance of payments problems created by the arbitrary 400% hike in their cost of oil imports.

The London Eurodollar banks, aware of the severe conditionalities posed for these countries were they to seek emergency balancing loans from the IMF, offered the borrowing country generous private loans from the offshore Eurodollar market. That market, centered in London, had arisen from what President Nixon’s Secretary of State, Henry A. Kissinger, called “recycling of petrodollars,” the huge dollar windfall accruing to the Organization of Petroleum Exporting Countries from the oil shock. The cynical banks reloaned the deposits from the oil exporters to the victims of the 400% price hike which Kissinger had personally helped to engineer, along with the same bankers. Citibank Chairman Walter Wriston justified the huge lending to Ibero-American governments with the quip, “Companies can go bankrupt, but states, never.”

The small print on the petrodollar loans all contained an explosive clause: Interest on the loans would “float” according to rates on the London Interbank Offered Rate (LIBOR) market. Before British Prime Minister Margaret Thatcher’s June 1979 interest rate shock, followed four months later by Federal Reserve Chairman Paul Volcker’s rate hike in the United States, the London loan rates were seen as a “bargain.” By the end of 1979, the LIBOR rates on Third World Eurodollar loans had jumped almost 300% in a matter of weeks. The fuse of the “Third World debt bomb” had been lit.⁴

IMF becomes a debt policeman

When that debt bomb exploded in August 1982, as Lyndon LaRouche had predicted (see article in this issue, p. 29), with the announcement by Mexico to Washington that it was unable to pay its next dollar loan installment to New York banks, the IMF was transformed from a moribund relic of postwar reconstruction, to the agency enforcing savage austerity and forced cuts in living standards.

Following the Mexico default in 1982 and the ensuing world banking crisis, London and New York banks led a concerted effort to loot the debtor countries, to enforce repayment of (in fact) illegitimate levels of debt service, beyond anything they had ever dreamed possible. On the insistence of the administration of President Ronald Reagan, Paul Volcker’s Federal Reserve Bank, and the New York creditor

4. For details on the role of Kissinger and the secretive Bilderberg Group at their May 1973 Saltsjoebaden, Sweden meeting in planning the 1973-74 “oil shock,” see William F. Engdahl, *A Century of War: Anglo-American Oil Politics and the New World Order* (Wiesbaden, Germany: Böttiger Verlag, 1993).

banks, the IMF developed a new program of strict “conditionalities” to be imposed by the Fund on Third World debtor countries.

These conditionalities were developed by an IMF official, Irving Friedman, who later became a top executive with Citicorp. Friedman stated in an interview in late 1988, “My thought was, we would hold out the use of the Fund resources as a kind of carrot to countries. You first have a very serious review of the country’s economic situation. You identify the source of the difficulties, you point out what things have to be changed.”

The IMF formula was invariably the same: The debtor country was forced to slash imports, severely devalue its domestic currency (ensuring that the relative dollar-denominated debt increased by multiples), and impose draconian cuts in government subsidies for food and other necessities, while opening vital areas of its national economy to foreign take-overs on the cheap, justified as “free market reforms” by the IMF.

Since 1982, the IMF “structural adjustment programs,” as they termed them, have been a precondition for the commercial banks to enter into “loan-restructuring agreements” between the private banks and the debtor country.

The IMF, for example, forced Mexico to slash government spending, eliminate state food and other subsidies, and devalue the peso from a rate of 12 to the dollar in 1982, to an incredible 3,300 to the dollar, before the “new” peso was introduced in early 1993. Imports of medicines, industrial goods, and the like just stopped cold. People died without need. The creditor banks continued to collect the debt.

The London-based Eurodollar creditor banks, organized in a “creditors’ cartel” of banks (dubbed the Ditchley Group for their first meeting at Ditchley Park outside London), spoke piously of the “responsibility” to honor debts, while threatening that a defaulting debtor would never see a penny of foreign credit. It was a hollow threat, which was remarkably effective.

According to World Bank figures, in 1980, total external debt, private and public, of more than one-year maturity, for 109 developing countries, stood at \$430 billion. Since 1980, these 109 countries have paid an impressive amount to their creditors. Repayment of interest alone between 1980 and 1986, totalled \$326 billion. Repayment of principal on the same debt totalled another \$332 billion. Thus, in sum, these 109 developing countries repaid \$658 billion between 1980 and 1986 on their original debt of \$430 billion. Yet, the total external debt outstanding, according to official World Bank/IMF figures, was \$882 billion by 1986! The scheme was simple “IMF bankers’ arithmetic”: The more you pay, the more you owe, owing to floating interest debt, and the economic impact of IMF conditionalities.

Bank reschedulings since 1982 have added hundreds of billions to the total outstanding debt of what are now known as “Third World,” or, more callously, less developed country

(LDC) debtors. With IMF controls on the domestic economy, the banks lent only enough to guarantee that the debtor can service interest on the debt. Under U.S. law, so long as interest payment is current, banks can claim the totality of the debt as assets on their books for purpose of other lending, even if they never get a penny of the principal.

No new direct bank loans to Third World debtor countries occurred after 1982, until a new phase began in the early 1990s. Yet, the total amount of external debt owed in dollars for the 109 countries ballooned to more than \$1.6 trillion by 1994, an increase of some \$1.2 trillion since 1980.

Crowbar for globalization

A marked shift in the IMF’s and World Bank’s role emerged in October 1985, when U.S. Treasury Secretary James Baker III called a meeting in Washington of the heads of Chase Manhattan, Citicorp, and the nation’s other large international banks, together with Federal Reserve Chairman Volcker. They worked out a strategy of using the funds and the powerful institutional pressure of the IMF and World Bank, in coordinated manner, not just to ensure collection of the old debts, but to impose new demands for market liberalization, privatization of state industry, and other measures, on Third World debtor countries—what today is termed “globalization.”

The World Bank was transformed, in the late 1980s, into an arm of the industrial globalization process. Many Third World governments and their civil servants at the World Bank, feebly protested at the time, that the bank was being turned into a crass tool of multinational expansion into cheap-labor developing markets.

In his Sept. 27, 1993 address to the annual IMF and World Bank meeting, Michel Camdessus warmly praised the process of globalization then fully under way: “The most significant development of the closing decades of this century, is the phenomenon of globalization, which is transforming our economic life.”

World Bank loans were redirected away from earlier assistance to developing lands to build needed infrastructure, such as hydroelectric dams or power plants, instead to be used as incentive grants—“carrots”—to push globalization and force the opening of developing economies to large multinationals.

Liberal new currency convertibility rules imposed by the IMF and World Bank meant that foreign multinationals were able to withdraw profits out of the country with no restriction—a critical feature, allowing George Soros’s Quantum Fund and other offshore hedge funds to trigger the Asia currency crisis in May 1997.

The IMF and World Bank became the institutional “crowbar” for the new globalization. No IMF “approval” was given a debtor country in the past decade, unless they had first agreed to impose the agenda drawn up by multinational U.S. and European banks and industry, namely, massive local currency

devaluation against the dollar, and opening of domestic market protection and wholesale privatization of state industries, allegedly to reduce the state budget.

The new IMF policy has created what James Morgan of BBC approvingly termed a “neo-colonialism”: colonialism of stateless global banks and multinational companies, under the protection of the IMF and World Bank, much more efficient than the colonialism of national powers such as Britain or France in the last century.

As a consequence of a full decade of credit cutoff and economic pressure from the IMF, developing countries were forced into the desperate position of actually demanding participation in this globalization of their economies, and loss of national economic sovereignty.

Beginning the early 1990s, the IMF policy was extended to the economies of the former Soviet Union, as well as to Poland and other parts of Eastern Europe, with devastating consequences. The aim was geopolitical and economic: to ensure a weak, balkanized, foundering Russia, and to pry open the centralized economies of the Warsaw Pact to looting and globalization, using the IMF as it had worked in Ibero-America. One minor problem—namely, the fact that many Warsaw Pact countries were not IMF members—was rapidly solved.

At the June 1990 Group of Seven Economic Summit in Houston, President George Bush, at the urging of Britain’s Margaret Thatcher and France’s François Mitterrand, agreed to place the IMF in control of the entire economic restructuring process in the Soviet Union, as it had done in 1989 with Poland and Yugoslavia. In the case of the IMF demands on Yugoslavia, that had been a major factor in creating the grave economic rifts which fed the genocidal Balkans wars some months later.

The G-7 was so eager to put the IMF in control of the process, that they waived the requirement that the Soviet Union first join the IMF. It was granted special “associate member” status, so as to allow the IMF to dictate policy. The incompetent Jeffrey Sachs was brought in to implement IMF privatization, via his infamous “shock therapy,” as an integral part of the process.

‘In the name of God, go!’

At this juncture, there is every argument for the U.S. Congress not merely to deny the requested IMF quota increase which is currently under debate, but to abolish the institution entirely. While there clearly are factions inside the IMF opposed to the policies of monetarist destruction, the managing director is firmly in control.

It has not escaped the notice of some in Asia, that the consequences of the Asia crisis will likely be as one London banker termed it, “to eliminate the Asian industrial competitive threat for European industry for at least a generation.” It is well-known that French industry is especially alarmed at its competitive disadvantage, and some charge that French

state banks played a leading role in at least the initial speculative attacks against East Asian and Hong Kong currencies. “The Paris bankers I speak with aren’t worried about Asia losses,” one French banker told *EIR*. “They simply say, ‘The IMF will bail us out if necessary.’” They appear to have confidence that Michel Camdessus is working in their interest.

Regardless of whether such is the case, the reality is that from top to bottom, the IMF today bears no resemblance to the agency envisioned by FDR and others in 1944 at Bretton Woods. The IMF is rigidly monetarist in policy. Even the senior Americans in the IMF are “Chicago School” Milton Friedman monetarists, such as former Milton Friedman student, IMF Director of Economic Studies Michael Mussa, and Deputy IMF Managing Director Stanley Fischer, a former University of Chicago economics professor. The man in charge of IMF policy in Russia and eastern Europe since 1990, John Odling-Smee, is a monetarist who came from Thatcher’s U.K. Treasury.

The time is long past due for convening a New Bretton Woods conference. For the present IMF, to paraphrase the charge of Oliver Cromwell to Britain’s Long Parliament three centuries ago, “You have been sitting here too long for any good you have done. In the name of God, go!”

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Book Review

The continuing puzzle of life on Mars

by Marsha Freeman

Mars: The Living Planet

by Barry E. DiGregorio

Berkeley, Calif.: Frog, Ltd., 1997

365 pages, hardbound, \$25

On July 20, 1976, seven years to the day after the first astronauts landed on the Moon, the Viking I spacecraft landed on Mars. Its sister ship, Viking II, landed six weeks later.

Aboard both spacecraft were instruments given the task of trying to answer one of the most profound questions that had been posed to science: Did life develop on any planet in the solar system, beside the Earth?

Mars was the best candidate, because, like the Earth, it appeared to have had a warm and wet past. Also, like the Earth, the inclination of Mars's axis of rotation produces seasons, and it is neither too far from nor too close to the Sun to preclude the possibility of incipient life forms. It was also known that Mars, unlike the nearby Moon, has an atmosphere.

One of the three scientific instruments aboard the Viking landers had been developed by Dr. Gilbert Levin. His Labeled Release Experiment placed a drop of radioactive nutrient on a sample of Martian soil, and measured the gas coming out of it. Radioactive gas evolving from the soil sample suggested the presence of life. For 20 years, Dr. Levin has insisted that the results show that there is life on Mars. For most of those two decades, the overwhelming majority of the scientific community insisted that there was *no* life found by Viking, in large part because the conditions on Mars today could not support life.

No one has come up with a plausible explanation for the results Dr. Levin's experiment sent back to Earth. But more important than the skepticism with which his work has been treated, not many in the scientific community have been interested in developing *new* experiments on current Mars missions, which Dr. Levin has suggested, to continue the search for the truth.

This book is Dr. Levin's story.

The changing envelope for life

One thing scientists have recently learned, is that one should not be too hasty in making absolute statements about where life can and cannot exist. Author DiGregorio has done an excellent and exhaustive job of seeking out and summarizing the research that has been done in the past few years, which indicates that life can exist under many conditions that were previously thought to be prohibitive, including conditions one would find on Mars.

None of the experiments on the Viking landers indicated the presence of organic materials on or near the surface of Mars. There are varying, though not convincing, explanations for this finding. But could life exist that requires neither organic material, nor the ability to photosynthesize?

DiGregorio reports that in 1995, Drs. Todd Stevens and James McKinley, from the Pacific Northwest Laboratory in the state of Washington, discovered anaerobic bacteria living on nothing but basalt rock and oxygen-free water at a depth of 1,500 meters, in the groundwater in Columbia River basalt aquifers.

These rock-eating bacteria were subsequently named Subsurface Lithoautotrophic Microbial Systems, indicating an organism that manufactures organic nutrients from inorganic substances, such as volcanic basalt rock. According to DiGregorio, Dr. Stevens stated that the Viking life science experiments would not have been able to detect such life forms, if they exist, on Mars.

It is now broadly believed that there may be liquid water beneath the surface of Mars. While it is too cold and the atmosphere is too tenuous for liquid water to exist on the surface of Mars, there is no doubt that Mars was once, and may still be, a geologically active planet, with volcanoes and other attributes that could warm the frozen soil under the surface, to enable water to exist in a liquid form.

But, many have pointed out, there is little radiation shielding on Mars, due to its thin atmosphere and lack of an ozone layer, and the ultraviolet radiation would be lethal to life. In *Mars: The Living Planet*, DiGregorio points out that on Earth, organisms have developed a variety of methods of protecting themselves from UV radiation.

For example, there are organisms that encapsulate themselves in water for protection. Others use a process of biomineralization, where the incorporation of a small particle of iron, produced by the organism itself, protects it from ultraviolet light. It has also been observed that snow algae store dust and metals within their cell structure to use as nutrients, as well as for protection from solar UV.

In addition to the cosmic rays and UV that bombard the surface of Mars from space, there is also, most likely, the constant decay of radioactive materials intrinsic to the Martian soil, which, it has been argued, could be lethal to life.

DiGregorio reports that in 1989, a radiation-resistant microorganism was discovered living *inside the core* of the Three Mile Island nuclear reactor in Pennsylvania. These cells

apparently survive the extreme radiation environment by producing enzymes that repair their DNA, carrying on constant "damage control" as they are metabolizing.

Any scientist worth his salt would certainly now conclude that it is surely too early — that our information is too scant — to close the book on the possibility that there is, today, life on Mars.

How to look for life on Mars

Dr. Levin has not been discouraged by the lack of support and disagreement he has encountered from nearly the entire exobiology profession. He has continued to propose new experiments that could be placed on spacecraft to gather data on this crucial question of life on Mars.

He has focussed on one unique characteristic of living systems: the fact that they are chiral (left- or right-handed). The United States contributed the Mars Oxidant Experiment to the Mars '96 lander that was developed by the Russian Space Agency. Designed to identify and measure oxidants in the Martian soil, MOX included a fiber coated with two versions of an amino acid with opposite handedness, proposed by Dr. Levin. If the Martian soil reacted to the left-handed isomer of the amino acid, Levin proposed, it would indicate the presence of life.

Unfortunately, the Russian Mars '96 spacecraft did not

make it to Mars, or even out of Earth orbit, but Dr. Levin has also proposed experiments that should be included in the Mars landing missions that NASA has planned over the next decade.

Levin proposed that the Thermal and Evolved Gas Analyzer, already slated to be flown on the NASA Mars Surveyor '98 lander, be modified to include a life detection experiment. That proposal was not accepted. Initially, Levin was told that searching for life on Mars was not part of that mission.

After the August 1996 announcement by scientists that they believed they saw evidence for past life on Mars in Mars meteorite ALH84001, Levin proposed his experiment again, but was told that the process required to sterilize the spacecraft, so that any positive indication of life would not come from Earth contamination, was too expensive.

But the excitement over the Mars meteorite, which led to renewed interest in future manned missions to Mars, has also renewed scientists' interest in life science experiments on upcoming unmanned Mars missions.

This excellent book is a fitting tribute to a man who has stubbornly insisted for more than 20 years, that scientists should be searching for the truth, and should be mobilized to find answers to puzzles that they cannot answer. If that kind of drive is applied to this puzzle of life on Mars, mankind may be able to begin to put some of the pieces together, even before we are on the way to Mars, to find out ourselves.

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Business Briefs

Finance

Mahathir: Speculators violate human rights

Malaysian Prime Minister Dr. Mahathir bin Mohamad renewed his attacks on speculators, at a dinner on Feb. 9 in Kuala Lumpur, the capital, honoring visiting Lebanese Prime Minister Rafik Hariri, the *Straits Times* reported. "Now, after so many years of profiting from our economic policy, we are told that our ways were wrong and have caused them to lose confidence. By pulling out their capital and by other ways at their disposal, they have taken away the wealth that we had built up, leaving us practically destitute," he said.

"It is the market forces let loose by certain governments which did this," Mahathir charged. "Shouldn't these governments be accused of violating human rights and action taken against them?" he asked. He blasted as "self-righteousness and hypocrisy" those who preach human rights, while accusing Southeast Asian nations of cronyism, nepotism, and lack of transparency. Every sin attributed to Southeast Asia has already been committed by those who preach good governance, he said. Responding to suggestions by U.S. Congressmen that International Monetary Fund programs be linked to human rights issues, he said, "But what about the rights of the millions of workers who have lost their jobs and become destitute? Devaluation of their money has deprived them of their livelihood."

Mahathir expressed disappointment that Malaysia would have to renege on commitments to participate in the reconstruction of Lebanon, due to the financial crisis. "The carpet has been pulled from under our feet," he said.

Germany

Construction sector in 'greatest crisis'

Germany's construction sector is facing its "greatest crisis in the postwar period," the federal association of the German construction industry said on Feb. 20. According to

new figures published by the Federal Statistical Office, orders for German construction companies fell in 1997 for the fourth year in a row, which has never happened before. Orders in 1997 were down by 7% compared to the year before, following a similar drop in 1996.

During 1996-97, average yearly employment in the construction sector fell from 1.412 million to 1.221 million. In western Germany, orders for housing construction fell by 9.2%. The downturn of construction investment has already reached depression-like dimensions in eastern Germany, where total orders last year fell by 14.1%; orders for aboveground construction fell by 19%, out of which orders for housing construction went down by 19.3% and orders for private business buildings by 22.8%.

While there is still a backlog in construction investments in eastern Germany in public infrastructure and housing construction, the number of empty office buildings, hotels, retail stores, and high-priced apartments is skyrocketing. In the first years after reunification, construction was the primary engine for overall economic activity in eastern Germany. Now, both public and private industry are sharply reducing investments. According to estimates, about 20% of construction capacity, and up to 50% of production capacity for certain building materials, are now unutilized and will soon collapse.

China

Program mapped out based on Roosevelt's New Deal

Chinese Executive Vice Premier Zhu Rongji is mapping out a program for the economy modelled on President Franklin Roosevelt's New Deal, the Hong Kong *South China Morning Post* reported on Feb. 19, from Communist Party sources.

The sources said that Zhu Rongji, who will succeed Li Peng as Prime Minister in early March when the National People's Congress (NPC) meets, is studying the policies of Roosevelt and John Maynard Keynes. "There will be large-scale infrastructure, public works, and housing programs, together with other fiscal measures

to stimulate the economy," one source was quoted. "For example, credit might be further relaxed for selected areas and more loans would be given to home-buyers. In strength and scope, the stimulation program may be comparable to Roosevelt's New Deal."

The policy is to be discussed at the NPC meeting, which opens on March 5. Inflation could be prevented if speculation is curtailed, the sources said. The perspective is to carry this program out over the coming five years.

Zhu Rongji has been emphasizing the re-employment of laid-off state industry workers. In a speech in the industrial and port city of Tianjin on Feb. 15, he said that China's goal of successful reform of the state sector, especially of those unprofitable enterprises, by 2000, depends on the nation's ability to re-employ the workforce. About 10 million people have been laid off in the past two years, because of the large numbers of redundant workers in most state enterprises, and the flawed policies in the early 1990s, when there was duplication of construction projects and creation of many underfunded enterprises, he said.

Ukraine

Coal miners' protests could topple government

Tens of thousands of coal miners rallied in Kiev on Feb. 20, demanding that the pro-International Monetary Fund government pay several months of wage arrears. Protests were also reported from the Donbass mining region. Back wages have already reached the equivalent of more than \$1 billion in the mining sector alone, while total wage arrears, according to a report by the Central Bank, are more than \$2.7 billion.

The protests are expected to grow as the campaign for the March 29 elections for Parliament heat up. Oleksandr Stoyan, spokesman for the Organization of All-Ukrainian Unions, which organized the protest, called for the government to use money raised in a recent Eurobond issue for the arrears. The government acquired \$412 million in that issue; the state is reported to

owe about 5.2 billion hryvna (\$2.65 billion) in wage arrears.

Many western observers see a resemblance between the intensity and spread of protests among labor against the government and its policies now, and the situation in 1993, when mass strikes in the Donbass forced the government to resign. Ironically, in 1993, Ukraine's Prime Minister was Leonid Kuchma, who, today, is Ukraine's President. It is expected that the March 29 elections will be the end for the government of Prime Minister Valeri Pustovoitenko, which has never had the nation's confidence since it was appointed by Kuchma.

Pustovoitenko's fall would presage the end of Kuchma's tenure. In the Presidential elections in 1999, one of the candidates against Kuchma may be Member of Parliament Natalya Vitrenko, co-initiator, with Helga Zepp-LaRouche, of the call for a New Bretton Woods Conference.

Space

New Russian directive for nuclear research

On Feb. 2, Russian Federation Chairman Viktor Chernomyrdin signed Government Decree No. 144, "On the Concept for the Development of Space Nuclear Power Engineering in Russia," which outlines a 12-year program to develop next-generation technologies in space nuclear power, *Rossiyskaya Gazeta* reported on Feb. 11.

As is summarized in the decree, the Soviets had pioneered this field from 1960 to 1990, when virtually all work stopped "owing to the complex economic situation as well as the change in the world geopolitical situation." During the program, nuclear reactors to provide on-orbit electrical power were tested and deployed in satellites for radar imaging and other military applications. More recently, the major driver to develop nuclear power to supply both electricity and propulsion has been for directed energy weapons.

The new program, which was designed by the Ministry of Atomic Energy, the Russian Space Agency, the Ministry of Defense, and other government agencies, is designed

to preserve both the skills of the people involved, and capabilities for the future. The main task will be to design standardized basic assemblies and key components of nuclear units with an output of 50-100 kilowatts, and a service life of five to seven years. The comparable U.S. program, the SP-100 reactor, was cancelled in the early 1990s because there was neither a defense mission for the technology, nor a civilian space exploration (Moon or Mars) mission. Instead, the U.S. Ballistic Missile Defense Organization and Defense Nuclear Agency took the Russians up on their offer to share their Topaz space nuclear reactor technology. That program was killed last July, at the suggestion of the National Research Council, also because there was no mission envisioned for the technology.

The decree lists international cooperation as one of the goals of the new initiative, and states that applications of new technology could involve radar surveillance, space manufacturing, a lunar base, and long-term space expeditions.

Precious Metals

Soros moves in on Bolivian silver mines

Thomas Kaplan, the president of Apex, announced that the company has acquired the largest silver reserves in the world, located in a remote region of Bolivia, Associated Press reported on Feb. 18. Through a \$325 million investment in the San Cristóbal mine, where the reserves are located, Apex expects to become the world's fourth-largest silver producer. Kaplan predicts that Bolivia will also increase its mining exports by one-third.

Global speculator George Soros has 26% control of Apex; Paul Soros and Quantum Industrial Partners also own percentages of the company. Kaplan, meeting with President Hugo Banzer and other cabinet members in Bolivia in February, said he hoped that the mine "will become one of the great silver-zinc projects in the world." Mining companies Kraerner Metals, Behre Dolbear, and Pincock Allen and Holt have confirmed the existence of the silver reserves.

PROTECTIONISM is needed by developing nations to gear up their production, Jochen Borchert, German Agriculture Minister, told a panel of the German parliament on Feb. 18. "If a developing country wants to gear up its production, it has to make the political decision to establish protectionist measures. . . . It does not work without protectionism," he said.

CHINA AND RUSSIA signed five agreements in Moscow on Feb. 17, in areas of ongoing economic cooperation: a ship-building project, the settlement of Russian debts to China, increasing the volume of bilateral trade in 1998, easier access for Russians to Chinese border towns, and construction of a new railway border-crossing in the Far East.

SOROS-ALLIED hedge funds are bragging that they are about to launch a major attack against the Japanese yen, sources have told *EIR*.

POPE JOHN PAUL II, in a meeting with the political leadership of the Rome province on Feb. 21, stressed that the lack of housing and jobs are among the most dramatic problems to be solved. Later, in announcing his new "family policy," he said that the lack of economic opportunities, housing, and a development policy are the cause of the drop in birth rates and marriages.

VIETNAM devalued its currency, the dong, 5.3% on Feb. 16. On Feb. 13, Prime Minister Phan Van Khai instructed all domestic and foreign companies to deposit foreign currency holdings in credit institutions. The government has also signalled its intent to clamp down on foreign exchange trading, and to place further restrictions on banks.

THE U.S. TRADE deficit for 1997 grew to \$113.8 billion, the worst in nine years. For hard commodity goods, the U.S. ran a deficit of \$198.9 billion, the highest ever recorded. (The United States ran a surplus on services account of \$85.2 billion.)

Will the April 22-nations effort succeed?

by Lyndon H. LaRouche, Jr.

February 26, 1998

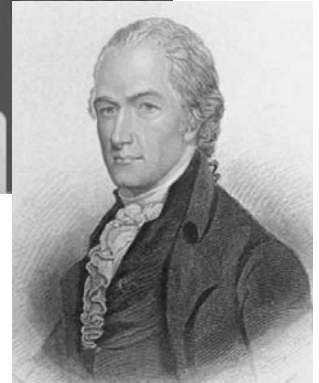
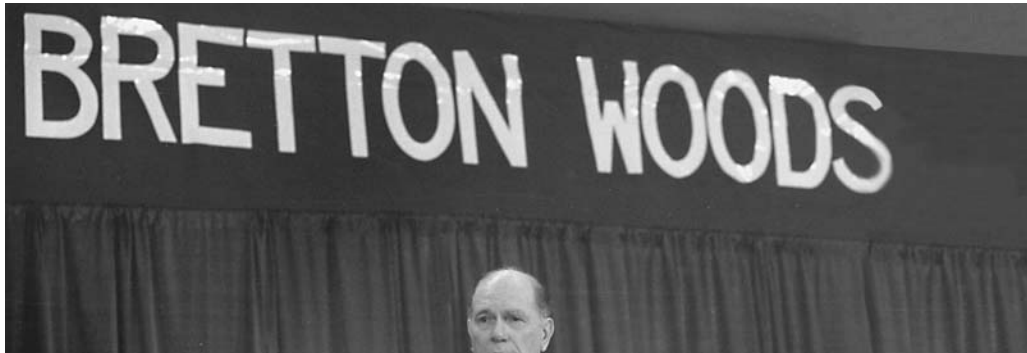
On Sunday afternoon, February 22, 1998, I dispatched the attached message to our Leesburg editorial office, for publication in the Monday morning edition of our daily (internal) briefing. The point was, neither the British nor Israeli governments would sit quietly for President Clinton's negotiation of a peaceful diplomatic solution in the Iraq crisis.

It had been the Israeli government of Prime Minister Netanyahu, which had organized the planned "smart-smart weapons" attack on Iraq (and also Iran targets) as early as October 1997. As Britain's Prime Minister Tony Blair has insisted, loudly, it was the British monarchy, not the Clinton administration, which insisted upon the U.S. bombing Iraq. Neither would tolerate President Clinton's endorsement of a diplomatic solution.

Knowing the British imperial mind as well as I do, I was certain, that Arab terrorist organizations harbored in, and directed from London would issue terrorist threats against U.S. persons and interests as early as Monday, February 23. Knowing the Israeli forces behind Netanyahu as well as I do, I was certain that Netanyahu would issue a threat of Israeli air- or missile attacks on Iraq, and possibly also Iran, as early as the same Monday. It happened exactly as I anticipated, and when I anticipated it would happen.

There were three reasons I issued that Sunday warning. First, by my stating what both London-controlled Arab terrorists and the Netanyahu government would do, when those agencies reacted as I had warned, on Monday, they demonstrated to anyone who is not a virtual idiot, that it was London and Israel which forced the threat to bomb Iraq down the throat of U.S. President Clinton.

I also knew why London would unleash its Arab terrorist threats against the United States. London's intention is to use terrorist incidents by ostensibly Arab terrorist groups (directed by London), as a way of, hopefully, provoking U.S. forces stationed in the Mideast into a "revenge bombing" against Iraq. In any case, should that trick fail, London's motive for pushing the bombing of Iraq, was never Iraq as



Left to right: President Franklin D. Roosevelt; Lyndon H. LaRouche, Jr. (at a conference in February 1997, calling for a New Bretton Woods System); and U.S. Treasury Secretary Alexander Hamilton. "The British monarchy's fear is," writes LaRouche, "that under conditions of impossible crisis, such as those in the process of erupting now, President Bill Clinton might resurrect the American patriotic matrix, and act in a crisis, as Roosevelt would have done."

such. For London, Saddam Hussein is simply an expendable diplomatic card, which they can, and will use to attack Iraq, or will assassinate, or not, whenever it pleases them. London's motive, then, and now, has been to weaken U.S. authority and influence around the world, to the degree that nations would shun cooperation with the Clinton administration in the projected 22-nation April meeting on the subjects of financial and monetary reform.

The global monetary crisis

Presently, the next round of the same global, systemic crisis which erupted late October 1997, is onrushing. At the moment, the global financial and monetary situation is out of effective control by the world's leading central bankers. The financial and monetary crises which erupted in Asia, Europe, and the U.S.A. during the period from the middle of October 1997, through, approximately the middle of January 1998, were child's play by comparison with those expected to erupt as early as mid-March. In the meantime, all of the so-called "bail-outs" and "reforms" undertaken in Asia, have proven themselves, each and all, medicine that is far worse than the disease.

On the subject of the financial, monetary, and economic situation, during the recent weeks, virtually all of the world's governments and daily news media, the U.S. included, have been lying far more than usual. The fear is, that letting the truth out will spark a mass political panic those governments can not control.

This crisis is no business-cycle crisis. It is no Asia crisis. It is a global crisis, which will hit the U.S. financial markets just

The terrorist threat

This urgent memorandum was conveyed by Mr. LaRouche to his associates on Feb. 22:

The question is, should President Clinton accept a recommended diplomatic resolution of the Iraq crisis, how will the British and Israeli governments react? One must remember, that the recent threat to bomb Iraq (and Iran) originated with Israeli circles close to Israeli Prime Minister Netanyahu, whereas the proposal that the U.S. commit itself to bombing Iraq came from the British monarchy.

There are two threats to be considered. Either, or both the British or Israelis might react. Either, or both might resort to terrorist acts intended to provoke bombing-reprisals against Iraq, or, the Israelis might act preemptively, with a bombing against Iraq, and possibly also missile attacks against key points in Iran.

Terrorist actions by "Arab terrorist" groups harbored in and steered from London, and, or Israel, or Israeli "preemptive" bombings of sites in Iraq, and possibly also Iran, remain highly likely reactions to any threatened "outbreak of peace." Only a publicly stated firm commitment by the U.S.A. to punish Britain or Israel if such capabilities harbored by either are used, can render such dangers less likely.

as surely, and just as ferociously as it has already struck all of the nations, excepting China, in East and Southeast Asia. It is a systemic crisis, a crisis which inevitably dooms the world's entire financial and monetary system in its present form.

The proposition facing all sane governments today, is: The *Titanic* (the world's presently existing financial and monetary system) is sinking; nothing can save it. Can we save the passengers (the people), the nations, and the physical (not financial) economy of those nations? The answer is: Yes; it could be done, and that quickly; but, only if the knowledge and the will to act appropriately are summoned. This is possible, only if the presently sitting President of the U.S.A., Bill Clinton, changes his policy, in time, and acts to bring together a group of nations which will ram through the needed reforms, whether or not the British monarchy likes it.

In short, what is required, immediately, is a return to the kinds of international and national financial and monetary regulation which were in force under the form of the Bretton Woods agreements in operation during the pre-1959 period. Only one modification need be added to those former Bretton Woods policies: in light of the hopeless bankruptcy of virtually all the world's leading central banking systems, a system of national banking, echoing the policies of U.S. Treasury Secretary Alexander Hamilton, is indispensable for a recovery. If you don't approve of Hamilton, you have chosen, probably, to die of economic chaos world-wide.

To make that reorganization of the world's financial and monetary systems effective, we require a President who will act as U.S. President Franklin Roosevelt did, under somewhat analogous circumstances. We require a commitment to inter-

national cooperation in fostering a set of much-needed infrastructure development projects, which will supply the dynamic for a general recovery of the privately owned agricultural and industrial sectors.

The hard core of the British monarchy has the murderous intent, that no such reform shall occur. In the eyes of the British monarchy, what I have just summarized is an echo of the program of post-World War II global reforms, which a horrified Prime Minister Winston Churchill knew that Roosevelt would have implemented had he lived. The British monarchy's fear is, that under conditions of impossible crisis, such as those in the process of erupting now, that President Bill Clinton might resurrect the American patriotic matrix, and act in a crisis, as Roosevelt would have done.

Therefore, the British and their Starr performers inside the U.S.A., are determined to destroy President Clinton, and to isolate the U.S.A. politically, as quickly as possible.

Presently, what appears to be the agenda for the announced April meeting of representatives of 22 nations (or, perhaps more) generally stinks. However, under conditions of aggravated crisis, between now and then, those things can be changed. The British monarchy would prefer that conference never occurred.

That is why the British blackmailed President Clinton into threatening a bombing of Iraq. That is why London unleashed the Arab terrorists under its control as soon as President Clinton's apparent acceptance of a diplomatic solution surfaced. That is why Israel is again openly threatening its "nuclear Armageddon" scenario for the Middle East—speaking of "weapons of mass destruction."

World leaders focus on the financial crisis

At the November 1997 Asia-Pacific Economic Cooperation (APEC) meeting in Vancouver, Canada, President Clinton pledged to host a world conference on reform of the financial system. Arrangements are now under way for this meeting to take place in Washington, D.C. in April. No exact date or agenda has been made available. A pre-meeting was held in Washington on Feb. 17, attended by financial officials from 21 nations and Hong Kong (now part of China), and also from the Bank for International Settlements and the World Bank.

In an address to the participants in the pre-meeting, U.S. Treasury Secretary Robert Rubin said that there would be "wide-ranging discussions" in the coming months, about how to change institutions to deal with expected financial crises. He spoke in general terms about devising a new financial "architecture."

Concretely, a new, multinational collaborative effort to finance a trade-rescue package came about during the week of Feb. 17, coordinated by the United States, and involving six fellow Group of Seven members, and 11 other nations, including Mexico and Australia. At the Feb. 21-22 meeting of the G-7 in London, this ad hoc group announced the formation of a new export financing mechanism, intended to deploy some \$10 billions this year, to finance Asian exports and imports, otherwise collapsing from currency blow-outs. However, this joint action is not typical of national responses to the financial breakdown.

Behind the scenes, there have been heated disputes over the role of the International Monetary Fund, and about the breakdown of the old Bretton Woods system. For example, journalist Marco Cecchini wrote in the Italian daily *Corriere della Sera* on Feb. 19: "The seven most industrialized countries are, reportedly, discussing, following an American request, a general reshaping of the international financial institutions, which includes . . . the downsizing of the IMF, an institution that the U.S.A. never really loved."

—Marcia Merry Baker

The conceptual parameters of a New Bretton Woods system

by Susan Welsh

At a mid-Atlantic wartime conference in 1941, President Franklin D. Roosevelt confronted a furious Prime Minister Winston Churchill, on the subject of British imperial rule in India and other colonies. Britain was stuck with eighteenth-century views, he said, taking resources out of colonies and giving nothing back to the people. Roosevelt stressed the need to develop industry, improve sanitation, and raise the educational levels and standards of living in the colonies. "I can't believe that we can fight a war against fascist slavery," he said, "and the same time not work to free people all over the world from a backward colonial policy."

That battle, over the right of all nations to economic development, was the most crucial issue on the table at the close of World War II, in 1944, when the Bretton Woods System was formed. Former colonies, such as India, the "jewel" of the British Empire, soon attained their independence, and their people hoped for a better life. But, with the death of Roosevelt and the ascendancy of Harry Truman, British oligarchism got a new lease on life; it remains locked in conflict with the American System of economics to this day.

During 1959-60, Lyndon LaRouche made his first long-range economic forecast: that near or shortly after the middle of the 1960s, we would see a series of major monetary disturbances, leading toward a collapse of the Bretton Woods agree-

ments. This collapse, he said, would lead to increased looting of the developing nations, and austerity measures modelled upon those of fascist regimes, in international economic relations and in the U.S. domestic economy.

In 1971, when President Nixon took the dollar off gold, the positive features of the Bretton Woods System were destroyed: the fixed-exchange-rate system and gold backing, which allowed for stable international trade. All that was left were the so-called Bretton Woods institutions, such as the International Monetary Fund and World Bank, which served as looting mechanisms for financier capital, at the expense of the developing sector in particular.

Since that time, Lyndon LaRouche has been at the forefront of international efforts to bring about a new, just world economic order. In the documentary section that follows, we present some highlights of this decades-long battle by him and his collaborators.

Our selection emphasizes some of the older documents and speeches which are not readily available, starting with LaRouche's call, in 1975, for an International Development Bank, and proceeding in roughly chronological order. For more recent elaborations of how to secure a worldwide economic recovery, see, for example, *EIR's* Special Report on *The Eurasian Land-Bridge*.

1975: LaRouche calls for Int'l Development Bank

At a press conference in Bonn, West Germany, on April 24, 1975, excerpted here, Lyndon LaRouche laid out his plan for an International Development Bank. The proposal was elaborated in a pamphlet titled "IDB: How the International Development Bank Will Work."

We propose the immediate establishment of an International Development Bank as a three-way agreement among the three

principal world sectors, the industrialized capitalist sector, the so-called development sector, and socialist countries. The Bank would discount letters of credit and bills of exchange authorized by treaty agreement among nations and self-constituted groups of nations, and would thus act as a rediscount bank for those other letters of credit and bills of exchange generated in the course of supplying needs of final commodities producers producing for bookings issued under relevant international development bank treaty agreements.

For example, several key developing sector nations have demanded that the industrialized sector negotiate interlocking agreements concerning three items: energy, raw materials, and food. Our essential criticism of this agenda is that it included only three principal items, instead of the necessary

four. The fourth item should be “development.” Our remarks concerning this example are not conjectural, provided that suitable initiative proposals are generated by significant forces of the industrialized sector, key forces within the so-called “Third World” will be prepared to immediately begin working negotiations along the lines of such a four-point form of general treaty agreement with the industrialized sector.

On the basis of our own organization’s studies, and our discussions of these studies with governments and leading political forces within the “Third World,” we have determined to the point of certainty that the activities of an International Development Bank in connection with present wishes and consumption capabilities of the developing sector, would be sufficient to generate a higher rate of industrial expansion in the advanced sector than has been seen during the most prosperous intervals of the past quarter century.

The feasibility of this proposed program demands understanding of certain often neglected ABC’s of Political Economy. Without understanding those principles, we should all be hopelessly caught in the worst disaster of human history.

The basic fact on which all political economy depends is the characteristic feature of economy. That is, that a proper use of means of production and means of personal consumption generates levels of output in excess of the prime costs incurred. The second basic fact, essential to this solution, is that all general development, including industrial development, depends upon creating a basis for growth in an abundant supply of adequate nutrition at relatively low social cost. To the extent that these two principles are observed in practice, and advancing technology emphasized to that end, it is feasible to generate very large amounts of long-term credit without inflationary effects.

We emphasize that a combined concentration on both industrial development and expanded food production are the absolute imperatives for this period. To the extent that long-term development credit to the developing sector places priority emphasis on rapidly increasing the amount and social productivity of world food production, any amount of credit can be issued over a 10- to 15-year term ultimately payable in expanded food, in increased masses of productive labor, and in the social productivity of human labor generally.

The immediate problem the new bank will face is this. In addition to the immediate potential for substantially increasing agricultural output and productivity generally, there are three regions of the developing sector which represent massive opportunities for increases in agricultural output. One of these, the Rio de la Plata region of South America, offers short-term major benefits for development as an agro-industrial region. The other two, the Sahel, and the India-Bangladesh-Pakistan region, represent potentially major world food-producing regions, but will require 10 to 15 years of massive engineering efforts and development to approach their enormous surplus potentials. Therefore, our problem is to provide a level of development equivalent to approximately a quarter

trillion current transferable rubles annually, concentrated on low-interest loans and grants with a typical maturity in the order of 10 to 15 years required for loans.

The apparent difficulty of conducting such programs is only apparent and not actual. To the extent that the industrialized sectors can generate large surpluses in excess of immediate reinvestment requirements within that sector, that portion of surplus can be issued as credits and grants without adverse economic effects. The only real problem involved is that of raising the gross level of industrial outputs to the scale the indicated undertaking requires. . . .

The Colombo resolution of the Non-Aligned

The following is excerpted from the final resolution of the conference of Non-Aligned nations, held in Colombo, Sri Lanka, Aug. 19, 1976:

Introduction

. . . The heads of state of the Non-Aligned countries consider that economic problems have become the most grave in international relations. . . . The developing countries are victims of this world crisis. . . . It becomes more and more evident that the present system cannot promote the development of the developing countries nor hasten the elimination of hunger, disease, and illiteracy. . . . Also, the institution of the new international economic order is of the highest political importance. . . . The developing countries have as their primary task to break the resistance of those who oppose themselves to the struggle for the economies of the developing countries. . . .

The New World Economic Order

1. The heads of state . . . are strongly convinced that alone a complete restructuring of international economic relations will bring a solution to the world’s economic problems. The weaknesses and repeated failures of the extant economic order have been demonstrated by the recent series of crises in the market economy countries: collapse of the monetary system, the appearance of restrictive and protectionist policies, recession, inflation, unemployment, etc. . . . Notably, this state of crisis has also dramatically emphasized the fundamentally interdependent nature of the elements constituent of the world economy, and provided the necessary impetus leading towards conceiving a new world economic order.

2. The heads of state . . . demand the establishment of a new world economic order, which begs bold initiatives, demands concrete innovative and global solutions, and is not compatible with the fragmentary and improvised reforms de-

signed to keep the current economic difficulties in check. . . .

3. The heads of state denounce the unacceptable policy and practice of the transnational corporations. . . .

4. They reiterate the right of every country to exert its sovereignty. . . .

5. They reaffirm that alone such a complete restructuring of international economic relations will provide a durable solution. . . . They reaffirm their resolute determination to obtain by collective action the establishment and implementation of a new world economic order, which is envisioned and enunciated in various resolutions. This order must, among other things, include:

a) Fundamental restructuring of the whole apparatus of international trade so as to achieve an indexation, improve the terms of trade. . . .

b) Deep restructuring of world production on the basis of a new international division of labor through the following means: improvement of the access of developing countries' manufactured products, transfer of technology. . . .

c) A radical overhaul of international monetary arrangements in vigor, which are characterized by the lack of a rational equitable and universal system, the anarchy of floating, the growth of liquidity . . . inflation. . . . The new system should abolish the dominant role of international currencies in decision-making, and forge a link between liquidity creation and development finance.

d) Guarantee an adequate transfer of resources.

e) Urgently determine a satisfactory solution to the problem of public debt, especially for the least developed and most affected countries.

f) Input, at favorable conditions, of the desired resources and appropriate technology to permit investments ensuring growth of food production and means of agricultural production in the developing countries. . . .

Interdependence in the world economy

. . . International cooperation has today become an imperative necessity. . . .

The heads of state recognize that the introduction of a new era of fair and balanced relations is the responsibility of all, but falls more particularly upon those who retain economic power. Furthermore, the creation of a new world economic order implies, on the part of the developed countries, resolute and efficient measures in all the main domains of international economic relations. The developed world as a whole cannot any longer escape their responsibility under any pretext whatsoever, and can no more afford to misinterpret the fundamentally indivisible nature of the world's prosperity.

The heads of state . . . therefore invite the developed world to convincingly express their faith in the principle of interdependence of the world, by adopting a series of measures that, alone, will permit them to conduct authentic international cooperation and the creation of the new world economic order. . . .

Conclusion

[This] announces a new step for the establishment of the new world economic order, and in particular, this essential element of such a new order, a new monetary and financial system. . . .

Guyana's Wills calls for a debt moratorium

From the address of Guyanese Foreign Minister Fred Wills to the 31st Session of the United Nations General Assembly, Sept. 27, 1976. He prefaced this section of his speech by addressing the fact that previous UNGA resolutions to resolve the conflict on Cyprus had not been implemented. See box in this section for more on Wills.

The tragedy of Cyprus, Mr. President, is the tragedy of the interference by other states in the affairs of a small state. Techniques of destabilization are being mobilized against governments which seek to free their economies from the stranglehold of imperialist control—governments which seek to create systems of development which would abolish hunger, disease, and poverty, which would restructure their societies so as to provide their peoples with the quality of life for which they yearn. Mr. President, the immediate objectives of such campaigns of destabilization are clear and unmistakable. They range from the comparatively unobtrusive change of key personnel to bloody events which sometimes culminate in such tragedies as the assassination of political leaders.

The techniques used are equally clear and unmistakable. The promotion of internal unrest with a view to the breakdown of law and order; the fomenting of intra-regional conflicts through client states; the financing and organization of hostile propaganda campaigns; the attacking of embassies and consulates; the manipulation of international markets; the restrictions on export capabilities; the frustration of bilateral and multilateral aid; the subversion of economic objectives by the machinations of transnational corporations—all this arsenal of destabilizing techniques is aimed in the first instance at ensuring the continuation of a relationship of dependency between developed and developing countries, and in the second instance at yoking the legitimate aspirations of the peoples in developing countries to the strategic conceptions of larger nations.

Mr. President, most of the countries in the developing world were former colonies of western Europe, and the radicalization of their liberation struggle has therefore been in anti-West terms. This does not necessarily mean that those

Wills: We shall win!

On Jan. 30-31, 1988, the Schiller Institute hosted a conference on the need for a new, just world economic system, to replace the defunct Bretton Woods system. The conference, "Development Is the Name for Peace," was held in Andover, Massachusetts, and was chaired by former Guyana Foreign Minister Fred Wills.

Following his crucial organizing for a new world order at the May 1976 conference of the UN Council on Trade and Development (Unctad) in Nairobi, and the August 1976 Colombo conference of the Non-Aligned Movement, on Sept. 27, Wills directly told the United Nations General Assembly, "The time has come for a debt moratorium" (see article in this section). Shortly thereafter, Wills found himself stripped of his post and forced into exile. He died on Feb. 21, 1992.

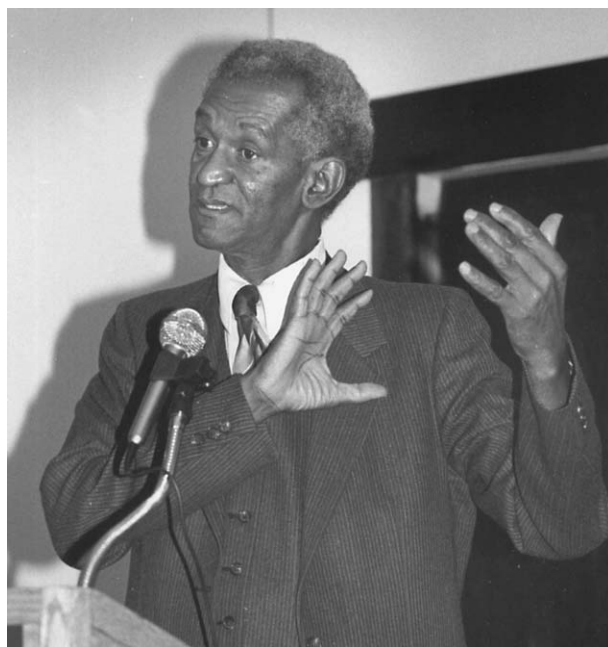
What follows is from his closing remarks to the Andover conference.

We have focussed here on the need for cultural optimism, and for revived insistence on the dignity of man, in a new international economic order. I feel, as your chairman, that we shall win, because our cause is just, and frankly, because there is, in the present circumstances, no alternative to victory.

Our enemies have found themselves impaled on the horns of a cruel dilemma: They hate us, but they know they have to come to us. That's the thing I like. They want Lyndon LaRouche's policies. They think they don't want Lyndon LaRouche. They have this curious acrobatic kind of epistemology, that can separate a man from his policy.

We are blessed with myriad strengths. We focus so much on what the enemy says about us, that we forget what we are ourselves. The chief of our strengths is the creative leadership, and the fertile intellects of Lyndon and Helga LaRouche. We have, in the Schiller Institute, the formal embodiment of the soul of the human genius. We must show ourselves worthy of such a heritage.

It has been my pleasant duty to preside over this conference, and now, to bring it to a close. But this is not a close. This is a phase change, to taking action outside — Dukakis and Simon, Reagan and Bush, and what have you — this room. And this conference has been an oasis of sanity. I wish, on your behalf, to tell Lyn and Helga, that we intend to be worthy of their leadership. And to tell our enemies, whom we know and, as I said, are here (and they always monitor what we do; I've known them for 60 years, and believe you me, they don't give up), that we shall never fail, we shall never falter, we shall always open new flanks,



and we shall always strike mighty blows over and over and over again, until justice returns, as the imperishable axis of our human existence.

When I was leaving the university, I was asked to go and see a gentleman, Sir Jock Campbell, who is a big guy in the East India Company. The East India Company ran Boston; we have several jokes about that. The East India Company was founded in 1600, they killed [Giordano] Bruno in 1600, and the first settlers set sail for America a few years after that. I asked this guy, what policies he felt we should pursue. He told me, "the doctrine of regrettable necessity." I'd never heard this. But I knew British capacity to use words, and the idea that you can hide reality, behind a facade of polysyllables.

I never understood it then, and it suddenly occurred to me when I was a minister of government. The prime minister of Guyana was always saying, "Regrettably, we have to do this. We have to ban the importation of milk. Regrettably, we have to do that." And then, I understood. That is what we are trying to stop.

I feel very strong and very invigorated by what has happened today. Every moment I have spent in the presence of Lyndon LaRouche, I am quite proud to say, has enriched my existence. I don't know about you, but that's what it does for me.

This has been fine. But we have to do more. I threaten my enemies to live for another twenty years. And I intend to die before Lyndon LaRouche. It's been a good conference. We shall pursue, exploit, do what we have to do, and have no doubt about it, we shall win! And they know it.

Thank you.

terms are pro-East. Similarly, Mr. President, most of these countries have adopted socialism as an internal strategy of development. This likewise does not indicate that they are anti-West or pro-East. At Colombo the golden thread running through the resolutions and discussions was the determination of 85 countries not to sacrifice their sovereignty and independence on the altar of ideological nicety. Mr. President, we of the Non-Aligned Movement have in effect chosen not to be for one side or the other. We have chosen to be ourselves. At Colombo, Non-Aligned countries denounced all forms of interference and emphasized the need for unremitting vigilance in this regard. Here in New York, at this 31st Session of the General Assembly, I call on the Assembly to denounce these activities, and I urge the international community to consider in earnest, measures to safeguard the integrity and sovereignty of small states and to discourage all attempts to interfere with their right to pursue the paths they have freely chosen for themselves. This, after all, is one of the fundamental principles enshrined in the Charter to which we all subscribe.

But Mr. President, the security of developing states is inextricably linked with their economic survival and their economic advance. My delegation feels that there can be no meaningful economic advance without the implementation of the New International Economic Order as adopted at the Sixth Special Session. The Non-Aligned Movement and the Group of 77—have tirelessly sought to bring home to those in the developed world ever resistant to change, that the economic progress of the developing countries is in the security interests of the developed countries. The billions on this planet who live in the developing countries and whose existence is subjected to the constraints of the few who manipulate to their advantage the present-day economic system, have pinned their hopes on the modest program put forward in Nairobi [at the May 7, 1976 UN Conference on Trade and Development] and elsewhere. Their determination is adamant, inexorable, and relentless. The IMF and the Bretton Woods monetary system must give way to alternative structures like international development banks, which are not geared to the revival and reconstruction of Europe nor preferential arrangements for the developed market economies, but rather to the just distribution of the gains of an equitable global system.

The crippling problem of debt and the servicing of debt has assumed a special urgency. Developing countries cannot afford to depart from their basic and fundamental demand made in Manila and Colombo earlier this year calling for measures of cancellation, rescheduling, and the declaration of moratoria. We must eschew all attempts to deal with this problem by the divisive tactics of a case by case approach. We cannot afford to mortgage the future of unborn generations to the obligations of burdensome capital repayments and crushing debt servicing. The time has come for a debt moratorium. . . .

Operation Juárez: Reorganize the debt

by Lyndon H. LaRouche, Jr.

The following are excerpts from a book-length report by LaRouche, entitled Operation Juárez, dated Aug. 2, 1982, which proposed a comprehensive global debt-reorganization. The report was prepared following a June 1982 meeting between LaRouche and Mexican President José López Portillo, in which the two discussed the debt crisis in Ibero-America. On Sept. 3, López Portillo broke with the International Monetary Fund and nationalized Mexico's banking system. During September and October, he sought to cooperate with other major nations of Ibero-America, and with the United States, along the lines of Operation Juárez, but was rejected across the board.

A three-level approach to debt-reorganization

If presently prevailing policies of the U.S.A. and Western Europe continue, it is presently just slightly less probable than certainty that there will be a general financial “crash” within the Bretton Woods system's remains during the month of September 1982. That is the prevailing opinion expressed by the highest financial circles in London and Switzerland. It would be technically conceivable that “papering-over” agreements could postpone the general financial crash into early 1983; however, that “papering-over” would require an active role by the London and Swiss gentlemen who are presently planning for the September crash.

This crash might be prevented. That prevention would require a profound shift in U.S.A. monetary policy executed during the present month. . . .

Collective negotiation of debt-reorganization

. . . Unless the bankers of the United States of America are collectively insane or babbling imbeciles, they will joyously embrace a proper proposal for collective financial reorganization of the Ibero-American debt. However, they will probably resist such a proposal to the teeth unless it is made by collective action of several prominent nations of Ibero-America in concert.

We now examine, one by one, the key aspects of such a debt-reorganization negotiation.

To put our minds into the proper frame of reference, we begin by noting to what degrees the financial reorganization of a nation does and does not parallel the financial reorganization of a large industrial enterprise.

In the case, a large industrial enterprise become techni-

cally illiquid because of inability to carry currently contracted debt-service payments and that enterprise is economically viable, it is in the interest of the creditors to provide generous terms of credit debt rescheduling plus new lines of medium- to long-term credit for that enterprise.

Among such classes of cases, we have two general categories of debt-reorganization problems. In one instance, the operating policies of the enterprise leave nothing important to be desired; the illiquidity was caused either by a special circumstance beyond the firm's control (such as a recession in the economy), or by poor terms of financing. In the second instance, the essential viability of the enterprise can not be realized without rather significant changes in operating policies of practice.

We have another sort of case of corporate bankruptcy, in which the enterprise is not economically viable by any reasonable standard of competitive viability. In such a case, we minimize losses to all concerned by mercifully putting the firm out of existence as quickly as possible.

The difference is, no matter how lacking in economic viability a nation may be, unless we are Adolf Hitlers, we never put a nation out of business "mercifully." No matter how bankrupt a nation may be, we are morally obliged, under any and all circumstances, to make it economically viable at whatever cost.

In the first kind of financial reorganization, in which the economic policies require no significant alteration, the firm's financial management may have committed several varieties of error. It may have used too much medium-term borrowing to cover long-term investments, or short-term borrowing to cover investments. If an investment begins to reach profitable maturity at about seven years of development, financing the investment over a three-year term can be disastrous. Or, the firm may have borrowed for things it should not have borrowed for, which have no proper bearing upon its economic operations—such as outside investments in real-estate or something else, as investments for its financial portfolio. Or, creditors may have been in a position to force upon the firm unconscionable conditions. Or, a foolish government may have permitted cutthroat varieties of competition or foreign dumping, forcing the firm to sell a competitively-produced product below its cost of production. Or, a foolish government may have permitted a recession or depression to occur.

In such cases, it is sufficient to rewrite a new series of debts, and debt payment schedules, to replace the previously-existing debts and payment schedules. The new issues of debt replace, or "buy up" the old.

We take the same approach to debt-rescheduling in the second variety of case. However, before we can determine what will be a feasible schedule of debt-repayments, we must design a new program of investments and operating policies for the enterprise. The reasonable performance of the enterprise under that new investment and operating program informs us what a reasonable debt-payment schedule would be.

We design the debt repayment schedule accordingly.

In the case of a nation which appears technically an unsalvageable "firm," we follow the same procedure as in the second case, except that "common sense" may recommend to us that a great portion of the debt were better simply written off—a common condition among "least-developed nations" today.

In negotiations of such matters, we must be guided by an eye to the principle of equity. In much of the post-1974 period, the condition of finances of developing nations would not have occurred but for the virtual thuggery of Henry A. Kissinger and others, in enforcing the irresponsible and incompetent policies resolved at the 1975 Rambouillet conference and subsequent such conferences. Many of the debtor-nations were forced into refinancing debts at immorally usurious rates, and with other lunatic arrangements, at the point of a gun—sometimes, quite literally, Kissinger's guns. Such features of the carried-forward debt of nations can not be considered exactly a debt contracted in good faith. If there are any complaints of losses from debt-renegotiation among creditors, appropriate reference should be made to the injury to the debtors imposed by the wicked Kissinger and others, at Rambouillet and in related conspiracies.

The commercial banks of the U.S.A. (for example), heavily exposed in Ibero-American debts, are frequently on the verge of technical bankruptcy themselves, because of margins of debt in their portfolios which are already or imminently in default. We propose to them, to help to save them from bankruptcy, if they will only be collectively reasonable, with suitable help from their federal government.

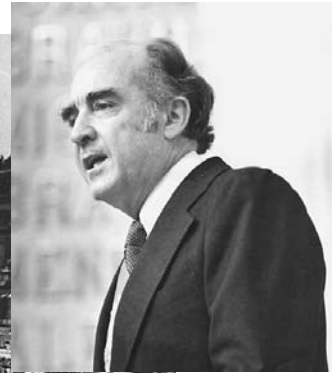
We propose to establish a mutually agreed cut-off date for further accruals of existing contracts of indebtedness of Ibero-American republics. After that date, no further interest-payments will accrue on those contracts. Effective that same date, each of the debtor-nations will deliver to the creditor-banks a portfolio of bonds equivalent in total value to the accrued value of the previous debt-contracts up to the cut-off date. The old debt is thus "sold" for the new debt.

Naturally, it is not quite so simple as that, but that is the crux of the matter.

The portfolio of bonds delivered by each debtor to each creditor will have the following most notable features.

1. The interest-rates on the bonds will be nominal, approximately 2% per annum.
2. The final date of payment of principal on the total indebtedness will be significantly later than the schedule indicated by the canceled contracts.
3. In some cases, there will be a period of grace, before payments mature—a deferred-payment provision.
4. Maturities of debt-payment will be determined by maturity-dates of each of a series of bonds issued.

Unfortunately, more or less inevitably, some among the bankers of lesser intelligence will howl with protest: "We are being cheated out of the interest-income we would have



A mass rally in Mexico City's central square, the Zócalo, on Sept. 3, 1982, in support of President José López Portillo's nationalization of the banks. Inset: López Portillo (above) and LaRouche (below). The detonation of the "debt bomb" which LaRouche had forecast, took place on schedule, and the world was inches away from a financial meltdown. López Portillo's efforts to implement a policy along the lines of "Operation Juárez" were defeated, by the failure of other Ibero-American leaders to support him.

received under the old contracts." Such imbecilic gentlemen need to have matters explained to them in very basic terms: "Try to collect the old contracts, and you force us to default, in which case your banks cease to exist." The advantages of the new arrangement may then begin to be apparent even to the most stupid among New York bankers.

There are other important advantages, which require explanation here. We identify some of these advantages first, and explain how these advantages are developed in a later part of our analysis of this matter.

The new bonds will have low yield, but they will be discountable for certain categories of issuance of new medium-term to long-term loans. The new bonds will be a negotiable asset in that way, and should be a very high-grade variety of asset for these bankers, provided they behave sensibly.

Through a combination of debt-rescheduling and correlated economic measures, the bankers involved will have a very important market for new lending on very sound terms throughout much of Ibero-America. This lending may not be significantly profitable in terms of income on the loans themselves; however, this lending will be very rewarding to the banks' clients among U.S.A. capital-goods exporters, and, consequently, to the banks themselves.

Unfortunately, the rotted condition of both the U.S. dollar

and the commercial banks is so advanced, that the commercial banks could not dispose of such a debt-reorganization by their own independent resources. If the problem were merely need for debt-reorganization in foreign accounts of those banks, what is proposed could be accomplished through negotiations with them. What is proposed would work to the advantage of the banks and the U.S.A., as well as Ibero-American republics, but this would require coordinated implementation of an already overdue monetary and banking reorganizaion in the United States.

We are not insisting that acceptance of these proposals by the United States, is the only hope for the Ibero-American economies. It is the best alternative to be considered, and by a wide margin. Were the U.S.A. to refuse, for a period of time, the tasks of Ibero-American republics would be much more difficult tasks, but the alternatives are both workable and indispensable. Moreover, as we shall show, the steps to be taken by those republics toward bringing about successful negotiation with the United States are the same steps to be followed should the U.S. refuse that proposed debt reorganization. . . .

Ibero-American monetary order

In any case, the cooperating republics of Ibero-America, must each and collectively effect reforms of their credit, cur-

rency and banking institutions identical in principle with what has been projected for the United States of America.

All that we have said respecting proper practices of the U.S.A. apply to each and every case in Ibero-America, including:

1. In no republic must any other issues of credit be permitted, as a matter of a punishable violation of the law against immoral usury, excepting: (a) Deferred-payment credit between buyers and sellers of goods and services; (b) banking loans against combined lawful currency and bullion on deposit in a lawful manner; (c) loan of issues of credit created in the form of issues of national currency-notes of the treasury of the national government.

2. Loan of government-created credit (currency-notes) must be directed to those forms of investment which promote technological progress in realizing the fullest potentials for applying otherwise idled capital-goods, otherwise idled goods-producing capacities, and otherwise idled productive labor, to produce goods or to develop the basic economic infrastructure needed for maintenance and development of production and physical distribution of goods. This is, at once, an anti-inflationary policy, and also a steering of limited national resources into those choices of governmental and private-entrepreneurial ventures most beneficial to the nation as a whole.

3. In each republic, there must be a state-owned national bank, which rejects in its lawfully permitted functions those private-banking features of central banking associated with the Bank of England and the misguided practices of the U.S.A.'s Federal Reserve System over the period from the latter's establishment into the present date of writing.

4. No lending institution shall exist within the nation except as they are subject to standards of practice and auditing by the treasury of the government and auditors of the national bank. No foreign financial institution shall be permitted to do business within the republic unless its international operations meet lawful requirements for standards of reserves and proper banking-practices under the laws of the republic, as this shall be periodically determined by proper audit ("transparency" of foreign lending institutions).

5. The treasury and national bank, as a partnership, have continual authority to administer capital-controls and exchange-controls, and to assist this function by means of licensing of individual import-licenses and export-licenses, and to regulate negotiations of loans taken from foreign sources.

Admittedly, the great problem in administering governmental functions of auditing, export-import controls, capital controls, exchange controls, is corruption of governmental officials. Not astonishingly, the more elaborate the bureaucratic procedures employed in the intent to discourage corruption, the greater the incentive for corruption becomes. Sooner or later, a frustrated applicant will reflect on the point, that perhaps some official has a friend of a friend of a friend.

The effective control of such problems lies not in investigating each matter case by case, but, directly the opposite, by considering the pattern of decisions shown on the record, the pattern of choices of favorable administrative decisions in respect to the total population of cases for such decisions. The problem faced by this approach to anti-corruption enforcement is often the indignant official's retort, "prove one case in which I have been corrupted, and naturally I shall resign immediately," and so forth and so on. The policy ought to be that an official in such areas is judged on performance by the pattern of his decision-making, not on the basis of a case-by-case examination of his decisions.

The problem becomes acute, if the government itself has no clear policy—no clear, dirigistic policy. Then, in such case, by what criteria as to pattern of decisions can an official be judged? If a function operates under clear, dirigistic economic objectives as to quantified priorities of national economic development, then the officials of that function are to be judged as they attempt to fulfill such objectives in their overall performance. They expedite what known national, dirigistic policies inform them must be expedited preferentially, and give lesser priority to those matters of decision which are low on national-economic dirigistic priorities. There is no greater root of corruption of governmental officials than a lack of dirigism in national-economic policy.

6. The policies of taxation of the national government must be designed to expropriate ground-rent and usury income, to foster well-being of households, and to give preferential treatment to those classes of ventures which are established to be in the relatively greater national interest. Economic-development policies must inform taxation policies.

7. In a number of instances, it is simply desirable, or even indispensable, that a severe currency-reform be implemented immediately.

Tax-evasion and the related problems of "black economy" are endemic problems of nations today. The curse of Italy, for example, is that more than one-quarter of its national income is sequestered in a black economy. Ibero-America suffers infection with the same disease; the "black economy" of the U.S.A. is greater in size than the entire national income of numerous nations.

This problem was addressed in a book written by this writer during 1980, *A Gaullist Solution for Italy's Monetary Crisis*. The proper execution of a currency-reform—the purchase of old lawful currency with new—can demolish as "black economy" in the process. The essential thing, is that the amount of currency presented for purchase by residents or foreigners must be not in excess of an amount they might have accumulated lawfully without practices of tax-evasion or violation of capital-controls, exchange-controls, and import-export licensing. Often, the holder of "black economy" gains would prefer burning the old money, rather than having it largely confiscated, and himself sequestered in prison for offenses against the law.

Such a currency-reform cleans up the condition of a currency, and also provides the government and national bank with an indispensable audit of the republic's direct and implicit currency-related obligations, domestic and foreign. It provides, at the same time, an improved accounting of the roster of proper taxpayers, and better estimates of the amount of tax-liability those taxpayers represent.

A currency-reform is a necessary measure in the worse cases of inflation; it serves as one of the indispensable weapons needed to bring inflation under control.

8. Sovereign valuation of the foreign exchange value of a nation's currency must be established for Ibero-American nations. The first approximation of the value of a nation's currency is the purchasing-power of that currency within the internal economy of that nation. What are the prices of domestically produced goods and services, relative to the prices of the same quality of goods and services in other nations. The emphasis must be upon domestically produced categories, almost exclusively, at least for first approximation.

By this standard, many Ibero-American currencies are presently monstrously undervalued. The result of artificially depressed valuations of national currency, is that the nation is being massively, savagely looted by foreigners, especially foreign debt-holders.

The determination of exchange-rates by the IMF, etc., has often represented, during recent years especially, nothing more nor less than pure and simple theft, on a massive scale, by foreign lending institutions and others.

This commonplace swindle of developing nations is premised on the fallacious argument, that the value of a currency in international markets must be determined by "supply and demand" for that currency, rather than the intrinsic value of that currency as a medium of purchase of domestically produced goods and services in its country of origin. By manipulating international exchange-markets, to artificially rig "supply and demand" in a currency, a "case" for devaluation is presented as a demand upon the targeted victim-nation.

How much less domestic purchasing power does the Mexican peso have today, at one-third its nominal exchange-rate valuation, than a short time ago, at 24 pesos to the U.S. dollar? The devaluation has been outright swindle of the nation and people of Mexico, almost at the point of a gun.

An Ibero-American 'common market'

We propose that, within the Organization of American States, such republics as may choose to do so, should form an Ibero-American "common market." This "common market" would be based chiefly upon these institutional features:

1. Bringing their respective, internal institutions of credit, currency, and banking into order, as specified here, earlier.
2. Establishing a common banking institution to facilitate exchange of credit, currency, and trade among them, and as an institution of common defense of the financial and economic

interests of the member-nations and the continent as a whole.

3. To make more effective use of the limited resources at their common disposal, to the equitable advantage of each and all.

Taken as a whole, Ibero-America represents a spectrum of existing and potentially existing capabilities of natural resources, agriculture, capital-goods industries, and other economic resources. What is not immediately at the disposal of the republics taken individually, is in large part at the disposal of those republics taken as a whole. Given the limited means for creating technologically advanced industries of each and all, the attempt of the republics to meet their needs in parallel represents a costly duplication of investment, by comparison with the better use of limited resources if a rational division of labor were to be developed among those republics.

What is required is: 1) Agreement to prefer trade within the community, rather than trade without it; 2) Medium-term and long-term trading agreements, through which it will specialize for export to members of the community, thus assuring a medium- to long-term market for products of this sort, are intended to foster the most efficient use of the limited capital and credit available to each and all; 3) Fair-pricing agreements, combined with cohering tariff agreements, which have the effect of establishing a customs union among the members of the agreement.

If a sufficient portion of the Ibero-American nations enter into such an agreement, *the result is the assembly of one of the most powerful economies in the world from an array of individually weak powers.*

Although the proposed customs union would develop quickly some of the same advantages as the European Common Market enjoyed prior to the electoral defeat of President Valéry Giscard d'Estaing, the proposed customs union is not modeled on the principles of design which informed the European market.

That Common Market was based upon British-style central banking of the member nations, and was integrated with Switzerland's banking in a most highly significant manner. The included objective, although not the objective of President de Gaulle, was the dissolution of the sovereignties of the member-nations, by aid of such institutions as the European Parliament and NATO. These features and included tendencies of the European Common Market are abhorrent.

The keystone institutions of the proposed customs union is the inter-republic bank. This bank is established by treaty, to function as the common facility of the national banks of the participating sovereign republics. Its functions are, categorically, inclusively, these:

1. Inter-Republic Banking Functions

- (a) To serve as a central clearing-bank among the participating republics' national banks.
- (b) To mediate exchange of credit and currency among the national banks.
- (c) To act as a clearing institution for settlement of multi-

national agreements among members respecting tariffs and trade.

2. Monetary Functions More Generally

To facilitate maintenance of parity of exchange-values among the currencies of the member republics, and to defend those currencies as a bloc against external manipulations.

3. A Development Bank (Investment Bank)

The bank serves as a coordinating agency for planning investments and trade-expansion among the member-republics. To aid in implementation of such agreements, the bank coordinates the mobilization of money-capital needed to ensure that all aspects of the agreed programs are adequately supplied with investment-development capital.

There are two principal sources of money-capital for expansion: intra-system, and foreign.

We have specified a monopoly for creation of money-credit by sovereign governments, denying this power (e.g., outlawing the “Keynesian multiplier”) to any private agency. We have thus ensured that the otherwise idled, salable goods, goods-producing capacity, and labor of each and all nations shall be adequately employed, insofar as performance-worthy borrowers-entrepreneurs are willing to borrow at low interest-rates, to put those idle resources to work in a manner consistent with national priorities for categories of development.

The establishment of a customs union of the type proposed, means that the currency-notes of each republic can be issued as medium-term to long-term capital-goods export-loans-capital to fund exports of its capital-goods production within the customs union. We have eliminated the need for a third-party lender among those republics. We have established a greatly enlarged autarkical development-potential among the members of the customs union.

This system of intra-bloc medium-term to long-term capital goods-export lending will operate soundly, on condition that the payments for such loans are predefined in terms of the importing nation’s repayment through earnings from its own capital-goods or other exports within the bloc. There is, therefore, an underlying, medium-term to long-term barter basis for these agreements.

Furthermore, for this and related reasons, it is desirable that the member-republics should prefer to purchase their imports from within the bloc, rather than from without it. A sharp and growing reduction in relative columns of imports from outside the bloc should occur relative to existing categories of imports. The extra-bloc purchasing and borrowing potential of the bloc’s member-republics should be concentrated for purchases of high-technology capital goods.

This is not a dilution of the sovereignty of the member-republics. In negotiations for lines of medium-term to long-term credit, to implement multi-member-republic projects, the representatives of each republic will negotiate sovereignly, but with backing from the common banking institution, and thus, implicit backing from other member-republics of the bloc.

However, respecting financial relations within nations outside the bloc, the sovereign member-republics seek to negotiate loans for capital-goods through the facilities of the common bank, and to clear payments against such loans through that same common bank. This strengthens the bank’s power to maintain a common defense of the currencies and credit of the member-republics. Not only are the members better defended, but the creditworthiness of each nation is increased; the creditworthiness of each and every nation of the customs union is greater than it could be outside that customs union.

To aid this, a common currency of account should be established for the customs union. Loans negotiated through the common bank will be denominated for payment in this common currency of account.

However, the bank will not be responsible for the debt of sovereign republics. Rather, the sovereign republic will settle its debt through its account with that common bank, and will settle in denominations of the common currency of account.

This bank will soon become one of the most powerful financial institutions in the world, especially in the opinion of capital-goods exporting nations. . . .

A proposal to solve Africa’s debt crisis

by Lyndon H. LaRouche, Jr.

The memorandum excerpted here was issued under the title “Resolving the Debt/Credit Crisis of Africa,” on April 23, 1986, by EIR Nachrichtenagentur GmbH. The maps have been added.

According to data compiled by *EIR*, from census-data collected by various international agencies, we have the following 1982 estimated comparisons of certain crucial statistics, for North America (the U.S.A. plus Canada), western Europe, and Africa (**Table 1**).

Although these comparisons are based on census figures, which have a margin of inherent error, they are sufficiently accurate to illustrate the essential point, and conclusively so. Africa, which has an agricultural area twice that of the United States and Canada combined, and an agricultural work force 40 times that of North America, is starving.

If we deduct three regions of Africa, the Mediterranean region, Nigeria, and South Africa, the picture of the rest of Africa stands out more clearly (**Tables 2 and 3**, and **Figures 1 and 2**).

The reason that African food production is so poor, is shown most clearly by comparison of energy consumption per hectare of usable land area (**Table 4**).

TABLE 1

Per-hectare development

(1982 estimated comparisons)

	No. America	W. Europe	Africa	So. Africa
Land (million hectares)				
Total	1,834	368	2,957	267
Agriculture (million hectares)	499	151	947	196
Population (millions)	259	343	507	53
Over 15 years old	168	221	242	18
Work force (millions)				
Total	116	146	171	12
Agriculture	2.6	10.6	109	4.3
Industry	36	61	20	3
Infrastructure	0.2	5.5	0.6	0.5
Raw materials	0.1	0.9	0.2	—
Energy produced (trillion kilocalories)				
Total	20	8	5	1
Non-thermal	3.5	2.6	0.2	—
Electricity	2.7	1.6	0.2	0.1
Energy consumed (trillion kilocalories)				
Total	20	12	2.8	0.9

TABLE 3

Population densities

(per 1,000 hectares usable land)

World Average	333.99
North America	233.40
Western Europe	1,025.94
Africa	193.61
Med. Africa	96.80
Nigeria	616.61
South Africa	86.58

The foregoing is made clearer, by considering also the comparative figures for energy production per person (**Table 5**).

The general problem of Africa's economy, is a gross underconsumption of usable energy, both per person and per hectare of usable land. The leading feature of this problem, is a monstrous underproductivity of agriculture. In other words, the only major problem with Africa's economy is a lack of American and European industrial and agricultural technology. In other words, those who propose to limit Africa's economic development to so-called "appropriate technologies," are proposing the mass-murder of black Africans through famine and disease. Unless present monetary and economic

TABLE 2

Africa, internally

	Total	Mediter.	Nigeria	So. Africa	Other
Land (million hectares)					
Total	2,957	500	91	267	2,099
Agriculture	963	93	51	196	623
Population	507	52	85	35	335
Over 15 years old	242	15	44	18	165
Work force (millions)					
Total	171	6.5	32	12	120.5
Agriculture	109	1.6	17	4.3	86.1
Industry	20	1.7	6.9	10	14
Infrastructure	0.6	—	—	0.4	—
Raw materials	0.2	—	—	—	0.2
Energy produced (trillion kilocalories)					
Total	5	1.4	1.0	1	1.6
Non-thermal	0.2	—	—	—	—
Electricity	2.4	0.3	—	1.3	0.8
Energy consumed (trillion kilocalories)					
Total	2.8	0.2	0.3	0.9	1.4

TABLE 4

Per-hectare energy consumption

(1,000 kcal./hectare usable land)

World Average	16,463
North America	42,801
Western Europe (avg.)	89,447
Scandinavia	142,213
Mediterranean	42,851
Other W. Europe	113,879
Africa (avg.)	2,887
Mediterranean	2,673
Nigeria	6,027
South Africa	4,640
China	12,865
North Asia*	500,201

*Chiefly Japan, Taiwan, South Korea

policies toward Africa are drastically changed, not less than something between 50 and 100 millions Africans will die of the effects of famine and epidemic diseases during the decade or less immediately ahead, perhaps as much as twice that number. Public health measures, headed by adequate diet, safe water for drinking, cooking, and washing, and elementary types of modern sanitation and inoculation, are at the top of the list of rudimentary measures needed to prevent a genocide vastly greater than that suffered under the Nazi regime.

TABLE 5

Energy production and consumption per person

(in 1,000 kcal./person)

	Production	Consumption
World Average	23,494	22,220
North America	77,927	83,900
Western Europe (avg.)	23,219	37,496
Scandinavia	80,770	78,754
Mediterranean	6,078	21,617
Other W. Europe	26,835	41,805
Africa (avg.)	12,521	6,439
Mediterranean	48,323	7,409
Nigeria	14,357	3,797
South Africa	31,669	29,152
North Asia	5,304	24,350

The principal causes for the spread of famine and disease on the present scale, do not originate within Africa itself. The chief causes are those policies of supranational financial institutions and international monetary agencies which have come into being, since 1971, under the IMF's "floating exchange-rate system."

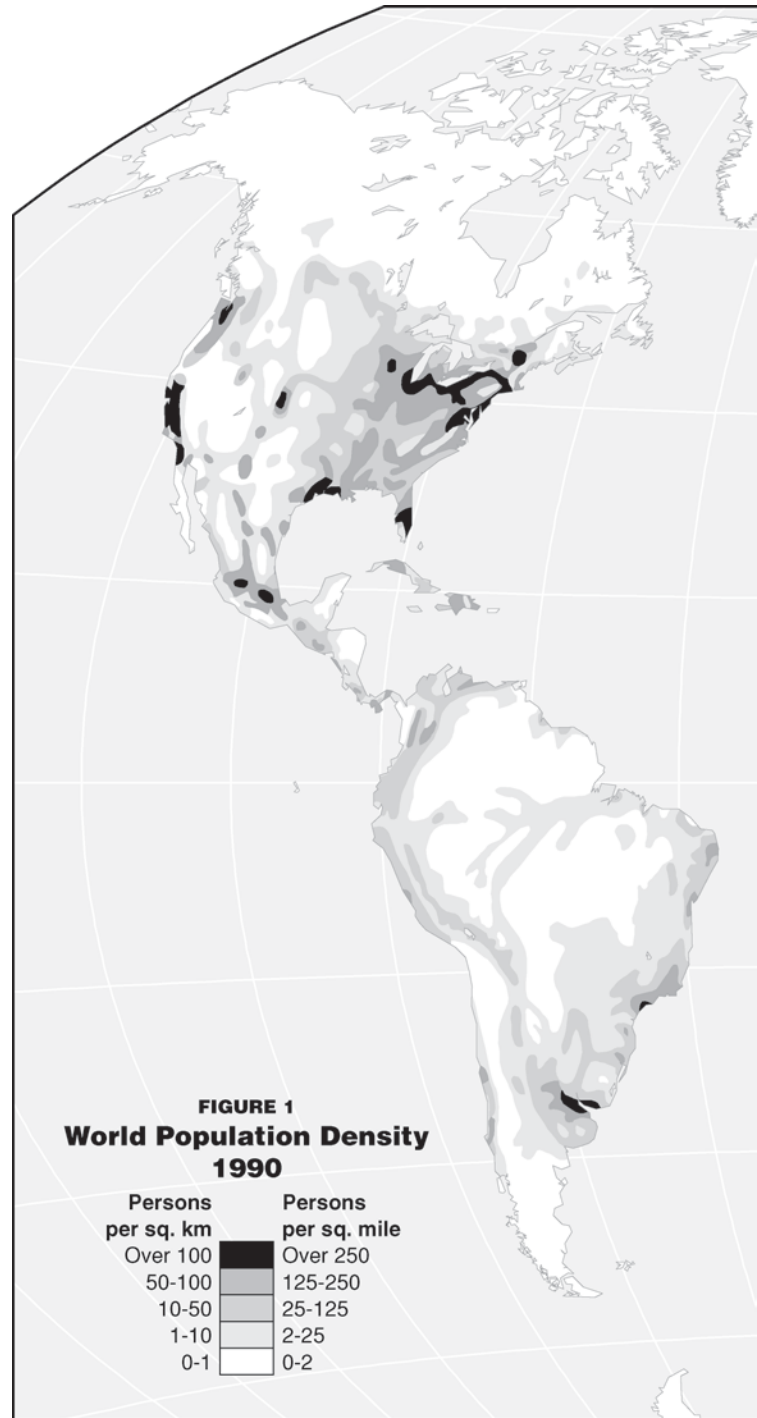
1. African nations' national currencies are forcibly reduced to a fraction of their true value, such that African exports generate much less than a fair level of national incomes, and African imports from industrialized nations are exorbitantly priced.

2. Africa's export markets have been progressively reduced by the North American and European nations' internal policies, of shifting from industrial, to so-called "post-industrial" economies.

3. Especially since 1979, and most drastically since 1982, the external debt of African nations has been pyramided by usurious re-financing terms, externally imposed by international monetary agencies, as "conditionalities" of the IMF and World Bank. The debt-service on this pyramided indebtedness devours not only the African nations' modest export earnings, but also other portions of national incomes.

4. International monetary authorities have used the pretext of certifying a nation's creditworthiness, to impose sweeping "conditionalities" upon governments of African and other nations, and this to the degree that developing nations generally have been reduced to the same state of foreign subjugation which existed prior to independence. Worse, the authors of these "conditionalities" are guided by genocidal, neo-Malthusian "population" policies, to the degree that the "conditionalities" imposed by the IMF and other relevant agencies are precalculated to promote accelerated death-rates through the effects of famine and disease.

5. Since early during the 1970s, African nations' dependence upon foreign food subsidies has enabled the relevant



foreign governments to control the policies and ministerial appointments of African governments, by threatening to cut desperately needed food supplies should the government fail to comply with certain requirements of governmental policy and composition of government. This mechanism has been used, repeatedly, to force African governments to abandon the kinds of developmental policies which might have alleviated the misery of their populations.



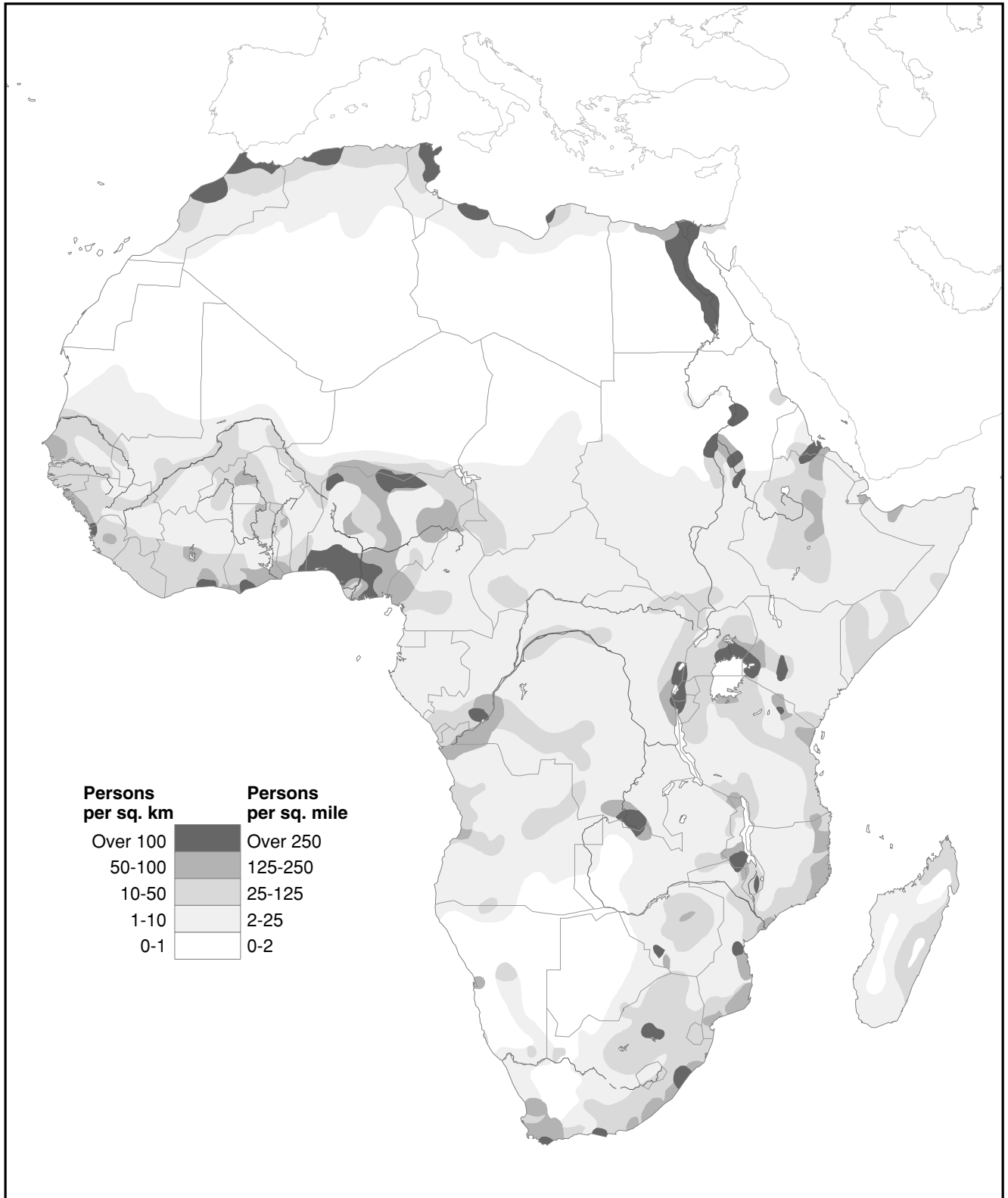
6. The most immediate and general need of Africa as a whole, is a combination of large-scale and subsidiary projects in development of basic economic infrastructure: waterways, ports, railways and tributary highways, freshwater management, energy production and distribution, sanitation, and basic urban infrastructure. Over the past 15 years, such projects have been opposed with increasingly efficient vigor, by international banking and monetary authorities. Yet, without those

infrastructure-building programs, no significant improvement in agricultural output and industrial development is possible.

7. For various reasons, the optimal, principal source of new energy supplies for most African nations, is nuclear energy, and the development of agro-industrial nuclear-powered complexes (sometimes called “nuplexes”) along coasts and major inland waterways. Smaller nuclear-powered generators, in the 100 megawatt or smaller range, are the most

FIGURE 2

Africa's population density



general need.

Provided we might assume, that import of European and North American agricultural and industrial technology might become available, on reasonable terms of trade and financing, the principal remaining obstacles to economic development, are very poor life-expectancies and marginal education.

For example, European levels of technology cannot be employed generally, unless the young are provided a European quality of education through a school-leaving age of 16-18 years, average. It is most difficult to support a new member of society through the first 18 years of life, if the average life-expectancy of surviving infants is in the order of 40 years. European technology requires a life-expectancy in the order of between 60 and 70 years among households of the labor force generally.

This relationship of interdependency, between education and life-expectancies, is twofold. First, since the support of young persons, below 18 years, must come from the physical output of members of the labor force over 18 years, the number of years of productive labor of each member of the labor force, sets a limit on the level of education which can be provided to the young. Also, since the education and later skills-training of youth constitute an investment by society, the "life of that investment" is of first-rate concern to the economy as a whole. The longer the life-expectancy, the greater the average relative productivity of the labor force as a whole.

Thus, both improvements in quality of nutrition and in public health measures of sanitation and immunization, ought to be among the highest priorities for Africa as a whole.

Can remedies be implemented?

What I have reported thus far, varies very little from what leading Africans and others have stated publicly on many occasions during the past 20 years. This has been emphasized in several conferences of the Non-Aligned Nations, most emphatically at Colombo in 1976, and at Delhi in 1983. What is seldom said publicly, but which desperately needs to be said openly now, is that there is no hope for any part of the continent of Africa, unless there is an early and sweeping overturn of every policy resembling the present and recent policies of the International Monetary Fund and World Bank. Within the setting of the present policies of those institutions, no African government is capable of any economic undertaking which could halt the spread of famine, disease, and bloody social chaos throughout any part of the continent.

As I have indicated, there are measures which could put African nations on an upward course, measures which are objectively feasible, measures which most African governments would approve as desirable options. Without such measures, the situation of the entire continent is much worse than desperate; the situation is utterly hopeless. Yet, no such measures will be allowed in any part of Africa, as long as the current policies of the IMF and World Bank remain in force. A few token measures in such directions might be tolerated by

the international monetary authorities, token measures which would have no more effect than a few drops of water in a vast desert.

For the most part, most African governments know this to be true, and yet almost none of them dare to say so publicly. The reason for this, is not properly called cowardice; more than once, governments which challenged the policies of the international bankers and supranational monetary authorities have been overthrown, sometimes bloodily. Courageous leaders have been assassinated; sometimes, members of their families, too. At Colombo, in August 1976, the Non-Aligned Nations bravely resolved policies which would have changed the world very much for the better, but a few weeks later, only one of those leaders dared to support the Colombo resolution openly at the General Session of the United Nations; a few months later, the World Bank forced him into exile from his own nation. When Pakistan's Prime Minister Zulfikar Ali Bhutto attempted to act according to the spirit of the Colombo resolution, Henry Kissinger threatened him, "We will make a horrible example of you, Mr. Bhutto." At Delhi, in 1983, brave and good policies were adopted, but no one dared attempt to implement the adopted resolutions. These are not cowardly people, certainly Prime Minister Indira Gandhi was no coward; these are political leaders who know that the forces behind the IMF "conditionalities" doctrine are killers, who will overthrow governments, launch waves of assassinations, and even destroy nations, for the sake of defending "conditionalities" doctrines. What can individual African nations' governments do, when much stronger governments are afraid to challenge IMF and World Bank policies openly?

The fact remains, that unless those "conditionalities" policies are overturned, there is no hope for the people of any part of Africa. . . .

If the present "conditionalities" policies are continued, most of the population of Africa will be wiped out by the proverbial "Four Horsemen of the Apocalypse." The threat of infectious disease, is far more menacing, more deadly, than the effects of a thermonuclear war between the superpowers. AIDS, a pandemic infection with a probable 100% rate of fatality, underscores that fact; the fact would be true, although perhaps less immediately so, if AIDS had not erupted.

During the past two decades, governments have submitted to IMF and World Bank "conditionalities," usually on the presumption that by submitting to such demands today, governments would survive until a future time, when the wrongness of the "conditionalities" policies might be generally recognized. The degree of suffering the nation endured because of the "conditionalities" policies, seemed a lesser evil than the bloody chaos which would probably erupt if the nation resisted the "conditionalities." True, governments foresaw that IMF and World Bank policies would lead to murderous ruin during years ahead; one might hope that before that time arrived, the IMF policies would be changed for the better.

Now, yesterday's tomorrow is today. What might have

been seen, a few years back, as a ruinous future, is the reality erupting now. The spread of famine and epidemics is proceeding at the gallop; famine and epidemic are becoming as immediate, and more deadly a threat, than the murderous threats of the IMF “conditionalities” backers. Assuming the continuation of “conditionalities” policies, most of Africa has several years, perhaps slightly longer, before the fatal effects of the “conditionalities” policies become irreversible. To that degree, the time for nations to act against “conditionalities” is now or never. . . .

The debt question

The aggregate foreign indebtedness of the developing sector is in the order of \$800 billion and even most of this amount does not involve any net outlays to the debtor nations. Most of this indebtedness was imposed by pyramiding the refinancing of old debts at usurious rates. What the lenders loaned the nation, in recent years, was not money, but a mere book-keeping entry! If a private lender had engaged in such usurious practices within the United States, prior to 1979, that lender would have been arrested as a “loan shark” and sent to prison with the label of “member of organized crime,” as he would have deserved: scarcely the quality of an “honest debt.”

This developing-sector debt compares with more than \$10 trillion of debt obligations of industrialized nations, the largest part of that \$10 trillions owed by the United States! The external debt of Africa, is the smallest part of the debt as a whole, and could be simply written off with no great inconvenience to the banking system as a whole.

Presently, virtually the entire international banking system is bankrupt. That is, current liabilities exceed provable current assets by a substantial margin, especially so in the case of the U.S. banking system. By ordinary standards of U.S. law, most U.S. banks are perpetrating a fraud, by continuing to receive and issue credit when they are in fact already bankrupt. In this circumstance, there is only one sensible action to be taken: reorganization in bankruptcy.

If any private firm were as deep in bankruptcy as the international banking system is today, the judge in bankruptcy proceedings would recommend a merciful extinction of the firm, at whatever price sale of its assets would bring at public auction. When entire nations, or their banking systems, are utterly bankrupt, such merciful extinction of the bankrupt entity is not morally permissible. Nations are people; only an Adolf Hitler or his like, would propose to eliminate an entire people as “useless eaters.” So, when nations, or their banking systems, go into bankruptcy, we do not liquidate them at auction. We reorganize the nation, to put it on a sound economic footing; in the course of this, we settle its debts at some fraction of the total nominal amounts, a fraction small enough to permit the nation to restore its economy on a self-sufficient financial basis.

Generally, debtor nations prefer to repay the principal value of their debts in full. This is more than merely a noble

sentiment; it is very important that the pledged word of a nation be as “good as gold,” so to speak. So, we prefer to make arrangements, under which all or much of the future interest payments on past debts are written off, but it is agreed that the total amount due up to the moment of declared bankruptcy will be paid off in full, at some later date. In the case of certain nations, whose debt is essentially a carried-forward debt from an earlier colonial period, in which the nation is wretchedly poor, it is better for all concerned, that the debt simply be written off entirely. In other cases, the nation itself would prefer to make an arrangement to repay all its past indebtedness in full by some future date.

The technicalities of repayment, in such cases, are really quite simple. The debtor nation issues a series of bonds, which it offers in place of its debt to date. By arrangements with relevant governments, the value of these bonds is secured at par value, pending the scheduled date of payment on each bond of the series. By means of this arrangement, the debtor has replaced the creditor’s non-performing financial asset with a valuable asset. The intelligent creditor will gladly accept this arrangement, even though it means that the debtor, instead of not paying the old debt today, will actually pay the same amount some months or years in the future. The creditor might prefer to have payment today, but since that is impossible, the creditor, if he is rational, will realize that the new arrangement is the best possible solution. . . .

. . . Reorganizing the debt is not a major problem. The major problem, is fostering a growth of the economies of the developing nations to levels at which they could meet their payments on the new series of bonded debts.

The principal means, through which we shall build up the per-capita output-rates of developing nations, is the export of capital goods from industrialized to developing nations. For that purpose, the exporting countries must extend trade-credit to the importing nations. This credit-mechanism requires the following included measures:

1. Values of currencies must be fixed at durable, long-term values with respect to one another. The guaranteeing powers, must aid this system of fixed parities, by establishing afresh a gold-reserve basis for international trade, setting the price of gold at levels consistent with the production of an adequate supply of monetary gold.

2. All nations must adopt measures which prevent both economic (cost) and financial inflation of their currencies. This may begin with currency reforms. Anti-inflationary action is sustained over the longer term, by aid of “dirigist” policies of credit-issuance and taxation, to the effect of steering the largest portions of newly created credit and investable savings into technologically progressive forms of investment in production of physical goods and development of basic economic infrastructure. In other words, we must ensure that the values of currencies are based on a hard-commodity value; a currency is valued in terms of the relative value of the amount of physical goods that currency will purchase in the

nation which issues that currency.

3. The mechanism for generation of new credit, credit in excess of producer's credit to buyers or savings, must be only the lending of currency-notes issued by governments' treasuries through national banking systems. The loan of the newly created credit, in the form of loan of currency-issues, should be restricted to investments in production of physical goods or infrastructure, including credit for export of produced physical goods.

4. This must be reenforced by trade-agreements among governments, bilaterally and multilaterally, which have the effect of stimulating international trade. Such agreements should include multilateral agreements of co-sponsorship of major infrastructure projects of those types which are generally beyond the capacity of any one nation.

5. Governments must work to establish an international consensus respecting general goals of emphasis in advancement of technology. . . .

The 'Oasis Plan' for Mideast peace

by Lyndon H. LaRouche, Jr.

On July 8, 1990, during the buildup to George Bush and Margaret Thatcher's war against Iraq, Lyndon LaRouche issued this call for an "Oasis Plan," to provide the basis for a lasting peace in the Middle East. The following is edited from oral remarks. (LaRouche was, at the time, in prison—a political prisoner of Bush and his Anglophile political faction.)

In reality, in absolute terms, this is the time to revive the content of "peace through economic development" in the Middle East.

Many will object that this is a revival of what was most recently described as the new Marshall Plan proposal of former Israeli Prime Minister Shimon Peres, and, for reasons related to Peres's sponsorship of these ideas, many will say today that an "Oasis Plan" of that sort is out-of-date, is unworkable, should not be considered to be a politically practical proposition. Peres is out of the prime ministership and, for the moment, is not seen as likely to return, nor is an Israeli politician of his type on this matter likely to return.

The second difficulty, is the international financial situation, particularly the absolute desperation—hysteria—of the two great basket-cases of the English-speaking world: Great Britain and the United States. Both are determined to impose upon the entire world the particular type of free-market insan-

ity which has successfully ruined, altogether, the British economy, and has plunged the United States into a hopeless condition of bankruptcy, at least under present monetary and banking rules.

Therefore, it will be argued that the superpowers, and the nations under the domination of the Anglo-American influence, would refuse to allow the conditions needed for a Middle East economic reconstruction, with an emphasis on infrastructure-building.

However, despite these and related objections—ideological, strategic, and other—the fact remains that the price of *not* having what I would call, perhaps, an Oasis Plan for the Middle East, a peace settlement based on the Oasis Plan, is beyond belief, not only for those living in that area, but for any outside.

Let me review this, look at the world condition, and then come back to the guts of an economic peace plan, an Oasis Plan for the Middle East today.

The superpowers look for new enemies

What has broken out is not "peace," but probably a temporary accommodation based on respective desperation between two empires—the Anglo-American and the Muscovite. What has been created is a condominium, which is partly a recurrence, and partly wishful reaching for the goals of the former Trust arrangement of the 1920s, and the hoax of wishful Western thinkers in negotiations with Stalin during the Yalta period and immediately after. In the context of this sentimental embrace of Gorbachov on the one side, and British Prime Minister Margaret Thatcher and President Bush on the other, the superpowers are looking for new enemies—especially the United States, the Anglo-Americans. The British, of course, find a traditional enemy in Germany, and are determined to frustrate it by any possible means; that's the leading tendency in London, the tendency which brought us two world wars in this century, first by orchestrating World War I, beginning with the overthrow of Hanotaux in France, and, second, with the New York-London, Harriman-Morgan-Montagu Norman efforts to back [German Economics Minister] Hjalmar Schacht in forcing Adolf Hitler's dictatorship upon the German people in the 1932-34 period.

These forces, in Moscow, and especially the Anglo-Americans, have adopted as their adversaries for economic warfare Japan, western Europe, and a few nations such as India. They have adopted for their principal adversaries the nations of the southern part of this planet—inaugurating a North-South or a population-environment war.

These are fanatical people in the West, oriented toward the revival of pagan imperial Rome, who, like Hitler—who was of a similar persuasion—see the problems of modern Europe as the undermining of pagan imperial Rome by the introduction of the Jewish monotheistic God and the political triumph of that God in the guise of Christianity. Hence, the rationale of Hitler's anti-Semitism and his stated goal of eradi-

cating Christianity, once he had won World War II.

We face a similar effort today, an attempt to eradicate Christianity, for the enhancement of Gaia, or similar resurrections of the pagan Earth Mother goddess, of the Ishtar, Shakti, Astarte, Astar, Isis variety, and to do with the populations of the developing nations at their whim.

Wars against the developing sector

In this context, we have the Middle East conflict. The form of North-South warfare—as proposed most vigorously by the Anglo-Americans, but supported in the environmentalist arrangement with Moscow—divides the developing sector, so-called, into regions, and poses the question of future wars in the form of regional out-of-area deployments by NATO forces. Thus, the discussion of out-of-area deployments back in 1982, since 1982, and most freshly at the recent NATO affair.

So, everything is geared for that kind of deployment—military and other—against the nations of the southern part of this planet.

Now, given forces in the northern part which think that population wars, or wars of devastation which lead to mass reduction of population, elimination of nations, in the horrible aftermath of short or prolonged wars, see the Middle East as a cockpit, in which this regional management, population and environmental management policy, might be introduced. In other words, there are people in the Anglo-American area, and in Moscow, who would be presently delighted to have a new Middle East war in one form or another—either a new Lebanon, throughout the Middle East, or a so-called conventional war. They would not be upset to find the war leading, say, before a truce period, to an exchange of lethal missiles, possibly biological warfare weapons, warheads, between Iraq and Israel, and so forth. Anything to set into motion the process of population reduction, not so much through warfare itself, but through the efficient forces in the aftermath of warfare, in the Lebanization of the entirety of the Mideast.

The price of failure

Although to some, an Oasis Plan seems an unlikely proposition under the present circumstances, the price of failing to implement such a program is beyond belief. Therefore, the emphasis should be: There is no obstacle so great, or so difficult, that we should not seek to overcome it in order to further economic cooperation of the type indicated here.

The penalty, finally, can be viewed, in terms of analogies, with two aspects of European history.

One should think, first, of what happened to Europe from the late 13th century into the middle of the 14th: The rise of usury and the politics of usury, under the Guelph leadership, of the so-called Lombard bankers, led to the depopulation of Europe by probably 50% over that period, if one measures population by the number of parishes which vanished from the map, culminating, of course, in the Black Death and other

terrible things. We can see some echo of that in Lebanon today.

Secondly, we can look at the Thirty Years' War, 1618-1648, in central Europe, and its devastation. One studies this best, we know from looking at all the facts available to us, from the standpoint of Schiller's studies in preparation for the composition of the Wallenstein period.

This is what we are headed toward in the Middle East. This is the model of that toward which we are headed, if we do not break the pattern, if we do not oppose the obstacles of the type which I have named.

What can be done

Now, we should take into consideration, on the relatively hopeful side, the fact that we are near the end of the present Anglo-American monetary and financial system. The United States is about \$21 trillion bankrupt; the infrastructure, agriculture, manufacturing, and related things in the United States are collapsing; the productive potential of the United States is ruined, as a result, most emphatically, of the past 12 years of deregulation, the Volcker measures, environmental radicalism, and so forth.

The United States would have to be changed from the outside, as would Britain. Britain could not be revived as a viable economy on its own powers, and its ability to steal from other parts of the world—the principal source of Britain's wealth over the past 200 years—is no longer a credible option. The United States' options—despite its temporary success in reducing Central and South America to a collection of colonies—for the longer term, are not good ones. A Fortress America is not a tenable proposition.

The only thing that could get economies going is the replacement of central banking of the British style, usury of the Lombard style, by a resumption of national banking, as in the national banking of the administration of U.S. Treasury Secretary Alexander Hamilton, or the work of Friedrich List and others in Europe.

Governments can generate credit, and successfully, on condition that the flow of this credit generated by the monetary processes of the government, is restricted to infrastructural and other investments that are inherently sound national investments.

Such is the condition of the infrastructure for the Middle East, including Israel. Israel cannot accommodate its new, augmented population without a major transformation in infrastructure—it just is untenable. You cannot solve the problem with only housing; you need new infrastructure in the form of transportation, energy, water management, and so forth. For Israel and for Jordan, what comes to mind immediately are such projects as the Dead Sea development. A channel from the Mediterranean into the Dead Sea, which performs the function of being a new industrial center, for the obvious mining and metal processing and other industry, which is based on a combination of water and nuclear energy

as the basis for an industrial boom in that region, shared among the peoples who live from Jordan and the Dead Sea, all the way down to the Gulf. The production of so valuable a commodity as water, by means employing, as its energy basis, or power basis, high-temperature gas-cooled nuclear reactors, is the obvious central proposition for that region, which could be the beginning of a greening of the Middle East on a larger scale. By entering into cooperative agreements on economic development, with a group of local powers in the region, we create an economic common interest on which political agreements may be premised.

The other aspect to be considered in an Oasis Plan for the Middle East, is that unless we provide rational solutions, particularly those based on the wonders of science and technological progress, then the result must be mass insanity. If the rational world is not provided to the desperate, then they will seek solace and power in the ultimate irrationality. That's the lesson of history; that's the lesson of what is happening in the Arab world, from the Atlantic outposts of the Islamic world, toward the East. Unless we change the course of events, we go down.

As part of the same package, therefore, such projects as, say, a high-speed rail project between Dakar, Senegal, and Djibouti, along an old project—over 120 years old in design—could be implemented, changing the prospects for the Sahel region, the sub-Saharan nations, and so forth, and make possible the otherwise impossible: The reversal of the expansion of the Sahara desert and the beginning of development. The opening of large-scale water projects in Africa, including the rational use of the excess of rainfall upon Zaire, for the nations to its north—these kinds of things must be done. Even though these are somewhat beyond the range of the Middle East per se, they are nonetheless part of the project which immediately affects it.

The economic road to peace

These kinds of things should be done, things which I've proposed over the years, from 1974 all the way to the present, as Middle East solutions. I say again, that I've been told, repeatedly, that an economic-based solution is not possible, that you must have a political solution first and then bring in an economic-based solution. My experience of the past 16 years in particular, and my study of the experience of the years before this, says: Those who have insisted upon a political solution first, before considering an economic alternative, have failed. That experiment has failed. We must have the economic basis established, and establish the political agreements on the basis of those political agreements being imperative to establishing the necessary economic cooperation and to achieving the benefits of that economic cooperation.

Therefore, I would say in summation, that we must have these solutions as the alternative to the kind of Malthusian, neo-Malthusian Dark Age solution imposed as the so-called peace plan by the superpowers—the Anglo-Americans and

the Soviets—upon the Middle East. Otherwise, we get hell for all concerned, and because of the follies of the parties in the Middle East which reject this alternative, which accept the Anglo-American-Soviet peace plan, they will find themselves with the same fate as the brave leaders of the forces which sank in the swamps of the Thirty Years' War. We must have it.

The opposition to an economic solution comes mainly from two sources: from the environmentalist fanatics—the Nazis of the 1990s are the environmentalist fanatics, including their animal rights fanatics, who are determined to destroy Judaism and Christianity for the sake of the pagan Mother Earth goddess whom they worship. That is the Nazism of the 1990s. The other opponent is Adam Smith and his kind: the assumption that we must maintain, perpetuate the present monetary and financial structures which ought to be swept from the face of the Earth in mass bankruptcy.

The very fact that mass bankruptcy is erupting, in the existing monetary institutions, creates the opportunity for establishing alternatives, in the form of Hamiltonian, shall we say, national banking. So, therefore, if we are sufficiently determined, and as determined as fear of inaction motivates us to be, then we shall move seriously on an Oasis Plan for the Middle East, and use the Oasis Plan as the basis for a political solution, a political solution as an alternative to a new Thirty Years' War, a new Dark Age, in that region.

Grand strategy for developing Eurasia

by Lyndon H. LaRouche, Jr.

Here are excerpts from "The New Role for Russia in U.S. Policy Today," by Lyndon LaRouche, EIR, Aug. 25, 1995.

The present writer's televised Berlin address of Oct. 12, 1988, signalled this proposed application to the new Russia of the tradition of American System political-economy. In that address, which was broadcast to a national U.S. television audience that same month, the imminent collapse of the Soviet system and reunification of Germany was announced and a policy of reconstructive cooperation toward eastern Europe was identified. That policy of reconstruction was later elaborated in significant detail, beginning November-December 1989, in policy statements and prospectuses issued under the rubric of "the European Productive Triangle."

This Productive-Triangle policy anticipated all the principal features, and more, of the later "Delors Plan." It proposed that the emergent world-center of economic progress, since Charlemagne, the approximate spherical triangle whose apices are Paris, Vienna, and Berlin, be mobilized as the pivotal

technology-driver for all Eurasia, and that this triangle be the hub of a network of railway-spined developmental corridors, extending eastward and southward, across Eurasia, through such routes as Berlin-Warsaw-Moscow, Kiev, and so on, to the Pacific and to the Indian Ocean. Although the principles embodied in the Productive-Triangle proposal are either unknown or unfashionable in the classrooms and professional journals of the past quarter-century's west European and North American academia, there is nothing in that proposal which is not implicit in established American System traditional doctrine and practice. . . .

Infrastructure policy

Let us summarize the implications of the "Productive Triangle" program for the vast reaches of eastern Eurasia, and thereafter conclude this introduction by focussing upon the mathematical problems posed by the notion of science-driver principles in modern economy.

The most conspicuous obstacle to the successful economic development of Russia's vast potentials, greets one as one flies east of Warsaw: great, undeveloped spaces, whose want of elementary infrastructural development, is the crucial obstacle to successful, modern technological investment in the productive powers of labor. This is the characteristic feature of that vast land-bridge area which development must traverse to reach the densely-populated regions of the Pacific and the Indian Ocean littoral. This was the key problem addressed by the LaRouche "Productive Triangle" proposal for post-Soviet reconstruction of Eurasia.

The principle can be traced in western Europe's cumulatively successful development since Charlemagne. First, it was inland waterways, roads, and market-fairs; later, it was more inland waterways, and then railways. . . .

The upshot of that successful economic history of western Europe and North America, is that one does not attempt to develop broad expanses economically. Rather, one traverses those expanses by development corridors, whose width is normally approximately a hundred kilometers, approximately fifty kilometers either side of a spinal artery of transport, such as a navigable inland waterway, a trunk railway, or, superseding rails, magnetic levitation transport.

The principle involved is conveniently illustrated by reference to data for five nations, from the 1967-70 interval. These are, the three model industrialized nations of that period: Japan, West Germany, and the U.S.A., and the two archetypical developing nations, China and India. Since the levels of technology among the first three, were comparable at that time, the similarities show more brightly the significance of the crucial differences in population-density: Japan's habitable territory: extremely high density, relatively speaking; West Germany: high density; the U.S.A.: low density. *High density of population is a marked economic advantage:* Transport between points of production and consumption, traverses shorter average distances, and the employment of

basic economic infrastructure is greatly more efficient. In contrast, the lack of such infrastructural maintenance and development in high-density China and India of that period, demonstrates, with the force of a hammer, the roots of poverty in the lack of essential infrastructural development. . . .

In summary, the developmental strategy we have termed "the developmental corridor," is a way of creating the advantages of a relatively Japan-like density of population and productive activities, within a relatively small portion of a large territory. All other geographical considerations being equal, the development corridor would reach, as we have noted, typically, about fifty kilometers either side of a central transport-spine of waterways, rails, pipelines, and trunk powerlines. The development of the larger territory is accomplished somewhat as railway development opened up the western United States: by criss-crossing vast expanses with developmental corridors.

Without placing the emphasis upon infrastructural development so defined, a successful reconstruction of Russia would not be possible. Without the use of such modern forms of development corridors reaching from Berlin to the Pacific and the Indian Ocean, the required rate and degree of economic development needed to satisfy the requirements of the populations of China and the Indian subcontinent would not be possible. . . .

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Terrorist threat comes from Britain and Israel

by Muriel Mirak-Weissbach

When the news was issued by a United Nations spokesman, that UN Secretary General Kofi Annan had been successful, in his mission to solve the Iraq crisis peacefully, through diplomatic means, most of the world breathed a sigh of relief. There were two forces, however, which greeted the news as a challenge, and responded with a vengeance. The British and Israeli governments, which had been the motor force behind the campaign to orchestrate a U.S.-led bombing raid against Iraq, had to resort to other means, to try to achieve the same goal.

That the British and Israelis would move, came as no surprise to Lyndon LaRouche, the one public figure who had consistently called the shots in the entire scenario, beginning last October, for a new Iraq crisis. As LaRouche had reiterated since the first hoked-up crisis over inspections, terrorist attacks by British-controlled assets, and/or an Israeli threatened strike against Iraq (or Iran), were options being actively pursued.

In a radio interview with “EIR Talks” on Feb. 25, LaRouche explained how such options could trigger the military action which Kofi Annan’s diplomacy had otherwise averted. After discussions with European associates, LaRouche said, “we came to the conclusion that my estimate of the danger that the British would respond to President Clinton accepting a peace arrangement, by launching directly those international terrorist organizations which are headquartered in London — Arab and other terrorist organizations, chiefly Arab and other Islamic groups — against the United States’ interests, or simply to destabilize the whole picture in the Middle East, with the point that a terrorist incident which

could be construed, as an action in favor of Iraq, or in revenge for what was done to Iraq — that that could be construed as a trigger point for launching hysteria, which would result in an actual bombing of Iraq, not over anything to do with negotiations, but simply as a knee-jerk reflex.”

“The second thing we were concerned about,” he continued, “was that — Remember that the entirety of this Iraq crisis does not come from anything that was done by Iraq. As a matter of fact, Butler, this Australian, who’s a Brit, simply created this crisis. This UN chief inspector created this crisis by a provocation, in order to assist an Israeli-intended bombing, simultaneously, of targets in Iraq and Iran, using either aircraft attacks, or missile attacks, Israeli missile attacks, with the possible option of, also, attacks on Syria, invasion of southern Lebanon, and deployment of air attacks against Sudan from bases in Eritrea.”

LaRouche summed up: “These were the tactics: the global Armageddon policy, which senior Israelis warned us was likely, beginning last October; that Netanyahu and his lunatics are determined to, working closely with groups such as — nuts like Falwell and Robertson in the United States, who are absolute crazy lunatics, who are the supporters of the idea of blowing up the Dome of the Rock in Israel, in Jerusalem, which is one of the most important Islamic holy sites in the whole world, blowing it up as a way of starting a general war. And, the idea is, that at that point, in any such general war, that Israel would take the lid off its nuclear and thermonuclear arsenal, and use that as an umbrella, a protective umbrella, for Israeli non-nuclear assaults on neighboring countries.”

EIR has pulled together the documentation in this issue, which substantiates every iota of LaRouche's warning. The terrorist threat was articulated in the form of a *fatwa* issued by ostensibly Islamic terrorists. As Hussein Al-Nadeem's report chronicles, the terrorist threat was signed by a virtual army of terrorist assets, every one of which operates in broad daylight in London.

Furthermore, the Israelis did indeed escalate tensions, as Prime Minister Netanyahu reiterated his threats to bomb Iran. According to UPI, on Feb. 23, when Netanyahu assumed that a diplomatic solution had been reached with Iraq, he said that the major danger was actually "Iran's atomic bomb," and he has told foreign ambassadors that Israel's right of self-defense included "a right to launch a pre-emptive strike."

Not only: as Dean Andromidas writes in his article in this section, the Israelis may also have been planning a terrorist hit themselves. Behind the curious story of Israeli Mossad agents arrested in Switzerland allegedly for attempted espionage, may lie a botched assassination attempt against an Iranian diplomat. One sure consequence of the most recent Mossad fiasco, is that Israeli Mossad chief Danny Yatom will be replaced, perhaps by someone who will share Netanyahu's commitment to use tactical nuclear weapons in a regional war.

London's terrorists issue threats to U.S.

by Hussein Al-Nadeem

International terrorist organizations headquartered in London are threatening to launch new atrocities against the United States and its allies—atrocities which could, as Lyndon LaRouche has warned (see accompanying articles), serve as the pretext for an Israeli "preemptive strike" against Iraq, Iran, and/or other Mideastern nations.

On Feb. 10, a group of well-known London-based "Islamists" and Islamic organization issued a press release including a *fatwa* (religious ruling), under the title "Muslims in Britain Declare War against the U.S. and British Governments." The press release stated: "The *fatwa* is *Jihad* against the U.S. and British governments, armies, interests, airports, and institutions, and it has been given by the most prominent scholars of Islam today, because of the U.S. and British aggression against the Muslims and the Muslim land of Iraq." The *fatwa*, which *EIR* cannot trace to any Muslim source or authority other than London's "scholars," was

signed by Saudi terrorist supporter Mohammed Al-Massa'ari (a long-time collaborator of Britain's Lord Eric Avebury and Labour MP George Galloway), and Omar Bakri, leader of the Al-Muhajiroon and organizer of terrorist organizations' rallies in Britain. The *fatwa* was supported by some 60 organizations that are based in the United Kingdom. (For a profile of the British-safeguarded terrorists, see *EIR*, Jan. 2, 1998.)

The fact that the authors of this declaration claim to be supporters of Iraq against the United States and its allies, fits into the desired equation. They state that "the military strike against Iraq is war against Islam and Muslims world wide." "We the undersigned call upon the Muslims around the world, including the Muslims in the U.S.A. and in Britain, to confront by all means, whether verbally, financially, politically or militarily, the U.S. and British aggression and to do their duty in relieving the Iraqi people from the unjust sanctions." In the same press release, Al-Massa'ari gives further justifications and instructions to Muslims living in the United States and the West: "You have first to renounce the residency or acquired citizenship, and then start military activities if physically capable. You are then at liberty to fight them everywhere in the world or re-enter the realm clandestinely and wreak havoc, obviously facing charges as spy, terrorist, . . . etc."

Such British propaganda is aimed at demonizing every Muslim in the West as a potential murderer and terrorist, while promoting the "clash of civilizations" hysteria, through putting the issue in the terms of "America and Britain against Islam." (The fact that the *fatwa* attacks Britain, as well as the United States, presents no conundrum to the British controllers of terrorism; their loyalty is not to the British Isles or its people, but to their own oligarchical power.)

Another such *fatwa* was issued by London-based terrorists on Feb. 23, the same day that President Clinton endorsed, in principle, the agreement between the United Nations and Iraq. This time, the *fatwa* was given wide publicity and support by the London-based Arabic daily *Al Quds al Arabi*. The *fatwa* was published under the title "World Islamic Front's Statement Urging Jihad against Jews and Crusaders."

The *fatwa* calls for killing Americans, because of their "occupation of the holy Arab Peninsula and Jerusalem and oppressing the Muslim nations," and states in conclusion: "On this basis, and in compliance with God's order, we issue the following *fatwa* to all Muslims: The ruling to kill the Americans and their allies—civilians and military—is an individual duty for every Muslim who can do it in any country in which it is possible to do it, in order to liberate the al-Aqsa Mosque and the holy Mosque [Mecca] from their grip, and in order for their armies to move out of the lands of Islam, defeated, and unable to threaten any Muslims. . . . We—with God's help—call on every Muslim who believes in God and wishes to be rewarded to comply with

God's order to kill the Americans, and plunder their money, and whenever they find it."

The signatories were:

Sheikh Osama Bin Laden, the Saudi moneybags who financed the training of the Afghan mujahideen beginning in 1980, and who deployed them to blow up the U.S. military barracks in Dharhan, Saudi Arabia, in 1996. Bin Laden currently resides in Afghanistan, but maintains a lavish mansion in London.

Ayman al Zawahiri, Amir of the Islamic Group responsible for the November 1997 massacre in Luxor, Egypt. Residence: Switzerland.

Abu Yasser Rifai Ahmad Taha, leader of the Islamic Group. Residence: London.

Fazul Rahman, the Amir of the Jihad Movement of Bangladesh.

Sheikh Mir Hamza, secretary of Jamiat ul Ulema e Pakistan.

The CIA memorandum

The two *fatwas* were the subject of CIA testimony on Feb. 23 before the U.S. Senate Subcommittee on Terrorism. Sen. John Kyl (R-Ariz.), the chairman of the committee, held hearings on the danger of terrorism in the United States. At his request, the CIA Counterterrorism Center sent the subcommittee a memorandum, entitled "*Fatwas* or Religious Rulings by Militant Islamic Groups against the United States." The memorandum stated that "a coalition of Islamic groups in London, and terrorist financier Usama Bin Laden, have issued separate *fatwas*, or religious rulings, calling for attacks on U.S. persons and interests worldwide, and on those of U.S. allies." It added that "both *fatwas* call for attacks to continue until U.S. forces 'retreat' from Saudi Arabia and Jerusalem. The *fatwa* from the groups in London also calls for attacks until sanctions on Iraq are lifted." The memorandum stressed, "These *fatwas* are the first from these groups that explicitly justify attacks on American civilians anywhere in the world. Both groups have hinted in the past that civilians are legitimate targets, but this is the first religious ruling sanctifying such attacks."

The memorandum continued, identifying once again the fact that the groups are based in London: "While the religious clerics who issued these rulings are not named, the two groups consider the *fatwas* to be legitimate. The group in London made reference to unnamed religious authorities in Lebanon, Jordan, and 'Palestine.'"

A *fatwa* is usually issued by a public and recognizable high Islamic authority representing a major Islamic institution in a leading Muslim country. *EIR* has not found any such Islamic authority which has ever made such a *fatwa*. Therefore, the only remaining sources for these *fatwas* are British: probably "Imam" Eric Avebury, or "Sheikh" George Galloy.

Swiss police catch Mossad in dirty tricks

by Dean Andromidas

On Feb. 26, Switzerland's Federal Prosecutor's Office announced that it had arrested an agent of the Israeli Mossad and had issued arrest warrants for four others. While the Swiss authorities acknowledge that the Israelis are to be charged with espionage, they have not confirmed widely circulating reports that the Iranian Embassy was the target of the Mossad's operations. The Mossad agent was arrested on Feb. 19, only hours before UN Secretary General Kofi Annan departed from New York for his 11th-hour diplomatic mission to Iraq, to avert a war. Were the Israeli agents planning a major provocation that would ignite the Middle East conflagration, which the British have been planning for the last several weeks? Perhaps the assassination of an Iranian diplomat?

In a press conference in the Swiss capital, Bern, Federal Prosecutor Carla Del Ponte said that the arrest took place in the early hours of Feb. 19, after police, alerted by a suspicious neighbor, discovered five men illegally attempting to eavesdrop on a private residence in Bern. The Swiss authorities have officially stated that police stopped the five men outside the residence. One was taken into custody and the names of the others taken. When the police discovered that they were all Mossad agents, arrest warrants were issued for the other four.

Although Del Ponte said that the Mossad target was not a diplomat, and the Swiss Foreign Ministry denied news reports in both Israel and Europe that the target was Iranian interests, she did say, "We have enough elements to prove that Mossad is involved. We also have a confirmation" of this.

Swiss Foreign Ministry spokeswoman Yasmine Chatila told Reuters in Bern, "Our government vigorously protests against this attack on Swiss sovereignty and international law by a member of the Israeli secret agency. This is an unacceptable event. We expect Israel to apologize."

In Israel, Prime Minister Benjamin Netanyahu confirmed the arrest of an Israeli citizen in Switzerland, and said Israel was dealing with the case through diplomatic channels.

Various intelligence sources point to the ominous nature of this affair. One Bern-based source with close ties to Iran, told *EIR* that Iranian diplomatic sources informed him that the Iranian Embassy was the target of the Mossad surveillance. Others speculate that the target could have been an individual, who later could be exposed as an arms dealer trying to sell technology for "weapons of mass destruction."

It is widely reported in the Israeli press, but not confirmed by the government, that the Swiss arrest was the real reason that Mossad chief Gen. Danny Yatom announced his resignation on Feb. 23—three days before the Swiss announced the breakup of the Mossad operation. But why he resigned, is not as important as the fact that his resignation could further Netanyahu's plans to install his own man as Mossad chief. Whoever replaces Yatom, could very well serve to consolidate Netanyahu's plan to seize control of the Israeli security establishment, and by so doing, gain control over the Israeli nuclear button.

Netanyahu has been trying to replace Yatom, an appointee of peace accord architect Shimon Peres, for months. Officially, Yatom resigned as a result of the report from the government-appointed commission to investigate the Mossad's failed attempt to assassinate Hamas leader Khaled Mashaal in Amman, Jordan. That bungled attempt, frustrated by Jordanian police, was seen as an unpardonable outrage, not only by Jordanians and the rest of the international community, but also within Israel. It was widely believed in Israel that Netanyahu set up the investigatory commission in order to whitewash his own role and scapegoat Yatom. It certainly is typical of Netanyahu's method, to turn one of his own disastrous failures to his advantage.

Why dump Danny Yatom?

Danny Yatom was named chief of the Mossad by then-Prime Minister Peres, shortly before his government narrowly lost the elections to Netanyahu in 1996. Yatom, a retired career military officer, was close to Peres, and had also been the personal military adviser to Peres's predecessor, Prime Minister Yitzhak Rabin, who was assassinated on Nov. 4, 1995. Peres appointed Yatom in order to reorganize the Mossad, to better cohere with the thrust of the peace process, since it was well known that the most hawkish factions, many of whom opposed the Oslo peace accords, dominated the organization. The reorganization took on added urgency after Rabin's murder by ultra-right-wing fanatics, who obviously enjoyed links with both international and Israel intelligence services.

As Mossad chief, Yatom launched the investigation that led to the November 1996 arrest of Yahuda Gil, who, for 20 years, had been pocketing thousands of dollars that were supposed to pay off a high-level Syrian military officer, whom Gil claimed was his informant. The informant never existed, but Gil manufactured intelligence from him: false information which nearly led to a Syrian-Israeli military conflict. Gil was linked with ultra-right Mossad factions, and especially former Mossad chief Shabtai Shavit, who is now among Netanyahu's favorites to replace Yatom.

Yatom stood in the way of Netanyahu's plans to establish a new, American-modelled National Security Council, to oversee all Israeli intelligence operations.

Netanyahu is expected to name a new chief as early as the first week of March. The choices do not bode well for peace. At the top of the list is Brig. Gen. Meir Dagan (reserve), Netanyahu's adviser on terrorism, an assassination specialist who shares Netanyahu's extreme views. Dagan has been closely associated with Infrastructure Minister Gen. Ariel Sharon, who uses his post to give backing to the fanatical settlers movement, and who, as Defense Minister in 1982, crafted the disastrous invasion of Lebanon.

Next is Shabtai Shavit, who stepped down two years ago as Mossad chief, and is close to Netanyahu. In late February, Netanyahu appointed him as emissary to Jordan's King Hussein. As Mossad chief, he promoted ultra-right factions throughout the organization, including Yahuda Gil, as one of his operatives.

A third choice is Efraim Halevy, a former deputy Mossad head. Although considered close to the Prime Minister, he served for many years as secret emissary to Jordan's King Hussein, prior to the signing of the Israeli-Jordanian peace treaty.

The fourth is Uri Saguy, a former Israeli Defense Forces intelligence chief. Although he worked closely with Rabin, he is also said to be "liked" by Netanyahu. Politically on the right, Saguy retired from the IDF after failing to be appointed as deputy chief of staff. The *Jerusalem Post* recently reported that Saguy had met privately with Netanyahu, and it is plausible that he will be appointed to a senior post.

Other candidates include several senior active duty military officers who currently hold operational and other high positions. The naming of any one of them would intersect a series of changes in the military leadership expected over the next weeks. Netanyahu wants to use these leadership changes to enhance his own direct influence in military-security decision-making. Netanyahu has been maneuvering to get Maj. Gen. Shaul Mofaz, currently one of the deputy chiefs of staff, appointed to a top military post. Mofaz shares many of Netanyahu's extreme views.

Another choice, from the Army, is Ilan Biran, the Director General of the Defense Ministry. Biran is reportedly Defense Minister Yitzhak Mordechai's secret candidate for Armed Forces Chief of Staff, to replace Lt. Gen. Amnon Lipkin-Shahak, whose term is expiring. Also in the running is Gen. Amiram Levine, Army commander for the Northern Operational Command. Netanyahu mentioned his name several months ago for a possible senior Mossad post. He served with Netanyahu in the Sayeret Matcal, an Israeli commando unit.

Two others possible candidates are Maj. Gen. Matan Vilna'i, who is currently a Deputy Chief of the General Staff, and Gen. Doron Rubinfeld (reserves), a former head of IDF training. Opponents of Netanyahu's insanities prefer to see General Vilna'i tapped for Armed Forces Chief of Staff. If Netanyahu moves him to the Mossad, it could open the way for Mofaz to be appointed to the top military post.

London's Museveni readies E. Africa war

by Linda de Hoyos

Etienne Tshisekedi, leader of the Union for Democracy and Social Progress (UDPS), was summarily arrested in Kinshasa on Feb. 12, along with 35 party leaders and workers, by the military government of the Democratic Republic of the Congo, led by Laurent Kabila. Defending this action against pressure from the United States and other locations, Kabila declared that he had rejected pressure for democracy, and that no elections will be held in Congo-Zaire until "peace prevails."

Diplomatic sources from Africa and Europe now confirm that Kabila's "peace" will be gained by more war, as has now become the norm in East Africa since the 1990 British-backed invasion of Rwanda by Ugandan forces which ultimately led to the 1994 holocaust and the taking of Kigali by the Ugandan-Rwandan Patriotic Front of Paul Kagame, and the 1996-97 Zaire war which installed Kabila in power in Kinshasa.

The center for the impending regional holocaust is Kampala, Uganda, where President Yoweri Museveni is amassing military equipment and a regional defense force for a two-front war against the Kivu provinces of Congo-Zaire to the west, and Sudan to the north. In January, according to eyewitness reports, tons of military equipment and weapons arrived at Mombasa port in Kenya, and were loaded onto trucks headed for Kampala.

The Sudan front

The Kampala press is now whipping out propaganda to prepare the population for war. On Feb. 16, the Ugandan government paper *New Vision* announced that Ugandan troops had been sent to the border with Sudan, following reports that the insurgent Lord's Resistance Army, whose offers for negotiations have been spurned by Museveni, had crossed into Uganda from Sudan. But counterinsurgency is only the pretense. On Feb. 12, *New Vision* had reported that the "battle for the largest southern Sudanese city of Juba is imminent," following the capture by John Garang's Sudanese People's Liberation Army (SPLA) of the town of Wau. But the assault on Juba cannot take place without the regional force, and anti-aircraft weapons to back it up, mobilized by Museveni.

For this mission, Museveni lists among his backers the Netanyahu government of Israel, the British House of Lords, and British intelligence's fifth column in the United States, led by Roger Winter, director of the U.S. Committee on Refugees. On Sept. 17, 1997, Winter demanded an invasion of Sudan, even though, he said, "I know it will mean a

humanitarian catastrophe."

By Feb. 23, *New Vision* reported: "Fear of war looms over the Ugandan border districts of Kitgum and Kotido following a build-up of troops and heavy weaponry by the Sudanese government and the rebel SPLA. . . . Security forces said fighting is imminent. . . . 'The troops and arms build-up has reached a crisis level. It is a matter of days before a full-scale fighting breaks out there.' "

The Kivu front

The assault on Kivu is necessitated by the fact that military activity against the Rwandan occupation of eastern Congo-Zaire and increasing insurgency in Rwanda itself against the Rwandan Patriotic Front, have cut the trade routes from eastern Congo-Zaire to Kampala and from there to Mombasa. The road from Gisenyi to Kigali is cut, and insurgent activity has made it very difficult for trucks to circumvent the road. Hence, Kabila's "peace"—or, war—is actually a precondition for the quick extraction and transport of eastern Congo-Zaire's enormous mineral wealth by the British Commonwealth companies that financed the Rwandan-Ugandan war against Zaire.

The hype is now building for a Ugandan invasion of Kivu. In mid-January, the Ugandan press began targetting Congo, in preparations for military operations across the border. "More than 1,000 defeated West Nile Bank Front rebels are reportedly regrouping in a national park in the Democratic Republic of Congo, security sources said yesterday," one article said. It claimed that the 1,000 rebels had merged with 4,000 other "ex-Mobutu soldiers, SPLA deserters, and some Hutu extremists," and are grouped in the Garamba national park.

Then, on Jan. 29, while visiting the eastern city of Bukavu, Kabila accused France, the UN High Commission for Refugees, and the Catholic charity Caritas of aiding the Mayi-Mayi rebellion in eastern Congo, which is fighting the Rwandan occupation army. "All the evils originate from this," he said. Congolese Interior Minister Gaetan Kakudji told reporters the same day that "in the east a war is beginning," and that Kabila is considering a state of emergency over Kivu.

Residents of the province are already under a terror regime. On Jan. 27, Congo government troops arrested local chiefs of Kivu, including Mwami Desiré Kabare Rugemanzini of Kabare and Mwame Pierre Weza III of Walungu, and two of Kivu's leading intellectuals, Ruhigita Bulangalire, rector of the Evangelist University of Africa in Bukavu, and Masu Rugamika, rector of the University of the Great Lakes in Goma. During Feb. 18-22, Congolese troops, led by Rwandan Tutsi officers, carried out house-to-house searches for weapons in the cities of Bukavu, Goma (still continuing), and the northern city of Bunja Kiri, which is believed to be the stronghold of the Congolese Mayi-Mayi fighters. Since no one keeps weapons in their homes anyway, the soldiers are entering homes, stealing what they can, and raping the women, according to Kivu sources.

New Dowling exposé hits Prince Philip's WWF

by Roger Moore

Kevin Dowling, the Irish filmmaker, has recently exposed how a small group of modern-day British imperialists, operating through Prince Philip's World Wildlife Fund (WWF), sabotaged in 1997 the production and broadcast on Britain's Channel 4 of Dowling's documentation on ties of the WWF to the "Third Force" death squads operating in South Africa. Dowling's article, entitled "Environmental Movement and Covert Action, a Natural History of the Wilderness of Mirrors: The Secret History of a Revolution," appeared in the Jan. 5 issue of the Paris-based *Intelligence* newsletter.

In 1989, Dowling produced "The Elephant Man," a film described as "pivotal" by the WWF's Sadruddin Aga Kahn, in campaigns to save the African elephant. However, what Dowling learned in researching that film led to his next one, "Tenpence in the Panda," an explosive exposé of the WWF. In a campaign called "unprecedented" in the history of Britain's Independent Broadcasting Authority, the WWF spent a reported \$350,000 in an attempt to kill or censor the film. Crucial background research was provided by Dowling for *EIR*'s groundbreaking Oct. 28, 1994 *Special Report*, "The Coming Fall of the House of Windsor."

Dowling's article begins with an account of how the South African Kumleben Report, from a government investigation into intelligence involvement in using the underground trade in ivory to finance covert activities, was circulated at the June 1997 Zimbabwe meeting of the Convention on International Trade in Endangered Species (CITES). In his opening address to that meeting, Zimbabwe President Robert Mugabe called the ban on ivory trading an act of "ecological colonialism," and demanded a partial overturning of it.

The Kumleben Report addressed the involvement of Prince Philip's colleague, Prince Bernhard of the Netherlands, in putting together, with covert WWF support, "Operation Lock," which linked former British Special Air Services (SAS) agents to Craig Williamson, South Africa's liaison to British Intelligence. Operation Lock was ostensibly designed to intercept black-market ivory trade networks operating in southern Africa; in fact, it ended up in assisting the retooling of apartheid-era covert assets along the lines of the instigated "tribal warfare" that exploded around the early 1990s "Third Force" random killings. Zimbabwe government officials had already, years before the CITES conference, charged that Operation Lock was a plan to destabilize all of southern Africa.

As Dowling describes it, when the conference reinstated supervised ivory trading, "the African delegates danced through the conference hall singing the liberation anthem, '*Ishe Komberera Africa*' (God Bless Africa!), watched by stony-faced delegates from America and Europe."

Dowling reported how Johan Rupert, son of South African billionaire and WWF patron Anton Rupert, approached Channel 4. Channel 4's head was also approached by one-time WWF official Lord Aubrey Buxton, Extra Equerry to Prince Philip, of the Barclay banking family, and one of the most powerful figures in British broadcasting. According to *EIR* sources, Robin Renwick, the former British ambassador to South Africa and later ambassador to Washington, also hovered in the background of the cover-up for the WWF. Renwick is an important establishment figure whose job in Washington was to deploy the U.S. Anglophile elite to control American policy, an easy job under George Bush, but more difficult under the first Clinton administration. Renwick is also with the Compagnie Financière Richefont (of Rupert fame) and Robert Fleming Bank.

A 'virtual empire' is being created

As Dowling describes it, aside from the WWF-Operation Lock dirty operations, the real issue is the "virtual empire" being created around nature parks worldwide. As he stated in *Intelligence* newsletter, "To the eyes of a previous age, the huge areas of land the former colonial powers have required the developing world to set aside for nature would look more like an empire than a mere 'estate.' It may, in fact, be useful to regard the World Conservation Estate (WCE) as a new and unprecedented form of empire, a virtually real one."

The WCE is a concept sponsored by the International Union for the Conservation of Nature (IUCN), a sister organization of the WWF, for accounting the new domains previously known as Crown Lands in the Empire. "This green archipelago of national parks, national forests, national monuments and national landscapes occupies more land than India, Pakistan, Bangladesh, Sri Lanka, Nepal, Bhutan, Afghanistan, Iran and Burma put together," according to the *Intelligence* article. "When a further 40,000 less fiercely guarded areas were included in the reckoning, the area taken up by the World Conservation Estate more than doubled. By 1989, it had already extended across some 10% of the earth's land surface."

The personnel of the new "virtual empire" overlap heavily with the old empire's intelligence hands. When Dowling covered Northern Ireland in the 1980s, he ran into MI6 operative Michael Oatley. By the early 1990s, Oatley, by then retired from British SIS, was working for Kroll Associates in London, handling raw intelligence sent back by Operation Lock. A Northern Ireland-based assistant of Oatley, MI6 officer Gordon Shepherd, ended up as WWF-International's Director of Communications.

London panics at prospect of victory by Gen. Oviedo in Paraguay's elections

by Dennis Small

In London's lexicon, "democracy" and "free elections" are supreme values, right up there with "free trade" and "globalization." Unless, of course, "free elections" mean that your man is going to lose. In that case, you have to cheat.

Take the case of Paraguay.

Paraguay is scheduled to hold Presidential elections on May 10. The candidate of the ruling Colorado Party is Gen. Lino Oviedo (ret.). Immensely popular, he is the hands-down favorite to win the elections, according to all accounts. But he is, to quote the London *Economist*, a "virulent nationalist." So he has to be stopped—while somehow keeping up the pretense of "democracy."

This is the quandary that London and its Anglophile courtiers in Washington are increasingly facing all across Ibero-America, as a result, ironically enough, of the *successful* application of their own policies over recent years. The world financial crisis, and Britain's ongoing drive to use campaigns around "democracy, human rights, and globalization" to destroy the institution of the nation-state, are driving country after country to the brink of annihilation. Lawfully, this is bringing nationalist forces to the fore, often based on a civil-military alliance to withstand the foreign assault.

Such is the case in Colombia, where the Presidential campaign of Gen. Harold Bedoya (ret.), sacked seven months ago by the narco-government of Ernesto Samper, is now threatening to storm the Presidential palace—via the ballot box. General Bedoya is rallying the nation against the twin scourges of drugs and terrorism—both run out of London—sending a wave of panic through that control center (see article in this section).

Nationalism that won't go away

Paraguay is also threatening to spin out of British control.

Two years ago, in the third week of April 1996, a British-orchestrated democratic "coup" was executed to force General Oviedo, then the head of the Paraguayan Armed Forces, into early retirement. Run through the networks of the Inter-American Dialogue, the Washington-based think-tank which promotes London's policies across the Americas, that operation succeeded in ousting Oviedo for supposedly being "anti-democratic." As an *EIR* feature reported at the time (see *Documentation*), London orchestrated an alliance of Paraguay's neighbors in Mercosur (the Southern Cone Common Market)—Argentina, Brazil, and Uruguay—to intervene in Para-

guay's internal affairs, with plentiful U.S. State Department backing, and to use a pliant President Juan Carlos Wasmosy to oust Oviedo. That achieved, and the principle of "limited sovereignty" established, the British figured they were on the short road to eliminating Paraguay's military altogether, and to imposing unrestricted free trade across the Mercosur region. In a word, the British thought they were home free.

They were wrong.

On Sept. 7, 1997, the Colorado Party chose Oviedo as their Presidential candidate—over the protestations of President Wasmosy, who is also of the Colorado Party, and today a bitter factional opponent of Oviedo's; and of the Anglophile U.S. ambassador to Paraguay, Robert Service, who intoned that Oviedo "doesn't have democratic credentials."

As a result of Service's patronizing remarks, Oviedo's popularity rose by 8% in the polls.

Paraguay is an independent-minded country, that twice in the last 150 years has been devastated by invading foreign armies, and therefore much values its sovereignty. General Oviedo is a spokesman, albeit an unsophisticated one, for that nationalist tradition which identifies itself with 19th-century President Carlos Antonio López (1844-62), who transformed Paraguay into the second most industrialized nation of the Americas, after Abraham Lincoln's United States.

In an interview published on Oct. 2, 1997, Oviedo stated: "Carlos Antonio López was a great President because under his tenure Paraguay became the richest, most prosperous Latin American country. He demanded that Paraguay's sovereignty be respected. . . . I plan to restore sovereignty, self-determination, and security in this country."

What followed Oviedo's remarks, beginning the very next day, were a series of actions to stop him at all costs, which have made a mockery of London's much-ballyhooed promotion of "democracy and globalization."

'Globalized democracy'

Oct. 3, 1997: President Wasmosy orders the disciplinary arrest of General Oviedo for 30 days, for statements to the press which are deemed "prejudicial to the President." Oviedo's lawyers file diverse appeals.

Oct. 29, 1997: tired of waiting on the courts, Wasmosy orders loyal police and Army troops to surround Oviedo's home and arrest him. Oviedo was not there.

Nov. 2, 1997: Justice Minister Sebastián González Ins-

frán resigns in protest against Wasmosy's unilateral action.

Nov. 4, 1997: Raquel Marín de Oviedo, the general's wife, informs the press that Oviedo has gone into hiding, because "they want to kill my husband. . . . We have information that they are trying to eliminate him, either through an arrest or by kidnapping either one of his children or me, in order to force him out of the political arena."

Dec. 12, 1997: The Supreme Court rules that the Presidential arrest order against Oviedo is valid, and can be extended from 30 to 90 days at the President's whim. That same day, Oviedo turns himself in at the Army's First Infantry Division, to serve his sentence.

Dec. 15, 1997: A former Paraguayan diplomat files charges against Oviedo, accusing him of trafficking in toxic wastes in 1990. The diplomat assures the court that Greenpeace, the radical environmentalist group run by Prince Philip's networks, "has films and other evidence" in its possession.

Jan. 8, 1998: A military court complies with a Supreme Court ruling, that pending charges against Oviedo are to be handled by civil courts.

Jan. 10, 1998: The military court reverses itself and, in violation of the Supreme Court, reopens the Oviedo case.

Late January 1998: In an unprecedented procedure, lawyers for President Wasmosy file motions on behalf of the supposedly independent military tribunal, to keep the case in their hands. Through various motions, the Presidential legal team disposes of four different civil judges who were handed the case, one after the other.

Jan. 30, 1998: The fourth judge, Angel Cohene, rules against the President's lawyers, and is about to free Oviedo. That day, troops loyal to Wasmosy carry out tank and air maneuvers, which "convince" an appeals court judge to remove Judge Cohene from the case. Presidential lawyer Julio Vasconsellos explained the incident matter-of-factly: "We were not going to comply with any order to free him by the judge [Cohene], because it would be lacking in validity, and the Constitution authorizes non-compliance with orders that lack validity."

Feb. 2, 1998: President Wasmosy orders radio station Radio Uno AM shut down, for running a program making fun of the military threats against any and all judges who might rule in favor of Oviedo.

Feb. 3, 1998: President Wasmosy backs down and reverses his decision to shut the radio program. Numerous Paraguayan politicians, journalists, lawyers, and others had denounced the measure as unconstitutional and arbitrary.

Now what?

The *Financial Times* of London summarized Britain's quandary on Jan. 20. Opposition candidate Domingo Laino, whose campaign "centres on a pro-free market, anti-corruption platform," would be far better than the "fiery populism" of General Oviedo, they note wistfully. "But [President Wasmosy's] strategy of blocking the candidacy [of Oviedo] at all

costs, brings dangers of its own. 'The risk is of forcing the country's still-weak democratic institutions, especially the justice system, beyond their limits,' said political analyst Carlos Martini."

And if that happens, how can London continue to use "democracy, human rights, and globalization" as a battering ram against the institutions of the nation-state, in the rest of Ibero-America?

Documentation

The British 'one world' coup against Paraguay

In its May 17, 1996 issue, EIR ran a feature on the previous month's British operation to oust Gen. Lino Oviedo, noting that it hearkened back to the 19th-century Triple Alliance War, in which London's puppets Argentina, Brazil, and Uruguay decimated the then-developed nation of Paraguay. Excerpts follow.

In 1846, the United States consul in a certain South American country reported to the State Department that this was "the most powerful nation in the New World, after the United States. Their people are the most united. . . . Their government is the richest of all the states of the continent. . . ."

That same country was South America's most developed nation at the time of the U.S. Civil War. It was the second in the sub-continent to build a railroad, which it did in 1856. By the 1850s, it was self-sufficient in food, had a totally literate population, and was industrializing at a healthy pace. Moreover, it did this with aggressively protectionist economic policies modeled on the American System of political economy of Alexander Hamilton.

Because of those achievements, that highly developed country was then subjected to a British-sponsored invasion by three of its neighbors, and a war of extermination followed from 1865-70, which killed off half the population, including 80% of all males. The explicit justification of that war was that it was necessary to stamp out all vestiges of protectionism, and impose the British doctrine of free trade.

This was the infamous Triple Alliance War, perhaps the most atrocious population war of the nineteenth century. And the enemy that the British targeted for destruction, was the nation of Paraguay. . . .

Starting with the government of Dr. Gaspar Rodríguez de Francia (1813-40), the Paraguayan state maintained a virtual monopoly over all the country's fertile lands, as well

as over foreign trade. It also controlled currency issuance and circulation, keeping it free from London's manipulation. Export of gold and silver was prohibited, a policy which broke the cycle of dependence on credit from Buenos Aires-based merchants.

Dr. Francia also prohibited the contracting of foreign loans, a policy continued by Carlos Antonio López (1840-62), and his son Francisco Solano López (1862-70). This was true heresy, since the country *had no foreign debt!* These and other measures eliminated the role of local oligarchies as dominant economic or political forces in the country. . . .

It was under the protectionist regimes of the two López governments, that Paraguay's most dramatic transformation occurred, much to Britain's horror. Carlos Antonio López's government maintained a 25% tax on imports of any products the country already produced, or that were considered luxury goods in a poor country such as Paraguay. But there were no import tariffs on agricultural and industrial machinery, or on other goods not produced domestically. Everything was paid for in cash. The lack of foreign debt meant that the nation's financial future was not mortgaged to foreign interests.

Paraguay became self-sufficient in food production, and launched an industrialization campaign that was extraordinary, compared to its neighbors. The decade of the 1840s

saw the construction of roads, bridges, canals, and other vital infrastructure. The military complex at Humaitá was built with the help of many foreign engineers, technicians, and doctors, as were the Ibycuí iron works and several other technologically advanced projects. The country had both a navy and a merchant marine.

The 1855 completion of the Asunción arsenal represented a significant advance in the development of forging and smelting technologies. The government built railroads and ammunition factories, extended telegraph lines, and established industries for the production of paper, sulphur, dyes, textiles, ceramics, and lime. Many of these projects were the result of Francisco Solano López's 1854 tour of several European capitals, during which he contracted hundreds of highly skilled technicians to come to Paraguay for the purpose of launching these modernization projects. When he was named President in 1862, Solano stepped up the rate of national development, especially strengthening and modernizing the Armed Forces, as an institution capable of defending national sovereignty.

Carlos Antonio López used to say that he was not a man of the Enlightenment, but rather a student of St. Augustine. At the beginning of his Presidency in 1840, ninety percent of Paraguay's population was illiterate, a situation which had to change if the country were to progress. Schools, he said, "are the real monuments which we can offer to national freedom." He built new schools and libraries, and hired foreign professors to participate in the education process. Education was extended to rural areas. The founding of the Teachers College by the Spanish intellectual Idelfonso Bermejo, was an important achievement. Through a scholarship plan, López sent Paraguayan students to Europe and the United States, and rewarded inventors and others who introduced innovations in the production process. . . .

In April 1830, Brazil's consul in Paraguay, Correia de Cámara, reported to his secretary of state that "the only way . . . to get rid of this nascent colossus [Paraguay], is through a quick and well-coordinated invasion. . . ."

The war against Paraguay was the biggest genocide in the history of this hemisphere. In five years, the Triple Alliance exterminated 50% of Paraguay's population, calculated at about half a million before the war. By 1870, the population totaled 194,000, of which 180,000 were women and 14,000 men. Of those, there were only 2,100 over the age of 20. Aside from those who died in combat, thousands more died as the result of wounds, hunger, and cholera epidemics.

But if it was the greatest genocide, the war was also an example of heroic resistance. . . . Despite the lack of resources, Paraguayans resisted until, literally, the last man, and in some cases, the last child. The devastation of the country was total: The war achieved what the "allies" could not obtain by any other means: the destruction of the country's military capabilities and the imposition of "democracy" based on free trade.

DO YOU KNOW

- that the American Revolution was fought ~~against~~ British "free trade" economics?
- that Washington and Franklin championed Big Government?
- that the Founding Fathers promoted partnership between private industry and central government?



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General Bedoya readies 'new war of independence' for Colombia

by Javier Almario

In launching three senatorial slates and several more for the Colombian House of Representatives, the Presidential candidate of the Colombia Force movement, retired Gen. Harold Bedoya, opened another round in what he is now calling "a new war of independence" for Colombia's future. During an open-air speech on Feb. 7 in the Bogotá neighborhood of Timiza, Bedoya stated that "we are living under an empire worse than the Spanish: an empire of drug trafficking, of narco-terrorism, of corruption."

Referring to the final battle waged between the forces of "The Liberator," Simón Bolívar, and the colonial Spanish troops, Bedoya added, "We are the forces of Bolívar, who stand at the Bridge of Boyacá, and on the other side stand the corrupt ones. I am heading up this new war for Colombia's independence, for honesty, for change."

Bedoya's words are not intended as symbolism. The movement his candidacy has generated, seriously threatens to shatter the control of the traditional political machines, which have either tolerated or been openly complicit with the drug trade, and with narco-terrorism. This same machinery, run from London, is trying to carry out a plan to dismember the national territory of Colombia, handing over sections to the narco-terrorist FARC and ELN, on the pretext of sealing a "peace agreement," which can only end up with the final dissolution of the nation itself. Bedoya is the only Presidential candidate who has opposed this so-called "indigenous" peace plan.

At the same time, a new expanded edition of *EIR's* book *The Plot to Annihilate the Armed Forces and Nations of Ibero-America*, has begun to circulate in the capital city of Bogotá. *The Plot* explains how this "peace plan" is part of the British Empire's world strategy to eliminate nation-states through the deployment of terrorists, separatists, indigenists, ecologists, and so forth, while turning the United Nations into a global government, a new version of the Roman Empire.

Bedoya's popularity continues to rise, despite the fact that the media refuse to cover most of his tours and electoral activities. Several polls have indicated that Bedoya would win 17% of the national vote were the Presidential elections

held today, coming in third place behind Horacio Serpa Uribe, candidate of narco-President Ernesto Samper Pizano's government, and behind Andrés Pastrana, candidate of the opposition Conservative Party. However, there is a lot of nervousness in the Serpa Uribe and Pastrana camps, since another series of private polls, conducted for the purpose of finding out what the average Colombian's true preferences are, revealed that Bedoya is actually running in first place—something unheard of in a country whose political machines have traditionally managed to keep the Presidency passing back and forth between the Conservative and Liberal parties, like a ping-pong ball.

Death threats

The analysts of the Serpa and Pastrana camps are especially concerned that Colombian youth might opt to vote for Bedoya, over their own discredited candidates. Colombia's oligarchy has responded in two ways: 1) by threatening to kill Bedoya (who has risked his life repeatedly in 40 years of combat in defense of his country), and 2) by pulling together a political alliance of all those who fear Bedoya, to prevent the general from taking first or second place in the Presidential election in May, which would force a run-off. Bedoya, meanwhile, seeks a majority vote of more than 50%, in hope of taking the Presidency on the first round.

The magazine *Cambio 16* published in its early February edition, a less-than-subtle death threat against Bedoya, in apparent response to the general's insistence on using speech which the Colombian oligarchy considers "politically incorrect." Magazine director Patricia Lara Salive wrote: "Bedoya instigates violence, to the point that at least two Presidential candidates (Bedoya included) could end up assassinated. . . . The path you appear to have chosen, General, is not one of votes, but of deaths," Lara concluded ominously.

To put Lara's threat in the proper context, it should be remembered that when Conservative opposition leader Alvaro Gómez Hurtado was assassinated in 1995, the same magazine published a lengthy report, by columnist Antonio Caballero, which practically justified the murder because Gómez

“instigated violence.”

Years ago, Patricia Lara was identified by the U.S. State Department as an agent of the Cuban intelligence service DGI, and for this reason was prevented from entering the United States. Although today, for political reasons, Lara has been granted a U.S. entry visa, the suspicions about where her loyalties lie have not faded.

Lara’s threat occurs in the midst of intense diplomatic efforts on the part of *El Tiempo* director Hernando Santos, to oust Bedoya from the three top positions in the Presidential polls. Santos, who has already set as a goal that Bedoya be permitted to obtain no more than 1 million votes in the May elections, is trying to forge a pact among the so-called “minor candidates”—former Prosecutor General Alfonso Valdivieso, former Foreign Minister Noemí Sanín, the son of former President Carlos Lleras Restrepo, Carlos Lleras de la Fuente, and former Bogotá Mayor Antanas Mockus—according to which a single candidate would be put forward to garner the collective vote of these four Lilliputians.

Santos’s efforts have already led to Lleras’s resignation, and to Valdivieso’s decision to commit political *hara kiri*, by attacking Bedoya in public. Valdivieso had won significant political prestige by having backed legal investigations against current President Samper Pizano and against a group of politicians who had taken drug money in their 1994 electoral campaigns. However, Valdivieso flinched when the time came to put Serpa Uribe in the dock. Serpa was Samper’s campaign manager in 1994, and then his powerful Interior Minister. Today, he is the ruling Liberal Party’s official candidate, and Samper’s intended successor to his Presidency. Valdivieso is the dissident candidate of the Liberal Party.

In a Feb. 18 column in *El Tiempo*, Valdivieso virtually climbed into bed with narco-candidate Serpa, by joining the narco-government’s attack against Bedoya. Colombians should be alert, wrote the former Prosecutor General, to “prevent that, because of confusion and discontent with the Samper government, they choose a false alternative. . . . There is no question that Colombia needs a change . . . but this zeal and this discontent must not lead us into a worse fix.” Valdivieso went even further, attacking Bedoya for opposing Colombia’s 1991 Constitution, which Valdivieso knows perfectly well was written to favor the very drug traffickers he himself has battled for years. It is an open secret that many of the delegates to the Constitutional Assembly which drafted the 1991 Constitution were threatened and/or bribed to approve a ban on extraditing Colombians wanted for crimes committed abroad.

Why all the hysteria?

The hysteria of Colombia’s political elites against Bedoya is in direct response to his political message to the country. In his speeches, he emphasizes that Colombia has lost its freedom, that it has become “a jail with 36 million prisoners.”

Colombians are unable to walk the streets, for fear of being murdered by the drug traffickers. Some call this a “democracy,” says Bedoya, but I call it a “narco-ocracy,” a government of and by the corrupt. The drug trade has broken this country, and I refuse to go to my grave with the knowledge that I did nothing to stop it on my conscience.

Thus, the general asks in all his meetings, I have assumed my responsibility; the question is, who will govern with me? Bedoya calls on each person he addresses to be “an apostle who can multiply the vote, who can send out this message of hope, of confidence, that the nation will be saved, of faith that we are going to win.”

Bedoya also reminds his audiences that there are fewer than 100 days left before the Presidential elections, and that these 100 days will determine whether Colombia will continue to exist as a nation, or will crumble into pieces in the hands of the narco-subversives and the narco-rulers.

Says Bedoya, in the past six months, we have made a miracle: We are building a movement of builders. As in the struggle for Colombia’s independence, we have no other choice but to win, and we have less than four months to do so. Evil cannot defeat the good, he warns. If we recover our government, we will restore security, rebuild infrastructure so that we can have highways, railroads, and ports; we will give education and medical attention to all Colombians, not just to the rich; and we will protect our agriculture so that Colombia can return to producing its own food.

On Jan. 29, in the city of Barranquilla, Bedoya explained to reporters the reason why he travels with bodyguards. He stated that, in a “narco-ocracy,” if he did not have protection, he “would pass into history as one more martyr of the violence the corrupt people in power have generated. Ask yourselves, who murdered Alvaro Gómez, while Horacio Serpa was Interior Minister? Who murdered [witness] Elizabeth Montoya de Serria, or Serpa’s chauffeur, at the moment he was going to expose crimes?”

Serpa was exonerated by the Attorney General of charges of illicit enrichment in favor of the Samper Presidential campaign, thanks to the fact that a key witness was threatened with death, and refused to testify; also thanks to the fact that Serpa’s chauffeur, who was present when Samper received the drug traffickers’ donations to his campaign, was killed; also thanks to the fact that Montoya de Serria was assassinated, and couldn’t testify—as she had planned—to the donations that she, her husband, and other drug-trafficking friends had made to the Samper campaign.

Alvaro Gómez was assassinated while organizing a civil-military alliance to overthrow the illegitimate Samper regime. The hysteria against Bedoya is thus not because of one or another statement he has made. Rather, it is because, this time, the “coup” could take place within the electoral process itself—that is, if the Colombian oligarchy, always under instruction from London, decides to allow the elections to proceed.

British fume against Argentina's Seineldín

by Cynthia R. Rush

In early November 1996, Argentina's Army Chief-of-Staff Gen. Martín Balza became the highest-level military officer to visit London since the 1982 Malvinas War between the two countries. Amidst the public displays of friendship and high honors accorded to Balza, the British delivered one distinct message to their guest: continuing relations between Argentina and Great Britain, broken in April 1982, is contingent on guaranteeing the complete destruction of the nationalist military movement led by Lyndon LaRouche's friend and Malvinas War hero, former colonel Mohamed Ali Seineldín.

At the time of Balza's visit, Seineldín had been in prison for six years, serving a life sentence for his leadership of the 1990 nationalist uprising against the Army's corrupt high-command. The Armed Forces had been annihilated by years of demilitarization policies—which Balza obediently continues to implement to this day—and there was little or no chance that Seineldín was ever going to be released from jail. The former Army colonel was, de facto, a *British* prisoner of war.

One might assume that this provided a certain degree of comfort to London. But today, almost a year and a half later, British assets in Argentina who hate Seineldín are anything but complacent about his role. Look at the weekly magazine *Noticias*, which dedicated almost the entirety of its Feb. 7 issue to attacking the imprisoned nationalist, justifying itself with Napoleon's maxim, "Know thy enemy." *Noticias* trotted out two of the most rabid, British-backed proponents of globalization and destruction of the institutions of the nation-state to rant against Seineldín: Luis Moreno Ocampo, Transparency International's president for Latin America and the Caribbean, and Rosendo Fraga, an anti-military think-tanker associated with the Swiss-based Geopol, an international network which includes enemies of LaRouche.

'The number-one enemy of the system'

In one sense, Seineldín's situation is far worse today than it was in 1996. He has no political movement to speak of, isn't likely to be pardoned, and is a lone voice in the increasing economic and political chaos characterizing Argentina. Yet, the British still fear him.

Why? Because Argentina, like all of Ibero-America, is reeling from the meltdown of the international financial sys-

tem. The "Asian" financial crisis is not "Asian" anymore, and those who claimed that Ibero-America's future depends on embracing the policies of globalization, have been thoroughly discredited. Nations are crumbling, and there is no fixing the old system. This is the context in which Argentines, and Ibero-Americans, will look to leaders such as Seineldín, just as more and more Americans are looking to Lyndon LaRouche.

The British know that Seineldín is widely respected throughout Ibero-America, not only as the hero of the Malvinas War, but because he has dared to publicly attack, beginning in the 1980s, the new world order associated with former U.S. President George Bush and Britain's Margaret Thatcher. He has also publicly identified himself with LaRouche and his friends in Ibero-America, circulating LaRouche's *Resumen Ejecutivo de EIR* magazine, and authoring, from prison, an introduction to *The Plot to Annihilate the Armed Forces and the Nations of Ibero-America*, published by *EIR* in 1993.

The fact that Seineldín has never renounced his principles provokes tremendous teeth-gnashing among his enemies. The *Noticias* editorial admits as much, when it writes that, "like it or not, Seineldín and his ideas" are the reason why there still isn't full "reconciliation" in Argentina, by which it means total acceptance of the "democracy" the globalists have tried to impose. As Rosendo Fraga complains, Seineldín's following isn't just found in the Army; he is seen as the "anti-model . . . the expression of the values of nationalism, confronting globalization."

The virulently anti-military Moreno Ocampo is the most hysterical about Seineldín. One of the prosecutors in the 1985 trial of former members of the military junta which took power in 1976, he has worked for over a decade in the London-directed campaign to dismantle the Armed Forces, and more recently, the police force of Buenos Aires province. In his article in the *Noticias* feature, he says that what most impressed him about Seineldín's 1991 trial for rebelling against the Army high-command, was that "he didn't show the slightest bit of remorse." He "owes society a display of remorse," Moreno hissed.

But Seineldín told *Noticias*, "I do not repent of anything. . . . I am a Christian nationalist. I still consider myself an idealist, still prepared to give my life for my Fatherland. I am a militant of the Pope, a man who confronts Anglo-Saxon imperialism, a man who fights alone. . . . I am the number-one enemy of the system. . . . They can't make me bend, and so they are going to leave me in jail all of my life, until I die."

Nor does Seineldín mince words in discussing General Balza or President Carlos Menem. Menem, he told the *Noticias* reporter, "is the biggest traitor in Argentina." He promised to defend the Armed Forces, but lied. As for Balza, "he didn't participate in the fight against terrorism, and supported the Proceso [the 1976 military coup]. . . . He has no authority to say anything. I didn't abandon the Fatherland. . . . He did. . . . [Now] he defends international goals."

Nationalism explodes in Mexico against foreign invasion of Chiapas

by Hugo López Ochoa

On Feb. 15, millions of Mexicans watched with astonishment, a prime-time television documentary, in which dozens of well-armed foreigners—bearded, disheveled, and dressed in the classic attire of the 1960s counterculture—are seen blocking a team of reporters from TV-Azteca's *Hablemos Claro* program from entering the town of La Realidad, the symbolic headquarters of the narco-terrorist Zapatista National Liberation Army (EZLN).

The foreigners, ostensibly journalists, members of non-governmental organizations (NGOs), and observers of the "peace process," gave orders to nearby Indians to use tree trunks to try and anchor the helicopter in which the TV-Azteca team arrived. The blonde and palefaced hippies confiscated a TV cassette, and believed they had seized all evidence of what occurred.

Shouts, in English, of "Watch out! Look out!" were heard. Manuel de la Torre, director of the *Hablemos Claro* program, reported that he was brought by a man with the accent of a Spaniard, to a radio transmitter, over which the Spaniard warned, in English, of the helicopter's presence. Another of the foreigners placed his weapon against a wall hung with posters of the ELZN's "Marcos" and "Che" Guevara. A woman with a German accent attempted to force the director of the TV program, Lolita de la Vega, to leave the helicopter. One could hear her saying, in terrible Spanish: "Don't you know that this is an autonomous zone?"

TV-Azteca later broadcast exposés of the leading role played by foreigners in the conflict in Chiapas: clips of Zapatista marches in which foreigners can be seen directing contingents of Indians, who are carrying banners, or simply marching. At points, TV-Azteca froze the film, circled the foreigners present in the frame, and flashed their names across the screen. Spaniards (perhaps from the Basque terrorist-separatist group ETA?) and Germans dominated the stills.

On Feb. 18, the Chiapas state legislature declared the commander of the EZLN, the Catholic Bishop of San Cristóbal de las Casas, Samuel "Samiel" Ruiz, to be a "traitor to the nation." Sections of the Catholic Church, political parties, leading businessmen, and others denounced the foreign intervention.

In *El Occidental* on Feb. 6, the Cardinal of Guadalajara, Juan Sandoval Iñiguez, charged that powerful foreign interests are blocking resolution of the Chiapas conflict, "because

they want to seize the territory, the oil, the uranium . . . and a passage across the Isthmus [of Tehuantepec]." He denounced the idea of Indian "autonomy" as "an attack upon the territorial integrity of the nation." As did other Catholic bishops, the Bishop of Aguascalientes, Rafael Muñoz Nuñez, declared that "there is ample evidence that there is international interference" in Chiapas, and that there are "many foreigners" in the EZLN.

LaRouche: It's a foreign invasion

A single television show allowed millions of Mexicans to finally realize the accuracy of the charges made since 1980, and with increasing intensity after 1994 when the EZLN made its existence public, by *EIR* and its founder, Lyndon LaRouche, and by the Ibero-American Solidarity Movement (MSIA) of Mexico: that the EZLN is a foreign occupation army which seeks to separate off the southeast of Mexico in order to hand the oil over to British companies, by fabricating an ethnic, non-Mexican identity for an entire group of citizens. Since 1994, *EIR* has charged that Ruiz is the actual commander of the EZLN, and a poster of the MSIA proclaimed: "Wanted for Treason: Commander Samuel Ruiz."

In a radio interview with "EIR Talks" on Feb. 18, LaRouche commented: "First of all, I know a good deal about this. I was the first to, or one of the leading voices in the United States to warn against this operation, back in 1982. I published a report that arrangements were being prepared to destabilize and take over the oil-rich area of Chiapas state in Mexico, and to use some kind of tricks to grab it.

"Well, those tricks came along: An international terrorist organization, called the São Paulo Forum, which is nominally Brazil-based, but is headed by Fidel Castro, invaded Chiapas province, with a bunch of people who claimed to be 'indigenous Indians,' which was not true. They weren't.

"You had a bishop there, a Catholic bishop, nominally Christian, but I don't think actually so, called Samuel Ruiz, who I refer to preferably by the European designation of 'Samiel' Ruiz. . . . If you see the relevant part of the bullet-making scene in *Der Freischutz*, the opera of Weber, you will know what I mean. . . . Samiel is a name which is often used to designate a satanic figure of magic, and it's what Samiel Ruiz has turned out to be.

"Now . . . since the 1950s, Castro has been a protégé of a

French-based organization called the Synarchists, which was deployed in that area, through people like Paul Rivet, Jacques Soustelle, the guy who tried to organize the assassination of President de Gaulle of France, and a guy from also the same pedigree, Jean de Menil, the husband at that time of the recently deceased Madame Dominique de Menil of Houston, Texas, an acquaintance of the Bush family.

“So, what comes in there, and makes it obvious, is, you have not only the no-good organizations, called NGOs, from the United Nations, coming down there, like a pestilence, to push this thing; you have intervention from people in the United States, but heavily from Europe. You have, for example, the organizations of the Catholic Church in Germany, intervening. But *mainly* what you had, is the wife of the former President of France, Danielle Mitterrand, coming down there and making a massive intervention, an atrocious one, which caused a real reaction from the Mexican government. . . .

“But, that’s the problem. And so the Mexicans realize, that if this is allowed to continue— And it is allowed to continue precisely because of foreign pressure, principally from this French-centered synarchist crowd, which has a big base in the Caribbean area, and also from sympathizers and fellow thinkers of those guys inside the United States itself, who are all pressuring Mexico to respect the human rights of an invading army of terrorists coming from places like Belize,

invading southern Mexico. And they say that human rights demand that the Mexican government not interfere with an invading army of terrorists backed by Castro. And the Mexicans don’t like that very much. Do you blame them?”

‘Should a foreign enemy dare . . . ?

The video’s content is so offensive to Mexicans, that one of the Zapatistas in the Party of the Democratic Revolution (PRD), Gilberto López y Rivas, invited to participate in *Hablemos Claro* program, stomped off the set shouting that it was a “vile manipulation.”

The same reaction erupted when the facts of French and British control over Castro and the EZLN (see *EIR*, Jan. 23, pp. 20-35) were presented in conferences in Mexico. The pro-EZLN PRD members had to shut up, or, those who dared speak, ended up walking out, to the jeers of other participants. Exemplary was what happened in Mexicali, Baja California on Feb. 17, after MSIA leader Alberto Vizcarra presented *EIR*’s material to 150 people. As the PRD members present slinked out, a journalist stood and recited the words of Mexico’s national anthem: “Mexicans: to arms! . . . Should a foreign enemy dare profane your soil . . . remember, O Beloved Country, that Heaven has given you a soldier in every son!”

These electrified responses of the population have thrown the Zapatistas and their narco-terrorist São Paulo Forum

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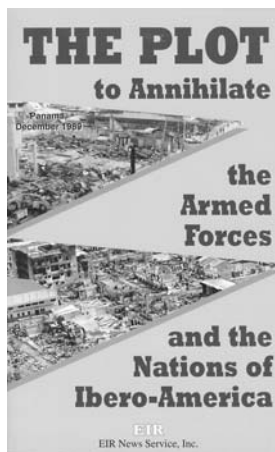
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—James Zackrisson, *Defense Force Quarterly*

friends into hysteria; they are now accusing the Mexican government of feeding a “xenophobic,” “vile,” “chauvinist,” campaign which seeks to bring back “bygone eras of sick and anti-foreign nationalism.”

To this, Government Secretary Francisco Labastida Ochoa said on Feb. 17, “We Mexicans cannot forget the lessons of our history; foreign interventions have been tragic for Mexico.” The reference was to those who supported the French invasion of Mexico which imposed Maximilian Hapsburg as emperor (1863-67), and to the loss of more than half the national territory in the U.S.-Mexican War of 1847-48, orchestrated by the southern slave-owning interests. He said that the government “will not tolerate any violation of the Constitution,” which prohibits foreigners from intervening in Mexico’s internal affairs, and defended the government’s decision to deport, since December, nearly 20 foreigners caught acting on behalf of the EZLN in Chiapas.

This was the government’s response to the EZLN’s categorical rejection on Feb. 16, of four amendments proposed by the government to the bill drafted by the Congressional Concordance and Pacification Commission (Cocopa), to implement the so-called “San Andrés Larrainzar Accords” signed by the government and the EZLN in 1996. The juridical interpretation of these accords contained in the Cocopa bill, Labastida said, “does not correspond to the spirit and letter of [said accords]; its vagueness could endanger the unity of the Mexican state, the integrity of national territory, the rights of all Mexicans, and reopen conflict on land tenure.”

The EZLN had taken advantage of the arrival in Chiapas on Feb. 16, of 200 members of a so-called International Civil Commission for Observation of Human Rights, an international front for pro-Zapatista NGOs, to announce its rejection of the amendments. That day, to the war cry of “All or nothing!,” Commander Ezequiel said at a demonstration in San Cristóbal de Las Casas, that the EZLN will allow “not a comma, nor a period, nor an accent, nor a word, nor a letter which is not included in what the legislators of Cocopa drew up.” His speech was couched in the Marxist verbiage of the first documents of the EZLN in 1994, when it declared: “We want a social revolution in which the proletariat takes control.”

The EZLN decision to force a confrontation was presaged, when Ruiz, in an attack on the Army, told the Italian daily *La Stampa* on Jan. 21: “The collision is inevitable, and thus the future will be decided in a few weeks.” On Feb. 19, acting as a spokesman for the EZLN during a trip to Europe financed by the International Coordinator of NGOs of Support and Aid for the Third World, Ruiz declared from Switzerland that “the EZLN no longer has confidence in the authorities.”

That same day, in his capacity as Supreme Commander of the Armed Forces, President Ernesto Zedillo warned Army officers that there are people willing to use Indian women and children as “cannon fodder,” and who wish to see the Army “brutally repressing” Indians, to thus feed conflict and division. The Army must avoid all such provocations, he said.

Terrorist outbreak targets South Asia

by Ramtanu Maitra and Susan Maitra

At least 30 people were killed when a series of bombs went off on Feb. 14 in the southern Indian textile city of Coimbatore, in the state of Tamil Nadu. Since then, more bombs have gone off and caches of arms, bombs, and explosives have been unearthed. The bombs were not aimed at any individual, but were placed in busy streets to kill at random and generate terror.

Al-Umma and the Jihad Committee, two Islamic groups identified with riots in November 1996, have been banned by the government of Tamil Nadu, following the reported discovery by police of an “explosive factory” in the areas where these organizations are active.

Coimbatore has become communally hypersensitive and thus easy picking for any terrorist group, within or outside India. There is little doubt from the way these bomb explosions were carried out, that the killing groups are supported and instigated from outside. Indian intelligence has already named Pakistan’s Inter-Services Intelligence (ISI), charging the agency with trying to disrupt India’s parliamentary elections, the first phase of which started two days after the explosions took place.

The problem is that identifying any terrorist group as a beneficiary of the ISI, in the present context, means almost nothing. The ISI, which was transformed into its present amorphous form in the early ’90s, following the collapse of the Soviet Union, is heavily infiltrated by terrorists and foreign intelligence, particularly the British MI5. How it got to be what it is, is well known by now. In the ’80s, the Western countries poured money and arms into the Pakistan-Afghanistan theater, to drive the invading Soviet forces out of Afghanistan, and they conveniently looked the other way when the Afghansi terrorists, as they are called, were trained and sustained by the ISI with the same arms that had been designated to be used against the Soviet Army.

The ISI and the Afghansi were allowed to generate “operational money” from drugs cultivated in Afghanistan. There was no accountability and there were no checks and balances. The Western nations, as well as all anti-Soviet forces in the region, paid no attention to the monster being created. They were interested only in the bottom line, which was to batter the Soviet Army in Afghanistan.

Following the Soviet withdrawal from Afghanistan, and

the subsequent collapse of the Soviet Union, ISI became a part of the international drugs-arms network operating in the region. British intelligence and the Israeli Mossad, among others, work closely with the ISI, as they also do with the terrorist Liberation Tigers of Tamil Eelam (LTTE), or Tamil Tigers, to physically eliminate political leaders whenever required. The same groups are also used to supply arms to various separatist groups, large and small, operating in the subcontinent. In other words, wherever ISI's paw marks can be found, one can be sure that London is aware, if not in control.

In Coimbatore, the Tamil Tigers are also active. The Tigers, who have been identified by Washington as a terrorist outfit, continue to get their support from London. Front organizations of the Tigers, such as the World Tamil Association (WTA) and the World Tamil Movement (WTM), operate from London, while the Federal Association of Canadian Tamils (FACT) operates from Canada. Recently, in an interview with the Indian daily *The Hindu*, Sri Lankan Foreign Minister Lakshman Kadirgamar said that the strategy "is to curb their fundraising." Despite requests from the Sri Lankan government in Colombo, however, Tamil front organizations, such as WTA and WTM, continue to raise money in the United Kingdom.

New threats to religious harmony

The Coimbatore riots and bombings are developing a permanent rift between the Muslims and Hindus, who were living in southern India in peace and harmony, unaffected by the 1947 partition of the subcontinent which deeply scarred relations between these two dominant religious groups in the north. A few months before the Coimbatore riots, the state of Karnataka, which borders the Coimbatore district of Tamil Nadu, experienced riots and a breakdown of relations between Hindus and Muslims.

Just to the west of Coimbatore is the state of Kerala, with a significant Muslim population. Over the years huge sums of money have been sent to Kerala from Kuwait, ostensibly to strengthen Islamic institutions in the state. In addition, a large number of Muslims from Kerala go to the Gulf emirates and Kuwait, as migrant workers. Money sent back by these workers has improved the standard of living of their relatives. This is being exploited by a fanatic fringe within the Hindu community, often instigated by the Rashtriya Swayamsevak Sangh (RSS), the shadowy organization that provides the leadership support to the largest parliamentary political party, the Bharatiya Janata Party (BJP).

Following the weakening of the Congress party, the only national party till the end of '80s, southern Indian states have been dominated by regional parties with narrow objectives. However, the rise of the BJP throughout southern India during the last two years has created a new situation, with long-term political ramifications.

The absence of a strong national party in the southern

Indian states caused a fragmentation of political forces there. This in turn has provided ample opportunity to various terrorist "ethnic" outfits, such as the Naxalites and Tamil Tigers, to develop a strong network. The terrorists consider the rise of the BJP in southern India as a threat to their operation. Their likely plan is to unleash terrorism throughout southern India, by instigating the fanatic fringe within the Muslim community against the pro-Hindu leanings of the BJP, to create a fear psychosis. The Tamil Tigers and the other London-controlled terrorists have all the reason to step on the accelerator now. Speaking at the 15th Asian Regional Conference of Interpol in Canberra, Australia, on Feb. 24, India's Central Bureau of Investigation (CBI) chief, D.R. Karthikeyan, urged Interpol to keep a tab on all the arms and ammunition sold worldwide, in order to track down the terrorist buyers. He said that India has become a victim of international terrorism.

Why now?

At this writing, the Tamil Tigers are fighting for sheer survival within Sri Lanka. Colombo has stepped up military pressure and President Chandrika Kumaratunga has announced that the terrorist menace will be eliminated in 1998. Washington's labelling of the LTTE as a terrorist outfit is also going to affect the Tigers. Simply put, the Tigers are now desperately trying to get arms into Sri Lanka, so that their comrades can continue fighting. They are still raising money internationally by becoming an important part of the global narcotics-trafficking network. But the problem they face, is how to get large amounts of arms into Sri Lanka on a regular basis.

One safe passageway for the Tigers was to ship arms from southern Thailand and Singapore to the northeastern coast of Sri Lanka. This route had been used for a long time, and the British arms suppliers had delivered the goods to Singapore. However, this route became too exposed and the Indian Navy cut it off. A number of mid-sea encounters with the Indian Navy have forced the Tigers to abandon this route.

Subsequently, the Tigers, helped by the terrorists from northeast India, such as the United Liberation Front of Asom (ULFA), National Socialist Council of Nagaland (NSCN-IM), People's Liberation Army (PLA) of Manipur, and Tripura National Volunteers (TNV), were receiving their arms along the east coast of Myanmar. On Feb. 9, a joint operation by the Indian Army, Navy, Air Force, and Coast Guard, called Operation Leech, intercepted a posse of gun runners with two trawlers and two small boats. The Operation Leech team seized 145 weapons in all—rocket launchers, M-series of rifles, AK-47s, heavy machine guns, pistols, and 40,000 rounds of ammunition, including 200 AK-47 magazines.

Reports indicate that the arms were heading toward the southeastern coast of India, from where they would travel by fast boat across the Palk Strait to northern Sri Lanka to the Tigers. Some of these arms were also marked for the Naxalites operating in the Indian state of Andhra Pradesh.

Constitutional Convention run by Crown

Her Majesty's lackeys ensured that it did not adopt a republic, but retained the British parliamentary system.

Australia is set to remain a colony of the British Empire, following the decision of the Constitutional Convention to retain the British parliamentary system as its form of government. On Feb. 13, the convention wrapped up ten days of intense debate by voting to hold a national referendum on whether Australia will adopt an Australian citizen as head of state and become a "republic," or whether the country will remain a constitutional monarchy. However, in the planned referendum, rather than voting yes or no on whether to become a republic, the people of Australia will be asked to vote for a specific model of republic, in which the head of state, the President, will be appointed and dismissed by a majority of the parliament.

This model is contrary to what opinion polls show the vast majority of people want in a republic, which is a President directly elected by a majority of the people, i.e., the end of the British parliamentary, or Westminster, system. At the convention, the fiercest opposition to direct election came not from the monarchists, but from another group of loyal assets of the British Crown: the Australian Republican Movement (ARM).

The ARM is the baby of merchant banker Malcolm Turnbull, the long-time in-house lawyer of press baron Kerry Packer, Australia's richest man and a personal friend of the royal family (Packer shares a box with the Queen at the Royal Ascot races). Turnbull became famous by defending Packer when the billionaire was forced to appear before the 1983 Costigan Royal Commission to answer allega-

tions that he was the "Goanna" ("Mr. Big") of the Australian underworld who was alleged to be involved in drug-running, racketeering, murder, and pornography rackets. Former New South Wales Premier Neville Wran, Turnbull's deputy in ARM, played good cop to Turnbull's bad cop throughout the convention: Turnbull was described as "arrogant" and a bully, because of his arm-twisting tactics toward other delegates, while Wran was the mediator. Between them, they had the greatest impact at the convention: Turnbull is being called the "father of the republic."

From the beginning, the Constitutional Convention was stacked to give the ARM, and other defenders of the parliamentary system, maximum power. The government of avowed pro-monarchist Prime Minister John Winston Howard mandated that half the delegates would be elected by the general population via a non-compulsory postal ballot, and half would be appointed by the government; most of the appointees were state and Federal parliamentarians, most of whom vigorously defend the parliamentary system. Voter participation in the election was less than 50%, figures unheard of in Australia (which has a compulsory voting system), but perhaps indicative of a realization among the population that, in the Westminster system, the subjects have no say anyway. To further shore up the parliamentary model, Howard appointed the nation's highest-ranked Privy Councillor, National Party MP Ian Sinclair, as convention chairman, rather than allowing the delegates to elect their own chair.

The big concern of many delegates opposed to a direct election model was that it would require a "codifying of the powers of the President." Under the Westminster system, Australia's Governor-General, as the representative of the Queen, is ostensibly a figurehead, but one who commands "reserve powers," powers which are ill-defined, but crucial. For example, in 1975, on orders from the Crown, the homosexual Governor-General Sir John Kerr sacked the democratically elected Australian Prime Minister Gough Whitlam, who was trying to assert national sovereignty over Australia's vast mineral wealth. Codifying the powers of the President, U.S.-style, would remove the clandestine intrigues that characterize the power structure of a parliamentary system; a coalition of the ARM and the appointed parliamentary delegates ensured its defeat.

Another stated concern of opponents of direct election of the President was the potential for the office to be filled by an opponent to the establishment. As an example, some delegates singled out Independent Federal MP Pauline Hanson, who has gathered a sizable following for her populist attacks on Aboriginal land rights and tariff cuts. But the establishment's real fear was expressed by former Governor-General Bill Hayden, who predicted during the convention that Hanson would dissipate as a political power, because of her lack of "intellectual force." The problem, Hayden warned, is that the resulting void will be filled by a force which does have such potency.

Hayden was unmistakably referring to Lyndon LaRouche's Australian co-thinkers, the Citizens Electoral Council, a Federal political party which has just announced a slate of 32 candidates for the next election, which could be held as early as July.

International Intelligence

Laith Shubeilat under arrest in Jordan

Leading Jordanian opposition figure and Schiller Institute collaborator Laith Shubeilat was arrested in Ma'an on Feb. 19, after speaking during Friday prayers at the local mosque. Later that day, demonstrators gathered in front of the mosque, protesting possible U.S. military action against Iraq, despite the government's recent ban on all demonstrations. One protester was killed when authorities tried to break up the rally.

Shubeilat, who heads the country's 30,000-member engineers association and is a former member of Parliament, had earlier in the week protested the government ban on all demonstrations. He is being blamed for instigating the disturbances. Although no charges have been filed against him, it is widely believed that he will be accused of inciting to riot or sedition, and *lèse-majesté*. He is currently in an Amman prison, and can receive visits only from his lawyer.

These developments reflect the fact that the political and social system in Jordan is reaching a boiling point, as a result of tensions generated by the Iraq crisis. Sources in Jordan expect the government to declare a state of emergency, or martial law, until the crisis is over. One indication of the tensions in the country, is the fact that a chief justice has been sacked for trying to defend the laws guaranteeing freedom of the press. The judge had ruled that the government's amendments to the press law, limiting freedom, were unconstitutional. He was sacked after only two and a half months in office.

London press chorus hums dirge for Russia

On the occasion of Russian President Boris Yeltsin's State of the Federation speech, but also coinciding with the International Monetary Fund delegation's invasion of Moscow and Russia's heightened role in attempts to defuse the London-orchestrated Iraq crisis, leading British press outlets proclaimed Yeltsin as good as dead already. *The Economist* of Feb. 14 set the ghoulish tone, writing,

Yeltsin exhibits "worrying eccentricity," and his "political powers seem to be failing him too." A Russian political scientist from the talking heads circuit, was quoted: "Yeltsin will die a President. The only question is when."

The Feb. 18 *Financial Times* reported on the State of the Federation speech, that the "frail figure of Mr. Yeltsin" was able to "fleetingly shed the bumbling incoherence which has characterized some of his recent public appearances." In an editorial, the *Times* said that if Yeltsin wanted to dismiss ministers who fail to secure growth, "he should, in justice, consider firing himself, since his endless intrigues are what makes it so difficult for any group of ministers to succeed. His subordinates cannot tell him this. Maybe, [IMF Managing Director] Michel Camdessus . . . will dare to do so."

UN observers kidnapped in tumultuous Georgia

Four United Nations observers were kidnapped on Feb. 19 in Zugdidi, western Georgia, near where Russian forces police a disengagement line around the Republic of Abkhazia (part of Georgia). The Georgian Foreign Ministry said that local women and children were also taken hostage, by a band of 10-20 attackers. The kidnapers are reportedly "Zviadists," from the legions of the late ex-President Zviad Gamsakhurdia. The Foreign Ministry called the attack "a continuation of the Feb. 8 terrorist act against the country's President [Eduard Shevardnadze] and is another expression of international terrorism."

By Feb. 16, Georgian police had detained six of the 26 members of the Shevardnadze hit squad, most of whom appeared to be Zviadists, and uncovered a "gigantic" weapons cache, according to Russian TV. On Feb. 11, a person calling himself "Salman Raduyev," head of the paramilitary "Army Named after Dudayev," claimed responsibility for the attempt on Shevardnadze, which is likely a diversion, but *Komsomolskaya Pravda* noted that, "two days before the assault (Feb. 8) 'Raduyev' [the original Chechen guerrilla named Raduyev is believed dead] predicted, 'This upstart

Shevardnadze will not rule for long. He will soon be replaced by the supporters of late Gamsakhurdia.'" Gamsakhurdia and the late Chechen Gen. Jokar Dudayev were close acquaintances.

Pope moves ahead with Christian-Islamic dialogue

Pope John Paul II moved ahead on several fronts in February to consolidate a dialogue between Islam and Christianity. He met with Iranian Foreign Minister Kamal Kharrazi, the first Iranian official to be received at the Vatican since the election of President Seyyed Mohammad Khatami. According to Iranian sources for the Italian news agency ANSA, Kharrazi delivered to John Paul II a message from Khatami concerning the dialogue among religions. Last October, Khatami sent a message to the Pope, stressing that, "The followers of divine religions should work to spread peace and stability in the world."

On Feb. 16, John Paul II received the credentials of Ambassador Husein-Fuad Mustafa Kabaziya of Libya. The Holy See and Libya established diplomatic relations on March 10, 1997. During the meeting, John Paul II echoed the ambassador's words regarding "the will of the Libyan people to contribute to peace in the world." Christians and Muslims, he said, "have many things in common, as men and as believers. . . . [This dialogue] presupposes the capacity to recognize God with humble submission and to bear witness to Him through word and deed. . . . In a world that desires unity and peace, faith must favor understanding among peoples and promote dialogue, so that differences and conflicts may be resolved not by means of destruction but through mutual cooperation."

Also in February, the Vatican announced the reform of the Constitution of the Vicariat, the Catholic leadership of the city of Rome, whose bishop is, of course, the Pope. The new Constitution states: "Towards the followers of Islam and other religions present in Rome, an attitude of welcome and social solidarity is to be developed, together with dialogue and collaboration."

Starr's Justice Department: 'Hitman' Ewing and his thugs

by Edward Spannaus

"I believe that we look at the Department of Justice as our model," said Whitewater independent counsel Kenneth Starr on Feb. 19, 1997, in describing how he had organized his inquisition against President Bill Clinton. "While the Justice Department does not command an independent counsel, the Justice Department and its values and its culture" guide the independent counsel, Starr declared.

And, we shall see how true that statement is.

Starr described how he had recruited "richly experienced professional prosecutors, career Justice Department lawyers," and cited particularly his two deputies: **W. Hickman Ewing** in Little Rock, Arkansas, and **Jackie Bennett** in Washington, D.C. Starr boasted to the Fairfax County, Virginia Bar Association that "we are trying to be a faithful microcosm of the Justice Department."

Starr's comments drew little attention at a time when the news media's focus was on Starr's controversial and soon-rescinded resignation, in order to take a position at Pepperdine University in California, a position financed by Richard Mellon Scaife, the "Daddy Warbucks" of Clinton's worst enemies. But, in fact, Starr's office is made up of some of the biggest thugs among the Justice Department's stable of career prosecutors. They are heavily Southern, and conservative, and many have carried out racist targeting of black and Hispanic elected officials in the past, as part of a program which was known inside the FBI as "Operation Fruehmensch" (i.e., "early" or "primitive man").

Why Starr could resign

In a sense, Starr himself is irrelevant; he has never prosecuted a criminal case in his life. He is totally dependent

upon the career prosecutors who make up his staff. *New York Post* columnist John Crudele, who used to be a regular beneficiary of leaks from Starr's office, wrote on Feb. 18, 1997, that Starr's resignation would have absolutely no effect on the course of the Whitewater investigation. Crudele's sources told him that Starr "has not done the actual prosecution of any of the Whitewater-related cases, and wouldn't in the future."

A few days later, Crudele went further, and also pretty much admitted that his source was Hickman Ewing. Crudele declared that Starr's resignation could turn into "the White House's worst nightmare," because the Whitewater investigation would be taken over by the "tough-as-nails criminal prosecutor" Ewing.

"Ewing flat-out thinks Bill and Hillary Clinton are corrupt," Crudele wrote, adding the admission: "I know, because I've discussed the matter with him."

Ewing had just brought in two more veteran Federal prosecutors with whom he had worked in the past: **Thomas Dawson**, from Justice Department headquarters and later Mississippi, and **Solomon Wisenberg**, who went from DOJ headquarters to being a Federal prosecutor in North Carolina and then Texas. Jackie Bennett, a DOJ veteran who worked under Ewing in Little Rock, was about to move to Starr's Washington office to run the investigation there — which Bennett still does today. Bennett and Ewing were both involved in the Whitewater-related trial of Susan McDougal, James McDougal, and former Arkansas Gov. Jim Guy Tucker in Little Rock in 1996.

Hickman Ewing has been with the Justice Department for over a quarter-century, since 1972, beginning as an Assistant

U.S. Attorney in the Western District of Tennessee; in 1981, he was appointed as United States Attorney for that district by President Ronald Reagan, and remained in that position until 1991.

Ewing was described in a 1996 *Wall Street Journal* article as having “always pursued political corruption cases with a religious fervor—zealotry, some say—befitting his fundamentalist faith.” Ewing has tried over 100 criminal cases, and he has targeted and convicted a governor, ten sheriffs, and a host of lesser public officials.

Ewing played a prominent role in the targeting and prosecution of Rep. Harold Ford, the popular black Congressman from Memphis, who underwent a ten-year ordeal of abuse and prosecution, from 1983 to 1993—most of which was under then-U.S. Attorney Hickman Ewing.

Ford’s case has been described by Judge Ira Murphy, a former Tennessee legislator and judge, as “one of the most egregious cases in the harassment and abuse of a black elected official in the history of the United States Justice Department, where for no apparent reason other than racism, revenge, and jealousy over the advancement of black elected officials, a man was persecuted.”¹

Ford, after having served three terms in the Tennessee State Legislature, was elected to the U.S. Congress in 1973, defeating a Republican. After years of investigation, Ford was indicted in 1987, and he went to trial in 1990, which ended in a hung jury and a mistrial.

Ewing’s office had unsuccessfully tried to hold the trial in a white area at the other end of the state. For the second trial, Ewing’s office maneuvered to transfer the trial to a predominately white area outside of Memphis. And still, the jury acquitted Ford of all charges.

So, despite Ewing’s best efforts, until he decided not to seek reelection in 1996, Ford remained in the U.S. Congress.

Among others in Starr’s stable of Justice Department prosecutors are the following:

Bennett: a schoolyard bully

Jackie Bennett, who now runs Starr’s Washington office. After serving as a prosecutor in Indiana, Bennett came to Justice Department headquarters in 1985, where he worked in the Criminal Division’s Public Integrity Section, prosecuting, or overseeing prosecutions of, elected officials.

Among those he has directly prosecuted was U.S. Rep. Albert Bustamante, in San Antonio, Texas in 1993. Representative Bustamante charged that the Justice Department was retaliating against him, because of his support of Hispanic FBI agents in an equal-opportunity lawsuit against the FBI. At his trial, Bustamante’s attorney called Bennett a “bully” who had stormed into San Antonio from Washington, intimidating witnesses to try and make his case against the His-

1. See the *Independent Hearings to Investigate Misconduct by the U.S. Department of Justice*, the Schiller Institute, Aug. 31-Sept. 1, 1995.

panic Congressman.

Bennett still maintains his reputation for bullying and browbeating witnesses. “Everybody has the same complaint about him,” *Arkansas Weekly* editor Max Brantley recently told the *Washington Post*. “He screams and berates witnesses. He’s a schoolyard bully. Just about any defense attorney in Little Rock came away from Bennett feeling abused or worse.”

Udolf: Experience in illegal tactics

Bruce Udolf, hired by Starr last summer, had been a Federal prosecutor in Miami, also specializing in “public corruption” cases. In Florida, Udolf prosecuted three judges, five mayors, several city counsel members, and policeman.

In one case, that of Hialeah Mayor Raul Martinez, Martinez was convicted, but he won his appeal. Martinez was tried a second time, resulting in a hung jury. And then, Udolf prosecuted Martinez yet a third time. The third trial ended in an acquittal on one count, and a hung jury on the other five.

“If independent counsel Kenneth Starr was looking for a prosecutor with experience in ruthless and illegal tactics, he found him in former northeast Georgia district attorney Bruce Udolf,” said an editorial in the *Atlanta Constitution* on Feb. 14, 1998. “From seeking search warrants based on mere speculation to throwing an ordinary citizen in jail on a bogus charge . . . Udolf’s actions depict a prosecutor so determined to get a conviction he was willing to disregard the U.S. Constitution’s Bill of Rights.”

In one case in Georgia which has been recently publicized, Udolf was found liable by a jury for violating a defendant’s civil rights in a 1985 case; he was ordered to pay \$50,000 in damages.

Emmick: help for drug pushers

Michael Emmick came to public attention recently when Susan McDougal, imprisoned by Starr and Ewing for refusing to cooperate with their investigation, stated that Emmick had sent her a letter threatening to bring additional criminal charges against her—for criminal contempt and obstruction of justice—if she still refused to cooperate. McDougal has emphasized repeatedly that Starr’s office simply wants her to lie, and that she fears they will charge her with perjury if she tells a truthful story which does not conform to the story that Starr and Ewing want her to tell.

Emmick was also the attorney who detained Monica Lewinsky on Jan. 16, after Lewinsky had been lured into an FBI trap by Linda Tripp; among other things, Emmick threatened Lewinsky’s parents, as well as Monica herself.

Emmick, who was also only hired by Starr last summer, is a 15-year veteran of the U.S. Attorney’s office in Los Angeles, and has been chief of its public corruption and government fraud section since 1990.

In one case prosecuted by Emmick in Los Angeles, a judge dismissed an indictment against a female sheriff’s deputy on

tax charges, and concluded that “the government’s intent was callous, coercive, and vindictive.” The court said that prosecutors had “used threats, deceit, and harassment techniques” against the woman in an attempt to win her cooperation before Emmick prosecuted her. The court said that prosecutors had “violated the due process clause.”

According to defense lawyers in Los Angeles who have dealt with Emmick, he was known there for using very rough tactics, including indicting a target’s parents, spouse, and so on.

As a Federal prosecutor, Emmick also went after a group of Los Angeles County deputies and a police officer who were accused of corruption in the wake of raids on the Blandón-Meneses drug ring in 1986—the drug ring which provided the drugs to “Freeway Ricky” Ross, and which was the subject of the famous 1996 *San Jose Mercury News* series on the CIA and crack cocaine. (Although, in reality, as *EIR* has shown, it was not the CIA, but George Bush and his “secret government” apparatus which was behind the Contra/drug operation.)

A number of people believe that these prosecutions were part of a cover-up of the U.S. government’s role in the Contra-linked drug ring. The deputies and detectives were accused of beating suspects, planting drugs on suspects, and

stealing money.

But in the 1991 trial, in which Emmick was the chief prosecutor, all the defendants were acquitted, and Emmick was accused by the defendants of leaking information against the officers.

Emmick used drug dealers such as Ricky Ross as witnesses against the cops and deputies; later, Emmick appeared as a “character witness” on behalf of convicted drug trafficker Ross.

During the preparation of the Los Angeles Sheriff’s report on the allegations of the *San Jose Mercury News* series, a police officer who had been involved in the initial stages of the Blandón-Meneses investigation, Jerry Guzzetta, was interviewed. The Sheriff’s report states:

“Guzzetta expressed very strong feelings about the fate of the majority of law enforcement officers who investigated Blandón. He stated, “Every policeman who ever got close to Blandón was either told to back-off, investigated by their own department, forced to retire, or indicted.”

You, the reader, have now met a few of the Justice Department thugs who make up Starr’s office. There are others, as well, but you now have some idea of what Starr meant, when he proclaimed that the “values and the culture” of the Justice Department are what guides his own office.

EIR SPECIAL REPORT

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Order from:

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State legislators battle to end prison privatization

by Marianna Wertz and Rochelle Ascher

The interviews, below, with Tennessee State Rep. Joe Towns and Missouri State Rep. Charles Quincy Troupe, reflect the intense battle that is now raging across the United States, to defeat the scourge of privatization of the penal system. Though privatization hasn't yet entirely taken over our prisons and jails, the growing threat has prompted honest legislators—those who still represent their constituents and not the monied interests behind the manifold privatization scams—to begin a real grassroots fight.

The facade of respectability surrounding the privatizers began to crack last August, when a videotape taken at the Brazoria County Detention Facility outside Houston, Texas, showing guards at a private prison beating prisoners, kicking them in the groin, and subjecting them to dog attacks, circulated nationwide (see *EIR*, Sept. 5, 1997). As Representative Troupe discusses, the fallout from that incident prompted the company, Capital Correctional Resources, Inc., to turn tail and run in January, completely abandoning its facility in Texas, after Troupe and other state legislators, from Oklahoma and Massachusetts, yanked their prisoner-victims out of CCRI's bloody hands.

EIR spoke on Feb. 23 with Brazoria County Judge Willey, who said the former CCRI facility, with 4-500 beds, is now being used to house county prisoners, though the county may seek another private company to take over in May, when the CCRI contract runs out.

One of the centers of the fight is Tennessee, home to the world's biggest prison privatization company, Corrections Corporation of America (see *EIR*, Dec. 12, 1997). CCA thought its home state, where it controls most of the legislative leadership, should have been an easy target. But that has not been the case. As *EIR* reported, the state's residents, particularly African-Americans, are up in arms in opposition to what they rightly view as a proposal to reinstate slavery in the state.

CCA's proposed plan to privatize all the state's prisons was smothered by opposition last year, when it was first brought before the Select Oversight Committee on Corrections in October. Today, as Representative Towns reports, rallies with hundreds of people are occurring repeatedly in the state, aimed at stopping a new version of that bill, which

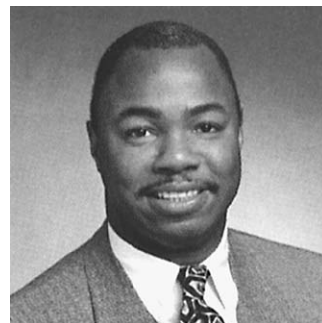
would privatize 70% of the state's prisons.

Troupe is fighting privatization not only in Missouri, as he indicates in the interview, but nationwide. Last December, he put a proposal before the 21st Annual Legislative Caucus meeting of the National Black Caucus of State Legislators (NBCSL) in Milwaukee, demanding that all African-American elected officials act immediately to put a halt to this new form of slavery. He has circulated his draft legislation (see box) for adoption in the 44 states where there are Black Caucuses.

The Schiller Institute has been actively involved in aiding these efforts, and we invite other state legislators to join in the fight. For more information, the authors can be reached at (703) 771-8390.

Interview: Joseph Towns

Tennessee State Rep. Joe Towns (D-84—Memphis) was interviewed on Feb. 18 by Rochelle Ascher and Marianna Wertz.



EIR: What is the current status of any legislation that's pending on the issue of prison privatization in Tennessee?

Towns: What has been presented is not actually a bill. We have been presented with a proposed document that embraces the characteristics of what the bill will look like. So, you don't have an official bill that has been filed. But you have meetings and discussions on the document, from which the bill should be drafted. It's kind of like "Catch 22."

EIR: Is that document something that would privatize all prisons in the state?

Towns: What it would do is privatize about 70% of the prisons in Tennessee. That 70% would exclude the people with AIDS, it would exclude your high-maintenance prisoners and so on. About 70% of the system would be privatized and it would exclude some other areas of the Tennessee penal system.

EIR: You've been leading a fight against this. You had a big meeting, I understand, last week, to drum up opposition to this privatization plan.

Towns: That is correct. We also had a major press conference against it at the state capitol yesterday—probably 300 people or more.

EIR: Tell us about it.

Towns: There were quite a few people who spoke. Rep. John Mark Windle [(D-Livingston)] spoke. Sen. [Speaker Pro Tem Robert] Rochelle spoke against it. I spoke. There were several other speakers. A lot of people, as well as myself, called it a private scam, referencing privatization. Nowhere in the community where we've gone and conversed with people, relative to this issue, have we found one person who is for privatization. That's black, that's white, that's Asian, that's the people of the community. Nobody seems to be for it. If you're the average Joe, the average citizen, which is me, no one is for it.

But if you're a business person, you may find something a little bit different. But I have not found any business persons to converse with me positively towards privatization, things of that nature, as well as how the savings have taken a drastic nose-dive, in terms of how they started off initially. It's gone from a projected savings of \$140 million down to \$25 million. But the Corrections Corporation of America has not indicated exactly where the savings are.

What the employees of the penal system stated is, that if the system would allow the employees to run the system, that they could save the money by not buying food, clothing, etc. For everything that they buy, they are paying double and triple the price to some of the friends of the people that are supporting this legislation. That's what was said by the state employees at the rally yesterday. They feel that the money that's spent in the Tennessee penal system could considerably be reduced, if the people that are in charge, the directors and so forth—if politics, in other words, were taken out of the operation of the penal system—if those persons could go and buy food and what they need, where they need to buy it, for the best price. They can't do that.

EIR: You're saying that, even though it isn't run by private companies, it still can't go to the lowest bidder?

Towns: That's exactly right.

EIR: And that's because of who controls the state government?

Towns: Right. They believe that what they're doing is taking care of their friends, by buying from their friends. That's what was told to me.

EIR: As I understand it, CCA is a real power in Tennessee, because that's where its headquarters is.

Towns: They're no power to me!

EIR: I understand some of their friends are coming down hard on you.

Towns: I'm the kind, when you push me, I push back. There are some people that may be a little irritated, but I'm nobody's whipping-boy. Everybody is equal here. I work for the people of District 84. They are my boss and I work for poor people and people that are underserved across the state. I'm not worried about anybody coming down on me, because they've got the right one, and I enjoy fighting.

EIR: The fact that you still have few private prisons in Tennessee indicates the people don't really want it.

Towns: We don't need it. It's actually going to exploit people and cost us more money. You're exploiting people and you're perpetuating human misery and suffering. There are no incentives for people to be gotten out of jail. In fact, that privatized penal system becomes a hotel room that I want to keep filled. If I'm the private owner of that place, I'm going to try to keep your butt in there as long as I can, because I'm getting paid for you. There are no incentives in the system at all.

Another thing is that it hurts the legitimate businesses. The cheap labor puts other businesses out of business. You're making furniture, and I have privatized prisons, and I have labor in there that we're paying 30¢ an hour for. I can put your butt out of business, because you can't compete with me. That's what slavery was founded on: cheap to no-cost labor. You're putting legitimate people out of business, instead of paying people \$8, \$10 an hour. How can you compete with that?

EIR: When I [Rochelle Ascher] attended the debate that occurred at the Black Caucus Legislative Retreat, the Tennessee State Employees Association, and a lot of the people in the room, who were employees of the Department of Corrections, raised several things to James Ball, who was there representing CCA. They raised that there was no guarantee of their jobs, that there was no guarantee of their pensions, that there was no guarantee of their retirement; and they cited the fact that CCA in particular, and these other privatized companies, tend to replace state workers with employees at lower pay, and if they do save money, it's by lowering the wages of the Department of Corrections personnel. Was this brought up at the rally yesterday? Were a lot of the people at the rally people who work for the state?

Towns: Most of the people attending the rally were state

employees. If you are a business person, your highest cost, after your capital equipment, is going to be your labor cost. It's a natural progression that they're going to downsize, lay off people, or reduce salaries, or fire people and bring in others at new salary caps. That's part of the reason for the pandemonium, because we know that that's one of the things that they're going to do.

You get a climate of welfare reform, but you're inducing people to go back on the welfare rolls. What I said in one of the meetings was that privatization of a penal system breeds crime itself. It breeds crime, because eventually those people that you're putting out of a job, they're going to get involved in something, in order to live, that may not altogether be legal.

EIR: You just mentioned this question of AIDS and so forth. From what I understand, CCA will not allow any AIDS prisoners into any of their prisons. I also understand they have a medical cap of \$3-4,000 a year. So the state ends up with all the prisoners who are extremely expensive. Is that what you were referring to when you said the 70%?

Towns: That's absolutely right. We call that cherry-picking. They want to cherry-pick the best, if you will, criminals, or the lowest-cost-to-maintain inmates, as well as just cherry-pick over the entire population of inmates. It's like a crazy man's deal. That's exactly what you would want to pass off, is that high liability. So they go in with an assurance of so much profit, but if you're going to save the people of the state of Tennessee some money, you would definitely want those type of prisoners to go. It's a unilateral deal that does not benefit anyone but the profiteers that are involved in the privatization of the system.

Draft legislation

The following draft, which is being circulated in 44 states by Missouri State Rep. Charles Quincy Troupe, is titled "An Act Relating to the Department of Corrections":

Be it enacted by the General Assembly of the state of Missouri, as follows:

Section 1. Notwithstanding any other law to the contrary, the department of corrections shall not be authorized to delegate, privatize or otherwise enter into a contract with a private entity for the operation of any office, bureau or division of the department without specific authority to do so by statute. . . .

Another thing is that those inmates who file a lawsuit, they're going to reject that liability as well. If I file a lawsuit on the privatized situation, they don't want that liability. They want the state to pick up that liability. So the state will be held accountable for something that they are doing that's wrong. As we know, CCA has a history of mistreating prisoners across the country.

The other thing that privatization does, is it jeopardizes the attorney-client privilege. A man is incarcerated. He goes into a privatized situation and he can actually be shipped anywhere within that privatized system, 200 miles away. What lawyer is going to defend him 200 miles away? That should be ruled unconstitutional, because he's entitled to due process. He has appeals that are still going on, all kinds of paperwork that is being filed in the locality where the alleged crime took place.

Then you also create a hardship on the families of the people that are incarcerated, because they have to travel to these places. They've gotten the schedule of their lives accustomed to going and seeing their children or fathers or mothers within a certain perimeter, and you disrupt that, which is not fair. You're penalizing people who aren't criminals. They're caught up in the system because of someone who's done something.

EIR: Do you expect the bill to actually come up in this session of the legislature?

Towns: I don't expect that sucker to rear its ugly head ever again. We're going to try to kill it, gut it.

EIR: What other plans do you have for mobilizing the population?

Towns: Town hall meetings across the state, keeping it on the minds of the people through the press; also, having more citizens to storm the capital about it. Things like that. Active protest.

EIR: Are you also fighting privatization on a broader level in the state, beyond the prisons?

Towns: In terms of charter schools, I am. I'm meeting this weekend with probably 500 or more people on charter schools. Charter schools are just a backdoor approach to privatization. These are two of the most controversial and sizzling issues in this administration at present. So, I'm definitely fighting those, because it's not right.

EIR: Has the Black Caucus taken a stand on this?

Towns: Individually, Black Caucus members are against it, the ones I've spoken with are diametrically opposed to it. I feel like the Black Caucus as a unit will come out, but as of yet, no.

EIR: At the retreat, I saw a wholesale explosion of the population.

Towns: The people are not for it, on this issue. Charter schools they're not for either, on both sides of the House.

EIR: There have been a lot of charges against CCA. As you mentioned, there have been lawsuits, charging brutality against prisoners. There's a major lawsuit against the CCA facility in Youngstown [Ohio]. Have spokesmen for CCA denied any of these charges?

Towns: No one has publicly denied any charges that have been leveled against CCA, to my knowledge, and I try to keep up pretty well. To my knowledge, no one from the company, no official representative, has denied any allegations relative to their abusing people or inmates, or relative to all the infractions that they have been alleged to have committed.

Interview: Charles Quincy Troupe

Missouri State Rep. Quincy Troupe (D-St. Louis), a 24-year veteran of the Missouri Legislative Black Caucus and chairman of the Social Service and Corrections Committees of the House Appropriations Committee, was interviewed on Feb. 20 by Marianna Wertz.



EIR: What is the status of your bill to stop prison privatization?

Troupe: It's waiting on the Committee on Corrections. It's waiting for them to do the hearing. As soon as they schedule a hearing, then we're going to start looking at what's going on. The general attitude is that nobody wants prison privatization. It's just a matter of educating the people.

The big problem we have is that the prison privatization industry is so tied in to law enforcement, so tied in to the good ol' boys club—in other words, they are a part of that national, international network, and it's hard for local people to come out against it. When they come in, they come in with such weight and they come in on top. Either they come in through the governors or the speakers and the senators, and then the weight of that is usually so awesome that most legislators and many senators just don't rebel against it. Plus, they spend a lot of money, they buy up people. Like in Tennessee, they bought up everybody in Tennessee, all the leadership in the House is bought. You've seen signs of that happening all over the country.

But it's interesting that they closed down their operations in Texas.

EIR: That was my next question. Can you tell me what happened there?

Troupe: The only thing I can think that happened is that the publicity and all of the problems, the shortcomings of the operation in Texas hurt the whole privatization issue, so they had to serve somebody's head up for the program.

EIR: So, Capital Correctional Resources, Inc. (CCRI) pulled out of Texas and shut down all their private prisons last month?

Troupe: I think they pulled out by agreement, that somebody had to go, to make [Texas Gov. George W.] Bush look good. That's what I think it was. I think it was more of a show than anything else. I don't know if the county or the state bought those prisons and are now going to operate those prisons as publicly owned and operated prisons. If that is the case, then I see it as progress. If they are just going to create a subsidiary to CCRI to come in and operate those prisons, then I don't see that as being any progress.

EIR: Are your prisoners all back in Missouri?

Troupe: Yes. We made a decision that we'd rather have our prisoners in tents than to have them in Texas.

EIR: Will your bill be coming up this year?

Troupe: Oh yes, it should be coming up the latter part of this month. I'm looking at it kind of favorably. If I get it on the floor, I know I can pass it.

The other good thing is, we cut \$27 million out of appropriations for corrections and prisons and put it in social services. The governor took \$30 million out of social services and put it in corrections. I took \$27 million back out of corrections and put it back into social services, with a unanimous vote for 1998.

We are trying to slow down the expansion. We're trying to look at alternative sentences and we're trying to kill a \$125 million prison here in Missouri.

If we do that, that's going to be an awesome, awesome turn of events that might just shatter the governor's whole "economic development" program, which is rooted in building prisons in rural areas, to provide jobs for those communities, to stabilize those communities. The urban people are the ones that are occupying those prisons and it really borders on overt, gross racism.

EIR: It sounds like a prison police state.

Troupe: It is. But you know, even the white people are beginning to see it now. Rural white people are saying, we're creating a police state. They see it now. That's the beauty, and that's the salvation, in all of this, that they are beginning to see it. They benefit from it, but they see it. And now that they see it, the urge to do something about it is going to grow. I think you're going to see a lot of rebellion across the country with these legislatures.

National News

GOP neo-cons push sanctions vs. Russia

Congressional Republicans, aided by Rev. Sun Myung Moon's *Washington Times*, are on a war-footing to impose trade sanctions against Russia, for allegedly selling missile technology to Iran. A Feb. 24 *Times* article reports that the Senate is expected in early March to debate a companion bill to one passed in November in the House.

The issue is being given big play by the neo-conservatives just before the next bi-annual meeting in Washington of the U.S.-Russian Joint Commission on Economic and Technological Cooperation, headed by Vice President Al Gore and Prime Minister Viktor Chernomyrdin. The Gore-Chernomyrdin commission's scope is very broad, including such areas of cooperation as space research. The *Washington Times* has previously retailed the lie that Russian Space Agency head Yuri Koptev was involved in the Iranian missile technology transfer—despite official Moscow denials—usually on the eve of Koptev's visits to the United States to work on space cooperation affairs.

Demjanjuk regains U.S. citizenship

John Demjanjuk, the naturalized Ukrainian immigrant who, in 1979, was targeted by the corrupt Justice Department's "Nazi-hunting" unit, stripped of his citizenship, and deported to Israel, where he was sentenced to death for war crimes, had his U.S. citizenship restored by Federal Judge Paul Matia on Feb. 22.

The dramatic 18-year-long case, meant to be a showcase for the Office of Special Investigations, instead exposed the depths of corruption in the Justice Department's permanent bureaucracy. The OSI accused the retired Cleveland auto worker, on the basis of forged documents from the Soviet KGB, of being "Ivan the Terrible," one of the most sadistic gas chamber operators at the Treblinka concentration camp. Within months, the OSI itself uncovered evidence

that Demjanjuk was, beyond a doubt, not "Ivan the Terrible." Nonetheless, it proceeded to have him stripped of his citizenship, and encouraged Israel to seek his extradition on war crimes charges, the only capital crime in Israel.

With the OSI providing the Israeli court with its doctored evidence, Demjanjuk was convicted and sentenced to hang. However, determined sleuth-work by Demjanjuk's family and his Israeli appeals attorney, Yoram Sheftel, proved to the Israel Supreme Court in 1993, that the U.S. Justice Department had evidence showing that one Ivan Marchenko was, in fact, the Treblinka butcher. An angry U.S. Sixth Circuit appeals court, which had upheld the deportation order, blasted the OSI for its "fraud upon the court," and ordered the deportation reversed. Judge Matia, in restoring Demjanjuk's citizenship, upbraided OSI lawyers for acting "with reckless disregard for their duty to the court."

LaRouche Democrats aim to revive Virginia party

A ruling Feb. 24 by Northern Virginia's 10th Congressional District Democratic Committee in favor of six LaRouche Democrats who had been barred from joining the Loudoun County Democratic Committee (LCDC), has reversed a longtime pattern of McCarthyite discrimination against LaRouche, a Loudoun County resident and Presidential pre-candidate, and his associates. The decision opens up the potential for the party to correct the fatal errors it made with the 1996 ruling of then-Democratic National Committee Chairman Don Fowler to exclude LaRouche delegates from the national convention, a ruling that was integral to the "New Era" policies which led the party to defeat at the polls.

The current leadership of the LCDC had refused in December to accept the applications of six LaRouche Democrats to join the local party on the grounds that they allegedly supported Republicans. Nancy Spannaus, the LaRouche Democrat who is running against Republican Rep. Frank Wolf (his backing comes from the Hunt Country gentry and populist pseudo-Christians), re-

sponded by declaring that the exclusion was nothing less than McCarthyism. Of course, we opposed the corrupt Democrats who worked with the Republicans to jail LaRouche and other innocent people, she said. But it has now been revealed that the same people who put LaRouche in prison are the ones who are going after President Clinton.

Meantime, in Norfolk, LaRouche Democrat Lorene Marable-Safivinia declared her candidacy for state party chairman on Feb. 19, vowing to stop the "New Era" Democrats from destroying the party, and pledging to take on the phony Christians, such as Virginia-based evangelist Pat Robertson.

Union Pacific's losses are in the billions

The estimated losses from nine months of broken-down rail service from Union Pacific add up to over \$2 billion to the national economy of the United States; over \$1 billion in losses were in the state of Texas alone. UP's head office, based in Omaha, Nebraska, maintains that major improvements may be noticeable by April 1, but no one is holding their breath. Until March 15, UP is required, by order of the Federal Surface Transportation Board, to file weekly reports on its operations.

Union Pacific operates some 36,000 miles of track through 23 Western states; it became the largest U.S. rail company after acquiring Southern Pacific in September 1996. UP's rise to the top was achieved by downsizing track, staff, and equipment all along the way, to the point of serious delays, jam-ups, and high accident rates.

When the 1997 harvest came on, UP hauling delays meant back-ups in grain storage, to the point that millions of bushels ended up piled on the ground in Nebraska, Kansas, Minnesota, and elsewhere. Houston became a choke-point for UP shipping generally.

In Texas, a leading freight corridor for all of North America, UP operates about 6,350 miles of track, and employs about 7,900 people. But for months, thousands of rail cars were stalled, sitting in yards in the Houston area; and shipping delays and accidents are common.

Editorial

A new blow for justice

When a group of distinguished state legislators and others, with the aid of the Schiller Institute, pulled together two days of independent hearings in August-September 1995 “to investigate misconduct by the U.S. Department of Justice,” there were three types of cases of injustice on the agenda. First, there was Operation Fruehmenschen, an FBI program dedicated to entrapping and indicting black elected officials. Second, there was the LaRouche case, identified by former U.S. Attorney General Ramsey Clark as representing “a broader range of deliberate cunning and systematic misconduct over a longer period of time, utilizing the power of the Federal government, than any other prosecution by the U.S. government in my time or to my knowledge.” Third, there were the cases brought by the DOJ’s Office of Special Investigations (OSI), the so-called Nazi-hunters.

While the panel wrote no formal finding, it did authorize the circulation of videotapes and transcripts of the proceedings, which underscored the point, made by former South Carolina Congressman James Mann, that “justice must finally be returned to the Department of Justice.”

The first stunning victory in restoring justice in these three cases, occurred on Feb. 22, 1998, in U.S. District Court. Almost 22 years after the OSI began its prosecution against Ukrainian-American auto worker John Demjanjuk, and 20 years after the OSI had learned without a doubt that Demjanjuk was *not* the man they sought, Judge Paul Matia restored Demjanjuk’s U.S. citizenship, which had been withdrawn by the OSI’s “reckless disregard for their duty to the court,” in withholding exculpatory evidence concerning Demjanjuk’s real identity.

In other words, the crime committed by the Justice Department has finally been overturned. While none of the principals involved in this crime has been threatened with punishment, a huge step forward has been taken.

This action should give those concerned with justice, renewed hope and energy in their drive to re-establish justice in this nation.

The Fruehmenschen cases, for example, continue to be pursued, and even expanded, by the racist crew in the DOJ’s permanent bureaucracy. Bad as that is, it leaves them open and vulnerable to counterattack, and to cleaning out the whole apparatus.

As for the LaRouche case, this too is a live political issue, and overripe for being overturned. Note that the deliberate, evil withholding of vital information on Demjanjuk—a withholding which could well have led to his execution in Israel—occurred almost *two decades* ago, even longer ago than the LaRouche case was initiated. And the issue involved, of witting misconduct by suppressing the truth, has been exhaustively documented in the six volumes of evidence filed with the Federal court in Richmond, Virginia, although never actually heard.

Dr. Martin Luther King, Jr. has been quoted as saying that the “arc of the universe is long, but it bends toward justice.” The business of correcting evil, and creating institutions to protect and nurture the good, was never meant for those with short attention spans, or for the faint-hearted. The victories of the civil rights movement in the 1960s were actually prepared by battles that were waged by Frederick Douglass and those who worked with him in the 19th century, if not earlier. The injustice in France’s notorious Dreyfus affair was not corrected in the courts for more than ten years.

To many, it may seem that the battle for the exoneration of LaRouche and his associates, five of whom are still in prison, is so uphill as to seem hopeless. This victory in the Demjanjuk case should help jolt people out of such a view. The battle for truth and justice is not only a necessity, but it is winnable. This is a war in which the laws of the universe are on our side.

It may be that the Department of Justice decides to fight against this long-overdue act of justice. If that is the case, it should only intensify our determination to clean out the filthy crew, whose actions even today against the President, are a source of shame to us all.

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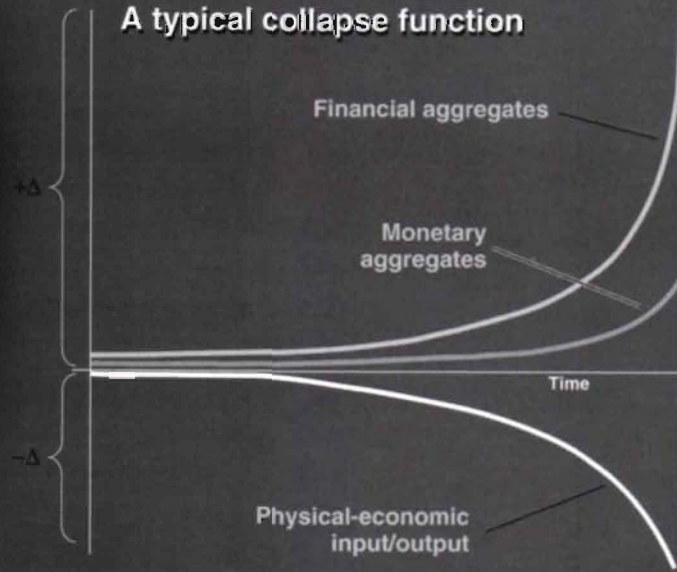
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A typical collapse function



Lyndon H. LaRouche, Jr. and LaRouche's "triple curve" schematic

While Others Have Ignored Reality



A recent trading day at the New York Stock Exchange.

The politicians who continue the present posture of stubbornly ignoring the reality of the onrushing financial and economic crisis, will soon be crushed, and swept aside politically, by the reality they ignore. Then, the present writer's objective authority as a policy-shaper, is unique, not only inside the United States, but world-wide. To parody James Carville's delicious book, "They have been wrong, and EIR has been right."

—Lyndon LaRouche, Nov. 1, 1996

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