

EIR

Executive Intelligence Review

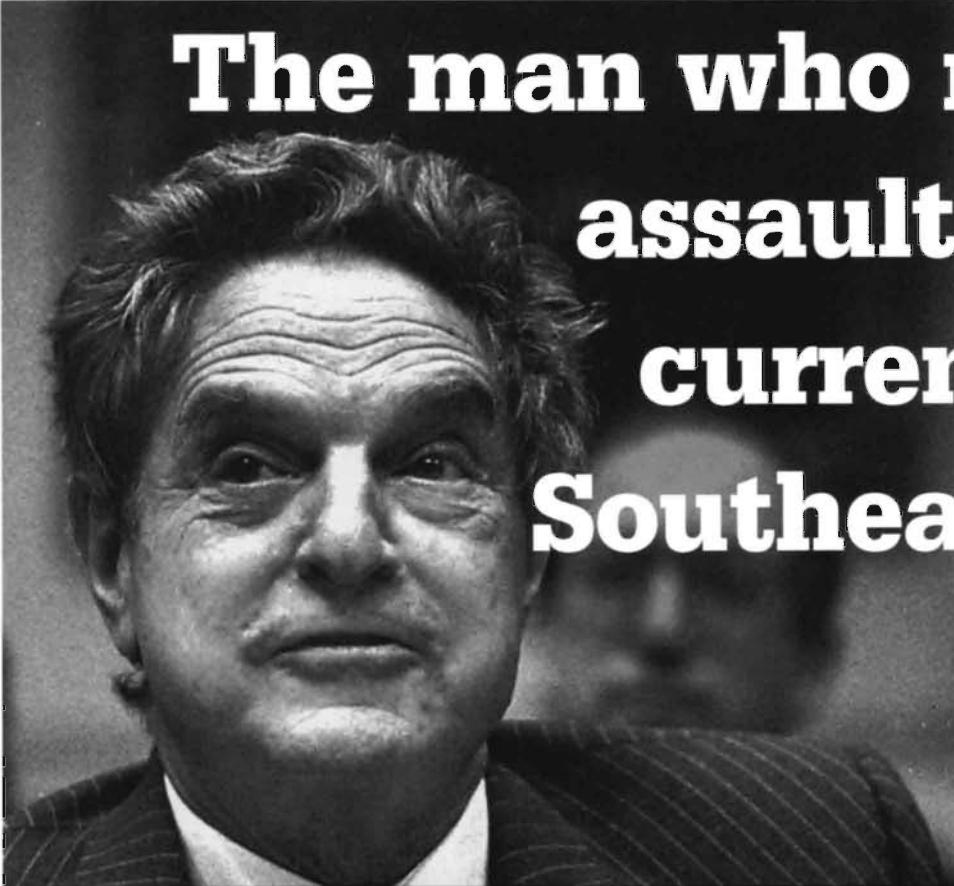
March 20, 1998 Vol. 25 No. 12

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Top agenda item is a New Bretton Woods
President Clinton on the offensive
The KKK in the Justice Department

**How great minds dealt
with economic collapse**





The man who ran the assault on the currencies of Southeast Asia

An EIR special report

'The true story of SOROS THE GOLEM A profile of megaspeculator George Soros.'

- Lyndon LaRouche on Soros: "the gravedigger of international finance."
- Malaysia's Dr. Mahathir on Soros: "He's no Robin Hood. He takes from the poor and fills his own pockets."
- *Wall Street Journal* on LaRouche: "Mr. LaRouche has long been at odds with the U.S. political mainstream. . . . But his theories receive a warmer reception in Malaysia, where the 60-page *EIR* report on Soros has been passed among Malaysian editors, intellectuals and politicians."

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From the Associate Editor

Three days after the cover date of this magazine, is the 15th anniversary of President Reagan's announcement of the Strategic Defense Initiative (SDI). Certainly, on March 20, 1983, few people expected that such a "bombshell" was about to be dropped.

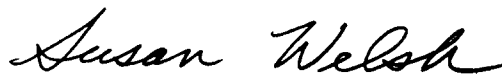
But those in the know, knew that Lyndon LaRouche had defined that policy several years before, as a way of getting the United States out of the strategic box in which it found itself. The era of Mutual and Assured Destruction (MAD), ushered in by Bertrand Russell and H.G. Wells, perfected by Leo "Dr. Strangelove" Szilard, and continued by Henry Kissinger, was destroying the nation-state and its scientific and technological capabilities. The domination of global economic and financial policy by the British oligarchy was leading, as LaRouche had forecast, to a blowout of the world monetary system. The spread of the counterculture was undermining nations' resistance to these dangerous trends.

At a conference sponsored by *EIR* in Washington, D.C. on Feb. 17, 1982, attended by several hundred representatives of policymaking institutions from the United States and other nations, LaRouche developed a revolutionary conception of strategic antiballistic-missile defense, as a lever to shift the direction of policymaking overall, toward a return to the American System of industrial and scientific progress. It was that powerful idea, which President Reagan endorsed on March 23, 1983.

Today, we are in an analogous circumstance. The world's leaders, confronting the meltdown of the global financial system, have no idea what to do; no government has responded competently. A powerful concept, like that underlying LaRouche's call for a New Bretton Woods system, can effect a rapid transformation.

In this issue's *Political Economy* section, we show how great minds of the past—from Friedrich List and Abraham Lincoln, to Walter Lautenbach and Franklin D. Roosevelt—defined policies that saved, or could have saved, their nations, in times of crisis.

In the *Feature*, Anton Chaitkin traces the battle between patriots of the American System, such as Lincoln and Martin Luther King; and the racist oligarchs, descendants of KKK founder Albert Pike, lodged in the U.S. Justice Department—among other places.



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Mr. Bol is a member of Sudan's National Congress, representing the United Democratic Front, Salvation Front. He was with rebel leader John Garang in the Sudanese People's Liberation Army until recently, when he returned to Khartoum to join the National Congress and work toward unity of the nation.

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April 4 is a double anniversary: the murder of civil rights leader Dr. Martin Luther King, Jr., and the dedication of a statue to Confederate General and Ku Klux Klan founder Albert Pike. Historian Anton Chaitkin highlights the still-ongoing struggle between two irreconcilable traditions in American life: that of the Lincoln revolution vs. that of British-sponsored anti-American treason.

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New Bretton Woods system must top the G-22 agenda

by Marcia Merry Baker and Gail Billington

On April 16, representatives of 22 nations will meet in Washington, D.C., convened by the United States, to address the crisis in the world financial system. The primary item that gathering must address, which the LaRouche movement is mobilizing to force onto its agenda, is the formation of a New Bretton Woods system.

The deliberations of the “Willard Group” (taking its name from the Willard Hotel, the site of the preparation session on Feb. 17 and of the April conference) will occur in the midst of two other international conferences in Washington: the International Monetary Fund Interim meeting; and the Group of Seven finance ministers (preparatory to the G-7 heads of state meeting in May, in Birmingham, England). However, the key policy fights will revolve around the “Willard Group,” and whether it moves in the direction of a New Bretton Woods.

The strategic potential of the Willard Group event, is that it could begin the turn, away from the policies which led to the collapse of the global financial system, now entering a phase worse than that of July-December 1997. The economies of whole nations are being destroyed in the crash. What is required are traditional nation-serving measures to peg currencies, set up trade and investment flows between nations, and hang speculators out to dry. U.S.-China cooperation is critical to lead the way to a new world financial system, and the announcement that President Bill Clinton will confer with President Jiang Zemin in China, in a 10-day state visit in June or July, is an important signal.

The problem so far in putting a new financial system in place has been, first, that governments bungled handling the first round of collapse of the financial system in 1997, and only extraordinary leadership right now can steer a course toward the needed emergency measures. Second, financial interests in London oppose such an option outright.

Lyndon LaRouche, internationally known for his fore-

casts on the crisis, is central to any solution of the crisis. As we go to print, he was scheduled to be the featured speaker at an *EIR* policy briefing in Washington on March 18, on what must be done. In a radio interview with “EIR Talks” on March 11, LaRouche said, “We are in the opening phase of a new round of crisis, generally comparable in broad terms to what happened between late October and the middle of January, but more severe. How much more severe at this time is not certain. It could go all the way. I would rather think it won’t go quite all the way, but it could. It depends on how governments react.”

LaRouche had forewarned eight weeks earlier to “beware the ides of March.” March is the end of the fiscal year for Japan and other nations; plus, there is a confluence of due dates around the world, including corporate reports, trade updates, tax and budget deadlines, derivatives contracts settlements, and so forth, not to mention deadlines imposed by the zombified IMF, for their failed bailouts and “reforms” in East Asia, Russia, and elsewhere. In particular, Indonesia, the fourth most populous nation in the world, is in an emergency breakdown situation, and in a showdown with the IMF.

Internationally, chain-reactions of plunging volumes of output and trade of physical commodities of all kinds, linked to collapsing currencies and credit, is under way. Meantime, the fuse is burning on the “big one”: derivatives, ignited by losses in Asia, which is fuelling a frenzy of global restructuring, mergers, and fire-sales among companies suffering mega-losses from the financial turmoil (see p. 11).

Calls mount for a New Bretton Woods

Under these wild circumstances, statements are being made on a daily basis to the effect that IMF-era business-as-usual approach won’t do, and that a new financial system is required—something that LaRouche launched as a campaign

for a New Bretton Woods conference in January 1997. On March 12, for example, the London *Financial Times* ran a guest commentary by American economist Judy Shelton, titled "A Walk in Bretton Woods." On March 9, the National Farmers Union, at its annual convention in the United States, voted up a resolution calling for U.S. action for a New Bretton Woods system. And, the statement on March 2 by Japan's Deputy Finance Minister Eisuke Sakakibara, that it is time for nations to confer on a new financial system, is receiving extensive publicity.

In backhanded recognition of this momentum, and of the LaRouche "New Bretton Woods" drive, the London Sunday *Observer* on March 8 panned all the talk of new financial mechanisms. The paper said, "Cool heads in a spin over hot money; go back to Bretton Woods, create more bankrupts. . . . Experts can't agree how to end currency turmoil."

However, no matter what London says, the financial turmoil, and the talk, are intensifying by the hour.

Idea of March confluence of crises

A few of the crisis spots upcoming in March include:

- Japan. On March 31, the fiscal year closes for most companies and banks, many of which cannot demonstrate solvency, especially in South Korea. Already, the Japanese government has pumped \$76 billion into the banking sector, aggravating, not relieving the crisis.

- South Korea. International banks were to decide on March 12 on roll-over of loans. Domestically, South Korea also has \$370 billion worth of won-denominated debt, a significant part of which is due March 31.

- Global markets. Settlement of 6- and 12-month contracts for foreign-exchange and derivatives contracts come due in March and thereafter. Huge losses exist.

- Trade credit blow-out. Emergency export-import financing for Asian trade, mostly 90-day letters of credit, arranged during November-January, as currencies and credit blew out, are now entering a new crisis phase.

- Hyperinflation. The record peaks of stock exchanges, such as the New York Exchange's Dow Jones Average exceeding 8,675 on March 11, or the German DAX spiking to 4,900 on March 11, reflect not only speculative funds fleeing Asia, but high rates of money-pumping by the Federal Reserve and other central banks.

The systemic scope of the crisis was summed up by the Bank for International Settlements in its latest report, "International Banking and Financial Market Developments." For example, one of the global implications of the financial meltdown in Asia has been a sharp reduction in the issuance of international bonds. The BIS reports that in the fourth quarter of 1997, the total issuance of international securities, or "stand-alone international bonds and paper issued under euro medium-term note facilities," dropped by almost 30% compared to the previous quarter, that is, to \$188 billion. With repayments on such instruments taken into account, the net issuance of international securities dropped by more than

50%, from \$163.3 billion to \$66.8 billion. The BIS added, "The panic which followed the attack on the Hongkong dollar at the end of October led to an almost complete drying-up in the issuance of lower-rated and subordinated instruments. Secondary market spreads on higher-risk issues widened sharply, forcing a large number of borrowers to postpone or withdraw issues."

The Indonesia crisis

At the top of the list of national crises is Indonesia. Economic activity in this nation of 202 million has been reduced to the point of shortages of vital necessities, including food. Its currency, the rupiah, has dropped from 2,600 to the U.S. dollar in July 1997, to below 10,000 to the dollar in March 1998. Since January, the foreign debt of some \$74 billion has been in de facto moratorium. Of immediate concern, is securing 3-4 million tons of rice for this year, and basic medicines.

What of the IMF's \$43 billion bailout package, pledged last Halloween? The IMF is now withholding funds from the country. Among its complaints, for example, is that Indonesia is not totally relinquishing its right to secure supplies of food staples for its population (cereals, cooking oils, sugar). An IMF tranche of \$3 billion set for March has been held up, and funds from the World Bank and the Asian Development Bank are in limbo.

President Suharto, who was recently re-elected, told the members of the People's Consultative Assembly on March 9 that the IMF deal did nothing to stabilize the national currency, and also violated the 1945 Constitution, Article 33, on the public good. This article states, in part: "Branches of production essential to the State, and governing the life and living of the public shall be controlled by the State. Land and water and natural riches contained therein shall be controlled by the State and used for the greatest prosperity of the people."

On March 13, Japanese Deputy Finance Minister Sakakibara will be in Jakarta, in advance of the March 14 arrival of Japan's Prime Minister Ryutaro Hashimoto, to confer on the emergency. The previous week, President Clinton sent former Vice President Walter Mondale to Indonesia, as a special envoy.

The ticking time bombs in Indonesia for the world financial system, are in derivatives. For example, on March 6, PT Bank Ekspor Impor Indonesia (Bank Exim), one of the country's biggest, confirmed it has multimillion-dollar losses coming due from currency contracts made in summer 1997; and, the bank will be unable to pay international creditors. The Indonesian newspaper *Kontan* states that under forward contract, Bank Exim is obliged to deliver \$2.23 billion at some time later this year; the size of its losses will depend on the exchange rate of the rupiah to the dollar at that moment. As the European edition of the March 9 *Wall Street Journal* noted, such losses, common throughout Asia, are "a reminder of the financial landmines buried in the books of Asian companies: derivatives contracts."

A 'New Deal,' with Chinese characteristics?

China has embarked on a \$1 trillion, three-year infrastructure-building program to ensure continued economic growth. Jonathan Tennenbaum reports.

Chinese Vice-Premier Li Lanqing broke through the clouds of virtual reality at the Jan. 29-Feb. 3 World Economic Forum in Davos, Switzerland, by announcing that China intends to invest \$750 billion in domestic infrastructure and public works projects over the next three years. Thereby, China would counteract the negative effects of the Asian financial crisis, maintain its high rate of economic growth, and provide alternative employment for workers laid off as a result of the ongoing reform of state-owned enterprises.

The substance of Li's remarks has not only been confirmed by a series of press reports and interviews with Chinese officials leading up to the March 5 opening of the Ninth National People's Congress (China's legislature); but, an even much higher investment figure of \$1 trillion has been mentioned, as the core of a modern Chinese version of President Franklin Roosevelt's famous "New Deal" of the 1930s.

So, for example, Huang Qifan, deputy secretary general of the Shanghai Communist Party, was quoted in a March 6 interview with the *International Herald Tribune*, as saying that China's leadership regards \$1 trillion in investment as necessary to keep a high growth rate and avoid massive unemployment. The investment would go for construction of roads, bridges, power plants, sewage treatment plants, water conservation projects, and agricultural projects.

Another article, in Hong Kong's *South China Morning Post* on Feb. 19, cites "Communist Party sources" to the effect that Zhu Rongji, the successor to Prime Minister Li Peng, has been studying the use of large-scale infrastructure, public works, and housing construction as key measures to stimulate the Chinese economy. "In strength and scope, the stimulation program may be comparable to Roosevelt's New Deal," the source commented.

Needless to say, such reports have attracted attention around the world. Besides favorable comments, including from some unlikely quarters, the Chinese announcements have provoked expressions of disbelief, and even enraged attacks. Can the Chinese be serious? Where are they going to get all the money? Perhaps the most peculiar reaction has come from a certain Siegfried Thielbeer, who blasted the "Chinese New Deal" in an article in Germany's major daily, the *Frankfurter Allgemeine Zeitung*. The article claims to

demonstrate, from China's official government budget statistics, that the proposed investment figure is completely nonsensical, and that the Chinese government is already practically bankrupt, never mind investing another \$750-1,000 billion!

Whatever the personal peculiarities of Mr. Thielbeer might be, his argument is typical of the psychotic frame of mind which characterizes the behavior of the International Monetary Fund and, unfortunately, most governments in the recent period. To Thielbeer—who otherwise specializes in attacking China for "human rights violations"—it seems self-evident, that the future of 1.2 billion human beings should be determined by bookkeepers' calculations!

Start with what is needed to survive

Thielbeer overlooks the elementary fact, that the Chinese leadership, unlike most governments nowadays, tends to be *sane* about these sorts of matters. They do not start with budget figures, but with *what China and the Chinese people need, to survive*. Ensuring the survival of China, under the present circumstances, is like fighting a war. There is no alternative to victory. So, when the Chinese leadership has determined, that the survival of China requires certain things, they will do *everything* they can, to make sure those things are supplied. If available funds are not sufficient, they will either directly create new money—which any sovereign government can do—or, they will find other ways to obtain the required result, by indirect means.

Discussions which *EIR* has had with Chinese economists in recent days, provide a rather general, but otherwise quite coherent and credible picture of the thinking behind the recent announcements.

It is clear that the term "New Deal" is indeed being used in Chinese government circles, in an informal way, to refer to the idea of stimulating China's growth by means of greatly expanded investments into infrastructure and public works.

This policy will develop as a dynamic, creative process. There is no fixed plan and no fixed scheme for financing at the moment. What exists now, is a basic idea of where China has to go.

The Chinese government does not propose to finance the



China's Vice Premier Zhu Rongji, the successor to Prime Minister Li Peng, has reportedly been studying the use of large-scale infrastructure, public works, and housing construction to stimulate the Chinese economy.

whole of such an enormous investment through the national budget directly. But, the government can greatly stimulate the investment from many different sources, by financing some key projects, issuing bonds, mobilizing the population's savings, enhancing the credit-generating power and efficiency of the state-owned banking system, and giving preferential fiscal policies for investment in development of the interior regions of the country. This would especially include things like transport, energy, and water infrastructure.

The attitude would be: "Sooner or later, we will have to do these projects. Why not do them now?"

In the worst case, foreign investment and export earnings might collapse entirely as a result of the global financial crisis. Judging from their recent public statements, and other indications, the Chinese leaders now see such a collapse as a real possibility, and are rethinking their economic-strategic options accordingly. China's internal market has a vast absorption and growth potential. Why shouldn't the more developed areas along the coasts, invest in development of the interior?

Unlimited potential projects

As background, I would add the following. China has a practically unlimited array of potential projects for transport, energy, and water infrastructure, whose realization would be highly beneficial to the physical economy. These include, for example: Accelerating the construction of the "development corridors" along the Eurasian Land-Bridge, including opening up the enormous natural resources in the central and north-west areas along the Land-Bridge; north-south water transfer projects and irrigation projects to develop agriculture in the north of the country; improvement of the national water transport system; countless rail and road projects throughout the interior rural areas, which were inaccessible to modern transport until now; construction of new cities to accelerate the

urbanization and industrialization of the country; construction of modern, high-speed transport systems for the existing major cities (by the year 2000, in China 100 million people will live in cities with 1 million or more inhabitants; today, almost none of those cities has an underground subway system). These sorts of projects are highly profitable in macro-economic terms; they would make ideal applications for the Hamiltonian method of non-inflationary state credit-generation.

In physical terms, China possesses sufficient developable resources of manpower, production capacity, materials, and know-how to carry out a greatly expanded program of basic infrastructure construction by itself, without outside help. Of course, importing state-of-the-art machinery and other advanced technology will greatly assist the effort; for this purpose, China could make better use of its enormous currency reserves (over \$139 billion), as well as its current export earnings. The huge construction boom in China's cities has already provided employment and a certain amount of industrial skills to millions of workers coming in from the rural areas. Up to now, much of that construction has been for non-productive objects such as office buildings, hotels, department stores, and so on. If the same physical resources were applied to development projects in the interior regions, the real benefits to China's economy would be much larger.

Commenting on the ongoing session of the National People's Congress, some commentators have pointed to signs of a continued tight fiscal policy, as contradicting the idea of a "New Deal." However, it is important to understand that the Chinese government cannot simply flood the economy with new money. In order to avoid inflation and the "leakage" of funds into wasteful and speculative directions, investments must be carried out in a highly controlled manner and with great discipline. There need be no contradiction between the appearance of austerity and the implementation of a "New Deal" with Chinese characteristics.

The outlines of the new policy, will presumably become much clearer in coming weeks and months, when the newly formed government takes up its work. For the present author, three main questions are of particular interest: 1) How will the Chinese government mobilize the population for the new effort? 2) Will China's proposed "New Deal" include the crucial development of what Lyndon LaRouche calls "the Machine-Tool Principle"? This would have to include a much-accelerated program to develop the nuclear energy industry (especially the modular high-temperature reactor technology) as a prime "motor" of the Chinese economy. 3) Despite its large size and its "wall" of protective policies, China cannot long survive as an island amid the chaos of a total collapse of the world economy. Will China take the initiative, together with other nations, to push through an urgent "New Bretton Woods" reorganization of the world financial system? And, to restore the kind of elementary, economic sanity, which is so sorely lacking in many of the world's capitals?

Britain is riding the 'euro' horse

by William Engdahl

Despite the imminent prospect of global systemic financial collapse, the leading governments of the 15-nation European Union appear more determined than ever to ram through their insane scheme for creation of a supranational single European currency, the euro, a European Monetary Union (EMU), and an independent supranational European Central Bank to run it all.

Following a March 9 summit between German Chancellor Helmut Kohl and French President Jacques Chirac, together with their respective finance ministers and central bank chiefs, the two nations issued a statement that all fundamental issues regarding the timely start of the EMU had been resolved. Despite polls that show a 58% majority of the German population opposed to introduction of the new currency, all German parliamentary parties, including the Greens, support



the EMU. While Britain's Tony Blair government has stated that it will join the EMU, but not in this Parliament term, it is playing a decisive behind-the-scenes role shaping the rules of the new euro. A senior statesman characterized Britain's role as "riding side-saddle on the continental euro horse, whose horse's rear part is played by Germany."

Assuming that the shocks from Asia have not first pushed world markets, including European ones, into terminal collapse, the timetable toward the EMU crosses several decisive points in the coming seven weeks. First will be the announcement on March 25 by the European Monetary Institute (the predecessor to the European Central Bank which is to open on June 1) and the Brussels European Commission, of which countries qualify according to the four "convergence criteria" set forth in the December 1991 Maastricht Treaty on European Union.

The most essential criterion in the treaty, a strict limit on public deficits to less than 3% of a country's 1997 GDP, was announced as being met two weeks ago, by the 11 countries which have stated determination to be in at the start of the euro. The decision on which states will form the euro, however, will be made on May 2 at a special summit of all 15 heads of government. It is fundamentally a political decision to create the world's first technocratic central bank, free from any political checks and balances — a Frankenstein's monster which would have been the envy of the Bank of England's Montagu Norman, who schemed during the 1920s and 1930s to create a central bankers' dictatorship over the world economy.

One potential roadblock to the start of EMU is a new Supreme Court challenge filed by four Germans, including a

Sir Leon pushes the euro

European Commission Vice President Leon Brittan gave the British line on European Monetary Union, in a speech reported in Der Spiegel on Feb. 23:

"The successful introduction of the euro will strengthen the European economy and be a force for greater coherence and unity in the European Union's external relations. I expect the euro will develop into a major trading currency and probably even a major reserve currency. It will increase the depth and liquidity of European debt markets, and make for a more balanced international financial system. This will increase the EU's weight as an international player. Some fear that this will undermine the supremacy of the dollar and American influence. I believe such concerns have been exaggerated. The emergence of a stronger, more effective European Union can and should be in U.S. interests, because the EU is a close and fundamentally like-minded partner. But I accept that the EU will have to be ready to take on new responsibilities, while for the U.S. the adjustment may not be entirely straightforward."

former Bundesbank director, Wilhelm Noelling. Informed Bonn sources place the odds of that challenge disrupting the forced march to the EMU, however, as “at best 10-15%.”

Assuming that the German Constitutional Court does not act to block the EMU officially, the euro becomes legal currency on Jan. 1, 1999. That date is fixed by the Maastricht Treaty.

According to senior officials of several large European multinationals who have had to prepare their firms to join the EMU, the euro will trigger huge new rounds of corporate layoffs across Europe. This will hit the large transnational companies with facilities in many European countries especially hard. The reason, quite simply, is that under the euro, all 11 countries (assuming Italy makes the grade) will have one currency. This will eliminate present currency fluctuation risk, a major barrier to cross-border mergers and trading until now. And mergers mean savage cost-reduction and downsizing.

A highly confidential Brussels study, which was suppressed because it was too politically explosive, states that after the EMU launch in January, the next major round of corporate downsizing will see perhaps 10 million jobs more disappear permanently from Europe’s largest companies and banks. Already, official joblessness in Germany and France, as well as most other EMU aspiring states, is above 12%, a level not seen since the 1930s.

Why bother?

The obvious question is, if the EMU is not going to bring prosperity or jobs, why should voters bother to surrender one of the most precious tenets of national sovereignty on the altar of monetarist technocrats of the European Central Bank?

One answer is that European citizens have scrupulously been kept from having any vote on the euro. In Denmark, the one country where a referendum was held, in June 1992, the euro lost. Denmark, as a result, will not be among the starters. Since then, with the exception of a highly manipulated vote by France’s President François Mitterrand in 1992, there has not been any chance for voters to have a full, open debate and vote. The plan is simply being rammed down the throats of the European population, while the Brussels Commission spends millions in taxpayer money to finance a pro-euro media propaganda blitz.

The reason why European politicians risk such an unpopular course is not fully clear. One simple answer is that the largest source of political party campaign funding comes from the very same giant multinationals and banks that back the EMU. There are more reasons than this, however.

Some EMU advocates, such as Britain’s EU Commission Vice President Sir Leon Brittan, or French Finance Minister Dominique Strauss-Kahn, have given hints. Both have justified the sacrifices involved in creating the euro as necessary to forge an alternative world reserve currency to the U.S.

Soros on monetary reform

British-owned speculator George Soros was interviewed by Israel’s Shimon Peres, in the Italian magazine *Liberal* of March 12. Among the topics of discussion was monetary reform, and Soros called for a “new Bretton Woods”—making it clear that what he has in mind is an instrument of British-dominated world government, modelled on the British Empire itself.

“On an international scale,” Soros says, “we need some global regulating institution, in the Bretton Woods spirit. . . . If we do not create institutions aimed at preserving stability of international markets as well, then we will go towards a crash.

“The global capitalist system is based on a belief, on the false assumption that, if all this activity of private capital were left alone, the whole system would tend to stability. As the Asian crisis demonstrates, this is simply false. It is not unstable because of some external shock: It is intrinsically unstable.” Soros then differentiates between “private technocrats” who, by pursuing individual profit, destabilize the system, and “public technocrats,” such as

central bankers, who play a regulating, stabilizing function. He calls for “the idea of a global central bank or a control function given to ‘stability technocrats.’ But in addition to this, those countries that have not done it, must open to democracy.” Soros says, however, that his idea “could be implemented only after a crash.”

“Left alone,” Soros affirms, “states do not maintain peace. We need an international organization aimed at keeping peace. *It can be an empire, or a balance of powers. Or it can be some sort of international institution.* Current international institutions . . . cannot succeed because they are formed by states, and therefore they are instruments of state interests. During the Cold War there was a balance of powers. Today America is the only superpower left, but it does not have the capacity to be the world policeman. In the 19th century, we had a global capitalist system as well, and *it was Great Britain, representing the imperial power, that maintained stability*, until it entered into a conflict with the other imperial powers (Prussia, the Austro-Hungarian Empire, the Ottoman Empire) and peace was destroyed. Currently, we have no system of peace. We do not have balance of powers, and no imperial power either” (emphasis added).

dollar. In an interview in Germany's weekly *Der Spiegel* on Feb. 23, Brittan said that the hegemony of the dollar as a world reserve and trade currency will end with the introduction of the euro. "Europe's weight as an international player will grow," he noted, as the "euro developed into a world reserve currency."

In mid-January, a U.S. Senate fact-finding group, led by Sen. Pete Domenici (R-N.M.), met with Bundesbank President Hans Tietmeyer, who reportedly told the shocked Senators in no uncertain terms that the euro will come, and will be a "strong" currency.

A fundamental shift

Ironically, Tietmeyer, Strauss-Kahn, and leading European financial institutions such as Deutsche Bank, Dresdner Bank, or France's *Crédit Lyonnais*, are clearly planning to make Tietmeyer's forecast of a "strong" euro come true, with the help of a lot of American savings. In a new study on the effects of the EMU, Dresdner Bank notes, "The euro will derive strength against the dollar from public and private portfolio inflows."

Dresdner calculates that there could be as much as "\$750 billion of net inflow diverted from the U.S. dollar into the euro." It adds, "Creation of the euro may lead to some \$50-75 billion of annual portfolio and deposit inflow into the euro." Whether it takes place over ten years, as this suggests, or sooner, the shift in capital flows out of the dollar would be potentially enormous.

In short, leading European banks are calculating that U.S. mutual funds, pension funds, and banks will be the major source of new liquidity which will bring a flood of capital into Europe. A recent study by Reuters predicted that a huge single European stock market will emerge, making the euro zone into "the world's largest emerging market" into the next century.

In 1996, U.S. investment into emerging markets totalled near \$250 billion. Now, with Asian markets largely gone up in smoke, most U.S. fund managers are desperately looking for new areas of high profit. Certain European banks such as Dresdner are making propaganda to convince U.S. fund managers that the coming euro market is the place to go. A shift of \$750 billion over a short time, out of the dollar into the euro zone, would detonate a financial and monetary crisis in the United States beyond any in history. And that, using the savings of mostly unwitting American mutual fund investors who are hoping to save for their child's college or their retirement through a high-return mutual fund. Little wonder that Domenici and some others are beginning to show concern over how the new euro proceeds.

Referring to recent calls by Japanese and U.S. officials for some form of New Bretton Woods system, on March 8 London *Observer* financial editor William Keegan wrote, "For the moment the only new fixed exchange rate system on offer is European Economic and Monetary Union." The next weeks will tell what kind of offer for Europeans and for the rest of the world that will be.

Financial crisis drives merger mania

by John Hoefle

Merger and acquisition activity hit new records around the world in 1997, fuelled by dangerously high equity markets and the assumption of record levels of debt. Leading the charge was the rapid consolidation of the financial sector—commercial banks, investment banks, and non-bank institutions such as insurance and finance companies. Worldwide, a record \$1.6 trillion in mergers and acquisitions (M&A) were announced, spurred by records in the United States, Europe, Asia, and Ibero-America, according to Securities Data Corp.

In the United States, \$919 billion in mergers were announced in more than 10,700 deals, easily topping the old record of \$626 billion in 10,340 deals in 1996, and the \$519 billion in 1995 (**Figure 1**). Leading the way in 1997 was the largest merger in world history, the \$42 billion takeover of MCI Communications by WorldCom; overall, \$91 billion in mergers were announced in the telecommunications sector.

In second place domestically, was the commercial banking sector, with \$75.3 billion from 384 deals, topping the 1995 record of \$68.5 billion from 739 deals. The 1997 activity included the two largest bank takeovers in U.S. history, in terms of price paid: First Union's \$17 billion bid for Philadelphia's CoreStates Financial, and NationsBank's \$14.8 billion takeover of Florida's Barnett Banks.

In third place, was the investment banking and securities dealers sector, with \$59 billion in announced mergers, led by Morgan Stanley's \$10.6 billion merger with Dean Witter Discover, and Travelers Group's \$8.9 billion purchase of Salomon, the two largest deals in investment banking history. The 1997 total represents 38% of all investment bank/securities dealer mergers since 1980, and easily surpassed the \$16 billion recorded in 1996.

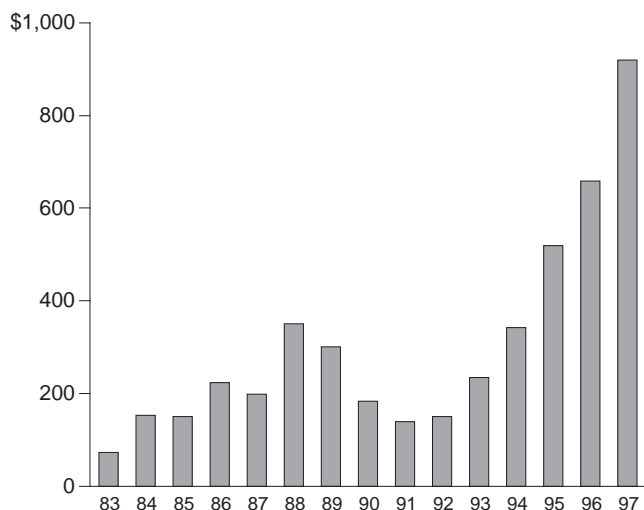
Combined, the commercial banks, investment banks, and securities dealers accounted for over \$134 billion in announced mergers in 1997, or 15% of the total.

The financial sector also led the pack in M&A activity worldwide, where commercial banks topped the list with over \$83 billion from 400 deals, including the top non-U.S. merger, the proposed \$23 billion merger of Union Bank of Switzerland and Swiss Bank Corp., to form the new United Bank of Switzerland. In second place worldwide was the insurance sector with nearly \$73 billion from 325 mergers, led by Zurich Insurance's \$18.4 billion purchase of BAT Industries Plc's financial subsidiary. Third place worldwide was the electric, gas, and water utilities sector, with over \$57 billion from 256 transactions.

FIGURE 1

Value of announced U.S. mergers

(billions \$)



Source: Securities Data Corp.

Among geographic regions, Europe was second to the United States, with \$322 billion in completed deals, compared to \$253 billion in 1996, followed by Asia (excluding Japan) with \$74 billion in announced deals, and Ibero-America with \$71 billion.

Hong Kong led the (non-Japan) Asian list with \$22.4 billion in announced deals, up 71% from 1996, followed by Malaysia with \$16 billion. Malaysia's total was down 11% from its record, as merger activity slowed dramatically in the second half of the year. China announced \$8.9 billion in mergers in 1997, compared to \$3.9 billion in 1996; M&A activity in South Korea totalled \$7.7 billion, up 500% from 1996, and Indonesia recorded a 98% increase in mergers. Real estate and mortgage banking led all sectors in Asia with \$6.2 billion in deals, followed by the electric, gas, and water utility sector with \$7.5 billion, and the food industry with \$7.5 billion.

In Ibero-America, Brazil led with a record \$24.9 billion in M&A transactions, up 141% from 1996, followed by Argentina with \$17.2 billion, up 188% over 1996; and Mexico, up 95% to \$13.3 billion. Nearly half of the Ibero-American deals (\$31.4 billion) involved privatizations, of which 53% were in Brazil, including big stakes in the Companhia Vale do Rio Doce (CVRD) and Companhia Paulista de Força e Luz (CPFL). Argentina was second in privatizations, thanks to the \$5.3 billion privatization of the national postal system, followed by Colombia with \$3.5 billion. Among sectors, the utility sector led the pack with \$18 billion from 58 deals.

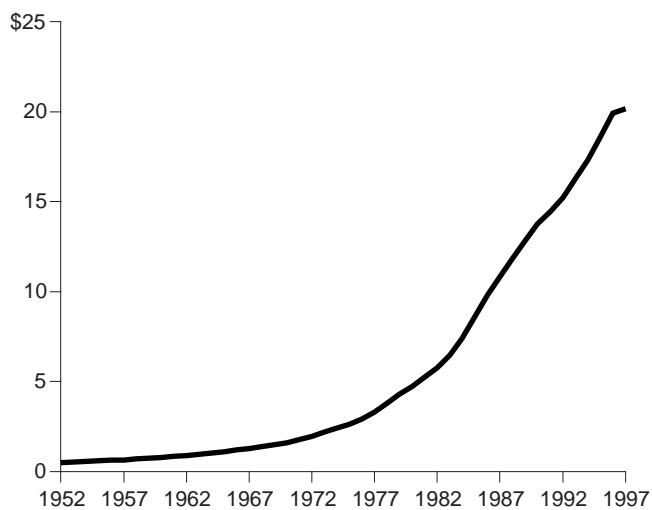
Pile on the debt

One might be tempted to think that, with \$20.7 trillion in credit market debt in the U.S. as of Sept. 30, 1997, companies

FIGURE 2

U.S. credit market debt

(trillions \$)



Source: Federal Reserve.

and individuals would be hesitant to take on more (Figure 2), but no such caution was manifest. A record \$1.3 trillion in debt and equity deals were completed on Wall Street in 1997, beating the previous record of \$1.1 trillion set in 1993. In the words of Securities Data, "for Wall Street, it was a case of having nearly all their dreams come true."

One marker for the insanity gripping the markets, is the explosion of junk bond issues. In 1997, some \$119 billion in junk bonds were issued, more than three times the \$32 billion issued in 1986, at the peak of the Drexel Burnham Lambert era (Figure 3). Today, the junk bond business is more evenly distributed: Donaldson, Lufkin & Jenrette took the top spot in 1997 with \$12.6 billion from 66 issues, followed by Merrill Lynch with \$12.2 billion from 77 deals, and Morgan Stanley Dean Witter with \$11.9 billion from 59 issues. As if they didn't have enough problems with their derivatives portfolios, the commercial banks have also leapt into the junk bond fray: Chase Manhattan took fourth place in 1997, with \$9 billion in deals; J.P. Morgan underwrote \$6.1 billion, Bankers Trust \$5.7 billion, and NationsBank \$2.2 billion.

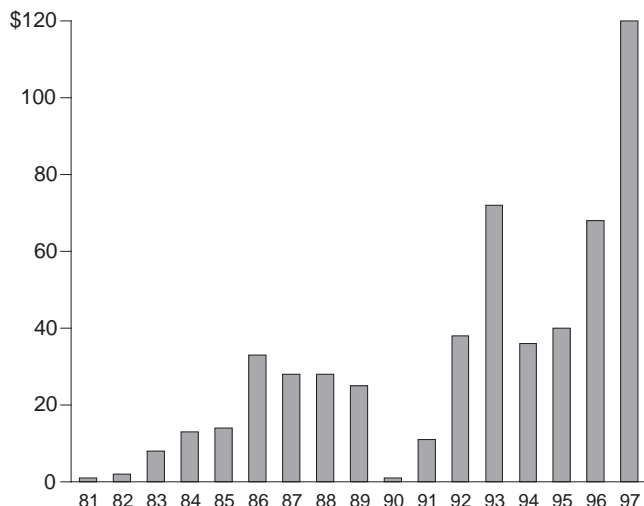
Corporations also issued some \$150 billion in "investment grade" debt, \$195 billion in mortgage-backed securities, and raised a record \$118 billion from 1,335 stock issues, including \$19 billion from real estate investment trusts. Another \$43 billion was raised from initial public offerings.

Some companies have adopted the opposite approach, of buying back large quantities of their own stock. During 1997, there were \$179 billion of such stock repurchases, up from \$176 billion in 1996. The largest such buyback was by Philip Morris, which announced it would buy back up to \$8 billion of its own stock, raising its announced buybacks to \$22 billion

FIGURE 3

Junk bonds issued in the United States

(billions \$)

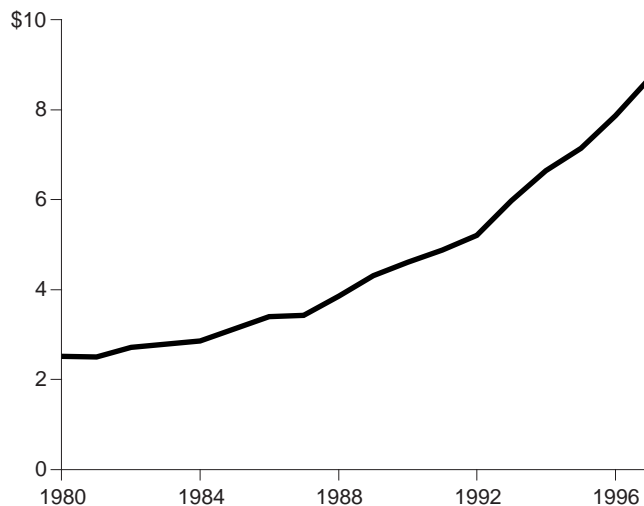


Source: Securities Data Corp.

FIGURE 4

Financial claims per \$1 of GDP

(dollars of claims)



Sources: Federal Reserve, EIR.

since 1991. Merck announced a \$5 billion buyback plan, bringing its total to \$10 billion since 1994. Such buybacks tend to raise the price of a company's stock, and it is not coincidental that both Philip Morris and Merck are among the 30 companies on the Dow Jones Industrial Average.

Default, anyone?

With some \$8 of financial claims for every \$1 of GDP in the U.S. economy (and only about one-third of GDP represents productive activity) (Figure 4), and \$12 in financial claims for every \$1 of the U.S. M3 money supply, the question of debt defaults should never be far from anyone's mind. According to Moody's Investors Service, 64 issuers of debt defaulted on \$8.6 billion of long-term, publicly held corporate debt in 1997, up from \$5.0 billion in defaults from 26 issuers in 1996 (but far short of the record \$18 billion in 1991). The default rate accelerated during the last half of 1997, with 41 defaults on \$5.5 billion in the second half, compared to 20 defaults on \$3.1 billion in the first six months of the year. Half (32) of the defaulters were domiciled in the United States, followed by 10 in Korea, 8 in Thailand, 3 in Hong Kong, 2 each in Argentina, Mexico, and Canada, and 1 each in the Cayman Islands, Japan, France and Switzerland.

The default by Yaohan Inc., a Japanese grocer, was the first public bond default by a Japanese firm since World War II. Japan also saw the failure of Yamaichi Securities and the Hokkaido Takushoku Bank, although neither firm has defaulted on its bonds, thanks to a Japanese government bailout.

By dollar volume, the industrial sector had the most defaults in 1997, with \$2.2 billion, or 27% of the total, followed by hotel, gaming, and leisure with \$2 billion, non-bank finan-

cial institutions with \$1.3 billion, and consumer products and technology with \$1 billion each (Figure 5). According to Moody's, investment grade corporate debt has an average cumulative default rate of 6.4% over 20 years, while junk bonds average 43%, and the worst grade of junk (rated Caa-C) showed an average cumulative default rate of 66%.

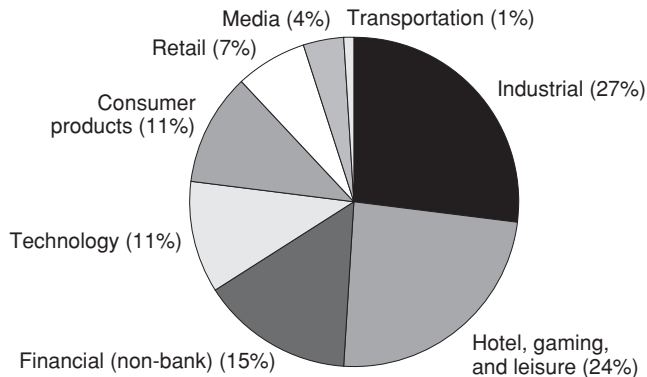
Corporations are not the only ones defaulting. During 1997, a record 1.4 million bankruptcies were filed in U.S. courts, of which 1.35 million were personal bankruptcies (Figure 6).

In the United States, the consolidation of the banking system took an ominous turn with the acquisitions by several commercial banks, of investment banks and securities dealers. Among the deals announced were: Bankers Trust's purchase of Alex. Brown and portions of Britain's NatWest Markets; BankAmerica's acquisition of Robertson Stephens; NationsBank's takeover of Montgomery Securities; First Union's buyout of Wheat First; and Fleet Financial's purchase of Quick & Reilly.

That such deals were allowed by regulators, despite being illegal under the Depression-era Glass-Steagall Act, reflects a desire by elements of the establishment to dramatically increase the size of the top U.S. banks, by allowing them to eat the smaller ones. It is widely believed in financial circles that the Federal Reserve would like to reduce the number of major banks in the U.S. to about 20, and the scramble is on among the banks to make the cut. This environment has led to record numbers of bank mergers in recent years (Figure 7).

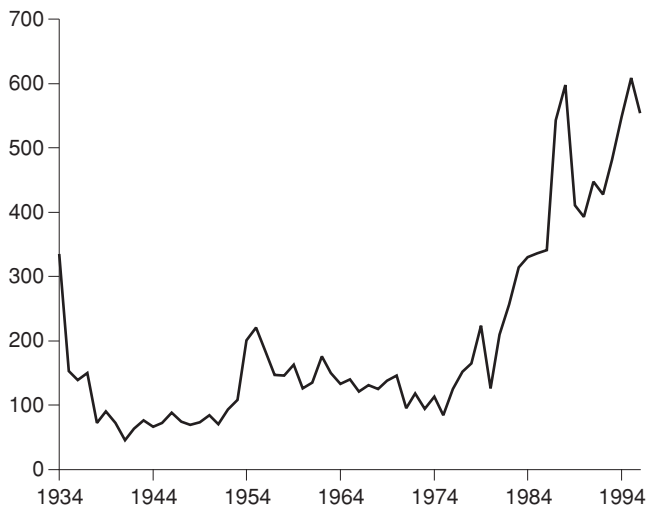
To pave the way for this consolidation, regulators are moving rapidly to reduce what they euphemistically call "regulatory burdens" on banks. Federal Reserve Chairman Alan

FIGURE 5
U.S. corporate defaults in 1997, by sector



Source: Moody's Investors Service.

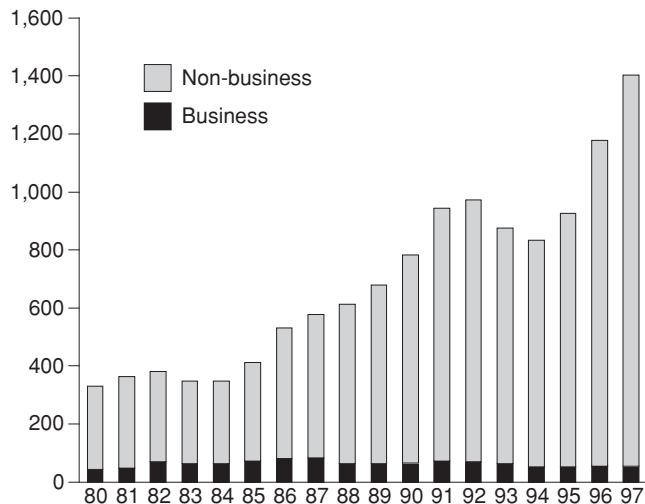
FIGURE 7
Number of U.S. bank mergers, 1934-96



Source: Federal Deposit Insurance Corp.

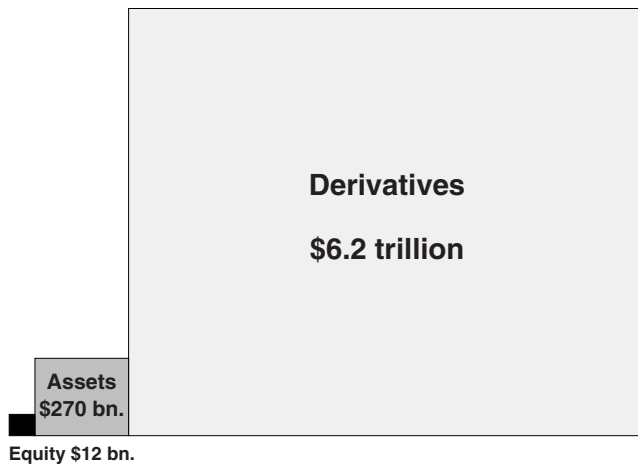
Greenspan is leading a fight to remove the 8% capital reserve requirement of the Bank for International Settlement's Basel Committee, claiming the reserve requirement is "economically inefficient" and that banks should be allowed to determine their own reserve levels. The Orwellian phrasing of the rush to deregulate pervades the discussion of bills currently before the House and Senate—for example, Senate bill S. 1405 is named "The Financial Regulatory Relief and Economic Efficiency Act." In the House, the move to abolish the Glass-Steagall prohibitions against commercial banks owning investment banks, advanced on March 10, when the House Republican leadership announced a compromise which would eliminate the barriers between the banking, securities, and in-

FIGURE 6
U.S. bankruptcy filings
(thousands)



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

FIGURE 8
J.P. Morgan & Co.'s derivatives, assets, and equity compared
(as of Sept. 30, 1997)



insurance sectors, opening the door to a new wave of mergers. The claims that banks are afflicted with "regulatory burdens" is absurd—the truth is that the banks are already out of control. J.P. Morgan and Chase Manhattan, for example, each have off-balance-sheet derivatives exposures more than 20 times greater than balance-sheet assets, and hundreds of times their equity capital (Figure 8). What the regulators are proposing, is virtually total deregulation, to hide the bankruptcy of the entire system.

Oil price collapse slams Venezuela

by David Ramonet

The "Asia crisis" not only shook the Venezuelan stock market, as it did stock markets around the world, but the economic depression that is ravaging Southeast Asia, has now taken root in Venezuela. The collapse of international oil prices, in particular, has exposed the enormous vulnerability of the Venezuelan economy: its total dependency on oil revenues.

Last year, the Rafael Caldera government had prepared a 1998 budget based on an anticipated price of \$15.20 per barrel of Venezuelan crude. However, the price has been systematically falling since last November, such that in January of this year, the average price per barrel had already declined to \$13.05. The result is that the net income for crude oil exports in January 1998 was \$910 million, \$565 million less than the monthly average of 1997, based on a \$15.20 per barrel price.

The resolution chosen by the president of the state oil company *Petróleos de Venezuela, S.A. (Pdvsa)*, to raise the cap on oil production, has only exacerbated the problem. In February, the average price for a barrel of Venezuelan crude collapsed still further, to \$12.80 per barrel, and since Feb. 25, has fluctuated between \$11.30 and \$11.60 per barrel. At the same time, the April futures contracts for higher quality Brent crude are being set at around \$13, which prefigures a still worse disaster for Venezuelan crude.

Budget cutbacks

Last year, total oil income was \$17.709 billion, of which three-fourths went straight into the government's budget revenues—making oil 60% of total government revenues. If the situation gets no worse during the rest of 1998, the fall in oil income could amount to some \$6.789 billion, meaning a \$5 billion reduction in tax revenue for this year's budget. However, Treasury and Pdvsa authorities are projecting that the average price of crude this year will end up at \$14.20 per barrel, and have recalculated the budget from February onward, on this basis.

Already, the Finance Ministry has announced a cutback in public expenditures equivalent to \$1.3 billion, which added to the \$1 billion reduction in Pdvsa's budget and another \$200 million in cutbacks in the budgets of other state companies, adds up to a \$2.5 billion shrinkage in the national budget.

The 1998 budget was originally slated at 12 billion bolivars (equivalent to some \$21.5 billion).

But this nearly 10% cutback in state expenses was still not enough for the credit rating firm Moody's, which on Feb. 13 lowered its ratings on Venezuelan financial instruments on the world market, because of what it stated was "Venezuela's limited administrative ability to provide an adequate political response to the situation of the world oil market."

Finance Minister Freddy Rojas Parra hastened to respond, and three days later, appeared on national radio and television to present a recessive plan for dealing with the situation. In addition to detailing the budget cutbacks already announced, he announced a freeze on salaries of public sector employees, and the accelerated sell-off of the state's aluminum industrial complex. He also explained that he was coordinating with the Venezuelan Central Bank (BCV) a restrictive policy to "combat inflation." Small and medium-sized industry, along with farmers and ranchers, immediately understood this as a death sentence.

Interest rates shoot up

Also starting last month, the BCV abandoned its usual instruments for absorbing banking liquidity (that is, subsidizing the banks by offering them greater yields for their deposits held in reserve), and opened up its own "financial placement window" to sell certificates of deposit. BCV certificates pushed interest rates up drastically, by 10% in one blow, which has terrified many bankers.

The goal is to push interest rates paid by banks to their depositors above the expected inflation rate. BCV paid the banks 33.6% for their 30-day CDs, forcing the banks to raise their passive rates from 6% to 28%, and their active rates to as much as 45%.

The president of the National Industries Council (*Conindustria*), Luis Henrique Ball, complained that the higher rates will put Venezuelan industrialists in an even greater bind, given that they already have to compete with Asian imports which are being sold at bargain bazaar prices all over the world.

Venezuelan farmers held a demonstration on March 5 to block oil operations, for the purpose of putting a spotlight on their conflict with the agroindustrialists, who are refusing to pay for last year's corn harvest, which has led the farmers either to refuse to plant their new crop until they are paid for the old one, or, alternatively, to hock all their earthly possessions just to keep operating.

Not surprisingly, inflation has failed to recede. In fact, the February price index registered a 2.2% increase, which took even Finance Minister Rojas Parra by surprise. He told reporters that people shouldn't be so nervous: "We're inventing things," he told them. "We're going to have to take a tranquilizer, or drink soothing tea, or something, to calm our nerves."

OECD fronts for multinationals

The new Multilateral Agreement on Investments will strip national sovereignty, and is causing consternation.

Secret negotiations are currently under way in Paris, among the 22 member nations of the Organization for Economic Cooperation and Development (OECD), on a new treaty to govern foreign investment, called the Multilateral Agreement on Investments. The little that is known about the MAI is ominous: It demands that nations sign away their rights to make rules or regulations regarding multinational corporations, and that nations open all aspects of their economies, including broadcasting and natural resources, to foreign ownership.

In addition, according to Melbourne attorney Matthew Townsend, in the Feb. 19 *Australian* newspaper, the treaty overrides national judicial systems. Corporate challenges to national laws under the MAI would go before an international panel of “experts”—not even judges—who would “interpret the treaty and issue binding rulings.” Those proceedings would be shrouded in secrecy, and the corporations would be allowed to demand compensation for lost business.

In the words of Renato Ruggiero, the director-general of the World Trade Organization, the OECD is “writing the constitution of a single global economy.”

The MAI has caused an uproar in the British Commonwealth countries of Canada, New Zealand, and Australia; in Canada, it is being called “NAFTA on steroids”—referring to the North American Free Trade Agreement.

Naturally, support for the MAI comes from multinational companies—many of them British—and

assets of the British Crown, such as the Mont Pelerin Society. For instance, Australia’s Assistant Treasurer Rod Kemp, a member of several Mont Pelerin fronts, is leading the charge. His Treasury Department is conducting the MAI negotiations in Paris, and he himself has downplayed the MAI’s clandestine nature, while arguing that the treaty will “provide investors with greater certainty as to the rules of the game, when investing in foreign countries” (*The Australian*, Feb. 19).

One of the MAI’s most powerful proponents is the U.S. Council for International Business, a Who’s Who of multinationals. Many of this nominally “U.S.” organization’s trustees are British, or British-tied, such as BP, BHP, AMP, Shell, Unilever, Philip Morris, and Turner International. Such giants are more powerful than many nations: Of the 100 largest economic players in the world today, 51 are multinational companies, and 49 are nations.

In Australia, the most vocal opposition to the MAI has come from trade unions and from populist Independent MPPauline Hanson—strange political bedfellows, who are otherwise at loggerheads with each other. In a call to arms on Jan. 21, Hanson charged: “The purpose of this agreement is to transfer power and control away from citizens and their democratically elected representatives to the world’s largest multinationals with no strings attached.” According to Hanson, under the MAI: “Australian governments . . . will not be able to favor local businesses over foreigners; any performance requirements for multinationals, such as creat-

ing jobs for Australians, using local components, or loyalty to Australia, will not be allowed; and Australia will not be able to stop multinationals from importing foreign workers and their families into our country.” She concluded, “It is important to understand this is not about trade, it is all about power and control.”

Even mild-mannered academics have expressed concern about the anti-sovereignty and secrecy aspects of the MAI. Sherif Seid, from the Australian National University’s Research School of Social Studies, charged in an ABC Radio “Background Briefing” late last year, that the reason why the negotiations in Paris were secret, was because “they know that they might face strong opposition, because the whole purpose of this MAI is to give greater privilege and power to the big multinational companies.”

Reportedly, the Australian government intends to join with New Zealand, Mexico, and South Korea, to oppose any safeguards for labor under the MAI. Australian unions are convinced that the Liberal government is planning to use the MAI as another weapon in its year-long campaign to smash Australian unions. Even without the MAI, London-based multinational mining giant Rio Tinto, the ring-leader of the anti-union campaign, is already writing Australian federal legislation; Rio Tinto executive Mike Angwin wrote the 1996 Workplace Relations Act, which has stripped trade union rights. Thus, Doug Cameron, the vice president of the Australian Council of Trade Unions (ACTU), blasted the MAI at the national conference of the Australian Labor Party on Jan. 21, as more of the same. “Labor must take a hard stand,” Cameron said. “We cannot give the ugly face of big business, such as Rio Tinto, any more advantage over working people in this country.”

Wanted: a sound economic program

Germany may get a new Chancellor, but what it really needs is a new economic policy.

Since Gerhard Schroeder was nominated candidate for Chancellor by the executive committee of his Social Democratic Party (SPD), on March 2, the troubles of incumbent Chancellor Helmut Kohl of the Christian Democratic Union (CDU) have increased. The long-suppressed debate inside the CDU about Kohl's candidacy in the September national elections, has broken out into the open again, as Kohl's popularity among voters has sunk to 26%.

This debate has taken its most radicalized form in the Christian Social Union (CSU), the Bavarian state section of the CDU, where a number of leading members have openly demanded that Kohl be kept out of the state election campaign for Bavarian parliament (Sept. 13), so as not to make the CSU more unpopular.

The CSU executive, the chairman of which is Kohl's Finance Minister, Theo Waigel, had to intervene, declaring that Kohl was welcome to make public appearances in the Bavarian campaign.

There are other institutional tricks through which Kohl believes he can prevail over Schroeder, whose popularity is at 60% at this moment. A resolution in support of Kohl was published by the leading associations of German industry during the annual convention of the German Crafts Association in Munich on March 10. The resolution attacks Schroeder's platform, because it calls for the reversal of social welfare cuts that were imposed by the present government.

These same captains of industry, not too long ago, had endorsed Schroeder for his "modern" ideas, as

opposed to the "outmoded" views of Kohl. For the top managers, mostly free-market neo-liberals, Schroeder's "reformism" resembles the "new Labour" policy of British Prime Minister Tony Blair—a policy that the managers want also for Germany.

The industrialists' current swing back to Kohl indicates that they are worried that, in the heat of the election campaign, Kohl might feel compelled to make concessions on social issues, to counter Schroeder's populism. That, they fear, would reverse some of the social budget cuts imposed in 1996 and 1997.

But, given the voters' growing opposition to Kohl's policy, this industry endorsement will only accelerate his fall. The broad majority of voters wants a change of policy, which for most of them implies a change of government.

It has taken Kohl a long time to recognize this, but he is now sending out signs that he is looking for a face-saving retreat: He said in a television interview on Feb. 28, that a "Grand Coalition" of SPD and CDU would not be a catastrophe for the country, but that he himself would not serve such a coalition. Kohl said the same thing on March 8, adding that he had always said that Wolfgang Schäuble, the head of the CDU parliamentary group in Bonn, should be his successor. Schäuble is the main person that those people in the SPD are looking to, who want a Grand Coalition.

In the same interview, Kohl reaffirmed his intent to run as the CDU candidate. This presents the voter with the paradox that he is expected to vote for a candidate who says he is running

for re-election, but who will step down immediately after election day! As compared to Kohl's 26% popularity, Schäuble does have popularity of 43%, at least. From the CDU's point of view, it were better to have Schäuble as the candidate, but election day is too close now, to change horses without taking the risk of losing the rest of the voters' confidence, entirely. The SPD is hoping for a windfall profit from the CDU's paralysis.

All of these tactical maneuvers around the "personality" issue have prevented a serious debate about program, most notably on economics. Also the draft of the Schroeder campaign platform, which is more a grab-bag of populist appeals than a well-conceived policy alternative, poses questions, as to what an SPD-led government would do better than the present government.

Schroeder says he wants to reverse the social budget cuts of the Kohl era. But, he opposes any state intervention for a sound industrial policy that would increase production and employment, and increase tax revenues. SPD Chairman Oskar Lafontaine has just declared, once again, that the party respects the principle of the balanced budget. Nothing should be done, under a new government, that "would not be affordable, without new borrowings."

At the same time, the SPD is promising tax cuts for most people—yet offering to balance these with compensation to state coffers from a new "energy consumption tax." Schroeder wants to exempt energy-intensive sectors of industry, however; so, in the end, the new tax will be paid by the consumer. Moreover, the SPD platform shows a puzzling disinterest in the "Asian crisis" and decomposition of the global financial system. For a party that wants to form a new German government in the middle of a world depression, this is an intolerable omission.

You can buy a 'Sir' with oil

President Cardoso greased the skids of his induction into Her Majesty's train of lackeys, with Brazil's oil.

Immediately upon returning from his official visit to England last December, where he received the title of "Sir" and was touted as a modern-day "Julius Caesar" by the decadent House of Windsor, Brazilian President Fernando Henrique Cardoso began to implement the agreements of the re-established Brazil-England "special relationship." His first step was to move toward sacrificing the giant state oil company Petrobras to international speculators, through the privatization process.

Preparatory to the privatization of Petrobras was the President's sudden decision in late 1997 to put his son-in-law, David Zylberstajn, at the helm of the National Petroleum Agency (ANP), the entity charged with supervising the exploration, refining, and marketing of Brazil's oil and gas resources. Until then, Zylberstajn had been energy secretary for the state of São Paulo, governed by Presidential ally Mario Covas. From that post, Zylberstajn headed the program to privatize the electrical energy companies. Zylberstajn is known for his intimacy with the London-allied Anti-Defamation League (ADL), and for being an hysterical opponent of nuclear energy.

Before leaving London last December, the ego-inflated Henrique Cardoso described the savage Brazilian privatization program as "the largest in the world." "In the case of oil and gas, we have barely begun. . . . If we weren't living in a democracy, and if I were to have my way, perhaps everything would be privatized imme-

diately," said the President, boasting of the "neo-conservative revolution" that his government is carrying out. Later, Henrique Cardoso attended the World Economic Forum meeting in Davos, Switzerland, where he met with representatives of numerous companies, among them British Petroleum.

The kind of mentality that dominates his government could be clearly seen during the swearing-in of Zylberstajn on Jan. 16, who stated before representatives of the international oil companies, especially the British: "The oil is yours" and "society wants more oil and less monopoly," a clear lie to justify the privatization of the company. Zylberstajn's "Thatcherite" revolution is premised on doing away with the historic patrimony of the state, putting it at the service of usury.

That is why it is significant that the very slogan which gave birth to the state oil company—"The Oil Is Ours!"—is being so crudely perverted. Petrobras was created in the 1950s, the result of a civil-military alliance which made Brazil's oil a symbol of the sovereignty of the nation over its resources. Ever since, Petrobras has served as a foundation for high-level technological and scientific training, helping to consolidate the Brazilian nation-state as an industrial pioneer.

Because one of the nation's vulnerabilities was its dependency on foreign oil supplies, and despite various deviation such as the misconceived gasohol program, Brazil's governments have always sought to create the

conditions for Petrobras to control the technology that would enable the nation to attain energy sovereignty. Thus, Brazil is now a leader in the development of technology for exploiting deep-water oil deposits, from which 60% of the 1.6 billion barrels of oil Brazilians consume today is derived. Currently, Brazil is producing 1 million barrels of oil a day, and Petrobras hopes to double that by the year 2000. It also has the capacity to refine 2 million barrels a day.

All that capacity, on top of both proven and suspected reserves, has the wolves of speculation salivating. Banco Santander, representative of Anglophile interests in the region, has issued its first public estimate of Petrobras' worth, projecting its purchase price at \$47 billion, to include the totality of its oil and gas reserves. Gaining access to Brazil's natural resources is a well-planned strategy of the international financial oligarchy, and with the Cardoso government's reforms of the 1996-97 Constitution, this is now possible. These reforms opened up exploitation of natural resources to foreign interests.

Brazil has already lost control of its mineral reserves to the privateer George Soros and others, through the privatization of the huge mining conglomerate Companhia Vale do Rio Doce (CVRD), which, like Petrobras, represented not only natural wealth, but also technological know-how.

Petrobras now appears destined for CVRD's fate. As *EIR* charged back in August 1983, David Rockefeller's Council of the Americas promoted a bankers' meeting in Vail, Colorado, where the privatization of Ibero-America's huge state companies, among them Petrobras, was explicitly discussed as a new means for collecting what was understood to be Ibero-America's otherwise uncollectable foreign debt.

Business Briefs

Petroleum

Iraq needs equipment to gear up oil production

Because of the collapse of the oil price, and more importantly, the desperate need for spare parts and new equipment, Iraq cannot produce enough oil to even earn \$4 billion, let alone \$5.6 billion, as allowed under agreement with the United Nations, Iraqi Oil Minister Amer Rashid said in a press conference in Baghdad, the March 2 London *Financial Times* reported.

Iraq can now pump 2.3 million barrels per day (bpd). If it could get the equipment it needs, it could increase production within two months to 2.65 million bpd, and in three months to 3.5 million bpd, its pre-war level. But to do so requires \$800 million worth of spare parts and equipment.

Iraq uses 500,000 bpd for domestic consumption and exports 100,000 barrels to Jordan, at one-third market price. In addition, one-third of the proceeds from the sale go to pay the cost of the United Nations programs, and reparations to Kuwait.

Rashid is inviting foreign investors into Iraq. Russia, China, and the French companies Elf and Total are ready to sign contracts. Rashid said that Iraq will remember its friends, and indicated that the list of friendly nations "is increasing."

Central Asia

Aliyev announces oil pipeline through Turkey

During a five-day visit to Japan, Azerbaijani President Heidar Aliyev announced on Feb. 27 that a pipeline from the Caspian Sea would be constructed from Baku to the Turkish port of Ceyhan, on the Mediterranean. He said that construction would start at the end of this year.

Asked by the press if the Azerbaijan International Operating Co. (AIOC) agreed with the Baku-Ceyhan oil pipeline plan, he said, "In general, yes." The AIOC international consortium, which is developing the Caspian oil fields, is led by British Petroleum Co. Plc., and Norway's state-owned

Statoilin. It includes Amoco Corp., Exxon Corp., and Unocal Corp., as well as participation by Russia's Lukoil, Saudi Arabia's Delta Nimir, and state-owned Turkish Petroleum.

This route is the one which has been played up as the alternative both to the pipeline to the Russian port of Novorossiysk, and to the project for a pipeline across Iran. Aliyev, in signing the "deal of the century" contract with the consortium in 1994, broke ranks with other Caspian Sea littoral states, which include Russia and Iran.

Trade

Russia, Iran commission maps out joint projects

The second session of the joint economic committee of the two countries took place in early March in Teheran, the capital of Iran, the Iranian daily *Ettela'at* reported on March 6. Headed by Iranian Economic and Finance Minister Hussein Namazi and Russian Deputy Prime Minister Vladimir Bulgak, the commission was to review agreements for promotion of joint investments, cooperation in customs, and other projects. A memorandum of understanding was to be signed on scientific, technical, and telecommunications cooperation, manufacturing Topolov 234 aircraft, and exploring cooperation in oil and gas in the Caspian Sea and the Persian Gulf.

In a meeting on March 4, Bulgak and Iranian Minister of Roads and Transport Mahmoud Hojjati reviewed cooperation in transportation. Bulgak said they needed to expand facilities to promote transport cooperation through the Caspian Sea, with rail and road networks. A regular shipping line has been set up on the Caspian Sea. Hojjati said that transportation between north and south, from the Persian Gulf and the Sea of Abov to the north of the Caspian Sea, would prove to be very important in the development not only of the two countries' economies, but also that of other countries. Bulgak stressed Russia's eagerness to diversify cooperation with Iran, incorporating more cooperation between Russian provinces of Tatarstan, Astrakan, and Kal-

mykia, with Iran's northern provinces.

Russian Deputy Railroad Minister Oleg Anatolyevich and the director of Iran's railroads, Rahman Dadman, also met on March 4, to reactivate cooperation in the area of rail links on the borders. The Russian diplomat said that Russia wanted to sell rail cars, locomotives, and other railway equipment to Iran, and Dadman said Iran was ready to buy 2,000 freight cars. Anatolyevich pointed to the Sarakhs-Tajan link as strategically important, and said that Russia would start market research for the rail link. Dadman said that Iran would concentrate on getting the consent of five countries which are neighbors to both Iran and Russia, to convene a conference on rail cooperation, in order to activate the links among them. The five countries were not named, and could be the Central Asian republics and/or some countries in the Caucasus.

It was announced that Russian Prime Minister Viktor Chernomyrdin would visit Teheran soon, to finalize the agreements being hammered out.

Italy

Dini seeks cooperation between Europe, Iran

Italian Foreign Minister Lamberto Dini, before leaving for a visit to Iran on March 1-2, explained that the aim of his mission was to open the way to large-scale economic cooperation between the European Union (EU) and Iran, in the context of Eurasian integration, the Italian daily *La Stampa* reported on March 1. Dini had met in Venice on Feb. 28 with French Foreign Minister Hubert Vedrine, with whom he is believed to have discussed the Italian initiative.

La Stampa said Dini's aim was to open "new horizons in Irani-Italian relations." The daily said that "Italy, which has much in common in historical, cultural, and economic fields with Iran, plans to be the first among the EU members to expand its relations with the Islamic Republic." It stressed that "Teheran has had minimal disagreements with Rome, and amongst all the EU member states Italy has shown the greatest

interest in cultivating and strengthening its commercial, trade, and even political relations with Iran.”

The Italian oil company Agip, a subsidiary of the ENI group, is concluding negotiations for drilling in the offshore project in Doroud, together with the French company Elf-Aquitaine. Italy is interested in participating in the construction of the pipeline networks with Turkmenistan and Turkey.

Dini said that past conflicts with Iran must now give way to “working for the stability of this country, which means stability of the region as well. This government is close to the people, and there are visible signals of change inside the country.” Therefore, “Europe and Italy must support Iran. Iran is a large country, rich in energy, but it has a weak infrastructure. It needs to increase exports and it needs development projects. Iran is the natural door to Central Asia, the shortest and cheapest way to transport to the West the energy resources of the region,” he said.

Dini said that Europe must “bring Teheran closer to the Mediterranean,” and must therefore support the Iranian proposal for a cultural initiative aimed at “connecting the great civilizations of the past: Iran, Egypt, Greece, and Italy.”

Mining

Rio Tinto to snap up more resource assets

Rio Tinto, the British oligarchy-run resources cartel, met with the board of Atlantic Richfield Corp. (Arco) in Los Angeles on Feb. 24, and now appears to be the most likely purchaser of Arco’s coal assets in Australia and North America, the *Australian* reported.

Australian assets to be sold include 80% of Gordonstone coking coal mine, 31.4% of Blair Athol thermal mine, and 19.5% of Clermont steaming coal deposit, all in the Bowen Basin in Queensland.

In October 1997, Arco followed Rio Tinto’s union-busting lead, and sacked the entire workforce at Gordonstone. Even though the Australian Industrial Relations Commission has upheld seven complaints of unfair

dismissal, no severance pay has been issued. Arco’s anti-union exercise appears to have been executed in preparation for the potential sale to Rio Tinto.

Science

Water found at Moon’s poles, experts say

Scientists working on the Lunar Prospector mission announced that analysis of the first month’s data from the spacecraft indicate there is water ice at both the north and south poles of the Moon, in a press briefing broadcast from the NASA Ames Center in California on March 5. The first indication of water ice on the Moon came from radar sounding of the south pole by the Clementine spacecraft three years ago.

Dr. Alan Binder, the principal investigator for the mission who has been planning these experiments since the end of the Apollo program, stated, “We have found water.” He described the results as “unquestionable.” Binder explained that the data from the neutron spectrometer aboard Lunar Prospector does not measure water on the Moon, but the presence of hydrogen, and that the “cosmologically most reasonable” assumption is that excess hydrogen on the Moon is bound up in ice.

He said that the data show that there is more water ice at the north pole, and that at both poles, it is very dispersed. The ice crystals make up about 0.3-1% of the Moon’s soil, or regolith. However, the spectrometer is sensitive enough to measure hydrogen that would be indicative of a cup of water in a cubic yard of soil, and the measurements the scientists are receiving indicate there would be the equivalent of four gallons of water in a cubic yard of lunar soil.

Although all of the scientists stressed that the data are preliminary, and will be refined over the next 10 months while the Lunar Propsector orbits the Moon, there are indications that there are, overall, 11 to 330 million tons of lunar water ice. Mission Manager Scott Hubbard stated, “It’s enough water to support several thousand people for a hundred years.”

BRITISH oil and gas companies are planning to move in on Australia’s Northwest shelf off the coast of Western Australia. On March 2, Sir Robert Hill of the London Institute of Marine Engineers arrived in Perth, leading a trade mission representing 53 companies. In the past year, eight British companies have set up to exploit natural gas deposits.

THE UNION BANK of Switzerland, which merged on March 1 into a new giant entity, the United Bank of Switzerland, controlled by Swiss Bank Corp., has been summoned before the Bank of England and the Swiss National Bank to “clarify” the extent of its derivatives losses, sources report. Losses could be as high as \$1.6 billion, four times what the bank admits.

PERU has reported 5,000 cases of cholera in the first two months of 1998, compared to 1,000 cases for all of 1997. The outbreak is occurring in areas most severely affected by torrential rains, floods, and mudslides. The fall in production resulting from the floods is being cited as a factor in Peru’s economic and banking crisis.

ASIAN IMPORTS, according to a report by Salomon Smith Barney, for year-on-year comparisons for December 1997, were down in South Korea, 25%; Thailand, 29%; Malaysia, 10%; Singapore, 7%; and China, 5%. Three factors were cited: inability of traders to secure letters of credit, sharp depreciation of currencies, and (IMF-ordered) exorbitant interest rates.

SINGAPORE banks have been downgraded to “negative” from “stable” by Moody’s, due to the financial crisis, including a decline in the Singapore dollar rate and loan exposure in Indonesia, Malaysia, and Thailand.

THAILAND faces 6-6.5% negative growth through the third quarter of 1998, according to the National Economic and Social Development Board. The forecast puts the lie to all International Monetary Fund prognoses for Thailand.

How great minds thought about the Great Depression

by Jeffrey Steinberg

In a radio interview with “EIR Talks” on March 11, Lyndon LaRouche warned that no governments today comprehend the magnitude of the present global financial crisis or see clearly the kinds of urgent measures that must be adopted if a new Dark Age, lasting for several generations, at minimum, is to be avoided.

“The fact is,” LaRouche began, “that there is no government on this planet presently, which is prepared to take measures which are effective responses to the crisis. That is, in this round of crisis, as it stands now, every government in the world will bungle, or worse, the handling of this coming crisis, pretty much the same way they bungled the last round, that is, in mid-October to mid-January. Every government, including the United States government, bungled that thing mercilessly. There were some good suggestions made by Treasury Secretary Rubin; a number of other people, including Sakakibara in Japan, had made transient good suggestions, and have made some since of some notability.

“But, overall,” he continued, “governments as a whole: there isn’t a single government on this planet which has responded competently, to either the preceding year-end crisis, or the one which is breaking out now.”

LaRouche then launched into a discussion about how two great minds of the 1920s-30s approached the grave global crisis with which they were confronted, and urged today’s elected leaders to follow their example.

“Now, there are two points of reference in modern history, that is, Twentieth-Century history, for looking at this crisis,” he stated. “And I shall indicate both. One is the approach taken by Franklin Roosevelt. Now, there are a number of people, including President Roosevelt’s Assistant Secretary of the Treasury, Harry Dexter White, who had an understanding of what they were doing, both during the 1930s and during

the wartime period, and immediately afterward. Now, in Bretton Woods, Harry Dexter White was very important, and on some other things.

“But you go back a bit, you go back to the late 1920s, very early 1930s, and you have two reference points. One, is a *Foreign Affairs* article written by soon-to-be President of the United States Franklin Roosevelt, on the issue of how to approach this crisis in relations with other states, breaking entirely with his dirty, distant cousin, Teddy Roosevelt.

“The second one, which is quite related to what Roosevelt did in dealing with the Depression, particularly during the wartime period, is a paper which was adopted in a secret proceeding of the Friedrich List Society in Germany, in 1931. The presenter of this was a Professor Wilhelm Lautenbach. And Lautenbach was one of the people who, if his policies had been adopted adequately, and if the von Schleicher government had not been overthrown by the British with the help of the Social Democrats, thus in early 1933 allowing the British and some of their American supporters to bring Hitler to power in Germany, we might have avoided the war with Germany, had Lautenbach’s philosophy been adopted.

“Some elements of Lautenbach’s policy were adopted in a limited way by Hjalmar Schacht and others, in the role of economic and finance policies, under certain parts of the war mobilization in Germany during the 1930s under Hitler. But Lautenbach was entirely of the opposite persuasion, himself.

“These are typical of the kinds of thinking which can be found in the Twentieth Century, relating to the policy issues of the 1930s Depression, which are relevant today. That is, although there is no comparison between the 1930s Depression, which was a cyclical, or a business cycle depression, although of a very deep kind, and the present crisis; presently, we’re not in a cyclical crisis, we’re in a systemic crisis. That

is, the whole system is on the way down. And you can't get out of the crisis, without getting rid of the system, and going to a different system.

"Now, the different system is what Lautenbach referenced, and, to some degree, what Roosevelt referenced, and people around him of this American patriotic tendency."

For the purposes of providing our readers with a window into the approaches taken by Roosevelt and Lautenbach, we publish here three reports. The first offers a summary of the critical features of FDR's *Foreign Affairs* essay and the impact those ideas had upon his Presidency. The second, which is taken from a recent speech by Helga Zepp-LaRouche, focusses upon the Lautenbach policy cited above. The third report, by Michael Liebig of *EIR*'s bureau in Wiesbaden, Germany, provides crucial background on the American System economic policies of the 19th-century German patriot Friedrich List, which prepared the way for the explosive industrial development of America sparked by the policies of President Abraham Lincoln, and which later educated both FDR's and Lautenbach's approach to the crisis of the Great Depression.

FDR's American System diplomacy

by Jeffrey Steinberg

Although the present financial collapse is of a qualitatively different character from the Great Depression of the 1929-1933 period, it is nevertheless of considerable value for today's policymakers to revisit how the great 20th-century American System patriot, Franklin Delano Roosevelt, responded to those earth-shattering events.

By no later than 1928, FDR had already begun to elaborate the policies that would be the hallmark of his Presidency. In the July 1928 edition of *Foreign Affairs*, he contributed an essay on a Democratic Party view of American foreign policy. Although he carefully avoided any personal attack against former Presidents Theodore Roosevelt and Woodrow Wilson, his essay was a clarion call for a repudiation of the shared Roosevelt-Wilson policies of employing American gunboats to collect Wall Street debts from other nations of the Western Hemisphere—what FDR referred to as "Dollar Diplomacy . . . which placed money leadership ahead of moral leadership."

FDR did not merely repudiate such self-destructive policies. In the essay, he called for a revival of the American System approach to relations among sovereign nation-states, particularly during periods of profound economic or political crisis. Once Roosevelt became President in 1933, he moved immediately to put these ideas into practice, particularly

within the Western Hemisphere, with his "Good Neighbor" policy.

Ironically, one cornerstone of FDR's Good Neighbor policy was a return to the original principle of the Drago Doctrine, named after Argentina's turn-of-the-century Foreign Minister Luis María Drago. In a note to the U.S. government on Dec. 29, 1902, Foreign Minister Drago had solicited American collaboration in a multilateral prohibition against European military intervention into the Western Hemisphere to collect overdue debts. Drago's immediate concern was British threats to use military force to collect Argentina's debt.

President Theodore Roosevelt rejected the Drago Doctrine, which had been put forward by the Argentine diplomat as an economic corollary to the Monroe Doctrine, on the specious grounds that the Monroe Doctrine was a unilateral United States government policy. TR, instead, fostered the "Roosevelt Corollary," which claimed U.S. unilateral authority to counter European imperial designs on the Western Hemisphere, but, by implication, left the door open for the United States to deploy gunboats to collect Wall Street debt.

The noted American diplomatic historian Arthur Whitaker, in his 1954 book, *The Western Hemisphere Idea: Its Rise and Decline*, distinguished between those American anti-isolationists who favored the Drago approach of collaboration among the hemisphere's sovereign nation-states, and the "national imperialists," like Theodore Roosevelt, who chose instead to have the United States "go it alone." Whitaker drew a conceptual distinction among the multilateralists, the national imperialists and the isolationists, that, appropriately, de-emphasized the partisan differences among Democrats, Republicans, and Progressives, and focussed, instead, upon underlying policy axioms.

The American ideal

Franklin Roosevelt began his 1928 *Foreign Affairs* essay by defending the notion that the United States has a unique role to play in world affairs, a view, he charged, that had been abandoned by the previous decade of American Presidents. "An analysis of our own history," FDR wrote, "disproves the accusation that this selfish spirit is the real American spirit. In the debates during the war of the Revolution and in the long discussions immediately preceding the adoption of the Constitution, it was plain that careful thought was being given to every conceivable form of government, in the hope that what the United States finally adopted might serve as a pattern for other peoples, especially in regard to the spirit that should govern the relations of one state with another. The words of the Declaration of Independence itself invoke a "decent respect to the opinions of mankind."

"Through more than 20 years of turmoil following the French Revolution, our course was a pacific one, marked by a growing understanding of the old-fashioned evils of privateering, impressment and interference with neutral commerce by belligerents," wrote FDR. "After the general peace of



President Franklin D. Roosevelt (left) with British Prime Minister Winston Churchill, at Yalta, Feb. 4, 1945. The conflict between the two men over postwar economic policy expressed the centuries-long fight between the British System of imperial looting, and the American System of dirigistic promotion of industrial and scientific-technological development.

1815, the newly won independence of the Central and South American nations provided frequent opportunities for reconquest and disturbance; our response was the Monroe Doctrine, a policy aimed not only at self-protection but, in the larger sense, at continental peace. Promulgated by a Democratic administration, it was our counter-move against the desperate attempt of the Holy Alliance to curb the rise of liberalism by interfering in the internal affairs of government and by crushing revolting colonies desirous of setting up democracies. Here again, the thought of America was not solely selfish, but was influenced by an ideal.”

The 20th-century retreat

FDR’s brief historical account next focussed on the 20th century, and he returned, at greater length, to the folly of “Dollar Diplomacy.” He especially scored the William Howard Taft administration, citing Taft’s deployment of U.S. Marines to Honduras and Nicaragua “as a very definite part of a banking deal”; and the Panama Canal Tolls legislation, which constituted “a definite breach of an existing treaty.” Speaking as a Democratic partisan, FDR chose to treat President Woodrow Wilson’s reversion to the same kind of imperial gunboat diplomacy, in the last two years of his Presidency, as an unfortunate deviation from the higher-minded policies reflected in Wilson’s sponsorship of the League of Nations.

FDR pointed out that, even where American unilateral military occupations had incorporated infrastructure develop-

ment and other material improvements, “we seem to have paid too little attention to making the citizens of these states more capable of reassuming the control of their own governments.” He then questioned, sardonically, “But we have done a fine piece of material work, and the world ought to thank us. But does it?” He answered: “The other republics of the Americas do not thank us, on the contrary they disapprove our intervention almost unanimously. By what right, they say, other than the right of main force, does the United States arrogate unto itself the privilege of intervening alone in the internal affairs of another Sovereign Republic?”

“The net result of these instances, and recently of the far less justified intervention in Nicaragua, is that never before in our history have we had fewer friends in the Western Hemisphere than we have today. . . . In the sixteen Republics of Central and South America the United States Government by its recent policies has allowed a dislike and mistrust of long standing to grow into something like positive hate and fear.”

At this point, Roosevelt spelled out the principles that he would pursue, once he took the oath of office as President of the United States five years later. “The time has come,” he wrote, “when we must accept not only certain facts but many new principles of higher law, a newer and better standard in international relations. We are exceedingly jealous of our own sovereignty and it is only right that we should respect a similar feeling among other nations. The peoples of the other Republics of this Western world are just as patriotic, just as proud

of their sovereignty. Many of these nations are large, wealthy and highly civilized. The peace, the security, the integrity, the independence of every one of the American Republics is of interest to all the others, not to the United States alone.”

Roosevelt spoke next of the looming crises that would beset the nations of the hemisphere. “It is possible that in the days to come one of our sister nations may fall upon evil days; disorder and bad government may require that a helping hand be given her citizens as a matter of temporary necessity to bring back order and stability. In that event it is not the right or the duty of the United States to intervene alone. It is rather the duty of the United States to associate with itself other American Republics, to give intelligent joint study to the problem, and, if the conditions warrant, to offer the helping hand or hands in the name of the Americas. Single-handed intervention by us in the internal affairs of other nations must end; with the cooperation of others we shall have more order in this hemisphere and less dislike.”

Roosevelt concluded his essay on an optimistic note: “In the simplest terms, this is the argument for a policy different from that of the past nine years. . . . The time is ripe to start another chapter. On that new page there is much that should be written in the spirit of our forebears. If the leadership is right—or, more truly, if the spirit behind it is great—the United States can regain the world’s trust and friendship and become again of service. We can point the way once more to the reducing of armaments; we can cooperate officially and whole-heartedly with every agency that studies and works to relieve the common ills of mankind; and we can for all time renounce the practice of arbitrary intervention in the home affairs of our neighbors. It is the spirit, sir, which matters.”

FDR in office

In his March 4, 1933 first inaugural address, President Franklin Roosevelt addressed almost exclusively the issues related to the Great Depression and its impact on the citizenry of the United States. But, six weeks later, on Pan American Day, FDR delivered his first major foreign policy address on his new vision for the Western Hemisphere. He restated, in no uncertain terms, the right of every republic of the Americas to maintain independence against aggression “in this hemisphere by any non-American power.” But, he went on to emphasize to our hemispheric neighbors, “Your Americanism and mine must be a structure built of confidence, cemented by sympathy, which recognizes only equality and fraternity.”

These fine words were put into the concrete language of a new hemispheric charter at the Montevideo Inter-American Conference of December 1933. Roosevelt dispatched Secretary of State Cordell Hull on a 6,000-mile ocean voyage to deliver his firm commitments to overturn TR’s Roosevelt Corollary. The resolution, signed at Montevideo and ratified by the U.S. Congress on June 29, 1934, stated, in Article 8, “No state has the right to intervene in the internal or external affairs of another.”

Roosevelt was keenly aware that, as the result of the “Dollar Diplomacy” of the pre-World War I period, European aggressors had been able to establish beach-heads in the Western Hemisphere for wartime operations against the United States. By no later than 1936, FDR was convinced that war against Hitler was inevitable, and that the United States would be unable to sit on the sidelines as the European powers fought.

Commitments to mutual respect and equal sovereignty were necessary but not sufficient to ward off the danger of a repeat of German penetration of Central and South America—and even of Mexico. Acts of Congress, like the Johnson Act of 1934, had restricted the ability of the United States to make credits available to the countries of the hemisphere, facing default, and dire economic crises. Roosevelt launched a series of initiatives, including the issuing of Export-Import Bank credits and loan guarantees, and other state-to-state credits, to ensure a modicum of economic and social stability, even as he battled to bring the United States out of the Great Depression.

It was Roosevelt’s growing recognition that there is a vital economic dimension to true national sovereignty, that led him to sponsor the 1944 Bretton Woods conference, where efforts were launched to create a stable world monetary and financial system—based on cooperation among participating states, not on the basis of a permanent international bureaucracy, serving the whims of private banking interests.

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The Lautenbach Plan for economic recovery

by Helga Zepp-LaRouche

In a speech on Feb. 22, 1998, Helga Zepp-LaRouche, founder of the Schiller Institute, discussed Dr. Wilhelm Lautenbach's economic program for getting Germany out of the Depression of the 1930s. EIR will publish the full text of her speech next week.

. . . I want to refer to the economic policy debate in Germany at the beginning of the 1930s. I do not make a comparison to the 1930s because I say that this crisis is like that of the '30s; it is quite different. But, I raise it, because it is connected to the question of what to do under conditions of a depression and a financial crisis.

Recently, in 1991, the transcript of a secret conference of the Friedrich List Society of 1931, was published. The issue was how to boost the economy under conditions of a world economic crisis. Among the participants in this conference was the president of the Reichsbank, Dr. Luther, and 30 leading economists and bankers.

And, a person who is not very well known, but deserves to be better known, Dr. Wilhelm Lautenbach, wrote a memorandum for this conference, the title of which was "The Possibilities of Boosting Economic Activities by Means of Investment and Expansion of Credit," in which he said, "The natural course for overcoming an economic and financial emergency is not to limit economic activity, but to increase it."

He pointed out that there are two different kinds of emergency situations. One, is war, earthquakes, other national catastrophes. And then there's a second type of crisis, which is economic and international, emergencies with international dimensions.

In such situations, it would be clear that more should be produced. But, if you only follow the laws of the market, this is not possible, because, in the second case, of a collapse of the financial system, you have a paradoxical situation, where, despite the fact that production already is collapsing, the demand is less than the supply. And this then leads to a tendency to decrease production even more.

If the government then adopts a program of deflation, it will tend to cut the deficit by cutting the state's expenditures, cutting prices and wages, restricting credit, and so forth and so on.

Lautenbach says that it is impossible to reduce taxes under these conditions, because the tax base is already reduced. And

all such deflationary measures produce new and large losses of capital for the individual entrepreneur in commerce and industry. It makes them uncompetitive and insolvent, and it causes a reduction of production, and layoffs. It also leads to a deterioration of the banks.

Now, it is exactly this wrong approach which is presently taken by Maastricht, by the European Union, by the IMF, by the whole effort to package and solve this crisis, and not only in Southeast Asia, but in Russia, everywhere. This wrong idea.

The reduction of public expenditures is doubly counter-productive, since the public contracts and mass purchasing powers are further reduced. It leads to a collapse of production, and an increase of unemployment. And it is a downward spiral, which becomes worse and worse, and there is no bottom.

Therefore, Lautenbach says that the deflationary policy will inevitably lead to a complete economic and political catastrophe. But there is a paradox, because in a depression, you have unused productive capacities and unemployed labor. And therefore, the problem is very simple to solve: The state must intervene, and create new national economic demand. The only precondition is that it must be something necessary to the economy, which represents a value increase, and it must be something which would have been done anyway, if the crisis had not existed.

Now, Lautenbach says that since the long-term capital is available neither from foreign markets nor from the domestic market, how can you finance it, if the capital markets simply do not give you the ability to do this?

Well, then it has to occur through a national bank, because liquidity is just a technical question. It's just an organizational issue: Liquidity immediately exists, if it is backed up by the authority of the state. And again, these projects are not inflationary, because they represent real economic capital formation. They create real economic value. And, because they have a productive multiplier effect, the rate of production is growing at a faster rate than the rate of credit expansion.

So basically, by means of such an investment in credit policy, the disposition of supply and demand on the domestic market will be increased, and the total production, once again, has a direction and a goal. Lautenbach says, "If we neglect to undertake such a policy, we will inevitably be heading in the direction of continuing economic disintegration, and a complete disruption of our national economy, and come into a condition where, in order to avoid a catastrophe, one will be compelled to undertake a strong increase of new, short-term public debt, but that will then only be for consumptive purposes, while today we have the instruments, the means for utilizing this credit for productive tasks."

So, obviously, had the Lautenbach Plan been implemented, the economic conditions which enabled the Nazis to come to power two years later, would have been eliminated. . . .

Friedrich List and the American System of political economy

by Michael Liebig

The following is the edited text of a speech delivered on Feb. 22.

Let me give you a sketch of the economist Friedrich List, whom I would situate in the following way. Were a student in the 21st century to ask, “What are the really indispensable writings for a student of economics?” his professor would, I believe, tell him the following:

First, in the 17th century, in the 1670s, Gottfried Wilhelm Leibniz’s economic-political or physical-economic manuscripts. Second, at the end of the 18th century, in the 1790s, Alexander Hamilton’s three reports [on Manufactures, on a National Bank, and on Credit]. Third, in the 19th century, the writings, from the 1820s to the 1840s, of Friedrich List, and, from the 1840s to the 1860s, those of Henry Carey. And fourth, in the 20th century, beginning in the 1970s, the economic writings of Lyndon H. LaRouche, Jr., as typified by his economics textbook, *So, You Wish to Know All About Economics?*

I will focus on one of these five essential authors in the history of economic science: Friedrich List. I begin with a quote from List in 1845: “Rather will the presently ruling Chinese dynasty, the whole system of the Mandarins, collapse, than that 300 million Chinese will remain idly inactive as the British continue their work of economic destruction in China. Most probably, rather soon, the pauperized millions of China, pauperized by British free-trade policies, are going to assault the British ‘red-haired barbarians.’ I foresee more than one big bloodbath. But one thing is certain: Rather soon, this whole Chinese free-trade experiment of the British, is going to blow up like an overheated steam engine.”

Friedrich List, you have to understand, is someone who, in his famous Philadelphia Speech [before the Pennsylvania Society for the Promotion of Manufacture and the Mechanic Arts] of 1827, said, “I herewith declare war against the system of Adam Smith on behalf of the American System of political economy.” And so, it is not at all surprising, that his works were intensively studied in China, one of the main targets of the British Empire’s economic imperialism. List’s main work, *The National System of Political Economy*, was translated into Chinese in the 1920s, by Professor Wang Kai-hua. I have his dissertation here, which Wang Kai-hua wrote in 1926 at the University of Tübingen, before his translation of

List’s *National System* was published in China in 1928. The dissertation is titled “The Importance of List’s Economic Theory for China.”

List’s “declaration of war” was directed against Adam Smith, the author of *The Wealth of Nations*, a book which has been used as the primary propaganda tract, defining in rather crude, pseudo-scientific fashion, the key paradigms in what is called liberal or neo-liberal economic theory. Now, I want to assert that anyone who has ever read Smith’s tract, will verify that it’s a very painful experience. Smith’s book is exceptionally intellectually *unexciting*. Actually, you can’t help thinking that if neo-liberals were forced to read, full length, *The Wealth of Nations*, maybe they would convert to some other economic theory on the spot.

Adam Smith’s ideological constructs

I don’t want to discuss extensively the core myths of Smith’s book, but let me just mention them: the mystical triad of capital, labor, and landed property, which generates, automatically as it were, capital gain, surplus work, ground rent. It’s all totally confused: Capital sometimes is physical capital, tools or raw materials, and sometimes it’s “savings,” bullion, money capital. Work exists as only *manual* labor, as muscle work, with a bit of skill derived from experience. That’s very important. *The Wealth of Nations* was published, interestingly, in 1776, and a key aspect of it, is that it has a whole section denouncing American aspirations for independence and for in-depth economic development. Smith argues passionately that the American colonies must remain purely agricultural and raw materials producers.

There is also not one mention of the steam engine in Smith’s book, which supposedly is the crowning theoretical work of the Industrial Revolution. It is asserted, that Adam Smith is the man who intellectually developed the concept of the division of labor, microeconomically and macroeconomically. Some people get euphoric about his description of the production steps in making needles, but there is nothing original in that. The division of labor was already a conceptual point for the Greeks, for the Romans, and in the Middle Ages, in Renaissance manufactures. There was nothing intellectually special about the “division of labor,” at a time when in Scotland and England, James Watt’s steam engines had been in operation for some years. So, to pronounce Smith’s utter-



Economist Friedrich List (1789-1846): “I herewith declare war against the system of Adam Smith on behalf of the American System of political economy.”

ances about the “division of labor” as the basis for the Industrial Revolution, is, strictly speaking, ridiculous. *The Wealth of Nations* contains one entire lengthy paragraph, in which Smith polemicizes against the use of advanced, expensive machinery. He calls instead for the use of very simple, inexpensive machines, combined with an increased exploitation of manual labor.

Adam Smith’s second ideological convolute includes “free trade,” the “magic of the marketplace,” and the “invisible hand.” He asserts that the human mind is axiomatically incapable of generating and designing rational policies in the field of economics: “The sovereign is completely discharged from a duty, which in the attempting to perform he must always be exposed to innumerable illusions, and for the proper performance of which no human wisdom or knowledge could ever be sufficient, the duty of superintending of industry of private people and of directing it towards the employments most suitable in the interest of society.” Smith makes great elaborations on what he calls the human “propensity to exchange,” according to the principle of “buy cheap, sell dear,” as the alleged source of all wealth. But there exists no sense

of the intellectual and material generation of wealth, the scientific-technological production process, in Smith’s writings.

It is one of the revealing aspects of Karl Marx, that he gives so much intellectual credence to this man. Marx claims that Smith was so courageous as to proclaim that there is some sort of “falling rate of profit” inherent in the capitalist system, as defined by the British liberal economists. In reality, Smith refers to this only very vaguely and indirectly. It was David Ricardo who developed that concept of the falling rate of profit — a concept which is correct, provided that you eliminate the notion of scientific-technological revolutions from economic theory. For real economic science, however, scientific-technological progress is the very essence of the economy.

I do not want to indulge any further in Adam Smith’s theoretical assertions. The point I want to make, is simply this: Friedrich List represents a frontal intellectual attack against Adam Smith. List’s attack culminates in the point, that Adam Smith is not science, but propaganda, ideology — an ideology, moreover, which the British oligarchy never deemed fit for domestic use, at least not until Maggie Thatcher and John Major. It’s for export only, so that other peoples are forced to accept this economic ideology. Smith’s system is “not to enlighten nations, but to confuse them for the benefit of his own country,” wrote List to Charles Ingersoll.

List’s economic theory

Now let me sketch out, in four points, some core notions of Friedrich List’s economic theory. First: Economics is political economy. Economics is concerned with shaping, directing economic processes; it is concerned with economic development. The most efficient theory of economic development is the American System of political economy. The main writing of the young List, was his *Outlines on American Political Economy*, written in the summer of 1827 in the United States. List had been exiled from Germany in 1824; he remained in the United States from 1824 to 1832. He became a U.S. citizen, and then he returned to Germany, not just as an American, but as the American Consul, first to the city of Hamburg, which refused to accredit him, and then he became the American Consul in the city of Leipzig.

List is concerned, really, with only one basic theme: understanding and defining policies to promote economic, social, and cultural development. The notion of economic development is the core question, which he counterposes to what he calls the “theory of exchange value,” typified by Adam Smith. And the context in which economic development takes place, for List, is the nation-state.

Second, against Adam Smith’s ideological triad of capital, labor, and landed property, List counterposes the notion of *productive forces*. List himself acknowledges that he adopted this notion of productive forces from Alexander Hamilton, who uses this in his 1791 *Report on the Subject of Manufactures*.

The primary productive force in economic development is what List calls the “capital of mind.” His notion of capital

of mind, addresses the double nature of economics, as he saw it: the mental idea-generating process, micro- and macroeconomically, and a physical-economic process, in terms of technology and production. (Today, we can understand and design economic development processes, in terms of the physical-economic constraints, as defined by the theoretical work of LaRouche in economics.)

Capital of mind is, primarily, human individual creativity, and derives from this “engagement” or commitment, or entrepreneurship in a true sense. For List, one cannot separate intellectual capacity and “character,” the moral fabric of a person. Creativity and character are situated within a cultural-religious matrix, in a given stage of social, economic, and political development.

Third, is the question of social organization, the subjective and objective condition of the state, the republican nation-state being its most advanced form. The state is the prime vehicle of social-economic development. List is not just for *protectionism* of the national economy, in the sense of “protecting” a developing domestic economy or newly developing sectors within it, through tariffs. List is for *dirigism*, namely, directing, steering the economy towards maximum social-economic and cultural development. List endorses dirigism in a sense which has absolutely nothing to do with the so-called Soviet model of administrative “central planning.” Dirigism is a mode of economic planning that gives *strategic*, qualitative direction, and stays out of the tactical, quantitative specifics.

Today, List’s dirigism should be called “*indicative planning*.” Let me explain that briefly. The notion of indicative planning was coined in France, under its postwar national Planning Commission, which reached its high-point in the years under General de Gaulle. The Planning Commission included between 300 and 400 economic specialists, who would define the strategic directions in which the economy would go. They would say, “These technologies, these areas of the economy are to be promoted. These infrastructure projects have to be promoted.” So, this planning body was defining strategic, qualitative tasks. But, the planning agency would never go into any operational specifics and microeconomic details, such as, “We’ll allocate so much money, to that enterprise, for this output quota, for this level of employment, within this period of time,” and so forth. That would be left to private entrepreneurs, their initiative, their willingness to take risks. But they could count on cheap credits, state orders, tax rebates, etc. So, they would be strongly “encouraged” by the state’s fiscal policies, by its credit-generation policies, by its military and infrastructure policies.

The role of technology in economic development

The other crucial question in debunking Adam Smith’s “liberal” economic ideology, is that of *technology*. List’s thinking on technology, as a crucially important subject of economic science, was based on a tradition, which really began

with Leibniz, even though we have no indication that List had studied Leibniz’s economic writings. A notion of technology did exist on the European continent before then, through the cameralist tradition, and List had received a basic training in cameralism. From his youth on, List admired the Colbertist tradition in France. List was strongly influenced by Alexander Hamilton, and, to a significant extent, Mathew Carey, the father of Henry Carey, who was a personal friend of List.

It was List who, based on Hamilton, first systematically introduced the question of new “basic technologies,” which introduce a drive, a stimulation for overall economic development, catalyzing economic growth. List had, for example, an understanding of the central role of the machine-tool sector. The machine-tool sector is, so to speak, the mother of the other industries. It has a singular role in the economy. And, along with the notion of technology—and I think here we surely do come to a central conceptual breakthrough point for List—comes his understanding of the role of infrastructure, and of *railways* in particular.

List summarized the notions of productive forces, capital of mind, protectionism, dirigism, technology, and infrastructure, in what he called the “Law of the Confederation of Productive Forces.” Even today, you can recognize, in our conditions of global physical-economic decay, which countries have pursued economic policies congruent with the “Law of the Confederation of Productive Forces.” Just ask, where are the centers of the machine-tool industry? Where are the most advanced “hard” and “soft” infrastructures located, and where are the most advanced technologies developed? The answer is, in countries that have or had adapted the American System/Friedrich List approach.

Let’s proceed to the question of infrastructure and railways. List’s main text in this regard, is his 1841 *The National System of Political Economy*. This is one of his three main works, the other two being his *Outlines of American Political Economy*, which I mentioned previously, and *The Natural System of Political Economy*, written in Paris in 1837.

Before we proceed, however, let’s see how List handles the notion of value. List doesn’t use the notion of “parity price,” as that is defined by LaRouche. Rather, List would speak about the real costs of production. Here we come to an important point, which is implicit in List, but which LaRouche has developed further. The real cost of production can not be looked at on a micro-economic level. You have to always look at it in macro-economic, total-economy terms, or, in German, you would say the *volkswirtschaftliche* level. Economic value must be situated in respect to the total economy, in terms of the transfinite growth and development potential of the economy. Only in this setting can you define the real production costs.

I think this “real value” issue is very relevant. The parity price per unit of output, the real production costs, is based on: 1) Capital costs in terms of the physical equipment, and secondarily, the financial costs for acquiring it. 2) Labor costs, in the sense of working family reproduction costs, in terms of

standard of living, and equally in terms of culture and education. 3) Included in the costs of any unit of output is a factor of tax. But, what represents the tax factor in the production cost of a product? The tax share per unit, to a large degree, at least, represents the costs utilizing the public infrastructure. It covers, largely, the cost of building and maintaining the “hard” infrastructure as well as the “soft” infrastructure. 4) The real production costs must include a profit factor. But, again, profit not only in micro-economic terms. The profit factor must be derived from, and directed towards—“reinvested” into—the real potential, in physical-economic terms, for a transfinite expansion of physical-economic reproduction.

This is a relevant point, because much of what has happened in the age of globalization has been *primitive accumulation*, to use the LaRouche expression. Primitive accumulation means cheating on the real production costs as just defined. You cheat on the real capital costs, in terms of what would be the best and technologically most advanced machinery available. And especially, you cheat on the labor costs. But the most intense error, I would say, is cheating on the infrastructure costs. When people say, “Taxes are too high. Cut the taxes!” the reality is that they want to cheat on the objective costs of production, as represented by the infrastructure. Obviously, cheating on the real production costs, making prices, which are not parity prices, means that there is no real profit, guaranteeing transfinite physical-economic reproduction, even though your business might seem very profitable.

List, the railway builder

And now, to the railways. While List was in the United States, he didn’t just edit the *Reading Adler*, a newspaper partly in the German, partly in the English language. And he did not just write works on economic theory. List was engaged, including using his personal money, in building one of the first railway lines in the United States, the Little Schuylkill Railway. The rail line connected the coal mines north of Reading with Philadelphia, and the Atlantic Coast industrial centers. The work on the rail line started in 1827, and it opened in 1832. He had been in London for a few weeks back in 1823, where he made connections with friends of Mathew Carey. In London, List saw railways in operation for the first time, and was immediately fascinated, realizing the enormous potential of steam locomotives in building *transportation systems*. From London, List went on to France, where he met with the famous American Revolutionary hero, the Marquis de Lafayette, who became his fatherly friend.

List had worked very intensively on the Little Schuylkill Railway, but it must be noted that early on, he was not so much interested in a rail line, as in a rail network, a national rail transportation system. When List returned to Germany, in 1833 he designed his plan for a German railway system, centered on Leipzig. If you look at the German railway system today, you will see that List immediately had the right infrastructural sense of economic geography. List designated what

the main railway axes should be, and indeed, those *are* the major railway lines in Germany today.

List was, of course, detested and feared by his British enemies. The current internationally leading academic expert on List is Prof. Eugen Wendler of the Reutlingen Technical College for Economics and Transport. Professor Wendler has recently edited a very interesting book, which details the slanders against List in the pages of the London *Economist* and the London *Times* during 1846–47 period. The London *Economist* wrote: “Manufacturers in Germany have been brought into a singular state of excitement, from the appearance of what is called ‘national system of political economy,’ by a Dr. List.” The *Economist* calls him a “great agitator,” whose system “is a cry for protective duties, this naked selfishness, which received a patriotic garb from that man of letters, List.” His system “is built on lies and sophisms, denying the experience of centuries. Yet, he pressed upon the lie the color of truth, and upon truth the color of deception.” And the London *Times*, also in 1847, wrote: “We have seldom thought it worthwhile to refer to the speculation of German writers on commercial questions, who, following the steps of poor Dr. List, have succeeded in disseminating throughout a large part of Germany the most erroneous and absurd notions of economic policy in this country.”

List’s Eurasian rail project

Now let’s move from his American and German railway designs, to his transcontinental, Eurasian railway plans. List published articles in the *Leipzig Eisenbahn Journal (Railway Journal)*, which was a rather popular magazine promoting the idea of railways, their overall economic use, and their political and military importance. In 1846, he developed his transcontinental railway plans, which were mainly based on his discussions with the inspector-general of the Austrian railway system. The plan of an Eurasian railway line is contained in the memorandum, “The Railway Line from Ostende to Bombay” (Ostende is a harbor on the Belgian coast). List wrote that the railway line from Ostende to Bombay, should go via Frankfurt, Munich, Hungary, and through the Balkans to Constantinople (Istanbul) in Turkey. “We should have a parallel line from Munich, across the Alps, to Trieste, along the Dalmatian Coast, and then to Constantinople. Either there, the two lines unite, or go parallel to southern and northern Turkey along the Euphrates, until the mouth of Euphrates. It should continue along the Persian coastline, and end in Bombay.” From there, it could be expanded further into South Asia and China. “People should realize, that the distance from Ostende to Bombay could be covered in 10 days.” That’s what List’s prognosis was, in 1846. “A steamship will need 40 days, a clipper will take 100 to 120 days. So, people should realize the great economic advantage of going to such a Eurasian railway line.”

List later took up his plan for the “Ostende-Bombay rail line,” in a memorandum which he wrote when he was in Britain in the summer of 1846, three months before his death.

In Britain, List met Prince Albert, Queen Victoria's husband, Viscount Palmerston, and Sir Robert Peel, and presented them with his memorandum, titled "Politics of the Future." It says the following: "The days are numbered, in which Britain will be able to preserve its global economic and trade supremacy. Already now, the United States of America are passing Britain in economic and trade power. The productive forces of the U.S. are growing geometrically, the British are growing only arithmetically. The time of British supremacy on the sea, and in world trade, is coming to an end, and Britain has only two choices. Number one, a war against the United States, leading to the dismemberment of the United States; or, secondly, a radical change in Britain's economic policy, turning away from free trade, and accepting protectionism as the natural way for other nations to develop economically, and understanding that protectionism does not contain the volume of trade, as protectionism allows internal economic development, in spite of protectionism, the volume of trade will grow. Britain can only have a future, if it realizes the significance of the two new revolutionary means of communication, number one, railway, and number two, the telegraph, the electric telegraph. A key aspect for Britain, given its vast reservoir of capital, would be not only to accept but to support the project of a European-Asiatic Railway line, comparable to what the United States is presently committed to, the project of a railway connection between the Atlantic Coast and the Pacific Coast, as well as the coast of the Gulf of Mexico."

Not surprisingly, Peel and Palmerston rejected the memorandum. But probably, they recognized even more vividly, what they had known before: that List was indeed a very dangerous man. List returned to Germany as a physical and psychological wreck—inexplicably. And, three months after his return from London, he committed suicide, which is a mystery not resolved up to this day. Something must have happened to him during those six weeks in London.

The continuity of List's influence

You can easily recognize that List's 1846 outline on the Eurasian railway line, is very pertinent today. Some 60 years after List's plan, the Berlin-to-Baghdad Railway line project was being realized. The Baghdad Railway became one of the geopolitical triggers for the British establishment deciding to launch World War I. But naturally, List's "Ostende-Bombay" rail plan is also very pertinent to today's Eurasian Land-Bridge policy.

So, I hope that, with this sketch, I have given you a certain idea of some of List's core ideas and concepts. It has already been mentioned at this seminar, that in Germany, Chancellor Bismarck turned towards a Listian policy of protectionism and dirigism in the 1870s, and that this Listian policy played a key role, through Emil and Walter Rathenau, before, during, and following World War I. During the world economic crisis of 1929-33, List's economic thinking played an important role in the economic policy deliberations of the Friedrich

List Society in Germany. Helga Zepp-LaRouche lectured this morning about the plan by Professor Lautenbach for national bank-style "productive credit generation," presented at a secret seminar of Germany's banking and business elite, which was sponsored by the Friedrich List Society in September 1931. And, naturally, the postwar reconstruction policies by Germany's Chancellor Konrad Adenauer, and by France's Charles de Gaulle were, directly or indirectly, very much influenced by List's thinking, in the same way as the American System of the Hamilton-List-Carey tradition has provided the basis, not just for Lincoln's economic policy, but also, in the 20th century, for Franklin Roosevelt's policy.

In India, List had enormous influence upon the first generation of the Congress Party leaders. Recently, a very interesting essay was published on the subject of List's influence on the Congress Party's economic thinking at the turn of the century and into the 1920s. The essay is authored by Professor Brahmananda, a leading Indian economist whom Mr. LaRouche has met with. And, as I said, List's *National System* was republished in Chinese in the mid-1980s. Naturally, in Japan, ever since the late 19th century, there has existed great interest in List's economic theory and policy.

So, to return to what I said at the beginning, in terms of the really essential, indispensable contributions over the last 400 years in economic science, I hope I have given you some idea why Friedrich List is indeed mandatory reading.

If You Thought Adam Smith Is The Founding Father of America's Economic Strength—

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—Friedrich List to Charles J. Ingersoll,
July 10, 1827

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How the KKK got into the U.S. Justice Department

by Anton Chaitkin

April 4, 1998 marks an extraordinary double anniversary, one that highlights the still-ongoing struggle between two irreconcilable traditions in American life. One is a tradition of the American ideal at its best: the tradition of the Lincoln revolution, as it was carried forward in the twentieth century, by America's greatest civil rights leader, Dr. Martin Luther King, Jr.

The other tradition is that of British-sponsored anti-American treason, personified by the Confederate General, Southern Jurisdiction Scottish Rite Mason, and Ku Klux Klan founder, Albert Pike. The Pike legacy still exists today, under various guises: the FBI of the J. Edgar Hoover tradition, which is engaged in a racist campaign of frame-ups against African-American elected officials all across America; and the radical jacobinism of Black Nationalism, which came to the fore as the result of Dr. King's assassination, and which parades today under the banner of a "rainbow coalition."

Nobody can fully appreciate the still-unfolding struggle over the American ideal, without knowing the essentials of the struggle between the two, contending forces represented by Martin Luther King and Albert Pike.

It is, therefore, no small irony that April 4, 1998 marks the 30th anniversary of the assassination of Dr. King, and also the 100th anniversary of the U.S. Congress's treacherous passage of a bill authorizing the erection of a statue, on Federal government property in Washington, D.C., of the traitor Albert Pike.

King and the Lincoln tradition

President Abraham Lincoln's policies were responsible for making the United States into the world's greatest industrial power. He reversed the "free trade" doctrines by which the London-allied opponents of the American Revolution had expanded slavery, to the detriment of American industrial power. He introduced high tariffs to foster steel mills, government financing of railroad construction, free land and education to create independent, scientific farmers.

Martin Luther King was firmly rooted in this tradition. He pointed out, for example, how the advance of human rights depends on technological and economic progress:



Two statues, and a double anniversary, exemplify the clash between oligarchical and republican factions in America. Left: Dr. Martin Luther King, Jr. (seated, second from right) at the Lincoln Memorial, during the 1963 March on Washington. Right: Author Anton Chaitkin addresses a demonstration against the Pike statue in Washington, D.C., Oct. 7, 1992.

“Many of the problems that we are confronting in the South today grow out of the futile attempt of the white South to maintain a system of human values that came into being under a feudalistic plantation system and which cannot survive in a day of democratic egalitarianism.

“First, if the South is to grow economically it must continue to industrialize. We see signs [then, in the early 1960s] of this vigorous industrialization, with a concomitant urbanization, throughout every southern state. Day after day, the South is receiving new multimillion-dollar industries. With the growth of industry the folkways of white supremacy will gradually pass away.

“This growth of industry will also increase the purchasing power of the Negro, and this augmented purchasing power will result in improved medical care, greater educational opportunities, and more adequate housing. Each of these developments will result in a further weakening of segregation.”¹

1. Martin Luther King, speech at the National Press Club, Washington, D.C.,

King taught that this progress does not occur automatically, but only with the strongest economic intervention of representative government. He demanded that the nationalist, activist-government strategy which made America powerful, now be applied to lifting blacks out of poverty:

“At the very same time that America refused to give the Negro any land, through an act of Congress our government was giving away millions of acres of land in the West and the Midwest, which meant that it was willing to undergird its white peasants from Europe with an economic floor.

“But not only did they give the land, they built land grant colleges with government money to teach them how to farm. Not only that, they provided county agents to further their expertise in farming. Not only that, they provided low interest rates in order that they could mechanize their farms.

July 19, 1962. In James Melvin Washington, ed., *A Testament of Hope: The Essential Writings and Speeches of Martin Luther King, Jr.* (San Francisco: HarperCollins, 1986), p. 100.

“Not only that, today many of these people are receiving millions of dollars in federal subsidies not to farm, and they are the very people telling the black man that he ought to lift himself by his own bootstraps.”²

By contrast, “when the Negro migrated [northward, following the abolition of slavery], he was left to his own resources . . . herded into ghettos, left in unemployment, or subjected to gross exploitation within a context of searing discrimination.”³

What King taught, corresponds to what most Americans knew very well 100 years ago.

Pike: creation of the ‘indigenous’ KKK

Patriotic nationalists continued Lincoln’s economic program after the President’s 1865 murder. Post-Civil War Reconstruction regimes in several Southern states, led by freed black slaves and allied whites, began to put through measures of industrial and agricultural development.

But, the British and their allies in the former Confederacy struck back, using London’s *modus operandi* of creating “indigenous” insurgencies, to wield against their political enemies. This was the technique that Lord Palmerston perfected in the mid-nineteenth century: He deployed a veritable zoo of national, religious, and ethnic insurgencies, through agents such as Giuseppe Mazzini, the better to retain British global geopolitical control.⁴

After Lincoln’s death, a covert movement known as the Ku Klux Klan, beginning in 1867 in Tennessee, overturned the Reconstruction regimes with violence and riots, assassinating those loyal to the United States, torturing and killing black people who asserted rights which black and white Union soldiers had secured in the Civil War.

Many years later, when the criminals were no longer in danger of punishment for these crimes, some “inside stories” of the post-Civil War KKK were published, glorifying the Klan in order to re-create it in the twentieth century. A few years after a United States national monument had been erected in Albert Pike’s honor, the leading pro-KKK historian, Walter L. Fleming, disclosed and praised the kingpin role that Pike had played in the Klan’s terror spree against U.S. law.⁵ (An academic darling of the eastern Anglophile elite, Fleming was considered the pre-eminent historian of Southern Reconstruction.)

Pike was the KKK’s “chief judicial officer,” Fleming wrote; Pike thus ruled officially over the Klan’s internal disci-

plinary or counterintelligence department. In the KKK birth-state of Tennessee, Pike was the president of the Bar Association and publisher of the main racist newspaper.

But it was as “Sovereign Grand Commander” of the Scottish Rite, the recognized boss of the southern white freemasonic order, that Pike exercised the great clandestine power that welded the KKK together. Fleming cites Pike’s masonic colleagues and Klan co-founders as the main sources for his KKK history. Pike’s successor as Scottish Rite masonic Grand Commander, Congressman James Richardson, introduced the 1898 House resolution authorizing the Pike statue; Richardson had been Speaker of the Tennessee House of Representatives in the heyday of the Ku Klux Klan power in that state.

In defense of the Klan insurrection, Fleming writes that “the ex-Confederates . . . naturally [formed] secret associations . . . for self-defense.” Fleming then furnishes European precedents for Pike’s KKK: “the Carbonari of Italy, the Tugendbund and the Vehmgericht of Germany, the Klephts of Greece, Young Italy, the Nihilists of Russia, the Masonic order in most Catholic countries during the first half of the Nineteenth Century, Beati Paoli of Sicily, the Illuminati, etc.” Such groups are “textbook cases” of the British colonial and secret service tradition of manipulating “indigenous” people.

A Massachusetts tory, Pike went south to incite whites against the Union; he helped lead the Knights of the Golden Circle, which made armed, filibuster attacks against Mexico and Cuba, and organized the Southern secession. As a Confederate general during the Civil War, Pike was in charge of enticing American Indians to war on the United States; his atrocities and war crimes led to his arrest by the embarrassed Confederates, and an 1865 indictment by the United States for treason. Pike fled to Canada, remaining there under the protection of his British Empire sponsors until the heat was off.⁶

When Pike returned to the South, the old Knights of the Golden Circle logo was transmuted into the Knights of the Ku Klux Klan—the title taken from the Greek *kuklos*, or circle. Pike’s Arkansas indictment for war crimes against American soldiers was swept aside by the power of Pike’s own clandestine terrorist movement over the Southern justice system. Well known in European occult circles for his satanic writings, a sybarite of massive girth, Pike died in 1891.

A resumé of this quality, today, would surely qualify KKK founder Pike as a leader of contemporary movements such as the Chiapas “indigenous rebellion” against Mexico’s nationhood.

2. Martin Luther King, 1968 speech, tape recording played Feb. 10, 1998 on WGBH Boston’s “Frontline” program, entitled “The Two Nations of Black America,” show 1609; transcript available on Internet at: www.wgbh.org

3. Martin Luther King, Jr., *The Trumpet of Conscience* (New York: Harper & Row, 1967), p. 12.

4. “Lord Palmerston’s Multicultural Human Zoo,” *EIR*, April 15, 1994.

5. *Ku Klux Klan: Its Origin, Growth and Disbandment*, written and edited by Walter L. Fleming, incorporating earlier material by J.C. Lester and D.L. Wilson (New York and Washington: Neale Publishing Company, 1905).

6. While Pike was thus exiled, President Andrew Johnson declared, “It appears from evidence in the Bureau of Military Justice that the . . . murder of . . . Abraham Lincoln . . . [was] incited, concerted, and procured . . . between . . . Richmond, Va., and . . . rebels and traitors against the government of the United States harbored in Canada.”—Proclamation, May 2, 1865, *Messages and Papers of the Presidents* (Washington: Bureau of National Literature, 1897), Vol. VIII, p. 3,505. In the trial convened on May 9, 1865, the U.S. convicted seven persons of this international conspiracy to murder Lincoln; four were hanged.

The Pike statue and war with Spain

U.S. Rep. James Richardson, the masonic Grand Commander, introduced House Resolution 178 on March 10, 1898, to permit his Scottish Rite to erect on Federal property a huge memorial statue honoring Albert Pike, a mass murderer who had worked for several decades to overthrow America's laws and government. This outrageous initiative was timed to coincide with a racist war frenzy then being pushed by the faction promoting the Pike statue.

Twenty-three days earlier, on Feb. 15, 1898, the U.S. battleship *Maine* had been blown up in the harbor at Havana, Cuba, killing 260 men. This mysterious explosion has never been explained, but lurid headlines blamed the government of Spain, which still held Cuba as a colony.

At this time, the Boston tory/Wall Street banker/Southern Klan faction advocated Anglo-Saxon racial solidarity with imperial Britain, in line with Cecil Rhodes and the British Round Table's demand that America give up its silly Revolution. This Anglophile faction was co-sponsoring, with the British secret service, an anti-Spain insurgency in Cuba. Since the 1840s, the transatlantic anti-republic faction had procured wars and mercenary filibuster raids into Mexico, Central America, and Cuba, aimed at expanding the slave territory, and consolidating a Southern secession movement.

During the 1890s, these Anglophile traitors created and operated a new Cuban "revolutionary" movement, in the tradition of Pike's Knights of the Golden Circle. The nominal leader, José Martí, resided in New York City and was an activist in the insurrectionist networks of Lord Palmerston's masonic trained dog, Giuseppe Mazzini.

The sponsoring clique in the United States included:

- Sen. Henry Cabot Lodge, descendant and political heir of the tory anti-Union intriguer George Cabot;
- Assistant Secretary of the Navy Theodore Roosevelt. His beloved uncle and naval strategy adviser, James Dunwoody Bulloch, had been arrested as a masonic filibusterer in Havana harbor back in 1854. Bulloch advised nephew Teddy from London, where Bulloch was in exile for having arranged Britain's building of a pirate fleet of Confederate ships to attack U.S. commerce during the Civil War;
- The Scottish Rite masons and kindred masonic and British secret service circuits.

This Anglophile clique demanded that their pet Cuban revolutionaries be supported by U.S. troops in expelling Spain from Cuba. The object was neither an independent Cuban nation, nor expansion of the United States to include Cubans as American citizens. Rather, the Caribbean was to be subject to the imperial power of the London-New York banking axis, and to be a permanent adventurers' staging ground for subversion against the entire Western Hemisphere.

American patriots had always fought against these schemes. Abraham Lincoln had opposed the 1846-48 U.S.-Mexican war, and, as President, had aligned the United States with Mexico against the British-French invasion of 1861. Lincoln's nationalist successors, such as James Garfield (Presi-

dent in 1881) and William McKinley (President 1897-1901) were allied with Ibero-American nationalists and economic protectionists, against British free trade and British-backed irregular warfare.

We now present the chronology of the Pike statue project, and related developments, in the context of the power struggle then taking place.

On Feb. 15, 1898, the battleship *Maine* blew up.

On Feb. 25, President McKinley's Navy Secretary, John D. Long, took the afternoon off—a fatal mistake. Senator Lodge came to the Navy Department, to work with Assistant Secretary Teddy Roosevelt, who was Acting Secretary for the remaining three or four hours of the day. Using Roosevelt's temporary authority, the pair put the U.S. Navy on a war footing, sending telegrams and cables to all ships at sea, to consuls, to Navy yards and factories. They ordered ammunition, called on Congress to authorize sailors' enlistment, and ordered the European, South Atlantic, and Pacific squadrons to prepare for battle positioning. The cable to clique-member Adm. George Dewey, ordering the redeployment of his Pacific Ocean battle fleet to prevent Spain's ships from leaving the Asian coast to defend the Spanish-owned Philippine Islands, was the final act, making war with Spain a virtual certainty.⁷

On March 10, 1898, while the country was gripped by "Anglo-Saxon" war fever, the Pike statue resolution was introduced in the House of Representatives. It was subsequently introduced in the Senate by Henry Moore Teller of Colorado, a member of the Supreme Council of Pike's Scottish Rite of Freemasonry, Southern Jurisdiction.

On March 31, 1898, Teddy Roosevelt wrote to British strategist James Bryce, exulting in his actions to reunify America with the British Empire:

"It will give me great pleasure to meet Mr. [George Macaulay] Trevelyan [British Mazziniite historian], not only because he is a friend of yours, but because of my admiration for his father [Sir George Otto Trevelyan, former British admiralty secretary]; and I shall like much to meet the Webbs [Fabian socialist leaders Sidney and Beatrice Webb] also.

"I have had a very busy time, but anxious only in the sense that I fear this nation will not do its duty. . . . We should drive Spain from the Western World. . . . I cordially sympathize with England's attitude in China, and I am glad to say that there seems to be a gradual coming together of the two peoples [Britain and America]. They certainly ought to come together."

7. A somewhat candid account of these actions is in Alden Hatch, *The Lodges of Massachusetts* (New York: Hawthorn Books, 1973), pp. 50-51. Naval Secretary Long also wrote at the time, "I find that Roosevelt, in his precipitate way, has come very near causing more of an explosion than happened to the *Maine*. . . . Having authority for that time of Acting Secretary, he immediately began to launch peremptory orders; distributing ships, ordering ammunition, which there is no means to move, to places where there is no means to store it. . . . He has gone at things like a bull in a china shop." Quoted in Henry F. Pringle, *Theodore Roosevelt, A Biography* (New York: Harcourt, Brace and Company, 1931), p. 178.

On April 4, 1898, the Pike statue was authorized by the House, and on April 5, by the Senate.

On April 11, 1898, President McKinley, who was resisting the intriguers' pressure to make war, asked Congress for authority to intervene in Cuba to establish peace between the government and the rebels. "It involves . . . hostile constraint upon both parties to the contest, as well to enforce a truce as to guide the eventual settlement," said the President's message.

The Scottish Rite's Senator Teller was a longtime partisan for the Cuban insurrection. Teller now introduced an amendment smoothing away remaining Senate opposition to war—it declared that the United States "disclaim[ed] any . . . intention to exercise jurisdiction or control over said island except for the pacification thereof—and a determination when that is accomplished to leave the government and control of the island to the people thereof." The Teller Amendment secured Senate passage of the declaration of war, April 25, 1898.

Teddy Roosevelt went to his Cuban war as a volunteer officer, and his newspaper friends puffed up his exploits into heroism. He was made the Vice Presidential running mate in McKinley's re-election bid in 1900. They were inaugurated in March 1901; six months later, McKinley was shot, just as his nationalist predecessors Lincoln and Garfield had been.

McKinley died on Sept. 14, 1901, and Theodore Roosevelt assumed the Presidency. This was a huge victory for the British, in their bid to regain control over the United States. Its impact is still being felt in America today.

Teddy Roosevelt's takeover occurred just in time for completion of the Albert Pike memorial statue, dedicated on Oct. 24, 1901. Two days later, the Scottish Rite Supreme Council were received in a body by the bullet-installed President Roosevelt, an ardent fellow mason. They went from the White House to the grave of Albert Pike for a celebration.⁸

The real story of the FBI

President Teddy Roosevelt set to work immediately to reverse Lincoln's nationalist policies; he created the Federal Bureau of Investigation as a coercive instrument for that purpose, as we shall document below.

Under Roosevelt, the nation was told that the western frontier was closed; that "conservation," rather than agro-industrial development, was the future. Government land was withdrawn from public use; steps were taken to overturn Lincoln's programs to create family farms, railroads, and mines. British-backed financier Edward H. Harriman illegally used vast land grants for speculation, with Roosevelt's blessing, then paid for Roosevelt's election in 1904. British-run financier J.P. Morgan seized control over the great industries—steel, electricity, railroads—that had been created by Lincoln's nationalists; Morgan's trusts were undisturbed by Teddy Roosevelt, despite his false "trust-buster" reputation.

8. James D. Carter, *History of the Supreme Council*, 33[], *Ancient and Accepted Scottish Rite of Freemasonry Southern Jurisdiction, U.S.A., 1891-1921* (Washington: Scottish Rite Supreme Council, 1971), pp. 152-157.

And, TR flouted U.S. laws calling for cooperation with Ibero-American nations, using Morgan's and Harriman's employees and agents for a proxy war that broke off the province of Panama from Colombia, to build a canal on terms pitting the United States against its southern neighbors.

Key to the creation of the FBI as a KKK police-state apparatus, was an operation to destroy Oregon's Sen. John H. Mitchell, an old Lincoln Republican, who led Congressional opposition to all Roosevelt's outrages, speaking out against the international banking syndicate running TR's policy.⁹

But Roosevelt got the U.S. Attorney in Oregon indicted, and his new special prosecutor, Francis J. Heney, aided by private detective William J. Burns and members of the Secret Service, were used to falsely prosecute Senator Mitchell and scores of Mitchell's political allies. A later government investigation disclosed the methods used to force witnesses to give false testimony and to pack juries with Mitchell's enemies in this politically motivated prosecution. These are among the reports to Roosevelt's agents on prospective jurors: "Convictor from the word go," "Socialist. Anti-Mitchell," "Would convict Christ," "He is apt to wish Mitchell hung."¹⁰

Mitchell was convicted of the "crime" of his law firm having accepted \$1,700 fees in aiding citizens to press claims to public land. He was defamed in the press. Congress understood itself now subject to Roosevelt's detectives, who were "to spy into the private lives of members . . . and to collect information to be held as a political club."¹¹ Mitchell found himself without defenders. He was politically destroyed, and died before he could appeal.

With such opposition out of the way, the time was now ripe for the creation of a permanent national secret police. On Dec. 17, 1906, Teddy Roosevelt shifted his Navy Secretary, Charles J. Bonaparte, to become Attorney General. Bonaparte told Congress that the Department of Justice must be given "a force of permanent police . . . under its control."

On May 27, 1908, Congress reacted by prohibiting all Executive departments from using Secret Service agents as policemen. Then on July 26, 1908, Attorney General Bonaparte, on Teddy Roosevelt's instructions, ordered the creation of an investigative agency within the Department of Justice; this later became known as the Federal Bureau of Investigation.

At issue here was the fundamental question, shall men be ruled by an unelected oligarchy, or shall self-government order society, in conformance with the dignity of every human being as in the image of God?

9. *Congressional Record*, June 7, 1902, p. 6,441 ff. See also Anton Chaitkin, *Treason in America* (New York: New Benjamin Franklin Publishing House, 1985), Chapter 18, "How Environmentalism Killed the American Frontier," pp. 513-517.

10. Report by President William H. Taft's Attorney General, George W. Wickersham, 1911, cited in Don Whitehead, *The FBI Story* (New York: Random House, 1956), pp. 18-19.

11. *Ibid.*, p. 19.

Charles Bonaparte was the grandson of Napoleon Bonaparte's brother Jerome, King of Westphalia. Napoleon had dissolved his brother's marriage, and Charles's Baltimore grandmother had spent the rest of her life desperately asserting the claim that Charles's father was of royal blood. Charles inherited the family's royal jewels, and, before Roosevelt brought him into the government, he used to ride each day to his investment house behind a liveried Negro groom, carrying a solid silver lunchbox. His brother, Jerome Napoleon Bonaparte, was an officer on the staff of Emperor Napoleon III, throughout the British-French invasion of Mexico and their joint support for the Confederate rebellion.

Charles was immersed in the society of Anglophiles and their London betters, in the belief that the American white rabble, immigrants, and Negroes had usurped control rightfully belonging to the aristocracy.

Teddy Roosevelt and Charles Bonaparte had united as activists in the Civil Service Reform League during the 1880s. Instigated by Lord James Bryce, this was the London-Boston-Wall Street-Confederate axis, promoting a "clean" permanent bureaucracy, chosen by the bankers and their news media, to administer government instead of the "corrupt" Constitutional system of elected officials and their appointed men. What Lord Bryce and his American followers most objected to were the urban political machines whose leaders fulfilled the needs of their voting constituents—Irish, German, and other immigrants who carried with them hostility to the British Empire and the demand for a better life; and freed blacks, who were still determined to avail themselves of Lincoln's reopening of the American Revolution.

Charles Bonaparte despised the spirit of the Constitution. He commented on due process of law: "Need anybody cry if an officer's revolver does now and then save our Courts the trouble of trying a burglar, and cut off his chance of 'burgling' again when released or escaped from prison?"

On the subject of the hanging of Negroes by mobs, he said: "I believe that very few innocent men are lynched, and, of those who have not committed the past offense for which they suffer, a still smaller proportion are decent members of society. It is, of course, an evil that the law should be occasionally enforced by lawless means, but it is, in my opinion, a great evil that it should be habitually duped and evaded by means formally lawful."¹²

Albert Pike's day had indeed come. A permanent anti-Constitutional bureaucracy and spy system had been established. This arrangement was sustained by the financier oligarchy, as witness the editorials of the *New York Times* (a newspaper which J.P. Morgan had recently moved under the

12. Bonaparte was nicknamed "Soup-house Charlie" because of his comments, echoing Britain's Thomas Malthus, condemning public education: "There is absolutely no difference in principle between a public soup-house and a public free school." Quotes are from David Stacton, *The Bonapartes* (New York: Simon and Schuster, 1966), p. 358. Most Bonaparte material has been furnished by researcher Judy Hodgkiss.

ownership of what became the Ochs-Sulzberger-Warburg family combination, that is, the present-day owners). Under the headline, "The Negro Question," the *Times* editorialized on May 1, 1899 on why lynching and the new laws ending blacks' right to vote were not so bad:

"[Foreigners are] shocked and amazed at the news of the outrages in Georgia [lynching Negroes]. . . . No language can be too severe for the condemnation of the inhuman spirit shown by the mob. . . . Nevertheless . . . it is not impossible to exaggerate the significance of the [commission] of these crimes. Much of what significance it has depends on comparison. If the awful cruelty is increasing, if it is excited by a

Need anybody cry if an officer's revolver does now and then save our Courts the trouble of trying a burglar, and cut off his chance of 'burgling' again when released or escaped from prison?

—Attorney General Charles Bonaparte,
who set up the FBI

greater variety of causes, or even if it is not decreasing, the meaning of it is [different] than it would be if it were . . . diminishing. It is not easy to make an accurate estimate of the probabilities in this direction, but we are inclined to think that they are in favor of improvement. Some of the latest cases reported have been of a more atrocious nature than ever before, but it is certain that they are occasioned by one particular offense or the belief in that offense. The general treatment of the negroes in the south has clearly improved. That they are deprived of the right of suffrage more completely than in the past is not to be defended, but that this is accomplished peacefully and not by violence is a gain." Other *New York Times* editorials called for ending black voting rights throughout the South; this was accomplished at that time through changes in state constitutions and the passage of "Jim Crow" laws.

When the Lincoln legacy led Congress in 1908 to try to stop the use of the Secret Service as spies, the *Times* editorialized: "It was the combination of 'land sharks' . . . that persuaded . . . the House to pass . . . the Amendment which . . . undoes the deterrent and detective labors of the Secret Service. . . . The Representatives have, however unwittingly, become the tools of thieves. The Senators are duly warned."¹³

Teddy Roosevelt's U.S. Attorney in New York, Henry L. Stimson, chimed in with a letter to Charles Bonaparte, complaining that "I should feel as if the fighting power of

13. *The FBI Story*, *op. cit.*, p. 20.

my office were almost crippled by such a statute.”¹⁴ Stimson typified the power structure then being assembled in and out of government. A Morgan-Harriman lawyer and later cabinet member, he was the patriarch of the Harriman and Bush family Yale secret society, Skull and Bones—a sponsoring center for the British-U.S. “special relationship” and its associated white supremacy doctrines.

Pro-KKK historian Walter Fleming reminisced in 1903 on the supposed necessity for the Klan in the South at the end of the Civil War, for suppressing blacks and those whites who were loyal to the United States: “The very need for such an organization in the disordered conditions of the time caused the Dens to begin to exercise the duties of a police patrol for regulating the conduct of thieving and impudent negroes and similar ‘loyal’ whites. . . .”¹⁵

Under President Teddy Roosevelt, a force similar to that post-Civil War KKK began to operate within the Federal government itself, though the Klan itself had died out. In 1915, President Woodrow Wilson launched the creation of a new Ku Klux Klan, by praising and showing in the White House the pro-Klan movie *Birth of a Nation*.¹⁶ Spreading from South to North with the mass circulation of the film the President had endorsed, the new KKK would grow to many millions of members.

Meanwhile, also in 1915, the Southern Scottish Rite Masons dedicated their new House of the Temple in Washington, D.C. Having moved their headquarters from South Carolina to the nation’s capital, they now celebrated their successful installation within the government they had fought to overthrow.

In later years, the body of Albert Pike would be interred inside one of the Temple’s walls. A few feet away, they built a complete replication of the office and desk of their second most honored member, FBI Director J. Edgar Hoover.¹⁷ So, today, visitors to the Temple may conveniently pay homage to the twin giants of Klan and Scottish Rite history, Pike and Hoover.¹⁸

J. Edgar Hoover’s war against King

Given Hoover’s link to the Pike tradition, it is no surprise to discover that, during the 1960s, Hoover’s FBI ran a guerilla war against Martin Luther King. FBI agents and paid traitors swarmed around King, assigned to find or manufac-

ture dirt that could bring him down. With constant wiretapping, Hoover fed leaks, lies, and gossip to the news media. The FBI coordinated this onslaught with the Klan faction in Southern police departments, and the pro-Hoover, anti-black faction—the Anti-Defamation League—within the Jewish community.

Hoover attacked with three main allegations: financial irregularities, communism, and sexual misconduct. The financial angle was ineffective and failed. The communism smear revolved around associates of King who were said to be communists, while Hoover knew quite well that King was no communist. The FBI slander has been kept for retailing by King’s opponents, who neither know nor particularly care what King stood for.

King wrote on the subject:

“In communism the individual ends up in subjection to the state. Man becomes hardly more, in communism, than a depersonalized cog in the turning wheel of the state. The popularity of communism, lay in the idealistic concern for social justice. With all its false assumptions and evil methods, communism grew as a protest against the hardships of the underprivileged. Communism in theory emphasized a classless society, and a concern for social justice, though the world knows from sad experience that in practice it created new classes and a new lexicon of injustice. . . . Communism and Christianity are fundamentally incompatible. A true Christian cannot be a true communist, for the two philosophies are antithetical and all the dialectics of the logicians cannot reconcile them. . . .”¹⁹

Hoover fanatically pursued details of King’s sex life. Government officials who knew about this considered Hoover to be pornographically obsessed. As posthumous revelations about “Gay Edgar” showed, their estimations were conservative. This vendetta climaxed in the production of an audiotape, which was mailed to King’s home, combining presumed “buggings” with the suggestion that King should commit suicide.

King’s 1968 murder was followed by a relentless FBI cover-up. James Earl Ray was intimidated into making a guilty plea, on the threat of a certain death penalty were he to demand the right to a trial. He immediately protested the set-up, but was not allowed to change his false plea. Martin Luther King’s family is pressing Ray’s case, to overturn the cover-up. But as of this writing, the imprisoned Ray is dying of liver failure, while the Justice Department attempts to stop a trial from finally taking place before Ray dies.

One of J. Edgar Hoover’s claims against King, was that Black Power demagogues were taking over King’s movement. In fact, the opposition to King was backed by the FBI itself, and by high-ranking members of the Anglophile establishment. The FBI-backed opposition came in all shapes and colors. Consider the provocateur’s substitution of “We shall

14. *Ibid.*, pp. 20-21.

15. *Journal of the Southern History Association*, September 1903, p. 328.

16. The family of the pathetically pro-British Woodrow Wilson had helped organize the Klan takeover of South Carolina years before, and Wilson had been vice president of the Southern History Association that printed the 1903 article by Fleming.

17. The Scottish Rite’s Hoover was also an activist organizer of the KKK’s college affiliate fraternity, Kappa Alpha Society.

18. The Temple, at 1733 16th Street NW, Washington, D.C., is open for tours Monday through Friday, 8 a.m. through 2 p.m.

19. Martin Luther King, Jr., *The Strength to Love* (New York: Harper & Row, 1963), p. 93.

overrun” for King’s slogan, “We shall overcome”; and the police agent’s lyrics:

Jingle Bells, shotgun shells,
Freedom all the way,
Oh what fun it is to blast
A trooper man away.

H. Rap Brown declared in 1967: “The white man is your enemy. You got to destroy your enemy. . . . I say you better get a gun. Violence is necessary — it is as American as cherry pie.”

King denounced such agentry:

“I have often talked . . . with the proponents of Black Power who argue passionately about the validity of violence and riots. . . . Their bible is Frantz Fanon’s *The Wretched of the Earth*. . . . In violent warfare one must be prepared to face the fact that there will be casualties by the thousands. Anyone leading a violent rebellion must be willing to make an honest assessment regarding the possible casualties to a minority population confronting a well-armed, wealthy majority with a fanatical right wing that would delight in exterminating thousands of black men, women and children.”²⁰

The role of the Nashville Agrarians

The reader may be surprised, at our assertion that black nationalists were deployed against Martin Luther King and his movement, by the same historical faction that erected the statue to KKK founder Albert Pike. But that is the core of the British method of strategic manipulation against the nation-state. (In fact, it goes back to the “divide and rule” tactic of the Roman Empire.) In America, we can see the traces of this manipulation, in the fact that the Klan, in its early years, had “some few Negro members”!

Researcher Stanley Ezrol has written, in an unpublished report: “One of the claims made by the KKK and their apologists, is that they had no quarrel with negroes who stuck to their own kind and stayed in their place, but that they had to defend against the scalawags, carpetbaggers, and the negroes whom they incited. A frequent claim is that negroes of the better type even joined the Klan.” Historian Walter Fleming boasted: “There were some few negro members, I have been told.”²¹

Using Vanderbilt, Rockefeller and Peabody (J.P. Morgan) money, Vanderbilt University in Nashville, Tennessee, hired Fleming as historian in 1917 and made him dean in 1923. Under Fleming’s tutelage, a political-literary movement called The Fugitives grew up at Vanderbilt. The new movement aimed to revive the Confederacy and the Old South, but its financier sponsors applied these degraded precepts to the more general object of shaping a managed leftism.

The Fugitives became known as the Nashville Agrarians,

after they published a 1930 manifesto in a book of essays called *I’ll Take My Stand*, dedicated to Professor Fleming and committed to “support a Southern way of life against . . . the American or prevailing way . . . Agrarian *versus* industrial. . . .”

Nashville Agrarian John Crowe Ransom, a Rhodes Scholar, whose great uncle James R. Crowe was Pike’s masonic and KKK lieutenant and the chief source of Fleming’s Klan history, wrote in an accompanying essay why he backed the British establishment’s aims as regards America:

“England was actually the model employed by the South. . . . England differs from America . . . most notably in the fact that England did her pioneering an indefinite number of centuries ago, did it well enough, and has been living pretty tranquilly on her establishment ever since. . . . Their descendants have had the good sense to consider that this establishment was good enough for them. They have elected to live . . . in accordance with the tradition which they inherited, and they have consequently enjoyed a leisure, a security, and an intellectual freedom that were never the portion of pioneers. . . . Progress never defines its ultimate objective, but thrusts its victims at once into an infinite series. Our vast industrial machine . . . is like a Prussianized state which is organized strictly for war and can never consent to peace. . . .

“Industrialism is an insidious spirit, full of false promises and generally fatal to establishments. The attitude that needs artificial respiration is the attitude of resistance on the part of the natives to the salesmen of industrialism. It will be fiercest and most effective if industrialism is represented to the Southern people as . . . a foreign invasion of Southern soil.”²²

With this KKK philosophy, Nashville Agrarians fanned out into the New York, Paris, and other centers of leftist and bohemian culture, and into American universities, North and South.

One of Ransom’s collaborators, William Yandell Elliott, was a Harvard-based kingpin in the British takeover of the American foreign policy establishment. Among his protégés were students Henry Kissinger and McGeorge Bundy; with Elliott, they promoted the view that a world government which prevents industrial progress is needed to avoid nuclear annihilation. McGeorge Bundy went on to head the Ford Foundation, a longtime funder of Vanderbilt and the Agrarians, and poured its money into support of anarchists such as Mark Rudd’s Weathermen, Green eco-terrorists, and black cultural nationalist agents, complete with dashikis. Klan robes, after all, would not be appropriate native costumes.

Such “Third Worldists,” serving as FBI-managed stooges, have nothing in common with the pro-technology policy of developing-sector nationalists, who are in accord with the American Revolution and the Lincoln tradition.

20. *Where Do We Go From Here: Chaos or Community*, selections in *A Testament of Hope*, *op. cit.*, pp. 589-590.

21. *Ku Klux Klan: Its Origin, Growth and Disbandment*, *op. cit.*, p. 26.

22. *I’ll Take my Stand: The South and the Agrarian Tradition*, by Twelve Southerners, Biographical Essays by Virginia Rock (Baton Rouge: Louisiana State University Press, 1983; first published in 1930 by Harper & Brothers), pp. 3-23.

President Clinton's diplomatic offensive

by Jeffrey Steinberg and Umberto Pascali

Having successfully defeated a British-Israeli effort to trap the United States into a self-destructive military action against Iraq, President Clinton has launched a new diplomatic offensive, aimed at putting the Middle East peace process back on track, and simultaneously checkmating British efforts to trigger a new Balkan crisis, this time, over Serb "ethnic cleansing" in the Albanian enclave of Kosova. This revived Clinton administration aggressiveness, against two of the British Club of the Isles' favorite marcher-lords, Yugoslav President Slobodan Milosevic, and Israeli Prime Minister Benjamin Netanyahu, has once again pitted Washington against London, in a global showdown.

The stakes in this Washington-London conflict are enormous. They go way beyond the future of the Middle East and the Balkans. London's motive for attempting, first in November 1997, and, again, in January 1998, to propel President Clinton into a senseless bombing campaign against Iraq's Saddam Hussein, was to distract the President from the urgent business of dealing with a global financial meltdown that poses an existential threat to the future of the nation-state system. By assailing the U.S. administration with a string of orchestrated military regional conflicts, at the same time that British media cartels and their American allies in the Republican Party, the Christian Right, and the pro-Likud wing of the Zionist Lobby, were stirring up the latest round of "Clinton-gate" scandals, London hoped to politically paralyze President Clinton, and thereby prevent him from taking the necessary bold measures to deal with the crisis.

It is no coincidence that the latest, mid-January 1998 round of the orchestrated Iraq crisis and the so-called "Lewinsky Affair" came on the heels of U.S. Treasury Secretary Robert Rubin's declaration that he would give "not one nickel" to bail out banks and speculators which have been wreaking havoc on Asian currencies and markets. When, in the last month, Rubin announced that the Clinton administra-

tion would be hosting a conference of 22 nations, now scheduled for April 16, to discuss the requirements for a new global financial "architecture," and simultaneously, prominent figures from around the world began echoing Lyndon LaRouche's February 1997 call for a "New Bretton Woods Conference" to re-establish the 1944-71 fixed currency exchange rate system, the Club of the Isles' commitment to blow up the world—if necessary—to prevent such an occurrence, escalated even further.

It therefore came as no surprise to *EIR*, when, in the immediate aftermath of President Clinton's diplomatic resolution of the Iraq crisis, British puppet Milosevic launched the latest Balkan provocation, and, days later, Netanyahu moved to preempt a renewed Clinton administration push to get the Oslo peace accords back on track.

In the series of reports that follow, we shall provide an account of the past several weeks' developments around the Kosova provocation and the Israeli-Palestinian crisis, detailing, in both instances, the still-ongoing U.S. diplomatic response. We shall then provide a more in-depth reprise of *EIR's* dossier on Britain's "Balkan Card," highlighting the pivotal role of British intelligence in orchestrating the ethnic bloodshed, and showing that the manipulation of Balkan violence has been a cornerstone of British geopolitics, targeting the nation-states of the Eurasian continent, and every effort at "American System" transcontinental economic development, for well more than a century. Just as it was critical for President Clinton to wake up and realize that the mid-January Iraq crisis was a British-manipulated geostrategic maneuver to destroy his Presidency, and to paralyze any nation-state-centered solution to the global financial blowout, it is now equally essential that the President and his key advisers recall that it was the British government—and its allies in Paris, in particular—who sabotaged every American effort to avert Balkan bloodshed during the 1990-

95 period, when the United States took unilateral action to prevent the total ethnic cleansing of Bosnia, and the outbreak of a broader Balkan war.

This is of special importance at this moment, because the so-called "Friend of Bill," British Prime Minister Tony Blair, and his Foreign Secretary Robin Cook, have, in recent days, been attempting to replay the 1990-92 Lord Owen-led "diplomatic solution," which bought the Serb butchers crucial time to launch their murderous actions, by subverting U.S. no-nonsense diplomacy, or pre-emptive military action.

Other Clinton initiatives

Buttressing *EIR*'s assessment of Clinton's recent emergence from the induced paralysis of the past few months, the President, on March 12, announced an ambitious travel itinerary, aimed at reviving some of his administration's most important international diplomatic initiatives. First and foremost was the announcement by his press spokesman, Mike McCurry, that President Clinton has moved up the date of his scheduled state visit to China from November to late June. The ten-day visit to Beijing signals that the President intends to strengthen the emerging partnership between the world's largest country and the world's last remaining superpower. Last autumn, on the eve of Chinese President Jiang Zemin's visit to Washington, Lyndon LaRouche hailed the U.S.-China partnership as the cornerstone of any successful solution to the onrushing global financial disintegration. The Club of the Isles' response to the highly successful Washington, D.C. summit of October 1997 was the escalation of currency attacks against South Korea, Indonesia, and other "Asian Tiger" countries, which are ultimately aimed at destroying China, Japan, and the United States.

In addition to the China trip, President Clinton also announced that he plans to go to Moscow during the summer for a state visit with Russian President Boris Yeltsin. The announcement came at the end of the tenth semi-annual meeting of the Gore-Chernomyrdin Commission in Washington. The President also finalized plans to visit India, Pakistan, and other South Asian countries in September. A scheduled trip to the area in February was postponed when the Indian government collapsed, and new elections were called. Lyndon LaRouche has often emphasized that the key to the realization of the "Eurasian Land-Bridge" program for economic recovery is close cooperation among China, Russia, India, and the United States.

Finally, on March 14, the President announced that, during his May visit to Europe, where he will participate in a Group of Seven summit in Birmingham, England, he may visit Northern Ireland, in an effort to consolidate the peace process there. The President will hold a Washington meeting on St. Patrick's Day with leaders of all the parties to the Northern Ireland conflict, and this will certainly anger those within the Club of the Isles oligarchy, who see Clinton's "meddling" in the Northern Ireland conflict as a most-unwanted intervention into the internal affairs of "the empire."

Milosevic tries 'final solution' in Kosova

by Konstantin George

On March 5, Serbia's fascist dictator Slobodan Milosevic began the military phase of what is intended to be his "final solution" for the 1.8 million Albanians who comprise 90% of the population of the region of Kosova. On that day, Serbian paramilitary forces, well-armed with armor, artillery, and helicopter gunships, began pounding Albanian villages in the central Kosova region of Drenica, west of Pristina, the Kosova capital. When the operation came to a halt on March 9, at least 88 Albanian civilians had been killed. Hundreds more had been wounded, and tens of thousands had been forced to flee their villages in the Drenica region, especially the Skenderaj district.

Milosevic's attack was the first step in a planned depopulation of Kosova's Albanian majority, through a district-by-district reign of terror. The model for this crime against humanity was provided by Milosevic himself, in his war of aggression against Bosnia, launched in April 1992. Through the summer of 1992, Serbian forces, using methodical mass killings, round-ups, executions, and expulsions, "ethnically cleansed" most of eastern Bosnia of Bosnian Muslims, thus ensuring that the part of Bosnia adjacent to Serbia itself was inhabited only by Serbs. Before the war, Muslims had formed the majority in that part of Bosnia.

As Western governments are aware, the same butchery has been launched in Kosova. But, the results of the March 11 NATO Council meeting of 16 NATO ambassadors in Brussels underscored the disaster of allowing a British-manipulated "European consensus" to dominate NATO declarations. NATO Secretary General Javier Solana declared after the meeting that NATO had developed a "diplomatic strategy to solve the problem," and any military action now was "premature." Solana announced that he was leaving the next day for the Albanian capital of Tirana, for talks with the Albanian government, which had requested consultations with NATO. The theme, Solana said, was that "in case of a refugee wave into Albania," NATO would "provide help." This is the essence of consensus politics: not stopping brutal depopulation, but crisis-managing its results.

A day earlier, encouragement was also given to Milosevic by the UN Security Council, which failed to pass even a timid Kosova resolution, because China, acting in accordance with a strong "anti-separatist" profile (valid in China's own case, but hopelessly wrong for rump Yugoslavia), refused to support it, calling Kosova an "internal affair"

FIGURE 1

The Kosova crisis region



of Yugoslavia. For so-called “Pan-Slavic” and “Pan-Orthodox” ideological reasons, Milosevic can also count on support from Russia in the Security Council. With other parties thus manipulated, the British are undermining the United States on the most important issue, military action against Milosevic, but otherwise making rhetorical anti-Milosevic statements. For example, Doug Henderson, the British acting chairman of the European Union Council, in Strasbourg on March 11, called on Belgrade to grant Kosova’s Albanians “autonomy.”

Milosevic’s tactic is: Clear out a district, using massacres and mass expulsions like in Skenderaj; then, call a halt to the bloodbath, feign desire to hold talks, and dangle prospects of meaningless concessions. On March 12, only hours after he had ruled out talks, he sent a delegation led by Serbian Deputy Prime Minister Ratko Markovic to Pristina, for “talks on Kosova’s future.” In violation of the Bosnia Contact Group’s demand that all talks be unconditional, which the Kosova Albanians have accepted, Serbia insisted that the Kosova Albanians drop their demand for independence and hold talks based on the Serbian Constitution, the very constitution which has imposed apartheid on the Albanians. Thus, it is hardly surprising that the Kosova Albanian leadership dismissed the Serb offer as “not serious,” and refused to meet and give credence to the farce.

Milosevic will try to “ethnically cleanse” as much of Kosova as possible. He knows that he probably will never “cleanse” 100% of Kosova, but he believes he can depopulate 30-60% of its territory of Albanians before he is forced to stop. That would be enough to then negotiate the de facto partition of Kosova.

U.S. considers military intervention

At this point, only one force on this planet stands in the way of Milosevic triumphantly executing his “final solution” for Kosova’s Albanians: the United States of America. However, it must cut through the British gameplan for “international consensus” of toothless demands on Milosevic, through vehicles like the Bosnia Contact Group, the EU, the Organization for Security and Cooperation in Europe, or the UN. The U.S. actions to date give hope that Milosevic can be crushed, thus creating the precondition for a new era of tranquility and development for the entire Balkans.

On March 11, during an appearance with UN Secretary General Kofi Annan, President Bill Clinton made a tough statement on Kosova, one all-but unmentioned in most of the European media: “The United States and I condemn in the strongest possible terms the excessive violence that has led to the death of civilians there. We believe the cause of it is the inadequate response by the Serbian government to the legitimate concerns of the Albanian minority in Serbia, but majority in Kosova. I believe that the decision that the Secretary [of State Madeleine Albright] and other world leaders reached in the last days—the reimposition of the sanctions—and the strong statements that were made coming out of the Contact Group [the March 9 Foreign Ministers meeting of the United States, Russia, U.K., France, Germany, Italy], and the unity of the countries, gives us some hope that we can resolve this. But this is a matter of great concern to me. I know it’s a great concern to the Secretary General. We don’t want the Balkans to have more pictures like we’ve seen in the last few days, so reminiscent of what Bosnia endured. And, I just want to make it absolutely clear that to me, it’s a very serious issue.”

Clinton, when asked about military action, said: “No option should be ruled in or out now.”

These were not the only tough words from the American side that day. Robert Gelbard, U.S. special envoy in the Balkans, delivered a blistering attack (his third in a week) against Milosevic, after Gelbard had met in Pristina with Kosova Albanian President Dr. Ibrahim Rugova (elected President by Kosova’s Albanian majority in 1991, in an honest election that was branded “illegal” by Milosevic). Gelbard accused Milosevic of having “trampled on the rule of law,” in the massacres of women and children in Kosova. He declared: “The only response this government seems to know is violence and repression.” Gelbard called for an end to the Serbian violence and for Serbia to withdraw all its special police forces from the region. This latter point was also a demand of the Contact Group, which gave Milosevic a 10-day deadline to do so. While the Contact Group in no way addressed the military option, this demand for complete withdrawal of Serb special police forces could form one of the technical points around which, based on Serb non-compliance, the U.S. could initiate military action.

Gelbard, echoing his tough statements of the previous week, said about Milosevic, whom he had met on March 9 in

Belgrade: "Time is not on his side." Gelbard praised Rugova, saying that Rugova is committed to unconditional talks on Kosova's future status, and will not abandon his policy of non-violent resistance to Serb oppression.

It is crucial that the Clinton administration's inclinations be translated into action. The British-sponsored bloodbath in Kosova cannot be allowed to drag on. Acting decisively against Milosevic would remove the British capability to use the Balkans to revive animosity between the United States and Russia, and possibly with China. In the midst of the global systemic financial crisis, and the urgent need for a U.S.-led creation of a new international financial system, such animosity between key world powers is the last thing this planet can afford.

The new Mideast peace offensive

by Joseph Brewda

With the British- and Israeli-manufactured Iraq crisis behind him, President Bill Clinton has tentatively begun a new diplomatic effort to force Israeli Prime Minister Benjamin Netanyahu to comply with the Oslo peace accords. According to a March 9 broadcast on Israeli TV, the President plans to unveil a new initiative by the end of the month, causing Netanyahu to be "concerned."

That Clinton was considering confronting Netanyahu's sabotage emerged publicly on March 2, when the Israeli daily *Haaretz* reported that Clinton was preparing a "take it or leave it" proposal for Netanyahu, to agree to another 13.1% pullout from the West Bank over a three-month period, and to end construction of Jewish settlements in the Occupied Territories, in return for phased Palestinian compliance with some Israeli demands. (By contrast, Netanyahu has offered a 6.3% withdrawal, and has rejected any settlement restrictions.) Netanyahu's spokesman, David Bar-Illan, denounced the initiative as an "ultimatum."

The significance of the demand is political and psychological. If Netanyahu were forced to comply with any Oslo requirement, however minimal, especially following a U.S. showdown, the Mideast climate would be dramatically transformed. If Netanyahu is not brought to heel, on the other hand, the region is headed toward war.

Netanyahu is also "concerned" about another U.S.-backed initiative: the forthcoming trip by UN Secretary General Kofi Annan to the Mideast, to review all unimplemented UN Security Council resolutions, and not just those pertaining to Iraq. The target is Israel, which has refused to comply with no fewer

than 69 UN Security Council resolutions (not counting 29 others vetoed by several U.S. administrations), with no reprisals—a double standard that has outraged the Arabs.

Dust in the eyes, and terror

Netanyahu has responded to Clinton's efforts with his typical mixture of provocation and fraud. On Feb. 23, Netanyahu called for new "Camp David" negotiations with Palestinian Authority President Yasser Arafat, even before Annan had returned to New York from Baghdad with the successful solution of the Iraq crisis in hand. Netanyahu's proposal was immediately ridiculed by the Palestinian Authority as an attempt to throw "dust in the eyes." Netanyahu also denounced the Iraq agreement on Feb. 24, and demanded a showdown with "nuclear bomb"-equipped Iran, to revive the war hysteria.

Most worrisome, Netanyahu is planning a major new "Islamic" terror offensive to discredit the U.S. initiative. On March 10, Israeli Shin Bet intelligence chief Ami Ayalon told the Knesset (parliament) that Hamas and other Islamic terrorist groups are "planning large-scale terrorist attacks unprecedented in scope." (These groups, as *EIR* has shown, are all controlled by Britain or Israel.) The suspicious shooting of three Palestinian workers in Hebron by Israeli soldiers on March 10, which immediately sparked riots, is typical of the provocations in store.

Israeli officials also fanned out to Europe and the United States in the first week of March, to sabotage Clinton's efforts, with Netanyahu travelling to Britain, Germany, Norway, and Spain; Defense Minister Yitzhak Mordechai to France and the Netherlands; and Netanyahu's top aides, David Bar-Illan and Uzi Arad, to the United States.

Then, on March 6, British Foreign Secretary Robin Cook suddenly announced Britain's first-ever "Mideast peace initiative," in competition with Clinton's. According to Israeli TV, Clinton called British Prime Minister Tony Blair after the announcement, telling him not to discuss Blair's proposal with Netanyahu in their upcoming meeting, since the United States was preparing one of its own. Cook will travel to the Mideast in mid-March, on what the London *Daily Telegraph* terms a "diplomatic assault," soon to be followed by Blair.

Netanyahu "warmly" received the news of Blair's proposal, the *Jerusalem Post* reported, and in his March 8 meeting with the British Prime Minister, said he "would welcome an increased role for the European Union in the Middle East peace process." The U.S. State Department's reaction to the maneuver was frank. Its officials told the *Jerusalem Post* that Netanyahu's recent trip to Europe was "meant to distract attention from the stalled Palestinian track."

Redeployment or war

For their part, sane Arabs and Israelis alike see the new initiative as a chance to avert war, and are engaged in hectic diplomacy to prepare for it. On March 7, Arafat called for

an Arab summit to coordinate efforts against Netanyahu's intransigence; that was also the topic of Egyptian President Hosni Mubarak's meeting with Jordan's King Hussein in Cairo on March 9. Also on March 9, Jordan's Crown Prince Hassan met Netanyahu in Israel, where he demanded that Israel undertake a "large-scale redeployment from the West Bank in 1998." King Hussein is scheduled to arrive in Washington on March 19.

On March 8, in Israel, 1,550 former senior military officers and police commanders, including former Chief of Staff Gen. Zvi Tsur and 70 other retired generals, published an open letter in the Israeli daily *Yediot Aharonot*, demanding that Netanyahu honor the Oslo Accords, and choose peace over settlements. "The West Bank and Gaza Strip are powder kegs on the verge of exploding," one of the letter's initiators, Naftali Raz, told the paper. "It is either a redeployment or war."

Kosova: Britain's war against the U.S.A.

by Umberto Pascali

A British subject, Maj. Milos Stankovic, has gone on trial in Guildford, England, for treason. He had given the "Greater Serbian" war criminals Ratko Mladic and Radovan Karadzic every NATO plan and confidential piece of information he managed to get his hands on, in his position as the right-hand man of Gen. Sir Michael Rose, the British head of the UN "peacekeeping" forces in Bosnia and commander of British special forces, SAS. The only reason that Stankovic was arrested, is that certain U.S. circles applied very strong pressure on the recalcitrant British. Indeed, Stankovic is being interrogated in the presence of U.S. intelligence officials. He is indeed a "traitor," but clearly of the same type as Kim Philby (a British triple agent, who defected to the Soviet Union but always worked for the British). As sources close to Stankovic have stressed, the major did not do anything without the knowledge and the approval of his commanders.

It is possible that the Stankovic case will shed considerable light on the war the British have conducted against the United States in the Balkans, not only during 1990-95, but going much farther back. The documentation we present in this section begins with the case of the first "Eurasian land-bridge," the Berlin-Baghdad Railway, at the turn of the last century; the historical record shows why the British, starting with Lloyd George, nicknamed the "Greater Serbians" the "Guardians of the Gate" of the British Empire.

The Stankovic trial begins exactly as the British oligarchy has again given the "green light" to Serbian dictator Slobodan

Milosevic, this time in Kosova. Again, a spiral of genocide and war has been initiated.

Once President Bill Clinton successfully escaped from the trap that the British had laid for him in the Mideast—they sought to propel him into a war against Iraq—London moved to initiate another strategic distraction, this time in the Balkans. The British again offered the "poison apple" of a Washington-London alliance. British Prime Minister Tony Blair and Foreign Secretary Robin Cook screamed about "dictator Milosevic," and declared their pessimism that the new spiral of war could be stopped. But unfortunately for them, it is no longer possible to hide how the British have set up, instructed, and led the "Greater Serbians." It is not possible to hide the war the British have conducted directly against the United States.

It is no longer possible to cover up the infamy associated with individuals such as Stankovic, Gen. Sir Michael Rose, and other leaders of the British special forces. How many people died because of what General Rose and the SAS did to provoke war between the Croats and Bosnians? How many people died because of the treason of Major Stankovic? How many people died because of the determination of Rose and Co. to prevent air strikes against the "Greater Serbian" genocidal aggressors? Because of the explicit, treasonous order by a British general to his men: "Do not identify targets" for NATO bombing?

Colonel Apis and 'Arkan'

The documentation below shows how the criminality of Mladic or Karadzic would have been nothing more than an impotent form of mental disease, were it not for the constant support of British intelligence. The same is true in Kosova today. The "green light" came precisely after the British defeat in Iraq. The Greater Serbians had their plan prepared well in advance, as they did in Croatia and Bosnia.

One historical figure whose role is particularly important to understand, is the head of Serbian intelligence at the beginning of the century, Dragutin T. Dimitrijevic, known as Colonel Apis. He was working according to a British plan to ensure the complete control of Britain (and its "junior partner" France) over Serbia. In 1903, he organized a coup d'état and the assassination of the previous Serbian monarchical family, which was then replaced by the Karadjordjevics.

As the explosion of World War I approached, the activities of Apis became more and more frantic. In 1911, he created Union or Death—also known as the Black Hand—a secret terrorist group aimed at taking over Bosnia. The group recruited young students, such as Gavrilo Princip, the terrorist who killed the Austrian heir to the throne, Franz Ferdinand, and his wife in Sarajevo, in 1914: the trigger for World War I. Less well known is that the youngest of the 11-man terrorist team deployed in Sarajevo was Vaso Cubrilovic, the author in 1937 of a plan for the "Expulsion of the Albanians" from Kosova (see *Documentation*).

The Cubrilovic Plan, then and now

What is happening right now in Kosova seems to follow, *step by step*, that genocidal plan of 61 years ago, including the use of provocations to provide the pretext for deploying paramilitary forces “in retaliation.” Many observers, including Tito Favaretto of Trieste, have reported that the so-called Kosova Liberation Army (KLA) received training from Yugoslav intelligence. The recent presence in Kosova—confirmed by numerous direct sources—of the psychopathic sadist Zeljiko Raztanovic, better known as Arkan, explains a lot. Arkan, an operative of Yugoslav intelligence, is wanted in several European countries for many common crimes. He reportedly controls a large chunk of organized crime in Sweden and Germany. Yet he was never arrested, and travels unhindered in many European countries. In Italy, he promotes the creation of a Southern League, aimed at provoking a violent confrontation between north and south Italy.

Arkan’s paramilitary gangs, the “Tigers,” were the ones who started the genocide in Bosnia. His *modus operandi* was to go into a Muslim town on a Friday evening, outside the mosque, and cut the throats of a few Muslim worshippers in front of everybody. Then the “Tigers” would hurl hand grenades into the mosque and scream: “You dogs will leave this town, or die!”

Such actions were well calculated to produce the maximum level of terror and to trigger a mass exodus, and so to “ethnically cleanse” Bosnia. Similar acts of brutality took place at the beginning of the assault on Croatia. The whole world felt a wave of horror, when the Serb paramilitary gangs, sponsored by Milosevic and organized by Yugoslav intelligence, tortured and killed a group of Croatian policemen. Their bodies, bearing the marks of the unspeakable tortures they had undergone, were then given back, for all to see.

The Serbian ‘anti-terrorist’ teams

And what is happening in Kosova today? Suddenly, the Kosova Liberation Army is activated. Despite the total control and the espionage ability of the Belgrade authorities, nobody can do anything about them—or so it seems—until the moment is ripe for Milosevic’s “anti-terrorist” gangsters. Evidence is accumulating that the KLA has received logistical support and training from the Gamaa Islamiya, the group, controlled from and by London, responsible for the massacre last year in Luxor, Egypt.

Once the KLA is mobilized, as the Cubrilovic plan specifies, then the “anti-terrorist” teams are deployed. They are not part of the normal police; they do not show their faces, but wear ski masks; they do not speak with the local Kosovar Serbian accent. According to Radio Sarajevo, they are composed of former paramilitary gang members who committed the genocide in Bosnia. Most probably, these are Arkan’s “Tigers,” or similar elements. It is a fact, according to several sources, that the “Serb volunteers” who had been previously deployed in Bosnia, were then—to a large degree—recycled

by Yugoslav intelligence into new “special corps.”

The “anti-terrorist” teams remind us of the British Cheshire Battalion. Normally stationed in Northern Ireland, they are reportedly capable of any dirty trick, in order to catch terrorists—even to set them up! These are the same Cheshires that organized the war between Croats and Muslims in central Bosnia (see *Documentation*). Those same Cheshires and SAS elements are pivotal in the war being conducted by Britain against the United States in the Balkans.

Will the Kosova horrors finally be the wake-up call, not only to put an end to the atrocities of Greater Serbian genocide, but to attack the master instigators: the British oligarchs?

Documentation

1917: Serbia defends British Empire’s ‘gate’

The following are quotes from “The Serbs—The Guardians at the Gate,” by R.G.D. Laffan. Professor Laffan, a key liaison between the British Empire and the Serbian Army, gave a series of lectures to the British troops attached to the Serbian Army at the beginning of 1917, during World War I. The title of the lectures was taken from a pronouncement by Prime Minister Lloyd George. Laffan explained why the British had to go to war, and why Serbia was to be considered as their only ally. The alternative to war was the creation of an area of economic development from Central Europe to the Persian Gulf, especially through the creation of the Berlin-Baghdad railway. That would have meant the “end of the empire” and its geopolitical power. The “gate” which the Serbian monarchy was defending in the Balkans, was the gate of the British Empire:

The plan [of a Berlin-Baghdad railway] was admirably feasible, and has been put in force almost completely in the course of this war (not quite: for our troops are solidly established on the Persian Gulf and hold Baghdad. . .). If Berlin-Baghdad were achieved, a huge block of territory producing every kind of economic wealth, and unassailable by sea power, would be united. . . . German and Turkish armies would be within easy striking distance of our Egyptian interests, and from the Persian Gulf our Indian Empire would be threatened. . . . A glance at the map of the world will show how the chain of states stretched from Berlin to Baghdad. . . . One little strip of territory alone blocked the way and prevented the two ends of the chain from being linked together. The little strip was Serbia. Serbia stood small but defiant . . . holding the gate of the East. Little though we knew or cared in England, Serbia

was really the *first line of defense of our eastern possessions*. If she were crushed or *enticed* into the “Berlin-Baghdad” system, then our vast but slightly defended empire would soon have felt the shock. . . .

1937: Serbia plotted genocide against Kosova

It has been a constant tendency among the promoters of “Greater Serbia” to promote genocide against the Albanian population of Kosova. It has also been a constant tendency of these elements to see Britain as their best ally in their drive for expansion. The following are excerpts from a memorandum, entitled “The Expulsion of the Arnauts,” presented on March 7, 1937 by Dr. Vaso Cubrilovic, a top political adviser to the then-ruling Serbian monarchy. Cubrilovic presents a “final solution” for the problems of the “Arnauts,” i.e., the Albanians living in the Serbian kingdom. He is referring to Kosova, and in particular the Dranica region where, most recently, Milosevic’s “anti-terrorist” thugs committed their massacres and where the Kosova Liberation Army (OCK) was allowed to grow. On June 28, 1914, Cubrilovic was one of the terrorists who participated in the attack in Sarajevo against Austrian Archduke Franz Ferdinand and his wife, which triggered World War I. He was a member of the Black Hand, the British-sponsored secret terrorist organization.

Note that the plan includes the orchestration of “local riots” in Kosova, to justify the intervention of special forces rather than the “regular army.” This is exactly what Milosevic has done over the past weeks using his “anti-terrorist” gangs, in reality paramilitary groups, such as the one headed by the infamous “Arkan.”

(The original document, in the archives of the former Yugoslav Army, is classified as “confidential”; reference Nr2, File 4, Box 69):

The problem of the Albanians in our national and state life did not arise yesterday. It played a major role in our life in the Middle Ages. . . . Gradually the latter came down from their mountains to the fertile plains of Metohija and Kosova. . . . From 1918 onwards it was the task of our present Serbian state to destroy the remainder of the Albanian triangle. It did not do this. . . . Taking into account the intractable character of the Albanians, the pronounced increase in their numbers and the ever-increasing difficulties of colonization by the old methods, with the passage of time this disproportion will become even greater. . . .

Without doubt, the main cause for the lack of success of our colonization in those regions was that the best land remained in the hands of the Albanians. The only possible way for our mass colonization of those regions was to take

the land from the Albanians. . . . Here we must return again to the gross error of our post-war concept about the right to possession of the land. . . . From all this it is apparent that the methods of our colonization policy in the south to date have not yielded the results which we ought to have achieved. This will be achieved only through the destruction of the Albanian block. From the military-strategic standpoint, the Albanian block occupies one of the most important positions in our country—the starting point from which the Balkan rivers flow to the Adriatic, the Black Sea and the Aegean. . . . Therefore it is an imperative duty for all of us that we should not allow these positions of such strategic importance to be in the hands of the hostile and alien element. . . .

Summing-up: The Albanians cannot be repulsed by means of gradual colonization alone. . . . The only way and the only means to cope with them is the brute force of an organized state, in which we have always been superior to them. . . . We are left with only one course—that of their mass resettlement. . . . First we stress that we should not limit ourselves to diplomatic steps. . . .

The world today has grown used to things much worse than this and is so preoccupied with day-to-day problems that this aspect should not be a cause for concern. At a time when Germany can expel tens of thousands of Jews and Russia can shift millions of people from one part of the continent to another, the shifting of a few hundred thousand Albanians will not lead to the outbreak of a world war. To tell the truth, the greatest danger lies in the possibility that our great allies, France and Britain, might interfere. They must be given the cool and resolute answer that the security of the Morava-Vardar line is in their interests, a thing which was confirmed during the last great war [World War I], and it will be made more secure, both for them and for us, only when we completely dominate the regions around the Sar Mountain and Kosova from the ethnic aspect.

The mode of removal

As we have already stressed, the mass removal of the Albanians from their triangle is the only effective course for us. To bring about the relocation of a whole population the first prerequisite is the creation of a *suitable psychosis*. . . . Therefore, first of all we must win over their clergy and men of influence, through money or threats, to support the relocation of the Albanians. Agitators to advocate this removal must be found. . . . Another means would be coercion by the state apparatus. The law must be enforced to the letter so as to make staying intolerable for the Albanians: fines, imprisonments, the ruthless application of all police dispositions, such as on the prohibition of cutting forests, damaging agriculture, leaving dogs unchained, compulsory labor and any other measure that an experienced police force can contrive. From the economic aspect: the refusal to recognize the old land deeds, the work with the land register should immediately include the ruthless collection of taxes and the payment of all private and

public debts, the requisitioning of all state and communal pastures, the cancellation of concessions, the withdrawal of permits to exercise a profession, dismissal from state, private, and communal offices etc. will hasten the process of their removal. Health measures: the brutal application of all the dispositions even in the homes, the pulling down of encircling walls and high hedges around the houses, the rigorous application of veterinary measures, which will result in impeding the sale of livestock on the market etc. also can be applied in an effective and practical way. When it comes to religion the Albanians are very touchy, therefore, they must be harassed on this score, too. This can be achieved through ill-treatment of their clergy, the destruction of their cemeteries. . . .

Private initiative, too, can assist greatly in this direction. We should distribute weapons to our colonists, as need be. The old forms of Chetnik action should be organized and secretly assisted. In particular, a tide of Montenegrins should be launched from the mountain pastures, in order to create the large-scale conflict with the Albanians in Metohija. This conflict should be prepared by means of our trusted people. It should be encouraged, and this can be done more easily since, in fact, the Albanians have revolted, while the whole affair should be presented as a conflict between clans and, if need be, ascribed to economic reasons. Finally, *local riots can be incited*. These will be bloodily suppressed with the most effective means, but by colonists from the Montenegrin clans and the Chetniks, rather than by means of the army. . . . There remains one more means, which Serbia employed with great practical effect after 1878, that is, by secretly burning down Albanian villages and city quarters. . . . During the creation of the psychosis for the resettlement, everything possible must be done to send off whole villages, or at least whole families. The situation that part of the family is shifted while others remain behind, must be prevented at all cost. Our state is not going to spend millions to make life easier for the Albanians, but to get rid of as many of them as possible. For this reason the purchase of the land of the Albanians who shift by those who remain behind must be absolutely prohibited. . . .

The 1990s: the British hand against Bosnia

The following are excerpts from an article in the Croatian magazine Danas, from July 16 and July 23, 1993, entitled "Croatian-Muslim Conflict: The Role of British Agents," by Marko Barisic:

Seven months ago, in a routine check-up of a bus on the route from Zagreb to Travnik, the Croatian police discovered 22 British citizens, their hair cut very short. . . . They said their

intention was to join the HOS [Croatian Defense Forces, an irregular formation of the Croatian Party of Rights, HSP] in central Bosnia. They were all legionnaires, professional veterans mostly from the Royal Navy, who, according to what they said, wanted to offer their experience in the fight against the Serbs in Bosnia. . . . The British were deported to Britain and BBC reacted with the speed of light. A BBC story was aired two days later expressing surprise at the Croatian rejection of Western help. . . .

[What follows is the story of one of such British Royal Navy "mercenaries," Norry Phillips.] Upon the arrival of Unprofor [UN Protection Forces] in Croatia, Phillips joined the HVO [Croat Defense Council, the Tudjman party militia], and when the clashes between Croats and Muslims started in Mostar, Norry shifted to the Muslim side. Nothing strange, except that it had been Norry who tried everything to persuade the HVO commanders to attack the Muslims. "Mostar cannot be a town with two armies," he used to say. "Let us deal with the Bosnia army in two days and the world will accept that." People in HVO found it strange that he was suggesting this while selling weapons to the Muslims. Phillips was a man with strong connections in weapons supply and "import" of mercenaries. . . . He usually sent the new mercenaries to central Bosnia with the task to train chosen members of Croatian HVO and Bosnian army to be merciless commandos to be launched against the Serbs. The British were usually leaders of those groups that, by the way never started a single action against the Serbs. Instead, those commandos, Croats and Muslims, turned against each other, both sides under British command.

British mujahideen

The massacre in the Muslim village of Ahmici, near Vitez, was carried out by one of these groups commanded by a British citizen. The desecration of the Croatian monastery in Guca Gora and the massacre in the same village was executed by a group of mujahideens, commanded by a mercenary named Rose. A British subject. Immediately after a massacre, the British UN forces would enter those villages along with British journalists who would send out horrible pictures of war and suffering, stressing that what was going on between the Croats and Muslims was not sporadic clashes, but a real war. Pictures of mutual massacres and burned villages created, both within the Croats and the Muslims, a mutual feeling of hatred to the point that they became a greater enemy to each other than to the real aggressor. Among the international public this created the impression . . . that there was not a war of aggression by Serbia, but a civil war.

In a recent interview with BBC, Lord David Owen explained: "The Americans thought at the beginning that the problem in Bosnia was a simple one: one party is the aggressor, the others are the victims. We knew from the beginning that the problem was a more complex one, since it was not an aggression, but a civil war." . . . The Croat-Muslim conflict

came to Owen as a “God-given gift,” as a confirmation of his initial thesis, through which he arrived at the position of peace mediator, while the aim of that thesis was to prevent decisive measures against Serbia. . . .

MI6 in the Balkans

. . . British officers and mercenaries are also active in the war against Croatia and especially now in the war in Bosnia. There are also British soldiers within Unprofor, weapons dealers who, due to the nature of their work, present themselves as businessmen, there are journalists who can legally collect information. Some of these people are part of the British Intelligence abroad, Military Intelligence Six, in short MI6. Today serious analysts put MI6 at the very top of the intelligence services. Some estimate it to be equal to the American CIA, and some say that in certain departments it is even superior. . . . During the entire course of World War II, MI6 had its men at the very top of the Wehrmacht and among the top Russian officers. MI6 is divided into departments. . . .

In the European department [of MI6] there is a Balkan sub-department, which used to be important to Britain because of the control of the route toward Suez. . . . The British Intelligence Service is not as large as the KGB, it does not expose itself to the public as does the CIA. Officially, it does not even exist. . . . Its aim is to act imperceptibly. It uses subtle methods, and acts through people who hold high positions. . . . The attention of that organization has been mostly focused, after Russia, on the regions which were traditionally British spheres of interest: Africa, the Middle East, and, lately, Asia.

Together with directly recruited VIPs, the main tools of the British intelligence service are journalists, businessmen, and mercenaries. MI6 transmits its information to the world through BBC, which broadcasts in 60 languages. Just for the sake of comparison, the Voice of America broadcasts in only 16 languages. However, America is economically much stronger; . . . Norry Phillips, British mercenary in Mostar, was providing mainly British weaponry. British politicians were against lifting the embargo on weapons and against military intervention against the Bosnian Serbs from the beginning. “That would mean choosing war, and we have been seeking peace until now. We are doing everything in our power to stop the fighting and not to prolong it. We have often discussed the matter with the Europeans and the opinion prevailed that the embargo should not be lifted,” British Foreign Secretary Douglas Hurd told *Le Monde*. Britain has not been doing everything in order to achieve peace, otherwise it would not have sent its mercenaries, who only stirred up the war, and would not have conduited large quantities of its weapons through the black market. Commander Rose, leader of the mujahideen in Travnik, the group which committed massacres in surrounding Croat villages, is completely aware of that. “I command them,” Rose proudly stated into the cam-

era of a British journalist. He set up his military headquarters in a church.

The role of Unprofor

Britain has steadfastly and strongly opposed military intervention against the Serbs. . . .

Today, after fierce and bloody Croat-Muslim conflicts, there must be delight at MI6 headquarters. They have successfully performed a job for the politicians of their country. . . . Norry Phillips also exults. The conflicts are developing quite all right, and when the going gets tough, he will again change sides and will survive this conflict as he has survived many previous ones. MI6 especially appreciates the human factor. It is not without reason considered the most elite intelligence service in the world. In Bosnia and Hercegovina they did a good job. The graves confirm this. . . .

Creating the war

The British role in the war in Bosnia and Hercegovina has its official side as well. Besides mercenaries, businessmen, and various humanitarians, official representatives of the British government have also been involved in creating the war in Bosnia-Hercegovina through the second secretary of the British Embassy in Zagreb. “The Croats in Kakanj have surrendered and that is good for us,” is not the attitude of a neutral monitor and humanitarian worker. And neither, certainly, is the fact that the British Blue Helmets prevented the Croats from carrying out their plan to mine the road while retreating.

In order to protect its interests in the Balkans, British policy has employed unacceptable means. Through its politi-

The case of Jovan Zametica

For many years, the spokesman for Serb war criminal Radovan Karadzic was Jovan Zametica, a high-level British operative. Zametica, who, according to local sources, is more than a spokesman for Karadzic, is a former officer of the Yugoslav Army. He was trained in London, and became a member of one of the most prominent British think-tanks: the International Institute of Strategic Studies. On behalf of IISS, Zametica authored in 1991 “Adelphi Paper 270,” on the conflict in Yugoslavia. Since 1991, he has also been part of the Polytechnic Center of London. Originally a Muslim, Zametica subsequently became a “secular Orthodox,” and ended up in charge of liaison with the Karadzic gangs.

cal activity and starting thesis that this is a civil war here and not aggression, through its current intensive intercession for sanctions against Croatia, and especially its active participation in creating the war through its mercenaries, humanitarians, and so-called businessmen, Britain has, actually, in its own distinctive way, involved itself in the war. This is being confirmed night and day by its reports from the battlefields. One need only look at the choice of news aired by the BBC to note the lack of logic. The news mostly refers to Mostar and the area south of Mostar where there has been almost no fighting in these last few days, while the towns in flames in central Bosnia are hardly ever mentioned. The towns in central Bosnia are only mentioned after being taken by the Muslims, and that is only put through as a fact.

There is, however, a difference between Second Secretary Doug Houston, who used to be the British agent in the Bosnia-Herzegovina area, and the British mercenary Norry Phillips: Each of them is entrusted with his part of the job. For now, unfortunately, they are successful.

The U.S.-British 'secret war' in Bosnia

The following are excerpts from an article in the London Guardian, of Jan. 29, 1996, entitled "Bosnia: the Secret War: How the CIA Intercepted SAS Signals." Author Ed Vulliamy reported that "U.S. intelligence was involved in a fierce backstage struggle with its 'reluctant' allies at the height of the conflict":

... Among [American intelligence services, notably the CIA] surveillance targets in Bosnia were top-secret communications between the high command of the United Nations military operation in Sarajevo and the British special forces, the SAS, operating under deep cover. What the Americans discovered was that the UN command was engaged in neutralizing NATO air strikes against the Serbs.

U.S. intelligence became enmeshed in the war as the Americans became increasingly exasperated by what they saw as the thwarting of a robust stand against the Serbs, stemming from the reluctance of the European Union, Britain in particular. The outcome was a fierce backstage struggle between the Americans and their European and British allies, each pursuing radically diverse agendas. American frustration was most acute during 1994, a period of cautious authority in the field exercised by Gen. Sir Michael Rose, a former SAS commander. The tension arose most acutely from the American belief that NATO air strikes should be used to bomb the Serbs to the negotiating table. . . .

... Now American intelligence sources have revealed

what they found when they eavesdropped on communications between General Rose's headquarters in Sarajevo and SAS scouts deep inside Serb-held territory, near the besieged Bosnian town of Bihac, during the ferocious Serbian advance on that UN "safe area" late in 1994. The communication line was established so that the undercover SAS teams, assigned to the UN as forward air controllers, could identify Serb artillery positions and relay the co-ordinates to headquarters and the pilots of NATO bombers.

But a controversial order came over the air from General Rose's command to the SAS: hold off, do not identify the targets, thus neutralizing the air strike. The NATO pilots were shown nothing; their planes came and went, impotent. It was a measured instruction, highly secret, defiant of NATO. But it was not a private one. It was overheard, not by an enemy, but by the Americans.

[General Rose wrote:] "... The UN cannot be used to alter the military balance in a civil war. . . . A peacekeeping force cannot allow itself to be hijacked by political pressures and become involved in the conflict. . . . It is simply not possible to secure safe areas . . . by the use of air power alone."

The handling of the Bihac crisis was a dramatic illustration of how the Western "allies" were at each other's throats over Bosnia, with the Americans determined to override what they saw as the sabotaging of NATO efforts to bomb the Serbs into a peace deal.

Bihac had been under siege for 30 months. Halfway through November [1994] the Serbian assault came. . . . The UN commander in Zagreb, [French] Gen. Bertrand de Lapresle, insisted on the strike being limited to damaging runways. . . . But NATO's commander in southern Europe, [U.S.] Adm. Leighton Smith, told the Pentagon: "My hope is that we will not have to go back." . . . [War criminal Radovan] Karadzic [faxed to General Rose] that the Serbs were now on a hill called Drebelac, which turned out to be inside the safe area. . . . General Rose put the air strike request on hold, and set about negotiating a cease-fire instead. [On Nov. 25,] the U.S. ambassador to Sarajevo, Victor Jakovec, visited General Rose to discuss reports that Serb tanks were heading for the heart of Bihac city itself. General Rose told him he believed there was little the UN could do. Mr. Jakovec put in an early call to the State Department.

The call prompted a diplomatic flurry. . . . The U.S. government was insisting on General Rose calling air strikes, and [UN Secretary General] Mr. Annan duly conveyed it to him. . . . General Rose heeded Kofi Annan's request for close air support from NATO—an intervention within the strict rules stipulating that the pilot had to find a smoking gun before he could strike. The men responsible for locating the smoking gun were the SAS teams, in radio contact with General Rose's headquarters. That night NATO planes took off from the U.S. Air Force base at Aviano in Italy. . . . For General Rose's command, there was only one way to stop the bombing: they

would have to tell the SAS scouts not to identify the target for NATO to bomb. The rules of engagement were clear: no target, no bombs. The American intelligence sources now allege that this is what the Unprofor command did. It was a careful decision and a controversial one; by the end of the weekend, Serb tanks were blasting their way through the suburbs of Bihac.

The Bihac debacle had confronted the Clinton administration with a gesture of defiance, forcing the President to choose between maintaining the Atlantic alliance and continuing his support for the Bosnian government.

In public Mr. Clinton chose the NATO alliance. Within two days the administration had offered concessions to the Serbs and 10 days later it agreed to recognize the “Republika Srpska.” . . . But while Washington overtly courted the Europeans, the U.S. intelligence operation was now entrenched, pushing new strategies for Bosnia. . . .

Major Stankovic, the British traitor

The story of British “traitor” Maj. Milos Stankovic, a.k.a. Michael Stanley—the man who delivered NATO plans and any secret or confidential information to Serbian war criminal Gen. Ratko Mladic—came into public light recently. But that British *modus operandi* (i.e., “manipulate both sides,” “divide and conquer”) had been hinted at already several times.

The Croatian magazine *Danas* reported in July 1993: “Already at the beginning of the Serbian aggression against Bosnia, various mercenaries started arriving in those areas. Particularly British mercenaries. . . . They were appreciated everywhere, especially after having participated in some action. Therefore they made contact with [local] commanders very easily, they had access to various headquarters, and socialized even with chiefs of staff. They had their connections in the weapons traffic and thus, considering the position they had and the local commanders’ dependence on them, they had the opportunity to have official information at their disposal or to plan actions at any moment. . . .

“[There were three kind of such mercenaries.] The first one are simple mercenaries. . . . The second are brutal soldiers. They were looking for action, they trafficked in arms . . . were prone to plundering private houses and military equipment, which they would later trade. A part of them was willing to *carry out commando-terrorist actions in the enemy territory for good money*. . . . The third kind were born leaders. People unwilling to talk about their past. . . . They were in contact with the top commanders in certain areas, they supplied weapons, they worked and rested at the HQs, and had *access to all important information*. Because of an unspoken

agreement, nobody talked, or wrote about them and their activities. Only when their activities were looked into by [the newly formed counterintelligence sectors did] the pieces of the story come together. . . . The picture is clear even without certain details, which shall be published in a more opportune moment.”

A story appeared in the London *Guardian*, which, although covering up the facts most damaging to Britain, details some of the British secret operations in Bosnia. For example, it reports the attacks against Croatian troops “after the Croat massacre of Muslim civilians at Ahmici.” However, we know that that massacre “in the Muslim village of Ahmici, near Vitez, was carried out by one of those groups led by British citizens.” And how did the British special forces of the Cheshire Battalion, headquartered in Nova Bila and led by Lt. Col. Bob Stewart, react to the massacre committed under the command of fellow British operative? According to what some Cheshire sources told the *Guardian*, “Angry [British] patrols went out into the night and fired at the Croats. By the time the Cheshires left . . . the official number of dead Croats was six.” And who was the factotum, translator, liaison officer with war criminal Ratko Mladic and closest collaborator of Cheshires commander Bob Stewart at that time? Nobody other than Milos Stankovic, the “traitor”! Stankovic used the alias Mike Stanley, and reportedly participated in “secret special operations” while in Bosnia. Summing up, one gets the profile of the perfect British intelligence “mercenary.”

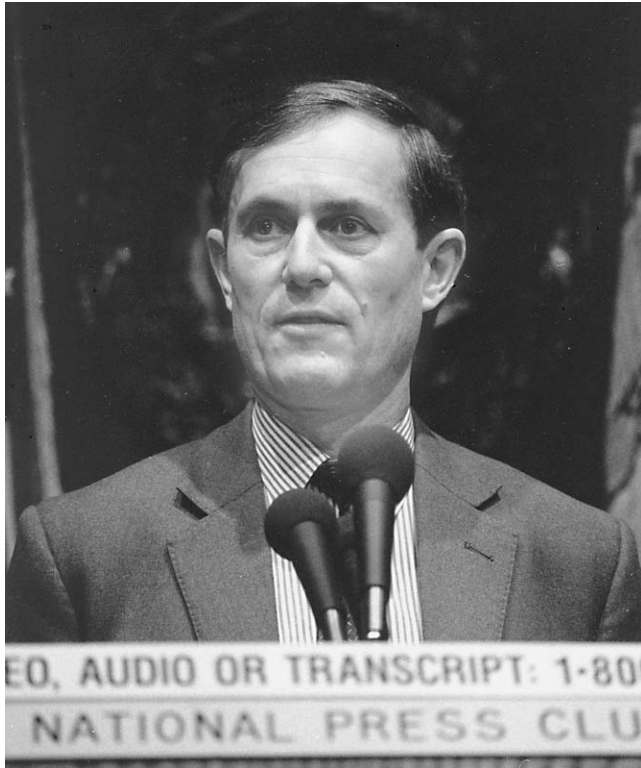
From an article in the Guardian, of April 1, 1996, entitled “Britain’s Secret War in Bosnia”:

. . . The British Army’s covert war in Bosnia began in October 1992 when the troops set up three bases at Tomislavgrad, Gornji Vakuf, and Vitez. Until they arrived the war was being fought between a Muslim-Croat alliance against the Serbs. . . . But the very week the first Battalion, 22 Cheshire Regiment, pitched up at Vitez schoolhouse, war broke out—virtually on their doorstep—*between the Croatian and Muslim allies*. . . . It was a ferocious fight in which the British became more closely involved than history has hitherto recorded. . . . Lieutenant-Colonel Bob Stewart was defiant about his right to open fire on anyone obstructing. . . .

[In Gornji Vakuf, the British Coldstream Guards engaged in an all-night battle with the Croats. It is not clear how this attack was carried out, under which disguise. The Croats were led to think that it was the Bosnian Army shooting. To the point that in 1993, the following revealing incident took place:]

It was during this period that a delegation from the Bosnian Army arrived at the Gornji Vakuf base and asked: “Could you please stop shooting at the Croats because they think it is us and we are getting all the s— for it.”

From the New York Times, March 1, 1998. An article enti-



Left: Gen. Sir Michael Rose, the perfidious British commander of the UN “peacekeeping” forces in Bosnia, prevented NATO bombing attacks that would have broken the Serbian siege of the Bosnian town of Bijac. Right: Former British Foreign Secretary Douglas Hurd, who, after leaving the government, went to work for NatWest Markets bank, and concluded a juicy \$10 million deal with Serbian dictator Slobodan Milosevic.

tled, “British Officer Said to Give NATO Plans to Bosnian Serbs”:

The British government is expected to charge an Army major with providing classified NATO information and documents to the Bosnian Serb leadership. . . . In a case in part compiled by American intelligence officials, the major, Milos Stankovic, 35, is alleged to have seriously undermined the effectiveness of the UN. . . . He is said to have kept the Bosnian Serb military commander, Gen. Ratko Mladic, who has been indicted on two counts of genocide . . . abreast of top-secret NATO plans and procedures and of the bickering within NATO during the 1992-95 war. . . . Major Stankovic served four tours in Bosnia during the war, more than any other British officer. For much of that time he was the chief liaison officer between the two British commanders of the UN peacekeeping mission and the Bosnian Serb leadership including [indicted war criminal] Radovan Karadzic. . . .

Major Stankovic [will be formally charged on March 11] in court in Guildford, Surrey under Section 1 of the Official Secrets Act . . . the most serious section, [dealing with] espionage and passing information to an enemy. . . . One of only three British officers who spoke Serbo-Croatian, he is the son of a Serbian immigrant who fled to Britain after World War

II. . . . His father was an officer in the [Yugoslav] royalist forces known as the Chetniks. . . . With the approval of his superiors he worked in Bosnia under the alias Michael Stanley to avoid identification as a Serb. . . . In 1994, Major Stankovic, then a captain, worked in Sarajevo for Gen. Sir Michael Rose, the commander of the UN peacekeeping mission, who rarely hid his own distaste for the Bosnian Muslims and his belief that the Bosnian Serbs were maligned. . . .

Major Stankovic’s supporters, including Martin Bell, an independent member of Parliament, say the major was a victim of a witch-hunt by American and Bosnian Muslim officials. Mr. Bell, who was a correspondent in Bosnia for the British Broadcasting Corp. (BBC) during the war and knew Major Stankovic, says . . . the major did not do anything that was not approved by his superiors. . . . Major Stankovic was arrested on Oct. 16, 1997. . . . The police carted away boxes of notes relating to Bosnia, bank and telephone records . . . and the content of a small shrine he had set up in his home to his father [including] all his father’s wartime Chetnik medals. [He was interrogated regarding] telephone calls he made to [Karadzic headquarters] in Pale and a meeting with a Bosnian Serb official in Britain. . . .

He was the chief liaison officer when the UN aid workers

were taken hostage by the Bosnian Serbs in 1995 and used as human shields to block NATO air strikes. “He seemed to spend a lot of time in Pale,” [said a former UN spokesman]. “I was afraid there was something wrong with his relationship with Mladic. I went to an official meeting with the Serb leadership and they were there. To my surprise Stanley was already seated in the room, on Mladic’s side of the table. It was as if our team was on one side and the opposing team was on the other.”

Dame Pauline Neville-Jones and the Dayton Accords

The following is based on information from Bosnian sources and the British Private Eye magazine of Jan. 15:

In January, the British Broadcasting Corp. (a crucial element in the global British intelligence and propaganda) announced that a new “governor” had been appointed: Dame Pauline Neville-Jones, “the managing director of NatWest Markets and former political director and Deputy Undersecretary of State at the Foreign and Commonwealth Office.” The BBC’s Board of Governors is responsible for the activities of the corporation, whose overseas broadcasting component is funded officially by the British Foreign Office. Both Neville-Jones and her boss until the end of 1995, former British Foreign Secretary Douglas Hurd, were involved in a scandal that throws some light not only on British support for Serbian dictator Slobodan Milosevic’s “Greater Serbia,” but in steering the Dayton peace negotiations toward partition of Bosnia.

The report in the British satirical magazine *Private Eye* tends to play up the idea that Hurd and Neville-Jones have been “working” for Milosevic; in reality, as Balkan observers have stressed, it is *the other way around*. The key elements of the scandal are the following:

1. Neville-Jones led the British delegation at the Bosnia peace negotiation in Dayton, Ohio at the end of 1995. In this capacity, she applied ferocious pressure on the Bosnians to accept a version of the accord that left the question of Bosnian reconstruction in the hands of the International Monetary Fund and the World Bank, and favored a partition of the country. She and Hurd also lobbied fiercely to lift sanctions against Milosevic.

2. By the end of 1995, Hurd had resigned as Foreign Secretary and had gone to work as deputy chairman for NatWest Markets bank. In 1996, Neville-Jones followed him as managing director. Immediately after, the two, having lobbied for lifting sanctions on Milosevic, concluded a \$10 million deal with Milosevic, whereby NatWest Markets would privatize Serbia’s electric and telephone services. Later, the

two concluded a much more lucrative deal with Milosevic: NatWest would manage Serbia’s national debt!

3. When Neville-Jones was blackmailing the Bosnian delegation in Dayton, she was *already*—as has been acknowledged by Hurd himself—in negotiation with NatWest seeking employment. Very likely, the deal had already been signed. In other words, there are all the elements for a conflict of interest. The British delegation in Dayton was led by a British subject who had everything to gain (as agents of the British empire *and* personally) from the blackmail forced upon Bosnia.

“Without Dame Pauline Neville-Jones, Dayton would have been different,” a senior Balkan diplomat told *EIR* on Jan. 22. The diplomat confirmed the poisonous role played by the Neville-Jones, then the number-two in the British Foreign Office, at the Bosnia peace talks in Dayton. According to sources with direct, first-hand knowledge, Neville-Jones’s *modus operandi* in Dayton was to rarely talk directly to the Bosnian delegation, whom she visited not more than a couple of times. Instead, she specialized in private maneuvering, mostly pushing the U.S. delegation to move closer and closer to Milosevic’s position. At the same time, she was hosting the Croatian and Serbian delegations. “The U.S. would have taken, I believe, a different position, less unfavorable to Bosnia, if Neville-Jones had not played the role she did,” the diplomat remarked.

Brits provide KLA with cadre and cash

“Leaders of the Kosova Albanians have launched a Europe-wide recruitment drive for volunteers to fight against Serbia, if full-scale war breaks out,” the London *Sunday Times*, mouthpiece of the British Foreign Office establishment, reported on March 8. Naturally, London is the main recruiting ground. The paper reports on a March 3 meeting there, characterized by the president of the London Kosova Democratic League, Isa Zymberi, as “extremely angry and bitter.” A solidarity fund has been started, and the names of hundreds of potential military volunteers are being taken.

The *Sunday Times* says the Albanian diaspora in Switzerland and Germany are particularly important in providing funding for the projected war. There are more than 100,000 Kosovars in Switzerland alone, many of whom are Kosova Liberation Army supporters. The Albanians of Germany are reportedly dominated by Dr. Bujar Bukoshi, a radical critic of Kosova pacifist leader Ibrahim Rugova. By contrast, the 65,000 Albanian Kosovars in America are the major group that still supports Rugova. The paper adds that Rugova’s London offices were recently shut down, and that virtually 100% of British Albanians support his opponent, Bukoshi.

Sudan moves toward peace, democracy

In last week's *EIR*, Muriel Mirak-Weissbach presented an eyewitness report from Sudan, on the second session of the National Congress which met Feb. 16-19 in Khartoum. She, Uwe Friesecke, and Lawrence Freeman interviewed many leading Sudanese political figures, including former opposition leaders from the South who have now signed the peace agreement with the Khartoum government, and are working for national reconciliation. In this section, we publish two additional interviews.

The National Congress represents constituency groups from all over the country. It meets every two years to discuss policy issues, and to pose questions and make recommendations to the government. It elects 125 people to send to the Parliament.

The new leadership of the National Congress includes President Gen. Omar al-Bashir as chairman, and two deputy chairmen: Dr. Riek Machar, a former southern rebel leader from the Sudanese People's Liberation Army (SPLA), and Al-Sharif Zeinal-Abdin al-Hindi, secretary general of the Sudanese Democratic Unionist Party (DUP), one of the opposition parties. The fact that two former leading opponents of the government have now joined with President al-Bashir in this democratic forum, shows what an extraordinary political shift has occurred in Sudan. The British strategy for destroying Africa's largest country has received a very significant setback.

Interview: Angelo Beda

Success is a matter of political will

Mr. Beda is the Minister of Manpower in the Sudanese government. A Christian, he comes from the south. This interview was conducted on Feb. 21 by Lawrence Freeman, Uwe Friesecke, and Muriel Mirak-Weissbach. The transcript has been edited. For an earlier interview, see EIR, May 3, 1996, "Fact vs. Fiction about Slavery in Sudan."

EIR: Could you tell us your view of the importance of this National Congress for the future of Sudan?

Beda: First of all, thank you very much for coming all the way from the United States to our country, and for witnessing the running of the conference of the political system, the National Congress.

This conference is the second of its type since the searching for and establishment of a political agreement for the Sudan, which came after we had been fed up by the multiparty system, which we had twice, or three times, and then followed by military coups, and then a one-party system, which was run under Nimeiri. I think this system is aimed at gathering the Sudanese into many streams of political activities, with all their diversities. So, we have now tried this experiment for the last two years. This was the second conference in the last four years, and it was to review our experience, and to plan our future, and also to see the shortcomings of this system. So, it was a very important national review of our effort.

First, the conference is a manifestation of the Sudanese trying to get together by all means, in spite of their difficulties, all their diversities, and their racial and religious differences.

People are trying to discover how we can come together into a national forum, in which we can accommodate each other, especially since the country is so big. So this conference has succeeded in establishing this, that it is possible for Sudanese to come together, under a forum which admits everybody, without qualification, provided that you are Sudanese; regardless of religious feelings, origin, or tribal affiliation.

People have established the structure of a Federal system, and to combine centralism when it is necessary, and then dispense with centralism when we don't need it, so that the local districts, and the states, and the Federal system can react economically, politically, and socially.

The last [point to be stressed about] this conference is, the working of the system, that has attracted people outside it. In 1989, there was no confidence; 1990, no confidence; 1991, no confidence; 1992, no confidence. And then, we had international pressure on us, which was aimed at collapsing this effort of ours, and they organized our neighbors against us. But, as time goes on, and people see that we are pushing ahead, very successfully, we ended up uniting the south and the north inside the country.

And so, those outside have decided to respond. The first two groups came from the southern rebels, and they have joined to sign the agreement, called the Khartoum Agreement. The second is about to come, which was chaired by Sharif al-Hindi, who brought the initiative to the conference, and it was discussed and approved [see *EIR*, March 13, 1998].

So, we look forward to a bigger dialogue. The conference

will become a platform for a bigger dialogue with the opposition groups.

EIR: At the congress, Dr. Turabi outlined the new constitution, which will be presented in a plebiscite to the country, and which has to be adopted by the National Assembly. Could you outline some key features of this new constitution, how they will shape the future of the Sudan?

Beda: First of all, I think this will be the first time that we will have a constitution which contains a lot of consensus. This didn't come out of the blue: We started building from below, involving the Federal set-up, involving the political system, involving what type of distribution of sources can go to the people, what type of political individuals will participate in the political sharing of power. And then, how do you define the identity of the Sudan? Is it through the Islamic people? Is it going to be an Arab nation? Is it African? And so, the establishment in the constitutional set-up says that all Sudanese, regardless of our cultural differences and political differences, will participate in the affairs of the country, on the basis of their citizenship. I think this is the most important aspect of the constitutional set-up, as far as the Sudanese are concerned.

In America, you may talk of freedom, you may talk of other things. But, in the Sudan, it is really: How do we get to the level of a citizen, who is born a Sudanese, regardless of his or her racial background, or religious background, cultural background? This is the most important thing to us. And this has bogged us down, up to this date. This is the most important aspect of the constitutional set-up.

The second aspect is the opening up to accommodate others who may have confidence in what we are doing, and allowing them to submit their will to the agreement of the people. That is the core of the referendum. This one-man decision has been the problem, in Africa, and in other parts of the world. If you let the citizen decide on a referendum, that means you are trying to change bullets for the ballot. If you do, there will be no war, there will be no need for war, because the common will is stronger than a man just getting out on a certain Sunday, and then getting a gun, and beginning to shoot.

And the last, and the most important thing, is that this is an Islamic country. The majority of the people are Muslims. But, *it must be an Islam that must accept the will, the right, of the minority.* This has been established by decree, and it's to be included in this constitution.

EIR: This leads me to another question. I can foresee already, that in the Western press, people will say, "This Congress was really organized by Dr. Turabi, he worked out the constitution. In reality, this is just a continuation of the Muslim north dominating Sudan, and these provisions for federalism, in practice, don't mean very much." How would you respond to that argument?

Beda: That argument, on the face of it, is more apparent than real. If you respond to people outside, you will not be able to



Sudan's Minister of Manpower Angelo Beda, a Christian from the south: "This is an Islamic country. The majority of the people are Muslims. But, it must be an Islam that must accept the will, the right, of the minority. This has been established by decree, and it's to be included in this constitution."

solve your problem. It's better you look inside, at the realities that exist around you. Turabi is a Sudanese citizen, and his views are subject to other people's views, including from the south.

If you look at the Khartoum Agreement, you will see that most of the things which appear there are really too good to be true. Some of the things, like self-determination for the southern Sudanese, subject to a referendum, cannot be done in the United Kingdom! I'm sure that the United Kingdom could not accept a referendum on whether Ireland and Scotland will leave. They cannot afford this. But we are saying, let the Sudan go, and have a referendum after four years. I think there is no more sincerity than this. And even those who are criticizing, some of them cannot do the type of experiment the Sudanese have done, because it would be a risk for them, and I'm just pointing to the United Kingdom as an example of a state that cannot *attempt* to copy the Sudan, because if they do, they will disintegrate the same day. Submitting the United Kingdom, with its regionalism, to a constitutional referendum? I think that would be the end of Britain.

EIR: Now, could you give us a sense of the state of imple-

mentation of the peace agreement in the south?

Beda: The agreement is in two parts. The first is already implemented: that is, the federal declaration of 26 states in the Sudan, 10 in the south, and 16 in the north, and the appointment of governments to these, according to the law. The most important question to the southern Sudanese, is the election of their leaders. Because the problem was, that leaders were selected by northern people for the south. Now, the Walis, that is, the governors of the 10 states [of the south], like those in the 16 states [of the north], have been elected by their people. And now, consultation is in process, in each of the states, to set up a government, an assembly. That's the legislative body, and the executive body.

What is now going on, is, the formation of the Coordination Council, which is a body to supervise the 10 states, until the time of referendum. So, we think it is just a pity that one of the signatories to the agreement, that is, Kerubino, decided to put us to shame. [Maj. Gen. Kerubino Kwanyin Bol, a former southern rebel leader and early participant in the peace process, reportedly defected to the SPLA of John Garang early this year—ed.] Because our complaint against the north is that they don't keep any agreement. We were shocked to see that it is coming from our side: that the northerners have decided to keep to the agreement this time, and it is we who started to break the agreement by going to war. But, we consider this a small aspect of things that can happen anywhere, and we have insisted that we go on with the implementation of the Khartoum peace agreement.

So, to me, the process is going on, and the pace it is taking is according to difficulties we have in the Sudan. The Sudan is 1 million square miles. Everybody is wishing that we won't succeed: We are facing an economic embargo, we are dependent on our own resources. We expected people outside to sympathize with us, but we have learned a good lesson. This is the first time that we have decided to depend on ourselves, and I think that's the best way. If we can develop our resources by ourselves, and to live on our own strengths, I think this may be good.

So, I think given the resources we have, and given the means at our disposal, and within the political, economic, and social environment we have, we are doing very well with implementation.

EIR: How significant do you think it is that John Garang is still stubbornly refusing to be part of these negotiations for peace?

Beda: I don't know whether I can call it significant or not significant, but I think it is a contradiction in terms, as far as John Garang is concerned. We all think that what we have done here, is the result of the fighting. And this fighting was organized by Garang. The government that was cheating us, was overthrown, until this one came along and started really to respond to the call, to the needs of southern Sudan, asking what are the causes of the war, so that it could be able to solve

it. Getting down, seriously, to solving the problem of the war. I think we expected John Garang to respond. That's why I call it a contradiction, that the very people who were fighting John Garang here, when they were overthrown by this regime, who believed that they could solve the problem better than them, John Garang went and joined them in Eritrea, in order to fight this agreement.

For me, as a southerner, I will not talk about the significance of this. I think that the poor people of the south are very unlucky: They don't really have leaders. We thought that Garang was a real leader, who was fighting for his people, except that he has turned the south to be used as a lever for others to achieve their goals. And, this is why now, this process is only exposing him to be a utilitarian type of man, who can easily be used by high technology, by people who use the southern problem as a means to an end, as a means to overthrow Islam.

We don't care about overthrowing Islam, we don't care about overthrowing the government. But, for goodness sake, don't use us! Try to use other means, not at our own expense. We cannot afford it. Thirteen years of war! There are no schools!

In this, I'm now talking to you as if I were in charge. What we would do, is to issue an international call for education in the south. We need to have an international call, to all men of good will, Christian and Muslim, in the world, to see the havoc in the south caused by Garang. The whole territorial population, one-third of the Sudan, has been destroyed, politically, economically. And, as a result, the children, not less than three generations, have gone without education.

EIR: Southern Sudan borders on a region with Uganda, Congo, the Great Lakes region, which still has many other conflicts raging, like in northern Uganda. Do you think that your success in southern Sudan could affect that situation, and could be a symbol that peace, after all, is also possible for these situations?

Beda: Yes. I think that the Sudanese experience, of both sides realizing that they cannot win the war by fighting, that they should go to a self-determination type of agreement, to reach a consensus on matters, to sit down and find each side disagreeing, if they do, on really what are the causes of the war, and so on, and then coming to sign an agreement, and to respect that agreement within the country — all this would be a good example for Burundi's case, for Somalia's case, for the case of West African countries, like Sierra Leone, and so on.

If this message can be shared by our neighbors in Uganda and Burundi, and in Zaire especially, when the government has become only an agent of promoting privatization, I think the Sudanese agreement and peace in the south, will be the beginning of peace on the African continent.

EIR: How significant is the project of the Jonglei Canal for the south?

Beda: Yes, that is a very important project. The Jonglei Canal was a project which was to take away the southern Sudanese from a backward agricultural performance, to a modern sector of production in the field of agriculture. But the [“bucketwheel” excavating] machine, which was brought to Jonglei by the French government, is the biggest in the world. This machine had been destroyed.

This was the beginning of a serious step that was developing southern Sudan. And let me tell you: It is not the [peace] agreement that will solve the problems between the south and the north, or between Burundi and other people, or even in other countries. It is social and economic development. Because how can you really bring people to produce for themselves, and then enter the market, and develop a culture around it of how they can go on to produce what they call a civil society? If you forget this, and you just want to make people sign an agreement, the agreement itself cannot bring this thing about. It is the realization of development, and that’s why things like the Jonglei Canal going ahead, would be a solution to the southern Sudanese problem in another way.

Because it is an egg-and-chicken problem: The backwardness of the south is the cause of the war. And the war is also the cause of the lack of development. You don’t know where to start the question.

You must stop the war, in order to develop. But when you stop the war, people disagree and say they are backward, they go to war again. So, you have to break this vicious circle. The Jonglei Canal was a way of doing that. And, all you need is to keep some tranquility for two years, three years, four years, depending on what you call in economics the gestation period. Because when you invest today, you can’t get the fruits today; you invest today, and then after five to six years, which is the gestation period, you get the benefit, whether social benefit, economic benefit, political benefit, civilization benefit, society coming up, schools coming up.

EIR: You mentioned that John Garang was serving some outside interest. Would you care to mention who that might be?

Beda: Yes, from outside, sure. You see, it is very difficult; if you talk as a lawyer, where is the evidence? You will not be able to provide it. But when we accepted the Declaration of Principle, and we went to Nairobi to get the warring parties to the negotiating table again, we were expecting that the whole international community would be looking forward for us, to be very optimistic.

We got a very good reaction from the European Union, because they wrote this declaration in a letter, which came to us, saying that they were looking forward to a successful deliberation of the situation in the Sudan, so that it can affect also the relations between the Sudan and her neighbors. The European Union, they said, would be only too ready to assist if needed. We were very happy.

But, to our shock, we received a declaration from the United States, that it was imposing an economic embargo on

the Sudan, and then seizing assets, and then telling her that we are doing it in order to press you to agree! I looked at that as a provocation, as somebody who has very bad will, who doesn’t want the Sudan to have anything. And, that’s the time I personally felt that the Christian community did not care about the southern Sudanese.

The world looks at the fact that the southerners are Christians, and yet you see that a Christian society was not interested in the southern Sudanese people; they just wanted the war to go ahead.

So, this is the first time I believed that the United States was against the Sudan, and was against any progress of the Sudanese people. And that its aim is only to overthrow — call it Islam. But, we still appeal to them. We don’t stop them from hating the Sudan. But, to use the south, to use the poor people as a means, is a crime. It is not moral at all, that you can fight the Sudan through the south. You’d better fight it in other ways.

So, that position of the United States really damaged us, damaged the debate, and is a part of the factor that made us unable to agree, unable to reach progress in Nairobi.

The second people who are using Sudan, are the opposition, the northern opposition. Of course, the northern opposition party are those whose interests are only to rule in Khartoum. And they are telling John Garang, “Don’t discuss, don’t come to peace with this government.”

EIR: When you say northern opposition, whom are you referring to?

Beda: What is called the National Democratic Alliance in Eritrea. They are the political parties who are here, and have been removed many times by the military junta, as they were removed by this one. We have no quarrel with them. But, for them to tell the southerners not to agree with this government, and to say, let us work together to topple the government, and then we come, and only then will we start to talk about the problem—it’s really the type of thing which we think John Garang should not agree to. Because they will use us, just to come to power in Khartoum, and perpetuate the very crimes which they themselves committed, when they were in power here.

EIR: I want to ask about a recent initiative by Britain’s Baroness Cox. There was a report issued in the United States by an Israeli operative named Yossef Bodansky, which alleges that the Iraqis have sent chemical-biological weapons and Scud missiles, since 1991, to Sudan. They even say that some of these weapons are hidden in the area of Wau, in the south.

Now, this report is obviously false. It’s a fabrication, and it’s already been identified in the U.S., apparently, as a fabrication.

But, the point is, Caroline Cox took this report to the House of Lords three days ago. She said she had independent sources in southern Sudan who could confirm this. And she said, on the basis of this, she wanted the British government

to consider setting up in Sudan something like the UNSCOM inspections that they have in Iraq. It seems very clear that what Baroness Cox is trying to do here, is to create further provocations and actually increase the pressure on the Sudanese government, providing cover for further belligerent moves in the south against the government.

I wondered if you had heard about this, or if you have anything to say about this kind of activity on the part of Baroness Cox.

Beda: Yes, I've heard about it, but I have not been able to pay much attention to it, given my responsibilities, and the lack of information. So I will not be able to talk very seriously on it.

What I know, is that Baroness Cox had made accusations against the Sudan, about slavery, which made it clear that she, like other people, does not realize that this war is destroying the southern Sudan, more than it is affecting the north. She, like other people, does not know that if you talk about Islam, at this time, Islam is spreading in the south more than at any other time. And so, if you are a Christian, to develop the churches, it is better to stop the war, than to try to create extension of it. So, this is all that I know about it. But I think, from the way she behaved on the slavery issue, one should think twice before taking seriously anything that Baroness Cox does on any program related to the Sudan.

EIR: Your government has set up the Southern Coordinating Council for these 10 states. What is going to be the relationship between these states and the Federal government, over this four-year period?

Beda: The relationship will be, simply, that the Coordinating Council will represent the President in the south. That some of the powers, or most of the powers of the Presidency, of the Federal set-up, will be transferred to the Coordinating Council. And so, the President will deal on a closer and more sympathetic basis, not really having to pass it through a bureaucracy, to make things very easy.

EIR: You have been a leading politician and activist from the south. You're also a Christian. Do you feel confident that this effort, this constitutional process that's come out of this national congress, is real, is viable, and that it should be supported by everyone in this country and the West as well?

Beda: Yes. I have not only been a longtime politician, since 1978, but I have witnessed each and every government since independence, as an intellectual, as a civilian, as somebody from southern Sudan.

I think what was lacking, was political will. You see, to do anything in the world, if political will is not there, you are wasting your time. Because of the pressure the Sudan has suffered, really. Garang doesn't know what he has done; that if he came now, he would be a hero. But southern Sudanese are not well educated, they can be used by high technology. But if he were independent and were to come, Garang would be a great man in this country.

And so, the political will for the first time has emerged. The First Vice President, who died recently in a plane crash, has been wept for by all of us. I was with him in a very isolated town, called Bor, about two months ago. The statement he gave there — unfortunately, there was no press there, so it was not reported. What [the late First Vice-President] al-Zubair Mohammed Saleh said in Bor, about the Sudan, was historic. He said that the Sudanese people have suffered a great deal, and they will never again come back to suffer like this. So, let the southerners decide among themselves whether to remain as part of the north, or to go. If this is a statement by the First Vice President, and he said it among the southern Sudanese, what better confidence-building agreement can there be?

So, I'm talking of *will, political will*, which is not written, but is identified in the hearts of those who are in power. The only thing is, that if you prolong the war, and you bring the wrong people in again here, then things will be spoiled.

When I go abroad, to the ILO conference, and I hear somebody in Geneva saying there is slavery in the Sudan, I have no respect for such a forum. I told them, how can you receive somebody who is so politically motivated, when you could easily visit Juba and see for yourselves?

So, to answer your question, I think the political will that has developed in this regime, has never existed before in the past, and I'm afraid it may wane, it may wane, if it does not get the right response.

Interview: Samuel Aru Bol

Southern leaders are working with Khartoum

Mr. Bol is a member of Sudan's National Congress, representing the United Democratic Front, Salvation Front; he comes from Lakes State, in the south of Sudan. He was with rebel leader John Garang in the Sudanese People's Liberation Army (SPLA), in Nairobi, Kenya, from 1994 until recently, when he returned to Khartoum to join the National Congress and work toward unity of the nation. This interview was conducted in Khartoum on Feb. 20 by Lawrence Freeman, Muriel Mirak-Weissbach, and Uwe Friesecke. The text has been edited and abridged.

EIR: Mr. Bol, you just attended a National Congress conference. Could you tell us what you consider the most significant developments coming from that conference?

Bol: The most important development was that the National Unionist Party, a party of great importance in the Sudan, a part of the Democratic Unionist Party, has joined the government

now, in the person of Sharif Zeinal-Abdin. That is a very great development. That is, in addition to us. We, the members of the United Democratic Front, Salvation Front, have also joined this Congress. So this, in my view, is a very great development for that movement.

EIR: The new vice president, Sharif al-Hindi, comes from Mirghani party. Can you tell us something about his background, and why you think it's so significant, that he's joined the government now?

Bol: I think he is also trying to save the Sudan, because these various quarrels and fightings have gone too far. And he is just like us, he does not believe that that is the right way. The right thing is for people to sit together, and resolve our problems. So that Sharif Zeinal-Abdin should think like this and join us, is, in my view, of great importance. And it is likely to affect the thinking of the Mirghani, and Mr. Sadiq al-Mahdi, and Mr. John Garang.

EIR: Now, you come from the south. It is said that northern Sudan—Muslims, Arabs—are persecuting the south, trying to dominate the south, to Islamicize the south. This is what the media in Europe and the United States say. But yet, you're supporting this government, the National Salvation Front. Could you tell us why?

Bol: This government of the National Salvation Front has declared, in its statement in 1996, that it is prepared to resolve the problems of the Sudan peacefully, and politically. This is why we have supported this government. This government, and the previous governments, have been carrying out awful policies in the south. It is just the change of policy, which [Sudanese President] Mr. Omar al-Bashir has announced, which is making the difference, and to which we have decided to respond.

EIR: So, when Bashir took over in 1989, do you think that was the beginning of a change in policy?

Bol: No. I did not see a change in policy then; I saw it in 1996. That is the time the government said it was prepared to talk with southerners, and to resolve problems peacefully and politically. That was the only time. Before that, they wanted just to kill and to be victorious militarily. It had actually fought, like the previous governments. But it had exhausted itself, and it had found that it was better to resolve these problems peacefully. [Bashir] was saying this from experience. And therefore, I believe that it was right.

EIR: Now, all the opposition groups, except for one, signed the peace treaty and Peace Charter in 1997 with the government, except for John Garang. What is keeping him? Or why won't he join this peace process to end the war in Sudan?

Bol: I think John Garang's policies should be stated by John Garang. I stayed with him for four years, to try to find out why he and all his colleagues could not come together, and

put the case of the south as one people. And, he did not give a satisfactory answer.

EIR: Riek Machar, also a southerner, has been made the other vice president of the National Congress. Is that also a move by the government to resolve this problem?

Bol: In my view, this is what the government is thinking about. The Sudan government feels that there is always a need for some southerner to be sitting near it. So, if Riek Machar is there, and Riek Machar is for the interests of the south, we think that he will contribute toward the solution of the problem.

EIR: Can you say anything about the process of rehabilitation and reconciliation in the south? I know that the government has talked about efforts to repatriate Sudanese citizens who have fled from war-torn areas, such as Wau. They want to re-establish local economies, re-establish a viable agricultural sector, and so on.

Bol: In my view, it is a very important part of the peace process. If it is not well done, we will definitely be failing in carrying out the peace process. The failures there indicate that we are failing in this respect, because the people responded to peace, and we were not able to give them food, shelter, or farming implements, to prepare themselves for the next planting season, because the rainy season is coming up, after April.

As to why these people ran away from Wau, fleeing into the countryside: Up to now the facts are not yet at our disposal; but I feel that the fact that we did not receive them well, that we did not treat them, that we did not shelter them, and that we did not give them the physical security needed, had a bearing on it. The fact that we are not really taking great care of them, of their security and food, is affecting the peace process.

We hope, after this national conference, that we will address this matter more seriously.

EIR: How much of the south does John Garang still represent?

Bol: In my view, John Garang, at the moment, is not the true representative of the people of the south. He is fighting for unity of the Sudan. So, whether he succeeds or he fails, this will not stop the war. It is when we succeed, we who are prepared to solve the case of the south, that there will be peace for the whole country.

John Garang, and the people with whom he's associated in the National Democratic Alliance, the NDA, these groups are people who worked before, and were *worse* than the present government. So, if they succeed, they have not told us how they are going to solve the problem. They talk of "unity," and you see, unity may be a unity of the land, but not unity of the people. What we want, is unity of the people. And, this government is prepared to tackle the question of the unity of the people.

I think John Garang is under the spell of some other powers. He is not acting on behalf of the aspirations of the people of the south, who have not differed with me.

EIR: Can you specify that?

Bol: Well, if he cooperates with the countries which are against the Sudan, and he does not talk to the government of the day, and he is prepared to talk with any Arab who has run away from the country, he is definitely not talking about the interests of the people of the south.

John Garang could have solved the problem of the south a long time ago. He never thought about it. He's thinking of sitting in Khartoum here as a king, as a ruler. He is not thinking of the south. Southern Sudan would have gotten its freedom a long time ago.

EIR: Would you want to say which countries are supporting John Garang, outside of Sudan?

Bol: Don't you know them?

EIR: Yes.

Bol: [Laughs.] I think you know them.

EIR: Could you explain to us how the Southern Sudan Coordinating Council will work?

Bol: The Southern Sudan Coordinating Council is intended to coordinate the activities of the 10 states of the south. This is because, you see, southern Sudan looks at itself as *one*, though there are many people who think it has never been one historically.

We have to coordinate the activities of all of the states of the south, if we are to bring peace to it. Because any misbehaving in any single state, will affect the rest. Therefore, the intention now is to make the Coordination Council a center, where all the governors of the south meet, together with about 14 other people, to coordinate all the policies which are aimed at stopping the war, and rendering services to the people, and developing the people, and protecting human rights. All this is to be done by the Coordination Council, in coordination with the other governors.

EIR: And were there representatives, delegates, members of the National Congress from all ten states present at the conference that just closed?

Bol: Yes.

EIR: If you are successful in reaching a peaceful future for the south, do you think that this will also affect the situation in northern Uganda, which is involved in conflicts as well?

Bol: In fact, it will affect nearly all African countries, be-

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cause we are neighbors to all of them, and the insecurity in the south, is affecting them all. So, if we can succeed in restoring peace and order for the southern Sudan—and we are a very peaceful people, by the way, we are not troublesome—if we restore peace and order to the people of the south, the rest of Africa will be restored to some sort of rule of law. And, we think this will be done. And particularly the people of northern Uganda.

EIR: What would your aspirations be, in economic terms, and in development terms? Assuming you achieve peace, which is in sight now, what would be the first steps that you would take economically, infrastructure-wise, etc., to build a future for the south?

Bol: Actually, this is stated in the Sudan peace agreement, very clearly, so I will answer just to supplement what is in the agreement.

Our intention is to see that the people of the south apply policies of self-reliance. Anything which will help our people to depend on themselves, is what we will encourage. Anything else, which has made the people of the south look outside, should be helped by improved infrastructure. We are intending not to engage in a lot of public deals, but in privatization projects.

EIR: What will happen to the Jonglei Canal project? Do you think that will be restarted?

Bol: I think this will depend on our relations with the Egyptians. Of course, we have a lot of things to tackle first. We have to settle our relations with northern Sudan, and to settle our relations with Egypt. The Jonglei Canal is not only a project which will affect us; it will affect the rest of Africa, and therefore, those African countries that will be affected by this project, should be involved in the discussions. The Jonglei Canal may serve as a uniting factor, or a dis-uniting factor. We do not know what will happen. It will depend on the studies and researches, of the government of the day.

EIR: Why was this project stopped in the first place?

Bol: The project was not stopped intentionally, but it stopped in the course of fighting, because you can not undergo that kind of development project, while people are fighting. But I think now, once the fighting stops, people will think about what to do with it.

EIR: Are you confident that in the interim period, the social, political, and economic integration of the south into the entire country, will proceed to a point that, in a referendum, the people will vote for unity?

Bol: With proper policies, we think we can unite. But, if people go on violently, as they have been doing, and they are resisted, then a point may come when people will have to break up unconsciously, without knowing what they are plan-

ning for. But, if there really is a plan, I think it will succeed.

EIR: What do you think the countries of Europe and the United States could do, in order to contribute to the success of this peace process, including the economic integration?

Bol: The most urgent thing is to stop the war, to persuade the people who are interested in war to stop the war. The people should be repatriated, resettled, and relieved of their difficulties. And, they should be given some sort of education, and information, as to exactly what are the issues.

If the people of the south are made to feel that this is their country, and they can be secure in it, there is no problem. The same thing also: We do not like anybody in the north here to feel that because he is of Arabian origin, he is unwanted. This is not the case.

So, in my view, it is possible for the Europeans and the Americans, to help in the coming-together of these people. You saw, it was done by the British. And then the British left us with no safeguards, and so we got into this mess.

EIR: You said that from 1994 to 1998, prior to coming to this National Congress conference, you were with John Garang in Kenya. What were you doing before that? What has been your involvement in the fight in the south, and anything else you can tell us about your past?

Bol: Yes. You see, we were surprised to find that the leaders in the SPLA were disunited. This alarmed us here. And here, our parties were dissolved. So, if our parties are dissolved, and the people there were also running into difficulties, the fate of the south was very bad, you see? So the Union of Sudan African Parties resolved to send a delegation, and I was a part of that delegation, to Kenya, to try to unite the various factions of the SPLA into one. I did my best to see that they were united. I succeeded in uniting others; but, John Garang refused to be united with other groups.

EIR: Up to now, John Garang has refused to work with the Sudanese government. Sadiq al-Mahdi is now heading the National Democratic Alliance, which includes support from Ethiopia, Eritrea, Uganda, and outside support from Great Britain. The governor has now made an overture, and you and other people have come forward to see the sincerity of the Bashir government in this effort. But, these other forces are not coming forward. What is left for the Sudanese government to do?

Bol: What we are going to do now, will be to put our house in order, and to prepare the country, a way in which people come to power in the country, democratically and peacefully, but not by fighting. And, we will beg the big countries, like America and the Europeans, and even our brother Africans, to help us in carrying out this program.

And, in my view, these leaders will come around. Sadiq must come, and Mohammad Othman Mirghani, and John Garang. They must come, and join.

Samper cheats to stop Bedoya electoral threat

by Javier Almarino

“Several thousand followers of the ‘*Fuerza Colombia*’ movement were unable to vote for our movement’s candidates to the Senate and the House, because the Samper government prevented them from exercising their right to vote in the March 8 elections” for Congress and other positions, charged Presidential candidate Gen. Harold Bedoya (ret.), in a press conference given at his campaign headquarters following the election. In the majority of polls held prior to the election, Bedoya had consistently appeared among the top three challengers in the next Presidential election, in May. Ever since President Samper booted him from his post as head of the Armed Forces, Bedoya has been a persistent thorn in the side of the Colombian oligarchy, and of its London controllers, who haven’t yet figured out how to eliminate him from the list of Presidential contenders.

The explicit fraud committed by the Samper government reveals the degree of panic that has infected Samper and his chosen successor, Horacio Serpa, over the possibility that Bedoya may win the Presidency on May 31. Bedoya has, in fact, already won over a substantial portion of the population, who believe that the reigning disorder in the country can only be addressed by someone who can firmly apply the law. However, that sector of the population lacks the machinery to defend its vote. Samper’s fraud could nonetheless produce precisely the effect it was intended to prevent, by prompting Bedoya to begin building a political machine through the creation of thousands of committees to defend the vote, and through the country’s retired military which, enraged over their lost votes on March 8, could turn out en masse for Bedoya in the election.

According to reliable sources, Samper’s Defense Minister Gilberto Echeverry Mejia took action just three weeks before the March 8 election, sending to the National Registrar’s Office a list of names and voter registration numbers of active military personnel who, according to law, are forbidden to participate in the elections. However, included in that list were also the names of *retired* military personnel, including many who had already voted in previous elections, as citizens with full rights. According to Bedoya, at least 1 million citizens were affected by this outright fraud on the part of the

Samper regime. Samper knew full well that the majority of retired military intended to vote for Bedoya candidates, particularly for Gen. Ricardo Cifuentes (ret.) and Fernando Vargas for Senate, and in Bogotá, for Gen. Hernando Zuluaga (ret.) and Jaime Duque for the House of Representatives. Despite the fraud, Cifuentes received 33,500 votes, just 1,500 votes short of winning a seat in the Senate, while Zuluaga garnered 15,500 votes, a mere 100 short of a seat in the House.

Fuerza Colombia, the movement founded by General Bedoya, was thus prevented from achieving legislative representation. However, and despite the fraud, Luis Elmer Arenas, a Bedoya supporter from another anti-drug movement known as “Vamos Colombia,” did win a Senate seat. It is expected that Samper’s next move will be to try to use the vote results as a pretext for stripping Bedoya’s movement of its legal status, thereby sabotaging Bedoya’s Presidential bid.

Samper’s dirty trick was so transparent that Bedoya, who has been out of the military since July 1997, was unable to find his own registration number on the voters’ list, when he went to Bogotá’s Kennedy neighborhood to cast his ballot. Only after a lengthy exchange with election authorities was Bedoya finally permitted to vote.

The same thing happened to Jaime Duque, who was a candidate of Fuerza Colombia to the House of Representatives. Duque is not only a retired military man, but also a lawyer. He was nonetheless forced to argue for two hours with election authorities before they would restore his right to vote. The large majority of military retirees appearing on the Defense Ministry’s list, however, were forced to leave the polls, deprived of their most fundamental right as citizens.

Balkanization or national reconstruction?

These dirty operations are aimed not only at the political elimination of Bedoya as a Presidential candidate, but also at the very integrity of the national territory, and at the existence of Colombia as a nation. Bedoya is the only candidate committed to eliminating the scourge of narco-terrorism, and to the reconstruction of the nation, politically, morally, and economically. The other candidates seek only to hand more and more concessions over to the FARC and ELN narco-terrorists, in the name of winning an illusory “peace” underwritten by the United Nations, a peace which would culminate in the division of the nation into pieces, or the “balkanization” of Colombia.

On March 1, some 500 FARC narco-terrorists ambushed one of the battalions of the No. 3 Mobile Brigade in Caqueta province, killing at least 55 soldiers. Another 50 soldiers are still missing, possibly dead or kidnapped, and fighting in the region is still ongoing as of this writing. The FARC’s goal is to demonstrate that it has near total control over that part of the nation’s territory, and to create a kind of coca-growing “republic” which the United Nations would officially recognize.

International Intelligence

India's BJP attempts to form government

The Bharatiya Janata Party, which won a plurality in India's elections for Lok Sabha (parliament) last month, elected Atal Behari Vajpayee as its leader on March 6, in preparation for his assumption of office as Prime Minister. In his acceptance speech, Vajpayee noted that although the BJP had not been able to get a majority in the new Lok Sabha, its support has increased.

Negotiations with other parliamentary parties are continuing, to form a new government, and it is expected that the BJP will soon present President Narayanan with a list of the parliamentarians who would support the BJP national government. The list will show that the BJP does have the support of at least 273 parliamentarians (of the 534 in the Lok Sabha) belonging to a basketful of small and medium-sized political parties. At least eight of these parties aligned with the BJP prior to the Feb. 16-20 elections.

Head of Russian atomic energy ministry ousted

On March 3, the head of the Russian Ministry of Atomic Energy (Minatom), Viktor Mikhailov, announced his resignation, just before Russian Prime Minister Viktor Chernomyrdin's trip to Washington for the meeting of the Gore-Chernomyrdin Commission, which includes the Minatom director. Mikhailov has consistently refused to compromise on his ministry's cooperation in the peaceful use of atomic energy with Iran. He reiterated his policy in a press conference in Moscow on Feb. 18. He has also worked closely with the United States, overseeing the nuclear weapons dismantling program, and opened up Russian nuclear weapons laboratories to Western scientists.

At the same time that Mikhailov announced his resignation, Israeli Minister for Industry and Trade Natan Sharansky was in Moscow to convince the Russians to end nuclear cooperation and trade with Iran.

Meantime, on March 4, an editorial in the *Jerusalem Post* (owned by British intelli-

gence's Hollinger Corp.) tried to whip up a confrontation between the United States and Russia over the latter's nuclear energy collaboration with Iran. Writing on the March 9 Gore-Chernomyrdin Commission meeting, the *Post* ranted: "After going to the brink of war with Iraq . . . it is somewhat bizarre that the U.S. seems reluctant to use economic tools to accomplish the same goal in Iran. The only explanation is that the U.S. is concerned that financial pressure will harm its relations with Russia, and perhaps even the stability of the Russian government. This attitude, however, is backward and demeaning to the United States. Since Russia is directly threatening U.S. security interests by aiding Iran, Russia should fear damage to its relations with the U.S., not vice versa."

Dumas now officially under investigation

French former Foreign Minister Roland Dumas, currently president of the Constitutional Court, has been subpoenaed by the two instructing magistrates responsible for the investigation into the Elf-Aquitaine case, and was scheduled to appear on March 18, according to the March 8 issue of *Le Monde*. As a counter, Dumas's lawyers are attempting to have the case moved into the Court of Justice and out of the hands of the two instructing judges. On March 9, he gave an interview to *Le Figaro*, under the headline, "Through Me, There Is an Attempt To Destroy the Mitterrand Heritage," probably one of the few truthful statements Dumas ever made. (Dumas served under the late President François Mitterrand.) After protesting his innocence, Dumas indicated that he knew where enough skeletons were buried to make things uncomfortable for others, if an investigation leads to indictment.

Dumas insisted that he will only resign from the Constitutional Court if he is actually convicted. Does he expect to resign? he was asked. "Certainly not. I repeat to you that the President of the Republic, after consultation, believes that the president of the Constitutional Council, like any other citizen, has the right to the presumption of innocence. Even in the case of somebody being

under investigation, does not mean automatically that he is guilty." Dumas met with President Jacques Chirac on March 6, and by March 10, Chirac's office officially confirmed that it wishes "the presumption of innocence to be preserved."

Throughout Paris, official reactions are similarly muted, with politicians from all parties rushing to proclaim the preservation of the "presumption of innocence," fearful that the spread of the scandals could go out of control.

Italy's Dini favors U.S.-Iran rapprochement

Italian Foreign Minister Lamberto Dini met on March 7 with U.S. Secretary of State Madeleine Albright in Rome. Along with the crisis in Kosova, where Italy is playing an active diplomatic role, Dini was to report to Mrs. Albright on his recent meeting with Iranian President Mohammed Sayyed Khatami.

Anticipating his meeting with Albright, Dini told Alan Friedman in the March 7 issue of the *International Herald Tribune*: "President Khatami . . . agreed with me that it is only through dialogue and tolerance that we can find solutions to conflict. I told him that I had found in his recent CNN interview elements and intentions that, if translated into concrete acts, offer a good prospect for collaboration between Iran and the rest of the world. I also said that Iran could contribute to increased international stability by being a moral force in the Islamic world, by using the instrument of dialogue and by helping to take a more positive attitude in the Middle East peace process, and by repeating in words and deeds a condemnation of terrorism, and by taking a stand against proliferation. He reacted immediately in a favorable way and told me Iran is condemning and not participating in terrorism, and that Iran does not intend to export fundamentalism. This is a key departure from the past."

When Friedman asked whether Khatami had given him a message for the United States, Dini responded: "I think our entire conversation in Teheran was not intended only for my own consumption." Dini added

that "President Clinton's reaction to President Khatami's recent opening to the American people during an interview with CNN was seen as positive and was appreciated in Iran."

JINSA promotes Ethiopia, Eritrea against Sudan

The United States and Israel should support Eritrea and Ethiopia as a bulwark against so-called Sudanese fundamentalism, according to the quarterly published by the Jewish Institute for National Security Affairs. A commentary in the September-December 1997 issue of *JINSA Security Affairs*, by Gil Kapen, claims, "They are front-line states against Sudan and Islamic fundamentalism, and they seek closer ties with both the U.S. and Israel."

As *EIR* has documented, Israel, on behalf of British Empire geopolitical strategy, has three military bases in Eritrea, including a covert naval base inside a "nature preserve" set up by the African Wildlife Fund on the Dahlak Islands. It has similarly courted Ethiopia.

Kapen retails the litany of lies about Sudan as "a leading Islamic fundamentalist theocracy," which has been seeking to undermine its two neighbors, and that Sudan had tried to assassinate Egyptian President Hosni Mubarak in 1995 outside the Addis Ababa airport in Ethiopia. Claiming that Islamic fundamentalism has replaced "communism as the number-one threat to Israel, America and the civilized world," Kapen calls for greater U.S. and Israeli support for Ethiopia and Eritrea.

Swedish critics pan film on Palme murder

A film meant to dramatize the events surrounding the Feb. 28, 1986 murder of Swedish Prime Minister Olof Palme, titled "The Last Contract," has received bad reviews in the national press. Producer Kjell Sundvall based his screenplay on the book *The Contract*, but departs from the book long enough to dredge up the slanders against Lyndon

LaRouche and his co-thinkers in the European Labor Party (EAP) as responsible for the still-unsolved murder. Such slanders originated with the East German communist secret service, the Stasi.

The Social Democratic daily *Aftonbladet* writes that the film is on the level of a fairy tale, and other media were similarly unenthusiastic.

Meanwhile, an annual conference of 170 individuals who are privately investigating the Palme murder unanimously denounced the efforts to again bring patsy Christer Pettersson to trial, charging that the effort is aimed at closing down scrutiny of all serious leads for the murder. Speakers at the conference included Gösta Söderström, the first police officer to arrive at the murder scene, who was interviewed for *EIR*'s Aug. 15, 1997 issue. Söderström insisted the murder definitely had an international foundation in the circles dealing with weapons, drugs, and money laundering, an analysis elaborated on by other speakers.

Russia's Duma told of growing drug plague

The Russian State Duma (parliament) on March 2 heard reports on the growing problems related to drug use in the country. Nikolai Gerasimenko, the chairman of the Duma's Health Committee, said that there are now more than 2 million regular drug users in Russia; 4 million people have experimented with narcotics, while some 400,000 are addicts. Gerasimenko said he expects those figures to double by the year 2000.

Deputy Interior Minister Vladimir Kolesnikov, the deputy chairman of the government commission on drug abuse and sales, said there were 185,000 drug-related crimes in Russia last year, a 91% increase over 1996. The largest increases were among young adults, minors, and women. Gennadii Onishchenko, the chief state sanitary physician, said the growth in the use of drugs is contributing to an increase in HIV cases. He noted that of the 4,300 people registered as HIV positive, over 90% are drug addicts.

SOLIDARITY and Progress, the French party that backed LaRouche associate Jacques Cheminade for President of France in April 1995, is running several slates for local elections in departments and cantons throughout France.

THE BRITISH Independent Television Commission has officially warned the London satellite TV station run by the terrorist Kurdish Workers Party (PKK), that it is "considering revoking the station's license" for "inciting violence." The warning, expected to lead to a shutdown, was delivered in early March, and follows the diplomatic crisis between Britain and Turkey, caused by Deputy Prime Minister Bulent Ecevit's accusations against Britain for sponsoring Kurdish separatism.

RUSSIA'S Prosecutor General's Office has closed a criminal case against three Japanese citizens who are members of the sect Aum Shinri Kyo. The leader of the sect's Moscow branch was arrested in July 1995, and two other members were detained in early 1997. The case was closed because of "changes in the situation" surrounding the investigation into the sect in Japan and in Russia, according to an official with the prosecutor's office, who noted, however, that Aum Shinri Kyo remains banned in Russia.

INDONESIAN forest fires have spread to Aceh and Sumatra. In East Kalimantan, estimates are that the fires have caused \$6.8 million in damages since January, and have destroyed 20,158 hectares. Fires from April-December 1997 destroyed 30,000 hectares, costing \$9.4 million.

PAPUA NEW GUINEA'S opposition has denounced "anti-corruption" bills being proposed in Parliament as "undemocratic, immoral, and illegal." The bills, which have the approval of Prince Philip's Transparency International, would give the Prime Minister a five-year term, and guarantee that Parliament cannot pass a no-confidence motion against him.

More Scaife-Falwell sleaze behind assault on Presidency

by Edward Spannaus

More of the rotten underpinnings of the attacks on the Presidency are being exposed to public light, demonstrating the fraud of the operation to bring down President Clinton. Among the new revelations are those involving the origins of the “Troopergate” story, secret payments to the Paula Jones legal defense fund by an operative linked to Richard Mellon Scaife, and back-door payments to dubious Arkansas “sources” to be used for articles ending up in publications such as the *Wall Street Journal*, the *American Spectator*, and the *Sunday Telegraph* of London.

The new evidence coming out, with links to key elements of the “Olson Salon” described in last week’s *EIR*, provides further confirmation that the operation against President Clinton conforms to the type of covert foreign intelligence operation which would be run under the authority of the 1981 Executive Order 12333.

Lying for dollars

Secret payments in excess of \$200,000 from an organization closely linked to Rev. Jerry Falwell were made to individuals making allegations against Bill Clinton, according to an article published in the current issue of the Internet magazine *Salon*. Investigative reporter Murray Waas says that the payments and the allegations they bought “were part of a covert and sophisticated political propaganda effort to influence public opinion against President Clinton.”

Such a “covert propaganda effort” as Waas describes, is a tell-tale feature of a 12333 operation; this parallels the operation run against Lyndon LaRouche around the “John Train Salon” in the 1980s, where a “private” propaganda operation runs in parallel to an official investigation.

It is therefore not surprising that the two publications featured in the *Salon* exposé are the *Wall Street Journal* and

the *American Spectator*—whose respective editors, Robert Bartley and Emmett Tyrrell, are regulars at the gatherings at the Great Falls, Virginia, home of Ted and Barbara Olson, where they can meet with Kenneth Starr and other lawyers, judges, and journalists.

The organization making the secret payments to sources and witnesses was Citizens for Honest Government (CHG), the producer of the notorious *Clinton Chronicles* video, which accuses Clinton of drug running and of a string of murders in Arkansas. Although televangelist Jerry Falwell lies that his only involvement with the videotape was to promote it on his “Old Time Gospel Hour” TV show, Waas shows that Falwell was involved in financing the production of the videotape as well.

Waas’s story also discloses previously unknown ties of Richard Mellon Scaife to the Falwell/*Clinton Chronicles* operation.

Larry Patterson, one of the original “Troopergate” sources in late 1993, opened up a joint bank account in 1995 with Larry Nichols, the narrator of the *Clinton Chronicles*, who was fired as an Arkansas state employee in 1987 by Clinton for spending too much time in activities involving the Nicaraguan Contras. Nichols got at least \$89,000 from CHG and from a closely linked film company, Jeremiah Productions. The principals in Jeremiah were the head of CHG, Pat Matrisciana, and Christopher Ruddy—Scaife’s poison pen, who spent a couple of years trying to prove that White House aide Vincent Foster was murdered. Ruddy is employed by Scaife’s *Pittsburgh Tribune-Review*.

The Nichols-Patterson bank account provided secret payments to a number of individuals who made allegations about Clinton’s personal life, as well as alleged “witnesses” who claimed that Clinton was involved with the Mena, Arkansas

drug-smuggling operation (which was in fact run by George Bush's Federal "secret government" apparatus, not by the Arkansas state government). When these allegations found their way onto the editorial page of the *Wall Street Journal*, they were used by Rep. James Leach of the House Banking Committee to launch a two-year investigation of Clinton and Mena, which predictably came up with nothing.

Another beneficiary of these secret "witness" funds was Jane Parks, who told the *American Spectator* that she had witnessed Bill Clinton using cocaine in 1984; she later told Ambrose Evans-Pritchard of the London *Sunday Telegraph* that her husband, a private investigator and former member of Clinton's security detail, was killed because he knew too much about Clinton and Mena. Parks, who got over \$20,000 from these sources, provided information for the anti-Clinton books eventually written by both Tyrrell and Evans-Pritchard.

'Troopergate' apology

Troopers Patterson and Roger Perry were the original two sources for the widely circulated *American Spectator* "Troopergate" story which burst out at the end of 1993, with the help of round-the-clock coverage from CNN. Now, the author of that story has issued an apology to President Clinton.

In an open letter to Clinton, published in the April 1998 *Esquire* magazine, David Brock says that the Arkansas state troopers who fed him allegations about Clinton's sex life "were greedy and had slimy motives, and I knew it." Brock also says that in the years since his article was published, "the troopers have greatly damaged their credibility." He cites the following examples of how they have done this:

- the troopers making fools out of themselves during the Senate Whitewater hearings with improbable claims about the death of Vincent Foster;
- trooper Larry Patterson helping to promote the *Clinton Chronicles*, "a crackpot video accusing [Clinton] of drug running and murder"; and
- that "Patterson was recently cited as a source for several wild allegations in the spurious book *The Secret Life of Bill Clinton* by British journalist Ambrose Evans-Pritchard."

Brock told ABC-TV on March 10 that the idea for the apology started to come to him when he saw the President being hauled in to give a deposition in the Paula Jones case in January; he decided for certain to write the apology when the Monica Lewinsky affair broke in the news media. Brock writes to Clinton: "My ransacking of your personal life had given your political adversaries — who were now funding and fighting the Jones case — an opportunity to use the legal process to finish the job that I had started."

Whatever happens with Paula Jones's case, Brock writes, "in a way, the people who hate you have already won, and we have all suffered not only from their malice toward you but from their contempt for the office of the President."

In David Brock's first public confession, published in July 1997, he described how "the entire anti-Clinton establish-

ment, from *Wall Street Journal* editorial-page editor Robert Bartley to Whitewater independent counsel Kenneth Starr," had been present for the wedding of Ted and Barbara Olson in the summer of 1996 in Great Falls, Virginia. Brock described how George Bush's former White House counsel, C. Boyden Gray, had "joked" with Brock, telling him that since it looked like Starr was not going to come up with the goods on Clinton before the election, it was going to be up to Brock to do the job.

Olson is in the middle of this seamy affair in multiple ways. Olson is counsel to the *American Spectator*, and sits on its board of directors. He was instrumental in the funnelling of at least \$1.7 million from Scaife through the *American Spectator* into the "Arkansas Project" from 1993 through 1997, which was used to dig up sex scandals and other dirt on Clinton; Scaife money also greased the way for notorious liar David Hale to become the "Starr witness" against Clinton and former Clinton associates in Whitewater-related trials in Arkansas. When Hale was subpoenaed to appear before the Senate Whitewater Committee in 1995, it was Olson who represented him.

Paying for Paula

Meanwhile, a brawl has broken out between the two organizations claiming to be raising money for Paula Jones's legal defense. One of the groups, the Christian Reconstructionist Rutherford Institute, is threatening to file a complaint with the IRS and FBI against the other group, the Paula Jones Legal Fund. Rutherford signed onto the Jones case last October, promising to underwrite the cost of Jones's lawyers — one of whom, Robert Rader, happens to be an old college classmate of Kenneth Starr, from the hard-right Harding College in Arkansas.

Although the Paula Jones Legal Fund claims to be raising money to pay Jones's lawyers, the Rutherford gang is angry because the money is instead going to Jones personally and to direct-mail fundraiser Bruce W. Eberle & Associates, of McLean, Virginia. In one example, Jones has used to money to bring her Hollywood hairdresser with her to Washington in an expensive effort to improve her appearance before TV cameras at Clinton's deposition in the case during January.

A surreptitious Mellon Scaife connection to the Paula Jones Legal Fund has also been uncovered by *Salon* magazine, which has dug up a secret \$50,000 donation given to the fund in 1995 by an obscure tax-exempt organization run by tax lawyer William Lehrfeld. Lehrfeld does most of his legal work for foundations and organizations funded by Scaife — as well as for the Sarah Scaife Foundation itself. Lehrfeld has done work for the Heritage Foundation and the Washington Legal Foundation; Scaife is thought to be the largest contributor to both. Moreover, Kenneth Starr, as well as Ted and Barbara Olson, are on the Legal Policy Advisory Board of the Washington Legal Foundation, as is John Norton Moore — one of the principal authors of Executive Order 12333.

DOJ's 'Operation Fruehmenschen' apparatus continues its reign of terror

by Harley Schlanger

"We are in a war, and whether or not we win this war will determine if the United States will continue to be seen as a beacon of hope in the battle for economic justice worldwide." With these words, Harley Schlanger of the Schiller Institute opened a forum to lay bare the 35-year-long political enforcement operations of the Justice Department's permanent bureaucracy. The forum, held at the University of Houston on March 5, brought together a panel of veteran civil rights leaders. Sponsored by the Black Student Union, the audience of students, law professors, and community activists was challenged to act to clean out the networks of the permanent bureaucracy of the U.S. Department of Justice (DOJ) which have conducted an illegal reign of terror.

The speakers included two former elected officials with personal experience battling this DOJ hit team: former U.S. Rep. Mervyn Dymally, who also served as California's lieutenant governor; and former South Carolina State Sen. Theo Mitchell. Both were targets of Justice Department hit teams, a bitter experience which convinced Dymally, chairman of the Congressional Black Caucus, to retire after six terms. Senator Mitchell, who was campaigning for lieutenant governor, received a short prison term and was removed from office. Also on the panel was Minister Robert Muhammad, the southwestern leader of the Nation of Islam.

The impetus for the forum was the "sting" run by the FBI against black and Hispanic members of the Houston City Council. The elaborate operation involved the creation of a dummy firm, the "Cayman Group," run by two Hispanic agents posing as wealthy investors interested in bidding on a city-subsidized downtown hotel project. Their clumsy efforts to entrap lobbyist Betti Maldonado, and to intimidate her into working with the sting, blew up in their faces when she sought an attorney and went public in May 1996. The method they employed in the effort to "turn" her was similar to that used by FBI agents and Justice officials working with special prosecutor Kenneth Starr against Monica Lewinsky, i.e., holding her against her will, while threatening her with a long prison term if she refused to cooperate.

After Maldonado rejected their "offer," the Justice Department spent more than a year, until July 30, 1997, to bring indictments against Councilman Michael Yarbrough and former Councilman John Peavy, Jr., who are African-American; Councilman John Castillo, former Councilman Ben Reyes, and Maldonado, who are Hispanic; and lobbyist Ross Allyn.

Motions by their attorneys to dismiss the charges on grounds of "selective prosecution and targetting by the government" were denied, as was a motion to subpoena the former U.S. Attorney in Houston, Gaynelle Griffin Jones, who had recused herself from pursuing the case. Defense attorneys believe that Griffin Jones, who is African-American, and who subsequently resigned from her post, can shed light on the illegal nature of the sting.

When Jones declined to prosecute the case, local FBI head Mike Wilson appealed to the Justice Department's Washington headquarters to intervene. They sent veteran prosecutor Mike Attanasio to take over the case. Attanasio had been chief prosecutor in the years-long effort against Washington, D.C. Mayor Marion Barry.

The trial in Houston opened on March 9.

The 'permanent bureaucracy' hit squad

The Houston sting is not the only one presently being run by the DOJ, Schlanger made clear in his remarks. He identified several recent cases involving Justice Department targetting of African-American elected officials, including the recent indictment of Arkansas State Rep. Ben McGee (as well as his son), the expulsion of Maryland State Sen. Larry Young on "ethics charges" on Jan. 16, and Justice Department prosecutions in Cleveland and Dallas.

There is a continuity in these actions, Schlanger demonstrated, which goes back more than 35 years, to "Operation Fruehmenschen," which was run by FBI Director J. Edgar Hoover. The racist premise (*Fruehmenschen*, or "early man," implies that the operation's targets are not quite human) is that African-Americans are inherently incapable of acting as government officials, and are inclined toward corruption. The dirty operations of the FBI against Martin Luther King, Jr., are well-documented. But the FBI did not stop after King's assassination. Schlanger showed how the Justice Department machine behind "Fruehmenschen," which has framed up and jailed hundreds of black elected officials, is the same one which ran the railroad against Lyndon LaRouche, and is today directing the assault on President Clinton, through such individuals as Hickman "Hitman" Ewing, a top operative under Starr. Ewing was responsible for a ten-year vendetta against former U.S. Rep. Harold Ford of Tennessee.

Using a chart of the DOJ Criminal Division, Schlanger identified key operatives in the permanent bureaucracy, such

as Assistant Attorney General John C. Keeney (who began his Justice Department career in the early 1950s) and his deputy Mark Richard. This is the gang of thugs, said Schlanger, deployed to crush those who wish to continue Dr. King's battle for economic justice.

Schlanger pointed out that the recent cases, including those in Houston, have an additional "political" twist to them, which is the attack on Hispanic Democrats. This includes the indictment against former Housing Secretary Henry Cisneros, the popular former mayor of San Antonio. This is part of a concerted effort, by George Bush's political machine, to drive Hispanics away from the Democratic Party, clearing the way for a big vote for his son, Texas Gov. George W. Bush, to propel him toward a Presidential race in 2000.

The second speaker was Mervyn Dymally, who addressed the effect of such targeting on the political process. Minority elected officials feel a special responsibility, he said, for helping small businesses, and creating jobs in urban areas. By running stings based on the promise of job creation, the DOJ has intimidated elected officials from acting to aid their constituents, out of fear that the person offering to create jobs in their district may be an FBI agent!

He reviewed his effort to bring forward evidence of this coordinated effort against black elected officials. In 1976, he worked with Mary Sawyer, who travelled throughout the South to compile evidence of a pattern of harassment. When they presented the evidence at a Washington, D.C. press conference, a black reporter from the *Washington Post*, the same paper heavily involved in the attacks against President Clinton today, intervened in an attempt to discredit their findings.

In 1988, as chairman of the Congressional Black Caucus, Dymally again brought Dr. Sawyer forward, with a study documenting the pattern of judicial assault against black elected officials. The report included an affidavit from a former FBI agent, which confirmed the existence of "Operation Fruehmenschen." Despite this evidence, and his efforts to expose this practice, no one picked it up, until the Schiller Institute, which organized hearings in August 1995. "I want to praise them," he said, "for having the courage for carrying this issue." He concluded his report by describing FBI tactics against him, and the tactics employed by Newt Gingrich, et al. to drive House Speaker Jim Wright into retirement. "I left Congress then," he added, "because I saw no one willing to take up the fight. And now they are using the same tactics against President Clinton."

From Andrew Johnson to J. Edgar Hoover

Minister Robert Muhammad elaborated further, beginning with the role of Hoover and the permanent bureaucracy. After quoting from a 1919 letter from Hoover, which demonstrated his racist targeting of Marcus Garvey (Hoover wrote that it was "unfortunate" that Garvey had committed no crime!), Muhammad blasted the apparatus set up by Hoover and others as a "fourth branch" of government, made up of "career bureaucrats who have taken the mantle away from the



Former U.S. Rep. Mervyn Dymally (D-Calif.) told a Houston forum about his 20-year effort to stop the judicial attack against black elected officials.

electorate and put it upon themselves." He pointed to the connection between "Fruehmenschen" and the prosecutorial abuses aimed at toppling President Clinton, the case of retired auto worker John Demjanjuk (whose citizenship was just restored, nearly 20 years after the DOJ framed him up as a "Nazi war criminal"), and an ongoing investigation of the Nation of Islam's Minister Louis Farrakhan.

What holds people back from confronting this unconstitutional network, Muhammad said, is the change since the 1960s to the "Me Generation," with the cultural shift away from acting for the good of the community and the nation, to wanting to "feel good." This cultural change "took our minds off the struggle for justice and put us into the party mood"; but, he declared, the party is over: "We are at war, a war of survival."

The final presentation, by Theo Mitchell, broadened the scope in order for the audience to better understand this corruption. He quoted from President Andrew Johnson's 1866 speech to justify his veto of the Reconstruction bill (which was overridden by the Congress), in which Johnson questioned whether newly freed slaves had the intellectual capacity to participate in the election process and government. This is the same mentality, said Mitchell, which one finds in the DOJ today.

One will discover that "J. Edgar Hoover is alive and well," he said, by a review of the actions of the DOJ in its effort to tear down the entire Black Caucus in South Carolina. Mitchell described how members were charged with accepting bribes, in the form of campaign contributions, to vote for pari-mutuel betting, even though they had supported the bill for years. Following numerous plea bargains, extorted under pressure, and convictions, which destroyed the careers and lives of

many members, Federal Judge Falcon Hawkins eventually reversed the convictions, declaring there were numerous cases of “prosecutorial abuse” by FBI and DOJ officials. “And yet,” he said, “this outrageous, unlawful practice continues to create more victims.”

For this reason, Mitchell announced that he has sent a letter to Kweisi Mfume, Director of the National Association for the Advancement of Colored People, demanding that the NAACP act immediately to halt these operations and punish their perpetrators (see next article). “I told Kweisi that the next century is the economic century, and those left out will never recover,” he said. “What about the next generation? Are we going to allow the powerful to continue to prey upon the weak? We’re going to have to roll up our sleeves and, if we have to, tear the tentacles off this octopus, one by one.”

Mitchell issues challenge to NAACP

An open letter, sent to National Association for the Advancement of Colored People (NAACP) president and CEO Kweisi Mfume by former South Carolina State Senator Theo Mitchell, is reprinted below.

Mitchell served two decades in the South Carolina Legislature, first in the House, and later in the Senate. In 1990, he was the Democratic nominee for Governor of South Carolina, when an FBI sting operation known as “Operation Lost Trust” brought down virtually the entirety of the South Carolina Legislative Black Caucus. Although Senator Mitchell was not caught in the Operation Lost Trust net, the negative publicity surrounding the case weighed heavily on his campaign, and he was defeated by the Republican candidate. (Last year, convictions won in that FBI sting were all overturned, due to what was identified as a long and consistent pattern of prosecutorial misconduct that reached all the way to Washington, D.C. and the Justice Department headquarters.)

In 1994, while serving in the South Carolina State Senate, Mitchell was engaged in what a very promising bid for the office of Lieutenant Governor. In the middle of that campaign, he once again came under heavy attack by the Justice Department, this time in relation to an incident that had occurred six years earlier. When the DOJ threatened to charge Mitchell’s staff with money-laundering and conspiracy to commit money-laundering, he agreed to plead guilty to misdemeanors, in order to protect them.

It was understood that Senator Mitchell would serve no time in jail, and would be permitted to retain his seat in the State Senate, where he was the only African-American to chair a standing committee—Corrections and Penology, from which position he defeated single-handed some of the meanest legislation pertaining to the state’s sentencing and

corrections laws. However, he was sentenced to 88 days in Federal prison, and on Jan. 17, 1995, when he was within 10 days of completing that sentence, he was ejected from the State Senate, without ever having had the opportunity to defend himself.

Mitchell was an outspoken national critic of the FBI/Justice Department “Operation Fruehmenschen” long before he became one of its victims, and continues to work to expose this hideous injustice. Today, he maintains a law practice in Greenville, S.C., and serves on the national board of the Schiller Institute.

Friday, February 13, 1998

Dear Mr. Mfume:

As a life member of the NAACP, along with my wife Greta, I write you to remind you that as the preeminent Civil Rights organization, you are called upon to pay attention to the all-too-long exercise of the Fascist Doctrine of “Operation Fruehmenschen,” the primitive, prehistoric, or early man doctrine . . . specifying that people of color are unfit intellectually and incapable to lead from high places.

You may recall that on Jan. 2, 1988, the Honorable Mervyn Dymally addressed the U.S. House of Representatives on this matter. He placed before the House a document which challenges the very basic tenets of Constitutional rights and abrogation of duty! As the then chairman of the Congressional Black Caucus, he transmitted this document to the chairmen of the House and Senate Judiciary Committees when he gave them the affidavit of the former FBI agent, Hirsch Friedman. This affidavit alleges an established official policy of that body to initiate investigations of black elected officials without probable cause.

While the matter drew some attention, nothing was ever done, or did I miss it? From that day to this, there has been silence on this conspiracy of Richard Nixon and J. Edgar Hoover in the policy of using the U.S. Justice Department, FBI, and the IRS to destroy black elected and high appointed officials. The silence is deafening as the latest victims, Alexis Herman, Larry Young (Maryland), and Ben McGee (Arkansas) are being systematically destroyed.

Why didn’t the Congressional Black Caucus follow up upon Dymally’s fact paper? Were you not a member then? You now have the opportunity to expose this destructive octopus, with others, who feel it must be *now*, and the matter placed high on the NAACP agenda.

While abuse of office must always be of interest to us, are we as black people more prone to abuse the public trust, or is there a deliberate, designed, nefarious, and vile conspiracy to keep us in *our* place? I submit it is all the aforementioned.

For example, by illustration and not limitation, look at . . . the U.S. Congress: Adam Clayton Powell (N.Y.); Edward Brooks (Mass.); Carol Moseley-Braun (Ill.); Floyd Flake (N.Y.); Parren Mitchell (Md.); Harold Ford (Tenn.); Gus Savage (Ill.); Walter Fauntroy (D.C.); William Gray (Penna.); Ralph Metcalf (Ill.); John Conyers (Mich.); Ronald Dellums

(Calif.); Charles Rangel (N.Y.); Louis Stokes (Ohio); Charles Diggs (Mich.); Shirley Chisholm (N.Y.); William Clay (Mo.); and others.

Cabinet Officers: Alexis Herman (Labor); Mike Espy (Agriculture); Henry Cisneros (HUD); Ron Brown (Commerce); Hazel O'Leary (Energy); Samuel Pierce (HUD); Federico Peña (Transportation).

Mayors: Richard Arrington (Birmingham); Coleman Young (Detroit); Marion Barry (D.C.); Johnny Ford (Tuskegee); Maynard Jackson (Atlanta); Charles Evers (Fayette); Clarence Lightner (Raleigh); Harold Washington (Chicago); Kenneth Gibson (Newark); Edward McIntyre (Augusta); Andrew Young (Atlanta); A. Jay Cooper (Pritchard); Carl Stokes (Cleveland); Richard Hatcher (Gary); Charles Joseph (Benton Harbor), among many others.

State Legislators: Andrew Jenkins (N.Y.); Alvin Holmes (Ala.); Leroy Johnson (Ga.); John Ford (Tenn.); Ben Brown (Ga.); Alvin King (Tenn.); James McKinney (Ga.); Julian Bond (Ga.); Tommy Broadwater (Md.); Clarence Mitchell (Md.); B.J. Gordon (S.C.); Luther Taylor (S.C.); Frank McBride (S.C.); Larry Blanding (S.C.); Ennis Fant (S.C.); Harper Brewer (Tenn.); Ken Baily (S.C.); Diane Wilkerson (Mass.); Ben McGee (Ark.); Tom Reed (Ala.), among many others, including yours truly.

Judges: Alcee Hastings (Fla.); Robert H. Campbell, and several others.

Lt. Gov. Mervyn Dymally (Calif.), George Brown (Colo.).

The list goes on and on. You may know some of those who have been preyed upon. The question is, what do we have to protect the new generation of vibrant, bright, and talented blacks and other minority youths who want to participate in their governments? The NAACP, among other organizations, is always advocating equality, opportunity, and raising money to fulfill its goals and mission. I feel the time is now for accountability!

The next century is the economic century, and those left out will never recover. *Barriers* must be removed for the new generation which isn't called "X." That's where you and the NAACP come in.

You know as well as I that the so-called "Sting Operations" and racist conduct against our people aren't accidental. Need I remind you that they are deliberate, conspired, contrived, and designed to destroy black leadership? Out of respect to you and *our* Organization, we must get moving and be proactive to alleviate these old and continuing problems for *our* people.

I hereby challenge you to put on the NAACP agenda the destruction of the "Operation Fruehmenschon Doctrine." As it will take coalition building, please take the leadership!

While this fascist doctrine was born from Hoover and Nixon (both now gone to give their accounting to "The Maker"), this "Octopus" has spread its tentacles from just us to other high-placed leadership. It is touching more than anticipated by these dead men, even the U.S. Presidency. It



Former South Carolina State Sen. Theo Mitchell tells NAACP director Mfume: "You now have the opportunity to expose this destructive octopus, with others, who feel it must be now, and the matter placed high on the NAACP agenda."

abolishes Due Process, remember?

This is not to say that all investigations of us weren't/aren't justified, but to set up, bait, and execute deliberate traps to discredit our people is so horrendously disproportionate, that it laughs out at us.

I challenge you again as an organization preeminent in its place for Human and Civil Rights, to take the initiative in building the coalition so needed but very necessary to erase for all time, this conspiracy against our people. It has a very decisive influence in deciding our and our children's lives and futures.

This matter has been known, met on, written on, and is still going on! The questions are: Are we doing anything about it? If so, then what more can we do about it, and who's next?

"Are we at a period in our lives, when we allow the arbitrary power of the strong to add misery to the weak?" asked Alexander Hamilton in the American Revolution! Are We?

As the *Baltimore Sun* has been and still is, lynching us—(the Mitchell purge—no relation) and its trial of Larry Young—it is necessary to inform them of our feelings and accusation of racism.

We must never forget that we came here in chains involuntarily, the only people of America who experienced such conditions. *This* is our home and we aren't going anywhere, except to where we rightfully deserve to be in this land, and we will never give up on this Dream. For if one can't make it in America, then they can't make it anywhere.

Many thanks for your kind consideration, and I hope you don't mind my sharing this letter with the following.

Yours in the struggle,

Theo W. Mitchell

Former State Senator, State of South Carolina

Senate panel considers funds for Bosnia, Iraq

A hearing of the Senate Appropriations Committee on March 6, convened to consider the Clinton administration's supplemental appropriations request for military operations in Bosnia and Iraq, turned into a forum for bashing Clinton administration policy and U.S. allies. The request is for \$1.85 billion for the Pentagon and \$172 million for disaster recovery in the U.S. Northeast, California, and Guam. Of the Pentagon funding, \$1.36 billion is for military operations in the Persian Gulf.

The main criticism centered on burden sharing. Committee Chairman Ted Stevens (R-Ak.) said that he supported "providing the necessary funding . . . but the American taxpayer should not have to pay all of the costs of containing Iraq alone."

Committee Ranking Democrat Robert Byrd (W.V.) complained that in the case of Iraq, "we're not showing leadership. . . . We have been tagging along after the United Nations." He said that extending the U.S. commitment in Bosnia without an end date means that "the pressure to pass off the ground force role to our allies has evaporated," and that the exit strategy is dependent on meeting conditions that amount to "nation-building. . . . This appears to me to be a formula requiring extended duration [presence of U.S. forces], certainly [for] several more years."

Secretary of Defense William Cohen explained to the committee that enormous progress has been made in Bosnia over the last two years. "We believe," he said, "that implementation of the Dayton Accords is changing the conditions that made Bosnia a fuse in a regional powderkeg and our leadership has been essential to sustain that rate of progress."

On Iraq, Cohen explained that the agreement negotiated by UN Secretary General Kofi Annan is preferable because a bombing campaign "will not be an adequate substitute for having inspectors who are on the ground knocking on doors, opening doors, and in fact, seeking and overseeing the destruction of those weapons of mass destruction."

Puerto Rico's political status reopened in House

On March 4, the House passed by a vote of 209-208, an apparently benign bill to begin the process of permanently settling the political status of Puerto Rico in its relationship to the United States. The bill requires that Puerto Rico hold a referendum by Dec. 31, 1998, on whether to remain a commonwealth, to become independent, or to apply for statehood. The bill has caused deep splits in both parties, over just what the result of the bill will be should it become law, and on language issues.

The biggest threat to the bill came from an amendment by House Rules Committee Chairman Gerald Solomon (R-N.Y.), requiring that English be the sole official language for Puerto Rico, in all government business and school instruction, should it opt for statehood. Dan Burton (R-Ind.) offered a substitute that, instead of requiring English for all official business, would apply existing laws and encourage "English empowerment." Burton said that Solomon's amendment would "promote continuation of an enclave of Spanish-speaking U.S. citizens, a recipe for creating a Quebec-style separatism under the American flag, which none of us wants." Solomon was accused of using his

amendment as a "poison pill" against the bill; he had already stated his opposition to the bill. Burton's substitute was approved by a vote of 238-182.

Democratic opponents of the bill attacked its language, saying that it was biased toward statehood. Nydia Velázquez (D-N.Y.), a Puerto Rican by birth, complained that the party that supports the commonwealth option was shut out of the process of the drafting of the bill. Instead, "the definition for commonwealth status was written by the very party that opposes it. It is like allowing Republicans to decide who could appear on a Democratic ballot," she said.

Mexico condemned by Feinstein, Coverdell

On March 3, Sens. Paul Coverdell (R-Ga.) and Dianne Feinstein (D-Calif.) introduced two joint resolutions to disapprove President Clinton's certification of Mexico as a cooperating country in fighting drug-trafficking. Coverdell said that the goal of the resolutions is "that the process would decertify Mexico on this matter with a Presidential waiver in the national interest. . . . This would be an honest appraisal of our circumstances." He said that "the problem with certifying is that it sends a message to the vast populations of the United States and of Mexico that this war is being won, that we have turned a corner, that things are working out." But this a disservice when, in fact, "the message is one of gravity and loss."

Reps. John Mica (R-Fla.) and Clay Shaw (R-Fla.) introduced a similar resolution in the House on March 4. Mica, however, used more provocative language to motivate support for that resolution, accusing the Mexican

government of being involved in “corruption from the street level to its highest offices and ministries.”

Both the House and Senate versions provide for a national security waiver. So far, unlike a year ago, these resolutions have not been accompanied by a campaign to destabilize the government of Mexico.

IMF funding backed by House Banking Committee

On March 5, the House Banking Committee passed a bill to authorize the \$18 billion requested by the Clinton administration for the International Monetary Fund (IMF). The co-sponsors, Committee Chairman Jim Leach (R-Iowa) and ranking member John LaFalce (D-N.Y.), won over critics among both Democrats and Republicans through a “manager’s amendment,” which supposedly addressed everyone’s concerns. It adds to the bill new instructions to the U.S. executive director of the IMF, regarding IMF reform. The U.S. executive director must use his voice and vote to promote a hodgepodge of concerns, such as open markets, transparency, privatization, strong banking standards, the facilitation of domestic bankruptcy laws, the promotion of burden sharing by the private sector, fostering economic prescriptions that are appropriate to individual economic circumstances, the maintenance of labor standards and workers’ rights, and the recognition of environmental impacts.

An amendment sponsored by Bernie Sanders (I-Vt.) and Spencer Bachus (R-Ala.), which was opposed by the committee leadership, passed by a vote of 19-15. It stated that before IMF funds could be disbursed, the Treasury must certify that banks and

investors had made a “significant prior contribution” to solve the particular crisis, in the form of debt relief, rollover of existing credit, and provision of new credit. After passage, three Democrats withdrew their support, until language which called for an amendment to the IMF charter was eliminated.

The hearing was characterized by opposition to the IMF on every conceivable ground. The issue is now before the House Appropriations Committee. Sanders and several others have sent a letter to the House leadership saying that IMF funding should not be appropriated until after June 1. The Appropriations Committee, which is preparing a FY 1998 supplemental appropriations bill that includes funding for military operations in Bosnia, is deciding whether to split the IMF funding into two parts, to assure that the smaller amount (\$3.5 billion for the New Arrangements to Borrow) passes immediately.

Work continues on transportation bill

The Senate continued work on the Intermodal Surface Transportation Efficiency Act (ISTEA) re-authorization during the week of March 2, disposing of numerous amendments. Most of the amendments passed dealt with issues such as drunk driving and highway safety, and generated little controversy. One of these added \$25.9 billion to the bill, to bring total funding authorizations to \$175 billion. However, two others, dealing more with social agendas than with highways, generated much more controversy.

On March 3, Paul Wellstone (D-Minn.) introduced an amendment to require the Secretary of Health and Human Services to report to Congress

on the number of former welfare recipients who have become “economically self-sufficient.” Wellstone said that, in the wake of the 1996 welfare reform bill, it is important to see whether it is the case that “we are seeing families that are actually becoming more impoverished.” And, if that is the case, he said, “then what we need to do is take corrective action.” He reported that during his travels around the country, nobody he has asked really knows what is happening to the people who are no longer on welfare. Wellstone’s amendment was tabled by a vote of 54-43, mainly because of Republican objections that it was not germane to highways, and that it was “costly and unnecessary.”

The second amendment that caused controversy was one by Mitch McConnell (R-Ky.), introduced on March 5, which would eliminate race and gender preference quotas in the awarding of highway construction contracts. McConnell argued that such quotas were already rejected by the U.S. Supreme Court because they subject certain individuals to unequal treatment under the law, and therefore the quota provisions in the bill were unconstitutional. Opponents, such as Max Baucus (D-Mont.), argued that the quota programs give women and minorities “a fair shot at economic opportunity” by giving them “a seat at the table.” The amendment was tabled by a vote of 58-37, after a full day of debate.

On the House side, Transportation and Infrastructure Committee Chairman Bud Shuster (R-Pa.) told an audience at the U.S. Chamber of Commerce on March 3, that the House bill would come to the floor in April or May, “within the context of the budget resolution.” He said that he believed that the bill, as he has proposed it, will fit in with the numbers in last year’s budget agreement.

National News

Second Harvest reports on hunger in America

A report released in Washington on March 10 by Second Harvest, the nation's largest charitable hunger-relief organization, finds that the majority of those seeking help to feed themselves every month are females, who come increasingly from rural areas, and are either very old or very young; increasingly, they also are employed, but don't make enough money to make ends meet.

Second Harvest commissioned a study, involving one-on-one interviews with nearly 28,000 recipients of food assistance and mail surveys filled out by more than 11,000 charities. The research was conducted in the first three months of 1997—well before the new Federal welfare law's time limits take effect, but after several states began moving welfare recipients into jobs.

The survey found that Second Harvest's network of food banks provided food to 21 million people in 1997. Two-thirds of those seeking help were women, 54% were either seniors or children, and nearly half were white. In addition, 39% of all households who received emergency food had at least one adult with a job—almost half of them full-time.

Book exposes bigotry beneath Court's robes

Edward P. Lazarus, who served as a clerk to U.S. Supreme Court Justice Harry Blackmun during the 1988-89 Supreme Court term, has written a book exposing a cabal of right-wing justices and clerks who "resort to transparently deceitful and hypocritical arguments and factual distortions as they discard judicial philosophy . . . in favor of bottom line results."

Lazarus's book, *Closed Chambers*, due out in April, charges, according to the *Washington Post*, that a network of right-wing law clerks "worked in the late 1980s to steer justices to right-wing results, created a separate

e-mail system to communicate with each other, and became so interested in denying Death Row appeals that when Florida mass murderer Ted Bundy was executed, they celebrated with a champagne party."

Lazarus singled out Andrew McBride, who was a clerk to Justice Sandra Day O'Connor, as an individual obsessed with avenging the defeat of Robert Bork's Supreme Court nomination. McBride told him, "Every time I draw blood, I'll think of what they did to Robert H. Bork." McBride is now a Federal prosecutor in Richmond, Virginia. Lazarus is now a Federal prosecutor in Los Angeles.

Two latest Kevorkian deaths ruled homicide

Early on the evening of March 4, Jack Kevorkian and his accomplice, psychiatrist George Reding, left the body of 42-year-old William Connaughton, at the emergency room of Michigan's Huron Valley-Sinai Hospital. Later that night, the body of 61-year-old Doreen Saputo was left at Providence Hospital. The Oakland County Medical Examiner's office said the two were poisoned by intravenously injected substances, and ruled the deaths homicides.

In the Feb. 26 death of 21-year-old Roosevelt Dawson, it is beginning to come out that Kevorkian and his attorney Geoffrey Fieger strong-armed Michigan's Metropolitan Hospital, to force Dawson's release. According to the hospital, Dawson, a pre-med student who had been paralyzed by a spinal cord inflammation, never made a formal request to have his ventilator disconnected. On Feb. 23, Fieger called Metropolitan, saying that he and Kevorkian were taking Dawson home, although Dawson had never asked to be discharged.

The hospital told *EIR*, "We did what we are legally *required* to do when we know a patient is considering bodily harm to himself—we sought his involuntary commitment." Dawson underwent the legally mandated 48 hours for psychiatric assessment; two hours before the 48 hours ended, a reporter told Metropolitan Hospital that Fieger

had sued it, because it was "holding Roosevelt against his will" and had "chemically handcuffed him" to make millions of dollars by keeping him. The hospital was never served with the suit. Nonetheless, because Dawson was found not to be a threat to himself, he was released, and killed later that day.

Metropolitan Hospital houses a specialized unit for treating very disabled, ventilator-dependent individuals, who are intellectually alert but have intensive medical needs. The unit provides adaptive or assistive devices; it has been able to wean some patients from their ventilators, and return others to school or home. The unit was working toward this goal with Dawson.

Dick Morris joins assault against the Presidency

Proving once again that he is neither a friend of President Clinton nor of the truth, former Clinton campaign adviser "Dirty Dick" Morris launched a vicious attack on the White House's use of private investigators, including Terry Lenzner and Jack Palladino, in his weekly column in *The Hill* newspaper on March 4. Based on nothing but rumor and innuendo, Morris, a cousin and protégé of the late political dirty trickster Roy Cohn, spouts his conclusion that Clinton is running a secret police made up of private investigators in the same way earlier Presidents used the FBI, the IRS, and the CIA. He also suggests that Federal campaign funds have been used to pay for these investigations. Morris alleges that these operations date back to Clinton's days as governor of Arkansas, and that he bumped off a couple of rivals through investigations of their private lives.

Morris's diatribe is peppered with phrases like "presumably," "some reports have indicated," "there have been claims," and "many speculated." Nonetheless, this doesn't prevent him from concluding, "If ever a subject cried out for a Congressional investigation, this one does. We need hearings to establish the roots, funding, depth, and purpose of this extensive use of private investigators."

Morris was responsible for key mistakes

in the 1996 election campaign, such as pushing President Clinton to sign the disastrous welfare "reform" bill, which led to the Democrats' failure to re-take control of Congress.

Greenhouse protocols threaten agriculture

Testifying before the Senate Committee on Agriculture on March 5, American Farm Bureau Federation President Dean Kleckner said implementation of the Kyoto Protocol to combat so-called "global warming," could seriously "disrupt family farm and ranch operations." Kleckner began: "I'm a farmer, not a scientist, but I've reviewed the science behind the administration's climate change policy, and I don't find it particularly compelling." He said that it is "unclear that we even have a problem," but, farmers are "being portrayed as villains when it comes to greenhouse gases," because farm animals' excreta produces methane, and other farm activities produce carbon dioxide and nitrous oxide. He said that Farm Bureau economists project net losses in farm income of 13% to 85%. Kleckner reported that 18 national farm organizations expressed their strong concerns to President Clinton last November, and that "these concerns have not been refuted by the administration."

High school seniors rank near bottom in science

American high school seniors scored third from the bottom in a 21-nation study of math and science education, according to the results of the Third International Mathematics and Science Study (TIMSS), released on Feb. 24. Education Secretary Richard Riley called the results "unacceptable," and President Clinton also expressed concern. Cyprus and South Africa were the only nations with scores lower than the U.S. students on "general science knowledge." U.S. students were among the lowest of the 16 countries participating in the physics assessment.

In previous TIMSS studies, American fourth-graders did quite well in math and science, but by the eighth grade, their scores had slipped to mediocre.

The National Science Teachers Association issued a press release expressing "great disappointment," and said that it was looking forward to "further studies that will determine why student achievement drops between these grade levels." The NSTA did not mention that the decline of science education occurred on their "watch"; they encouraged the New Age takeover of science education, including the proliferation of unscientific radical environmentalism.

NAACP leaders respond to LaRouche exoneration

Organizers from the LaRouche movement brought the spirit of an uncompromising political fight against injustice to the Region 6 meeting of the National Association for the Advancement of Colored People (NAACP), in Little Rock, Arkansas over March 7-8. Twenty NAACP officers, including branch presidents from some of the largest cities in the Southwest, as well as many members among the some 500 attendees, signed the call to President Clinton for the exoneration of Lyndon LaRouche.

The LaRouche movement's intervention was led by former political prisoner Rochelle Ascher, who circulated evidence proving that the corrupt judicial apparatus which put LaRouche in prison, is the very same apparatus targeting President Clinton and many black elected officials. The officials present were already very aware of the political targeting of black legislators in Texas, Louisiana, and Arkansas. Recent indictments against African-American Arkansas State Rep. Ben McGee and his son, combined with the widely publicized news of a new sitting grand jury and of former Arkansas Gov. Jim Guy Tucker's decision to cooperate with Grand Inquisitor Ken Starr, have created an pall of fear. The sitting grand jury is rumored to be preparing indictments against 20 state legislators, including key Clinton allies.

RICHARD MELLON SCAIFE'S vendetta against President Clinton was exposed in the March 8 issue of the *Philadelphia Inquirer*. Investigative Reporter Frank Greve detailed Scaife's funding for every major "Get Clinton" operation, including \$1.7 million to the *American Spectator* beginning in 1993

DONALD PHAU, an associate of Lyndon LaRouche, was released from Virginia state prison on parole on March 9, after having served four years and four months of his 25-year sentence for "securities fraud." Phau was a victim of the "Get LaRouche" task force, and is challenging his conviction in Federal court.

JAMES SCHLESINGER, former U.S. Defense Secretary and Energy Secretary, told Italy's *Corriere della Sera* that President Clinton is "not against" Iran's opening to the West. Remarking on the visit of Italian Foreign Secretary Lamberto Dini to Teheran, Schlesinger said, "In this case, Italian and U.S. interests coincide. This is the way to stabilize the Persian Gulf."

RUSH LIMBAUGH, the Conservative Revolution radio talk-jockey, delivered a vicious tirade against Attorney General Janet Reno on March 10, that could land him in hot water with the FCC. Limbaugh was set off by the Attorney General's decision to continue her review of the allegations against Labor Secretary Alexis Herman for another 60 days, before deciding whether to refer the case to an independent counsel.

A FEDERAL JUDGE in San Francisco has thrown out the conviction of a black lobbyist who gave gifts to former Agriculture Secretary Mike Espy, saying that the case should have never been brought in California. Defense lawyers had previously charged that independent counsel Donald Smaltz had moved the case out of Washington, D.C. to avoid seating a black jury in the District of Columbia.

American education needs a 'paradigm shift'

The new report from the Third International Mathematics and Science Study (TIMSS), showing that American high school seniors rank near the bottom in a 21-nation study of children's competence in math and science, has once again put a focus on the crisis in American education. Every year or so, some similar study rings the alarm bell; proposals for reform are drafted, debated, and implemented; and, by the time the next study's results are announced, the situation has gotten worse.

The roots of the crisis are to be found in the early 20th century, with the widespread adoption in the United States of the Romantic, Progressivist ideology, according to which it is harmful to impose academic rigor on children, since this will stifle their "natural creativity."

With the cultural "paradigm shift" of the 1960s, the problem became much worse. Following our disastrous embrace of the "New Math," we tolerated the introduction into our schools of the intellectual depravity of the New Age: environmentalism, cultural relativism, existentialism, deconstructionism. We abandoned *truth* as the standard. Instead of Shakespeare, young people read Hermann Hesse, H.G. Wells, and Allen Ginsberg. The counterculture took over the Baby-Boomer generation, and those that came after them.

Naturally, academic achievement declined. The "experts"—the same people who had brought us the "New Math" and related programs in the first place—began to agitate for reform. We unbolted the children's desks from the floor, had everybody sit in a circle, made the teacher a "mentor" or "facilitator"—no authoritarianism here!—and, when the children persisted in banging their heads against the wall, we brought in guidance counsellors to advise them on how to improve their self-esteem. Their academic performance, and their self-esteem, both got worse.

Today, there are hopeful signs that a "reverse paradigm shift" is beginning to take effect, as Lyndon H. LaRouche, Jr. writes, in an article to be published in the Spring 1998 issue of *Fidelio* magazine, titled "How to Think in a Time of Crisis." This reawakening began during the end of 1997, as many thinking citizens and

policymakers began to recognize, to their shock, that the so-called "Asia crisis" was in fact a global, systemic one. This realization has been associated with an explosive growth in the worldwide influence of LaRouche's ideas.

In his article, LaRouche calls for education based on Classical-humanist principles of pedagogy. In a good secondary education, he writes, each student must relive the great discoveries of human history: "In place of the mind-destructive methods of either 'programmed education,' or its approximations, the policy must be, that the student must adopt the life-long, endless goal of reliving, as frequently as possible, the mental experience of reenacting, in some meaningful sense of succession, the original cognitive acts of discovery and validation of virtually, implicitly, every valid principle known to man today.

"It is the education of the student's cognitive process, as contrasted with, and opposed to textbook-oriented, or related forms of mind-deadening learning, which is the proper mission of education. The object is, that if the student were to learn virtually nothing, but to develop the cognitive habits required to regenerate almost all principles of knowledge, education has succeeded; whereas, if the student has successfully learned everything, as an idiot-savant in a 'wired society' might do, but has discovered no validated principle, that student's miseducation is the germ of a national catastrophe."

Approaching the reform of education from this standpoint, we can begin to sort out such matters as the debate over national standards and a core curriculum, and the need for improving the training of science and math teachers. Yes, it is important for primary and secondary school students to have a coherent curriculum, building in one year upon what was learned before; and yes, teachers should be trained in the subjects which they teach (rather than in "educational psychology," for example). But the most fundamental issues to stress, in developing the content of the curriculum, are *cognition* and *truthfulness*. Reintroducing those into American education, is the paradigm shift we urgently require.

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ARIZONA

- PHOENIX—Access Ch. 22
Thursdays—4:30 p.m.

CALIFORNIA

- CONCORD—Ch. 25
Thursdays—9:30 p.m.
- COSTA MESA—
Media One—Ch. 61
Thursdays—12 Noon
- GARDEN GROVE—Ch. 3
Mondays—11 a.m. & 4 p.m.
- MARIN COUNTY—Ch. 31
Tuesdays—5 p.m.
- MODESTO—Access Ch. 8
Mondays—2:30 p.m.
- SAN FRANCISCO—Ch. 53
2nd & 4th Tues.—5 p.m.
- SANTA ANA—Ch. 53
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COLORADO

- DENVER—DCTV Ch. 57
Saturdays—1 p.m.

CONNECTICUT

- BRANFORD—TCI Ch. 21
Wednesdays—11 p.m.
Thursdays—9 a.m.
- NEWTOWN/NEW MILFORD
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DISTRICT OF COLUMBIA

- WASHINGTON—DCTV Ch. 25
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Thurs.—5:30 p.m., 8:30 p.m.

ILLINOIS

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Sun., March 22—7 p.m.
Sun., March 29—10 p.m.
Mon., March 30—10 p.m.

KANSAS

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LOUISIANA

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MARYLAND

- ANNE ARUNDEL—Ch. 20
Fri. & Sat.—11 p.m.
- BALTIMORE—BCAC Ch. 5
Wednesdays—4 p.m. & 8 p.m.
- MONTGOMERY—MCTV Ch. 49
Fridays—7 p.m.
- P.G. COUNTY—Ch. 15
Thursdays—9:30 p.m.
- W. HOWARD COUNTY—Ch. 6
Monday thru Sunday—
1:30 a.m., 11:30 a.m.,
4 p.m., 8:30 p.m.

MASSACHUSETTS

- BOSTON—BNN Ch. 3
Saturdays—12 Noon

MINNESOTA

- DULUTH—PACT Ch. 50
Thursdays—10 p.m.
Saturdays—12 Noon
- MINNEAPOLIS—MTN Ch. 32
Fridays—7:30 p.m.
- MINNEAPOLIS (NW Suburbs)
NW Community TV—Ch. 36
Mondays—7 p.m.
Tues.—1 & 7 a.m.; 1 p.m.
- ST. LOUIS PARK—Ch. 33
Friday through Monday
3 p.m., 11 p.m., 7 a.m.
- ST. PAUL—Ch. 33; Sun.—10 p.m.
- ST. PAUL (NE Suburbs)*
Suburban Community—Ch. 15

MISSOURI

- ST. LOUIS—Ch. 22; Wed.—5 p.m.

NEVADA

- RENO/SPARKS
Continental—Ch. 30
TCI—Ch. 16; Wed.—5 p.m.

NEW JERSEY

- STATEWIDE—CTN
Sundays—5:30 a.m.

NEW YORK

- BROOKHAVEN (E. Suffolk)
TCI—Ch. 1/99; Wed.—9 p.m.

BROOKLYN—BCAT

- Time/Warner—Ch. 68
Sundays—9 a.m.
- BUFFALO—BCTV Ch. 68
Saturdays—12 Noon
- HUDSON VALLEY—Ch. 6
2nd Sun. monthly—1:30 p.m.
- ILION—T/W Ch. 10
Fridays—10 a.m.
- IRONDEQUOIT—Ch. 15
Mon. & Thurs.—7 p.m.
- ITHACA—Pegasys—Ch. 57
Mon. & Weds.—8 p.m.
Saturdays—4:30 p.m.
- MANHATTAN—MNN Ch. 34*
Mon. & Weds.—8 p.m.
- MONTVALE/MAHWAH—Ch. 14
Wednesdays—5:30 p.m.
- NASSAU—Ch. 80
Wednesdays—7 p.m.
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Wednesdays—3 p.m.
- POUGHKEEPSIE—Ch. 28
1st & 2nd Fridays—4 p.m.
- RIVERHEAD
Peconic Bay TV—Ch. 27
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Saturdays—8 a.m.
- SUFFOLK, L.I.—Ch. 25
2nd & 4th Mondays—10 p.m.
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Fridays—4 p.m.
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Thursdays—6 p.m.
- WEBSTER—WCA-TV Ch. 12
Wednesdays—8:30 p.m.
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Adelphia Cable—Ch. 68
Thursdays—10:30 p.m.

YONKERS—Ch. 37

- Saturdays—3:30 p.m.
- YORKTOWN—Ch. 34
Thursdays—3 p.m.

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- CORVALLIS/ALBANY
Public Access Ch. 99
Tuesdays—1 p.m.
- PORTLAND—Access
Tuesdays—6 p.m. (Ch. 27)
Thursdays—3 p.m. (Ch. 33)

TEXAS

- EL PASO—Paragon Ch. 15
Wednesdays—5 p.m.
- HOUSTON—Access Houston*

UTAH

- GLENWOOD, Etc.—SCAT-TV
Channels 26, 29, 37, 38, 98
Mon.-Fri.—various times

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Wednesdays—12 Noon
- CHESTERFIELD COUNTY
Comcast—Ch. 6; Tue.—5 p.m.
- FAIRFAX—FCAC Ch. 10
Tuesdays—12 Noon
Thurs.—7 p.m.; Sat.—10 a.m.
- LOUDOUN COUNTY—Ch. 59
Thursdays—10:30 a.m.;
12:30 p.m.; 2:30 p.m.;
4:30 p.m.; 7:30 p.m.; 10:30 p.m.
- PRINCE WILLIAM COUNTY—
Jones Communications—Ch. 3
Saturdays—6 p.m.
- ROANOKE—Cox Ch. 9
Thursdays—2 p.m.

WASHINGTON

- KING COUNTY—Ch. 29
Wednesdays—11 a.m.
- SPOKANE—Cox Ch. 25
Tuesdays—6 p.m.
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