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LaRouche on 'SDI Under Reconsideration'

D.C. Hospital Closure Exposed as 'Negro Removal'

Ides of March Meltdown: Mori May Outlast Bush

Court Battles on AIDS Show: 'Shareholders' Value' Kills

ECONOMICS I.Q. TEST

Does $10 million = $10 million?

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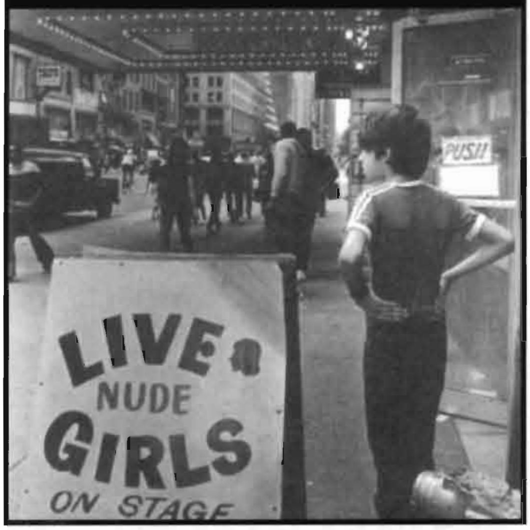

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EIR

From the Associate Editor

It was exactly 18 years ago, that Lyndon H. LaRouche, Jr.'s strategic design for antiballistic-missile defense, was officially adopted and announced by President Reagan, as the Strategic Defense Initiative. LaRouche's conception was to use a "science-driver" to shift the trajectory of U.S. economic policymaking away from suicidal British free-market liberalism, which, he forecast, would inevitably lead to global financial collapse. He designed the policy so as to offer the Soviet Union the opportunity to join with the United States in this endeavor, while warning that if Moscow rejected the offer, it, too, was heading for early collapse.

Today, surveying the wreckage of a world which did not heed LaRouche's warnings, we see that his forecasts have been vindicated. Some vivid illustrations are documented in this week's issue.

- The global financial system is at the breaking point. In the United States alone, close to $4 trillion of paper "value" has been wiped out on the stock markets in the past year. In *Economics,* we present the gruesome picture, including the carnage in the energy sector—and signs of fight against the disastrous policy of energy deregulation. In *International,* we have the story from Japan, where policymakers are stating plainly, that "catastrophe" looms just ahead.
- The Third World is being devastated by a Western policy of "technological apartheid," as our *Feature* shows for the case of medicine that could stem the spread of the AIDS pandemic.
- The threat of war today comes mainly from the United States itself—the Bush Administration! LaRouche explains why, in his article on "SDI Under Reconsideration: War as Peace by Other Means." He writes: "Unless the combination of wiser heads, inside Europe as well as in the U.S.A., act in some degree of concert, to pull the proverbial rug out from under the present composition of the Bush Administration, the worst is the most likely."

Pulling that rug out, is exactly what we of the LaRouche movement intend to do. See *National* for the explosive story on how this is being done in the nation's capital, around the fight to save D.C. General Hospital. And, in next week's issue, LaRouche has another salvo to fire: an article elaborating "the science-driver principle in economics": the kind of crash program required today, to escape the catastrophe that is otherwise upon us.

Susan Welsh

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Cover This Week

The map shows the official number of HIV/AIDS cases around the world. The actual totals are much higher.

Photo and graphic credits: Cover, page 33, UNAIDS. Page 13, Bundesbildstelle/Christian Stutterheim. Page 16, EIRNS/Karl-Michael Vitt. Pages 18-24, 46, 57, 60, EIRNS. Page 26, EIRNS/Christopher Lewis. Page 31, WHO/Gubb. Page 34, WHO/G. Diez. Page 36, National Institutes of Health. Page 43 (Khatami), EIRNS/Muriel Mirak-Weissbach. Page 43 (Putin), Russian Federation website. Page 55, DOD photo. Page 63, U.S. Army.

Correction: In the review of *Johann Segbastian Bach: The Learned Musician* in last week's issue, a computer error garbled the musical example (on page 64). The corrected example is in this issue, on page 53.

Economics

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'Ides of March' Meltdown: LaRouche Was Right, Again

by Jeffrey Steinberg

With precision accuracy, Lyndon LaRouche's forecast of an "Ides of March" shock to the global financial and monetary system played out during the week of March 12-16, causing panic among government officials and bankers in the United States, Europe, and Japan. LaRouche, in various statments and discussions over the early weeks of 2001, forecast that the conjuncture of the end of the Japanese fiscal year on March 31, and the continuing unravelling of the U.S. economy and financial markets, would trigger a new "shock front," bringing the global financial superstructure one large step closer to disintegration.

"Panic" was the word of the day on March 14, when financial markets in North America, Europe, and Asia were rocked by one of the biggest one-day falls in memory. For the first time in a year, the Dow Jones Industrials closed the day below 10,000, as the Nasdaq "high-tech" index continued its slide. In the past year, the Nasdaq has lost over 60% of its entire value, wiping out more than $5 trillion in paper assets. On March 9, the Federal Reserve Board issued figures for 2000, showing that, for the first time in 55 years, American household net-worth had fallen by a shocking $800 billion.

The Nasdaq crash, and the collapse of consumer spending in the United States, has taken its toll on the real economy, with such major "Information Technology" firms as Intel, Compaq, Hewlett Packard, Motorola, and Dell announcing tens of thousands of layoffs in the past month, and significant reductions in projected earnings for the next year. These earnings warnings have, in turn, triggered further falls in U.S. stock values, which have ricocheted around the globe. For example, on March 14, the day Wall Street sank, the "New Market" (Nemax) of Germany's 50 top high-tech stocks lost 9%, closing at 1,608, and capping a one-year decline of over 80% (on March 10, 2000, it was at 9,600)!

The fall in U.S. consumer spending has also struck the auto sector extremely hard, with car sales for the first two months of 2001 down by over 20%, and truck, van, and sport utility vehicle sales down over 36%. Inventory buildups and revised sales projections are leading to layoffs in the auto sector worldwide, with the U.S. downturn already hitting Brazil, a center of outsourcing of U.S. automobile parts and assembly. Brazilian exports of auto parts are down 40% since Jan. 1, and the decline in export earnings is projected at $1.1 billion.

The Ibero-American crisis has been compounded by currency shocks, first set off by the banking crisis in Turkey ("Turkish Crisis Could Trigger Global Financial Chaos," *EIR,* March 9), which drove up yields on all emerging market government bonds, and rapidly spread to Argentina. *La Nación* reported on March 14 that Argentina has failed to meet the targets of the December 2000 International Monetary Fund (IMF) deal, and the International Monetary Fund is now demanding $2 billion in additional government austerity, as a precondition for delivering a $39.7 billion bailout package.

Japan: The Other Epicenter

In Japan, the Nikkei stock index hit a 15-year low, falling below 12,000, and prompting the Japanese government to launch yet another hyperinflationary intervention to bail out the major institutional stockholders with taxpayers' funds. In an effort to lure small investors into the Japanese stock market for the first time, the government of Prime Minister Yoshiro Mori announced on March 15 that it would cover any losses incurred by investors in a new public-private stock fund, and also granted drastic cuts in capital gains taxes. Unlike the United States, where an estimated 50% of all households have some investment in the stock market, Japanese citizens rarely invest, choosing, instead, to keep their savings in the postal savings system, with minimal interest yields, but zero risk.

Finance Minister Kiichi Miyazawa bluntly admitted that Japan was in a "deflationary crisis." Miyazawa's public pronouncements were unusually blunt. In March 8 testimony before the Diet House of Councillors budget committee, he admitted that Japan was on the verge of "financial catastrophe." "The nation's finances are now abnormal, in a state quite close to collapse," he stated. Citing the looming March 31 fiscal year-end, he continued, "Particularly at this time, we have to create a healthy economy instead of just trying to sound positive with words." After years of flooding world credit markets with zero-interest "Samurai Bonds," Japan is confronted with a mountain of non-performing and in-jeopardy loans, and a public-sector debt balloon that is more than 130% of Japan's Gross Domestic Product, the highest rate of debt burden in the Group of Seven industrialized nations.

The Nikkei has lost 40% of its value since April 2000, and Japanese banks—despite last year's government infusion of bailout cash—are now again sitting on an estimated $1.5 trillion in non-performing debt. To attempt to get through the year-end accounts balancing, Japanese banks and corporations are repatriating cash in a last-ditch effort to limit the damage. This panicked call-in of yen has already dried up global capital markets, producing the preconditions for even greater shocks, particularly in the so-called emerging markets, which could experience a new round of capital flight. A study by the Bank of Holland, reported by Reuters on March 10, identified Argentina, Brazil, Indonesia, and Slovakia as countries also on the verge of currency crises.

Panic in Washington

Adding further fuel to the crisis across the Pacific, an unnamed senior Bush Administration official told the *New York Times* on March 14 that the Bush-Mori summit, scheduled for March 19, was a "waste of time," referring to the persistent rumors that Mori is expected to step down as Prime Minister in late April—as soon as the leadership of the Liberal Democratic Party can come up with a replacement (see article in *International*). Such unbridled stupidity on the part of the Bush Administration is bad enough under normal circumstances. Coming on the day that markets across the globe were crashing down, it was tantamount to committing hara-kiri.

In fact, the *New York Times* reported on March 14 that crisis meetings on the Japan meltdown have been taking place for a week at the U.S. Federal Reserve, at the Treasury Department, and at the White House. Treasury and Fed officials are reportedly scared to death that the downturn in the U.S. economy, highlighted by recent figures on declining consumer spending and falling capital goods purchases by major manufacturers, means that the United States is no longer the "importer of last resort," able to offset the Japanese crisis, and keep the world economy from sinking.

A Dark Age in Progress

No assessment of the global crash process forecast by Lyndon LaRouche would be complete without including the crisis rocking Western Europe, Africa, and Ibero-America, as the result of the spread among commercial herds of hoof and mouth disease (HMD), and the continuing fear of an epizootic spread of "Mad Cow" disease (bovine spongiform encephalopathy, or BSE). Great Britain has admitted losses of more than $4 billion, as the result of the HMD-driven slaughter and burning of its livestock herds.

Canada and the United States have banned the importation of meat products from all 15 of the European Union nations, as well as from Argentina. Argentine beef producers warned that, if the export freeze continues, it will mean "the bankruptcy of the system," not to mention tens of thousands of job losses. As reported above, this comes on top of a renewed currency crisis and IMF demands for even harsher austerity measures.

Officials at the U.S. Department of Agriculture, at a March 14 press conference, candidly admitted that they are bracing for an outbreak of HMD in the United States, which, if unchecked, would wipe out American beef and pork production for the next five years—with billions of dollars in losses to the country's already-faltering agricultural sector.

Emergency Meetings, but No Sane Solutions

On March 16, the *South China Morning Post* reported that on March 22-23, the Financial Stability Forum will hold an emergency meeting in Washington to assess the systemic risks to the global financial system. The group is comprised of the top financial officials from the Group of Seven, the World Bank, the IMF, and the Bank for International Settlements, and is headed by BIS General Manager Andrew Crockett.

But the prospect of this Forum taking serious action to deal with the accelerating crash is near-zero. The Bush Administration continues to peddle the fantasy that the global crisis can be "managed" by a combination of Federal Reserve interest-rate cuts, and Bush's $1.6 trillion tax cut. According to the fractured logic of the Bush scheme, the combined interest-rate and tax cuts will pump enough liquidity into the economy to cause consumer spending to jump, restoring the United States to its status as the "consumer of last resort" for the rest of the world. Some Bush boosters, like former Federal Reserve Board Governor Wayne Angell, now chief economist at Bear Stearns, showing signs of panic, are demanding that the Fed drop interest rates at a greatly accelerated speed. In a March 14 commentary in the *Wall Street Journal,* Angell demanded that Greenspan go the way of the Bank of Japan, by dropping rates to 0-2%, to flood the U.S. economy with liquidity. As LaRouche has warned, that will accelerate the takeoff of the hyperinflationary process that is already well under way.

EIR

ENERGY CRISIS UPDATE

Prepared March 15, 2001

Agenda for National Energy Emergency Action

Criminal Charges Against Energy Cartel

On March 2, U.S. Rep. Bob Filner (D-Calif.) wrote San Diego District Attorney Paul Pfingst, urging that criminal charges be brought against Duke Energy of Houston, Dynegy of Houston, Reliant of Houston, Southern Companies of Atlanta, and Williams Companies of Tulsa, for fraud, grand larceny, extortion, and anti-trust violations. Filner cites the findings by the Federal Energy Regulatory Commission (FERC) in November, that these firms charged excessive prices, and the California Independent Systems Operator report, that excessive prices were charged in January on more than two-thirds of all energy purchased.

Filner's letter also cites a report by San Diego's KGTV, that the Duke Energy plant manager admitted that its largest turbine was withdrawn from service 50% of the time during the recent Stage 3 alert in California, shutting down 222 megawatts of power, for no good reason. Duke also shut down its second-largest generator—and turned down its other generators as soon as the Stage 3 alert was declared.

It is not just that certain individual companies are culpable, but, as *EIR* has documented, the *system of deregulation* is undermining the entire economy, from energy to health care. If a reassertion of Constitutional authority over economic practices in the public interest (such as re-regulation of energy) is not made, we are facing economic dictatorship and chaos.

In Washington, D.C., 750,000 broadsides, titled "Depression Hits! LaRouche Vindicated, Asks Citizenry: Roosevelt or Hitler—Which Path Will You Choose?" were printed in mid-March by the multi-candidate political action committee FDR-PAC, which gave the how's and why's needed for energy re-regulation, in a subsection headlined "Stop Energy Privatization." The broadside also focussed on the fight to keep open D.C. General Hospital in the District of Columbia (see article in *National* section).

I. Scope of Energy Crisis: Physical Economy

The cumulative impact of five months of Winter energy bills (gas, propane, electricity), with prices for one or all types of fuel and power far higher than 18 months ago, is now triggering chain-reactions of economic and financial crisis. The illustration here shows a monthly gas bill (Western Pennsylvania) with "cost adjustment" energy rate hikes now familiar to almost everyone.

In Michigan, for example, bills may go up 100% on or after April 1.

In this situation, along with falling stock values, mass layoffs, and state budget crises, the many myths about deregulation are fast evaporating. Namely, that energy prices are soaring due to supply-and-demand imbalances; that California is a failure, but Pennsylvania is a "success"; and that mega-profits for energy cartel companies are just the result of "competitive market behavior." An update on Pennsylvania is given below; and also reported, are the refutations of other myths, by U.S. Rep. Peter DeFazio (D-Ore.), sponsor of a national power re-regulation bill, HR 264, from his March 6 testimony to Congress.

■ **Pennsylvania:** A proposal to raise electricity rates 30% for 1 million people in the state who are customers of GPU, Inc., is now before the Public Utility Commission (PUC). This would affect 20% of all the electricity accounts in Pennsylvania. The week of March 12-16 in Harrisburg, hearings were scheduled every day before the PUC for a decision 1) to allow GPU, based in Parsippany, New Jersey, to raise user rates for electricity by 30% (which would also affect 1 million people in New Jersey); and 2) to approve a proposed merger of FirstEnergy, based in Akron, Ohio, and GPU. The $4.5 billion mega-merger of these two Fortune 500 companies would create the sixth-largest investor-owned utility in the nation. The customers facing the 30% rate hike reside in different parts of the state, from Johnstown and Gettysburg, to Reading and Easton.

The Big Lie is fast vaporizing that Pennsylvania's energy deregulation is a "success." A leading opponent of deregu-

Columbia Gas of Pennsylvania

Columbia Gas of Pennsylvania

Current Charges for Residential Service

Monthly Customer Charge		$10.81	
Distribution Charges	123 Ccf at $.28185 per Ccf	$34.67	
Distribution Charges	169 Ccf at $.28857 per Ccf	$48.76	
Gas Cost Adjustment	123 Ccf at $.07719 per Ccf	$9.49	
Gas Cost Adjustment	169 Ccf at $.07459 per Ccf	$12.61	
Gas Supply Charges	123 Ccf at $.72615 per Ccf	$89.32	
Gas Supply Charges	169 Ccf at $.52007 per Ccf	$87.89	
State Tax Adjustment Surcharge		-$.24	
Total Basic Charges			$293.31
Total Billing This Month			**$293.31**

The truth about Pennsylvania's deregulation "success": A typical gas bill from Western Pennsylvania for February 2001. The "cost adjustments" (circled) appear regularly, as prices rise under Federal gas deregulation. Instead of one charge (as in the old days of regulation), one must pay a "monthly charge," "distribution charges," "gas supply charges," and "tax adjustments," to several entities. Everyone is in on the take.

lation, State Rep. Camille "Bud" George (D), chairman of the House Energy Committee, said in a March 7 press release, "While defenders of deregulation cry foul whenever Pennsylvania is mentioned in the same sentence with the debacle in California, the fact is that GPU is claiming it is losing its shirt in the open market and needs rate powers to save it from its mistakes."

A member of Pennsylvania's PUC is Nora Mead Brownell, president of the National Association of Regulatory Utilities Commissioners, and outspokenly in favor of deregulation and the interests of the energy cartel. She was appointed by Gov. Tom Ridge (R), who backed deregulation to the hilt. Pennsylvania's deregulation law was enacted in late 1996 (after notorious stealth meetings), only four months after California's.

Earlier this year, the *Los Angeles Times* reported how an aide to then-Texas Gov. George W. Bush said that Bush interceded with Ridge, to be sure Enron Corp. got plenty of action as Pennsylvania's deregulation proceeded. So far, Pennsylvania has been a big "success" in this regard.

Earlier this year, an Enron company called New Power, which was formed in 2000 with IBM and AOL (and based in Purchase, New York), was handed more than 300,000 customer accounts in Pennsylvania. This came about under the state deregulation law, which requires pre-existing utility companies, in this case, PECO, to shed customers, in the name of creating more competition. A state computer made a random selection of PECO customers and reassigned them to New Power/Enron.

New Power is also on stand-by to gain hundreds of thousands of customers in Virginia, when the deregulation timetable (January 2002) will require Dominion-Virginia Power to surrender customers, to make things "more competitive." Gene Lockhart, president of New Power, told the *Washington Post,* "We're quite aggressive about Virginia, particularly the corridor going up Interstate 95 to the District," in the burgeoning Washington, D.C. suburbs.

Enron's New Power makes no power at all. It is a power marketer. Sources in the industry told *EIR* that the company doesn't even have its computer set up to send out bills yet, but Ridge's PUC is allowing New Power to help make things "competitive," by taking on thousands of new customer accounts. In exchange for these accounts, New Power promised to charge customers a lower rate (2% less) than at present—for a while. No wonder Enron calls Pennsylvania, "successful."

II. Scope of Energy Crisis: Financial

■ **California:** Non-payment of utility debts is hitting pension funds and municipalities nationally.

Across the country, pension funds, municipalities, and school districts are conducting an accounting of the money they are losing through debt defaults by California's two big, near-bankrupt utilities. Some of this paper was unsecured, short-term promissory notes, issued by the utilities in December, just before the worst of the electricity crisis hit. For example, a suburb of Phoenix, Arizona loaned $2.5 million, and has had to cancel public works projects.

In a review by the March 13 *New York Times,* many instances are noted. In March, Pacific Gas & Electric missed a payment of $50 million to the State Teachers Retirement System of Ohio, which manages and invests pensions for 180,000 teachers.

Another $26 million was not paid to the Tennessee consolidated Retirement Fund, which also holds paper from the utility's parent company. On Jan. 30, Edison International, the parent company of Southern California Edison, failed to make a $19.2 million payment on commercial paper held on behalf of the Denver International Airport. In Texas, 340 cities, counties, and school districts hold $20 million in PG&E commercial paper. When that news leaked out, investors pulled $1 billion out of the government financing pool, according to the *New York Times* review.

The California utilities are just the most prominent entities in default, or near-arrears, among the many companies with some $400 billion of nationwide utility debt, now fast turning bad, thanks to the out-of-control deregulation. Only a Chapter 11 bankruptcy process has the power, and public interest orientation, to bring back order and economic functioning.

III. Energy Infrastructure: Crises and Reactions

■ **California is on Stage 2 alert again,** as of March 15, for the first time in over a week, after the Bonneville Power Authority announced that it is cutting back on water releases to generate electricity, in order to build up hydro reserves for the Summer. This shows how at-the-edge California and the Northwestern states are for electricity supplies.

■ **Severe drought** continues in the Northwest, which, because of its high reliance on hydro-power generation, means serious electricity and financial problems, leveraged into a severe crises by deregulation. With just one month left in the snow-accumulation season, "We don't have a chance of recovery at all this year," in the estimation of Idaho's Ron Abramovich, the U.S. Natural Resources Conservation Service specialist, Gannett reported on March 13. Idaho Power Co. will pay fees to farmers, who agree to forfeit their pre-contracted electricity for irrigation systems.

IV. Policy Response: Federal Level

■ **Lines were clearly drawn for and against price-controls,** at March 15 Senate Energy Committee hearing. The hearing took testimony on three draft bills by U.S. Sens. Barbara Boxer (D-Calif.) and Dianne Feinstein (D-Calif.) for price controls, and windfall profits rebates. On one side were the Bush Administration free-market ideologues, Energy Secretary Spencer Abraham, and FERC head Curt Hebert; and, on the other side, Western leaders, including Senators and Governors, and even Republicans who want some Federal intervention against out-of-control energy prices.

Abraham pushed the supply-and-demand line in all respects: Electricity prices are high because of high demand; electricity shortages for California this Summer must be viewed as inevitable; and California's deregulation failed because it capped retail prices.

Senator Feinstein admonished him outright. "I am surprised by the ideological hardness of your statement," she said, in response to Abraham's adamant refusal to respond to the California crisis, rejecting out of hand any price controls or serious action against the cartels. She warned that with the 5,000 MW shortfall expected this Summer, the cartel will be charging $5,000 per megawatt. "You are sending a signal that it is okay to charge $5,000 per megawatt," she said.

Feinstein announced that she has agreement from Sen. Gordon Smith (R-Ore.), to support legislation for price controls, which they hope to attach to one of the energy bills. Smith warned that the Administration will pay the consequences if it refuses to act in this crisis. He said that his constituents don't want supply-and-demand economics lessons, in the crisis they are facing; and if the Administration is worried that price caps will inhibit investments, what about unemployment? That will affect investments more.

FERC Chairman Hebert lapsed into incoherence, followed by dead silence, as he had done at the House Energy hearing on Feb. 28, when Feinstein confronted him with a chart showing that demand had remained stable throughout a period of 400% price increases in electricity.

Also, Hebert's recent cosmetic actions of ordering certain cartel companies to pay rebates on excessive charges for California sales for parts of January, were generally treated by the Democrats with contempt. On March 14, Hebert said that FERC has ordered two companies selling power to California—Williams and AES Southland—to show why they should not refund $10.8 million to California utilities, for certain practices in 2000. Fellow FERC Commissioner William Massey (D) accused FERC of "ignoring the elephant in the living room" for giving such slaps on the wrist, while failing to directly confront the merchant wholesalers on the outrageous prices that are charged routinely.

The rumors continue that Hebert, appointed FERC chairman on Jan. 22, may be replaced by another Bush nominee.

DeFazio Blasts Dereg Myths

Representative DeFazio, backer of HR 264 to return the United States to the pre-1992 system of regulated utilities, and cost-based-plus pricing, made sharp attacks on the practices and lies of deregulation, in statements prepared for the March 6 House Energy Subcommittee hearing. In his testimony, he refuted the lie that increased demand causes prices to spike, and other falsehoods. Quoted below is his rejection of the lie that "price signals" would tell consumers to conserve, thus lowering prices.

DeFazio placed into the record of the hearing a paper with extensive historical references to the FDR period of regulation. (See http://www.house.gov/defazio.)

■ **Lie:** "It is common to hear the argument that California's deregulation experiment has gone awry because deregulation of the wholesale market was pursued," DeFazio said, while retail prices were capped for California consumers. "Therefore, consumers are protected [from] . . . getting proper price signals telling them to conserve in order to bring supply and demand into line."

■ **Refutation:** DeFazio said, "Given the essential nature of electricity, there is only so much consumers can do when getting a price signal. What's the difference between getting a 50% increase in your monthly electric bill versus a 350% increase? There is a limit to what consumers can do to conserve in the short term and invest in efficiency for the long term. One study found that if all costs were passed on to consumers as some of my colleagues are bizarrely advocating, 'the average residential monthly consumer, who paid approximately $55 a month before deregulation, would have paid approximately $600 a month when prices spiked in California this Winter.' I don't know about your district, but there aren't too many people in the 4th District of Oregon who could afford a $600 monthly 'price signal.' "

■ **DeFazio's proposals:** Conclusions of March 6 statement: "If Congress is not ready to admit energy deregulation was a mistake, there are other short-term and long-term steps that can be taken to mitigate the unfolding disaster." In brief, he called for: 1) imposing temporary electricity price caps in the West; 2) expanding Federal investment in "renewable" energy; 3) conserving; 4) reinstating a ban on Alaskan oil exports—see HR 660; 5) assisting poor households; 6) imposing a windfall profits tax on energy companies whose rates are found not to be "just and reasonable." Also, "Congress should create incentives and/or remove barriers to promote public and municipal power." Los Angeles is cited as a good example.

V. Policy Response: State and Local Initiatives

■ **Nevada:** On March 2, Sen. Joe Neal (D-Las Vegas) introduced SB 269, which would repeal all deregulation measures since the process began in 1997, and restore the state to its prior, regulated energy situation. Senator Neal is ready to present testimony at state hearings, on why this, and Federal re-regulation, are necessities.

■ **Montana:** State Sen. Ken Toole (D) plans to introduce two bills in the direction of restoring state authority over out-of-control energy supplies and prices. First, a bill to set up a state power authority; and second, to place a referendum on the ballot for 2002, asking voters to approve state takeover of hydro-plants inside Montana, to provide energy security. The plants were formerly owned and operated by Montana Power Co., which, deregulation orders, sold them off to PP&L, based in Pennsylvania. Toole proposes that the dams could be "condemned" by state authority, then acquired by the state. He proposes long-term state bonds for funding. If the legislature won't put the buy-the-dams proposition on the ballot, Toole proposes a petition drive. Despite Republican ideological opposition to this, House Speaker Dan McGee (R-Laurel) told the March 13 *Great Falls Tribune,* "Absent an industry solution to our energy crisis, this Legislature will keep all possible solutions on the table. We must attend to the concerns of the citizens of Montana." Mines and other operations are shutting down in the state under impossible electric rates; agriculture is a disaster.

■ **Pennsylvania:** With the request before the PUC, by GPU, for a 30% electricity rate hike, and for approval of a merger with FirstEnergy Corp., State Rep. Camille George (D-Clearfield/Centre Counties), the chairman of the House Environmental Resources and Energy Committee, has been speaking out against deregulation. He was one of 28 state representatives to vote against the scheme in 1996. He makes the point that the 1996 law pledged a nine-year rate freeze, now proposed to be broken. "Didn't deregulation promoters promise ratepayers in California and Pennsylvania that competition would flourish under deregulation, leading to lower prices? Well, one could go with the flow—all dead fish swim downstream—and believe the hoax that deregulation guarantees competition and lower prices. However, an honest appraisal of deregulation might save Pennsylvania from the deregulation abyss."

In his March 7 statement, George said, "Deregulation of the electric industry has not lived up to its promise of lower prices for most Pennsylvanians. . . . Where is the electric choice, the robust retail competition that was supposed to bring lower prices? . . . The merger, by law, must be in the public interest. Yet, FirstEnergy already has notified the PUC that it believes the rate cap must be broken and that employees will be furloughed, if and when the merger is approved. The public interest hardly seems served by higher rates and furloughed workers." George's statements are on www.pahouse.net/george.

VI. Considerations for Re-Regulation: National Energy-Management and Reconstruction

In mid-March, the third printing of "On the Energy Crisis," a pamphlet put out by Lyndon LaRouche's Presidential campaign committee, LaRouche in 2004, brought the total press run in five weeks to 600,000 copies. They are circulating in conjunction with an organizing drive in state capitals, and among constituency groups around the nation, intersecting hearings, town meetings, and other sessions grappling with the energy crisis and economic collapse (see www.larouchein2004.com).

Interview: Joseph Neal

'Energy Is Not A Commodity'

Sen. Joe Neal (D-Las Vegas) introduced Senate Bill 269, on March 2 into the Nevada Legislature, to repeal all energy deregulation in the state. He was interviewed on March 5 by Marcia Merry Baker.

EIR: What will your new legislation do about the power situation in Nevada?

Neal: One of the reasons why we introduced SB 269, was to re-regulate our utilities. Even though we had not gone forward long into deregulation, we did have certain laws on the books that were headed in that direction. The bill itself, SB 269, is to reverse all of that, and give the authority to our Public Service Commission, to control the price of electrical energy within the state, and also the price of gas. They then would become as they were, prior to 1997, when we first entertained the idea of deregulating electricity.

However, we did not go as far as the state of California. We did put into law at that time, that the Public Service Commission would be the agency to determine when the market was right. Of course, they did not make that determination, and subsequently in 1999, another bill was passed to take the Public Service Commission out of that role, and put the Governor in that role. But yet, he was responsible for saying, when the market was "right."

Of course, I sent him a letter in early 2000, stating to him that he should take a look at this whole question of deregulation, and not go forward with it until the Legislature had had an opportunity to meet. So he agreed to do that.

Now he has gone full blown against deregulation, and said that he is not in favor of it. Because, as he put it, there was not sufficient supply of electricity to promote the issue at this time. Of course, we know that the Governor is just trying to protect his own butt, because he had allowed certain things to take place under his leadership, which did cause some rise in the prices of electricity in the state.

So, the Bill SB 269 is to reverse all of this.

EIR: Congratulations. Your initiative is welcome for other states, and for other countries, and for pushing Federal re-regulation. At present, there are isolated initiatives, such as the one-page re-regulation bill in the U.S. House of Representatives by Peter DeFazio from Oregon. Have you been contacted to collaborate?

Neal: Not particularly. We've had some calls, from the state of California. And one call from back East. Since I've been very active in getting around, we've been talking to quite a few people as to what is necessary to be done. Because, if you're going to change this whole atmosphere in terms of the energy question, you have to revert back to the fact that energy is a necessity, and not a commodity.

And so, that is the purpose of the legislation, and that is the message that we attempted to forge, by introduction of this bill.

EIR: The same companies, such as Edison International, which owns Southern California Edison, are trying to force themselves on nations in Asia and around the globe.

Neal: Well, I would like to say that any country that now has proposals to deregulate their energy, I would advise them to travel this road very, very, very carefully. Because energy is the source that is needed for the welfare of their nation, and you cannot turn that over to a process of commodity, or a process of speculation. To do that would eliminate the reliability of such, and place your nation into dire straits in terms of meeting its requirement of the general welfare through further industrialization of the nation.

EIR: On natural gas pricing—which had been deregulated Federally, beginning in 1978—

Neal: When we talk about energy, we include all of those sources.

EIR: What will happen next?

Neal: We're going to have a hearing on the bill. They will be forced to give us a hearing on it. Right now a lot of people are nervous about my testimony because they would like to have the people believe that the problem is due to the "shortage" of energy, and that you do not have the supply to meet the demand. My position in testimony, would be just the opposite. My position is, that we do have sufficient energy to meet the demand, we just have those individuals who are speculating on the cost of energy, and have run the prices up. So, we are attempting to remove those individuals from this particular picture, by re-regulating the energy in the various states.

EIR: Our publication will provide plenty of documentation that the "supply and demand" argument is a hoax.

Neal: When I hear that argument, I always ask: Show me the inventory. And no one has talked inventory yet. You are not seeing that in any of the statements. They are just making statements, that there is a shortage. They have people who buy into that. I say, okay, fine, if there is a shortage: Show me the inventory. Let's prove it by the inventory of the energy, Nobody has done that yet. . . . I thought those charts that John Hoefle developed [in *EIR,* March 9, 2001] were dynamite.

Conference in Moscow On Collapse of Global Financial System

A conference on "The Threat of a Crisis of Global Reserve Currencies" took place on March 6-7 near Moscow, at the Bor resort center, belonging to the administration of the Russian President. The conference, which was sponsored by the Russian Federal Foundation for Appraisals and the Institute for Crisis Studies, focussed particularly on the economic and financial situation in the United States, and the implications of the global financial crisis for Russia and other nations. The gathering was attended by some 200 persons, including several members of the Russian lower house of parliament (State Duma), representatives of the Russian Economics Ministry, and of the governments of Moscow and several Russian regions, the Association of Russian Banks, several dozen leading banks and financial consulting companies, as well as economic institutes, foreign embassies, and major press.

LaRouche's Ideas Presented

The first speaker was Schiller Institute scientific adviser Dr. Jonathan Tennenbaum, who presented Lyndon LaRouche's analysis and programmatic proposals for reorganization of the world financial system, which LaRouche himself had just laid out a day earlier at the March 5 *EIR* seminar in Berlin (see *EIR,* March 16, and articles elsewhere in this section). Tennenbaum's 40-minute presentation focussed on the historical genesis of the present, ongoing global financial collapse, and the necessity for rapid consolidation of long-term trade and economic agreements, based on LaRouche's concept of a basket of commodities and pivoted on large-scale infrastructure development of the "Eurasian Land-Bridge," as the basis for creating a new global financial and economic order.

Tennenbaum's presentation was prominently reported by the Russian business news service RBC, as well as in an interview with the national radio station Radio Rossiya. The Russian translation of LaRouche's "On a Basket of Hard Commodities: Trade Without Currency" paper (*EIR,* Aug. 4, 2000), and the call by a group of Italian parliamentarians for a New Bretton Woods conference, were distributed among participants, and later placed on the website of the conference. Even the rival web publication Gazeta.ru, insisting in its coverage that "the dollar will *not* collapse," focussed on the presence of a colleague of "the infamous American economist" LaRouche, and attempted to debate the "Basket of Commodities" approach.

Other speakers included the well-known economic analyst Mikhael Khazin (co-author of a recent Russian book on *The Crash of the Dollar*); Mikhail Delyagin, economics adviser to Russian political figures Yevgeni Primakov and Yuri Maslyukov; Alexander Anasimov, a leading Russian expert on the Chinese financial system; two members of the Russian State Duma; an economics analyst of the Military Academy of Russia; a representative of the German Bundesbank (who spoke about the potential of the euro); the Ambassadors of Malaysia and Venezuela; and several financial advisers connected to Russian banks and investment funds.

Hardly any speaker or commentator at the conference seriously disputed the existence of a global financial crisis, and the possibility of a drastic collapse of the dollar. On the contrary, the most frequent question posed, was what to do with the billions of dollars held by Russian citizens, and which constitute a major part of Russian assets and savings, both inside and outside the country. Much discussion was focussed on possible alternatives to the dollar as a reserve currency and basis for trade, including particularly the European currency, the euro, but also the possibility that the Chinese currency, in the form of a "golden yuan," might emerge as a regional currency in Asia.

An extended, lively discussion of LaRouche's proposals occurred on the second day of the conference, among a smaller circle of financial experts. There, Tennenbaum, speaking in Russian, cautioned participants against looking for purely financial-technical options and solutions to the crisis, which will not work. The key to surviving the crisis, he said, is a change in thinking, dropping the ideologies of "globalization, deregulation, and privatization" and going back to the kinds of thinking which typified U.S. President Franklin D. Roosevelt's policies for economic recovery from the Great Depression, and the relatively successful 1945-64 period of the U.S., Western European, Japanese, and other economies. This means rebuilding the world's physical economy, including by large-scale state-sponsored projects for transport, energy, water and other infrastructure, and advanced science and technology, as the concrete means to develop what the great Russian-Ukrainian scientist Vladimir I. Vernadsky called the "noösphere."

A Malaysian Contribution

The closing session was addressed by Malaysian Ambassador to Russia Datuk Yahya Baba, who described the measures taken by his country to protect its economy from the financial crisis, and the background of Malaysian Prime Minister Dr. Mahathir bin Mohamad's fight against globalism. He emphasized the importance of Mahathir's recent discussions with Russian President Vladimir Putin, and the pledge of both countries to work closely together in the economic and technical fields. Malaysia is watching the U.S. situation very closely, and preparing itself for big changes in the global economic situation, he said.

'Make Development the Central Theme': World Crisis Dominates Chinese Debate

by Mary Burdman

The economic-financial maelstrom centered in the United States is commanding attention in China, where the annual national legislative meetings began on March 3. National leaders all warned of the effect the "uncertainties" in the U.S. economy would have on China, and emphasized the vital importance of continuing to develop the enormous internal economy with "gigantic infrastructure undertakings." Speeches and discussion at the National People's Congress (NPC) and Chinese People's Political Consultative Conference (CPPCC), centered on economic stability, agriculture security, and construction of transport, water management, and power projects, while also looking to better the welfare of China's 1.25 billion people and deal with official corruption.

China is also aware of what it has to deal with, in the George W. Bush Administration in Washington, whose official policy is to consider China a "strategic rival." Beijing is focussing on cooperation with its neighbors, including Russia, Southeast Asia, and Central Asia.

Lyndon LaRouche, who has been warning for decades, of the financial disaster now upon us, and who has uniquely elaborated how the crisis can be resolved only by the nations' development of both physical and social economic infrastructure, observed at a conference in Washington on Feb. 17, that China's commitment to build such projects as the railroad to Tibet, "signifies that China has realized that it's going to lose a great deal of what it had depended upon, on the cheap-labor sales to the United States. . . . China is going to have to resort, more and more, to internal infrastructure development projects for its own survival, and therefore, is going to be much more interested in cooperation, in China and other parts of Asia, in this direction. . . . [I]f you have Russia, China, the ASEAN-Plus-3 group, India, and other countries involved in a long-term cooperation perspective, that long-term perspective will have more weight in bringing cooperation in the region, than any bilateral agreements that might be reached among the participants." Large-scale projects that involve this cooperation are the key, he said.

"As this financial system collapses," LaRouche said, we will "see a phase-shift in world politics, as well as economics, which might seem unimaginable today. . . . We have to think about the countervailing factors in the world situation, which may create opportunities for action which will tend to minimize the danger from [Bush Administration] threats."

China launched its "Develop the West" program officially a year ago; over the past year, Beijing has announced a series of strategic infrastructure projects—including, potentially, the world's first long-distance magnetically levitated (maglev) train. At the same time, China has been promoting development of political and economic relations with the nations of Southeast Asia, and ties between China and Taiwan—itself hard-hit by the U.S. mess—have been warming. Russia and China will sign a new "Good Neighborly Treaty of Friendship and Cooperation" this Summer, and great projects to build rail links to Central Asia are also on the agenda.

Just before the Beijing meetings, China sponsored the first "Asia Forum" summit in Boao, Hainan province, to create an institution "directed by Asians, . . . aimed at promoting exchanges and cooperation among different countries in Asia with Asia's interest and concept taken into account, . . . and to realize common prosperity," as official press noted. There, Malaysian Prime Minister Mahathir bin Mohamad delivered a remarkable speech on creating a world development institution (see *EIR,* March 16, p. 52).

U.S. 'Uncertainties'

On March 13, Shi Guangsheng, China's Minister of Foreign Trade and Economic Cooperation, reported at a press conference that China's foreign trade is likely to diminish in 2001 from its previous, remarkably rapid rise, due to slowing economic growth—especially in the United States.

A month earlier, China's Customs Administration announced that export growth had slowed way down in January. China's foreign trade volume rose only 1.3% year on year that month, to $32.46 billion. Total exports grew only 0.8%, the slowest rate of growth in 18 months. China's trade surplus in January was $1.38 billion, down from $1.5 billion a year earlier. Export growth is slowing steadily: From a peak of 45% in June 2000, it was 13.8% in November and 8.5% in December.

The shrinking U.S. market is the key problem. On March 11, China released figures showing that exports to the United States grew in January only 3.3% year on year, to $3.5 billion,

Prime Minister Zhu Rongji with German Chancellor Gerhard Schröder in Germany. The Chinese leadership is shaping the Tenth Five-Year Plan around strategic projects for the development of national infrastructure.

a 16% decline from December. "The possibility of an abrupt economic recession in the United States is slim, but if it does happen, China's economy could be greatly influenced," the official *China Economic Times* has recently warned. In January 2000, exports to the United States had risen 24.2%. China's trade surplus with the United States was $29.7 billion in 2000, bigger than its trade surplus of $24.1 billion with all the rest of the world.

While by far the greatest part of China's trade is with other Asian nations, trouble is looming on this front also. Japan, which has resorted more and more to the "New Economy," including exports to the United States, is in big trouble, constituting a threat to the rest of Asia.

These developments are deeply affecting China's interest in the World Trade Organization. Although the alleged "breakthrough" deal to get China into the World Trade Organization (WTO)—after 15 years of effort—was reached by President Bill Clinton and Prime Minister Zhu Rongji in April 1999, China has yet to join.

Shi Guangsheng, while advocating a "Go Global" strategy for China, has been making cautionary statements recently. On Feb. 26, he was quoted by the *China Business Times* that China's entry into the WTO could be delayed until October or November—a delay that would set loose the usual circus in the U.S. Congress, to debate whether to grant China "normal trade relations," although the United States has its biggest trade deficit in the world with China!

At the NPC, Shi again noted that there was still no specific date in sight. "China's accession to the WTO is . . . a foregone conclusion [and] not far off," but there are real problems. The United States, particularly, rejects China's right, once in the WTO, to increase agricultural subsidies as needed, and also objects to industrial subsidies and China's refusal to surrender its insurance sector. "Some members have made their demands on China too high. These demands have exceeded China's capacity as a developing country," Shi warned.

The miserable demise of the "New Economy" is also sparking reaction in China. *China Daily* called its ten-year old stock market a "hot topic of discussion" at the national sessions. Nationally known economist Wu Jinglian, of the State Council Development Research Center, warned the CPPCC that "the over-speculation in the market, if not stemmed, may lead to the collapse of the market." Wu, previously more a proponent of the markets, has been publicly calling for strict regulation, and likened the speculative stock market to a "casino."

A group of younger economists, including Yang Fan and Zuo Dapei of the Economic Research Center of the Chinese Academy of Social Sciences (CASS), and Han Deqiang, of the Economic Management Institute of the Beijing Aviation University, sent an open letter to the NPC and CPPCC, stating: "The 1929 U.S. market crash led to a worldwide economic recession. The market collapse in Japan after 1989 and a Nasdaq crash in 2000 led to economic stagnation. These are all 'overturned carts ahead' " for China.

The immediate issue is the spike in China's "B-shares" hard-currency market, which was opened to domestic investors after Feb. 28. However, the B-shares market, with a capitalization of $7 billion, is minuscule when compared to the many trillions in Wall Street's bubble, and with China's foreign exchange controls firmly in place, the B-shares bubble, while potentially nasty, is containable.

More broadly, the issue is the world financial meltdown. More and more of China's economists see a "great recession" coming on in the United States. One indication of this concern, is that a proposed "high-tech" stock market has been delayed indefinitely, the China Securities Regulatory Commission announced at the NPC, due to the "emerging instability in the New Economy all over the world."

The Strategic Projects

The NPC and CPPCC sessions discussed China's Tenth Five-Year Plan (2001-05). Prime Minister Zhu, Zeng Peiyan, Minister of the State Development Planning Commission, and Finance Minister Xiang Huaicheng, outlined the core of strategic projects around which China will build its economy in this period. The basic principle, Zhu said, is "making development the central theme."

The projects include the power lines and pipelines to transmit natural gas and electricity from the interior, to the densely populated east coast; the 1,118 km Qinghai-Tibet Railway and the Beijing-Shanghai High-Speed Railway; and the "Move South Water North" project. Several new nuclear power plants are also on the agenda. All of these projects have been under consideration, and intensively studied, for a long time, some for decades. Now, they are to be realized.

The Qinghai-Tibet Railway, the first railroad ever to the "roof of the world," presents unique technological challenges which will be met with a combination of Chinese and advanced foreign technologies. Debate is ongoing, whether the Beijing-Shanghai High-Speed Railway will use the magnetic levitation technology developed in Germany. On March 1, construction of the world's first commercial maglev—Germany has only a demonstration train—began in Shanghai, to connect central Shanghai to one of its airports. This project could go much further. According to the German daily *Die Welt,* China's Development Planning Commission is projecting that by 2050, China's rail grid will be twice its current size, with an 8,800 km grid connecting the 12 largest cities at its core. For this central grid, the maglev would be the best option.

The proposed Kashi-Andizhan railroad, to connect Xinjiang with Kyrgyzstan and Uzbekistan, opening up the "Paris to Shanghai railroad," was also raised at the legislative sessions.

Lack of water in northern China is already costing economic losses of over 120 billion yuan ($14.5 billion) a year, and the problem must be solved. The "Move South Water North" project will divert 38-48 billion cubic meters of water to the north a year, an amount equal to the annual run-off of the Yellow River.

Real Economic Achievements

In his report to the NPC on March 5, Zhu Rongji described China's recent achievements, which include having helped some 80 million people out of severe poverty, at the same time that China was able to carry forward its "863 Program" of science, technology, and education development, initiated by the late Deng Xiaoping.

China has had to cope with both man-made disasters, including the Asian financial crisis, and natural ones, such as severe floods and drought. "Making development the central theme," China must now restructure to prevent the old, "crude" manner of growth, Zhu said. "The state must hold a controlling stake in strategic enterprises that concern the national economy and national security, but not necessarily in others."

On March 8, Development Planning Minister Zeng Peiyan emphasized that China must face the situation that, despite "healthy growth, . . . the foundation for sustainable economic growth has not been consolidated." Also, "uncertainties" in the U.S. economy, he noted, will affect China's foreign trade. To ensure development, Beijing will direct a new issue of treasury bonds to "gigantic infrastructure undertakings," and enhance the ability of non-state-owned enterprises to invest. Zeng said that 12 western development projects will be launched, with combined investment of 300 billion yuan ($36.3 billion). These projects will also provide work for China's interior population—close to 900 million people.

Zeng Peiyan warned that income growth for more than 70% of the rural population is too slow. In the countryside, average per-capita annual income is just 2,550 yuan—about $325—and must be raised. Farmers are also burdened with high, arbitrary fees, which must be replaced with a responsible taxation system. Such a system has been pioneered in Anhui province, also the site, over 20 years ago, of the restoration of the household farm system, which launched China's overall economic reform under Deng Xiaoping.

Financing Growth

China will run up a record budget deficit this year, due to its "pro-active" fiscal policy, but her leaders are being actually extremely cautious. Finance Minister Xiang Huaicheng announced a record deficit of 259.8 billion yuan, but this is barely a 4% rise from last year's deficit. The government plans to issue 150 billion yuan in bonds, including 100 billion yuan ($12 billion) worth of construction bonds and 50 billion yuan ($6 billion) of special bonds to finance the development of western China.

China's deficit is just 2.7% of GDP, and public debt is estimated at only about 28% of GDP, far smaller than that of the Group of Seven industrialized nations. Since most of the public debt is domestic, there is no threat on that front to China's foreign-exchange reserves, the second-highest in the world.

Xiang Huaicheng noted that "there is some instability in world economic growth this year, and this will affect China's exports," but despite this, China will be able to get its economy to move into a "virtuous cycle . . . with better quality and higher efficiency growth." This will be achieved with massive expenditure to increase economic growth and help create jobs for millions of laid-off workers and redundant agricultural laborers in the interior, he said. The infrastructure construction will also benefit China's domestic steel, cement, and other heavy industry. Light industry, however, will face slower growth, as the U.S. and Japanese markets contract.

Agriculture and "grain security" were also under discussion. There was a sharp drop in grain production last year, aggravated by severe drought, after several good harvests. This problem cannot be addressed just by focussing on increasing grain production; "grain security" can only be met by ensuring overall agricultural production, and especially *future* grain production capacity, by protecting farmers' incomes, safeguarding scarce farmland, and ensuring sufficient water, reported Chen Jiyuan, former head of the Institute of Rural Economic Development of the CASS. Imports and exports will be part of "grain security."

'Rein in the Horses'

From this overall economic perspective, the Beijing government made several sharp warnings to the Bush Administration. On March 6, Foreign Minister Tang Jiaxuan gave a press conference in Beijing, in which he called on the United States to realize the "serious dangers" of its policy toward China, especially in relation to Taiwan. "If the U.S. side continues to fail to honor its commitment on the Taiwan question and insists on selling advanced weapons to Taiwan, including particularly the Aegis missile destroyers and the Patriot antimissile defense system, that would send a very wrong signal to the Taiwan authorities, which will encourage a very small number of people—the Taiwan independence elements—to continue to engage in separatist activities," he said.

"The U.S. side should come to the recognition of the serious dangers involved. It should rein in its wild horse right on the side of the precipice."

Vice Prime Minister Qian Qichen, the *éminence grise* of Chinese foreign policy, will be visiting the United States March 18-24, to take up "some issues" standing in the way of better U.S.-Chinese ties. "Provided that the U.S. side takes appropriate steps to approach the Taiwan question, among other issues, Sino-U.S. relations face a future of moving forward," Tang said.

Tang also stressed the "very sound momentum" of Sino-Russian ties. He said that Russian President Vladimir Putin will visit China twice in 2001, and that Chinese President Jiang Zemin will go to Russia, likely in July, to sign a new "Good Neighbor Treaty." China and Russia continue their economic, scientific, and technological—including military—cooperation.

China is also making what Xiang Huaicheng called a "moderate" defense-spending increase of 17.7%, to 141 billion yuan. Xiang called this necessary "to adapt to drastic changes in the military situation of the world and prepare for defense and combat, given the conditions of modern technology, especially high technology."

Foreign Minister Tang also said that "there is the need to modernize national defense and reform the military structure." While the increase seems large, Tang said, China's overall defense budget is the "smallest among major powers in the world," and amounts to a mere 5% of the United States', and just 30% of Japan's. Tang denied the increase had any link with China's opposition to the U.S. National Missile Defense. The increase will go mostly to raising pay for servicemen, and secondly, to "modernize national defense and reform of the military structure."

German Waste Water Helps U.S. Bubble

by Rainer Apel

On March 1, several thousand citizens of Düsseldorf, a big city in western Germany with about 600,000 inhabitants, took to the streets to protest against the planned sale of their city's utilities to private investors. The plan was conceived before the outbreak of the most recent crisis in California's deregulated, privatized energy sector, but the commitment of the Düsseldorf municipal administration to privatize the city's utilities appears the more absurd, as it is being adhered to even after the latest disaster headlines from California.

A crucial role in voicing the Düsseldorf citizens' concern, and collecting 63,000 signatures against the planned sale, has been played by the Civil Rights Movement Solidarity (Bürgerrechtsbewegung Solidarität, or BüSo), the political arm of the LaRouche movement in Germany. This was reflected also in the media, which otherwise prefer not to report at all on the BüSo activities: The day after the protest rally, all the leading news dailies of the region ran pictures showing the BüSo picket signs. For example, the March 2 issue of the Düsseldorf section of Germany's leading mass-circulation newspaper, *Bildzeitung,* carried a picture showing a picket reading: "Privatization of the utilities is theft from 600,000 Düsseldorf citizens—BüSo." The *Westdeutsche Zeitung* daily also showed that picket, and another one by the BüSo, reading, "Privatization is theft," along with picket signs held up by other protesters. *Express,* a regional tabloid, ran its article with a picture showing that picket against privatization, and another one by the BüSo, reading: "No California conditions in Düsseldorf! We want municipal utilities!"

The municipal administration of Düsseldorf rejected the 63,000 petition signatures, but it is forced to hold a regular referendum now, scheduled for May 20—and the law has it that if 90,000 citizens vote against the privatization plan, it is off the agenda for good. That target of 90,000 votes can be reached, because many citizens are very angry and concerned, which has to do with the abrupt awakening transmitted across the Atlantic, by the news from the energy disaster zone in California.

The situation in Düsseldorf sheds light on the advance of deregulation and privatization in German municipalities in general. Under the combined impact of sinking tax revenues, increasing debt, and cuts in federal and state subsidies to the cities, the comptrollers in many German municipalities have signed on to dubious schemes of selling their real estate, utilities, hospitals, and public transportation to private financial

A BüSo demonstration in Düsseldorf against energy deregulation.

groups. In many, if not most cases, these were groups in the United States—usually a company or investor group, and a bigger bank plus the respective law firms handling the deal.

Financial Sharks in the Water

In the case of Düsseldorf, the comptrollers sold two sewage works to an unnamed "U.S. investment fund" in the Spring of 1999, for 700 million deutschemarks (approximately $350 million). The sale was disguised by a complicated "sale-and-lease-back" scheme that gained a special tax-break status with the U.S. Treasury, resulting in "reduction in expenses" for the investment fund. The fund then leased the sewage works back to Düsseldorf, and paid the municipality $10 million in 1999 and another $9.5 million in 2000, as a kind of commission for the benefits derived from that contract. More serious leasing firms in Germany are warning against such sale-and-lease-back contracts, as a hoax that does not bring relief to the lease-holder, but only benefits the lessee. "Financial sharks" is the term used by serious leasing experts, for the people who design such contracts. And that these deals are at the expense of the U.S. taxpayer, is evident anyway: The U.S. Internal Revenue Service launched an initiative in the Spring of 1995, to shut down this tax evasion channel, but the relevant legislation was never passed by Congress.

The real nature of these "leasing" structures is not revealed, however, by looking at the DM 41 million which the Düsseldorf comptrollers extracted from the deal on the sewage works. The question is: What happened to the rest of the DM 700 million which the unknown U.S. investment fund paid for the deal? It did not flow back into the coffers of the Düsseldorf authorities, that is for sure. The money stayed with the banks that arranged the deal: Westdeutsche Landesbank and its partner bankers in the United States. If it was not invested back into the public sector of Düsseldorf, and was not invested in similar projects in the United States, where did the money go?

Most likely, it went into the Wall Street financial bubble. It may have helped some troubled U.S. firms to bridge their acute financial problems, in the same way that Boeing tried to benefit from a sale-and-lease-back arrangement with the northern German region "Altes Land," south of the seaport of Hamburg. There, the municipalities that share ownership in the regional sewage works company AVZ, are presently engaged in negotiating the sale of the company to an unnamed "U.S. financial trust," which would then lease the company back to its former German owners and pay the three municipalities that today are shareholders in AVZ, a "commission" of $1.4 million each. How does Boeing come into this picture? Well, that unidentified "U.S. trust" has another deal going, under which it would gain a substantial tax break from the U.S. Treasury—substantial enough to get the go-ahead for a loan to Boeing that could be financed at very low or no interest at all. Said Ingo Lange, chairman of AVZ, "Actually, it is a deal to refinance Boeing."

There is not one institution in Germany (except the banks that are involved) that keeps a record of such "cross-border leasing" arrangements, particularly the scope at which they redirected funds from public infrastructure into Wall Street. But a handful of independent experts whom this author talked to, would not rule out that $30-40 billion, or even more, has flowed into Wall Street, through such arrangements, since 1997-98: that is, in the wake of the financial breakdown crises in Asia, Russia, and, as the case of Long Term Capital Management shows, Wall Street. If, as these experts believe, several hundred municipalities and regional administrations in Germany have signed on to such sale-and-lease-back deals, this extra capital input into Wall Street was much higher, naturally. Among other dubious arrangements, German sewage works are helping to keep Federal Reserve Chairman Alan Greenspan's bubble alive. It is about time that not only the citizens of Düsseldorf, but also the rest of Germany, and those in the United States, be told the truth.

Economic Collapse Shows, Only a New Bretton Woods Will Work

by Lothar Komp

On March 5, Lyndon LaRouche addressed an EIR *seminar in Berlin, outlining a policy for worldwide economic recovery. LaRouche's speech, along with those of several other speakers, was published in last week's issue. We publish here two additional speeches, by* EIR*'s Lothar Komp, and Prof. William Hankel, former Chief Economist of Germany's Kreditanstalt für Wiederaufbau (Reconstruction Credit Agency).*

The American high-tech stock market, the Nasdaq, finished this week down for the fifth week in a row. Such a continuous crash of the Nasdaq, without a pause, has never yet occurred. And this follows the year 2000, the worst ever in the 31-year history of the Nasdaq. The high-tech markets in the rest of the world, such as the "New Market" in Germany, do not look any better.

Closely related to the crash of technology stocks, is the sudden collapse of the American economy, which yesterday was still being celebrated as performing "New Economy" miracles, but today is making headlines only about mass layoffs and collapsing profits.

At the same time, after one or two years of apparent calm, new financial and economic crises are erupting in the developing countries. Turkey might easily be followed by Argentina tomorrow. And when it gets to the point that the American economy will no longer be capable of absorbing, in almost unlimited amounts, imports from Asia, Ibero-America, and other parts of the world, then countries such as Mexico, South Korea, and even China, will soon come face to face with their own economic catastrophes. These crises can no longer be managed today, as they were during 1995-99, by international crisis management, because this time the center of the system—that is, the American economy and the American financial market—is itself perched on the edge of the abyss.

Finally, what has emerged from the shadows in the past months, is that the turning away from successful economic principles of the first two postwar decades, has brought about a comprehensive erosion of the economic fundamentals in all the great industrial states. For example, globalization and deregulation have brought in their wake an absolute decay of physical infrastructure in the English-speaking world, which is also beginning to spread like wildfire in Germany. Routine electricity blackouts—until now unheard-of except in India or Africa—in the rich state of California, as well as the endless series of accidents on the privatized British railways, could be mentioned here, but also the agricultural disasters in today's news, were brought about entirely by globalization and deregulation.

The thing to be clear about here, is that we are not dealing with isolated events, nor with cyclical economic crises, nor transient "corrections" in the markets; but with a systemic crisis: a crisis of the world economic and financial system taken as a whole, which will not respond to attempts to fix it a little here and there, but which must become more and more acute, until a radical intervention is made, which will throw overboard all the fundamental axioms that have led to the ruin of the economy in recent years.

Today we will discuss the causes of the systemic crisis, and the way out. The first thing we must do, is to outline more precisely the situation that we find ourselves in.

I begin with two symptoms of the global systemic crisis, which have made quite a dramatic entrance, visible to everyone, over the last couple of months: the stock market crash, and the crash of the U.S. economy; and then we will turn to something less in the public eye, but a domain from which much more dangerous blows are poised to strike the world economy and financial system, namely, the greatest speculative and credit bubble of all time.

The Market Crash

There is hardly a technology stock in New York, Frankfurt, or Tokyo, which today is still worth one-third of what it was barely 12 months ago. But there is no respite: The collapse of the stock markets has accelerated in the past weeks. For the U.S. technology stock exchange, the Nasdaq, February 2001, with a loss of 22.4%, was the third-worst month in its 30-year history, only exceeded by October 1987 and November 2000. Altogether, since March 10, 2000, the Nasdaq Index has lost 59% of its value, and finds itself at a two-year low.

In Germany, millions of small investors are mourning for their good old savings accounts, which always gave a yearly return of 2%, compared to what happened to Deutsche Telekom stock, which lost 75% in the last 12 months. Still worse, stocks in the "New Market" lost about 80% on average over the same time period.

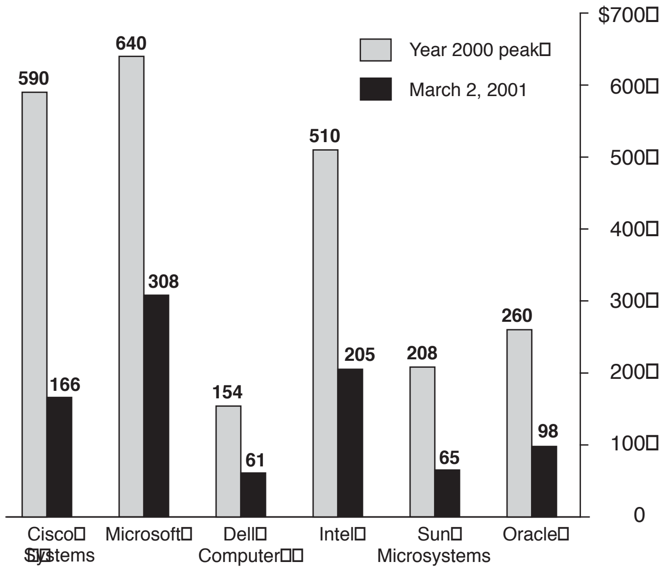
Today, it has come so far that the Bonn State Prosecutor is investigating Deutsche Telekom for falsely manipulating its real estate assets. On top of that, a group of disillusioned investors have made their own complaint to the Attorney General against Telekom chief Ron Sommer, for using "false data" and "wrong information . . . to mislead them," causing them to lose most of the money they had invested.

Even the super-optimists can no longer find any reason to believe that the collapse will end in the foreseeable future. Finally, not a day goes by, without new announcements of mass layoffs and the collapse of profits, from the makers of computers, chips, software, or from the telecom sector. Even

FIGURE 1

Market Capitalization of U.S. Technology Giants

(Billions $)



Source: nasdaq.com.

TABLE 1

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

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

the two substantial lowerings of interest rates by the great magician, Federal Reserve Board Chairman Alan Greenspan, except for a few days in January when they gave the illusion of a recovery, have gone up in smoke, without any lasting effect. Now Wall Street is begging for another, doubled lowering of interest rates, that is, of 50 basis points, such as on Jan. 3 and Jan. 30, and this, if you please, right away, and let's not wait for the next sitting of the Federal Open Market Committee on March 20.

But neither Greenspan's lowering of interest rates, nor the announcement of gigantic tax cuts by the President of the United States, can cheer the market up from its mood of doom and gloom. Since March 10, 2000, the market value of the Nasdaq firms dropped from $6.7 billion to $3.3 billion. The market value of the six largest Nasdaq titles have melted down, from their maximum last year of $2.362 trillion, to $903 billion. Microsoft was at its highest already in January 2000; Cisco and Dell in March; and Intel, Sun, and Oracle not until August 2000 (**Figure 1**). Since that time, these six firms alone have had $1.459 trillion in paper values annihilated.

The U.S. Economic Collapse

Layoffs

Right on cue with the end of the U.S. Presidential election campaign, the myth of the "New Economy" in the United States collapsed. All the phrases such as "unparalleled prosperity" and the continued "robust growth," as well as gigantic productivity increases, proved themselves suddenly to be no more than hocus pocus. The ugly truth about the U.S. economy could no longer be camouflaged.

First in the barrel was the auto industry. Since October, sales of U.S. automakers declined, and their inventories, despite massive rebates, have increased since the Summer. In December, Ford's sales figures declined 14.6%; Chrysler, 14.8%; and General Motors, 18.1%. Sales of commercial vehicles to U.S. businesses declined by no less than 37% in the fourth quarter. Already before Christmas, the leading automakers announced significant layoffs and decreases in production, including the idling of entire plants.

Then, the retail sector announced unusually low sales during the Christmas season. The retail chain Montgomery Ward admitted its inability to meet payment obligations, which meant the loss of around 32,000 jobs, and the closing of 258 outlets. The retail chain Bradlees announced bankruptcy. For the retail sector as a whole, the fourth quarter of 2000 was the worst since 1990.

And then, suddenly, it went from bad to worse (**Table 1**).

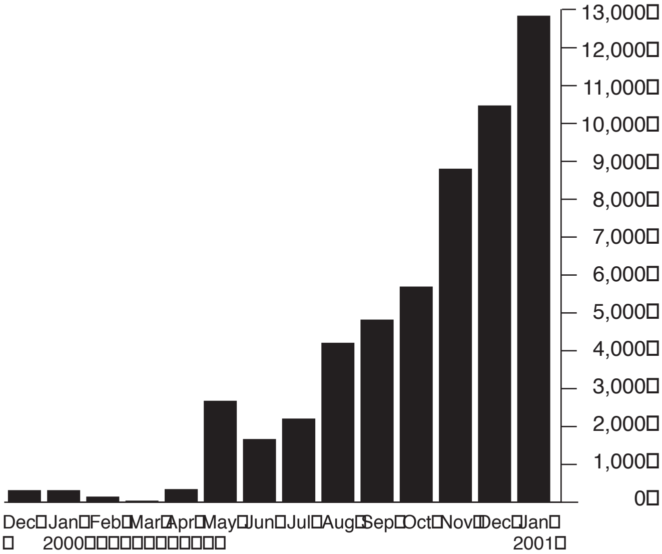
General Electric laid off at least 50,000, and perhaps, according to unconfirmed reports, even 75,000.

It is probable with auto sales declining even further, that General Motors, which in December announced a reduction of 15,000 jobs, will have to lay off considerably more.

The number of layoffs in the U.S. Internet sector in the second half of 2000, rose 600% compared to the first half. In

FIGURE 2

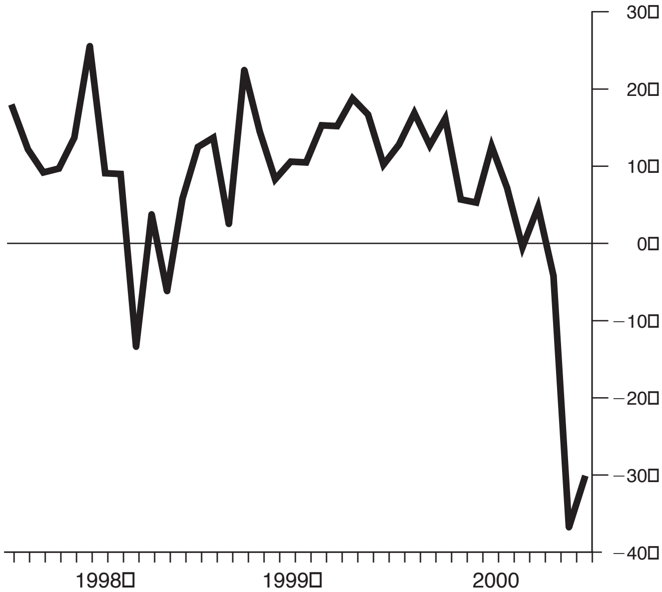
Internet Sector Layoffs in U.S., December 1999–January 2001



Source: Challenger, Gray & Christmas.

FIGURE 3

U.S. Business Climate Index



Source: Philadelphia Federal Reserve.

December, layoffs, compared to the previous month, rose 19%. In the year 2000 as a whole, 210 Internet firms, with a total of 15,000 employees, went under (**Figure 2**).

Wall Street also, and here especially investment banking, is not safe from job losses. At Merrill Lynch, 60 stock and investment experts were laid off; Bank of America Securities laid off 100 investment bankers; Crédit Suisse First Boston, 220; and Prudential Securities, 160. Bear Stearns fired 500 investment bankers in March.

In December 2000 alone, the United States lost 133,713 jobs, the highest number for one month in eight years. In January 2001, this rose to 142,208. The hardest hit were the manufacturing sector, which lost about 65,000 jobs, about 35,000 of those in auto.

The only sector, it seems, which is predicting a rosy future, is law firms that specialize in bankruptcy proceedings.

Economic Indicators

The latest economic data from the United States tell the story all too clearly. All the important indicators are down further than they have been for years.

- The growth of the Gross National Product (GNP) in the fourth quarter of 2000, had to be corrected from 1.4% to 1.1%, the lowest value in 5.5 years. Automobile production shrank 24.4%, after shrinking 16.9% in the third quarter of 2000.

The GNP figures could have been much worse yet, if it had not been for a strong increase of government expenditures, and in particular in the defense sector. Especially alarming was the decline in capital goods investment by U.S. firms, about 3.5% in the fourth quarter, the sharpest decline in ten years.

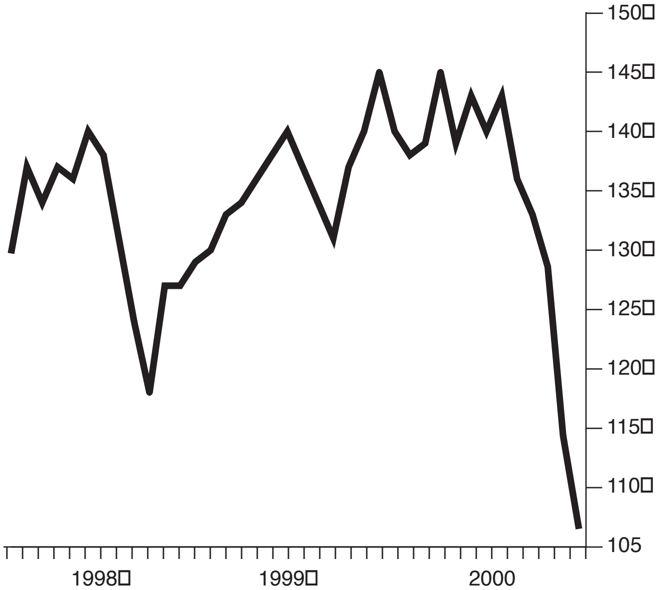
- Sales of the U.S. retail sector dropped at an annualized rate of 2% in the fourth quarter of 2000, the strongest monthly decline since the fourth quarter of 1990.

But in January and February, things really got going:

- In January, the index for American industrial activity of the National Association of Purchasing Managers (NAPM) fell to the lowest level since March 1991. And that was the sixth consecutive monthly decline. In February, there was only a very slight improvement.
- In January, the NAPM index for industrial orders sank to the lowest level since November 1981.
- In February, the NAPM commercial index fell for the fifth month in a row, which had not happened since April-August 1973.
- In January, U.S. industrial production fell for the fourth straight month. Placement of new orders for U.S. industry, fell to the lowest value in 19 months.
- In January, the Business Climate Index of the Federal Reserve of Philadelphia fell to the lowest level since December 1990 (**Figure 3**).
- In January, the Greater Chicago Industrial Activity Index, fell to the lowest level since November 1982.
- In January, the Consumer Confidence Index of the Conference Board slid to the lowest level since December 1996, and in comparison to the previous month, suffered its most abrupt fall since October 1990 (**Figure 4**).
- In February, the Consumer Climate Index of the Uni-

FIGURE 4

U.S. Consumer Confidence Index



Source: Conference Board.

versity of Michigan, fell to the lowest level since November 1993.

Gloomy Assessment by the IT Managers

On Sunday, Feb. 18, the Chairman of the Board of Nortel Networks, John Roth, gave a presentation in the Canadian Club in Toronto, after Nortel, the leading producer of fiber-optics in the world, had shocked the markets of the entire world on the Friday before, with its admission of their fourth-quarter results. Roth, who was accompanied by numerous bodyguards, said: "This is the most abrupt downturn that the U.S. has ever experienced. It's becoming very clear that all our customers are starting to adjust their budgets to take account of the realities of the very sharp and severe downturn that the U.S. is experiencing."

On Feb. 17, John Chambers, the CEO of the biggest producer of Internet services, Cisco, said in an interview with the Swedish economic newspaper *Finanstidningen:* "It makes no difference what the Federal Reserve or the latest statistics say. What we see now is absolutely not a soft landing. Ask anyone in the American manufacturing industry and he will say that we are in a recession. . . . If the situation does not change before the half-year point, there is a risk of a domino effect whereby the rest of the world will be imminently affected."

And, at the World Congress for Mobile Phone Technology in Cannes, France, on Feb. 23—as if he could not find a better place to do this—the vice president of chip producer Intel, Hans Geyer, spoke about the impending bankruptcy of the telecom sector. With regard to the three-phase expenditures of billions by telecom firms just to buy new frequency licenses, Geyer said: "We are facing a situation where the industry is headed for bankruptcy, even before the first UMTS call will have been made."

Already on Feb. 1, the chief of Apple Computer, Steve Jobs, speaking to a group of financial analysts at Apple headquarters in Cupertino, California, said laconically: "I believe the economy is going through a nuclear meltdown."

Inflation

The situation is even worse than it looks, because inflation in the United States can no longer be swept under the carpet by using the most refined statistical tricks. On Feb. 16, the U.S. Labor Department published the Producers Price Index (PPI) for January, which had risen 1.1% over the previous month, which would correspond to an annual inflation rate of 13%, the which would be the highest inflation rate for more than a decade.

At the center of this disastrous inflation problem, lies energy costs, which have now been passed on to the general price levels in the United States: The price of natural gas for a private household rose 6.5% in December and another 11.3% in January, while the price for business and industry rose 21.1%. Electrical utilities using natural gas, in January had to pay 64.4% more for natural gas, on top of a 24.6% increase that had hit them in December.

In California, the wholesale prices for electricity were 1,000% higher than last Spring.

But also, the price of raw materials, including cereals, cattle, coal, and metals, rose in January in the United States 13.9%, after an 8.5% increase in December.

The biggest factor in the increase in the prices of consumer goods, was again the energy sector, which showed the highest rate of inflation since February 1980.

The parallel with price inflation is also shown by the M3 money supply in the United States (**Figure 5**). In the second half of the 1990s, M3 increased by about $500 billion, clearly more rapidly than in the preceding years.

Consequences for the Rest of the World

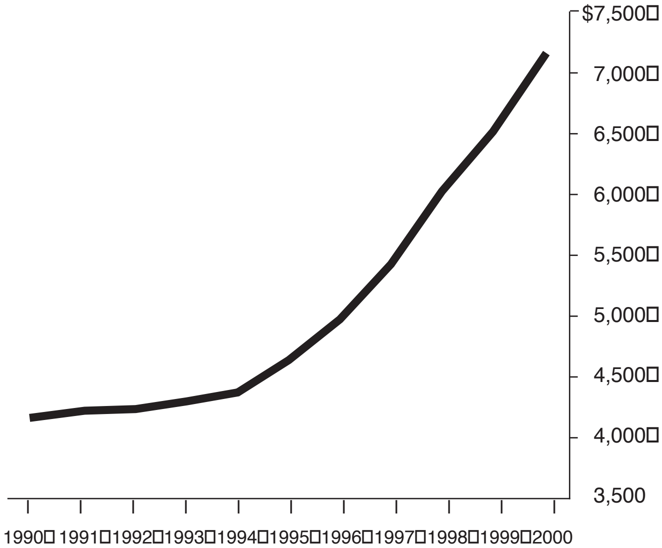
In the past years, the U.S. economy has managed to absorb the products of the rest of the world's economies, thanks, on the one hand, to the credit-financed consumer boom of the American household, but also, on the other hand, because the American economy was increasingly less capable of itself producing the relevant industrial products. In the process, the U.S. economy became the "importer of last resort" for the entire world economy.

The U.S. Commerce Department announced on Feb. 21 that for the year 2000, the trade deficit in goods and services had reached a record high of $369.9 billion. If you look at only goods, without services, then the growth of the deficit in 2000, was $449.5 billion (**Figure 6**). This still underestimates the volume of goods imported, because it was measured using the overvalued dollar. In the year 2000, the deficit was 2.6

FIGURE 5

U.S. Money Supply M3

(Billions $)

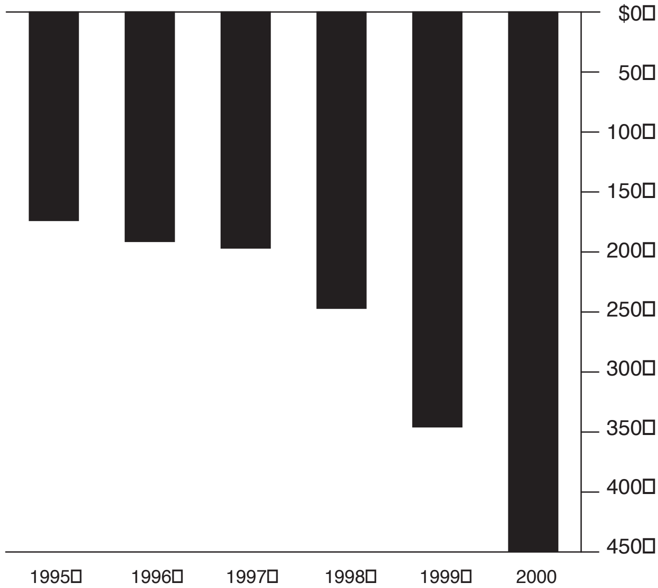


Source: Federal Reserve.

FIGURE 6

U.S. Foreign Trade Deficit

Physical Goods Only (in Billions $)



Source: Commerce Department.

times as great as in 1995.

In order to pay for this extreme imbalance of imports over exports, the U.S. economy had to simultaneously become a vacuum cleaner for all the investment capital available in the world, so that in the end, 80% of the entire world's service deficit, belonged to the United States.

Well, someone might argue, we do not have to be overly concerned about the import dependence of the United States for "low-technology" goods—consumer goods such as textiles, household goods, home electronics, or raw materials such as steel or building materials. Yet, in the key technological industries, things do not look any better: The U.S. machine-tool industry, which has led the world since the 1970s, is being taken down radically. That, of course, has not been without its deleterious effect on the technological capacity and the international competitiveness of the other U.S. high-technology branches, such as airplane and aerospace production. The ration of imports increased dramatically in all important sectors of industry.

In the 1990s, in combination with the ideological utopianism of a so-called "service" or "information society," this trend has accelerated. The U.S. trade deficit exploded, along with the U.S. services deficit and the foreign debt.

As a mirror of this, in the last few years, above all in Asia and Ibero-America, large numbers of "national economies" have been transformed to become almost completely dependent on exporting goods to the United States. Even Europe's economy has become heavily dependent upon U.S. credit-financed imports. Most extreme is the dependence of Southeast Asia upon exports to the United States, where it was thought, after the financial crisis of 1997-99, that only with dollars obtained in this way, might they be able to extract their neck from the financial noose. Countries such as Japan, Taiwan, the Philippines, Malaysia, and Thailand, have, for some time already, sent 25-40% of their exports to the United States. In the case of China, 41.9% of its total export volume is to the United States. If you leave Mexico out, 36.5% of all of Ibero-America's exports go to the United States. Counting Mexico, it is 56.6%. Mexico's dependence upon the U.S. export market is more than 80%.

Thus, it is of the utmost importance that the United States has now reached the limit of its capacity to absorb foreign goods, and the United States is no longer able to play the role of "importer of last resort" for the world economy.

The trade deficit in goods declined from September to December 2000 by 3%; this occurred at the same time that imports of consumer goods declined by 3% from November to December 2000, and auto imports by 8.5%! Since this process is accelerating, and the United States is losing its status as "importer of last resort," dramatic effects now loom over the rest of the world economy. If the United States ceases to function as "vacuum cleaner" for the export goods from the rest of the world, then this has to result in violent shocks and collapse of the real economies, of the export-dependent economies of Asia, Ibero-America, and also Europe.

Mexico will be the hardest hit of U.S. trade partners. In 1999, according to official government figures, 90% of Mexican exports went to the United States.

While many countries in Ibero-America, Asia, and Eastern Europe are still suffering from the series of financial crises between 1995 and 1999, the crash of the U.S. economy now threatens to unleash a renewed outbreak of financial and economic chain reactions.

In Turkey, it has already begun. Only three months after the last International Monetary Fund rescue package, the situation is worse than before. The banking system is threatened with collapse. And the government is asking the international financial institutions for an immediate injection of liquidity, amounting to $25 billion, while at least $115 billion in foreign credits are at risk.

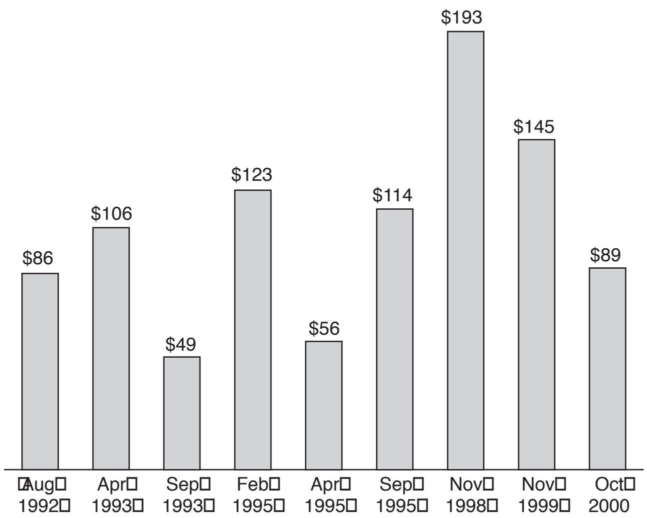
The next candidate could be Argentina.

The crash-landing of the U.S. economy and the worldwide financial turbulence will also hit Europe hard. The trade deficit of the 15 European Union member states has already increased more than 400% in the year 2000, to 82 billion euros, up from 19 billion euros in the Spring. And that, in spite of exports still at record high levels. But if European exports to the United States collapse, and the imports continue to increase because of higher energy prices, then the EU trade deficit will continue its inexorable increase.

FIGURE 7

Economic Stimulation Programs in Japan since 1990 Crash

(Billions $)



Japan, Worse than Before

And just when it seemed things could not get any worse, something else happened, a financial-economic mega-disaster, courtesy of Japan, which might challenge the United States for first place in the horror headlines of the financial media. What has become evident, is that even the gigantic efforts in tax policies and the like, and the most extreme form of low-interest-rate policies, have not been able, even over the course of ten years, to bring an end to the terror.

Even though since the speculative bubble burst in 1990, the Japanese government has invested about 56 trillion yen ($457 billion) in bailing out the large private banks, not to mention a good dozen more billions on special programs for reviving the real economy (**Figure 7**); and even though, on top of that, the Central Bank initiated a zero-interest-rate policy, the situation in the second-largest world economic power is more explosive than before:

• In January, industrial production declined by 3.9%, and while all those who had still believed in the recovery were keeping their mouths shut.

• In the middle of February, the U.S. ratings agency Standard & Poors downgraded the value of Japanese debt, while over the next three years, Japan has to sell $830 billion worth of new state bonds, in order to pay debt service on existing debts. In the process, Japanese state debt will rise to 165% of the GNP, which is by far the highest proportion of any of the industrial nations.

• In January, for the first time in three years, Japan showed a trade deficit, while especially its exports to the United States had shrunk. In comparison with the previous month, exports to the United States declined by 12%, and those to the European Union also by 8.2%.

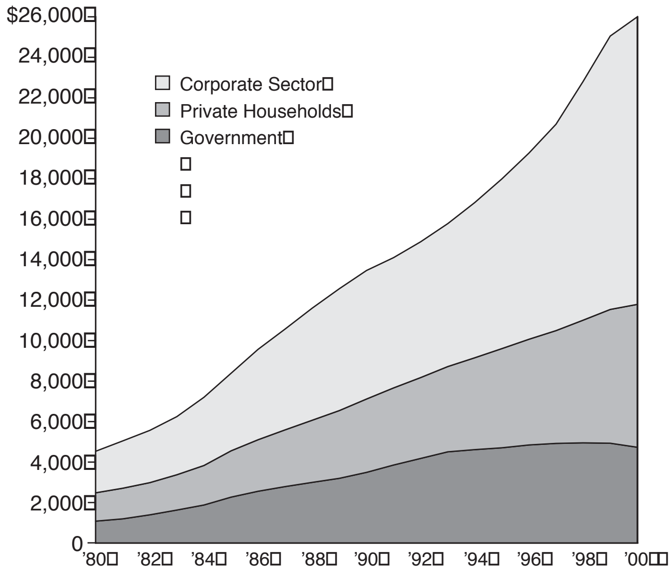
• Dramatic, is the word to describe the Tokyo stock market. On March 1, the Nikkei fell to its lowest level since Nov. 20, 1985, and this despite the fact that the Japanese central bank, the day before, had yielded to market pressures and lowered the interest rate for unsecured overnight loans, to an annual rate of 0.15% (from 0.25%). The day after than, the Nikkei fell another 420 points, and ended the day at the lowest level since July 31, 1985. The collapse of the stock market immediately threatens the large Japanese banks, since they are holding large amounts of stock in other corporations, stock which they count as part of their capital. In previous years, it had been possible for the Japanese, through the massive buying of stock by institutions close to the government, to keep the Nikkei propped up at a level of 16,000 points for the key day of March 31, the end of Japan's fiscal year. This time, it does not look like they will be able to pull that off again.

Europe: The Telecom Debt Time-Bomb

After the countless takeovers and mergers in the telecommunications sector and the gigantic expenditures for future mobile phone systems, the great telecom firms are stuck in a desperate financial situation. In the next nine months, the seven large European "telecoms"—British Telecom, France Telecom, Deutsche Telekom, the Dutch KPN, Vodafone in Britain, Telecom Italia, and Telefónica in Spain—must come up with more than $80 billion of debt that is due. For the sector as a whole, worldwide, it is estimated that debts due in 2001 amount to $200 billion.

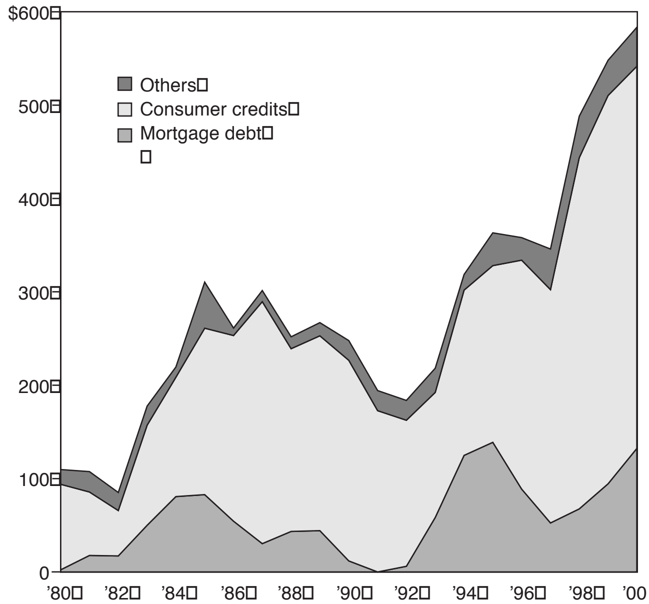
Since the firms are not capable of paying these debts from their profits—most of them have no profits at all—a new wave

FIGURE 8
U.S. Total Debt
(Billions $)



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

FIGURE 9
New Debt of U.S. Private Households
(Billions $)



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

of indebtedness for them is unavoidable for this year. But the banks, especially the European ones, are already swamped in telecom credits, so that the bank supervisory bodies, and the central banks, in London, Frankfurt, and elsewhere, have sounded the alarm, and have warned expressly against any further commitments to this sector.

In the year 2000, bank debts of the European telecom sector went from $41 billion to $150 billion, a nearly fourfold increase. British Telecom alone obtained $48.7 billion in new bank credits last year, followed by France Telecom ($27.3 billion), Vodafone ($19.6 billion), KPN ($12.5 billion), and Deutsche Telekom ($10.6 billion).

One other way to refinance the telecom debts would be to go to the international lending market. But telecom firms have flooded these markets in recent times with borrowing, so that they must offer ever higher interest rates, while the rating agencies are devaluing them. In the past year, the European telecom firms have floated bonds valued at $70 billion, compared with $40 billion the year before. Deutsche Telekom alone issued $18.3 billion, followed by KPN ($13 billion), Telefónica ($7.1 billion), and British Telecom ($6.9 billion).

Finally, there is the alternative of issuing new stock, in particular those of the mobile phone affiliates, spun off from the parent firm, and then placed on the market. Last October, Deutsche Telekom planned to reduce DM 120 billion of debt, by bringing their T-Mobil affiliate onto the market. However, because of the worldwide crash of the "New Economy" stocks, the entry of the T-Mobil affiliate had to be postponed. Then it was France Telecom's turn, which could not wait any longer to bring its mobile phone affiliate, Orange, onto the market, in order to pay off the debts owed to Vodafone. Orange's entry into the market was stupid and a fiasco. At the last minute, France Telecom had to reduce the price by 17%, in order to find enough buyers, but nonetheless, the stock dropped another 13% in the first three business days.

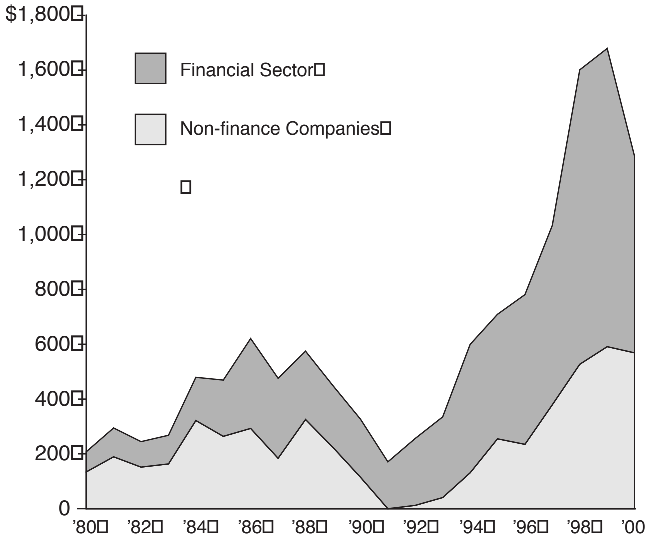
When France Telecom took over Orange from Vodafone last year, they calculated that putting Orange onto the market would yield 150 billion euros. Now, these are only 45 billion euros! This is very bad news for British Telecom, KPN, and Deutsche Telekom, because they badly need the cash from going into the market, which they all have planned to do this year.

Debts and Financial Derivatives

Since March 2000, the technology stock crash is on. On top of that, since the fourth quarter of 2000, the crash of the U.S. economy has forced itself into public awareness. What has only received scant attention from most people until now, is the shock that is still to come, that will come on top of all the others: the complete collapse of the worldwide house of cards of debts and other financial obligations, which would result from the blow, if suddenly a leading world institution, say, a Deutsche Bank, or a Deutsche Telecom, had to declare bankruptcy.

We have already talked about the debts of the telecom sector. Another aspect of this house of cards of indebtedness

FIGURE 10
New Debt of U.S. Corporate Sector
(Billions $)



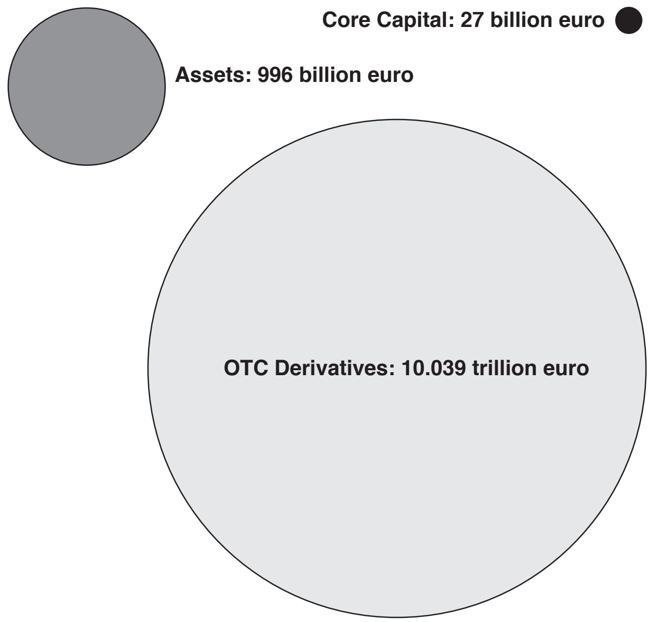
Source: "Flow of Funds Accounts," Federal Reserve.

TABLE 2
Financial Derivatives of U.S. Banks
($ Billions)

	Derivatives Volume	Assets	Ratio
Top 25 Commercial Banks	38,024	2,923	1,300%
Bank One National	833	98	850%
First Union National Bank	1,015	228	4,450%
Citibank	4,936	369	1,340%
Bank of America	6,582	607	1,080%
Morgan Guaranty	8,753	178	4,920%
Chase Manhattan	14,065	346	4,070%

Source: Comptroller of the Currency.

FIGURE 11
Deutsche Bank Profile, Sept. 30, 2000



is, again, the American economy, which in the 1990s experienced the worst credit excesses of its history. According to figures given by the Federal Reserve, in the 1990s, U.S. debt grew three times as fast than GNP (**Figure 8**).

At the end of 1999, the American GNP was $9.5 billion, while the total indebtedness amounted to $25.6 billion. In the 1990s, the GNP rose by $3.9 billion, while debt went up $12.8 billion. The number of dollars increased also. For each $1 of nominal economic growth, $3.27 were added in concomitant debt! On average, each American household has about 13 credit cards and $7,500 in credit card debts—as compared to $3,000 in 1990. Household debt has reached 101% of income, as compared to 84% in 1990 (see **Figure 9**).

The debt of the entrepreneur has now reach 46% of the American GNP—the highest level ever (**Figure 10**).

The derivatives holdings, essentially, gambling debts, of U.S. banks are huge (**Table 2**).

In Germany the situation is no different, as a glance at the biggest German bank makes clear. According to its own figures, Deutsche Bank, at the end of September 2000, had an outstanding balance of 996 billion in euros, which was secured by 27 billion euros of its own capital (**Figure 11**). Against that, however, there was a volume of off-balance-sheet financial derivatives in the amount of 10,039 billion euros, thus more than 530% the combined German GNP, and more than eight times the debt of the entire German nation, including the costs incurred by reunification!

The tremors on the world's stock markets, of the economies of entire nations, around the whole globe, combined with these debts, and the landslide of derivatives, have combined into an avalanche. No crisis management, like that carried out during the past six years, will be capable of stopping this systemic collapse: no lowering of the interest rates in the United States, no new round of interest-rate reduction worldwide, or any other kind of fix-it methods, will work; only a transformation of the system will work, i.e., a return to the economic principles, with which President Franklin Roosevelt defeated the Depression in the 1930s, and with which the Western industrial states achieved reconstruction after the Second World War.

Time for Reorganization of the Monetary System

by Prof. Dr. Wilhelm Hankel

Dr. Hankel is the former chief economist of Germany's Kreditanstalt für Wiederaufbau (Reconstruction Credit Agency). This paper, "Remarks on an Overdue Reorganization of the World Monetary System," was read on his behalf at an EIR *seminar in Berlin on March 5. It has been translated from German by* EIR.

The whole world actually should be in agreement, that a new world financial architecture must be built. For a quarter of a century, more precisely since the blow-up of the Bretton Woods system at the beginning of the 1970s—first, the gradual decoupling of the U.S. dollar from gold (1968-71); then, the official rejection of fixed, central bank-based U.S. dollar exchange rates with national currencies (Spring 1973)—one regional currency crisis after another has broken out.

First it was Latin America, with the high point, or low point, reached by Mexico I (1982); then followed the crises in the post-communist reform countries; turbulence in the European Monetary System (EMS) at the beginning of 1992-93, after German reunification; and the German Bundesbank's imposition European-wide of interest rate escalation; the enduring crisis in Russia, Japan, and the developing sector; Mexico II; and the unexpected collapse of the, so far, most successful threshold countries of the globe, the Far Eastern Tigers of the first and second generation, from Korea to Indonesia, which began in 1997 and still has not ended. New crisis candidates emerge all the time, from Argentina to Turkey.

Even though it has been possible up to now, more or less to manage these partial crises, and to avoid a total collapse of the world economy, such as occurred after 1931, the situation is becoming more acute. In the economy and financial system of the United States, a brand new crisis is building up, which could have dramatic consequences for the world economy, and world financial and monetary system.

In recent years, astronomical sums of vagabond, highly mobile investment capital have concentrated on diminishing, supposedly safe-haven currencies, and so-called good addresses. The result was a permanent flight upward of the secure, supposedly hard world currencies, the U.S. dollar and the pound sterling, as well as the Swiss franc at the top—the yen and euro have managed to stay out of this circle—as well as an irrational overvaluation of the stock and financial markets in the leading centers of the world.

In 1929, one day before "Black Friday," the capital value of the Dow Jones Index stocks reached 80% of the U.S. Gross National Product at the time. Now, the capital value of the Dow Jones represents 140% of today's GNP in the United States. As was the case then, all that is required is a small rise in interest rates or bond yields, and the whole house of cards of the bloated stock market will fall apart, with terrible results for the security of banks, currencies, investments, and jobs. In place of the wild stock-buyers of the 1920s, who speculated with credit, the equally wild hedge funds and traders of the international big banks, who also speculate with incredible credit leverage, have long since entered the scene.

No one can guarantee, that this time it will be easier than 70 years ago, to avoid a global depression, triggered by a stock market crash. And, as was the case then, it would be followed by a global political crisis, which could seriously endanger world peace.

The "old" Bretton Woods system broke apart as a result of its built-in inflationary mechanism. It forced the participating nations to import unwanted inflation, through purchase of dollars at a fixed rate. Thus the "old" Bretton Woods fell apart because of the opposite defect that its predecessor, the gold standard, had. The latter forced partners who were in deficit, and who were losing their gold reserves, into a deflationary adaptation, through tight money and rising interest rates—without taking into consideration their internal economic and employment situation.

The gold standard broke down due to its rigidity, and the Bretton Woods system, due to the weakness of its adaptation process. One had a deflationary bias, the other, an inflationary one.

The "non-system" of floating, market, or speculatively valued exchange rates, which has existed since the 1970s, has not achieved any of the goals proclaimed by its inventors or supporters. On the contrary: The flight into exchange-rate adjustments facilitated the maintenance of external current accounts as well as internal budget deficits, while monetary insecurity and escalating financial risks narrowed planning and investment horizons.

Never were so many goods ready to be traded worldwide, and never were so many national companies—even medium-sized and small—oriented to the world market. Yet, much more than the goods markets, it was the money and financial markets that were denationalized. The financial system, far more than the real economy, is "globalized." And the financial world is split: into a regulated sector at home and a deregulated one beyond the country and currency borders. There, a completely new and flourishing "duty-free finance capitalism" came into being, which gained its attractiveness and permanent power from all those crises, catastrophes, and currency risks somewhere, sometime, in the world.

The global financial economy in the last decades—because of its systemic instability—had produced a considerable arsenal of market and technical banking innovations to allocate financial risks of single companies or investors (roll-

Wilhelm Hankel: "People will move only when they are faced with a crisis. So, I fear, we again need a collapse, which I see coming, and then we would have the real chance for a new Bretton Woods."

over and syndicated credits, futures contracts, derivatives, etc.). However, with this, the worldwide capital markets became even more short-term and volatile. The current "non-system" is, like any other money and credit system without a central bank, "inherently unstable" (Walter Eucken). That is, it may protect single protagonists, large and small investors who give up their individual risks, but only at comparatively high costs. Others pay the price for the overall risk—the uninsured, those who do not engage in capital flight, the less clever, those who trust the system, the country, and its policy. For them, global, deregulated finance capitalism does not grant any insurance. On the contrary: It socializes its losses!

In a certain sense, the union of worldwide stateless financial markets functions like a "privatized Bretton Woods," with the U.S. dollar as its commercial leading currency—only it is more unpredictable and unregulated. The tough competition among the many creditors (banks, capital markets) for customers throughout the world, draws in the weak and deficit-ridden states as well: these in particular, since they are grateful customers, who usually pay extremely high interest and risk premiums (LIBOR-plus). The system misleads them into excessive (and much too short term) foreign indebtedness, instead of urging them to maintain current account and budget discipline. The bridge loans are, however, immediately cancelled, once early signs of macro- and microrisks appear in the debtor country. The debt crises chase one after another, and let one debtor nation after the other make a hard landing, with disastrous consequences for the living standards, social status, and future of the population. Yet, the crisis hits back, and does not let itself be localized in the interconnected world economy: Markets and customers fall away, exports and foreign investments stagnate; world trade is reduced to trade among the still wealthy and financially viable; competition takes on ruinous forms, and the world economy is transformed from a "welfare machine" (John Stuart Mill) into an industry eliminator and a job killer.

Seen in this light, privatized and deregulated financial globalism inherited the worst of the gold standard, as well as the worst of the "old" Bretton Woods. Financially unregulated globalism goes hand-in-hand with devastating impoverishment and income deflation in poor countries, and fully unjustified asset inflation in rich countries. What results from this is the following: capital flight out of all parts of the world, which concentrates on ostensibly "secure" currencies and asset investments, making of the next "Black Friday" only a question of the date.

Basic Points of a New Ordering of The World Monetary System

In considering the reorganization and new ordering of the world financial and monetary systems, one must always keep in mind that the world monetary systems of the past were children of a catastrophe. The "father" of the gold standard was named Napoleon, since his European wars left behind monetary chaos. And one could say that the "father" of the Bretton Woods system, was named Hitler, since his Second World War led J.M. Keynes in 1941-43 to present his "Proposals" for the postwar period, characterized by a full employment government policy.

Keynes's proposals for Bretton Woods still constitute a weighty contribution to the new ordering of world finance. He defined three "essentials" for the reliability of a globally composed and crisis-proof monetary and credit system:

1. A "clearinghouse" for all nations, which is the highest facility for refinancing the national central banks which have pooled their reserves with it, and have opened an account.

2. A monetary and accounting unit, reserved for the money transfers of the central banks with their highest facility, the "bancor," which corresponds to today's Special Drawing Rights (SDR). However, this inter-central bank money—as distinct from the euro—was not to replace any national currency, but was solely (as had been gold earlier) to serve as a reference basis and conversion factor for the exchange rates. Each country kept its own currency, interest rate, exchange rate, and central bank.

3. An adjustment process which was to be "symmetrical" for debtor and creditor nations, and equally binding. An international legal norm had to be created, which would accord all world economic nations, and especially the weakest among them, equal rights.

As Friedrich List rightly stressed, the priority must lie with the internal, domestic economic development of the participating nations. If one had respected these basic points, perhaps the "old" Bretton Woods would have survived.

It is at least as urgent to return to "ordered" world monetary relations, from national and European standpoints. Globalization means, essentially, that the unity of the state and monetary areas is broken—the monetary areas "outgrow" the national (or soon, perhaps, even the European) state area. The global market withdraws from the national (or European) regulatory authority. Formally, politics still has its instruments, but they are truncated, or have lost all their power. What is exchange rate policy supposed to be, if the currency valuation follows the influence of subjectively steered capital movements and profit expectations? What are interest rate and economic policy supposed to be, if international interest rates determine national rates, and the international economic climate determines the national? Even the freedom of national budgeting tends to be nullified, if state deficit spending, aimed at economic and employment policy, is being countered through shifting portfolios (capital flight), through interest hikes and currency devaluation.

'Solutions' That Are Not Solutions

The free and unregulated international or transnational financial market raises the constitutional question: How is the coexistence of a stateless global economy and nationally regulated economic systems still possible at all? Must the nation-state—with its democratic structure and legitimation—die out, because we neither have nor want to have a world state? If monetary areas and state areas—due to monetary policies—are separated, territorial regionalism offers itself as an apparently pragmatic solution: the perhaps not political, but economic and monetary integration of states that have become too small, into a "large" economic and monetary union. For example, the European Union and the euro.

Such proposals are more attractive on the drawing board than in reality. as the European Monetary Union (EMU) proves:

1. The European economy does not exist, but rather is constituted by 11 different state and fiscal areas, with varying productivity. The social state is "wedded" to the national territorial state, something it seems to have just now realized. Social systems, as well as wage policy, are defined as national, not European.

2. National fiscal autonomy—with neither existing nor desired interstate financial transfers—aggravates its alignment with the stability goals of common monetary policy. Fiscal policy is related to the nation, monetary policy to the community: The conflict is inherent in the system.

3. Any attempt to homogenize the politically and economically non-homogeneous, through monetary policy, undermines trust in the neutrality and technical competence of the monetary leadership.

Does a currency of a community of nations—the euro—in place of ten earlier currencies, make a contribution to the reform of an unpredictable financial globalism? The answer is negative.

Of the 190 currencies registered with the International Monetary Fund [if the euro replaces ten currencies], there will be 180; out of theoretically 17,955 bilateral exchange rates, there will be 12,720! Both are too many. In a monetary system which rests on a monetary unit of account that combines all exchange rates, for example the SDR, one would end up with 189 or 179 exchange rates. The question of whether a "synthetic" accounting unit, like the SDR, or the dollar, or the euro, should be made the basis of the monetary system, is not a theoretical question, but is rather eminently political.

Two "living" currencies, like the dollar or the euro, enable the issuers (country or central bank) fabulous "seigniorage" profits: One prints savings for the whole world, and receives in return free capital and credits, at the lowest interest rates, to finance its own deficits. As a country, it plays the role of a world central bank and lives very well at the expense of other countries and populations!

It is clear, that the U.S. has greatly profitted from this market privilege of its dollar, in the post-Bretton Woods era.

A Monetary Order for the 21st Century

But the world monetary order in the 21st Century can no longer be secured in this way. Neither the dollar nor the euro can assume the role of a world accounting unit. It is rather a question of whether the world community finally will agree to a neutral unit of account, with all the world's nations participating and serving—no national currency—in which all value their currencies, but do not abolish them in its favor. This unit of account has long been in existence, at least as a monetary dwarf, the SDR.

What would be gained from such an SDR standard? First, there would be more calm, stability, and reliability in the world monetary realm. For the SDR does not fluctuate, as do the dollar, euro, or other currencies traded on the market. Second, there would be greater justice in the capital flows of nations, since, in relation to the SDR as an exchange-rate measure (and modern gold substitute), all the currencies of the world are equal and none is "more equal" than the others.

There is no way around a global new monetary order. As soon as the "big" crisis hits, there remains only the choice between sacrificing the social market economy on the altar of globalization and giving up the welfare state, or decoupling from the world economy, in order to keep both going at the lowest level, as was the case after 1931. Even Europe cannot protect itself from this alternative. There is no alternative to taming globalization through a new world monetary system, adjusted to present problems and situations.

So, philosophers must step forward, to tell the kings what to do. And here, naturally, a catastrophe will help. There would never have been a consensus for Bretton Woods, if we had not had the catastrophe of the world economic crisis, as well as the two world wars.

People will move only when they are faced with a crisis. So, I fear, we again need a collapse, which I see coming, and then we would have the real chance for a new Bretton Woods.

South Africa, India Fight Drug Multis on AIDS Treatment

by Ramtanu Maitra

An all-out war has broken out at the Pretoria High Court between the South African government and large multinational drug companies. The Pharmaceutical Manufacturers Association of South Africa, representing 39 drug companies, kicked off the latest battle in the form of a lawsuit to dislodge the 1997 law, passed by the South African legislature, which would allow the government to import and produce generic drugs, including anti-retrovirals, at a much cheaper price than that of the pharmaceutical giants.

The battle in the courts is the latest episode in a war waged by the forces of globalization against the sovereign efforts of South Africa to protect its population from the ravages of the deadly poverty-linked epidemic. The first attack against the law came from U.S. Vice President Albert Gore. In 1998, Gore delivered a threat to South Africa that it would be put *back* on a sanctions list (as imposed during the time of apartheid), for violating the "rights" of pharmaceutical companies to monopolize and control medications under World Trade Organization (WTO) enforcement of patent laws.

Gore's threat was not an anomaly. As a close collaborator of Britain's Prince Philip, who brags that he would "like to be reincarnated as a deadly virus" in order to help curtail the growth of the human race, Gore also advocated reducing the world population to about 2 billion people. It is also the case that since 1974, a highly secret doctrine of U.S. foreign policy, authored by Henry Kissinger as National Security Study Memorandum 200 (NSSM 200), has declared Third World population growth a threat to U.S. national security. However, with a mounting protest in the United States and worldwide, Gore and his allies were forced to back down from their sanctions threat in 2000. Now the pharmaceutical giants of the United States, Britain, and continental Europe have continued the assault in a new form, through their Pretoria lawsuit.

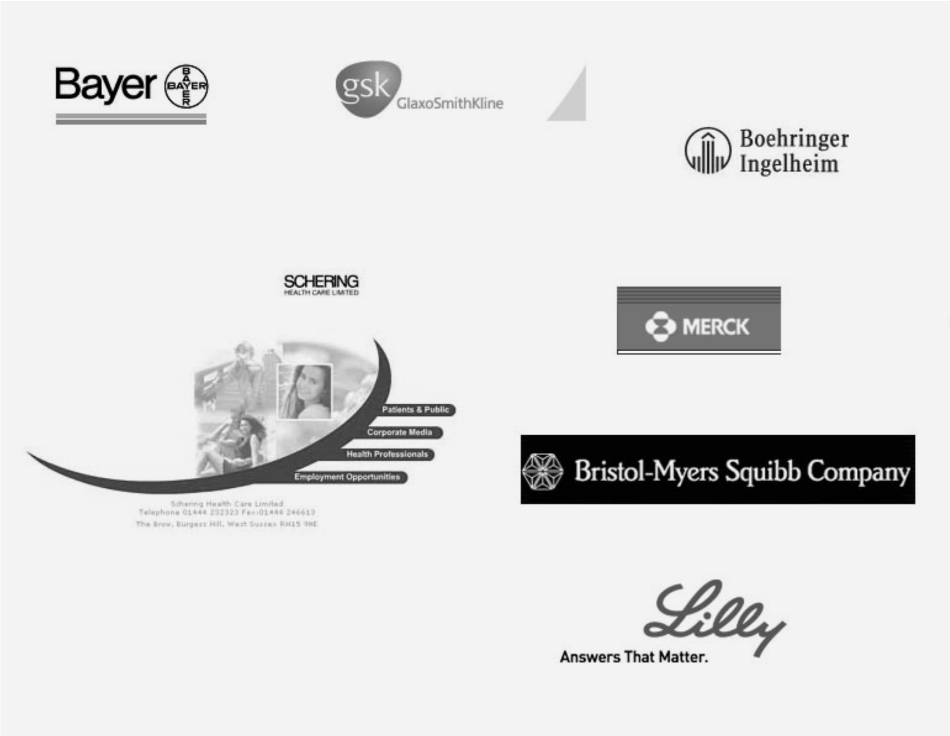
An injunction, currently in force in this lawsuit, is preventing South Africa, now, from producing *any* pharmaceuticals for treatment of AIDS. On March 14, the government of President Thabo Mbeki, under international economic threats clearly reflected in the *Washington Post*'s front-page coverage, put off any move to declare a national AIDS emergency to overcome this blockade.

Patents or Patients First

The contesting local and international pharmaceutical companies claim, that the South Africa law authorizing generic medications—the Medicines and Related Substances Control Amendment Act—will override their patent rights and put the entire industry "at risk." But the court decided on March 6 to allow a local body, Treatment Action Campaign (TAC), a non-governmental organization (NGO) representing HIV-AIDS sufferers, to submit evidence on behalf of the government's case, documenting the dramatic human costs which result from pharmaceutical companies profiteering off AIDS medications. The TAC hailed the court's decision to include the evidence, as a recognition that this case is not a narrow legal battle over property rights, as the pharmaceutical companies would have it, but a fight for public health and human lives. The court then postponed the case for five weeks to allow the contending companies to prepare their response.

Two international organizations helping the AIDS patients in Africa—Médecins Sans Frontières (MSF, Doctors Without Borders) and Oxfam—and the Congress of South African Trade Unions (Cosatu), have welcomed the court's decision to accept evidence from the TAC.

The multinational companies that are seeking to overturn the law include GlaxoWellcome, Merck, Hoffman-LaRoche AG, Eli Lilly, Bayer, Bristol-Myers Squibb, Boehringer In-



Some of the multinational pharmaceutical companies which have been the justified target of large demonstrations in Pretoria, South Africa in February and March. Thirty-nine of the multis have sued South Africa to block it from producing inexpensive AIDS treatment drugs.

gelheim Gmbh of Germany, and SmithKline Beecham.

The trial has brought thousands of activists to the nation's capital. They have come to lodge their protest against the large drug companies and support the law. With more than 4 million people infected with HIV, South Africa, in official World Health Organization statistics, leads the world in cases of the virus. Africa reportedly has about 70% of world's 36 million HIV-positive people.

Despite the fact that patent protection is against the interests of the developing nations, the WTO proscribes worldwide minimal standards for patent protection. Any nation that wants to be part of the global economy by joining the WTO, must abide by the agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). The drug multis claim that South Africa, in its "Partnership Against AIDS" Program, on the other hand, is attempting to circumvent the TRIPS by identifying the AIDS epidemic as equivalent to a national emergency. There is no question that by not meeting the TRIPS rules, many developing, and developed, countries would be able to develop generic drugs which would be cheaper, and better serve the interest of their people.

Technological Apartheid vs. South Africa

In 1998, President Nelson Mandela raised hopes among the large AIDS population of South Africa when he signed into law South Africa's Medical and Related Substances Control Amendment Act of 1997. The law included a measure designed to make affordable some of the new miracle drugs that slow down the progression of AIDS. The law demands that the multinational pharmaceutical companies sell their anti-retroviral drugs at a lower price in South Africa and allow the local manufacturers to make generic versions that are affordable to the populace.

Typically, these miracle drugs, marketed by the multinationals, sell at a price of $10,000 to $15,000 per patient per year in the United States. While the multinationals were willing to bring down the price of their drugs in South Africa, they objected strongly to the law, claiming that widespread licensing of its products will lead to a global "gray market" in low-priced drugs and undermine their profits and the incentive to spend on costly research. They sought refuge in the WTO's intellectual property rights among its member nations. However, the global rules of trade dictated by the WTO allow for what is known as "compulsory licensing," if it is done to combat a national emergency. South Africa has made it clear that the AIDS situation has indeed reached national emergency proportions.

Although the Bush Administration in the United States has refrained from opposing the law, the multinationals drew their strength from the U.S. Trade Representative Charlene Barshefsky, saying the South African law was too broad and might be applied to other medicines. Barshefsky denied South Africa special tariff breaks on its exports to the United States. Vice President Al Gore also raised the issue with President Mandela when he visited South Africa in 1999.

In the United States, "friends" of multinational pharmaceuticals swung into action in 1998 to pressure South Africa. Rep. Rodney Frelinghuysen (R-N.J.), whose political donors include a large number of big pharmaceuticals companies in New Jersey, inserted a rider in the House Appropriations Bill in October 1998 to cut off foreign aid to South Africa. So far, South Africa has refused to back down, but by postponing the case for five weeks and allowing the European and American multinationals to push through a temporary injunction preventing the law from taking its effect, Pretoria has sent weak signals.

New Entrants in the Battle

In early March, at the height of tensions in Pretoria, an Indian drug company, Cipla Ltd., asked the South African government to allow the company to license a three-drug cocktail for marketing at a price of $600 per patient per year (see accompanying article). Desperate to keep the situation under control, U.S. pharmaceutical giant, Merck, quickly offered to slash down the price of its brand-names Crixivan (indinavir sulfate) to $600 per year and Stocrin (efavirenz) to $500 per year in developing countries effective immediately. Another Indian company, Hetero Ltd., based in Hyderabad, has also offered the generic versions of Crixivan and Stocrin at $347 per patient per year, according to Toby Kaspar of MSF, a leading humanitarian organization that provides medical services to the Third World.

According to doctors' descriptions, a typical AIDS cocktail is a combination of any three of about nine protease inhibitors or reverse transcriptase inhibitors. The chemical suppresses the human immunodeficiency virus (HIV), but, as with any chemical therapy, these are toxic and can cause damage to the liver. If the virus mutates to resist the therapy, physicians say, the combinations are changed. In South Africa, the mutation has not been reported yet.

The trouble for the multinationals started when Cipla Ltd. offered to sell the three-drug cocktail to MSF for only $350 for use in Africa. Cipla told the MSF that the company would supply the agency with the drugs at the stated price, as long as they agree to distribute the drug for free. "This is my contribution to fighting AIDS," said Dr. Y.K. Hameid, the owner of Cipla. Dr. Hameid, who was trained as a pharmacist at Cambridge University, said his concern for fighting AIDS stems from a personal interest. "AIDS is going to be a bigger holocaust in India than the earthquake," he said, referring to the recent earthquake in Gujarat, which claimed as many as 30,000 human lives. (In fact, though official World Health Organization [WHO] data report about 1 million cases in India, Indian AIDS groups say there may already be as many or more AIDS cases than in South Africa.)

According to Cipla, the drug cocktail it is offering to the MSF, consists of two 40 mg tablets of stavudrine, two 15 mg tablets of lamivudine, and two 200 mg tablets of nevirapine. Bristol-Myers Squibb holds the patent on stavudrine, GlaxoSmithKline of Britain developed lamivudine, and Boehringer Ingelheim holds the patent rights to nevirapine. Although one of the multinationals, GlaxoSmithKline, refuses to be drawn into a fight, saying that Cipla's offer to the MSF is "partially one of donation," others have maintained a bitter silence.

According to Cipla, some multinationals had committed last year, under the sponsorship of the WHO, to offer AIDS drugs at a reduced price. This was in the glare of the publicity around the July 9-14 International AIDS Conference in Durban, South Africa. But they have not followed through with figures, although experts claim that Senegal has been acquiring the typical three-drug cocktail from these multinationals, at a price of $1,000 per patient per year.

What Is at Stake?

The fight that is now going on in the Pretoria court is fundamentally a question of "shareholder values" against the value of human life.

For the multinationals, upholding of the law by the South African court might save lives, but it would erode their business in South Africa and weaken their efforts to sell the same drugs at a high price in Europe and the United States, where they earn most of their profits. They also point out that by allowing the "pirate manufacturers" (i.e., those companies like Cipla, Ltd. and other Third World manufacturers that produce low-cost medications) to copy their invention, the court would undermine their drug research. This interference, they complain, would further prevent development of drugs, which may actually cure the disease, or prevent AIDS from occurring.

The "pirate manufacturers," as the multis like to describe Cipla, Hetero, and other such drug producers, claim that the prices that the multinationals charge are heavily padded. The padding includes huge salaries to the executives, who make substantial political donations to powerful politicians who look after the interests of large pharmaceutical companies. The padding also includes international promotion of drugs, advertisements, and campaigns to launch their products in a big way. What exact proportion of their cost can actually be considered as the contribution to the R&D efforts is not clear. The multinationals have not come out with the specifics. What is clear is that they are among the highest-profit large corporations in the world, with average profit rates in 1999 having been reported at over 18%.

Anti-AIDS organizations such as the TAC claim that the case pending before the Pretoria High Court provides an opportunity to learn exactly how the drugs are priced and why they are so expensive.

Cipla also points out that all the attacks of the multinationals against them are not true. Cipla, a well-established drug manufacturer, also spends money on research and development. Cipla claims it has reduced its anti-retroviral prices five times in the last three years, through adoption of new technologies to improve the process. The company also

In a Tanzanian hospital, one of Sub-Saharan Africa's nearly 30 million AIDS victims is comforted by his wife. In nations with per-capita average incomes of $500 per year, virtually none gets the multi-drug treatments costing $5-15,000 annually.

claims that the price of the three-drug cocktail it has offered to the South African government for licensing cannot be priced any lower at this point. Its price of $350 offered to the MSF will lose them a lot of money.

The other important issue at stake is the patent law. In developing countries, such as India, Brazil, and Thailand in particular, the new "trade" rules of the WTO now pose a serious threat to local industry and to the millions of poor who depend on cheap, life-saving drugs. The secret of production of cheap drugs has been patent laws such as India's. It should be recognized that in many industrial nations, the protection of inventions through internationally recognized patents was only developed in the last 30 years. The Swiss pharmaceutical industry had fought the patent law for decades, and it was only in 1978 that product patents, which the WTO is implementing internationally, came into existence in Switzerland. Technology exporters profit from patent protection, which shields them from low-cost competition. Technology importers, which constitute most of the developing nations, want access to technical innovations as freely and cheaply as possible.

Cancel the Debt!

It is also evident that while the prices offered by Cipla or Hetero are significantly lower than what the multinationals are ready to offer, they are beyond what the majority of Africans, or Indians, or Brazilians can pay. In countries where the daily wage of the poor is less than a dollar, an additional expenditure of $350 per patient per year to sustain life is simply ruinous. The epidemic has spread disastrously, in the first place, from poverty, lack of nutrition and sanitation infrastructure, and from the explosive spread of other serious diseases, particularly malaria, since the early 1970s.

It is, therefore, a necessity for the national governments to look beyond the court case. Without cancellation of their debt, which costs them $15 billion a year in debt service, poor African nations do not have the money to buy the drugs and protect their citizens.

Drug giants like Merck have "joined the price war," as the U.S. media like to describe it, but the price of $600 per year per patient for the life-prolonging anti-AIDS cocktails is a cruel joke, in a country where the average annual per-capita income is $530.

At the International AIDS Conference in Durban, the evidence showed that the AIDS pandemic was out of control and accelerating rapidly worldwide. There were already, according to the Durban reports, 25 million cases in Africa; and unofficial estimates ranged to more than 1 million in Russia, perhaps as many as a million between Haiti and the Dominican Republic, which share the Caribbean island of Hispaniola, and up to 5 million in India. All told, the estimates suggest there are may be 40 million cases worldwide.

Addressing that threat, and echoing the call by President Mbeki that the "number-one disease is poverty," the head of the UNAIDS agency, Dr. Peter Piot, opened the Durban conference with a call for the entire foreign debt of the African nations to be cancelled at once, so that its debt service could be used to develop public health capabilities to fight the pandemic. "Developing countries," he said, "who carry 95% of the HIV-AIDS burden, owe in total around $2 trillion."

Dr. Piot, and others, in tying the pandemic to the foreign debt, made a serious connection to the need for a new international monetary agreement which begins by declaring the bubble of international debt to be bankrupt. But what has been done since, such as the Italian moves to cancel debt of the Least Developed Countries, is entirely in collaboration with the growing movement associated with Lyndon H. LaRouche's international call for a New Bretton Woods.

The battle at Pretoria now is necessary and extremely important. But the AIDS epidemic will not begin to be turned back, until a thorough reversal of global economic policies of the past 30 years takes place. This requires India, Brazil, and other nations with such scientific capabilities to save lives, to move immediately for a new monetary system, a New Bretton Woods.

Cipla Ltd.: A Small Player in a Big Fight

by Ramtanu Maitra

When Cipla Ltd., a major Indian pharmaceutical company, based in Mumbai, offered to sell poor countries an anti-retroviral drug cocktail for $350 per patient per year through the Paris-based doctors' non-governmental organization, Médecins Sans Frontières (MSF), a global debate began. World Trade Organization (WTO) chief, Mike Moore, who often sheds crocodile tears for the poor of developing nations and frets about the high price of anti-HIV drugs, joined the fray and defended the patent system. He said in an interview with the *International Herald Tribune* recently that "were it not for a patent system that rewards companies for risking millions on research, anti-AIDS drugs would not exist."

Maybe so, but the owner of Cipla, Dr. Y.K. Hameid, whose father founded Cipla during British rule, does not agree to what Moore says. He points out that the Cipla experience in India, Brazil, and Thailand "has shown that most of these critical drugs can be produced at costs that put them realistically within the reach of the resource-poor." Hameid footnotes his statement by pointing out that Cipla is not marketing drugs to the Western markets. Cipla "represents the Third World and its needs and aspirations. . . . I also represent the capabilities of a country with a billion population. Please do not link up the problems of the Third World and India with those of the West. . . . We Indians abide by the laws of our land. We have not broken any laws," Hameid adds.

The law that Dr. Hameid refers to is the patent law as it exists in India. India implemented a patent law in 1970, which allows patenting a drug-manufacturing process, and not the product.

Mahatma's Endorsement

Cipla's concern for producing cheaper life-saving drugs is well known in India, if not internationally. Cipla was established in 1935, and on July 4, 1939, Mahatma Gandhi, considered as the "Father of the Nation," went to the Cipla factory to endorse his support to fight the high-priced British drugs imported by the British Raj. Gandhi left an autographed photograph of himself which Dr. Hameid proudly displays in his office room.

From the time Cipla came to the aid of the nation, then under British rule and gasping for essential medicines during World War II, the company has pioneered the manufacture of more than 250 sophisticated drugs, from the basic stage. It would be grossly unfair to label Cipla as a company good at back-engineering only. In fact, it has a well-developed R&D section and has patented internationally in the area of anti-asthmatic devices.

Cipla came to the limelight in the early 1960s when the foreign-held patents still ruled the roost in India. The U.S. Senate Kefauver Committee had observed in 1962 that drug prices in India were among the highest in the world. It was in this context that the 1970 Indian Patent Act was enacted. The Act obliterated the monopoly that the multinational drug companies enjoyed and it led to the growth of a number of indigenous Indian pharmaceuticals, such as Cipla. Dr. Hameid is deeply concerned that the new patent regime imposed through the powerful instruments of the WTO may bring back the monopoly of the multinationals. "We will not be able to afford the drugs currently being developed by genomics and proteomics. Ultimately, we will be enslaved again," Hameid worries.

The Indian Patent Act of 1970 is one reason why average life-expectancy in India has risen to 64 years, just as cheap pesticides based on foreign formulations are part of the reason why India feeds itself, Dr. Hameid explains. At the European Commission meeting in Brussels last September, Dr. Hameid made an offer to the Health Ministers of Brazil and South Africa, who were also attending the meeting, of technology to manufacture active substances and tablets of the anti-HIV drugs. He also made a similar offer to any Third World or developing country which wanted the technology free of cost. Cipla has offered drug-cocktail essentials to countries that do not have patents, including Brazil, Argentina, many countries in Sub-Saharan Africa, Thailand, Indonesia, China, and the whole of Eastern Europe and Turkey.

Dr. Hameid also fumes about the WTO and its patent regime. In an interview with UPI, he said: "I sincerely believe that the Third World countries and poor countries cannot afford a monopoly. I've never been against patents, I'm just saying that we countries of the Third World—a country like India with a billion population, we simply cannot afford a

Cipla's production of cheap AIDS drugs is not only an intervention into the African AIDS holocaust. Outside of Africa, India and Southeast Asia suffer the largest number of AIDS deaths, and the epidemic there is spreading very rapidly.

monopoly situation. What we are therefore saying, particularly in key areas like health and food, there has to be compulsory licensing or licensing rights. . . . No U.S. patent law today allows me to manufacture and market these products for export."

Multis Are Not Pleased

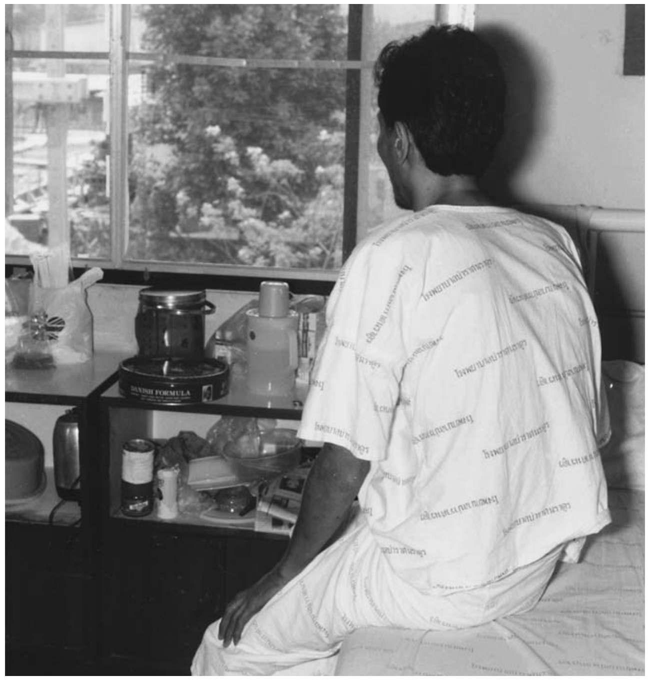
The Indian Patent Act of 1970 provides for patents to be applied to the *processes* of production, not the resulting products. The process patent remains valid for only seven years. It is this 1970 Patent Act, which has allowed India to produce cheap generic drugs. Since 1995, multinationals have begun to file new patent applications in India and to endorse a provision for exclusive marketing rights. The WTO has openly sided with the multinationals' clamoring for exclusive marketing rights in India. India has defaulted so far in meeting its obligations. The WTO itself has decreed in a case brought by the American companies in the United States that the Indian law violates the "spirit of the TRIPS," as it calls the Trade-Related Aspects of Intellectual Property Rights. Recently, the European Union has lodged a similar case against India. Although a decision is pending, it is expected to go against India.

India's patent policies on drugs were implemented with the sole purpose of producing bulk drugs, inexpensively. The acceptance of the product patent system will have implications on the Indian drug industry, as also on many other countries. The absence of a strong patent protection system in India, is a major threat to the multinationals, because the Indian companies have proven that they are capable of competing by being a major supply point for bulk drugs and formulations, which are still under patents, to world markets where product patents have either not been filed by the innovating company or are not valid.

Dr. N.H. Israni, president of the Indian Drug Manufacturers' Association (IDMA), states that "Worldwide, India is a country of very low prices for high-quality medicines." Even today, more than 70% of medicines used in India are indigenous, despite the policy of an open economy adopted by New Delhi in 1991, Israni points out.

How Thailand Was Browbeaten

by Ramtanu Maitra



One of Thailand's 1 million AIDS victims, in a Bangkok hospital. Thailand has not bucked the World Trade Organization and the drug multinationals; it does not produce cheap AIDS drugs, although it could.

Thailand has more than 1 million HIV-positive patients who need anti-retroviral drugs to arrest the progression of their disease. Thailand has also the capability to produce some of these medications. But, unlike in India, where Cipla and Hetero have kept all the multinational drug companies, with their high-ticket drugs, out of the market, Thailand could not. Why?

The answer is clear: Thailand could not stave off pressure exerted by the U.S. pharmaceutical giants, which were backed by the offices of the U.S. Trade Representative (Mickey Kantor led the charge during the Clinton Administration) and Vice President Al Gore. Thailand chose to abide by the diktats of these multinationals, because almost 25% of its total exports head toward the United States. The international medical charity, Médecins Sans Frontières (MSF, Doctors Without Borders), says the United States threatened Thailand in 1998 with higher import tariffs on its traditional jewelry and wood, unless the country agreed to patented medicines. If that were not a good enough reason, as the long line of AIDS victims in front of the Chulalongkorn University Hospital in Bangkok would vociferously attest, Bangkok has no better argument to offer.

The cost of AIDS treatment in Bangkok, including the patented drugs, such as AZT, ddI and d4T, is nearly $700 per month, compared with an average monthly wage of $110 for an office worker.

By contrast, Thailand has the capability to produce inexpensive generic drugs. GPO, a local manufacturer, produces d4T tablets, which sell at less than 40¢ each. The same tablet marketed by the Bristol-Myers Squibb costs $2.70. The difference in the monthly cost for the twice-daily dose, works out as $137, which is more than 40% of the income of an average household in Bangkok.

Arm-Twisting Deception

At the same time, GPO is forced to tread carefully. It complies fully with the intellectual property laws and will not manufacture medications that have been patented by the multinationals in Thailand. For instance, GPO can produce ddI tablets at a much lower cost. But, the U.S. pharmaceutical giant, Bristol-Myers Squibb, owns the Thai patent for ddI. So, GPO has patented the ddI powder, and it sells at almost half the price of the U.S. pharmaceutical's tablets. Back in 1992, according to the British medical journal, *The Lancet,* Thailand, under U.S. pressure, introduced a product patent law and then dissolved its Pharmaceutical Patent Review Board in 1998.

One non-governmental organization (NGO) crusader, James Love, has made public a number of correspondences between the Thai government officials, including then-Deputy Prime Minister Supachai Panitchpakdi, and the U.S. Trade Representative's office. He also made public the letters that Gore's office wrote, to back the big multinationals. The letters vividly display the shameless way the Trade Representative pushed the sale of patented drugs on behalf of large drug manufacturers.

On Jan. 10, 2000, Gore appeared at the UN Security Council to discuss the global HIV-AIDS situation, and drew applause when he spoke of a change in the U.S. trade policy. But on Jan. 17, 2000, the Thai government announced it had rejected the ddI compulsory licensing, telling protesters that the rejection was based upon U.S. trade pressure.

On Jan. 19, Washington presented Bangkok with seven "talking points" in a letter, which said the United States has generally viewed compulsory licensing as "undesirable," because it undermines the intellectual property rights. However, the letter also said that if the Thai government wants to issue compulsory licenses, it must comply with several of the World Trade Organization's so-called TRIPS conditions. In citing verse and chapter of these Trade-Related Aspects of Intellectual Property Rights that Thailand must obey, the letter emphasized patent owner's rights, but conveniently omitted the user's or the government's rights.

Brazil Battles for Right of All Nations to Affordable Medicines

by Gretchen Small

As the AIDS epidemic advances, developing countries across the globe find themselves facing the same dramatic choice as South Africa: either to watch their populations die, or to take action to break the global pharmaceutical cartel's imposition of such exorbitant prices on the life-extending AIDS medicines, that no poor person can afford them. The decision is not a simple one: to take on the pharmaceutical cartels, requires taking on the entire armament of globalization which stands behind them.

Brazil has opened a second major battlefront in this global fight. On Feb. 1, the World Trade Organization announced that an arbitation panel would be formed to hear a complaint filed by the U.S. Trade Representative's office against Brazil's patent law. Brazil immediately charged that the target of the U.S. complaint, is Brazil's aggressive program of producing its own generic anti-retroviral drugs, and it did not back down. Instead, the Health Ministry delivered a public ultimatum to three multinational pharmaceutical companies, that they must drastically lower the prices on two vital anti-retroviral medicines by June 2001, or Brazil will break the patents on these drugs, and authorize Brazilian companies to produce them. The prices charged by the patent owners are simply "out of this world," said Paulo Teixera, the Coordinator of the Brazilian Program on HIV/AIDS at the Health Ministry.

The Bush administration/WTO assault on Brazil could backfire. Developing countries from every continent are closely watching what happens with Brazil. And the economic warfare which has been waged against any country which attempts to fufill its "Constitutional obligation to care for its people" (in the words of South Africa's Department of Health Director General Ayanda Nstabula), has spurred increasing coordination between the countries fighting for the principle so eloquently expressed on the signs carried on March 5 by the demonstrators defending the South African government in its battle with the pharmaceuticals: "Lives Before Profit."

Treatment Is A Human Right

Brazil established an aggressive anti-AIDS program in 1996, unique, so far, for a developing country. The Brazilian Health Ministry oversees the production, primarily in state-run laboratories, of generic versions of the key anti-retroviral medicines which, combined, make up the AIDS "cocktails" which can slow down the progression of the disease. By so lowering the costs of the medicines, Brazil's Health Ministry has been able to sustain the costs of establishing a national network of AIDS clinics to distribute anti-retroviral medicines, *free of charge* to every AIDS patient in Brazil, at the stage when it is medically advisable that they receive them. Everyone: including the homeless.

When Brazil established its "Free Distribution of AIDS Drugs For All Program," the genocide lobby was not pleased. Teixera reported in a recent interview posted to the Health Ministry's website, that Brazil was slammed for its program by "the rich countries which influence greatly the decisions of the World Health Organization." Economic reasons were alleged, as the cost of the government's AIDS program tripled overnight, when the free medicines first began being distributed. Brazil was told, it "could not afford to spend so much on infected people. It should concentrate its small resources on prevention of AIDS. Americans and Europeans, developed countries, would care for their infected. The poor countries, in the name of economic rationality, must consider their infected as lost causes."

Brazil stuck by its program, and proved that caring for its sick not only was the only moral cause of action, but, lo and behold, was cost-effective, as well. Addressing the opening on Feb. 26 of a two-week session of the United Nations General Assembly called to prepare for the June 25-27, 2001 UN General Assembly Special Session on AIDS, Teixera reported that "the program is paying off. The number of people living with HIV/AIDS now amounts to less than half of what estimates used to predict. The death rate has fallen approximately 50%. Hospitalizations had a 75% drop. Opportunistic infections have decreased. . . . The anti-retroviral therapy has certainly reduced the transmission rate of the virus."

Affordability, he noted, is central to the program. Brazil can afford to provide the drugs free, because of the radical savings produced by the manufacture of generic drugs by local companies. Brazil's *Jornal do Commercio* reported on Feb. 2 that the government's production costs are 72% less than what the pharmaceutical cartel charges; that in 1999, the Health Ministry spent $301 million on the treatment of 75,000 infected people; that in 2000, costs had been further lowered, such that the government spent $301 million, even though the number of patients in the program rose by 33%. If Brazil had not created its domestic production program, it would have had to spend $1.075 billion to import the same medicine,

Will the cost-barriers keeping life-prolonging drugs from the vast majority of AIDS sufferers, be broken? Brazil's current confrontation with the Bush Administration and the pharmaceutical giants, is crucial to answering that question.

Jornal do Commercio reported. Over the course of the program, the cost per patient per year of medicine—a cost borne by the government—has been reduced from $7,858 per year, to $4,137, as compared to the annual costs which patients have to pay in the industrial countries, of $15,000 per patient.

Brazil is championing the right of all countries to follow suit, in every international forum it can find. Speaking during the debate the recent UN session, Brazil's delegation pressed the United Nations to take up the cause of promoting access to *treatment,* for all people. "We believe that medicines, including anti-retroviral therapy and drugs for treatment of opportunistic infections, should be available on a universal and free basis for the population and in an equitable manner for governments," they said. It is crucial "to safeguard the right of member-states to develop technical and intellectual capacity for the national production of AIDS drugs . . . in order to enable countries to protect the health of their populations."

South-South Technology Transfer

Brazil's anti-AIDS program is not a solution to the AIDS epidemic. Aggressive universal treatment programs can only "stabilize" the epidemic momentarily, if the conditions of poverty and breakdown (or in many countries, non-existence) of national sanitation and public health systems, which generate ever-more pools of disease vectors, are not reversed, radically and rapidly. A *cure* must still be found, requiring breakthroughs on the frontiers on humankind's understand of life itself. But Brazil's program has established that "poor" countries, too, can slow the advance of the disease, and extend the lives of their infected people.

Countries around the world, South Africa included, are consulting Brazil on how to replicate the essentials of its program. At the United Nations' international AIDS conference in Durban, South Africa, on July 9-14, 2000, Brazil offered to provide assistance to other developing countries committed to providing universal access to medicines, offering to help them build their own laboratories and to train people to run them.

The Health Ministers of South Africa and Brazil signed a letter of intent for cooperation in December 2000, during a visit by President Thabo Mbeki to Brazil. The South African delegation visited Brazilian drug production plants, and a Health Ministry spokesman reported afterwards that the "delegation was impressed with work that has been done by Brazil in local production of generic drugs and in reducing the cost of medicine, including anti-retroviral drugs." South Africa would be studying the Brazilian model further, to decide on whether it can address the problem of high prices there, and in the Southern African Development Community (SADC) region more generally, they reported.

In February 2001, South African Health Director Ntsaluba reported that South Africa is looking to Brazil and India for resources to strengthen its capacity to manufacture cheap generic drugs. Both of the countries had offered assistance, he said; Brazil in the field of technology transfer, and India with raw materials.

The consultations with Brazil are not limited to Africa. Various Ibero-American nations are also looking at the Brazil program.

Genocide by Any Other Name

The international pharmaceutical cartel hides behind the subterfuge, that human lives and health have nothing to do with their war against the countries fighting them. "This is a narrow fight," whined Mirryena Deeb, head of the Pharmaceuticals Manufacturers Association of South Africa, one of the parties to the suit against the South African medicines law, as the Pretoria High Court convened on March 5 to hear the case. "It's got nothing to do with access" to AIDS medicines, but is simply a fight against government intervention which would introduce "arbitrariness and uncertainty" for businesses.

An argument fit for U.S. Supreme Court Justice Antonin Scalia. For every week in which the pharmaceutical companies tie the South African government's hands by blocking local production of necessary medications, 5,000 people die of AIDS in South Africa.

The issue is, as South African President Mbeki reiterated, once again, in a letter to the African National Congress'

March 2-8 issue of *ANC Today,* that "health for the poor is a fundamental human right," which necessitates "access to nutritious food, clean water, modern sanitation and a clean and healthy environment . . . [and] to basic medical services, including affordable drugs and medicines."

When the Bush administration-instigated WTO action against Brazil was announced Feb. 1, neither the Brazilian government, nor the international AIDS activist community had any doubts about what was being hit.

The Bush Administration is challenging Article 68 of Brazil's industrial property law, which permits compulsory licensing of a patent, if the patent holder "exercises the rights inherent in the patent in an abusive manner, or, through it, abuses economic power." Article 68 specifies that failure by a patent holder to manufacture the product within Brazil, or to fully use the patented process, within a period of three years of the patent's registration, could constitute grounds to award the patent to a local producer.

A defensive Bush Administration trade official, speaking "on background" (i.e., anonymously), called a hasty teleconference with journalists on Feb. 2, to swear up and down that the U.S. was "attacking the [clause] dealing with local manufacturing, not the one dealing with health."

A purely "business" matter: just like the pharmaceutical cartel's suit against South Africa.

The issue is much more urgent for Brazil: When Brazil started its anti-retroviral program, the country was not a member of the WTO. When it joined in 1997, it committed itself to respecting patents established after that date. Brazil currently produces seven of the 12 anti-retrovirals being distributed in the country, but as new and more effective drugs for combatting AIDS are developed, protected by patents which Brazil must now respect, the combination anti-AIDS "cocktail" will become prohibitively costly, unless Brazil can guarantee cheaper national production, through compulsory licensing.

The WTO action was viewed universally as a warning shot to all the countries attempting to develop sovereign capabilities in this area; an attempt by the Bush Administration to shut down those capabilities, but without paying the political price of openly backing the genocide resulting from the pharmaceutical cartel practices.

Brazil's Ministry of Health issued an immediate international warning: "The arbitration panel requested by the United States at the WTO can put at risk our access to anti-retroviral drugs," and, with it, the future of Brazil's free drug distribution program. Medicines "cannot be viewed in the same way, in terms of profit and loss, as other types of consumer items, based upon an amalgam of costs and prices which have more to do with the reality of wealthy countries."

Médecins sans Frontières issued an international press release, also, warning that the U.S. action at the WTO not only threatens Brazilian AIDS policy, but it "will also intimidate countries which would like to take up Brazil's offer to help them produce AIDS medicines."

South Africa's leading AIDS activist group, the Treatment Action Campaign (TAC), issued a statement denouncing the WTO complaint as an attempt "to destroy Brazil's generic pharmaceutical industry." TAC charged that "it will not only hamper access to medicines for Brazil's 500,000 people with HIV, but also many Third World countries which are hoping to import Brazil's cheap medicines and to accept Brazil's offer of knowledge transfer. . . . Clearly this is an attempt . . . to intimidate Brazil and other poor countries attempting to break their dependency on multi-national pharmaceutical companies. . . . It is not even in the interest of most people in the U.S.A., who pay extremely high prices for pharmaceutical products." TAC called on the allies of South Africa's AIDS fight, to now mobilize to defend Brazil.

Will Coordinated Fight Develop?

Momentum is building, as the bodies of those killed by the illness pile up. Kenya's Health Minister Sam Ongeri announced March 6 that he will submit a bill authorizing the importation of generic drugs for AIDS, under World Trade Organization provisions which permit waiving patent constraints, if a country faces a national emergency. "We cannot operate in a situation where we have an epidemic, a national disaster . . . and [are] being asked to keep on observing international patent law," Ongeri said. President Daniel Arap Moi has already declared AIDS a national disaster.

Zimbabwe supports South Africa and Kenya in their battle with the pharmaceutical companies, Zimbabwe's Deputy Ministery for Health and Child Welfare, David Parirenyatwa, told the South African Press Agency (SAPA) on March 7. According to one as yet unconfirmed report, representatives from China, India, Brazil, Indonesia, and two other highly populated countries will be meeting in India, to coordinate this fight.

Nor do AIDS activists have any intention of letting this life-and-death issue be decided as a mere "legal" question. South Africa's TAC and the Congress of South African Trade Unions (Cosatu) led an all-night vigil in front of the Pretoria court on March 4, as their opening to a Global Day of Action against pharmaceutical company profiteering at the expense of the lives of people with HIV/AIDS, which they had organized to coincide with the opening of the South African suit.

The Pretoria demonstrators, carrying their signs reading "To hell with patent rights when it comes to our lives," and "Lives before profit," marched to the U.S. Embassy, to present a memorandum, addressed to President George W. Bush, urging the U.S. government to arrange a withdrawal of the U.S.-based pharmaceutical companies from the suit against South Africa's law. The memorandum, signed by Cosatu, TAC, all major religious bodies in South Africa, and other AIDS organizations, reminded the U.S. President of the absolute urgency of ending this case, which has blocked South Africa's development of its own generic medicines capabilities: since the suit was initiated, "more than 400,000 South Africans have died of AIDS-related illnesses."

Will Mori Outlast G.W. Bush? Japan Holds Financial Cards

by Kathy Wolfe

As Japanese Prime Minister Yoshiro Mori headed to Washington on March 19, rebuffing media speculation that he will resign, Asian diplomatic sources told *EIR* that President George W. Bush has refused the usual joint press conference with Mori, just as he refused to face the press with South Korean President Kim Dae-jung on March 7. "Mr. Bush seems to be afraid to take questions on international affairs," one diplomat said, "not to mention discussing international financial markets in public."

While global media shout that Japan's giant banking system is about to sink into the Pacific, one scared Bush official let a deeper truth out. The real problem is the "scary dynamic" between the United States and Japan, he told the *New York Times* on March 13. As the Great Wall Street Bubble crashes, the U.S. consumer loan import bubble based upon Wall Street is collapsing too, making a major dent in Japan's exports, as *EIR*'s Jan. 19 issue documented. "The downturn here feeds the pessimism in Japan," he admitted, "and the faster Japan drops, the more it undermines confidence here" in the United States.

"The nation's finances are now abnormal, in a state quite close to collapse," Japanese Finance Minister Kiichi Miyazawa openly told the Tokyo Diet (parliament) on March 8, referring to projections Japan's national debt will reach some $5.6 billion by March 2002. "We have to create a healthy economy, instead of just trying to sound positive with words." This triggered a drop in the yen, as traders speculated that he sought to talk the yen down, in order to gun exports. The drop was so sharp that Miyazawa withdrew his statement the next day. But on March 13, as Tokyo's Nikkei stock index fell to 11,819, a 16-year low and a drop of 7% in four days, Miyazawa again called for action rather than mere recovery talk. Japan's economy in fact "is showing trends of deflation," he warned, referring to a 1929-style paper asset collapse.

Miyazawa at least has spoken out about reality. The dollar-based global financial system, erected on the diktats of Wall Street, the City of London, and the International Monetary Fund (IMF), is evaporating, but the Bush camp has no idea what to do. Instead, the White House has been insulting Tokyo non-stop, as if Japan were to blame. "Meeting him is a waste of time," a Bush official told the *New York Times* on March 14, referring to Mori. Tokyo sources say that the Bush circle has been a key source of repeat rumors that Mori and his government will resign. The rational U.S. policy, in a global financial crisis, would be to have the best possible relations with Japan and help stabilize its government.

Wall Street's Bottomless Pit

Japanese banks, industries, and investors, terrified of the dive on Wall Street and in Tokyo alike, have begun calling in cash from around the world, to build up their books before the March 31 end of Japan's fiscal year. This is causing a credit squeeze on global markets, which have been heavily dependent on cheap loans from Japan for several years. Now Wall Street's sins have come back to haunt it.

For the last decade, under continuous jawboning from Washington, the Bank of Japan and Japanese Ministry of Finance have been pushed into printing enormous amounts of yen and loaning them out for free, the so-called "zero interest rate" policy. The excuse is that cheap yen should help restart Japan's economy, but the reality is that most of the cash has been taken up by global investors and put into the Wall Street stock bubble and other speculative globalized ventures. This so-called "yen carry trade" thus goes to pay for the enormous U.S. current account deficit. Minister Miyazawa and other high-level Finance Ministry officials have often criticized this situation in which the United States is borrowing more than $1.5 billion a day in "welfare" from the rest of the world, to pay for America's nearly $500 billion annual foreign deficit, throwing money into a bottomless pit.

Japan's government, meanwhile, has been borrowing to raise cash for public works and other projects, attempting to make up for all the money leaving the country and to somehow get the economy started. This has exploded the national debt crisis. That crisis is compounded by Anglo-American rating agencies such as Moody's and Standard & Poors, who regularly issue downgrades of Japanese bonds, which is profitable to global speculators who can then make money on their previous "short sales," i.e., casino-like bets that the Tokyo bond market, stocks, and yen will fall.

Miyazawa's unprecedented public remarks about the crisis in Japanese government finance was a warning to Washington that Japan "can't continue to bail out Wall Street and the U.S. current accounts deficit," a Japanese financial source told *EIR*. "The Bank of Japan [BOJ] has been right to complain about the 'zero rate.' No matter how much money they print, at whatever interest rate, Japanese banks are so full of bad debt, that they can't make substantial new loans. Thus, all the money they print just goes to finance Wall Street and the U.S. current account deficit. Minister Miyazawa's 'collapse' statement was not an uncontrolled outburst; it was a warning that this can not continue."

Is Japan Waking Up?

Japan's elites are now faced with a cold, hard choice: continue to bail out Wall Street, or save their own nation. A report that Japan's top 19 banks are not creditworthy, issued on March 14 by London's International Bank Credit Analyst (IBCA), caused panic in Tokyo over March 14-15. Bank shares went into a free-fall which drove the Nikkei down. One of the world's biggest lenders, Daiwa Bank, was forced to hold a press conference on March 15 to deny rumors in New York and London that it was about to fold. The speculation was "groundless" and "lacks basis in fact," Financial Services Minister Hakuo Yanagisawa said.

To stop the madness, Tokyo leaders must finally tackle the enormous real problems of the Japanese banks, which have written off 68 trillion yen ($585 billion) of bad debts since 1992. According to the latest official Japanese government figures, they still carry at least 32 trillion yen ($266 billion) in bad loans, but *EIR* and most private analysts estimate the real number to be more like $1.5 trillion. "There is 27 trillion yen of capital in the Japanese banking system," said one Tokyo analyst, "and whether bad loans are 30, 70, or 90 trillion, it's greater than all their capital."

The stock crash hits this, because Japan's top banks hold stock as part of their capital. The top 16 banks owned Y37 trillion in stocks as of the end of September, but their worth has fallen drastically. Any further free fall in the stock market threatens the banks' existence.

Japan is not alone in this, despite the global media's fixation on Tokyo. New figures released in early March by the U.S. Comptroller of the Currency, analyzed by *EIR,* show derivatives concentrations at unprecedented levels in the U.S. banking sector, due to recent mergers. Three commercial bank holding companies account for 91% of the admitted derivatives bets held by all U.S. parties, as of the end of 2000: J.P. Morgan Chase & Co. ($24.5 trillion), Citigroup ($7.9 trillion), and Bank of America ($7.7 trillion). Any moment, any one of them could blow out as the Long Term Capital Management (LTCM) fund did in 1998, and bring the United States its knees.

Prime Minister Mori convened an emergency meeting on March 15 of senior officials to restart the economy, focussed on the bank and stock market crisis. "The economy is entering a critical phase," he said, and this is the reason why he cannot resign. "I am determined to take firm action in implementing emergency economic measures. Resignation is not on my mind."

Only One Solution Will Work

Whichever country moves to reorganize its banks first, will have an enormous strategic advantage, and because the United States depends on Japan for global financing, Tokyo holds the better cards. As the Bush Administration falls apart under the pressure of the crisis, Japan could be in a position to create a new and more equitable world monetary system—if it cleans up its banks. So far, however, only two equally bad alternatives have been discussed. The first way, to "wait and see," is no longer acceptable.

The U.S. and British delegations demanded a second way at the February Group of Seven finance minister meeting in Palermo: dump all bad loans immediately, and let the free market "rip." This would not only bankrupt major Tokyo banks, but more importantly cause their borrowers, Japan's industrial giants, to close their doors, crippling production and creating mass unemployment. It's the same "shock therapy" program now under debate in Korea, where the IMF is demanding closure of Daewoo, Hyundai, and other industrial producers.

Under this brutal plan, "Japan, too, would have to sell its banks and companies to foreigners," former Bank of Japan Executive Director Akira Nambara told *EIR* on March 15, "something very profitable for the international investors." "Considering the potential impact, it is unthinkable the government will let banks collapse and have them taken over by foreign institutions," Hiroshi Okuda, president of the Japan Federation of Employers Associations (Nikkeiren), and chairman of Toyota Motors, told the press on March 16.

Finance Ministry sources report a battle behind the scenes, in which Miyazawa and his allies want to create a "Third Way" solution for bad loans—pick them up, reorganize, and write them off, but in a rational manner. Miyazawa told the emergency task force meeting about plans to create a new fund or agency, jointly owned by the government, the banks, and private companies, to purchase industrial stocks held by banks which might otherwise be dumped and cause the market to spiral. This fund could also purchase "bad" or non-paying loans which banks have made to the productive sector, and hold the stocks and loans for five years. By selling them, the banks would receive fresh capital to lend to the industrial economy.

Undecided is, what happens next to the "bad" stocks and loans. This "useful debt" can be capitalized in a government development bank, modeled on the postwar Japan Development Bank.

Interview: Dr. Akira Nambara

'Wake Up and Get A Sense of Crisis!'

Dr. Akira Nambara is the former Executive Director of the Bank of Japan and former Deputy Director of the Japan Export-Import Bank, and is known for his outspoken views. He was interviewed by Kathy Wolfe on March 14.

EIR: What is your view of Finance Minister Kiichi Miyazawa's striking comment that Japan's finances are close to collapse?

Dr. Nambara: I have not been able to ask him why he suddenly used words such as "collapse" and "catastrophe," because he's been far too busy with this mess, so I can't say in detail. However, although he later retracted the statement, it is a fact that the Japanese economy as a whole will be on the brink of collapse unless Japan's Liberal Democratic Party [LDP] dramatically changes and takes some leadership, and stops focussing only on media and public opinion. Probably, Mr. Miyazawa was trying to warn not only his fellow politicians, including the opposition parties, but also the mass media, to wake up and get a proper sense of reality and crisis. I presume he is absolutely disgusted, like me, about the corruption inside the LDP. He should also have said that the LDP is on the brink of collapse.

Miyazawa is an unusual Japanese politician; you might say he's a swan amongst ugly ducks. As far back as 1987, in the Louvre Accord among the Group of Seven industrial nations to stabilize their currencies, it was his initiative to stabilize the monetary system using currency bands, just like the European Monetary System, which was heavily attacked by Milton Friedman and the Chicago free-trade school. But unfortunately, just as with the EMS in 1992, in the recession after the Gulf War, the markets were too chaotic, the exchange rate band was too narrow, and it didn't work. So, Mr. Miyazawa proposed a number of budgets in 1993, which stimulated trade. Without those actions, I don't think our economy could have recovered, or that the East Asian economy could have developed since that time.

In 1992, as Prime Minister, he also proposed a plan to wipe the non-performing loans [NPLs] off the balance sheets of Japan's banks while the stock market was relatively much higher. In hindsight, now everyone admits that if his policy had been followed, we could have avoided today's disaster, but, at that time, almost everybody was opposed to his idea; he could not get a consensus. He wanted to put a small amount of government funds to expand the capital of the Long-Term Credit Bank [LTCB], which was Japan's basic bank for the national infrastructure, to build more infrastructure, but the idea was rejected by the mass media as a bailout. The LDP was the problem: too interested in media and public opinion, not enough interested in doing the right thing for the country.

EIR: The Japanese mass media, as in the U.S. and in South Korea, too, are notoriously controlled by Wall Street.

Dr. Nambara: Indeed you are right. So, although Miyazawa is one of the least corrupt Japan politicians, even though he was Prime Minister, he could not get what he wanted. Then, instead of being solved, the NPL problem just got worse and worse.

Later, when Mr. [Keizo] Obuchi came to office as Prime Minister during the Asia crisis, Miyazawa felt he was getting on in years and didn't want to be in government any more—but he gave in to Obuchi's plea to continue as Finance Minister, out of a sense of duty to the country and the region in the crisis. Thanks to the support of Mr. Obuchi, he was able to implement his Miyazawa Plan, which I really think saved the entire East Asian region.

EIR: The Miyazawa Plan was about $30 billion in trade-related credits to Asia?

Dr. Nambara: Yes, it was implemented after the U.S. Treasury rejected Japan's original idea of an Asian Monetary Fund in 1997.

EIR: It's been said that if we combine the Japan Export-Import Bank credits and other government Miyazawa Plan funds, with Japan's private bank loans and corporate investment to the rest of Asia related to the Miyazawa Plan, Japan loaned and invested over $400 billion to its Asian partners during 1997 to 1999.

Dr. Nambara: Yes, maybe more. It was this, which somewhat alleviated the worst of the crisis.

EIR: Not anything the International Monetary Fund [IMF] did?

Dr. Nambara: Oh, no. I should tell you that without Mr. Miyazawa and his plan, many countries would have been more ruined, and even Malaysia's Dr. Mahathir, who has exerted such leadership in Asia, could never have survived in office due to the economic chaos. I was Deputy Governor of the Japan Ex-Im Bank from 1994 to the end of 1998, and I was happy to help Miyazawa during that time. In 1999, the Japan Ex-Im Bank and the Overseas Economic Cooperation Fund were merged into the Japan Bank for International Co-operation [JBIC] and implemented the Miyazawa Plan, and did a nice job.

But now, so long as he stays within the LDP, I don't think Mr. Miyazawa can go too far out of the fold. Some years ago, it was reported that he made a speech for Mr. Obuchi's birthday, saying, "Japan is a very funny country. I have the authority, and I propose correct policies; but instead, people without authority, who have the wrong policies, are the ones to have their ideas implemented." For example, take the case of the nationalization of the Long-Term Credit Bank. Once it was nationalized, he wanted to have the government hold the bank and sell it only after the economy would come back to normal. But due to the media, opinion, and LDP pressure, he was forced to privatize and sell it off within only two years, at whatever loss. So he did, and now it is bankrupt again. There is enormous corruption in the LDP. We have to totally reorganize the LDP; either the LDP will collapse, or it has to be rebuilt.

EIR: Yes, but this was also very profitable for the Wall Street investors who bought many Japanese companies, including LTCB, the former jewel of the system.
Dr. Nambara: That is correct, but it's not enough just to blame foreigners; fundamentally we should blame our own people and the media for caving in to such Wall Street pressure.

EIR: Our Founding Editor Lyndon LaRouche said recently that Miyazawa and Bank of Japan Governor Masaru Hayami may have had it with printing all this money in Japan, just to finance the U.S. current account deficit. He said that Miyazawa's "collapse" statement was likely not an uncontrolled outburst, but that Miyazawa is a knowledgeable old hand, who was warning that this can't go on.
Dr. Nambara: Yes, I agree with Mr. LaRouche—probably Miyazawa was quite disgusted with the the downward development of the stock market and the yen, and the recent selfish actions of the LDP, or lack of action.

EIR: It was reported that Mr. Miyazawa was quite angry at the Palermo G-7 finance ministers' meeting in February, when the Bush Treasury Department demanded that Japan just write off all the bank debt, in a free-market big bang. Wouldn't this mean shutting down a lot of industrial companies whose loans were involved, just as the IMF is demanding of Hyundai and Daewoo, in Korea?
Dr. Nambara: Yes, then Japan, too, would have to sell its banks and companies to foreigners, as Korea has been forced to do, also something very profitable for the international investors. This of course would be intolerable.

EIR: But so far, there have been only two ways proposed to deal with the banks. The first way is to do as has been done, which is nothing, just muddle through. The second way is the Palermo "shock therapy" program. *EIR* has proposed a third way, which is the general reorganization of the whole $400 trillion global bad debt overhang, and the creation of a new monetary system.
Dr. Nambara: We are for a third way, but we have to wait until the economy comes back. Even in 1995 and '96, we had a 4-5% real growth rate, which was quite reasonable. That's exactly why there was progress to get rid of about one-third of the non-performing loans. We were then, however, hit by the Asia crisis in 1997, and [then-Prime Minister Ryutaro] Hashimoto had also implemented a foolish fiscal policy, by raising taxes at exactly the wrong time, from which Japan is still suffering. This is another reason why, although the Bank of Japan adopted a 0% interest rate policy, it has done no more than keep our economy at sea level. There is no way, under the current fiscal policy, to get real growth. We need a major fiscal reorganization, and a big political reshuffle, and I think we have to have a general election as soon as possible, and not wait for upper house elections in July.

EIR: I'm afraid that neither the Japanese nor the U.S. economy can possibly come back without a global reorganization. But by fiscal reorganization, do you mean something like the Kennedy tax cut of the 1960s?
Dr. Nambara: Something like that, but a little bit different. Pundits say that our situation is just like the U.K.'s, right before Thatcher became the Prime Minister, and we must have a hard landing to produce a Thatcher-style leader. This is foolishness. Our economic situation is totally different from that of the U.K. early in the 1980s. Japan has huge savings in the private sector of almost 1,400 trillion yen ($11.6 trillion) which are just sitting there. A net 800 trillion yen is sitting in the banks at almost no interest. We also have a huge cash flow in the business sector. Japan still enjoys $1 trillion of net external assets.

EIR: Whereas the United States is a net debtor to the world.
Dr. Nambara: Yes. Even the Japanese government debt is owned mostly by our own people. The banks are the problem; they are frozen up, and so they don't act as intermediaries. We just need some kind of incentive to push this money into action, into the active side of the economy. But the political class are impossible, they don't have any sense of crisis at all, they are just concerned with their own personal interests. If they would wake up, we could get some things done.

Khatami Visit to Russia Causes Nightmares for Geopoliticians

by Muriel Mirak-Weissbach

The visit of Iranian President Seyyed Mohammed Khatami to Russia on March 12-15, was Samuel Huntington's nightmare come true.

The British-schooled geopolitician Huntington, became infamous for his launching the thesis, dubbed the "clash of civilizations," according to which, the 21st Century would be characterized by wars among civilizations. Thus, Islam would fight Christianity, Orthodox Christianity would counter Rome, Confucianism and Islam would together confront the Christian West; it would be Hindu against Muslim, Buddhist againt Hindu, Muslim against Jew, and so on and so forth. Huntington, who comes from the same school as Bernard Lewis, has seen his geopolitical madness further elaborated in the recent works of Zbigniew Brzezinski, in his projections of the breakup of the Russian Federation, and the re-drawing of the map across the Caucasus and Central Asia. It was Brzezinski, one should remember, who masterminded the Afghansi operation in the 1980s, which exploited Islamic guerrillas in Afghanistan, against the Soviet Union. The aim then, was to use the "Islamic card" to break up the Soviet Union; today, the name of the game played by Brzezinski, Huntington, et al., is to break up Russia, China, India, and other leading nation-states in Eurasia, by manipulating and fuelling so-called ethnic/religious insurgencies.

What this historic visit has signalled, is the consolidation of new arrangements across cultural and political lines in Eurasia, which will be capable of tearing up Huntington's strategic blueprints. What Khatami achieved can be summed up in the documents signed by him and Russian President Vladimir Putin, on a series of crucial matters. But, the significance of the visit goes beyond the treaties per se.

Khatami is the first Iranian President to visit Russia since the 1979 Iranian revolution; moreover, he is the first Iranian head of state to visit Moscow in three decades, the last such visit having been undertaken in 1974 by the Shah of Iran. Khatami was accompanied by several government members, including Foreign Minister Kamal Kharrazi, Oil Minister Bijan Namdar Zanganeh, and Defense Minister Ali Shamkhani.

From the outset, the visit was hailed in Russia as great event. Khatami met President Putin, Defense Minister Igor Sergeyev, Prime Minister Mikhail Kasyanov, Foreign Minister Igor Ivanov, Minister of Atomic Energy Yevgeni Adamov, Presidential Advisor for Caspian Sea affairs Viktor Kalyuzhny, Deputy Prime Minister Ilya Klebanov, and other officials. He visited industrial sites near Moscow, and toured the Space Control Center at Korolyov near Moscow. He also addressed the State Duma (the lower house of parliament), visited St. Petersburg (which has a cultural agreement with the Islamic renaissance city of Isfahan), and met with the Muslim community in Kazan, the capital of Tatarstan republic. He met Patriarch Aleksi II, supreme leader of the Russian Orthodox Church, as well as the leader of the Muslim community, Ravil Gaynutdin.

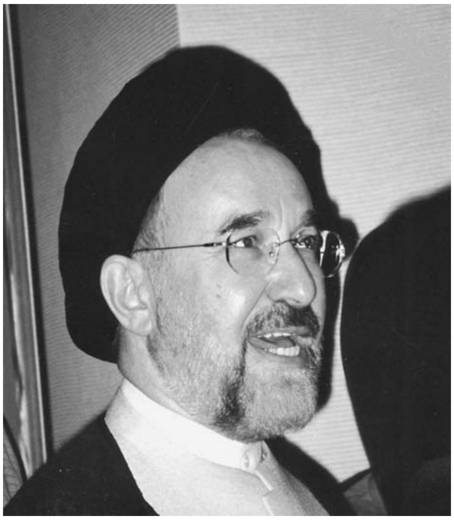
According to Danish press reports, Presidents Putin and Khatami conversed in German, which they both speak fluently. (Putin had served the Soviet Union in East Germany for many years, while Khatami led the Islamic Center in Hamburg, in the 1970s, up to the time of the revolution.)

Space Technology and Arms

The documents which were signed on the first day, spoke volumes about the vastly upgraded relations between the two nations. The Treaty on the Fundamentals of Mutual Relations and principles of cooperation pointed out "that each of the sides pledges not to use force or threats of force in mutual relations, not to use its territory for committing aggression, subversive and separatist actions against the other side," according to the Russian wire service Strana.ru. Furthermore, if either side is subjected to aggression, the other side "shall not render any aid to the aggressors," and should seek negotiated solution to the conflict. This treaty is to last ten years, and be automatically prolonged for five years, unless cancelled in writing.

The second document was a joint statement on the Caspian Sea, in which the sides "openly state their non-acceptance of the laying on the sea-bed of any Trans-Caspian oil and gas pipelines." It stated, furthermore, that the two sides want the Caspian to be used only for peaceful purposes, and hold that "the presence in the Caspian area of armed forces of non-Caspian states is inadmissible." As Putin said in a joint press conference, the two sides agreed to set up experts meetings, to take place before the April summit of the Caspian littoral states.

Furthermore, Putin and Khatami signed joint statements, "on strategic stability, on combatting of terrorism and on the



Iranian President Seyyed Mohammed Khatami (left) was the first Iranian head of state to visit Moscow since 1974. His meeting with Russian President Vladimir Putin (right) was given great importance by both sides; London and Washington reactions were hostile.

maintenance of international security, and expressed a similar approach to the non-proliferation of nuclear arms, to observance of the 1972 ABM treaty, to NATO's eastward expansion, to the role of NATO on the international scene, and also to urgent regional issues," according to Strana.ru.

Finally, following meetings between the defense ministers of the two governments, the two sides were to sign agreements, for a wide range of Russian military equipment to be sold to Iran. Putin signalled his intention to do so, on the day of Khatami's arrival, March 12. According to the Russian news agency RIA, which quoted Russian Defense Ministry sources, plans for military sales included more than 540 T72-C tanks, and more than 1,000 armored vehicles, based on a contract that had been signed, but de facto frozen by the 1995 Gore-Chernomyrdin agreement, which banned such sales. Further equipment to be sold to Iran, includes parts and components for Soviet-made MiG-29 and Sukhoi-24MK fighters. Klebanov stated that Iran was interested also in purchasing Russia's advanced S-300 anti-aircraft missiles, according to Interfax.

In addition to the military hardware, Putin pledged to finish the Bushehr nuclear plant in Iran, and the two discussed plans for Russia to help construct three or four more such plants. Finally, Russia is reportedly leading the bidders for manufacture of Iran's first satellite. As the director of the Russian Aerospace Agency Yuri Koptev said, while accompanying Khatami on his tour of the Russian space mission control center, "Iran is a developing country planning to advance along different avenues of technical progress, including the development of high-tech and space technology."

Bush White House Opposed

The response from London and Washington was vitriolic. The London *Times* of March 13, blared out, "Moscow Defies Bush With Iran Arms Deal." It complained that the arms deal were "in breach of an agreement with the United States that has underpinned regional security for the past five years," referring to the Gore-Chernomyrdin accord. It went on to assert that this deal "is the latest sign of an increasingly hostile relationship with the United States" on the part of Putin.

In reality, President Putin had said the arms deliveries would in no way contravene international law, and stressed the purely defensive nature of the items to be sold. The same message was delivered in person by Russian National Security Adviser Sergei Ivanov, in meetings with U.S. Secretary of State Colin Powell in Washington on March 14. That same day, Powell, in testimony before the Senate Budget Committee, lashed out at Moscow, saying,"We have to be concerned when we see suggestions that they may be investing in weapons sales in countries such as Iran." Powell said Moscow's policy was repeating errors of the Soviet era. "The old Soviet Union wasted decades of treasure investing in regimes that had no future. It's a lesson they should have learned—that it would not be wise to invest in regimes that are not following accepted standards of international behavior."

One day earlier, White House spokesperson Mary Ellen Countryman announced that President Bush had renewed the sanctions, which prohibit trade and investment with Iran.

What prompted such a violent response, even before any concrete arms deal had been announced, was not any serious concern of a military nature on the part of the Bush Administration. Any fool knows—including the many that populate the current cabinet—that the so-called "rogue state" Iran does not constitute a strategic threat to the United States, at least, from a military standpoint. The perceived "threat" emanating from Iran, and particularly from its growing cooperation with Russia, is of another sort entirely.

Infrastructure Diplomacy

The facts of the matter are the following. Since the collapse of the Soviet Union in 1991, and, increasingly, since President Khatami was swept to power in 1997 elections, Iran's foreign and strategic policy has been shaped by its commitment to building the Eurasian Land-Bridge, reconstructing the ancient Silk Road, through modern, advanced transportation infrastructure. Given its geographical location, Iran is the natural bridge for all of Asia into Europe, and Africa. For the newly independent, landlocked countries of Central Asia, Iran represents access to markets reachable by sea. Along with the rail trasportation lines which Iran has been building, to complete its part of this trancontinental bridge, the country has also been negotiating vast gas and oil deals, primarily with Central Asian producers, to allow them either access through Iran, to ports and markets, or to swap Iranian gas or oil, for theirs, on the same international markets. In this context, Iran has sealed numerous important pipeline agreements, to transport resources from the Central Asian republics, overland across Iran, into Turkey, for example, and thence, to Europe. It has been pursuing the same kind of pipeline diplomacy eastwards, to provide markets in India and China.

At the same time, since Vladimir Putin has assumed the Presidency in Moscow, Russia has shifted its orientation towards Asia, seeking closer economic, political and strategic ties with China, as well as India, and Iran, in a manner which is coherent with Russia's role in the Eurasian Land-Bridge perspective. It is the foreign visits of Putin, and others in the Russian leadership, to these countries, as well as the visits by Khatami to places like China, and now Russia, which are the *casus belli* behind the threatening tones coming out of Washington.

The geopolitical establishment in London and Washington, reinforced in the new Bush Administration by the presence of the big oil interests associated with Bush, Cheney et al., is determined to smash any perspective for fruitful cooperation among China, Russia, India, and Iran, along the lines of the New Silk Road. It is as determined to prevent any pipeline construction which will threaten their firm control over access to the rich raw materials in the region. Thus, for example, the renewed talk of the Baku-Ceyhan pipeline project, from Turkmenistan, under the Caspian Sea into Azerbaijan, and thence to Turkey. It has become a cliché, that the only reason why the Baku-Ceyhan project has been pushed at all, is that it neatly outflanks both Russia and Iran.

The friends of Huntington and Brzezinski in London and Washington, are committed thus to thwarting any and all Russian and/or Iranian pipeline projects, and asserting claims to the raw materials resources in the region. To attain their goals, they are prepared to buy off political figures, with rich promises of pipeline deals. They are just as prepared, to destabilize the still-centralized governments in Central Asia.

Against the backdrop of these geostrategic policy objectives, the deeper significance of the Khatami visit to Russia emerges. In all official statements on the visit, what was stressed by both sides, was that enhanced economic, political and military cooperation, would increase regional stability and security. The document outlining principles for cooperation, very clearly indicates that this is a step in the direction of establishing an actual strategic partnership. In the case of the joint statement on the Caspian, the key feature, is their agreement against any such underwater pipeline project, and their commitment to defining a legal regime for the Caspian Sea resources. This very complicated issue, is to be straightened out at an April summit of the five littoral states (Azerbaijan, Russia, Turkmenistan, Kazakstan, and Iran). The agreement between Russia and Iran at this point is important, in that they are the signators to the only existing treaties on the sea, which will be superseded by the new agreement. The other crucial feature to the joint statement on the Caspian, is their commitment to preventing any military presence of "non-Caspian states" to be deployed. This, together with their other joint statement mentioning identical views on the eastward expansion of NATO; makes clear their opposition to allowing NATO forces, under whatever guise, to penetrate the region.

Furthermore, Russian-Iranian cooperation in the fight against drug-trafficking and terrorism, is directed against the Afghan-based Taliban insurgency. Iran, which is an Islamic republic, has maintained a principled stance against the Taliban, rightly denying it any "Islamic" legitimacy. Both Russia and Iran are directly threatened by the Taliban, both militarily (as the Chechen insurgents are an emanation of the Afghansi phenomenon), and through the spreading drug plague. Former Prime Minister Yevgeni Primakov, who characterized the visit as "the biggest event in the history of Tehran-Moscow relations," which "will have a large impact on Iran-Russia relations and the regional peace and stability," added that "the Iran-Russia alliance has been instrumental in the Caucasian region and for bringing peace to Tajikistan."

Dialogue Among Civilizations

Huntington presented his thesis—or more precisely his project—as the Clash of Civilizations. President Khatami, is the person who first proposed to the United Nations, that the year 2001, be designated the year of the Dialogue Among Civilizations, in direct juxtaposition to the geopolitical conflict idea. Not only has the United Nations General Assembly adopted the proposal, but Iran has been aggressively conducting this dialogue, at different levels, since Khatami's entering office in 1997.

The result has been a refreshing redefinition of international politics, at least among those statesmen, and religious leaders, who have grasped the significance of the idea. Among them, appears to be Putin. In greeting his guest, he presented him with a gift, a Russian translation of *Khatami's View of Civilizations,* which, he said, had become popular not only among Russian Muslims, but generally. The Russian President praised the book as a philosophical interpretation of communications among civilizations and relations between East and West.

NATO's Green Light Set 'KLA' Loose To Threaten New Balkans War

by Umberto Pascali

The Kosovo Liberation Army, set up as a military entity by NATO, using Kosovo as a base of operations—a small province administered by the United Nations and under the strict control of a conservatively estimated 40,000 NATO troops—has assaulted bordering Macedonia, a sovereign member-nation of the UN.

The KLA is right now engaged in a military and political offensive aimed at ethnically exploding the country. If such a plan is successful, the consequences will be terrifying. Macedonia could become an ethnic battlefield where the Slavic majority and the Albanian minority will confront each other in a nightmarish implementation of the Nazi doctrine of the "Clash of Civilizations" advocated by Prof. Samuel Huntington. "Orthodox" Bulgaria and Greece will be put under tremendous pressure to intervene to defend Macedonia against "the Albanians," or "the Muslims." Albania and Turkey could be swept in on the other side.

The KLA Mystery

On March 15, Carl Bildt, the former, International Representative in Bosnia, and now UN Balkan envoy, launched a polemic against NATO. "I am very alarmed," he said; it was "not particularly satisfactory" that an armed attack on a UN member state (Macedonia) should be organized from a territory under UN Administration (Kosovo). He asked NATO to give high priority to stopping the KLA infiltration of Macedonia from Kosovo. But NATO reportedly maintained that it was doing everything possible, and that the fighting in Macedonia was limited.

The day before, speaking to *U.S.A. Today,* Yugoslavian President Vojislav Kostunica had officially charged "direct collaboration" between the KLA and NATO. This latter, he charged had "enabled and in some way supported or helped the terrorists." "In the case of some units there was direct collaboration. Flights of NATO-KFOR helicopters have been traced, that gave the impression of being used as a sort of logistical support to the terrorists, rather than surveilling them."

Indeed, the fighting is not "limited." Macedonia is being "flooded" with "trained terrorists" from among the former Kosovo Liberation Army, said Interior Minister Dosta Dimovska March 15, at the end of the second day of fighting on the outskirts of Tetovo, a mostly Albanian city northwest of the capital Skopje. "They are ex-KLA, and their goal is to occupy Macedonian territories and to capture the Macedonian border." And a leader of the governing Liberal Party of Macedonia, Vlado Poposki stressed: "They are trying to infiltrate into urban areas to link up with criminal groups controlling lines of communications and to get rid of the security forces. The center that operates the extremists is outside Macedonia."

For a long time, the Macedonian government has asked NATO, with increasing urgency, to prevent terrorist infiltrations from Kosovo. To no avail. According to Macedonian sources, two months before the Tetovo assaults, the country's intelligence had presented a report showing that organized KLA groups were preparing to enter Macedonia and to take over Tanusevci, a village just across the Kosovo border and only 25 miles from Skopje. Reportedly, that warning was not followed up, and indeed the KLA took over the village. The Macedonian Army moved around the village following the activities of the armed, black-uniformed intruders, but did not intervene. Despite Macedonian protests, NATO Secretary General Lord George Robertson repeatedly "advised" Macedonia not to do anything. Robertson's assistant, Daniel Speckhard, went to Skopje and gave this response: "A military response is not the best mechanism, and a political approach is much better. We want to find a solution that stresses the multi-ethnic society and not to cause division."

In the meantime, the NATO-controlled borders with Kosovo remained an easy and protected transit point for the KLA gangs, which also began a systematic mining of the area around the village.

Not far from Tanusevci lies the Kosovo village of Debelde, which is heavily patrolled by NATO, and is part of the U.S. area. NATO helicopters regularly fly over the area, but the KLA gangs are not really trying to hide. Observers have noted how similar this situation is to what happened inside the Serbian borders with Kosovo, after NATO took over the Serbian province and established the three-mile-wide demilitarized zone inside Serbian borders. The "zone"

Threatened by New ‘Macedonia’ War

Sources: NNICC; *EIR.*

where the Yugoslav Army was not allowed to enter, became the center of the terrorist activities of the KLA inside Serbia, under the name of UCPMB. The KLA logistical and military base was the Serbian village of Dobrosin, no bigger than the Macedonian village of Tanusevci, and, like Tanusevci, just across the border and few yards from a main NATO monitoring station inside Kosovo.

Macedonia in the Crosshairs

On March 4, the KLA (which in Macedonia calls itself National Liberation Army) was ready to strike. A Macedonian police vehicle was hit by a mine and then shot by snipers, and three policemen were killed. The same process had taken place not far inside Serbia’s borders, in the Presovo Valley. It was a mixture of guerrilla tactics and normal warfare, given that the international pressure on Macedonia allowed the “guerrillas” to hold an undisturbed base of operation.

Macedonia also fears provoking a reaction from its Albanian community. The present government coalition includes the main Albanian party, the Democratic Party of Albanians, whose leadership had courageously rejected any compromise with the racist calls from the terrorists. The Albanian majority areas are concentrated at the borders with Kosovo and Albania. A confrontation along ethnic lines would rapidly cut the country in two.

The Macedonian leadership was also, reportedly, concerned it would be given the “Serbian treatment,” i.e. be accused by the War Crimes Tribunal led by Carla Del Ponte, of violating the rights of a minority. Indeed, when the KLA violence exploded in Macedonia, Del Ponte’s deputy, Graham Blewitt, hurried to hold a press conference in London to announce that now Macedonia was part of the war area, and thus was under the “Tribunal watch.” Hence, “if atrocities are committed, we will investigate and prosecute.” Asked if the KLA would also be prosecuted in case of atrocities, Blewitt explained that this would be rather difficult, because it is not easy to monitor it.

At this point, Lord Robertson and other international institutions such as the Organization for Security and Cooperation in Europe and the UN, gave the green light to Macedonia: Now you can defend yourself! Then, on March 8, Lord Robertson agreed “to authorizing the controlled return of the Yugoslavian forces into the Ground Safety Zone (GSZ), into a narrow sector next to the borders with former Yugoslavia Republic of Macedonia.” Macedonian sources reported the eerie impression of having been led into being part of a horrible experiment.

In a communiqué delivered on March 9 to the Albanian offices of the German radio network Deutsche Welle, the KLA presented a political ultimatum: “Macedonia should become a country of two nations—Macedonians and Albanians.” The communique also denounced the Democratic Party of Albanians as opportunistic and as having sold out to the government. It was a strategy copied from Kosovo KLA boss Hashim Thaci, Madeleine Albright’s protected favorite, against the elected President of Kosovo Albanians, Ibrahim Rugova.

Suddenly in Skopje, some new pro-KLA political formations begin to appear, at least before the eyes of foreign reporters. The daily *Dnevnik* on March 15 published a proclamation by one Albanian National Front of Illyria: “Non-Albanians should be expelled forever from our doors and our ethnic territories, because only that is the light of freedom. The organization acts in groups for actions, executions and investigations. The members are lambs during the day and wolves by night.” Sadly, following two days of fighting in Tetovo, some of the non-Albanian residents have been leaving the area.

‘Albanian Cannon Fodder’

A Macedonian source has explained to *EIR* part of the generally unknown background of the KLA assault. “I do not think we are at the end of this process,” the source said. How was Tanusevci taken by the KLA? “You must go back to 1999, when NATO troops arrived in Macedonia under Gen. Sir Michael Jackson. . . . NATO deployed the KLA into Kosovo while it was still in Serbian hands, and it pressured Skopje into allowing the creation of depots of weapons, just inside the borders, to be used by the KLA in Kosovo. Tanusevci was one of them, but not the only one. This is a 'public secret' at this point." The weapons and the military material were supposed to be used in Kosovo, not in Macedonia. "And now, Macedonia feels betrayed."

"The government is in a very difficult situation, though at this point, many have understood the NATO game. If a state of emergency is declared, the country could rapidly be split in two. The same could happen if Bulgaria, for example, would enter Macedonia militarily to help against the KLA." Another concern of the Macedonian source was the reaction of the non-Albanian population. There are reports of an increasing number of young people asking to join the Army. "If the rope is pulled too much, there will be a reaction. . . . Something could emerge in northern Greece. Greek authorities are reportedly very worried about a possible 'Albanian problem.'. . . Someone is pushing the Albanians into a mass suicide, someone is using them as cannon fodder."

Interview: Faris Nanic

'Can't We Learn From Balkan History?'

Faris Nanic, Secretary of Croatia's Party of Democratic Action (SDA) and former Chief of Staff of President Alija Izetbegovic of Bosnia-Herzegovina, has been a voice of sanity in the "Balkan debate" both as journalist and political and diplomatic leader. He was one of the initiating signers, together with Schiller Institute Chairman Helga Zepp-LaRouche, of an international call for "Peace through Development for the Balkans." In April 1994, as special representative of the President of Bosnia and Herzegovina, Nanic was one of the main organizers of a conference hosted by the European Parliament in Brussels: "Bosnia-Herzegovina: Justice and Development are the Only Bases for Peace." He talked to Umberto Pascali from Zagreb, Croatia, on March 14.

EIR: Mr. Nanic, you have been an insider and a leading participants in the main events of Southeast Europe, sometimes referred to as the Balkans, for the last 15 years, as journalist, and military, diplomatic, and political leader. Suddenly in the last weeks, all of the accumulated hot spots in the areas have begun to explode. The Kosovo Liberation Army (KLA) has been reactivated and unchained again, the leaders of the Bosnian Croatians de facto declared a secession from Bosnia, Croatia is swept by unprecedented demonstrations against the government and the so-called international community. And all this, while a countdown to a Middle East war is accelerating. What is really happening?

Nanic: First of all, I think that a number of Balkan hot spots are now being set on fire again simultaneously. And these things cannot be observed as isolated incidents that are connected to this or that particular local situation. Everything is connected to the regional issue, the Balkans issue, the Balkans that were already set on fire in 1991 with the dissolution of former Yugoslavia. I have the same feeling I had even before 1991, . . . that a major war was going to happen again. Of course, I wasn't aware of how the war was going to be ignited and how the scenario would be developed. For the first time since 1996, for the first time after the Dayton Agreement was signed, and a certain peace was *imposed* on the Balkan region, I am worried that things are getting out of control, and that even the so-called international community representatives that are active in the region, in Bosnia and Kosovo, don't have the real picture of what is really going on.

There is a similarity between 1991 and 2001 because we have, in effect, the same President and, more or less, the same administration in the United States, and the same ideology behind it. We have the same very sensitive spots being activated again, like Bosnia and Kosovo. We have more or less the same strategic context in terms of negative reversal of the peace process, not only in the Balkans, but also in the Middle East.

So, there are a lot of similarities, also, in the method that is being used. In Bosnia, we have this Croatian rebellion, the strongest Croatian party in Bosnia, which is the HDZ, rebelling against the international community's molding of the Bosnian electoral college government on both the federal and the state level of Bosnia. The International Representative in Bosnia pushed through the creation of a "technical government" excluding parties that, like HDZ in the Croatian part of Bosnia, had received 75% of the votes! There was a reaction, and the threat of the establishment of a "self-rule."

Whatever one may think about the HDZ and what they did in the past, and how they served the purpose of developing the theory of the clash of civilizations, especially in Bosnia, this time they are right. What the international community did, was to impose a post-electoral government, a technical coalition, in Bosnia, with which they provoked the reaction especially among the representatives of HDZ. . . . But with 75% of the Croatian votes being completely ignored, that is a very good basis for the frustration of the ordinary citizen. What is really worrying is that, you have the democratically elected local government, mainly in the Croatian parts of Bosnia, that do not recognize the federal and central government.

We had the same thing back in 1991 in Croatia, which was called the Serb Autonomous Region of Krajina, where the local Serb leadership "split" from Croatia, leading to Belgrade's war against Croatia. It is the same recipe used in Bosnia in 1992, prior to the war, in the so-called Herzeg-Bosna. The confrontation in 1991 in Croatia started without weaponry; nobody was expecting any military clash or anything similar. But after less than a year, it developed into a full military clash, rebellion by the local Serbs and intervention by the Yugoslav National Army, and then, less than a year later, the war in Bosnia started. So, they are using the same pattern.

There are certain activities launched by certain Croatian high military officers in Bosnia that could be very dangerous, that could go toward the creation of an independent military or paramilitary organization. It could lead, if pursued to the end, to a dramatic military confrontation in and around Bosnia.

What we should ask ourselves is: Why was the decision to create independent military organizations taken now? Has someone given a "green light" to some generals? And I don't mean someone in Croatia, but someone outside, someone who wants to trigger a final upheaval in the Balkans.

EIR: This is the contradiction of the so-called international community that allegedly intervened to reestablish peace and democracy, but ends up, and officially so, rejecting the electoral results and the "democratic process," and resorting to unlawful, some say dictatorial, methods.
Nanic: Yes, they are using totally undemocratic decisions, totally undemocratic methods. The problem was already present in the Dayton Agreement. Such an agreement could have been revised, but they preferred to spend up to an estimated \$1 billion to bring about these "democratic changes" and to roll back the so-called nationalists in Croatia and Yugoslavia. But at the end of the day, the international community is openly advocating anti-democratic methods.

EIR: The situation in the Croat cantons of Bosnia is very much linked to what is happening in Croatia itself. Especially the area of the Dalmatian coast witnessed some of the biggest popular demonstrations ever in recent history, like the one in Split on Feb. 11. These were protesting against the government, especially against War Crime Tribunal's Carla Del Ponte, and what was taken, not as measures against war criminals, but as an interference into the internal affairs of Croatia, by many.
Nanic: These things are connected of course. First of all, the new government of Croatia, of Prime Minister Ivica Racan and President Stipe Mesic, that succeeded President Franjo Tudjman, was very cooperative with the demands of the so-called international community. The positive side was the end of Croatian support for secessionist tendencies in Bosnia. But, in general, the new government complied completely with all of the demands of the International Monetary Fund (IMF), the financial circles, in terms of completely "liberalizing" the economy, the privatization process was set off on a very large scale. And what provoked the recent demonstrations, was this cooperation with the International Tribunal in the Hague.

EIR: So, the adherence of the government of Croatia to every demand, instead of strengthening the government and making it more democratic, is isolating the government and separating it from the people that they represent.
Nanic: Yes, because the point is that this government, in last year's elections, really got popular support because they were promising certain changes and people really expected it to be, finally, getting rid of the interference in Bosnian internal problems. Secondly, people thought the new government would give Croatia a period of economic development, at least a reversal or change of the policy of importing without producing, as they had been promised. And that didn't happen! What they really managed to do in Croatia was only to increase unemployment to a completely unbearable level. The new government complied with the completely crazy demands of the IMF to cut the budget, which is already very small, and to completely "liberalize" the economy and to privatize what was left over from the Desert Storm-style privatization implemented by the previous government. Now there is a popular reaction; people think they have been fooled.

EIR: And, of course, we have the unleashing of the KLA, especially against Macedonia.
Nanic: Well, what amazes me from the beginning is how easily, for instance the Bosnia Croatian leaders decided to move on with their "self-rule" in Bosnia—something completely anti-Constitutional and anti-Dayton Agreement. Almost as if they had been given a certain signal to do what is completely illegal and anti-Constitutional. The same thing happened with the KLA, and strangely enough it happened in the same days!

It seems that even though they are doing anti-Constitutional and anti-international law things, they still are being given a certain signal to go on and proceed, because nobody is going to actually punish them. How on earth can the KLA—which was supposed to be completely disarmed within the mandate of NATO in Kosovo, which has lasted almost two years—how can the KLA do what it did? The NATO control over Kosovo is much stronger than in Bosnia. It is a very unlimited mandate—they can basically do whatever they want there, intervene militarily and so on. So, how can the KLA emerge in southern Serbia, in western Macedonia, wherever you can create a hot spot? There is a definite cooperation between the KLA, which was supposed to be disarmed, and the NATO forces on the ground.

Who is controlling the Kosovo border? NATO. How can a supposedly uncontrolled group of armed men provoke such an incident on the Macedonian border, without a single casualty on their side, creating a total mess on the Macedonian border side, a total mess in the Macedonian Army? Don't forget that the capital of Macedonia, Skopje, is not more than 40 km from the border. It is very easy to go into Skopje militarily from Kosovo if nobody does anything, and apparently NATO is doing nothing but simply manipulating the Serb and the Albanian forces in the area, widening or narrowing the so-called Security Zone. It is very easy for any organized Albanian force, and the KLA *is* an organized force, definitely militarily trained somewhere outside, very well equipped, that can go easily to the Macedonian capital, overthrow the government and do whatever is imaginable, with a very weak and very poorly organized Macedonian Army. The Macedonian Army and Macedonian politics completely relied upon the promises of the American administration, and of the international community that Macedonia would not be touched.

EIR: And, at this very moment, the KLA is becoming openly active in Tetovo and the surrounding area.

Nanic: Yes, *EIR* readers should know that Macedonian Albanians comprise about 35-40% of the population of Macedonia. And they are ethnically homogeneous, they are concentrated in a certain territory. This can be easily manipulated into forming what was announced yesterday by certain representatives of the Albanian community in Macedonia—a separate entity, a para-state, an ethnically based para-state within a formally sovereign Macedonian state. Later on, in later stages of course, a state that would secede from Macedonia, to help form something that has been called and is still called Greater Albania.

EIR: At this point there is a fear reaction from the non-Albanian population, a fear that could explode into a reaction. Reportedly many young Macedonians are asking to join the army to fight the KLA; there is a situation of tension that could reach a point that is difficult to reverse.

Nanic: Of course, even the most moderate members of the Macedonian political elite, still have strong nationalist feelings. So the unchaining of the KLA could trigger havoc in Macedonia. It can provoke a very difficult and serious, and almost incurable ethnic conflict between Albanians and Macedonians.

But if anything happens militarily in Macedonia, this means that there is going to be another Balkan war immediately. Imagine the ramifications for Bulgaria, Serbia, Albania, Greece and, of course, also Turkey. This is how the Second Balkan War started, in Macedonia. And all this, while just south of there, in the Middle East, the situation is also heating up towards a terrible conflagration, and actually, the heating up is almost complete, and the war is there. The only question is, when it will be fully ignited, on a full scale.

WWF Sues LaRouche Brazil Organization

EIR *issued the following press release on March 14.*

The Brazilian branch of the World Wide Fund for Nature (WWF), the international environmentalist NGO founded by Britain's Prince Philip and former Nazi Party member Prince Bernhard of the Netherlands, filed a slander suit in a Rio de Janeiro court on March 5 against the Ibero-American Solidarity Movement (MSIA) of Brazil.

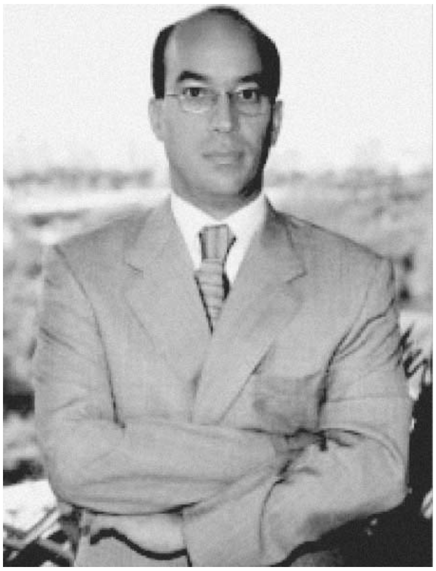
About two months ago, on Jan. 19, WWF-Brazil had obtained a prior restraining order against the MSIA (which is part of the international political movement associated with U.S. 2004 Presidential pre-candidate Lyndon LaRouche), which included a court-ordered search and seizure of MSIA publications, which WWF-Brazil found offensive to their "honor." The grossly unconstitutional restraining order was obtained by WWF-Brazil, despite the fact that they at no point presented evidence refuting the truthfulness of the MSIA publications.

WWF-Brazil, whose president is José Roberto Marinho, the scion of the O Globo media conglomerate, has now filed its full slander suit, the content of which has not yet been made available to the MSIA's lawyers.

On Jan. 27, in response to the original restraining order, *EIR* founder Lyndon LaRouche issued a lengthy report analyzing what was behind the WWF attack on him and his associates, entitled "Look At What Happened in Brazil." Therein, LaRouche explained that the central issue in the Brazil incident was the British monarchy's ongoing attacks against him, personally, and what he stands for as an international alternative to their genocidal policies. LaRouche noted: "The personal attack on me, shows that WWF's targetting of Brazil expresses a much broader, global intention."

That intention includes deploying such forces as the British-French financial oligarch, Teddy Goldsmith, the radical environmentalist organizer of the recent Pôrto Alegre, Brazil gathering of global Jacobin movements, to stop any and all promotion of industrialization, either by sovereign nation-states or by nationalist forces within those countries. Although the Brazilian government of President Fernando Henrique Cardoso has itself shared much of the outlook and policies of the WWF, LaRouche noted that the Brazilian government is also in mortal danger from the British-sponsored offensive:

"If Brazil's government were toppled by aid of WWF's



Chairman of the Board of WWF-Brazil José Roberto Marinho.

activity, then all of continental Europe, not excluding 'Teddy' Goldsmith's France, in addition to Brazil itself, would be obviously the next target on the list for destruction. If Europe, too, goes under as a continuation of the chain-reaction touched off in Brazil, the fate of the rest of the planet is menaced accordingly."

Why Brazil?

Brazil, the largest and most populous nation in South America, is specifically targetted, because it is the last, remaining locus of resistance in Central and South America to London and Wall Street's policies of free-trade and globalization. With the global financial crisis now beginning to strike with full force, as developments this week in Japan and on the U.S. stock markets demonstrate, any opposition to the financial oligarchy's policy response to that crisis—i.e., Nazi-style austerity and Jacobin chaos—is considered a potentially dangerous threat, especially if it is associated with LaRouche. Conditions of crisis also breed opportunities for revolutionary change.

The offensive against Brazil is occurring on various fronts.

First, there is a clear effort under way to dismember Mercosur, the South American trading bloc composed of Brazil, Argentina, Uruguay, and Paraguay. After the U.S. State Department and the Organization of American States overthrew the Fujimori government in Peru at the end of 2000, Chile was then induced to sign a separate bilateral free trade accord with the United States, and distance itself from its Mercosur neighbors. More recently, with the naming of new Finance Minister Ricardo López Murphy, Argentina is expected to jettison Mercosur and negotiate its own free trade accord with the U.S. as well. Isolated and subjected to trade war form its own neighbors, for example in the form of competitive currency devaluations, Brazil would be forced—or so the financial oligarchy would have it—to abandon any hope of regional economic integration and sovereign development.

Second, Brazil is being hit with trade war by the British Commonwealth directly, in particular by Canada, which last month concocted a phony scare about supposed "Mad Cow" disease in Brazil, in order to launch a boycott of Brazilian beef. Canada, whose head of state is Queen Elizabeth II herself, was finally forced to back down from the boycott, in the face of overwhelming scientific evidence against it, as well as threats of retaliation from the Brazil government.

Third, countries such as Argentina and Mexico are being pressured to follow the unfortunate example of Ecuador and El Salvador, and "dollarize" their economies—which would fully enslave those nations to Wall Street and London's economic insanity, and function as the monetary side of Wall Street's intended Free Trade Area of the Americas. This is also meant to isolate Brazil, and force it into submission. But this dollarization drive in Ibero-America is akin to Napoleon's siege of Moscow, where an overextended aggressor ended up defeating himself with his own arrogant stupidity. Today, we are witnessing a world financial system crashing down around London and Wall Street's own ears; and countries which adopt the U.S. dollar as their currency, may shortly wish they had purchased toilet paper instead.

Much to the dismay of the British monarchy, LaRouche's MSIA has become a national rallying point in Brazil for opposition to such policies. As LaRouche noted in his Jan. 27 document, the MSIA's publications "have radiated throughout many of the leading channels of Brazil's influential state, scientific, and other strata, to the point, that many of those circles have reached the conclusion that WWF's policies are both largely false as to fact, and represent a clear and present threat to the welfare of Brazil as a sovereign nation."

LaRouche's article, "Look At What Happened in Brazil," was published in Vol. 28, No. 6 (Feb. 9, 2001) of *EIR;* the Spanish translation is featured in the upcoming, special double issue of *Resumen Ejecutivo de EIR,* Vol. 18, Nos. 3-4, to be released later this week. Both versions are available on *EIR*'s website, www.larouchepub.com and also on LaRouche's Presidential campaign website, www.larouchein2004.com.

British Monarchy Launches Trade War Against Brazil

by Silvia Palacios

The Canadian government launched a violent campaign of trade war against Brazil in early February, when it unexpectedly announced that it was prohibiting the import of Brazilian meat, supposedly as a "preventive" measure against bovine spongiform encephalopathy (BSE), otherwise known as "Mad Cow" disease. This was carried out despite the fact that Brazil had not a single instance of BSE, and is considered to have one of the safest cattle herds in the world. The United States and Mexico, Canada's partners in the North American Free Trade Agreement (NAFTA), immediately joined the Canadian action.

Three weeks later, Canada was forced to drop the embargo, given the overwhelming scientific evidence against it, and in the face of threats by the Fernando Henrique Cardoso government in Brazil that it would initiate trade retaliation.

Prior to this surprise move, Canada had lodged a formal complaint at the World Trade Organization (WTO), accusing Brazil of illegally subsidizing its Embraer aircraft firm, which competes with Canada's Bombardier company. Brazil is filing a counter-suit at the WTO, based on the fact that three Canadian government programs also subsidize Bombardier production.

Both of these cases are evidence that the Anglo-American power, enthroned in the government of President George W. Bush, will employ any and all means at its disposal to subject Brazil to a new intensified phase of insane globalism, including the imposition of a Free Trade Agreement of the Americas (FTAA) as its primary diplomatic initiative toward Ibero-America, an initiative whose failure or success could determine Brazil's future as either a sovereign nation-state or a colony of the Crown.

Canada, a member of the British Commonwealth, and whose head of state is Queen Elizabeth II, plays a central role in the Anglo-American power structure, and in these first skirmishes has played a "hard cop" role against Brazil. What is going on is an attempt to shatter the opposition that exists within the Brazilian governing elites, to continuing the so-called "economic opening."

Canadian Prime Minister Jean Chrétien's unexpectedly heavy hand, jolted all of Brazil. The Cardoso government responded in polarized fashion. On the one side, Finance Minister Pedro Malán, Central Bank President Arminio Fraga (a George Soros creature), and Foreign Affairs Minister Celso Lafer attempted to put out the fire by insisting that this was an easily resolved trade "controversy." This group's desperation was so great that Lafer imposed a gag rule on Brazilian diplomats. From that point on, no public statements on Brazilian foreign policy were permitted, without the express authorization of the Cabinet. The memo stated that any views differing from those of the top echelon of the Foreign Ministry, Itamaraty, would be censured. "Statements (articles in the press, interviews, texts for specialized publications, etc.) must, as a general rule, be limited to those situations where there is an institutional interest in the public presentation of principles or positions of Brazilian diplomacy," the memo stated.

Defend National Interests

On the other side, a more generalized reaction was that drastic actions in defense of the national interest had to be taken immediately. This was the view, for example, of Agriculture Minister Marcus Vinicius Pratini de Moraes, who said that, with this "Mad Cow" episode with Canada, "the FTAA is finished." Businessmen, cattlemen, merchants, unionists, congressmen, and, as the magazine *Istoe* ironically reported, "even President Fernando Henrique Cardoso, closed ranks against Canada." One indication of this nationalist ferment was a column in the Feb. 16 newspaper *Folha de São Paulo* by former President José Sarney. "The WTO was created to ensure those privileges, authorize the use of unjust truculence, without let-up. Brazil must explain this to its population with a firm voice. The episode is a foretaste of what FTAA will be. We should say that with these suspicious rules, we will not join. Does anyone think that the pressure to push up the date of the FTAA's implementation is designed to benefit Brazil? Is anyone so foolish as to think that the Canadian commission which will come here and eat filet, is scientific, and that it came to examine our cattle herd? It's all a charade to cover up the absurdity and the bad faith seen in this whole episode. We should not receive the delegation."

In such a heated environment, any error in calculation on the part of the financial oligarchy could rebound. As can be seen with Canada's trade warfare measure, the resistance that had already existed in Brazil against any policy that meant sacrificing the nation's sovereign development, is now more consolidated than ever, especially in areas where the country has achieved international importance, as in the case of aerospace, and in food production, specifically meat. Brazil has the third-largest commercial cattle herd in the world, and the largest one that is free of hoof and mouth disease.

Radical Changes Demanded

Operating under the perception that national interests will be adversely affected by unjust rules of international trade, Brazil put forth the idea last year at the Ibero-American Presidential summit held in Brasilia, of creating a South American bloc, to help accelerate the physical integration of the continent. In an interview with *Folha de São Paulo* on Dec. 31, then Foreign Affairs Minister Luis Felipe Lampreia stated, in assessing his term in office: "We sought to give due value to South America and our space. Ten years ago, we lived without taking notice of each other. In convoking the Presidential conference, Brazil emphasized a decade of rapprochement, and managed to galvanize actions that will lead to greater integration. Brazil is preparing to assume greater responsibilities."

At the same time, the reality of the disaster of globalization has strengthened a group within the Brazilian diplomatic corps that is demanding more radical actions. For example, in the aftermath of the episode with Canada, UN Conference on Trade and Development (UNCTAD) Secretary General and former minister Rubens Ricupero, a persistent critic of globalization, told the newspaper *Gazeta Mercantil:* "FTAA negotiations are intended to tighten still further" the WTO regulations, which are the basis for regional agreements. "What we are seeing now is going to be multiplied ten- or twentyfold."

Another exemplary case of the current which advocates a return to the principles of an independent foreign policy, is Ambassador Samuel Pinheiro Guimaraes, director of Itamaraty's Research Institute of International Affairs. Pinheiro Guimaraes was one of the first to publicly protest U.S. State Department dirty tricks, to make Chile its ally in anticipation of the FTAA. Itamaraty's "gag rule" was specifically directed at this ambassador, whose public position is that Brazil must not enter FTAA.

In an interview with the on-line e-magazine, *Global 21,* in January, Pinheiro Guimaraes presented the FTAA with a categorical "No." "Is it an irreversible process? No!" he said. "In politics and international law, no negotiating process in any forum, region, or organization must be considered irreversible. In the absence of pressure, the states conduct negotiations on the decision of their governments. Should it prove the case that the higher interests of Brazilian society advise not negotiating a free-trade area, one can and should say that Brazil's participation in this process should not occur" (see box).

In the same sense, Itamaraty has undertaken several discreet diplomatic actions with various regions of the world which symbolize its era of independent policy, especially nations of Southeast Asia and the Middle East. In late January, for example, President Cardoso undertook a state visit to South Korea, East Timor, and Indonesia. The government has also already announced that it will establish diplomatic relations with North Korea.

In early December 2000, for the first time in 15 years, Brazil abstained during a United Nations plenary vote condemning Iran's human rights policy. In October 2000, in a gesture that has not been seen since 1984, Libyan Gen. Mustafa al-Kharoubi was permitted to visit Brazil in search of a trade agreement.

'Escape from the Periphery'

Five Hundred Years of Periphery is the title of a book by Ambassador Samuel Pinheiro Guimaraes, released in 1999 by the Universidad Federal de Rio Grande so Sul publishing house. It is a concise treatment of the unjust mechanisms of world power that have blocked countries like Brazil, dubbed "the great peripheral states," from developing to the levels of the industrial powers. The book is also a strong defense of the sovereign nation-state, of its institutions such as the Armed Forces, and of its aspiration to control and deploy "point technologies."

Among the most striking aspects of the book are the severe criticisms of globalization. Scrutinizing the consequences that the FTAA would bring with it, the author writes: "Brazil will become the greatest and most defenseless peripheral state, . . . as the FTAA and pact with the European Union would drastically reduce its legal opportunities to use the mechanisms of industrial, technological, and trade policy to accelerate the internal accumulation of capital, so necessary to increasing the productivity of production and of the income of its growing population." Among the disastrous consequences of FTAA, the author foresees "dollarization."

In the appendix, the author reveals that two events proved crucial in helping Brazil to reflect on the change in direction it needs to undertake, if it is to consummate its aspirations as a nation. One was the exchange crisis of its currency, the real, in January 1999; the second was the United States' first attack on Yugoslavia in March 1999.

On the non-governmental organizations, he writes, "The fact is that the state was and will continue to be the primary actor in the international system. Non-governmental organizations have no legitimacy, nor representation, nor power to exercise the typical functions of the state: legislate, execute, annul, and punish. Nor do the multinational corporations possess such attributes, either in isolation or as a group." So-called sustainable development is best catalogued as a new construct, argues the author, which generates "an anti-industrial prejudice among the peripheral states."*—Silvia Palacios*

Letter to the Editor

In Defense of Lafayette

I disagree strongly with the criticism of Lafayette, in Pierre Beaudry's article on Bailly and the French Revolution ["Jean Sylvain Bailly: The French Revolution's Benjamin Franklin," *EIR,* Jan. 26, 2001]. Clearly, Lafayette was right to try to leave France, whose revolution had gone to the dogs. Had he made it to America, he might have done much more for France than Bailly accomplished by stubbornly remaining in France. Had Bailly the benefit of revolutionary experience, as Lafayette did, it might have been more clear to him, that the right thing to do was to flee Robespierre, and continue the fight from the United States. I think Schiller would agree.

Dave Paulson
Leesburg, Virginia

The Author Replies

The point you are touching on, concerning Lafayette's desertion of the French Revolution, is an important one. The point is that there exists a crucial difference between the royalism of Lafayette and the royalism of Bailly, when both were confronted with the overriding commitment to the nation. The issue is the *sublime,* as it was understood by Schiller.

Indeed, on the one hand, Lafayette chose to abandon the revolution, based on a principle that he defended bitterly all his life, and about which he was tragically divided. In the circumstance where Paris had come under the control of the British-led terrorists, Lafayette's refusal to swear to the oath of the Jacobins was quite reasonable, and his decision was the right one. However, the flaw appeared in what was not there. Lafayette was not happy with himself. This division in him is what is most telling. As he wrote to his wife, Adrienne, on Aug. 21, 1792: "You know that my heart would have been republican, if my reason had not given me a nuance of royalism, and if my fidelity to my oaths, and to the nation's will, had not made me the defender of the King's constitutional rights; but the less others dared to resist, the louder I spoke, and I became the object of all their attacks. The mathematical demonstration that I could no longer usefully resist crime, has forced me to remove myself from a struggle in which it was obvious that I would perish fruitlessly." True, Lafayette estimated that his death would be worthless, and would in no way serve the cause of the revolution.

As for Bailly, on the other hand, he did refuse to exile himself and leave for America, as was proposed to him by Charles Marquis de Cassaux. Bailly's decision to refuse Cassaux's proposition was based on a different principle, and his reaction was quite different from that of Lafayette: "From the day that I became a public official, my fate had become irrevocably united with that of France; never will I quit my post in the moment of danger. Under any circumstances my country may depend on my devotion. Whatever may happen, I shall stay." He was found guilty, and was executed on Nov. 12, 1793. After his condemnation, Bailly gave a final insight into the nature of his principles, when he said: "I die for the sitting of the Tennis Court [the founding of the National Assembly], and not for the fatal day of the Champs de Mars."

As you can see, one principle leads to tragegy, the other elevates to the sublime of heroism.

Pierre Beaudry

Correction

FIGURE 1
Opening of fourth movement of Brahms' Symphony No. 4

We reprint here the graphic used in last week's issue with David Shavin's article, "The Learned Academic Meets the Scientific Musician," which was a review of *Johann Sebastian Bach: The Learned Musician,* by Christoph Wolff. The grahpic was garbled, due to a printer's error. As Wolff points out, the theme of the Finale of Brahms's Fourth Symphony was based on Bach's passacaglia "Meine Tage," from BWV 150.

SDI UNDER RECONSIDERATION:

War as Peace By Other Means

by Lyndon H. LaRouche, Jr.

March 3, 2001

A German press report of a March 1, 2001 statement by Chancellor Gerhard Schröder, on cooperation with Russia in development of ballistic missile defense, takes us back, once again, to the core of what now appears to be that still unquenchable, original SDI proposal, that which I made during February 1982-February 1983, then both publicly, and in my back-channel discussions of that period with the Soviet government.[1] The Chancellor's remarks echo that 1982-83 proffer of scientific cooperation between the U.S.A. and Moscow, which President Ronald Reagan announced in his famous televised address of March 23, 1983.

Recently, the Chancellor has made several references to the recently revived, separate proposals, from Russia and from the U.S. Bush administration, for a limited revival of SDI. The especially significant feature of his own remarks on this occasion, was his reference to the way in which the development of "beam weapons" would foster much-needed technological advances within the civilian sector of economies. Two implications of his remarks have potentially crucial significance. First, that the Chancellor was using language which points to what the 1972 ABM treaty identified as defense systems based on "new physical principles."[2] Second, the importance of using those "new physical principles" technologies as a needed stimulant of the economies of the cooperating nations.

Given the general temperament and internal complexities of the new U.S. Bush

1. Lyndon H. LaRouche, Jr., "SDI Revisited: In Defense of Strategy," ***21st Century Science & Technology,*** Summer 2000, Vol. 13, No. 2.

2. The miserable performance of "kinetic weapons" methods for intercepting even lumbering, almost antique Scuds, during "Desert Storm," should have sunk forever the late Lt.-Gen. (ret.) Daniel Graham's fanatical hostility to "new physical principles." Still today, as then, strategic ballistic missile defense begins at the platform-level of "electro-magnetic pulse" effects.

German Defense Minister Rudolf Scharping meets with U.S. Defense Secretary Donald Rumsfeld at the Pentagon, March 11.

administration, current discussions of both U.S. relations with Russia, and U.S. reactions to Germany's relations with Russia, are sticky matters. The important differences between U.S. Defense Secretary Donald Rumsfeld's remarks on the subject, at the recent Wehrkunde meeting, and the counterproposal from Russia's President Vladimir Putin, are only typical of this. The most interesting feature of the discussion so far, is that the initiative for a qualified revival of President Reagan's March 1983 SDI proffer, has come from President Putin. *Putin's initiative represents a qualitative change, of profound strategic implications, in the case for strategic defense.* Chancellor Schröder's March 1 remarks on that matter, echoing the fact of the Putin offer, show that the Chancellor has been well briefed by circles in Germany long familiar with my own work on the original design for the SDI proposal.

Outstanding among the several, outstanding technical difficulties of all current proposals for ballistic missile defense, is the fact that the economies of the U.S.A., Germany, and Russia have come a disastrous long way down, from the levels of relative technological capabilities which still existed in 1982-83. However, notably, some progress has been made in perfecting some systems of the kinds which I specified during the late 1980s. Programs such as directed-energy-beam types of weapons systems, which I emphasized, back during the late 1970s and early 1980s, and, also, their role in deployment of "over the horizon" systems, on which I had focussed during the middle to late 1980s, are becoming standard. Such scattered bright spots aside, today's economies are a sorry techno-

Germany Revisits the SDI

"First, we must discuss such a project [nuclear missile defense] with the allies, but also with Russia and China," stated German Chancellor Gerhard Schröder on March 1, in an interview with the *Stuttgarter Zeitung*. In another interview the previous day, on German television's news channel N24, Schröder had stressed the "pre-eminent economic interest" which Germany has in the development of the new technologies for missile defense, what are called more precisely "new physical principles" in the text of the 1972 Anti-Ballistic Missile (ABM) Treaty.

"This implies that we potentially co-design technologies that are developed, this also, in material terms, outside NATO—so that we are not closed off from that technology and the know-how of that technology. . . . What we want is a share in the technology."

Schröder added that the "debate about national missile defense in Germany has, in my opinion, not been conducted as it should have been"—that Germany's interest lies neither in "saber-rattling" nor in "calling national missile defense a devil's tool."

logical wreck, compared to those of one to two decades ago.

Unfortunately, crucial aerospace capabilities, that of the 1980s, Germany's MBB, for example, no longer exist. The spread of the epidemic of so-called "benchmarking," has destroyed much of the competence, in all categories of engineering, which still existed two decades earlier. Irreplaceable veteran scientists, and senior military figures, from various countries, such as Chicago's Professor Robert Moon, who contributed key elements to my own efforts, for example, have died, or gone "on the shelf," during the course of the recent two decades. Much of what we could have put together as a team twenty years ago, could not be replicated now in less than a generation.

The fact that NMD, as recently described by some Bush-related U.S. circles, is largely a hoax, does not mean that concepts underlying my earlier approach to SDI are technologically, or otherwise, a "dead letter." During the recent eighteen years, some of our troublesome engineering objectives then, such as efficiently focussing directed-energy beams for penetrating the atmosphere, are reported to be off-the-shelf capabilities today. The issue of electro-magnetic-pulse effects and the methods of their delivery, to which I shall refer, in due course, here, remains a principal, if ironically submerged priority in today's strategic options. For any scientist who has grasped the relevant implications of biogeochemist Vladimir Vernadsky's revolutionary conception of the Earth's noösphere, there are also ways, still beyond the imagination of most, by aid of which an effective deterrent capability can be developed and deployed.[3] Even under greatly reduced circumstances, cultured people who really use their heads, are capable of producing possibilities which often astonish other people.

The catastrophic misconduct of the recent NATO war against Yugoslavia, should remind us of the danger in providing today's governments with what pass for new weapons-systems. Similarly, as the experience of the Indo-China war should have demonstrated, and also the long-standing, homicidal lunacy of the Middle East conflict: most existing governments, especially on the NATO side, seem to have no consistently competent insight into the objectives for which weapons ought to be used. Often, the minds of those passing themselves off as strategic advisors to governments today, appear to be suffering from effects of critical overload, and even possibly "burn out," in their exposure to the kind of fantasy-life illustrated by today's TV violence.

However, any discussion of the implications of this currently revived discussion of a strategic ballistic missile defense crisis, must tend to be self-degraded into the nonsense which prevails in leading Anglo-American and related circles today, until the deeper, axiomatic reasons for that state of confusion are identified. The crisis in strategic policy-shaping today can not be understood, until we first identify the existence of two, absolutely irreconcilable, opposing definitions of what the term "strategy" ought to mean.

1. Two Notions of Strategy

In particular, we must recognize, that the tragic incompetence of recent trends in most U.S. strategic thinking, is reflected in the hopelessness of those global economic and related policies which the Blair government, and the current Bush administration, for example, have adopted as the basis for their choices of strategic objectives. The relevant delusion I am attacking here, is the implied assumption, that there is but one definition of the meaning and objectives of strategy; whereas, in fact, in today's world at large, there are two, axiomatically distinct and mutually opposite definitions of even the mere term itself. There exist, predominantly, two absolutely irreconcilable notions of the objectives and methods of even military strategy as such. Until that confusion over even essential definitions is recognized, the presently prevailing tendency to wild-eyed blither and blather will dominate the issues of making and avoiding war.

The essential causes of that persisting confusion are of two general types.

Firstly, only three national cultures of today possess the sense of having world power within their reach. These are the British monarchy, the United States, and Russia. Russia has, indeed, come upon hard times, but its culture retains the impulse of a power with the authority to demand that its views be brought to the table at which the fate of the world as a whole might be decided. Thus, the distinction between those three nations, and others, is that they are capable of thinking of strategy from above, while the others tend to seek to negotiate their fate, either as if from the sidelines, or below.[4]

The second type of issue, is that of the choice between two social models. The one, is the model of the modern sovereign nation-state republic, on which the U.S. was founded. The second, is the British imperial model, a model premised ultimately, and by conscious choice of intention, on the ancient oligarchical model of Babylon and pagan Rome, and more proximately, the Venetian financier oligarchy's imperial maritime power of the period from the Second Crusade into the

3. ***21st Century Science & Technology,*** Winter 2000-2001, Vol. 13, No. 1. All the original proposal for what came to be known as "SDI" was my own personal undertaking; my chief collaboration in developing the technical side of the proposal was done through the channels of a scientific association which I had led in founding during the mid-1970s, the Fusion Energy Foundation (FEF). The original impetus for the founding of that association came in the form of a letter which I wrote to my associates during Spring 1973, in which I defined the leading task of science to be subsuming Vernadsky's conception of the noösphere under my own discoveries, incorporating certain crucial features of the work of Bernhard Riemann, in the science of physical economy.

4. See my address prepared for delivery in Berlin, on March 5, 2001 (in ***EIR,*** March 16, 2001, Vol. 28, No. 11).

A collaborative SDI, based on "new physical principles." Lyndon LaRouche addressed this major Milan seminar on electromagnetic-effect weapons, Dec. 1, 1987. LaRouche is flanked by Prof. Bruno Brandimarte, Gen. Carlo Li Gobbi (ret.), Marco Fanini of EIR, *and Jonathan Tennenbaum, of Germany's Fusion Energy Forum.*

late Seventeenth Century.

The systemic strategic objective of the American intellectual tradition, is the establishment of a community of principle among respectively sovereign nation-state republics. The strategic objective of the British monarchy's and its Commonwealth's oligarchical model, is an echo of the traditions of the oligarchical models of old Babylon, of the Delphi cult of the Pythian Apollo, and of ancient Rome and Byzantium. The British monarchy, taking the imperial maritime power of Venice at its height, as the model of reference, relies upon the use of blended instrumentalities of guile and force, to manage both the internal and external affairs of its empire, to the purpose of establishing and maintaining its global hegemony within the world at large.

Meanwhile, the world's greatest professional fools, believe that the British monarchy is, at its worst, the lesser evil, relative to U.S. power.

On this account, since the crushing of Germany in two world wars, the global context for the choices of definitions of strategy, has been the question, whether the U.S.A. will seek to work with the pivotal role potentially played in continental Eurasia, by Russia, to check that opposition to the American intellectual tradition which the British monarchy continues to represent, or whether the U.S. will degrade itself to being a virtual member of the British Commonwealth, and thus merely the chief bully-boy of an Anglo-American, neo-Roman imperium.

Notably, from the beginning of our nation's struggle for independence, our patriotic tradition, while seeking to bring into being a community of principle among sovereign nation-states of the Americas, has focussed upon continental Eurasia as the prospective location of leading, powerful partners for the emergence of a more or less global, anti-British community of principle, that among nations which were in the process of emulating the American System of political economy, in opposition to what President Franklin Roosevelt denounced and abhorred as "British Eighteenth-Century methods."

With the exception of friends such as Lafayette and the legacy of Lazare Carnot, France was the enemy of the U.S.A. for most of the interval from July 14, 1789 through the fall of Napoleon III. A happier state of relations emerged under the France of Thiers, President Sadi Carnot, and Gabriel Hanotaux, but the emergence of the *Entente Cordiale* brought the combined anti-republican sweepings from among the legitimists, Bonapartists, and neo-Jacobins into power as a British asset. Throughout most of the Nineteenth Century, the German Classical tradition and the legacy of Czar Alexander II, Mendeleyev, and Count Sergei Witte, was a more consistent prospective ally and partner of the U.S. aim to establish a community-of-principle relationship to continental Eurasia. Franklin Roosevelt's intention to use U.S post-war collaboration with Russia and China, as the counterfoil to the British monarchy's imperial policies, typifies a long-standing strategic tradition among the leading republican patriots of the United States.

There are, otherwise, two principal complications in the conduct of strategic policy-shaping. The most essential complication, is the fact that the republican and oligarchical models of society are ultimately, incurably, mortal foes. The second complication, demonstrated early in modern times by the political fates of Leonardo da Vinci and Niccolò Macchiavelli, is that the defense of the institution of the modern sovereign form of nation-state, was compelled, then as now, to reckon with the mixed and corrupt character of both principal powers of that time, and the brutish susceptibilities of the common folk, such as our own contemporary American Yahoos, which were used, chiefly, as mere instruments of oligarchical policy.

Thus, as Macchiavelli argues, republican leaders, whether in war or otherwise, were, then as now, usually compelled to resort to what shallow-minded observers derived as "unprincipled" strategies and tactics. The strategist-statesman was obliged, as the experiences of Leonardo and Macchiavelli typify this, to adopt opportunities for expression of principles, often incurring the liabilities inhering in such temporary alliances and circumstances. They used the political, social, and military flanking opportunities at their disposal, in their efforts to realize what are otherwise clearly principled means and objectives. The march upon an adversary's flank may take one through an awful swamp.

Once the foregoing categorical considerations have been assimilated, many of what otherwise appear to be mystifying complexities of strategic practice, fall into place. It is from this vantage-point, that the strategic implications of a ballistic missile defense, premised upon "new physical principles," depend. Review of a number of related topics will help to clarify the implications of the discussions between such figures as President Putin and Chancellor Schröder.

Begin with the ironical case of Clausewitz.

On Clausewitz

It was the hard-won lesson of the 1648 Treaty of Westphalia, that, if modern society were to continue to exist, the purpose of modern warfare must be the securing of an inherently durable form of peace.[5] That objective compels prudent statesmen and warriors to think of the conduct of necessary warfare in terms of defining what might be described as "systems of peace." Only idiots, bi-polar brutes, or worse, think that the objective of war is either to kill everyone one dislikes, or to subjugate them to such brutalities that they will become sheepish victims of the Tavistock Institute's perverted doctrine of application of "aversive behavioral modification" to threat and prosecution of warfare. If we desire durable peace on our planet, such brutish minds as those should not be allowed to touch the shaping of the issues of strategy.

Macchiavelli addressed this matter; the revolution in statecraft,[6] which occurred beginning the Fifteenth-Century Renaissance, has changed the meaning of strategy fundamentally, away from that of ancient and medieval times. Although much is to be learned from mankind's earlier experience in ancient and medieval warfare, especially Alexander the Great's victory over the Babylonian model, any competent modern strategy must be defined within the historically specific context of the new modern age, the age of the sovereign nation-state.

Great modern commanders, such as Vauban, Lazare Carnot, and Count Wilhelm Schaumburg-Lippe's protégé, Gerhard Scharnhorst, have understood, taught, and exemplified this principle of *strategic defense*.[7] General Douglas MacArthur's conduct of the war in the Pacific, unlike the contrary policies and practices of some of his rivals and critics, illustrates the critical role of sound strategy for peace. The strategy for the defense of Russia against Napoleon's imperial army, as adopted by Czar Alexander I on the advice of his Prussian advisors, and the Soviet resort to a similar defensive strategy against the similar Nazi invasion, are examples of this principle of strategic defense to modern warfare. The Franklin Roosevelt-led role of the U.S.A. in a similar strategic defense of European civilization against Hitler and his allies, during World War II, illustrates the same principle.

For example, one of the leading lights of the American intellectual tradition, John Quincy Adams, crafted a design for the long-term defense of the Americas against forces such as the British monarchy and Metternich's Holy Alliance. Adams referred to that as "a community of principle." Adams' policy is a model of thinking about strategic defense, still today. The kernel of a policy of strategic defense, is to be found in the object of, first, defining, and then achieving a durable peace. From that historical vantage-point, and contrary to post-Carlsbad Decrees Clausewitz's pro-Romantic inversion of Scharnhorst's doctrine, *warfare becomes peace achieved by other means*.

To recognize the distinction I have just made, look at the crucial difference between the character of the Germany led by great Classical reformers such as Scharnhorst, and the predominantly Romantic, post-Vienna-Congress Germany, of Hegel's state philosophy and the repressive, oligarchical style in political order defined by the Carlsbad Decrees.

The great Prussian reformers, typified by such friends and followers of poet, historian, philosopher, and dramatist Friedrich Schiller, as Wilhelm von Humboldt, were representatives of the late-Eighteenth-Century German Classic, which had been set into motion by such avowed followers of Gottfried Leibniz and Johann Sebastian Bach as Abraham Kästner, Gotthold Lessing, and Moses Mendelssohn. It was, notably, the friend and collaborator of Schaumburg-Lippe, Mendelssohn, who crafted the program used for the military education of Scharnhorst. These leading Prussian reformers

5. LaRouche, op. cit., passim.

6. Niccolò Machiavelli, "The Prince" (written 1513, first published 1532); and "The Discourses on the First Ten Books of Titus Livius" (written 1513-1517, first published 1531); in Peter Bondanella and Mark Musa, ed. and trans., ***The Portable Machiavelli*** (New York: Viking Penguin Books, 1979).

7. Vauban's design of the fortified position at Neuf Breisach typifies the way in which Vauban defeated the threatened attack from the Habsburg forces, without needing to fire a shot, as does Lazare Carnot's design which scared the allies into giving up the intent to dismember post-Napoleon France.

were in the same spirit as the American Revolution which had inspired many among them. Even those Prussian reformers who defended the Prussian monarchy as an institution, aimed to establish the Classical form of the same republican philosophy underlying the Preamble of our own Declaration of Independence and Constitution.

In the aftermath of that Vienna Congress which was an avowed adversary of the United States, the anti-Classical, Romantic school of state philosopher Hegel, Prince Metternich, and the tyrannical Carlsbad Decrees, dominated the circles of the Prussian court into which Clausewitz was assimilated during that time. Consequently, Clausewitz's work during the post-Vienna Congress period, echoed, as a taint, the characteristically Romantic features imposed, top-down, by the character of the monarchy of that period.

To appreciate the comparison, think of the difference between those West Point graduates of the European Classical tradition, who defended the Union, as defined by President Lincoln's Gettysburg Address, and those others, those Romantics who were either Confederates, who defended slaveholder society as a matter of principle, or, like the dubious General McClellan, were intent upon the British monarchy's policy of that time, a peace treaty which would fragment the United States into a set of perpetually quarreling, blood-soaked baronies.

Just so, under the growing influence of what became known as Richard Nixon's "Southern Strategy" of 1966-1968, there has been a corresponding process of moral erosion in the prevailing military and related policies of our United States. For some professional officers who have strayed into the camp of the "Southern Strategy," the mere, poorly comprehended text of Clausewitz's posthumously published ***On War,*** has been adopted as the watch-word for immoral practices which the Clausewitz of Scharnhorst's lifetime would probably have abhorred.

The traditional military policy of the U.S., was rooted, like the policies of strategic defense of Vauban and his great follower Lazare Carnot, in scientific and engineering training. The West Point graduates under Thayer, such as Benjamin Franklin's great-grandson Alexander Dallas Bache, were nation-builders rooted in engineering. The contrasted trend, by official post-MacArthur U.S. strategic doctrines, into the increasing decadence of a post-modernist variety of Romanticism, from the Indo-China war and related other developments of the recent thirty-five years, has been a degeneration coherent with the Nixon "Southern Strategy's" political-financial carpetbagger's transformation of the formerly great agro-industrial power of the nation into the rotting national "rust belt" of today.

The principle is: *Strategic policy will tend to express the character of the society it serves. It must tend, therefore, to express either the correspondingly real, or delusory character of the type of peace it aims to bring into being.*

The United States was brought into being by a European Classical tradition, typified by the influence of Leibniz upon the shaping of the Eighteenth-Century American intellectual tradition. Today, that United States is being plunged into the pits of neo-Confederacy forms of decadence, a condition reflecting that decadence in the way its strategic policies and military doctrines have devolved in the wake of the 1989-1991 collapse of the Soviet system's role as that strategic adversary of reference. While the Soviet Union existed as a relevant potential adversary, its existence kept U.S. strategic thinking within the bounds of as much a sense of reality as the conditions of the post-MacArthur era absolutely demanded. With the 1989-1990 collapse of Soviet power, undiluted strategic lunacy took over the madly triumphant Anglo-American alliance.

Warfare as peace achieved by other means, was the basis for my 1977-1983 work in crafting what became the basis for the March 1983 SDI proffer to the Soviet government. *One must use the actual, or potential catastrophes arising in the form of actual or threatened deadly conflict, as a source of creative political energy for developing a just and durable approach to peace.*

However, "peace" does not mean simply the absence of conflict. There is no possibility for peace inhering in the nature of known forms of society existing prior to the Fifteenth-Century European Renaissance's introduction of the principle of a modern sovereign form of nation-state based upon the principle of the general welfare. Every other presently existing form of society is inherently, either engaged in war, or on a course leading toward future wars.

When we, today, speak of peace as a strategic objective, rather than merely an absence of currently ongoing warfare, we either mean the kind of peace defined by a community of principle among sovereign nation-states, or we are babbling nonsense, intentionally, or otherwise. The cases of today's support for, and opposition to Franklin Roosevelt's war-time policy, illustrates the point.

At the Close of World War II

There are certain complexities in President Franklin Roosevelt's expressed policies and prejudices. I do not claim that I support all among Roosevelt's impulses. However, there are certain leading features of his strategic policy which do enjoy either my support or my sympathy. Other considerations put to one side, those features are a valid contribution to the conception of peace-seeking then, and now, contributions whose merit outlives any contrary features of his policies during that time.

As President Franklin Roosevelt forewarned Prime Minister Winston Churchill, it was the President's intention to use the occasion of the close of the war, to bring to an end both the world's colonial systems, and also the rule of economic affairs among nations by those "British Eighteenth-Century methods" associated with the doctrine of Adam Smith. With Roosevelt's untimely death, the new Administration adopted

This banner, raised outside the 1993 Seattle summit at which a Russian proposal for collaboration on SDI technologies was given to President Clinton, was immediately broadcast in Russian national TV coverage of the summit.

Churchill's post-war perspectives, not those of President Roosevelt. We had won the war, but, to a large degree, under Truman, we had lost a greater, more durable part of what should have been the peace.

Had the power of the United States been used in the manner implicit in Roosevelt's stated intention, the United States would not have committed the militarily unnecessary nuclear attacks on the civilian populations of Japan's Hiroshima and Nagasaki; and efforts like those merely typified by the Marshall Plan, would have resulted in a full-scale expansion of the agro-industrial potential of the U.S.A., that, to the purpose of building up the economies of the states newly liberated, by U.S. post-war might, from the tyrannies of Portuguese, Dutch, British, and French colonialism.

To locate the historically crucial strategic importance of the Truman administration's adoption of an anti-Roosevelt, British strategic policy, look back to the internal U.S. political ironies associated with the transition into the wars of 1939-1945.

Throughout most of the 1930s, the neo-Confederate tradition of the Theodore Roosevelt, Woodrow Wilson, and Calvin Coolidge Presidencies, remained stoutly embedded in the majority of the U.S. Supreme Court, echoing the Taney Court of the 1850s, and prefiguring the Rehnquist-Scalia-Thomas, neo-Confederate majority of today. The American Tory alliance of Aaron Burr's and Martin van Buren's Wall Street "shareholders" with the legacy of the Confederacy's slaveholders, has been the persisting curse of the U.S.'s internal life, since virtually the founding of our Federal republic. The issue, then, as now, was Roosevelt's defense of the Constitution's most fundamental principle, "the general welfare clause," against the forces, including a Federal Court majority, which sought to nullify that central principle of our constitutional law.

It was only as the U.S.A. was being mobilized, for a second time, to support the Anglo-French *Entente Cordiale* in a new world war against London's early 1930s creation, the Nazi regime in Germany,[8] that Roosevelt was able to impose his 1936-1939 economic recovery and related policies with almost full effectiveness even in many matters of domestic policy. In this circumstance, a large ration of the Wall Street and related Establishment Anglophiles, the so-called Wall Street British-American-Canadian (BAC) establishment which had been built up around Teddy Roosevelt and Woodrow Wilson, gave Roosevelt the degree of support for the 1940-1945 war-time mobilization, which they had chiefly opposed, and even attempted to ruin in the President's peacetime efforts to the same social and economic goals.

As the U.S. moved toward the post-war period, the ques-

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8. It was Britain's one-time head of the Bank of England who, in concert with his partners, including the grandfather, Prescott Bush, of the current U.S. President, put Adolf Hitler into absolute power in Germany during the 1933-1934 interval. Originally, the British, who organized the "America First!" movement in the U.S., intended to keep the U.S. out of the coming war with Hitler. Their intention had been, that Hitler would deplete Germany by a deep invasion of the Soviet Union, and that British and French forces would then, while the German forces were so engaged, fall upon Germany's western flank. In this way, London intended to avoid the contingency of U.S. emergence as the dominant post-war power in Europe. It was when London realized that Hitler would strike a détente with the Soviet Union, in order to secure his rear for an attack upon France, that the British howled for help from the U.S., dumping the putatively pro-Nazi Edward VIII as a way of securing the U.S. alliance. The Bush family circles are richly encumbered with the legacy of those U.S. Anglophile interests which were involved in 1930s support of Hitler.

tion, "What would the post-war U.S. destiny be," depended upon Franklin Roosevelt's ability to carry through his post-war "American Century" policy, despite the Anglophile interests represented within the BAC establishment and behind Vice-President Harry S Truman. The continuation of Roosevelt's policy, depended upon his ability to extend the principle of the general welfare to the post-war world at large. Only if the war-time economic mobilization could be rapidly reoriented, without significant interruption, into building a world order based upon the same general-welfare principle, could the legacy of the American System of political-economy be efficiently upheld even inside the post-war U.S.A. itself. The take-down of the colonial system, in favor of independent nation-states participating in their own, U.S.-assisted, "New Deal"-like economic and social development, especially in basic economic infrastructure and productive technology, was the perspective upon which the U.S.'s actual achievement of a durable post-war peace depended.

In short, the strategic perspective of the U.S., since the 1776 Declaration of Independence, to the present day, has depended upon the projection of the principle of the general welfare, as a doctrine of international law, a doctrine of law enforced by a community of sovereign nation-states committed to that principle of their internal affairs and mutual relations. This was crucial for John Quincy Adams' and Abraham Lincoln's perspective for the sovereign states of the Americas, in their time. Since the change in the world's affairs brought about by the U.S. military and economic successes of 1861-1876, this notion of a community of principle, has been an essential, indispensable strategic outlook for U.S. global policy of practice. Every serious error in our foreign policy and strategy, has been the fruit of either simply the neglect, or even outright violation of that principle.

The great issue of all human historical existence to date, has been the conflict inhering into two mutually exclusive notions of mankind. These are reflected as the contrast between the *oligarchical model* which modern European civilization has inherited from pagan Rome and medieval Venice, and the *republican model* of statecraft, of each man and woman as made equally in the image of the Creator, first brought into existence during the course of Europe's Fifteenth-Century Renaissance. The principle known variously as the *general welfare,* or *the common good,* underlying the sovereign form of nation-state, such as the constitutional form brought into relative perfection by the efforts of President Abraham Lincoln, is the line of division separating the two opposing conceptions of man and society.

Relative to oligarchical society, the republican "model" is inherently not only revolutionary, but insolently so. The task of the republican is to see that the individual person is uplifted from that state of personal moral degradation of the population which inheres in the legal and cultural tradition of ancient Rome, and that morally degrading modern empiricist and positivist liberalism which is typified by the doctrines of Thomas Hobbes, Bernard Mandeville, the Physiocrats, Adam Smith, and Jeremy Bentham. The conception of man as naturally endowed with the redeemable potential for goodness, and of society as obliged to serve the general welfare on that account, means the destruction of all oligarchical models of statecraft.

The evocation of that Classical-humanist self-image of the individual member of society,[9] is the essence of the revolution, and the cornerstone of republican strategy. It is as that power implicitly defines the nature of the individual personality for that individual, that the individual so inspired will work to promote and to defend the society and government which represents that image of man. This relationship of state and society to all of the members of society is expressed as the principle of the general welfare.

Thus, if the principle of the general welfare is expressed in the liberation of a people from oligarchical subjugation, such as the people of the British Empire and Commonwealth, and if that act of liberation is expressed efficiently in the practice of the consequently emerging state, the people will tend to adopt the self-image which is consistent with that practiced notion of the general welfare. Such was the great attraction of the United States for emigrants from Nineteenth-Century Europe, for example.

When President Truman's government betrayed the principle on which the U.S. and its law rested, by fostering the post-war subjugation of the victims of Portuguese, Dutch, British, and French colonialism, and when a comparable, pro-oligarchical, reactionary attitude was fostered in the U.S.A. itself during those immediate post-war years, the U.S. lost much of the moral authority it had built up under Franklin Roosevelt's Presidency, despite the efforts to offset this, later, by the Kennedy Presidency and President Johnson's courageous actions on behalf of civil rights.

The revolutionary character of the republican form of constitutional law, can not be separated from those notions of truth and justice set forth systematically in Plato's dialogues. The notion of the human individual as naturally endowed with redeemable goodness, can not be separated from the notion of justice, and the notion of justice can not be separated from a standard of truth, based upon reason, in contrast to falseness of mere opinions.

No example of this distinction is more efficient than the fact, that the most degraded moral tradition of tyranny in European history is that traceable to the culture of pagan Rome, centered upon the bestialization of the general popula-

9. Essentially, "Classical humanist" signifies the Mosaic view of the Classical Greek image of man, that associated with Plato, and with the Gospel of John and Epistles of Paul. As Philo Judaeus' work shows, and, most emphatically, the work and influence of Moses Mendelssohn, "Classical humanist" is the generic, ecumenical name for the Mosaic heritage common to Judaism, Christianity, and Islam. This generic term, situated within the framework of law-making of Plato, also signifies a principle of a body of universal *natural law* derived from this conception of the special nature of man.

tion by the cult of rampant irrationalism known as the *vox populi,* expressed as mass-spectator sports (thumbs up, thumbs down) by the shrieking mobs of the Roman arena: or "popular opinion."[10] Perhaps nothing better expresses that irony of "popular opinion," than the French Jacobin terror of 1789-1794, and of the first modern fascist state, that which Napoleon Bonaparte based upon the model of Caesar and Roman law, which was spawned as the aftermath of the Jacobin Terror.

The kernel of the practical issue here, is located in the fact, that all known society existing outside the bounds of the adoption of the principle of the general welfare as supreme law, is, by its nature, a predatory form of society. Like the condition of the lower eighty percentile of U.S. family households under the reign of the legacy of Nixon's Southern Strategy today, a society premised upon a principle of "shareholder value," is an oligarchical society, in which a ruling oligarchy, aided by its associated armed and other lackeys, preys upon the majority of even its own population as virtual human cattle.

Consequently, in an oligarchical society, such as that which the legacy of Nixon's Southern Strategy has installed in the U.S. Supreme Court majority today, there neither is, nor could be any lasting form of peace outside the cemetery. In any oligarchical society, mortal conflict of the sort most suitably expressed as endlessly recurring warfare is the inevitably endemic, or even epidemic state of affairs. Under the bloody brutishness of the state of perpetual homicide known as *Pax Romana,* or the Babylonian and Achaemenid tyrannies earlier, like the British Empire of Queen Elizabeth II today, there is no durable peace. For oligarchical society, a perpetual state of either active warfare or preparations for warfare, is the state of affairs inhering in the oligarchical principle itself.

Although many good things were done by the U.S. during the 1945-1965 interval, and a diminishing few even later, we as a nation have never yet recovered morally or otherwise from the self-inflicted wounds struck in the immediate months and years following the most untimely death of President Franklin Roosevelt.

In summary, the natural strategic perspective of the U.S.A. as the constitutional republic it was founded to become, is an orientation toward bringing into being a hegemonic combination of perfectly sovereign nation-states, each and all committed to fostering the benefits of the principle of the general welfare for each and all.

Insofar as a war must be fought, or anticipated, any strategic objective of the U.S. must be in the same spirit as General MacArthur's patriotic U.S. policy for the Pacific War. *The objective, is to bring about the conditions under which the relevant, formerly warring nations, will prefer a community of principle based upon the general welfare, rather than the feudal, or quasi-feudal traditions of cabinet warfare, or the worse traditions of all ancient and modern colonial systems and empires.*

By "peace," I do not mean the submission of the slave to his imposed condition as virtual human cattle. *By "peace," I mean the termination of politically motivated killing of persons as a method of establishing, or enforcing the power to rule. By "peace," I mean the willing consent of the governed to the assurance of their vital self-interest in enjoying the protection of the principle of the general welfare, the common good.*

The Roots of British Rule

Over the course of more than a century, the underlying global characteristic of conflict on this planet has been the effort of the British monarchy to eradicate the institution of the sovereign nation-state, in favor of an imperial form of world government under a rule of law coherent with the nature of the British monarchy itself. All globally significant or related warfare has been either directly authored on behalf of the monarchy, or has been a consequence of the methods used in its efforts to impose and sustain its hegemony.

Until the 1901 assassination of U.S. President William McKinley, the U.S.'s American System of political-economy was actively the world's leading adversary to the British system. The predominant strategic feature of the Nineteenth Century, had been conflict between even the merely continued existence of the U.S. Federal republic and the British monarchy.

With the assassination of McKinley, and the Presidencies of Theodore Roosevelt, Woodrow Wilson, and Calvin Coolidge, the U.S. adopted the status of virtually an associate member of what was to emerge as the new form of the British Empire, variously known as an "English-speaking union," or British Commonwealth. Only under Presidents Franklin Roosevelt, John F. Kennedy, and Bill Clinton, was there a significant tendency to reassert the U.S.A. traditional position as philosophical adversary of the so-called "British liberal system."

Within the U.S. itself, this implied U.S. membership in an Anglo-American world empire, has been rooted in a so-called "Establishment," a concert of Wall Street-centered financier interests and associated law firms, sometimes referred to as the "BAC," that, as the Nixon, Carter, and Bush administrations typify this arrangement, in perennial political alliance with the tradition of the Ku Klux Klan and former Confederacy.

Since the agreements among British Prime Minister Margaret Thatcher, France's President François Mitterrand, and U.S. President George Bush, during 1989-1990, the collapse

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10. Thus, the inherent depravity of that hostility to a notion of truthfulness expressed by existentialists such as Theodor Adorno and Hannah Arendt. That existentialist denunciation of the Socratic principle of truthfulness, as to be abhorred as an "authoritarian personality" type, is one of the principal influences contributing to widespread moral degeneracy in the U.S. educational systems and public practice today.

of Soviet power has been taken as the opportunity to establish a virtual imperial world rule under five nations, four of which are subjects of the British monarch as their head of state (the U.K., Canada, Australia, and New Zealand), and a "BAC"-dominated U.S.A.

Since that collapse of the Anglo-American powers' principal, Soviet rival, the trend in world affairs has been toward the consolidation of what is in fact the form of "world government" sought by such influential utopians as H.G. Wells and his confederate Bertrand Russell,[11] using the threat of nuclear warfare as the political force employed to compel nations to surrender their sovereignty to a supranational power.

2. EMP Effects

As former Secretary of State Henry A. Kissinger stated at the recent Wehrkunde meeting, his audience should not be taken in by the new Bush administration's dubious chatter about threats from so-called "rogue states." What the Bush administration actually intends, according to Kissinger, is a strategic conflict with Russia and China.[12] For once, Kissinger spoke truthfully; the Bush chatter about "rogue states," is nothing but the usual lying to be expected from Orwell's "Big Brother," intended for the foolish ears of credulous dupes. Thus, in that case, the issue of ballistic missile defense is centered on the U.S. and Russia.

In that case, the essential reality of Bush administration double-talk about ballistic missile defense, boils down to the role of submarine deployment in support of delivery of electro-magnetic-pulse (EMP) effects. In that light, the case of the sinking of Russia's *Kursk* submarine is a matter of notable consequence.

"EMP effects," are not the only topic to be considered, but all of the issues of global strategic ballistic defense are typified by the "EMP" model.

By its nature, a global sort of EMP effect involves stealth. Long-range ballistic missile delivery, or "space-based" delivery, are not indicated ruses. For both the U.S.A. and Russia as targets, short-range deployment of EMP warheads over the targetted territory, is indicated. In effect, this boils down to the use of submarines, in conjunction with the deployment of covertly situated "launch pods" in relevant submerged locations at the borders of the targetted nation.

In actual strategic operations of such a type, the pods represent an "over the horizon" deployment controlled by, typically, nuclear missile submarines of strategic types.

Such a strategic EMP attack, has the following type of application.

EMP attacks of the strategic type implied are, relatively speaking, non-lethal, at least when their effects are contrasted with those of mass-lethal nuclear explosions, for example. Also to be considered, is the fact, that principal powers' mili-

Already in the 1980s the U.S. rocket-interceptor tests were achieving similar results to those they exhibit now—here, a recent U.S. Army test of an experimental interceptor. These technologies, long off-the-shelf, do not offer what is needed, as the Patriot missiles' poor performance in Desert Storm demonstrated.

11. H.G. Wells, ***The Open Conspiracy: Blueprints for a World Revolution*** (London: Victor Gollancz, 1928). Wells was the original promoter of the development of nuclear-fission weapons (1913) for the stated purpose of bringing world government into being. Russell publicly associated himself with the program of Wells' ***The Open Conspiracy*** at the time it was first published; the two of them devoted their lives thereafter, to bringing about world government through the terror of nuclear weapons. Wells' six-point program is notable for its specifying what have become the widespread open practices of "globalization" today. "1. The complete assertion, practical as well as theoretical, of the provisional nature of existing governments and of our acquiescence to them. 2. The resolve to minimize by all available means the conflicts of these governments, their militant use of individuals and property and their interferences within the establishment of a world economic system. 3. The determination to replace private local or national ownership of at least credit, transport, and staple production by a responsible world directorate serving the common ends of the race. 4. The practical recognition of the necessity for world biological controls, for example, of population and disease. 5. The support of a minimum standard of individual freedom and welfare in the world. 6. The supreme duty of subordinating the personal life to the creation of a world directorate capable of these tasks and to the general advancement of human knowledge, capacity, and power." The life's work of utopian figures such as George Orwell, Aldous Huxley, and Julian Huxley, seen in the light of their association with the "Open Conspiracy" policies of Wells, Russell, and Aleister Crowley, from that time on, is to be seen in the light of the Wells manifesto.

12. See ***EIR,*** Feb. 16, 2001, p. 48, for a report on Kissinger's Wehrkunde Conference claims about Bush administration intentions for national missile defense programs.

Russian Anti-Missile Defense Proposals

On Feb. 20, Russian Defense Minister Igor Sergeyev handed to NATO Secretary General George Robertson, in a Moscow meeting, the text of a Russian proposal to Europe, for an Eastern and Western European anti-missile defense. European press reports purporting to identify the specifics of the Russian proposal, have so far turned out to be unsubstantiated. However, on the following day, Feb. 21, Minister Sergeyev gave interviews in which he emphasized that Russia has all the necessary technical capacities for creating a European ballistic missile defense system. "Russia has testing areas, research centers, and testing facilities. And if we team up with our European partners, I believe we will manage to do everything that we have proposed and planned." Sergeyev did confirm that Russia has suggested to the European countries, using Russian S-300 mobile missile complexes in the structure of a European ABM system.

Eight years ago, on April 2, 1993, the Russian daily *Izvestia* had published an article suggesting Russian thinking about collaborative anti-ballistic missile (ABM) development among the major nations. The Russian proposal, *Izvestia* reported, was known by the project name "Trust," and involved plasma and electromagnetic-pulse anti-missile weapons (see **Figure 1,** the illustration printed by *Izvestia* at that time). The then-Deputy Chairman of the Russian Federation for Defense Industry, Yuri Glybin, called the "Trust" proposal "an alternative to the SDI." Glybin stressed that the ABM Treaty of 1972 does not at all prohibit "joint work on global defense against missile attack. Twenty years ago, it could not have entered anyone's mind, that such a thing were possible." In other words, the Russian idea for collaborative development of anti-missile defenses (in that case, with the United States under President Bill Clinton), was clearly focussed on the "new physical principles" involved in directed-energy beams, the development of which is explicitly excluded from the 1972 Treaty prohibitions.

tary systems tend to be "hardened" against EMP effects, although most of the targetted nation will be shut down, with lasting effects. The military-retaliatory capability of the targetted power is not eliminated, or reduced to doomsday response-capabilities. Rather, a threshold condition is induced, at which negotiations of peaceful conditions begin, or doomsday may ensue.

Thus, a strategic EMP effect does not necessarily invoke a doomsday counterstrike by the nuclear arsenal. Rather, it challenges the targetted nation to face a doomsday sort of nuclear exchange, or to back away from the conflict and accept mutual damage done, rather than escalate to doomsday.

This is precisely the "scenario" most suited to the present capabilities and state of mind of the military institutions of the U.S. and Russia. It is a scenario which neither power would employ, except in extreme circumstances, but it typifies the most likely response should there arise what it perceives to be, for it, an extreme condition.

On this account, the most likely threat comes from the present Bush administration. It is that threat which must be taken into account, to estimate the actuality of an "EMP effect" event on the strategic horizon.

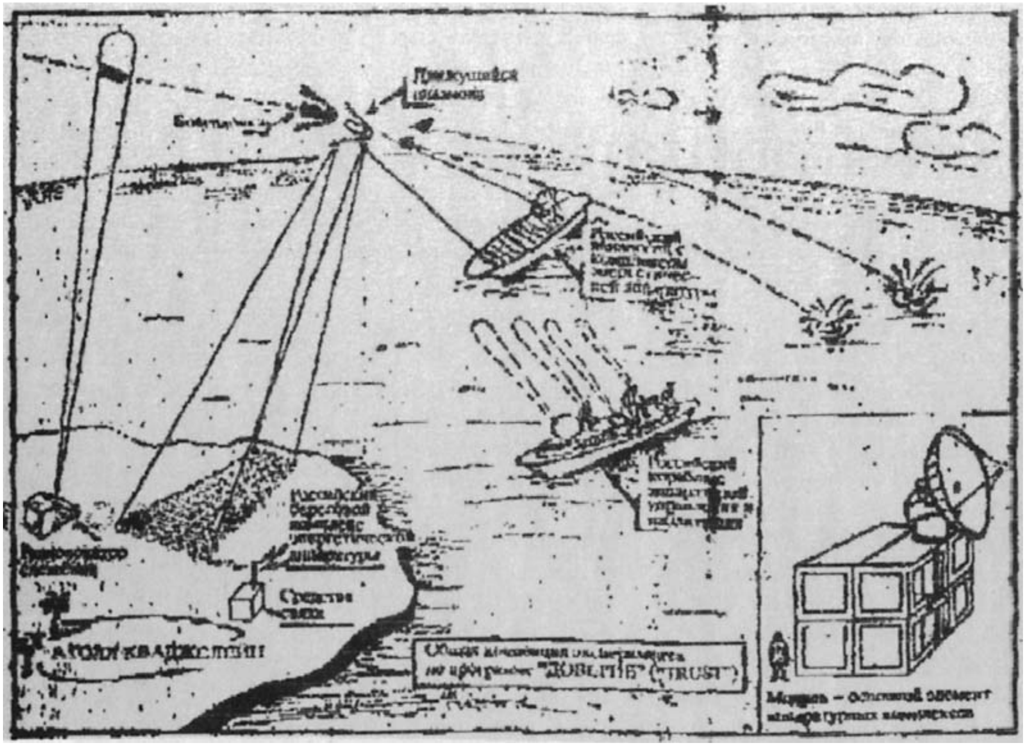
Apart from the proudly unconcealed intellectual limitations of the new "education" President, as long as the new administration remains in its present form, it is doomed to early self-destruction, and much of the rest of the world with it. Here, in the new administration's acute intellectual incapacities, lies the very real threat of some combination of developments such as deployment of "EMP effect" and outrightly doomsday capabilities.

The principal relevant intellectual and moral defects of the new administration, are three.

First, there is the case of the already referenced intellectual shortfalls of the new head of state, the worst possible choice of figure to put into such a position for a crisis of the severity now onrushing. He is personally incapable of a competent crisis-decision, unless that decision were forced upon him, more or less against his will. Second, there is the principal popular political base of the new administration, typified by pathetic pieces of intellectual and emotional wreckage such as Senator Phil Gramm, and the irrational fanatics dominating the ranks of the "religious" admirers of the new Attorney-General, John Ashcroft. Third, there is the factor typified by the pack of predatory parasites known as the Carlyle Group.[13] All three, combined, are fairly described

13. ***New York Times,*** Monday, March 5, 2001, "Elder Bush in Big GOP Cast Toiling for Top Equity Firm." This front-page profile of the Carlyle Group highlights the role of George Bush, Sr., James Baker III, and Frank Carlucci, in building up the Washington, D.C. corporate takeover outfit into the country's largest private equity fund, surpassing Kohlberg Kravis Roberts (KKR). In addition to the ex-President, Secretary of State, and Secretary of Defense, Carlyle also includes Richard Darman, former Indiana Senator and putative Bush nominee for Ambassador to Germany Dan Coats, and such foreign luminaries as John Major, Karl Otto Pöhl, Fidel Ramos, and former South Korean President Park Tae Joon as directors, advisors, or directors of subsidiaries. The $12 billion firm has ownership stakes in 164 companies worldwide, is the 11th largest defense contractor in America, and owns ***Le***

FIGURE 1



This drawing from Izvestia *depicted the 1993 Russian proposal, to develop the capability of launch of plasma and electromagnetic-pulse weapons from sea or land. Tracking and guidance technologies are also depicted.*

as about as rational as the early Eighteenth-Century dupes known to history as the wild-eyed followers of John Law. These, taken together, should remind us of the driver who, against all forewarnings, insists upon driving across the bridge which is no longer there. For each and all, combined, their loyalty to their own cupidity and lunatic blind faith, is greater than any clearly perceivable contrary reality.

But for the power they wield, they represent a pack of fools fairly described as the Confederacy reborn as farce.

One should not be deluded by the appearance of figures such as Secretary of Defense Donald Rumsfeld and Vice-President Dick Cheney in the array. Admittedly, they were formerly associated with an industrial interest which has now chiefly vanished into America's ruined "rust belt." The question to ask, is: "For whom do they work today?" The controlling financier interest which they represent, today, is the new financier power which has grown up around the neo-Confederacy's Southern Strategy. The mentality of this group, from the Carlyle Group's James Baker III on down, is that of Bush league pro-Confederacy carpetbaggers who have looted both Yankee-land and the former Soviet Union, and see the incumbency of young President Bush as license to loot what remains of the rest of the assets of both the U.S. and the rest of the world besides.

For all three leading factors in the new administration, anything which is not terribly bad for the U.S. and the world besides, is something to which they are absolutely opposed on principle.

In sum, this administration, as long as it remains in its present form, is on a short fuse toward the explosion of the worst financial and economic debacle in modern history. How would any "good old," devoutly bi-polar Ku Klux Klan type react "When Ah don' git mah way!"? How would he react from his position as the government of the world's leading, if fading military power?

Although, as I have indicated at the outset, there are some significant developments spottily scattered amid the spectrum of a strategic defense based upon "new physical principles," the breakdown in scientific and technological capacities of the NATO nations and their industrial establishments, had reduced the globally strategic options to the area centered around EMP effects.

Therefore, it is sufficient, for the purposes of the policy discussion assigned to this location, to use the foregoing model as typifying the broader range of options available.

The essential point remains, that, as long as the present administration has the characteristics which I have summa-

Figaro newspaper in France. In 1990, Carlyle hired the then-unemployed George W. Bush, as a director of its subsidiary, Caterair.

rized at this point, the world as a whole could therefore be on a short fuse to the brink of Hell.

Unless the combination of wiser heads, inside Europe as well as in the U.S.A., act in some degree of concert, to pull the proverbial rug out from under the present composition of the Bush administration, the worst is the most likely.

3. The Noösphere in Strategy

There is an obvious remedy for the recent three decades' drift into the present world financial and economic crisis, a remedy obvious to any of the types which Rumsfeld, Cheney, et al. represented in their pre-Nixon incarnations. The Franklin Roosevelt reflex is obvious to any of those types who wished to restore the U.S. to its former good health as an agro-industrial leader of the world.

What, therefore, is the Bush administration's agenda? Does it have a plan? Or, is it merely, like some "Manchurian candidate," a puppet, selected for the perceived utility of its moral and intellectual defects, a mere missile sent to self-destruct in the ruin of its assigned target, playing out some role assigned to it? For the answer, look back to those centuries when Venice dominated the Mediterranean and Europe as a whole, as an imperial, financier-oligarchical form of maritime power. We are speaking of "geopolitics."

There was never anything scientific about so-called "geopolitics." If there were, poor looney and aging Zbigniew Brzezinski, for one, could have never understood any of it. It was, at inception, the British perception that the Venetian model used for building both the Dutch and British maritime power on a more or less global scale, must be defended against any danger that global maritime supremacy might be outflanked from the interior of the Eurasian and/or American continent.

The crucial development which led the circles of Britain's Prince of Wales and later King Edward VII to adopt Halford Mackinder's curious view of geography, was the victory of the Abraham Lincoln-led United States over Lord Palmerston's puppet, the Confederacy. The 1861-76 economic miracle of agro-industrial development, which was set into motion by the combined efforts of Lincoln and Henry C. Carey, included the use of transcontinental railway systems to unite the American continent in an economically functional way, and to prompt Japan, Germany, and Russia, among others, into imitations of the U.S. approach to development of agro-industrial economy and the use of transcontinental railway development for the Eurasian continent as a whole.

The principle involved, in what is called "geopolitics," is expressed in the simplest way, by noting that if we define transcontinental transportation routes in terms of development corridors, rather than simply transportation ways, for every fifty miles or so along such a corridor, the process of transportation itself will foster the production of far greater wealth than the cost of building and operating that route. This is to be contrasted with the benefits of each fifty miles of ocean transport. In addition to this, high-speed rail lines, or the superior magnetic levitation systems, are vastly faster, and, in net effect, cost less per kilometer traversed, than ocean traffic.

Thus, the combined developments in that direction, within North America and continental Europe, represented a deadly threat to the ability of imperial Britain to use its maritime power to control the world. So, the British organized the first Sino-Japanese war, and the formation of the *Entente Cordiale,* and the linking of Russia to France and Britain, for a war against Germany. The object was to put the continental powers at one another's throat, and thus to abort trans-Eurasia developmental routes of a type which would have threatened the doom of the British Empire.

There was a second principle involved in this. This brings us to the matter of the convergence between Vladimir Vernadsky's elaboration of the concept of the *noösphere* and my own original contributions to the development of the science of physical economy. It is from my view of the deeper implications of the *noösphere,* that the deeper implications of Britain's geopolitical hoax are to be adduced.

Contrary to the popularized mythologies of modern British Biblical archeology and the conventional history texts, the relatively most advanced ancient cultures were transoceanic maritime cultures, rather than inland-based, or "riparian" cultures. Within the scope of modern archeology's actual knowledge, it was transoceanic maritime cultures, such as the Dravidian language-group culture which created Sumer, which spread maritime cultures inland along the obvious riparian routes. Only as technology advanced, was inland development in a position to "compete," so to speak, with the per-capita and per-square-kilometer rates of physical output achieved along coastal and major riparian inroads.

Even to the present, this remains the case. Thus, we have the vastly underdeveloped land-areas of the interior of the U.S.A. and South America, and of continental Eurasia.

The principal gains of recent centuries along the lines of such inroads, have been associated with development of mechanized transportation networks, large-scale water management systems, and increasingly dense energy production and distribution.

Hence, the vital interest of the Venice-modelled Anglo-Dutch maritime power, has been to abort the rate of scientific and technological development of the planet as a whole! The natural continuation of the scientific and technological development of the planet for human habitation, and the pressures for such development caused by improvement of the demographic characteristics of populations, must render inevitable the absolute supremacy of inland-based development over attempted control of the planet through maritime supremacy!

Immediately this aspect of geopolitics is brought into the foreground, the role of the U.S. neo-Confederacy types as merely instruments, rather than sources of policy, emerges.

The Economics of the Noösphere

The great biogeochemist Vernadsky, the one-time student and follower of Russia's railway builder Mendeleyev, who actually organized the initial development of Soviet nuclear science, and also guided the formation of the team which produced the Soviet nuclear arsenal, made a crucial contribution to understanding the macroeconomic function of the development and maintenance of basic economic infrastructure. It is from my discoveries in the field of physical economy as such, that the deeper significance of Vernadsky's concept of the noösphere is made clear.

Vernadsky divided all physical principles among three categories: non-living, living, and cognitive (noëtic). Following in the pathway of the work of such as both Pasteur and Mendeleyev, Vernadsky pointed to the unique experimental proof that living processes represent a universal physical principle not present in non-living processes, and that human creative intervention accelerates the self-development of the biosphere upon which the sustenance of human populations depends.[14] Just as life controls the process of fermenting wine in ways which non-living processes can not, so man's intervention into the biosphere increases the rate of self-development of the biosphere in ways which are not possible without society's intervention.

This interface between the noösphere and biosphere, located in terms of relevant human actions, is most conspicuously shown in respect to what is called "basic infrastructure." The ability of society to deploy technologies which increase the per-capita productive powers of labor, depends upon the intervening development of the basic economic infrastructure. Thus the technological ability to develop the biosphere through basic economic infrastructure, depends upon a corresponding level of scientific and related development in production in general, and a correlated increase of the physically defined productive powers of labor per capita and per square kilometer.

By "basic economic infrastructure," one means to include not only transportation, power, and water-management systems, but improved fields and forests, improved practices of sanitation, and urban development. This implies health-care systems, educational systems, and so on. It implies the quality of government through which such sundry improvements are installed or otherwise fostered.

In short, therefore, the ability of mankind to make effective use of land areas, especially inland areas, and land-area as a whole, depends upon a preceding level of general technological development, upon which the feasibility of the relevant development of basic economic infrastructure depends.

14. See Lyndon H. LaRouche, Jr., "A Philosophy for Victory: Can We Change the Universe?," ***EIR,*** March 2, 2001.

By looking backwards to earlier cultures, through the eyes and mind of Johannes Kepler and his successors, our appreciation of the minds of the ancient transoceanic navigators, is not diminished but greatly increased. What we know of the construction of calendars from as recently as five to eight thousand years ago, gives us an insight into those ancient maritime cultures which necessarily traversed the Atlantic, Indian, and Pacific oceans thousands of years earlier. With that benchmark as a point of reference, we appreciate better the nature of the obstacles which had made the mastery of the inland areas so difficult until relatively modern times.

From this vantage-point a certain view of geopolitics emerges.

Maritime powers, such as Venice, had depended upon factors of advantage inhering in sea-power. These advantages were, in the long run, temporary in nature. The inevitable consequence of improvements in scientific progress and in statecraft, would produce, naturally, the circumstances in which the clear economic and related supremacy of inland development would surpass maritime power.

There would be no way to prevent that transition from emerging, unless two conditions were first met. First, that technological progress must be brought virtually toward a halt, and that its application to development of basic economic infrastructure must be aborted, as a matter of priorities. Second, that population-levels, and also life-expectancies, must be severely curtailed and even reduced.

How does a ruling thalassiarchical financier oligarchy bring such conditionalities into being? It lacks the numbers, as a class, to accomplish this by its own raw force. Ah! But, if the fools available are sufficiently numerous, that difficulty can be overcome. Synthetic religions, and like instruments have been the standard convenience employed by oligarchies over known history and pre-history's crucial evidence. Get a mob to do the dirty work, even if it destroys itself in the doing.

Mobs such as those typified by the Bush administration and its popular base, are merely puppets, trained and deployed as hunting dogs and cattle are used by the oligarchs, who supervise the breeding and deployment of such mere humanoid livestock. These mobs have no intrinsic self-interest in the policies they serve as instruments. They are simply cultivated and deployed to act, as if instinctively, in the way they are selected and conditioned to react.

Who, then, is the actually controlling interest behind the deployment of the cattle of which the Bush administration and its popular base are composed? Who controls the "critter company," the white-sheeted animals, deployed as the Ku Klux Klan types?

Only a confrontation with the shocking discovery of what we are permitting be done to us, by the kind of "critter company" deployed as the popular base of the Bush administration, were likely to persuade the relevant U.S. institutions into calling a halt to the monstrous farce in progress at the present moment.

D.C. General Fight Exposes Elites' 'Negro Removal' Plan

by Nancy Spannaus

During the week of March 12-16, the directors of two leading hospitals in Washington, D.C. came forward to report that the closure of the capital's only public hospital, District of Columbia General Hospital, would lead to an unmanageable situation for victims of trauma in the city. What these medical professionals were saying, is what leaders of the Coalition to Save D.C. General have been emphasizing: The shutdown of D.C. General will mean *genocide* for the poor and non-white citizens of the nation's capital.

Dr. James Howard of the Washington Hospital Center's Med-Star trauma unit issued his statement on March 15, saying that his facility is currently at 100% occupancy, and that he would be forced to *close* it, rather than let the operation be flooded with new trauma patients, which would happen if D.C. General closed. Providence Hospital, another facility that the city's financial authorities are allegedly counting on to replace shutdown facilities at D.C. General, also reported that the influx of patients to his facility, given only the rumors of the imminent shutdown of D.C. General, is already "straining" the hospital's capacity.

These statements will help build the already-growing movement, against the Congressionally mandated plan to sell D.C. General to the Doctors Community Healthcare Corporation (DCHC), and "replace" it with 100 for-profit clinics throughout the city. The movement to stop the shutdown is building up steam: Two rallies of 75-100 people have been held outside the office of the Mayor and the D.C. Financial Control Board in mid-March, and the initiation of a process of candlelight vigils in front of churches around the city, dedicated to rallying support for maintaining a full-service hospital, in the interest of the general welfare of the population.

Documentation that the hospital shutdown is further implementation of the long-standing "Negro removal" proposals of the city's elite and financial controllers, was presented at the weekly meeting of the coalition on March 14 by *EIR* researcher Anton Chaitkin. It is also guaranteed to bring a dramatic expansion of the fight.

Where Will the Poor Go?

In their public, official presentations, D.C. Mayor Anthony Williams and his financial officers have insisted that the "comprehensive health-care reform" represented by the shutting of the city's only public hospital, will be of benefit to the city's population. They have claimed that the city has too many hospital beds, and that it's only necessary to increase what amounts to primary and preventive care, in order to reduce the horrendous health-care situation in D.C., which has Third World levels of infant mortality and death rates among African-American males from diseases like AIDS and diabetes.

No one knows more what *lies* these are, than the employees of D.C. General themselves, who are now taking an active, leading part in the mobilization to save the hospital. Moralized by the role which the LaRouche movement has played, along with the city's clergy, hospital union leaders and others have begun to attend rallies, speak to church congregations, and lobby on Capitol Hill, in order to press the point home, that the hospital must not be closed.

The announcement by other hospital officials about their inability to replace trauma services given at D.C. General, confirms what the leaders of the Coalition to Save D.C. General have repeatedly said. As Dr. Michael Young, President of the Medical Staff at the hospital, reported at the mass meeting held on March 3, traumatic injuries and accidents are the most common cause of death among individuals between 1 and 34 years throughout the United States, and the danger of young people being *shot* in Washington, D.C. is much higher than in the rest of the country.

D.C. General is a top-notch rated facility for treating trauma, the facility closest to the Capitol, and the only hospital for the uninsured. If its trauma center is closed, allegedly to be replaced by other hospitals and Greater Southeast Hospital, victims will have to be transported farther to get help. The fact that this will lead to more deaths has actually been admitted by Dr. Ivan Walks, the medical adviser to Mayor Williams; he considers it a cost that should be borne, in the interest of the alleged *fiscal* and *social* benefits to be gained by shutting the hospital.

At present, the fate of the transfer of D.C. General to the Doctors Community Healthcare Corporation, the same group that owns Greater Southeast, appears up in the air. D.C. General was supposed to run out of money at the end of March. The Mayor's office has approved the sale, but there has been no official announcement of a contract having been signed. The City Council has indicated its unanimous opposition to the plan, the D.C. Financial Control Board, which can overrule anything the City Council does, has indicated that it intends to go ahead with the plan. The fact that the Coalition has put out the word that DCHC, and its partner company, National Century Financial Enterprises (NCFE), have been sued for malfeasance and racketeering in Massachusetts, North Carolina, and Kentucky, and gotten broad media coverage, has created a certain stumbling block to the genocidal plan.

But it is clear that unless the public pressure and mobilization against the shutdown escalates, and the citizens of Washington, D.C. refuse to accept this privatization and scaledown, the city's financial officers, and the Stone Age Congressional officials who gave them their orders, will go ahead with their plans at the first chance they get.

Who Are the Liquidators?

It is the hope of the financial elite who want to rid Washington, D.C. of those they consider "undesirable," that the predominance of black faces among the city's bureaucracy will ease their task. After all, who would suspect that African-Americans would preside over the murder of their own?

Ah, that shows the fallacy of looking only skin-deep. In fact, the black public officials who have demanded this genocidal austerity, have been the equivalent of dark-skinned Adolf Eichmanns, banally bloodless financial accountants, who are just concentrated on balancing the books, no matter how many lives it takes.

Exemplary is Mayor Anthony Williams, who came into the mayoralty after spending 1995-98 as the city's Chief Financial Officer, cutting services en masse in order to create a budget surplus. Even when faced with passionate stories of suffering, as a result of his actions, Williams can blandly blather on about the hospital closure being a matter of balancing "supply and demand."

But Williams isn't the only one. The first head of the city's Financial Control Board, set up by Congress, was Andrew Brimmer, a former member of the Federal Reserve Board and the Trilateral Commission. Then there are Williams's current assistants, Chief of Staff Dr. Abdusalam H. Omer, and Chief Financial Officer Natwar M. Gandhi. Gandhi comes from the U.S. General Accounting Office, with a specialty in tax policy. Omer, a native of Somalia, formerly held a position as a consultant to the World Bank on civil service reform. The World Bank is notorious for committing murder with a pencil—simply axing the funds required for the investments Third World countries need in order to stay alive.

Target: Congress

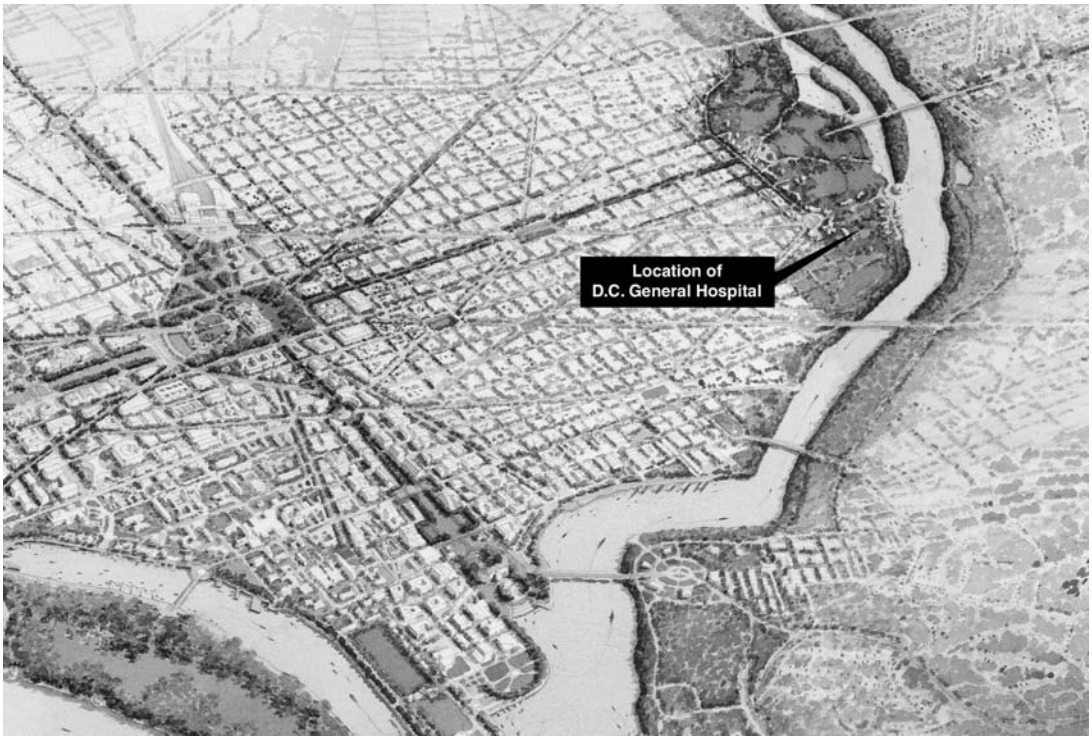
The Coalition to Save D.C. General Hospital is well aware that the power over these bureaucrats lies in the Congress. Thus, they have institutionalized a series of lobby days on Capitol Hill, in addition to rallies and vigils.

On March 14, a town meeting of 150 people was held at Union Temple Baptist Church, the Rev. Willie Wilson presiding. The main speakers were Lynne Speed of the LaRouche movement, Tony Chaitkin of *EIR,* and Roscow Ridley, director of labor relations from the Public Benefit Corporation, the corporation that now controls D.C. General and wants to save it. In the discussion, Reverend Wilson invited Delegate Eleanor Holmes Norton, the corrupted Congressional representative of Washington, D.C., to the next meeting. Dr. Abdul Alim Muhammad, of the Nation of Islam, who has chaired coalition meetings throughout, reported that Norton had actually sabotaged an invitation he had received to address the Congressional Black Caucus on Capitol Hill. A nurse at the hospital announced plans for a huge candlelight vigil on the hospital grounds on March 24, with the aim of getting 10 to 20,000 participants.

On March 15 about 60 people rallied again at the Control Board and Mayor's office, and headed off for Capitol Hill, which is still buzzing about the invasion of 150 well-informed citizens onto their turf on March 8, in an aggressive lobbying effort to keep D.C. General open. Against the backdrop of a huge banner, reading "LaRouche: Stop D.C. Negro Removal Scam: Save D.C. General Hospital," Lynne Speed, Dennis Cain of the Association of Federal Government Employees, a spokesman for AFSCME local 1099, a representative of the D.C. Democratic Party State Central Committee, and prominent D.C. School Board member Calvin Lockridge spoke to the crowd. Speed made a particular point out of Eleanor Holmes Norton's acceptance of $1,000 from the CEO of DCHC—and her failure to defend the hospital and D.C. residents today.

Plans for even larger lobby days are being made for coming weeks, with the full determination to restore D.C. General as a full-service hospital, as the first step in reversing the drive toward Nazi economics in Washington, and worldwide.

National Capital Planning Commission's 'Negro Removal' Design



The area where D.C. General Hospital is now located, would contain high-rise commercial and residential buildings, according to the long-term plan for the Nation's Capital called "Extending the Legacy," developed by the National Capital Planning Commission (NCPC). (See EIR*, March 16, p. 73.)*

Above is a portion of the NCPC's depiction of their plans, showing the area from the Capitol (left) to the "East Capitol/ Anacostia Waterfront" area (upper right). It shows a complete transformation of this area, which now contains RFK Stadium, the D.C. Armory, D.C. General Hospital and the D.C. Jail. All of those facilities are gone, replaced by an environmental park and recreational area, bordered by high-rise private development.

The other drawing is the NCPC's depiction of the area where DC General Hospital now sits, at the foot of Massachusetts Avenue, S.E., which is to be transformed into a marina surrounded by private high-rise buildings.

Secretive Group Runs D.C. General Shutdown and 'Negro Removal'

by Anton Chaitkin

Two generations of Washington, D.C. municipal leaders have grovelled before the so-called "Federal City Council," a powerful private group determined to remove the city's majority black population. Speaking out against the FCC is considered suicidal in D.C. politics. On the other hand, campaign financing, social climbing, and career advancement for minority politicians are lures for staying with the FCC program, however murderous.

In the face of growing public outrage, the decision to shut down D.C. General Hospital is being rammed through by bankers, lawyers, real estate moguls, media, and Bush operatives: the Federal City Council (FCC) is the fist they use to control D.C. politics.

The FCC, founded in the 1950s by the *Washington Post* and long controlled by *Post* boss Katharine Graham, operates secretly in its own name and more publicly through fronts.

The actual, elected City Council of the District of Columbia has recently spoken out, even if timidly, on the dangers posed by the proposed hospital shutdown.

Warning against revolt, employees of the Urban Institute—one of the front groups in the Katharine Graham/FCC web—wrote in the March 11 *Washington Post:*

"D.C. General Hospital will close. [This plan] promises to improve care while containing costs. . . . [The] decision of the D.C. Financial Control Board and the funding restrictions imposed by Congress are final. The D.C Council should abandon its confrontational approach to the issue and put its energy into identifying ways to fulfill the promises of the new system."

(The Institute has pushed hospital shutdowns for years; a May 13, 1999 press release asked for "reassessment of the . . . costly reliance on institutional care, such as nursing homes and hospitals." Mrs. Graham is the Institute's Vice Chairman and two other trustees are *Post* directors.)

The FCC Web

An offshoot of the Federal City Council called "D.C. Agenda" demands cutting back funds for the poor, in favor of wealthier citizens. The group says its "bottom line" is "reducing the overall cost of government, while also improving basic services considered critical if the stepped-up exodus of middle-class taxpayers is to be stopped" (quoted in the *City Paper* on Nov. 25-Dec. 1, 1994). D.C. Agenda is financed by a Katharine Graham family foundation, which was headed by Agenda project director James O. Gibson.

The godfather organization, Federal City Council, directly dictates to Mayor Anthony Williams and his staff, in regular meetings at the FCC headquarters across the street from the *Washington Post*.

Mrs. Graham, officially an FCC trustee, regularly dines with FCC chairman Terry Golden. Her son, *Post* chairman Donald Graham, decides who enters the organization, as chairman of the FCC's membership nominating committee. *Post* President Boisfeuillet Jones is an FCC trustee along with the two Grahams.

Other media leaders work in the FCC web, seeing to it that the group's gangsterism is not publicly discussed. Banker Joe Allbritton, who controls Channel 7 and Newschannel 8, is an FCC trustee; so is Douglas H. McCorkindale, Gannett newspapers (*USA Today*) president. Sharon Percy Rockefeller, boss of public broadcasting's WETA-TV and -FM, is Federal City Council's Vice President for membership and finance.

Shaw Pittman Potts & Trowbridge, the law firm of William Barr (George H.W. Bush's Attorney General and "Southern Strategy" operations specialist) runs the FCC's legal affairs and has two lawyers as FCC trustees.

Warming Up for Genocide

The Federal City Council boasts that it ran a previous project in which poor black families were moved out of the area wholesale: the 1960s Southwest D.C. (waterfront) renewal. Under FCC direction, with cover from a favorable *Post* propaganda barrage, the Rockefeller family funded the Southwest "Negro removal." D.C. Agenda chief Gibson was longtime project director for the Rockefeller Foundation for this sort of thing.

Last year, Mrs. Graham's Terry Golden and the FCC financed Mayor Williams's referendum campaign to take away the voters' right to elect the School Board. The FCC has in fact organized the entire crusade for the destruction of the School Board, putting up such fronts as the Committee on

Public Education. Their goal is to privatize Washington's schools so that the income stream from education can be diverted to speculators, the same looting that has devastated the energy and health-care sectors.

At the time of the anti-School Board referendum, FCC chairman Golden was revealed to be a member of the education section of the D.C. financial control board.

As a channel for "Negro removal" pressure, the Federal City Council created the Washington-Baltimore Regional 2012 Coalition. They promise big dollars for the capital region, if steps are taken to change Washington's complexion and attract the Summer Olympics of 2012.

From the Top

Two of the most powerful officers of Mayor Williams's cabinet are ideal FCC representatives. Deputy Mayor and City Administrator John Koskinen was formerly the national "Y2K Czar," funneling billions of dollars into boosting worthless "New Economy" firms. The Federal City Council, in its 2000 Annual Report, trumpets the fact that they first brought Mr. Koskinen in, and they provided his services to the city free of charge, for the purpose of reforming the governance of the schools.

The Mayor's Chief of Staff, Abdusalam H. Omer of Somalia, previously worked as a specialist in destroying the resistance of poor countries to being controlled and destroyed by globalization. Omer was a consultant to the World Bank for "civil service reform."

The IMF-World Bank agenda for looting Africa is now applied to America's capital city. The FCC and its satellites explain this agenda as "overhauling the systems that serve urban low-income families—public schools, welfare agencies, health services"—by cost-cutting and shutdown of facilities.

The *Washington Post* has been in this business for a long time.

Katharine Graham's father, Eugene Meyer, formerly head of the Federal Reserve for Herbert Hoover, bought the *Post* on June 1, 1933. Three days later, on June 4, Meyer ran one editorial praising the new Adolf Hitler government for its efforts to cut costs and "contain inflation," and another editorial on the same page attacking President Franklin Roosevelt as a dictator.

Graham's husband, *Post* publisher Philip Graham, founded the Federal City Council in 1954. But he became very close to the Kennedy family, supported civil rights, and broke up with Katharine, who despised President Kennedy. Phil Graham was put in a mental hospital, released into his estranged wife's custody, and, the next morning, on Aug. 3, 1963, was found shot to death in her bathtub.

Thus, the peculiar political and racial philosophy of the secretive FCC group now reflects the mind-set of the "Black Widow"—Mrs. Graham—more than that of its official founder.

Racists Torpedo Bush's Faith-Based Folly

by Michele Steinberg

The Armageddon Army of Christian fundamentalist fanatics is upping the pressure on President George W. Bush with an all-out assault on his Office of Faith-Based and Community Initiatives (F-BCI), which was to have been a centerpiece of ending "New Deal"-type social programs, and replacing them with so-called "faith-based" charities on a voluntary basis. To Bush's surprise, a coalition of his biggest backers—the KKK Christians led by televangelists Jerry Falwell, "Diamond Pat" Robertson (who was caught in 1995 using his charity's airplanes to carry equipment to his diamond mines in war-ravaged Congo/Zaire), and Richard Land from the Southern Baptist Convention—has put out the word that they won't touch U.S. government money "with the proverbial ten-foot pole" because of the danger of government "constraints" on their shady activities. In reaction, on March 12, Don Eberly, an official in the F-BCI office, announced that the Administration is "not ready" to send a bill to Congress for funding the program. One day later, Sen. Rick Santorum (R-Pa.), a point-man for the legislation, announced that he is delaying the bill until "next year," when, he thinks, the "bugs" might be worked out.

For Bush to get support back from this loosely allied but powerful coalition, which is able to blackmail Congress, he would have to give them control over the social programs, along the following lines:

- All "Muslim organizations" are to be excluded from the programs, and Islam should be declared a religion of hate.
- A list should be drawn up, of "approved religions" that pass a Justice Department or similar vetting process requiring financial investigation. Groups that the neo-Confederates find "unsavory," such as all Muslims, the Church of Scientology, and the Hare Krishna, should be banned from government approval.
- Instead of direct grants, suggests Pat Robertson, the church programs should become, in effect, a government unto themselves. Donors will pay money to the "approved churches" instead of taxes to the Federal government. In return, donors will get a tax credit that will be used to pay the IRS—a $1 credit for every $1 donated.

The Falwell-Robertson-led coalition is a racist pack of "barking dog" religious fanatics,[1] and thinly disguised Ku

1. Anton Chaitkin, "Who Is Wagging Your Neighbor's Tongue? Militias and Pentecostalism as British Subversion," *Who Is Sparking a Religious War in the Middle East?, EIR Special Report,* December 2000.

Klux Klan fellow-travellers, who are playing a key role in the fundamentalist religious war being stoked in Jerusalem by the right-wing Zionists who are being brought into the U.S. Defense and State Departments. Jerry Falwell, for example, promotes the "Clash of Civilizations" thesis of Trilateral Commission co-founder Samuel Huntington, which preaches inevitable war between "Islam and the West," "the countries of the North versus the under-developed South," and the "dark-skinned populations against the white race."

The Temple Mount

In an early March interview with the website Beliefnet.com, Falwell made the outrageous demand that believers in Islam be blacklisted from running any social service programs. Falwell's remarks have been denounced by leading U.S. Muslim groups, but the White House has ignored requests that it distance itself from Falwell.

"I think the Muslim faith teaches hate," said Falwell. "I think there's clear evidence that the Islamic religion, wherever it has majority control—and I can name a dozen countries—doesn't even allow people of other faiths to express themselves or evangelize. . . . I think that when persons [Muslims] are clearly bigoted . . . they should be disqualified from funds. For that reason, Islam should be out the door before they knock. . . . [If] you're not going to allow freedom of expression . . . you should not be allowed to dip into the pork barrel."

Falwell, a well-known racist, complains that too many African-Americans are "getting religion," but not the kind that he controls. "Islam is growing among African-American young people," he said. "It's growing in the prisons. *And whenever Islam, God forbid, ever gets a majority in the United States—like Iraq, Iran, Saudi Arabia, Kuwait, Libya, all the Muslim countries—free expression will disappear*."

Falwell's anti-Islam rant is not personal; it is a calculated and dangerous foreign policy declaration, made in close collaboration with Israeli murderer turned Prime Minister, Ariel Sharon. Through institutions like the International Christian Embassy, a Christian Zionist cult center in Jerusalem, Falwell is part of the right-wing Israeli/Freemasonic/Protestant conspiracy to launch a terrorist destruction of the Al Haram al Sharif (Temple Mount) Islamic holy places in Jerusalem. In one of his televised sermons, Falwell bellowed his support for the declarations by Sharon's right-wing Likud party that Jerusalem "belongs to the Jews," and that Palestinians should be driven out.

The Dark Side of the Moon

Another thorny problem facing George W. in his faith-based folly, is his family's relationship to the Unification Church cult and its leader Rev. Sun Myung Moon, who has been lavishly praising the Office of Faith-Based and Community Initiatives. The Unification Church has every intention of cashing in on the bonanza of Federal funds to run social service programs that they will use to recruit new members. The fact that one of Bush's first acts as President was to attend a prayer breakfast at the Moon front, the *Washington Times* newspaper, where he announced his faith-based initiative, has alarmed both the Protestant fundies, and Jewish establishment groups such as the American Jewish Committee. The Moon dilemma has caused everyone from Bush adviser Marvin Olasky, the former Communist-turned-radical-Calvinist who invented the term, "compassionate conservatism," to Sen. Joe Lieberman (D-Conn.), to turn against the Bush plan.

If the Moonies are allowed to "dip into the pork barrel," argued Rev. Pat Robertson in a *Wall Street Journal* commentary on March 12, then there would be no basis to exclude the Nation of Islam, or the Church of Scientology, or the Hare Krishnas.

But Bush is in no position to cut out the Unification Church. Millions of dollars have gone into Bush family coffers to finance the political aspirations of both Dubya and Jeb Bush, in becoming governors of Texas and Florida, after both suffered political defeats in their early elections. After leaving the White House in 1992, Papa Bush and Barbara Bush were hired to give speeches at Moon events, sharing a podium with Moon, and sometimes his wife. In 1996, Bush appeared with Reverend Moon in Argentina to inaugurate a Moonie newspaper there. "I want to salute Reverend Moon," said former President Bush, as "the man with vision."

According to journalist Robert Parry in the on-line publication *The Consortium,* he was told by "one former leader of Moon's Unification Church" that "the [Moon] organization had earmarked $10 million for the former President." Moon also contributes an estimated $100 million subsidy to the *Washington Times,* the ardent backer of Dubya, which sponsored his Inauguration Week prayer breakfast.

Moon's intention to participate in the Bush faith-based program is to be expected, given the huge support given to the family. But Bush's other conservative backers are hollering. In his *Wall Street Journal* article, Robertson accused the Unification Church of using cult practices, and warned that under the current design, Bush's faith-based initiative is headed for trouble.

The criticism has rattled neo-conservative John DiIulio, Jr., the head of the White House office. At a meeting of the National Association of Evangelicals in Dallas, Texas, DiIulio lashed out at the "predominantly exurban, white evangelical churches," that are critical of the program and would move to cut off the desperately needed funds to African-American and Hispanic communities in the urban centers. But unlike the KKK Christians, the black and Hispanic churches did not own a huge piece of Bush's $100 million war chest, and $30 million Florida ballot fight. The Office of Faith-Based Initiatives may be closing faster than Bush ever dreamed.

‘Mr. Armitage Is Not Qualified To Serve’

Testimony in opposition to the appointment of Richard Armitage as Deputy Secretary of State; to the Senate Foreign Relations Committee, March 15, 2001; by EIR *Counterintelligence Editor Jeffrey Steinberg.*

This testimony is presented before the Senate Foreign Relations Committee, in opposition to the nomination of Richard Armitage to the post of Deputy Secretary of State in the Bush Administration. While other witnesses may choose to focus, with some justification, on specific allegations of corruption and other misconduct by Mr. Armitage during his prior government service in the military, and later in the Reagan and Bush Administrations, I choose to focus my remarks on policy issues. Whether or not any of the corruption charges, that twice before resulted in Mr. Armitage’s name being removed from nomination to senior government posts, are true or not, my objection to his nomination is based solely on the conviction that Mr. Armitage is not qualified to serve in the second most powerful post in the United States foreign service, during a period of grave crisis and challenging opportunity.

Without criticizing any other features of the new Administration’s policy pronouncements and initiatives to date, it is my judgment that Mr. Armitage would pose a serious impediment to the deliberation and implementation of policy in the most critical foreign and national security areas. Secretary of State Powell and Secretary of Defense Rumsfeld are already facing significant challenges, that require a great degree of rational deliberation and reasoned action. Mr. Armitage’s lack of qualified judgment would serve as a monkey-wrench to successful deliberation and policy action, particularly under the kind of crisis conditions already confronting the new Administration.

Three areas, in particular, pose immediate challenges to the Bush Administration, of grave strategic consequence, should our diplomacy falter or go into a flight forward, provoking needless confrontation:

- The Middle East/Persian Gulf, where the danger of war is greater today than at any time in the past decade, and where the prospect of a new “oil shock” could bring down the world economy;
- The Korean Peninsula, where the opportunity to bring peace and prosperity to one of the last front-lines of the Cold War era will require careful diplomacy, and a willingness to continue to work in close cooperation with China and Russia, as well as Japan;
- The China-Taiwan Strait region, where the Bush Administration is already facing some difficult decisions on arms sales to Taiwan, theater missile defense, and the broader issue of pursuing a future U.S.-China relationship that will serve both the national security and foreign policy interests of the United States, and the interests of China and the entire Asia-Pacific region.

These specific challenges are arising against the backdrop of the rapidly accelerating process of collapse of the post-Bretton Woods monetary system, with already-felt devastating consequences for the real economy of the United States and the world as a whole. We have reached the boundary conditions of that post-Bretton Woods “free trade/globalization” system, at which every point of political or military instability on the planet can have fatal consequences for the world economy and global security.

‘Clash of Civilizations’ Dogma

In each of the three crisis areas I cited above, Mr. Armitage has an outspoken public record of advocating policies that betray a “shoot first” attitude, in line with the insane proposition of Samuel Huntington, that the United States faces an imminent and unavoidable “Clash of Civilizations,” pitting “the West” against the combined forces of Islam and China.

- In February 1998, Mr. Armitage was a co-signer on an open letter to President Clinton, advocating a “Contra” war to overthrow Saddam Hussein. This is both a dangerous and ludicrous proposition that, if carried out, would isolate the United States from all of our traditional allies in the Arab world, and feed into the “Greater Israel” adventurism of the new Israeli Prime Minister, Ariel Sharon.
- In 1999, he signed an open letter, circulated by the Heritage Foundation, calling for the United States to abandon its “one-China” policy, in favor of a destabilizing shift to an anti-Beijing military alliance with Taiwan. Such an action on the part of the United States would likely throw the entire Asia-Pacific region into a political-military crisis, with immediate spillover consequences for the already-collapsing economies of Japan, South Korea, and other nations of the region.
- He also has harshly criticized South Korean President Kim Dae-jung’s “Sunshine” policy towards North Korea, favoring, instead, a re-armament of Japan and a “militarization” of America’s policy in the Asia-Pacific region, which would lead to a needless and devastating crisis throughout Asia, extending to U.S. relations with Russia, as well.

In one of Mr. Armitage’s more honest recent remarks, as reported in the *Washington Post,* he promised a gathering of the New York Council on Foreign Relations that he would bring “mud, blood, and beer” to the State Department. After the fiascos of Vietnam, Desert Storm, and Kosovo, this is hardly what the doctor ordered for American diplomacy.

Lyndon H. LaRouche, Jr., the founder and contributing editor of *Executive Intelligence Review,* has warned that the

Bush Administration's currently stated policies will produce a string of short-term crises and disasters, that will rapidly confront President Bush and his key advisers with the choice of either changing their underlying policy assumptions, or bringing the United States to the brink of ruin. The President's insistence, to date, on defending the interests of his backers at Enron and other energy cartels, against the Constitutionally prescribed general welfare of the American people, as in the ongoing Western States electricity crisis, is but one example of LaRouche's warnings-come-true in the first 60 days of the Bush Presidency.

Whether or not they pursue specific policies in the best interest of the United States, it can be fairly expected that Secretary of State Powell and Defense Secretary Rumsfeld will take a rational and reasonable approach to the policy-making process. No such assumption can be justified in the case of Mr. Armitage. His presence in such a senior position—responsible for the day-to-day management of the United States Department of State and our in-field foreign service—could be just the monkey-wrench that sabotages the ability of the Administration to make the needed policy corrections, as the failures of their current policy lead from one crisis to the next, in accelerating succession.

The Standard for Policy

In a March 3, 2001 policy memorandum, "SDI Under Reconsideration: War as Peace by Other Means" (which appears in this issue), Lyndon LaRouche discussed the unique foreign policy mission of the United States, as it was first set forward by our Founding Fathers, and continues through to the present day: "The strategic perspective of the U.S.—since the 1776 Declaration of Independence, to the present day, has depended upon the projection of the principle of the general welfare, as a doctrine of international law, a doctrine of law enforced by a community of sovereign nation-states committed to that principle of their internal affairs and mutual relations. This was crucial for the John Quincy Adams and Abraham Lincoln's perspective for the sovereign states of the Americas, in their time. Since the change in the world's affairs, brought about by the U.S. military and economic successes of 1861-76, this notion of a community of principle, has been an essential, indispensable strategic outlook for U.S. global policy of practice. Every serious error in our foreign policy and strategy, has been the fruit of either simply the neglect, or even outright violation of that principle."

Elsewhere in that same document, Mr. LaRouche observed that, while the original Monroe Doctrine of Secretary of State John Quincy Adams, which formed the basis for all subsequent American foreign policy, oriented towards the nations of the Western Hemisphere, America's later foreign policy vision was centered on the fate of Eurasia.

America's late-19th-Century involvement in the founding of the German nation-state, in league with the great reformers and the American System economist Friedrich List; our contribution to the Trans-Siberia Railroad construction; the role of American System political economists and missionaries in the development of modern Japan during the Meiji Restoration; the emergence of a modern China, free from the British Opium War colonialism, as envisioned by the friend of America, Dr. Sun Yat-sen:

This was the legacy of American foreign policy, later revived by President Franklin Roosevelt, whose premature death prevented him from realizing his goal of ridding the world of the last vestiges of British, Dutch, Belgian, Portuguese, and French colonialism. These lofty ideas were revived, briefly, again, under President Kennedy. And President Reagan addressed a crucial aspect of this American tradition, of a community of principle among sovereign nation-states, when, in his March 23, 1983 Strategic Defense Initiative speech, he offered to cooperate with the Soviet Union, to bring about an end to the nightmare of global, mutually assured thermonuclear extermination.

It is from this higher moral and philosophical standard of qualification—deeply embedded in the American intellectual tradition and in our institutions of government at their finest moments—that the members of this Committee must judge Mr. Armitage, and find him wanting.

Will Bush Lunatics Wreck Relations with Europe?

by Mark Burdman

Attendees at a conference on transatlantic relations on the weekend of March 9-11 in Germany, came away with two main conclusions. First, that if the current policy of the George W. Bush Administration toward Europe goes forward unimpeded, a major crisis in U.S.-European relations is all but inevitable. Second, that there are significant battles already erupting within the American policy establishment, especially as the saner heads among that part of the establishment which deals with Europe, try to neutralize the maniacs within the Bush milieu.

The event took place at the Loccum Evangelical (Lutheran) Academy, near Hannover, in the German state of Lower Saxony. It was co-sponsored by the Academy and by the Vesper Society, a religious and social affairs group based in Hayward, California. The conference theme was, "The Renewal of the Transatlantic Partnership: The Responsibility of the EU [European Union] and the U.S.A. for Stability, Security, and Peace in the World."

An unusually large delegation of some 20 American State Department officials (current and former), and veteran strategists, think-tankers, and diplomats, were in attendance, as were a number of up-and-coming "Generation X" individuals, identified by conference organizers as "young leaders." The Americans were there for discussions with their European counterparts, the large majority of whom were from Germany, with a handful of others from Denmark, France, Holland, Austria, Hungary, and Great Britain.

Most of the American attendees are long-standing "Atlanticists," who have worked in various capacities in the diplomatic, intelligence, and military fields, on questions of relations with Europe, since the Second World War. While their policy biases have generally been skewed in the direction of "liberal globalism," most of them have a strong sense of the importance of relations between the United States and continental Europe, and are not pleased with the current Administration's narrow-minded foci on South America and parts of Asia.

As one leading U.S. "Germany hand" told the conference, "All this talk about the supposed 'trans-Pacific' orientation of American policy is overrated. Transatlantic commerce is 50% greater than trans-Pacific commerce, and transatlantic trade and investment relations are much more extensive. The reality of the transatlantic networks will not be replaced." Most of the Americans there were fluent in German, which is hardly a common phenomenon in the United States these days.

Under "normal" circumstances, given the parameters of the post-World War II relationship of the former occupying power United States with Germany, a conference like this, and such a big American deployment, would have been the occasion for the Americans to "lay down the line" on what the "new reality" is in Washington, and for the Germans to simply accommodate. The problem now, however, is that there is such a strong berserker element in the Bush Administration, that even those State Department people who would have, formerly, done exactly that, are aghast at some of the directions that the Bush crowd is taking. They are willing to state that view with some frankness, most often privately, but on some occasions, quite openly.

The berserker element is embodied in the appointment of Richard Armitage as number two at the U.S. State Department, behind Secretary of State Colin Powell, whose nomination must still be confirmed by the U.S. Senate. Armitage is such a controversial "knuckledragger," that the current President's father, Sir George Bush, was forced to withdraw his nomination from senior posts in 1989, out of fear that sensitive aspects of Armitage's dirty involvement in the "Iran-Contra" arms-for-drugs scandal would come to light, during Senate confirmation hearings. Armitage is also roundly disliked by leading circles in the American military, for some of his dirty activities in Vietnam, especially his role in the infamous "Operation Phoenix."

During the Loccum conference, several current State Department officials made it clear to this reporter, off the record, that they are most unhappy with Armitage's appointment. They know that types like him, with no sense of policy outside of covert operations and thuggish blackmail, can throw a monkey wrench into the entire foreign policy process.

From Teddy Roosevelt to Al Capone

That the lunatics are running amok in the Bush circles, was made unmistakably clear by the speech and comments at Loccum on March 10 by Jeffrey Gedmin, a senior figure at the American Enterprise Institute (AEI) and executive director at the AEI-based New Atlantic Initiative (NAI). Several members of the new Bush team are in the AEI-NAI nexus, and, according to a State Department official in Loccum, Gedmin "is closer to the Administration than are my colleagues and I at State."

Gedmin launched a major provocation against continental Europe, in the context of a Jan. 12-13 conference in London, co-sponsored by AEI and the London *Daily Telegraph*. For that occasion, he wrote a commentary for the Jan. 11 *Telegraph,* entitled "Bush to Europe: No More Mr. Nice Guy," in which he swore that Bush's policy dictum toward Europe would be that of early-20th-Century Anglophile U.S. President Teddy "Speak Softly and Carry a Big Stick" Roosevelt (" 'Bush Lobby' Plots New Provocations in London," *EIR,* Jan. 26, 2001).

At Loccum, Gedmin didn't speak so softly.

He began his presentation, by identifying himself, supposedly jokingly, as the typical "bad American" and "force of darkness," a reference to his fellow AEI provocateur and Bush adviser, Richard Perle. Gedmin stated that "there is a possibility that the transatlantic relationship *could* break apart"—and quickly tried to ensure, that this is exactly what will happen.

Gedmin denounced growing "Euro-Gaullist tendencies" and a "Euro-nationalist" trend. He accused the Europeans of "accentuating differences, even when they don't exist." His prime example, was the Europeans' "obsession with the American death penalty," saying that then-Gov. George W. Bush was perfectly correct, some months back, in refusing to see a group of French legislators in Austin, Texas, because, he claimed, they would discuss nothing but the death penalty.

He then defended the Bush National Missile Defense (NMD) policy, particularly as protection against the ostensible missile threat to the United States from China.

Next, Gedmin went into a wild diatribe, about how a "worthy transatlantic project of solidarity" would be to bring down the regime of Saddam Hussein of Iraq. "Saddam Hussein is still in power. That is a transatlantic problem, not an American problem," he said. He raved against the "Saddam threat," and attacked Secretary of State Powell's "smart sanctions" policy for helping to "erode sanctions" against Iraq. He enumerated a number of extreme measures that, he insisted, must be put into place to bring about "an end of regime," including support for a "government in exile" for Iraq.

Then came the question-and-answer period, and Gedmin became even wilder.

Attacks on Europe

In response to comments from the floor, he gave an example of what irked him about the "European attitude." He griped that an unnamed member of the German Christian Democratic Union (CDU) party had recently complained to him, that the Americans were trying to "trick" the Germans into supporting the United States in the event of a confrontation with what Gedmin called "Communist China," over Taiwan. Gedmin said, yes, indeed, we expect European support, if such a crisis erupts.

Concluding his remarks, Gedmin "joked" that his last words would reflect his role as an "ugly American hegemon." He insisted on the importance of the "use of force," when necessary, in contradistinction to alleged European hesitation or opposition to use of force, and said: "As Al Capone said, 'You can get a lot more with a gun and a smile, than with a smile alone.' "

'Social Darwinism in the Security Field'

The immediate impact of Gedmin's comments was somewhat softened because the lunch break followed him, but throughout the conference, participants buzzed about his Al Capone quote. Various Europeans told *EIR* privately, with irony, that they found Gedmin "refreshing," because he was so direct and open, rather than covering up his words with academic circumlocution and double-talk.

During the afternoon working group sessions, one former State and Defense Department official, Prof. Daniel Nelson, was blunt about how he evaluated the crowd that now has the upper hand in Washington. Nelson, who served in the government during the Clinton years and who is now with the military-linked George C. Marshall European Center for Security Studies in Germany, warned attendees that the Bush Administration was captivated by a "privatization mythos," whereby security is defined by the notion that "those who are secure, are those who deserve it. We will now see Social Darwinism being applied in the security field. I call this 'free market security,' that those who deserve it, will be secure, and those who don't deserve it, will be insecure." Nelson affirmed that he was "proud" to oppose this policy.

One other State Department figure told *EIR* privately, that he hoped that the Western Europeans would start becoming firmer in their relations with the Bush Administration than they have so far. As was stressed at various points during the Loccum weekend, leading German Social Democrats, and individuals in the circle of Green party Foreign Minister Joschka Fischer, are bending over backward to appease the new Administration. The current government's chief liaison with the United States, Social Democratic parliamentarian Karsten Voigt, has reversed his previous years' reservations about American policies, and is now, in effect, a cheerleader for a special German relation to the Bush government.

What is most odd for those familiar with past decades of U.S.-German relations, is that the CDU has increasingly become the "enemy image" for certain leading American policymakers. One American think-tanker at Loccum favorably cited recent testimony by Gedmin to a U.S. Congressional committee, blasting CDU parliamentary foreign affairs spokesman Karl Lamers, for his attack, during the recent Wehrkunde defense gathering in Munich, on the American NMD project ("Bush Team Wants To Be 'Masters of the World,' " *EIR,* Feb. 16, 2001). Lamers has become the *bête noire* for many in the Bush milieu.

The State Department figure commented, that the Germans, and others in Europe who try to be nicey-nice to this new Administration, "will end up paying a price, I can assure you. The world will quickly get around in Washington, that these Europeans are an easy touch, and can be pushed around. The end result will be very messy."

Congressional Closeup by Carl Osgood

Bankruptcy Bill Slowed in Senate

In contrast to the lightning speed with which it passed the House, the so-called bankruptcy reform bill went to the Senate floor on March 8 at a much more sedate pace. The slowed pace is largely the result of a raft of amendments, mostly by Democrats, that, if adopted, would change the character of the bill as compared to the one which passed the House.

The most important of the nearly 100 amendments expected to be taken up would significantly weaken aspects of the bill that give creditors more power over debtors. One, sponsored by Paul Wellstone (D-Minn.), would exempt debtors from Chapter 13 who can demonstrate that their bankruptcy was the result of medical expenses. Wellstone noted that some 50% of personal bankruptcies are the result of major medical bills. He said the bill, as written, "will have a very harsh effect on a whole lot of people . . . who are not able to file Chapter 7, for whom bankruptcy law has been a safety net." He warned that the bill gives credit card companies a higher priority than medical expenses.

Republicans argued that Wellstone's amendment was unnecessary, and it was defeated by a vote of 65-34. The pattern was repeated for Democratic amendments dealing with predatory lending practices, protection of retirement savings, and issuance of credit cards to anyone under 21.

Republicans Repeal Ergonomics Rules

Four days before President Clinton left office, the Occupational Health and Safety Administration promulgated new workplace safety rules dealing with repetitive motion injuries. The rules were seized upon by Republicans as a new *cause célèbre* against Federal bureaucracy, and the result was the first use of the 1996 Congressional Review Act (CRA) by the Congress to disapprove Federal regulations. The vote in the Senate on March 7 was 56-44, and the House followed the next day by a vote of 222-198.

Republicans argued that the regulation was too long and too complicated, and that it would cost businesses up to $100 billion per year. Sen. Don Nickles (R-Okla.) said that the regulation would create a Federal workers compensation system that would supersede state systems.

Sen. Edward M. Kennedy (D-Mass.) argued that the President already has the authority to disapprove regulations and that using the CRA was unnecessary. He said that the process was being "rejected by those who want to overturn any opportunity to provide any protection for the millions of Americans who have been adversely impacted and injured by ergonomics injuries over the past several years." Democrats also argued that the Congressional disapproval would make it impossible for the Department of Labor to reconsider the issue of ergonomics, as Labor Secretary Elaine Chao has promised.

Democrats Declare that Bipartisanship Is Dead

Just hours before the House passed the first part of President Bush's tax cut on March 8, Minority Leader Richard Gephardt (D-Mo.) told reporters that the process by which the bill was passed was purely partisan. Despite Bush's calls for comity and bipartisanship, "this is more of the same that we have seen over the last six years," Gephardt said. "This is a continuation of a 'my way or the highway' leadership."

On the tax bill, Gephardt suggested that "a better thing would have been for the Republicans and the Democrats on the Ways and Means Committee to really carry out a normal process . . . and come up with something everybody could say is reasonable." He said that a compromise "would have sent a good signal to the American people that the climate here had changed." Unfortunately, he said, "that has not happened."

Gephardt's complaints were echoed by Sen. John Kerry (D-Mass.), on March 11 during an appearance on ABC's "This Week." When journalist Sam Donaldson asked Kerry if bipartisanship were dead, Kerry replied, "I think the appropriate question is, was it ever really alive?" He said that the bipartisanship "has been mostly rhetorical statements," and that the tone "has not really changed." He gave a list of recent votes which the GOP rammed through, including the John Ashcroft and Gale Norton nominations for Attorney General and Interior Secretary, respectively, and the workplace rules resolution. On the budget, he said, "there's really been no bipartisanship at all."

Domenici Introduces Bill on Nuclear Power

On March 7, Sen. Pete Domenici (R-N.M.) introduced a bill "to ensure that nuclear energy continues to contribute to the supply of electricity in the United States." The bill is a companion piece to one sponsored by Sen. Robert Byrd (D-W.V.), that addresses the use of coal in electricity generation. Domenici said that his bill "provides a comprehensive framework for ensuring that nuclear energy remains a strong option to meet our future needs." The bill's 11 co-sponsors include three Democrats.

Domenici warned that traditional U.S. leadership in the field of nuclear power generation is at risk. He noted that no new plants have been ordered in more than 20 years. He attributed some of this to the oil price shocks of the 1970s and the fears that followed in the wake of the Three Mile Island incident. "But," he said, "we also have allowed complex environmental reviews and regulatory stalemates to extend approval and construction times and to seriously undercut prospects for any additional plants. . . . We need concrete action to secure the nuclear option for future generations."

The bill has five major provisions. First, is programs to support existing plants. Second, the bill encourages the construction of new plants, using the latest technology, to include development of the needed regulatory framework. Third, the bill "has provisions to secure a level playing field for evaluation of nuclear energy relative to other energy sources." Fourth, the bill seeks other solutions to manage nuclear waste, and provides funding for a research project to study transmutation of spent fuel. The last provision provides "streamlining of Nuclear Regulatory Commission procedures and outdated statutory restrictions."

Feinstein Bill To Boost Access to AIDS Drugs

On March 6, Sen. Dianne Feinstein (D-Calif.) and Russell Feingold (D-Wisc.) introduced a bill to improve access to AIDS drugs for developing countries, primarily in Sub-Saharan Africa. The bill codifies an Executive Order issued by President Clinton last year, that was intended to make it easier for Sub-Saharan nations to procure affordable AIDS drugs. "Unless the United States takes a leadership role in recognizing that there is a moral obligation to put people over profits, the human devastation and social instability that has already begun in countries facing an AIDS crisis will grow to unfathomable levels," she said.

The bill provides specific measures to ensure that affordable AIDS drugs are available. It prohibits the government from seeking any revision of law in any country that promotes access to AIDS/HIV drugs. It also calls upon the World Health Organization and the UN AIDS program to "take the lead in organizing efficient procurement of compulsory licenses of pharmaceutical patents, active ingredients of drugs, and finished medications for countries that require them."

It also requires the Food and Drug Administration and the National Institutes of Health to develop a database for information on drugs, patent status, and treatment protocols to "assist healthcare providers . . . in providing the best care possible to all patients." The bill, however, provides very little money for the procurement of drugs or for the reconstruction of health care infrastructure, which is badly needed in Africa, especially.

"This legislation," Feinstein said, "is necessary to continue to assist the countries of the developing world to bring this deadly disease under control."

Leahy Reintroduces DNA Evidence Bill

On March 7, Sen. Pat Leahy (D-Vt.) reintroduced the Innocence Protection Act. He had first introduced the bill about one year ago, in the aftermath of Illinois Gov. George Ryan's (R) moratorium on executions in that state. Ryan's moratorium was motivated by the fact that more individuals had been freed from death row, for reason of innocence, than had been executed, since the reinstatement of the death penalty in 1976.

Leahy noted that since he first introduced the bill, administration of the death penalty has not improved. In fact, ten more innocent people have been freed, mostly as a result of post-conviction DNA testing. "And those were the 'lucky' ones," he said. "We simply do not know how many innocent people remain on death row, and how many may already have been executed."

The goal of the bill, Leahy said, is simple: "to reduce the risk of mistaken executions." To that end, the bill provides broader access to post-conviction DNA testing and also prevents the premature destruction of biological evidence "that could hold the key to clearing an innocent person or identifying the real culprit." Leahy praised the many states that have already moved on the issue, but many states have done so in ways "that will leave the vast majority of prisoners without access to DNA testing."

The second major provision of the bill addresses providing competent legal counsel for defendants in capital cases. Leahy said that current methods of selecting defense lawyers in death penalty cases "too often result in fundamental unfairness and unreliable verdicts." He added, "It is a sobering fact that in some areas of the nation, it is often better to be rich and guilty than poor and innocent." The bill calls for the creation of a Commission on Capital Representation to formulate standards for an effective system of representation. The bill also sets up block grants to states to provide additional resources for adequate counsel in death penalty cases.

Editorial

'Busholini' Rushes Toward Downfall

President George "Dubya" Bush, in his national tour to whiplash the Congress into immediate passage of his inflationary tax cut, has escalated into whiplashing the labor movement as well. The manner in which Bush made the escalation, combined with his rigid insistence on protecting the super-profits of the Texas-based energy conglomerates, shows Bush charging straight ahead toward both a Mussolini-styled fascist regime, and toward the early wreck of that regime in the swamp of economic depression.

The Ides of March are come. Lyndon LaRouche warned in his Jan. 3 webcast, that if Bush's nomination of John Ashcroft as Attorney General were not stopped, a swift transition from "conservative" to fascist would threaten, as the economy collapsed. LaRouche described how Hitler's first Chancellorship in Germany made that rapid transition, under depression conditions, between early January and late March 1933. He also forecast that by this Ides of March, "Dubya" would already be wrecking his administration on the rocks of the plunging U.S. economy.

In making a public, "campaign-style" declaration of war on the airline unions, Bush clearly intended to play to the image of Ronald Reagan's destruction of the air traffic controllers' union in 1981-82. It is a sign of the disastrous, underlying axioms of thinking which Bush shares with many American citizens, that he regards this as part of Reagan's "success." In economic policy, President Reagan "succeeded" only in hastening the ballooning of huge budget and trade deficits, junk bond and derivative disasters, and the deregulation and destruction of the U.S. industrial economy begun by Jimmy Carter and Paul Volcker. Bush senior, as President, further exacerbated that process.

But, "Dubya," inheriting an economic crisis of awful dimensions which he clearly does not want to understand, and basing his administration on the likes of Ashcroft's support, is repeating Reagan as a farce. He is stumping manically and mindlessly, to force through his inflationary tax cuts immediately, pass anti-industrial and anti-labor legislation, and now to use "emergency powers" to eliminate the right of the airline unions to strike against the constantly growing airline conglomerates. He is insisting on more radical deregulation of energy industries, which are already in an inflationary blowout because of deregulation.

The airline "emergency powers," announced by a "hyped-up" President in a North Dakota stump speech aimed against Senate Minority Leader Tom Daschle (D-S.D.), are a particularly ominous new step. Bush announced them as an arrogant "blank check" protecting the airlines against any and all future strike threats. There is clearly no threatened airline "strike emergency." Bush's announcement does not address the inadequacy of air traffic control facilities, the ongoing disappearance of once well-known airlines into the maw of the few remaining giants, or the escalation of fares. The sole purpose of the President's announcement was to "project power" against the Democratic opposition and the working population, power to ram through and/or "declare" measures which are worse than useless in the face of the economic collapse. (Bush's own political-financial links to Northwest Airlines, the immediate beneficiary of his "emergency order," are more than a footnote.)

The only useful thing the President could do in this crisis would be, in a sense, what Herbert Hoover finally did—to admit failure and to cooperate with a Democratic leadership guided in principle by FDR, to undo the damage of failed policies and rebuild the economy from the wreckage.

Bush will not do so willingly. What the Democrats must do, is accept the leadership of the one figure to whom this economic collapse is a complete vindication, and who represents the Rooseveltian path out of it—Lyndon LaRouche. In a March 21 webcast from Washington, "The First 60 Days," LaRouche made it clear how the Democratic Party has to fight, under his leadership, to cure "Busholini" of his illusions, and stop a complete economic disaster.